

**MINUTES OF THE MEETING**  
**OF THE**  
**ARKANSAS LEGISLATIVE COUNCIL**

**Friday, December 18, 2015**

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The Arkansas Legislative Council met at 9:00 a.m., Friday, December 18, 2015, 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 November 20, 2015 meeting (Exhibit C) of the Legislative Council and asked if there was a motion to approve the minutes. **Representative Greg Leding moved that the minutes of the November 20, 2015 Legislative Council meeting be adopted. The motion was seconded and passed by voice vote.**

**Presentation of Revenue Report**

Co-Chair Sample recognized Richard Wilson, Assistant Director for Research Services with the Bureau of Legislative Research, to present the November 2015 revenue report prepared by the Bureau of Legislative Research (Exhibit D). Mr. Wilson reported that after five (5) months of this fiscal year, gross revenue collections are \$10.8 million ahead of the same period last year for a growth rate of four-tenths of one percent (0.4%) while net general revenue available for distribution is approximately \$900,000 for a growth rate of zero percent (0%). Mr. Wilson reported that the graph indicates revenues are about \$59 million above the official forecast. Mr. Wilson reported that the spreadsheet shows a growth rate of five point six percent (5.6%) for sales tax collections with negative numbers for income tax collections. This concluded the presentation of the November 2015 revenue report by Mr. Wilson and he answered questions from the committee members.

Recognition of Ms. June Barron

Co-Chair Sample stated he was taking a moment at this point to recognize Ms. June Barron with the Division of Legislative Audit, who will be retiring after thirty years of service. The members of the Legislative Council stood and applauded.

**Report of the Executive Subcommittee**

Co-Chair Sample recognized Co-Chair David L. Branscum to present the Report of the Executive Subcommittee (Exhibit E). Co-Chair Branscum reported that the Executive Subcommittee met on December 17, 2015 and heard from Senator Missy Irvin, Co-Chair of the Electronic Filing Systems for Campaign and Finance Reports Subcommittee, concerning extending the current deadline to present the subcommittee's report to the Legislative Council. The Executive Subcommittee passed a motion to extend the deadline for filing the subcommittee's report until March 31, 2016. This concluded the report and there were no questions.

**Co-Chair Branscum moved that the report of the Executive Subcommittee be adopted and 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 of the Administrative Rules and Regulations Subcommittee (Exhibit F.1) and recognized Representative Lane Jean to present the report. Representative Jean reported that the Administrative Rules and Regulations Subcommittee met on December 15, 2015 and reviewed all items on the agenda with the exception of a rule by Department of Arkansas Heritage, on the Arkansas Historical Marker Program that will be rescheduled for the January subcommittee meeting. This concluded the report and there were no questions.

**Representative Lane Jean moved that the report of the Subcommittee on Administrative Rules and Regulations be adopted and the motion was seconded and passed by voice vote.**

#### Performance Evaluation and Expenditure Review (PEER) Subcommittee

Co-Chair Sample recognized Representative David Meeks to present the report of the Performance Evaluation and Expenditure Review (PEER) Subcommittee (Exhibit F.8). Representative Meeks reported that the PEER Subcommittee met on December 15, 2015 and approved a request from the Arkansas State Police for a set-aside release of \$500,000 from the Rainy Day Funds to the Department of State Police Fund. Representative Meeks reported that all other items on the agenda were reviewed. This concluded the report and there were no questions.

**Representative David Meeks moved that the report of the Performance Evaluation and Expenditure Review (PEER) Subcommittee be adopted and the motion was seconded and passed by voice vote.**

#### Policy-Making Subcommittee

Co-Chair Sample recognized Representative George B. McGill to present the report of the Policy-Making Subcommittee (Exhibit F.9). Representative McGill reported that the Policy-Making Subcommittee met on December 17, 2015 and heard a request from the Joint Performance Review (JPR) Committee for an additional allocation of funds for per diem and mileage. Representative McGill reported that the Policy-Making Subcommittee passed a motion to defer action until more information can be obtained and to ask that the Policy-Making Subcommittee be authorized to give final approval on the issue at the next subcommittee meeting. This concluded the report and there were no questions.

**Representative George B. McGill moved that the report of the Policy-Making Subcommittee be adopted.**

**Co-Chair Sample recognized Representative Jon Eubanks who made a substitute motion to transfer \$24,666.19 to the Joint Performance Review Committee. The motion was seconded by Senator Joyce Elliott and passed by voice vote.**

Review Subcommittee

Co-Chair Sample referred members to the report of the Review Subcommittee (Exhibit F.10) and recognized Representative Jeff Wardlaw to present the report. Representative Wardlaw reported that the Review Subcommittee met on December 15, 2015 and reviewed a Department of Human Services rule that had been held from the November meeting. Representative Wardlaw reported that the Review Subcommittee passed an oral amendment to the contract between the Department of Human Services and eSystems, Inc., which is listed on page 17 of the report, and that all items on the agenda were reviewed.

**Representative Jeff Wardlaw moved that the report of the Review Subcommittee be adopted with the exception of the contract between the University of Arkansas for Medical Science (UAMS) and the Academy for Academic Leadership that is listed as item 7 on page 6 of the report and that this contract be referred back to the Review Subcommittee. The motion was seconded and passed by voice vote.**

Uniform Personnel Classification and Compensation Plan 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 December 16, 2015 and reviewed the following reports and requests: the report on special-entry rates for exceptionally well-qualified candidates; the report of grid movements based on previously-approved grid plans; the request for growth-pool positions for the Department of Agriculture and the Department of Finance and Administration; the request for establishment of a labor market special entry rate for the Department of Finance and Administration Alcohol Beverage Control Enforcement; the request from the Department of Finance and Administration for a salary adjustment for Kenneth Heroman; the request from the Department of Human Services for the continuation of the previously approved salary administration grid; the request from the Department of Human Services, Division of Medical Services for pool positions from the OPM Central Growth Pool and a new classification for IT Senior Project Manager; a request from the Department of Human Services for a special entry rate for an exceptionally well-qualified applicant; and a request for a new classification of DIS IT Chief Operating Officer was approved based on staff recommendation. This concluded the report and there were no questions.

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

Lottery Oversight Subcommittee

Co-Chair Sample recognized Senator Jimmy Hickey to present the report of the Lottery Oversight Subcommittee (Exhibit F.12). Senator Hickey reported that the Lottery Oversight Subcommittee met on December 17, 2015 and reviewed and approved a rule from the Department of Finance and Administration, Office of the Lottery concerning Arkansas Lottery Scholarship retailers.

Senator Hickey reported that the subcommittee also heard recommendations from the Department of Higher Education concerning the Arkansas Academic Challenge Scholarship Program, which proposes an evaluation and analysis of the scholarship eligibility requirements with three principles in mind:

(1) the eligibility requirements should be based on data analysis of success rates for past scholarship recipients; (2) the scholarship program design should allow for flexibility in amount of awards in response to fluctuations in lottery proceeds; and (3) the scholarship program should be reviewed in conjunction with other state financial aid programs to ensure that college affordability combined with student performance is a priority.

Senator Hickey reported that the Lottery Oversight Subcommittee also submits the following findings and recommendations: (1) the Arkansas Lottery Oversight Subcommittee should ensure that Camelot Global develops a sufficient and adequate business plan that would increase revenue and improve operating efficiencies for the Arkansas Lottery Scholarship; (2) the Arkansas Lottery Oversight Subcommittee should provide oversight of the Office of the Lottery's implementation of the business plan developed by Camelot Global; and (3) the Arkansas Lottery Oversight Subcommittee should continue to monitor the funds availability to guarantee the Arkansas Academic Challenge Scholarship remains solvent within its parameters. This concluded the report and there were no questions.

**Senator Jimmy Hickey moved that the report of the Lottery Oversight Subcommittee be adopted and the motion was seconded and passed by voice vote.**

### **Reports of Interim or Special Committees**

Co-Chair Sample referred members to the report of the Electronic Filing Systems for Campaign and Finance Reports Subcommittee of the Legislative Council (Exhibit G.1) and recognized Representative Jon Eubanks to present the report. Representative Eubanks reported that the Electronic Filing Systems for Campaign and Finance Reports Subcommittee met on Monday, December 14, 2015 and reports the following subcommittee actions: a discussion of campaign finance electronic filing systems in other states and a demonstration of some of these websites; a discussion of the security and authentication in electronic filing systems; a discussion of requesting electronic filing software systems vendors to attend the next subcommittee meeting; and a discussion of requesting an extension for submitting the subcommittee recommendations to the Legislative Council. This concluded the report and there were no questions. Co-Chair Sample thanked Representative Eubanks for his report and noted that no action by the Legislative Council was required for this report.

### **Review of Communications**

Co-Chair Sample referred members to the communications listed as Exhibit H.1 through Exhibit H.13 on the agenda and noted that there are only two items that require action by the Legislative Council: the request from the Arkansas Public Employees Retirement System for review of investments (Exhibit H.4); and two requests from the Arkansas Teacher Retirement System for review of investments (Exhibit H.6a and Exhibit H.6b).

#### Arkansas Public Employees Retirement System

Co-Chair Sample recognized Ms. Gail Stone, Executive Director of the Arkansas Public Employees Retirement System (APERS), and Mr. Carlos Borromeo, the Chief Investment Officer for the Arkansas Public Employees Retirement System. Ms. Stone introduced herself and Mr. Borromeo and explained the request is for the Legislative Council's review of two (2) contracts under Arkansas Code § 19-11-1302, which are with LaSalle Income and Growth Fund VII, L.P.; and the Realty Associates Fund XI UTP, L.P. (Exhibit H.4).

Ms. Stone explained the Arkansas Public Employees Retirement System currently does business with these two value-added real estate funds, but the funds have closed and are opening new funds that will close at the end of next year, in which the Arkansas Public Employees Retirement System is seeking to invest. Ms. Stone explained that these two companies are value-added real estate funds, which take property and fix and re-tenant the property and put them back on the marketplace for a substantial gain, which the retirement system has witnessed. There were no questions following the explanation of the request.

**Co-Chair Branscum moved that the Legislative Council file as reviewed the investments by the Arkansas Public Employees Retirement System with LaSalle Income and Growth Fund VII, L.P.; and the Realty Associates Fund XI UTP, L.P. and the motion was seconded and passed by voice vote.**

#### Arkansas Teacher Retirement System

Co-Chair Sample recognized Mr. Rod Graves, with the Arkansas Teacher Retirement System (ATRS), who introduced himself and explained there are several investments for the review of the Legislative Council today.

Mr. Graves explained that first for the Legislative Council's retrospective review is the partial equity ownership investment in the ATRS/FP Private Equity Fund, L. P. (formerly Franklin Park Co-Investment Fund, L. P.), which is submitted as an imminent need investment pursuant to A.C.A § 19-11-1303 (Exhibit H.6a). Mr. Graves described this investment as annual renewal fund that the ATRS has been involved with for a number of years and which is an open-ended fund that allows for additional commitments.

**Co-Chair Branscum moved that the Legislative Council file as reviewed the Arkansas Teacher Retirement System partial equity ownership investment in the ATRS/FP Private Equity Fund, L. P. (formerly Franklin Park Co-Investment Fund, L. P.) and the motion was seconded and passed by voice vote.**

Mr. Graves explained that next for the Legislative Council's review are the partial equity ownership investments, submitted pursuant to A.C.A § 19-11-1302 (Exhibit H.6b), with the following:

- 1) DW Healthcare Partners IV, L.P.;
- 2) PineBridge Structured Capital Fund III, L.P.;
- 3) Thoma Bravo Discover, L.P.;
- 4) Franklin Park Venture Fund Series 2016, L.P.;
- 5) Franklin Park International Fund 2016, L.P.; and
- 6) Metropolitan Real Estate Partners Secondaries and Co-Investments Fund.

Mr. Graves explained several of these investments are annual renewals of current funds with which the ATRS invests. Mr. Graves stated ATRS is seeking to invest in the next fund in a series with DW Healthcare Partners IV, L.P., which is a private-equity investment in which the ATRS has previously invested and which is a closed-end investment. The prior investment in fund three has so far generated a net IRR of around thirteen point four percent (13.4%). Mr. Graves described the ATRS investment with PineBridge Structured Capital Fund III, L.P. as a new private equity manager that specializes in small, mid-market mezzanine debt and preferred equity, or essentially, investments with contractual coupons attached to them that targets a net IRR of sixteen percent (16%). Mr. Graves described Thoma Bravo Discover, L.P. as a private-equity investment fund that specializes in small to mid-

market software companies and private funds managed by this manager have an average net rate of return of thirty-eight percent (38%) prior to 2014. Mr. Graves stated the next two investments are with Franklin Park Venture Fund Series 2016, L.P. and Franklin Park International Fund 2016, L.P. that are essentially annual renewals. Mr. Graves described the final investment with Metropolitan Real Estate Partners Secondaries and Co-Investments Fund as a real-estate fund that allows for direct real estate investments, or essentially co-investments, alongside the real-estate fund manager.

**Co-Chair Branscum moved that the Legislative Council file as reviewed the Arkansas Teacher Retirement System partial equity ownership investments with the following:**

- 1) DW Healthcare Partners IV, L.P.;**
- 2) PineBridge Structured Capital Fund III, L.P.;**
- 3) Thoma Bravo Discover, L.P.;**
- 4) Franklin Park Venture Fund Series 2016, L.P.;**
- 5) Franklin Park International Fund 2016, L.P.; and**
- 6) Metropolitan Real Estate Partners Secondaries and Co-Investments Fund.**

**The motion was seconded and passed by voice vote.**

### **Adjournment**

At 9:30 a.m., the meeting was adjourned as there was no further business to come before the Legislative Council.

Respectfully submitted,

ATTEST:

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Senator Bill Sample  
Co-Chair, Senate

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Marty Garrity  
Executive Secretary