

MINUTES OF THE MEETING
OF THE
ARKANSAS LEGISLATIVE COUNCIL

Friday, September 19, 2014

The Arkansas Legislative Council met at 9:00 a.m., Friday, September 19, 2014 in Committee Room A of the Big Mac Building, Little Rock, Arkansas. Co-Chair Bill Sample called the meeting to order and recognized a quorum of members present. The members present are listed on the sign-in sheets.

Minutes of the Last Meeting

Co-Chair Sample referred the members to the minutes of the last Legislative Council meeting on August 8, 2014 (Exhibit C) and asked if there was a motion to approve the minutes. **Representative John Charles Edwards moved the adoption of the minutes of the Legislative Council meeting on August 8, 2014. The motion was seconded by Senator Bill Sample and passed by voice vote.**

Presentation of Revenue Reports

Co-Chair Sample recognized Richard Wilson, Assistant Director for Research Services with the Bureau of Legislative Research, to present the revenue reports. Mr. Wilson stated that he is presenting the Annual Revenue Report for fiscal year 2013-2014 and the August 2014 monthly revenue report.

Annual Revenue Report for 2013-2014

Mr. Wilson referred members to the Annual Revenue Report for fiscal year 2013-2014 (Exhibit D.1) and reported that the first page of the report lists gross revenue collection amounts and the percentage of growth over the last ten (10) years. Mr. Wilson noted that there was a negative percentage for fiscal years 2009 and 2010, which reflects the recession. Mr. Wilson stated the percentage for last year is less than half of one percent, which is artificially low, and that the percentage of the year before last is artificially high due to the income shifting. Mr. Wilson reported that the first page also lists collection amounts and the percentage of growth over the last thirty (30) years for gross income tax collections and gross sales and use tax collections. Mr. Wilson noted that the impact of the income shifting is reflected in the percentage of seven point four percent (7.4%) for 2012-2013 compared to the percentage of negative one point four percent (-1.4%) for 2013-2014. Mr. Wilson pointed out that the amount of sales and use tax collected per one penny (1¢) for a year is a little over \$486 million for the 2013-2014. He noted sales tax collections peaked at \$493 million in fiscal year 2007 and the collections have not yet caught up to that amount after seven (7) years.

Mr. Wilson reported that reflected on pages 2 through 4 of the annual report are all gross collections from all sources of general and special revenue, with the bottom line on page 4 showing general revenue collections at \$6.25 billion and about \$1.84 billion for special revenue for a total of \$8.1 billion. Mr. Wilson reported the adjusted net revenue is a little over \$5 billion for the year as shown

on page 5. Mr. Wilson reported that the amounts of general and special revenue distributions are shown on pages six through eight of the annual report. Mr. Wilson noted that it is good that the totals for the adjusted net revenue available for distribution shown on page 5 match the grand totals of all revenue distributions shown on page 8. The gross revenue collections and deductions for the current fiscal year as compared to the last fiscal year are shown on page 9 of the report, which shows the percentage of growth for each line item of deductions. A comparison of the general revenue distributions between fiscal year 2014 and fiscal year 2013 is shown on pages 10 and 11, with the far right column reflecting percentage of increase or decrease for each agency. On the last page of the report is a comparison of distributions for the Educational Excellence Trust Fund over the last two years. Mr. Wilson noted that the percentages in the far right column show an increase of a little over one percent (1%) for all of the listed institutions and this amount is dependent upon the previous years' sale and use tax growth. This concluded Mr. Wilson's annual report and he answered questions from the committee.

Monthly Revenue Report for August 2014

Mr. Wilson continued with the August 2014 revenue report (Exhibit D.2) and stated that after two months of fiscal year 2015, gross collections are two percent (2%) ahead at approximately \$19 million while the net available for distribution is only \$3.4 million ahead for a growth rate of less than one-half of one percent. Mr. Wilson noted that there is a bump in the individual income tax refunds of about \$4 million over the previous year and a large bump in the desegregation money that went from \$8 million in 2013-2014 to about \$18 million in 2014-2015. Mr. Wilson stated the total amount for the 12-month period will be the same per the settlement agreement, but it is an accelerated payment and affects the bottom line for the month.

Mr. Wilson stated that the graph shows net general revenues are \$2.5 million ahead of the official forecast. Mr. Wilson reported that the spreadsheet shows a negative growth rate for gross receipts at the beginning of the year, but also shows a seven percent (7%) growth rate in withholding tax to make about a five percent (5%) increase in income tax collections. This concluded Mr. Wilson's report for August 2014 and he answered questions from the committee.

Executive Subcommittee Report

Co-Chair Sample referred the members to the report of the Executive Subcommittee (Exhibit E) and recognized Co-Chair John Charles Edwards to present the report. Co-Chair Edwards reported that the Executive Subcommittee met on September 15, 2014 and discussed the RFP process for obtaining a network technology consultant to conduct an analysis of the K through 12 school districts' broadband capabilities and needs. Representative Edwards reported that two entities submitted proposals with only one responsive proposal from CT&T. Representatives from CT&T were present at the meeting and answered questions. Representative Edwards reported that a motion was passed to submit this contract to the Policy-Making Subcommittee for review and its recommendation to the full Legislative Council.

Representative Edwards reported that the subcommittee also heard a presentation from Senator Jimmy Hickey about a proposed lottery consultant services contract between Camelot Global Services (North America), Inc. and the Bureau of Legislative Research to provide a review of the business practices of the Arkansas Scholarship Lottery. Representative Edwards reported that a

motion was passed to submit this contract to the Policy-Making Subcommittee for review and its recommendation to the full Legislative Council.

Representative Edwards stated that there will be further discussion of these two contracts in conjunction with the Policy-Making Subcommittee Report and he asked that questions and comments on the contracts be held until the Policy-Making Subcommittee Report is presented.

Representative Edwards reported that the Executive Subcommittee discussed the existing policy regarding payment of per diem and mileage to members-elect in the same manner as members of the General Assembly who attend committee meetings after the general election on November 4, 2014. The subcommittee passed a motion to reaffirm and adopt this policy.

The final order of business before the Executive Subcommittee was the introduction of Tim Carlock who is the new Chief Information Officer for the Bureau of Legislative Research.

Representative John Charles Edwards moved that the report of the Executive Subcommittee be adopted. The motion was seconded and passed by voice vote.

Reports of the Standing Subcommittees

Administrative Rules and Regulations Subcommittee

Co-Chair Sample referred members to the report from the Administrative Rules and Regulations Subcommittee and recognized Senator Bruce Maloch to present the report of the Administrative Rules and Regulations Subcommittee (Exhibit F.1).

Senator Maloch reported that the Administrative Rules and Regulations Subcommittee met on September 10, 2014 and the report lists all the rules that were reviewed. Senator Maloch reported that one rule from the Department of Labor was held and rescheduled for review on October 6, 2014, to allow the parties to work out some issues on this rule. There were no questions on this report.

Senator Bruce Maloch moved that the report of the Subcommittee on Administrative Rules and Regulations be adopted. The motion was seconded and was passed by voice vote.

Game and Fish/State Police Subcommittee

Co-Chair Sample referred members to the report of the Game and Fish/State Police Subcommittee (Exhibit F.4) and recognized Senator Jon Woods to present the report. Senator Woods reported that the Game and Fish/State Police Subcommittee met with representatives of the Arkansas Game and Fish Commission on August 25, 2014 at the Charlie Craig State Fish Hatchery in Centerton and heard a presentation on the statewide fish hatchery system including an update on the construction of the Jim Hinkle/Spring River fish hatchery. Senator Woods reported that the subcommittee also met on August 26, 2014 at the Janet Huckabee Arkansas River Valley Nature Center in Fort Smith and heard an update on the Black Bear Program in Arkansas and viewed a live snake demonstration to educate people on the importance of snakes to the environment. There were no questions.

Senator Jon Woods moved that the report of the Subcommittee on Game and Fish/State Police Subcommittee be adopted. The motion was seconded and was passed by voice vote.

Performance Evaluation and Expenditure Review (PEER) Subcommittee

Co-Chair Sample recognized Senator Bruce Maloch to present the report of the Performance Evaluation and Expenditure Review (PEER) Subcommittee (Exhibit F.8). Senator Maloch reported that the PEER Subcommittee met on September 4, 2014 and approved the following items: a request from the Department of Human Services for set-aside funding in the amount of \$1.9 million; a request from the Arkansas State Crime Laboratory for set-aside funding in the amount of \$260,000; an appropriation transfer request from the Department of Workforce Services; and an appropriation transfer request from the State Police. Senator Maloch reported that all other items on the agenda were reviewed. There were no questions.

Senator Bruce Maloch moved that the report of the Performance Evaluation and Expenditure Review (PEER) Subcommittee be adopted. The motion was seconded and passed by voice vote.

Policy-Making Subcommittee

Co-Chair Sample referred members to the report of the Policy-Making Subcommittee (Exhibit F.9) and recognized Representative James Word to present the report of the Policy-Making Subcommittee. Representative Word reported that the Policy-Making Subcommittee met on September 18, 2014 and a quorum was present. Representative Word reported that the subcommittee discussed two consultant contracts. The subcommittee passed a motion to recommend approval of the contract between the Bureau of Legislative Research and CT&T, Inc. that is for a study of the broadband capabilities of all the public schools in the state.

Representative Word reported that the subcommittee also passed a motion to recommend approval of the consultant services contract between the Bureau of Legislative Research and Camelot Global Services (North America), Inc. for a review of the Arkansas Scholarship Lottery's business drivers, strategy and business planning, and organization and governance for the use of the Arkansas Lottery Commission Legislative Oversight Committee.

There followed a discussion of the contract for the study of broadband capabilities within the school districts during which Representative Jeremy Gillam was recognized and responded to several questions.

Senator Linda Chesterfield moved that the report of the Policy-Making Subcommittee be adopted. The motion was seconded and passed by voice vote.

Review Subcommittee

Co-Chair Sample referred members to the report of the Review Subcommittee (Exhibit F.10) and recognized Senator David Sanders to present the report. Senator Sanders reported that the Review Subcommittee met on September 3, 2014 and reviewed methods of finance, discretionary grants, and professional and consultant services contracts. Senator Sanders noted that the contract between the Department of Human Services, Medical Services Division and Qualis Health (see item 6 on page 6 of the report) was held and asked if a motion on this contract would be entertained.

Co-Chair Sample recognized Senator Irvin for a motion. **Senator Missy Irvin moved that the contract between the Department of Human Services, Medical Services Division and Qualis Health (item 6 on page 6 of the report) be referred back to the Review Subcommittee for review and that the actions of the Review Subcommittee with regard to that contract will be final.**

Co-Chair Sample recognized Representative Word who noted that the second contract concerning a review of the Lottery Commission had not been discussed during the presentation of the Policy-Making Subcommittee report and asked if action was needed on that contract. Co-Chair Sample responded that the motion by Senator Chesterfield that was passed by voice vote was to accept the report of the Policy-Making Subcommittee and thereby the recommendations to approve each of the contracts. Representative Word stated he wanted to make sure that the proper action had been taken in regard to the contracts.

Co-Chair Sample stated the motion now under consideration is the motion by Senator Irvin and he asked if there was a second to the motion.

The motion by Senator Missy Irvin that the contract between the Department of Human Services, Medical Services Division and Qualis Health (item 6 on page 6 of the report) be referred back to the Review Subcommittee for review and that the actions of the Review Subcommittee with regard to that contract will be final was seconded and passed by voice vote.

Senator David Sanders moved that the report of the Review Subcommittee be adopted. The motion was seconded and passed by voice vote.

Personnel Subcommittee

Co-Chair Sample recognized Senator Uvalde Lindsey to present the report of the Uniform Personnel Classification and Compensation Plan Subcommittee (Exhibit F.11). Senator Lindsey reported that the Uniform Personnel Classification and Compensation Plan Subcommittee met on September 17, 2014 and reviewed the following: the reports of grid movements and usage by multiple agencies; the provisional positions reports for higher education institutions; special entry rates for exceptionally well-qualified candidates; a request for one swap pool position; requests for growth pool positions; requests for new miscellaneous grant titles; and one request for a certification differential. The subcommittee also reviewed two reports for a reduction in force. There were no questions.

Senator Uvalde Lindsey moved that the report of the Uniform Personnel Classification and Compensation Plan Subcommittee be adopted. The motion was seconded and passed by voice vote.

Reports of Interim or Special Committees

Co-Chair Sample recognized Senator Uvalde Lindsey to present the annual report of the Arkansas Legislative Task Force on Autism (Exhibit G.1). Senator Lindsey reported that pursuant to statute the annual report of the Arkansas Legislative Task Force on Autism is submitted for the review and consideration of the Legislative Council. Senator Lindsey stated the report includes the activities and accomplishments of the task force that have occurred since the last report on September 1, 2013 through August 31, 2014. Senator Lindsey noted that the report also includes a short summary of the future goals and objectives of the task force. There were no questions.

Senator Uvalde Lindsey moved that the annual report of the Arkansas Legislative Task Force on Autism be adopted. The motion was seconded and passed by voice vote.

Review of Communications

Co-Chair Sample referred members to the communications listed as Exhibits H.1 through H.17 and stated that the only items which require action by the Legislative Council are Exhibit H.4, Exhibit H.7, and Exhibit H.17. Co-Chair Sample asked the members to indicate if they wished to discuss those items that do not require action. There was no discussion of the communications that did not require action by the committee.

Arkansas Development Finance Authority

Co-Chair Sample referred the members to the request from the Arkansas Development Finance Authority for the Legislative Council's review of the Program Fact Sheets, submitted pursuant to A.C.A. § 15-5-212(b) (Exhibit H.4a through H.4d) and recognized Mr. Chuck Cathey to explain the request. Mr. Cathey stated his name and that the program fact sheets concerned the activities of the bond guaranty program. Mr. Cathey stated that the first three program fact sheets were for the Winrock International Institute for Agricultural Development for re-funding of outstanding bonds for a savings for the agency; the Arkansas State Police Headquarters and Wireless Data Equipment Project which was a refunding of drivers' license revenue bonds for a savings for the agency; and the Methodist Family Health Projects which was for refunding outstanding bonds that were previously issued for a financial savings. The fourth program fact sheet is the first Amendment 82 project for Big River Steel in the amount \$125 million of general obligation bonds. There were two series; a \$75 million issue and a \$50,000 issue that are AA rated and which were issued at a very favorable rate. This project is set to have a ground-breaking on Monday. There were no questions.

Representative Edwards moved that the Program Fact Sheets, submitted by the Arkansas Development Finance Authority pursuant to A.C.A. § 15-5-212(b), be filed as reviewed. The motion was seconded and passed by voice vote.

Co-Chair Sample recognized Representative Debra Hobbs for a question, who asked that she be allowed an opportunity to ask questions regarding the contract with Camelot Global Services (North America), Inc.. Co-Chair Sample indicated he would allow this at a later time if Senator Hickey was available for questions.

Arkansas State Parks Division

Co-Chair Sample recognized Mr. Gregg Butts, Director of the Arkansas State Parks Division, to explain the request for the Legislative Council's advice concerning priority land acquisitions (Exhibit H.7), submitted by the Arkansas Division of State Parks pursuant to A.C.A. § 22-4-106. Mr. Butts came forward and stated that before the committee today are three priority land acquisitions for Arkansas State Parks: Logoly State Park; Pinnacle Mountain State Park; and Petit Jean State Park. Mr. Butts stated the first land acquisition is at Logoly State Park, the first environmental education park that is located in Columbia County in southwest Arkansas. Mr. Butts stated the land owner wishes to donate the land directly adjacent to the state park that consists of two tracts totaling approximately 12 acres, which are land-locked for the land owner. The acquisition of this property

would be important for the purpose of preserving habitats and providing more environmental education opportunities.

Mr. Butts explained that the second priority land acquisition is in Pinnacle Mountain State Park in Pulaski County and within the boundary of the City of Little Rock. Pinnacle Mountain State Park was established in the early 1970s and was envisioned as a green oasis in the midst of urban sprawl. The landowner approached the Division of State Parks offering to sell 247 acres directly adjacent to the southeast corner of the park. Mr. Butts stated that Pinnacle State Parks has a half a million visitors per year and this land acquisition would preserve more habitats and provide expanded opportunities for environmental education and recreation and outdoor activities.

Mr. Butts stated the last land acquisition is adjacent to the Petit Jean State Park in Conway County and is a wooded five-acre tract right next to the park superintendent's residence. Mr. Butts stated these acres would preserve habitats that are important to the park's mission.

Mr. Butts stated these proposed land acquisitions were given a favorable review by the Governor, the Department of Finance and Administration, and the State Parks, Recreation, and Travel Commission, and he then answered questions from the committee members.

Representative Edwards moved that the Legislative Council give favorable advice to the priority land acquisitions as presented. The motion was seconded and passed by voice vote.

Arkansas Department of Rural Services

Co-Chair Sample recognized John Andrews to present the request for the Legislative Council's approval of funding for Rural Community Development Grants and Fire Protection Grants for Cycle 1 of Fiscal Year 2015 (Exhibit H.14), submitted pursuant to Section 12 of Act 116 of the 2014 Fiscal Session. Mr. Andrews introduced himself as John Andrews, Director of the Department of Rural Services, and stated that the request before the committee is Cycle I for fiscal year 2015 disbursements under the Rural Community Grant Program. Mr. Andrews stated that eleven projects are recommended for funding for a total of \$92,131.59. Mr. Andrews answered questions from the committee members.

Senator Linda Chesterfield moved that the Legislative Council approve the disbursement of Cycle I grants for fiscal year 2015. The motion was seconded and passed by voice vote.

Discussion of Contract

At this point, Co-Chair Sample referred members to the contract with Camelot Global Services (North America), Inc. and recognized Representative Debra Hobbs for questions. There followed a discussion of the contract during which Senator Jimmy Hickey and Richard Wheeler, President of Camelot Global Services (North America), Inc. were recognized and answered questions from the committee.

During the discussion, the Bureau staff were asked to contact the Arkansas Lottery Commission staff to ask for information regarding the salaries and other overhead expenses of the Arkansas Lottery Commission staff and to inquire whether the Lottery Commission would wish to share in the cost of the study.

Adjournment

At 10:40 a.m., Representative Jane English moved that the meeting be adjourned as there is no further business to come before the Legislative Council.

Respectfully submitted,

ATTEST:

Senator Bill Sample
Co-Chair, Senate

Marty Garrity
Executive Secretary