

MINUTES  
SENATE AND HOUSE INTERIM COMMITTEES ON INSURANCE AND COMMERCE  
JOINT INTERIM COMMITTEE ON ENERGY  
MEETING JOINTLY

Mid-South Community College, 2000 W. Broadway  
Marion Berry Center for Renewable Energy, Room 136  
West Memphis, Arkansas  
Wednesday, September 25, 2013

The Senate and House Interim Committees on Insurance and Commerce and the Joint Interim Committee on Energy met jointly, Wednesday, September 25, 2013, at 10:00 a.m., in the Marion Berry Center for Renewable Energy at Mid-South Community College in West Memphis, Arkansas.

**Insurance and Commerce Committee members present:** Senators Jason Rapert, Chair; Keith Ingram, Vice Chair; and Representatives Stephanie Malone, Darrin Williams, Henry “Hank” Wilkins, IV, Frederick Love, Reginald Murdock, and Harold Copenhaver.

**Non-Voting members present:** Representatives Douglas House, and Mark Lowery.

**Joint Committee on Energy members present:** Senators Linda Chesterfield, Chair; Eddie Joe Williams, and Ronald Caldwell. Representative Nate Bell.

**Alternates present:** Representatives Eddie L. Armstrong, John K. Hutchison.

**Also attending:** Senators Stephanie Flowers and Bill Sample. Representatives Deborah Ferguson, George B. McGill, Chris Richey, Scott Baltz, Charles Armstrong, Wes Wagner, Mary Lou Slinkard, Fred Smith, Stephen Meeks, Debra Hobbs, and Monte Hodges.

Representative Love called the meeting to order. Senator Rapert thanked the members for their attendance. Senator Chesterfield welcomed members and guests and thanked Mid-South Community College for hosting the meeting.

**CONSIDERATION TO APPROVE SENATE AND HOUSE INSURANCE AND COMMERCE SEPTEMBER 12, 2013, MINUTES** [EXHIBIT C]

**Senator Rapert made a motion to approve the September 12, 2013, meeting minutes, and Representative Copenhaver seconded the motion. The motion carried.**

**CONSIDERATION TO APPROVE JOINT ENERGY JUNE 19, 2013, MINUTES**

**Senator Chesterfield made a motion to approve the June 19, 2013, meeting minutes, and Senator Williams seconded the motion. The motion carried.** [EXHIBIT D]

**BIG RIVER STEEL UPDATE**

**Mr. John Correnti, Chairman and Chief Executive Officer, Big River Steel (BRS),** explained this is a \$1.1 billion project in Osceola, covering a 1400 acre site. Big River will employ 550 people with an average annual salary of \$75,000. Initially there will be 2000 construction jobs.

**Mr. David Stickler, Board Member, BRS,** noted the project is on track, and it will be the most environmentally-friendly steel facility in the world. The company will be hosting two seminars in October to provide information on how it selects its vendors and contractors and touch on the employment process. Those seminars will be October 16 in Little Rock and October 23 in Blytheville.

BRS is committed to spend no less than \$200 million locally throughout Arkansas. They are currently on track to have a ground-breaking this year. They have \$125 million in bonds underwritten through Arkansas Development Finance Authority with \$120 million in proceeds to BRS. They will know in the next 60-90 days if there are any hurdles that would delay the project, and they will keep the governor’s office informed.

Mr. Strickland noted they will have a training program set up with the community college for their needs. They encourage persons to get jobs with the subcontractors in the plant's construction and that could help in getting jobs with the company upon the plant's completion. High school educations, two years of community college education would be great. They will be looking for employees with a good work ethic.

#### **UPDATE ON HEALTH INSURANCE MARKETPLACE**

**[EXHIBITS H1,H2,H3, AND H4]**

**Mr. Jay Bradford, Commissioner, Ms. Zane Chrisman, Attorney Specialist, and Ms. Sandra Cook, Consumer Assistance Specialist, Arkansas Insurance Department,** were recognized. Mr. Bradford said that with the marketplace plans' rates being released Monday (9/23/13) the combination of tax credits and other subsidies involved, the department was quite pleased with the rates. Applicants for coverage will be asked if they smoke, number of people in their family, and family income. He noted their health history is not a factor, and this is a very important point.

Ms. Cook summarized the assistors' training programs consisting of three phases and the licensure process. Only the licensed agents will be able to sell insurance.

Mr. Bradford addressed a question regarding the Affordable Care Act (ACA) and Medicare. He noted the ACA stops at age 65 when Medicare takes over, and this will not disrupt a person's Medicare coverage. It will help, over time, shrink the "doughnut hole" in the costs of prescription drug coverage for those on Medicare.

#### **UPDATE ON MEDICAID EXPANSION/PRIVATE OPTION**

**Dr. Andy Allison, Director, Division of Medical Services, Arkansas Department of Human Services,** was recognized and said he remains confident that they will reach agreement with federal Centers for Medicare and Medicaid very soon on the "private option" Medicaid waiver. This will use Medicaid funding to purchase private insurance coverage. This is a truly innovative demonstration and has received incredible time and attention from the federal government. Dr. Allison said they hoped to have the waiver approved by October 1, but if it is not, they can still begin enrolling participants in the health insurance marketplace.

Representative S. Meeks questioned what will happen if the waiver is denied. Dr. Allison said if there is no waiver, there is no program. If that would happen, they will be ceasing and desisting and sending notices as rapidly as possible and not providing coverage under this program.

#### **SHALE GAS—IMPORTANCE TO ARKANSAS**

**[ATTACHMENT 1, PwrPt]**

**Mr. Danny Ferguson, Vice President, Government and Community Relations, Southwestern Energy Company (SWN),** was recognized. He stated there are many shale plays in the United States, which has created a 100-year gas supply, but there is also a lot of competition for drilling capital which wasn't there when the Fayetteville Shale first came online in 2004. There are twenty-five Arkansas counties which have either natural gas or oil production. Arkansas ranks 8<sup>th</sup> in the nation for gas production and 17<sup>th</sup> for oil production.

From 2008-2011, the Fayetteville Shale had an \$18.5 billion impact on Arkansas--one of the largest economic development projects the state has ever seen. It generated over 22,000 jobs, and the average salary of those in the oil and gas industry was \$74,555. There is a successful public/private partnership between SWN and the University of Arkansas Community College at Morrilton where students can now get a two-year associate degree in petroleum technology. SWN provided \$200,000 seed money to get the program started so their workforce can be locally educated and trained.

SWN has invested over \$9 billion in the Fayetteville Shale since 2004 and has 1300 employees. The company's budget is currently \$993 million, down from \$1.3 billion two-three years ago. Mr. Ferguson noted this is due to the price of gas.

**CONSIDERATION TO ADOPT FOR INTERIM STUDY**

**[EXHIBIT K]**

**Representative Lowery** was recognized for brief comments on Interim Study Proposal (ISP) 2013-167, *AN ACT TO ESTABLISH THE ARKANSAS INSURANCE FAIR CONDUCT ACT: AND FOR OTHER PURPOSES*.

**Representative Copenhaver made a motion to adopt ISP 2013-167 for study. The motion carried.**

**REVENUE REPORT**

**[HANDOUT 1]**

**Mr. Richard Wilson, Assistant Director for Research Services, Bureau of Legislative Research (BLR)**, speaking from the August 2013 Revenue Report, said gross general revenues of \$912 million have increased by 2.8%, or \$24.5 million, from the same time last year.

He noted (on the third page of the handout, numbered Page 1, the top line, right side) that half of the 7% growth rate of gross receipts tax for two months is due to sales tax audits.

Senator Rapert addressed the tax audit item noting that several companies related to the Fayetteville Shale are going out of business because the Department of Finance and Administration (DFA) did not inform them that they were supposed to be collecting sales taxes on certain things. Members of the Arkansas Fluid Transport Association, which are the truckers that haul liquid to disposal wells, are some of those affected. Some of these small companies were presented with bills for payments, due in arrears, for over \$1 million. Senator Rapert said it is interesting that DFA is now going to companies and charging them to collect sales taxes that no one had ever collected before on that business. He said one product which had not been addressed as “solid waste” before, is now. He noted this is an energy issue.

Senator Rapert asked the Bureau’s assistance to identify these companies and the amount of revenue collected from them. He asked Senator Chesterfield to have a Joint Energy meeting on this.

Mr. Wilson responded that he was not aware of this, and he would look into it.

Senator Williams further clarified that these are taxes that were not collected. These are companies that did not know to collect the taxes at the point-of-sale. He said there is no appeal process for these companies without going to court, and they need to be able to come to a legislative body for some recourse. He explained in the Fayetteville Shale, there was “liquid waste”, and then DFA says it is “solid waste—garbage”, and there should have been a tax collected on garbage disposal. DFA went back to the companies that never charged taxes for the disposal, and are asking them to pay it.

**PREPARING FOR UPCOMING FISCAL SESSION (to begin February 10, 2014)**

**[HANDOUT 2]**

**Mr. Kevin Anderson, Administrator, Budget and Fiscal Review, BLR**, was recognized. He noted that budget hearings will begin in January, and the fiscal session starts February 10, 2014.

There being no further business, the meeting adjourned at 12:10 p.m.