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EXHIBIT B1

Revised May 2023

QUESTIONNAIRE FOR FILING PROPOSED RULES WITH THE ARKANSAS LEGISLATIVE COUNCIL

DEPARTMENT Shared Administrative Services, Employee Benefits Division
BOARD/COMMISSION ______
BOARD/COMMISSION DIRECTOR EBD Director: Grant Wallace
CONTACT PERSON Jessica Patterson
ADDRESS 501 Woodlane, Suite 101-N
PHONE NO. (501) 680-5403 **EMAIL** jessica.patterson@arkansas.gov
NAME OF PRESENTER(S) AT SUBCOMMITTEE MEETING
Jessica Patterson and Grant Wallace
PRESENTER EMAIL(S) jessica.patterson@arkansas.gov, grant.wallace@arkansas.gov

INSTRUCTIONS

In order to file a proposed rule for legislative review and approval, please submit this Legislative Questionnaire and Financial Impact Statement, and attach (1) a summary of the rule, describing what the rule does, the rule changes being proposed, and the reason for those changes; (2) both a markup and clean copy of the rule; and (3) all documents required by the Questionnaire.

If the rule is being filed for permanent promulgation, please email these items to the attention of Rebecca Miller-Rice, miller-ricer@blr.arkansas.gov, for submission to the Administrative Rules Subcommittee.

If the rule is being filed for emergency promulgation, please email these items to the attention of Director Marty Garrity, garritym@blr.arkansas.gov, for submission to the Executive Subcommittee.

Please answer each question completely using layman terms.

****

1. What is the official title of this rule?
Department of Shared Administrative Services, Employee Benefits Division Rules Governing Voluntary Products

2. What is the subject of the proposed rule? Implementation of the Independent Vendor Data Audit Process

3. Is this rule being filed under the emergency provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☑

If yes, please attach the statement required by Ark. Code Ann. § 25-15-204(c)(1).

If yes, will this emergency rule be promulgated under the permanent provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☐

4. Is this rule being filed for permanent promulgation? Yes ☑ No ☐

If yes, was this rule previously reviewed and approved under the emergency provisions of the Arkansas Administrative Procedure Act? Yes ☐ No ☑

If yes, what was the effective date of the emergency rule? ______________________________

On what date does the emergency rule expire? ______________________________________

5. Is this rule required to comply with a *federal* statute, rule, or regulation? Yes ☐ No ☑

If yes, please provide the federal statute, rule, and/or regulation citation.

6. Is this rule required to comply with a *state* statute or rule? Yes ☑ No ☐

If yes, please provide the state statute and/or rule citation.

Act 956 of 2025

7. Are two (2) rules being repealed in accord with Executive Order 23-02? Yes ☐ No ☑

If yes, please list the rules being repealed.
If no, please explain.

The department has already repealed all unnecessary rules. This rule is required by Act 956 of 2025.

8. Is this a new rule? Yes ☑ No ☐

Does this repeal an existing rule? Yes ☐ No ☑
If yes, the proposed repeal should be designated by strikethrough. If it is being replaced with a new rule, please attach both the proposed rule to be repealed and the replacement rule.

Is this an amendment to an existing rule? Yes ☐ No ☑
If yes, all changes should be indicated by strikethrough and underline. In addition, please be sure to label the markup copy clearly as the markup.

9. What is the state law that grants the agency its rulemaking authority for the proposed rule, outside of the Arkansas Administrative Procedure Act? Please provide the specific Arkansas Code citation(s), including subsection(s).

Ark. Code Ann. § 21-5-425 (Act 956 of 2025)

10. Is the proposed rule the result of any recent legislation by the Arkansas General Assembly?
Yes ☑ No ☐

If yes, please provide the year of the act(s) and act number(s).

Act 956 of 2025

11. What is the reason for this proposed rule? Why is it necessary?

These rules implement Act 956 of 2025, which require an independent audit process to verify the accuracy of data provided to vendors.

12. Please provide the web address by which the proposed rule can be accessed by the public as provided in Ark. Code Ann. § 25-19-108(b)(1).

https://sas.arkansas.gov/employee-benefits/about-us/ebd-rules/

13. Will a public hearing be held on this proposed rule? Yes ☑ No ☐

If yes, please complete the following:

Date: July 2, 2026

Time: 1:30 pm

Place: Timberlands-1, GS-05 meeting room, 501 Woodlane Avenue, Little Rock, AR 72201

Please be sure to advise Bureau Staff if this information changes for any reason.

14. On what date does the public comment period expire for the permanent promulgation of the rule? Please provide the specific date. July 14, 2026

15. What is the proposed effective date for this rule? August 2026

16. Please attach (1) a copy of the notice required under Ark. Code Ann. § 25-15-204(a)(1) and (2) proof of the publication of that notice.

17. Please attach proof of filing the rule with the Secretary of State, as required by Ark. Code Ann. § 25-15-204(e)(1)(A).

18. Please give the names of persons, groups, or organizations that you anticipate will comment on these rules. Please also provide their position (for or against), if known.

None.

19. Is the rule expected to be controversial? Yes ☐ No ☑

If yes, please explain.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY.

DEPARTMENT Shared Administrative Services, Employee Benefits Division
BOARD/COMMISSION
PERSON COMPLETING THIS STATEMENT Jessica Patterson
TELEPHONE NO. (501) 680-5403 **EMAIL** jessica.patterson@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the Financial Impact Statement and email it with the questionnaire, summary, markup and clean copy of the rule, and other documents. Please attach additional pages, if necessary.

TITLE OF THIS RULE Department of Shared Administrative Services, Employee Benefits Division, Independent Vendor Data Audit Process

1. Does this proposed, amended, or repealed rule have a financial impact?
   Yes ☑ No ☐

2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
   Yes ☑ No ☐

3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☑ No ☐

   If no, please explain:

   (a) how the additional benefits of the more costly rule justify its additional cost;

   (b) the reason for adoption of the more costly rule;

   (c) whether the reason for adoption of the more costly rule is based on the interests of public health, safety, or welfare, and if so, how; and

   (d) whether the reason for adoption of the more costly rule is within the scope of the agency's statutory authority, and if so, how.

4. If the purpose of this rule is to implement a *federal* rule or regulation, please state the following:

   (a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year

General Revenue_______________

Federal Funds_________________

Cash Funds___________________

Special Revenue_______________

Other (Identify)_______________

Total_________________________

Next Fiscal Year

General Revenue_______________

Federal Funds_________________

Cash Funds___________________

Special Revenue_______________

Other (Identify)_______________

Total_________________________

(b) What is the additional cost of the state rule?

Current Fiscal Year

General Revenue_______________

Federal Funds_________________

Cash Funds___________________

Special Revenue_______________

Other (Identify)_______________

Total_________________________

Next Fiscal Year

General Revenue_______________

Federal Funds_________________

Cash Funds___________________

Special Revenue_______________

Other (Identify)_______________

Total_________________________

5. What is the total estimated cost by fiscal year to any private individual, private entity, or private business subject to the proposed, amended, or repealed rule? Please identify those subject to the rule, and explain how they are affected.

Current Fiscal Year

$0___________

Next Fiscal Year$_______

$0_______________

6. What is the total estimated cost by fiscal year to a state, county, or municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

$_________________

Next Fiscal Year

$_________________

The estimated yearly fiscal cost is between $0-$200,000. While it is unlikely that the yearly fiscal cost will exceed $100,000, a written findings is being submitted simultaneously to this financial impact statement.

There could be a significant variance in cost depending on the year. The main factors in the fiscal impact of these rules depend on (1) how many bills in a legislative session impact EBD; (2) how many fiscal impact statements or data for fiscal impact statements are needed from EBD vendors, and (3) subsequently, how many audits are

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars ($100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined? See attached Written Findings.

Yes ☑ No ☐

If yes, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

(1) a statement of the rule's basis and purpose;

(2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;

(3) a description of the factual evidence that:
(a) justifies the agency's need for the proposed rule; and
(b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;

(4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

(5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

(6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and

(7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
(a) the rule is achieving the statutory objectives;
(b) the benefits of the rule continue to justify its costs; and
(c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Employee Benefits Division: Rules Implementing the Independent Vendor Data Audit Process

Written Findings:

It is unlikely that the cost or obligation of the state will exceed $100,000 yearly, but the actual cost is unable to be determined. Because EBD is able to determine what data is subject to an audit, and because it is not mandatory for audits to be performed on data submitted for every fiscal impact statement, costs will likely remain under $100,000. However, because audits will be conducted and billed on an hourly basis, whether costs exceed $100,000 depends on how many audits are performed each year and how extensive each audit is.

(1) a statement of the rule's basis and purpose;

- These rules implement Act 956 of 2025, which require an independent audit process to verify the accuracy of data provided to vendors.

(2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;

- See above. Required by statute.

(3) a description of the factual evidence that:

(a) justifies the agency's need for the proposed rule; and

(b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;

- N/A. Required by statute.

(4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

- There are no less costly alternatives. Required by statute.

(5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

- N/A.

(6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and

- No existing rules have created or contributed to the problem.

(7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:

(a) the rule is achieving the statutory objectives;

(b) the benefits of the rule continue to justify its costs; and

(c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

EBD will conduct a review every other year to analyze the costs associated with the rule after it becomes effective. Once EBD obtains results on how many audits are performed each fiscal and general session, it can determine if the costs associated with the independent audits of the vendor data are justified. Because the rule is being promulgated pursuant to the requirements of Ark. Code Ann. § 21-5-425, it will be unable to be repealed unless the statute is repealed. Based on the review of overall costs, EBD will be able to determine whether any amendments are available to reduce costs.

Stricken language would be deleted from and underlined language would be added to the Code of Arkansas Rules.

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Proposed Rulemaking

~~Title~~Rules Implementing the Independent Vendor Data Audit Process

Promulgated by: Department of Shared Administrative Services, Employee Benefits Division

Title 21 Public Officers and Employees

Chapter VI. Employee Benefits Division, Department of Shared Administrative Services

Subchapter A. Generally

Part 51. Independent Vendor Data Audit Process

21 CAR § 51-101. Title.

This part shall be known as the Employee Benefits Division, Department of Shared Administrative Services, Independent Vendor Data Audit Process.

21 CAR § 51-102. Purpose.

The purpose of this part is to implement the requirement for an independent audit process to verify the accuracy of data provided by vendors as required by Act 956 of 2025.

21 CAR § 51-103. Definitions.

As used in this part:

(a) "EBD" means the Employee Benefits Division of the Department of Shared Administrative Services; and

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(b) "IAP" means a comprehensive independent audit process to verify the accuracy of data provided by vendors to EBD.

21 CAR § 51-104. Contract Requirements.

(a) A vendor contracting with EBD where a fiscal impact is required shall agree to verify the accuracy of all data provided to the State.

(b) All vendors contracting with EBD must agree to an IAP as a condition of the contract award.

(c) EBD shall not contract with any vendor that refuses to submit to an independent audit process for data verification purposes.

21 CAR § 51-105. Independent Audit Process.

The Director of EBD shall implement the requirement of an IAP to verify the accuracy of vendor-provided data. The director may request any vendor to submit an IAP at any time during the contract period.

21 CAR § 51-105. Penalties for Inaccurate Data.

(a) A vendor that is found through an IAP to have provided inaccurate data shall be subject to civil penalties as required by law, including Act 956 of 2025.

(b) A vendor providing inaccurate data may also face loss of licensure or authorization to operate in this state.

DEPARTMENT OF SHARED ADMINISTRATIVE SERVICES, EMPLOYEE BENEFITS DIVISION

<u>SUBJECT</u>: Independent Vendor Data Audit Process, 21 CAR pt. 51

<u>DESCRIPTION</u>: Act 956 of 2025 requires the Employee Benefits Division within the Department of Shared Administrative Services to develop and implement an independent audit process ("IAP) to verify the accuracy of data that vendors provide to EBD.

21 CAR § 51-104 requires that a vendor contracting with EBD, where a fiscal impact is required, agree to verify the accuracy of all data provided to the State; that all vendors contracting with EBD must agree to an IAP as a condition to contract award; and that EBD cannot contract with any vendor that refuses to submit to the independent audit process.

21 CAR § 51-105 requires the Director of EBD to implement the requirement of an IAP to verify the accuracy vendor-provided data, and the Director may request any vendor to submit to an IAP at any time during the contract period.

21 CAR § 51-106 requires vendors that are found through an IAP to have provided inaccurate data be subject to civil penalties as required by law, including Act 956 of 2025, as well as potential loss of licensure or authorization to operate in this state.

<u>PUBLIC COMMENT</u>: A public hearing was held on July 2, 2026. The public comment period expired on July 14, 2026. The agency indicated that it did not receive any public comments.

Camille Fleming, an attorney with the Bureau of Legislative Research, asked the following questions:

1. **QUESTION**. 21 CAR § 51-104. Will the stipulation that a vendor must submit to an independent audit for data verification purposes be included in any RFP and RFQ applications, or other similar applications, or will this requirement first be mentioned in the contract? **RESPONSE**: Yes, we will make it a part of future RFP/RFQ's as a requirement. For a little more clarification, the initial solicitation document will become a part of the contract itself — so vendors will be made aware of it in the initial posting of the solicitation, and then that document will also be a part of the signed contract.

2. **QUESTION**. Will this independent audit process be conducted by EBD or will EBD contract with a third party that will conduct the audits on behalf of EBD? **RESPONSE**: EBD will contract with an independent third party that will conduct the audits on behalf of EBD.

<u>FINANCIAL IMPACT</u>: The agency indicated that this rule has a financial impact. With respect to the total estimated cost by fiscal year to a state, county, or municipal government to implement the rule, the agency indicated:

> The estimated yearly fiscal cost is between $0-$200,000. While it is unlikely that the yearly fiscal cost will exceed $100,000, a written findings is being submitted simultaneously to this financial impact statement.
>
> There could be a significant variance in cost depending on the year. The main factors in the fiscal impact of these rules depend on (1) how many bills in a legislative session impact EBD; (2) how many fiscal impact statements or data for fiscal impact statements are needed from EBD vendors, and (3) subsequently, how many audits are conducted based on that data pursuant to Act 956 and these rules. Because Act 956 and these rules are permissive, the cost to the state will depend on how many audits are conducted.

The agency indicated that there could be a new or increased cost or obligation of at least $100,000 per year to a private individual, private entity, private business, state government, county government, municipal government, or to two or more of those entities combined. Accordingly, the agency provided the following written findings:

> It is unlikely that the cost or obligation of the state will exceed $100,000 yearly, but the actual cost is unable to be determined. Because EBD is able to determine what data is subject to an audit, and because it is not mandatory for audits to be performed on data submitted for every fiscal impact statement, costs will likely remain under $100,000. However, because audits will be conducted and billed on an hourly basis, whether costs exceed $100,000 depends on how many audits are performed each year and how extensive each audit is.

(1) a statement of the rule's basis and purpose;
These rules implement Act 956 of 2025, which require an independent audit process to verify the accuracy of data provided to vendors.

(2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
See above. Required by statute.

(3) a description of the factual evidence that:
(a) justifies the agency's need for the proposed rule; and
(b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
N/A. Required by statute.

(4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
There are no less costly alternatives. Required by statute.

(5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
N/A.

(6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
No existing rules have created or contributed to the problem.

(7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
(a) the rule is achieving the statutory objectives;
(b) the benefits of the rule continue to justify its costs; and
(c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.
EBD will conduct a review every other year to analyze the costs associated with the rule after it becomes effective. Once EBD obtains results on how many audits are performed each fiscal and general session, it can determine if the costs associated with the independent audits of the vendor data are justified. Because the rule is being promulgated pursuant to the requirements of Ark. Code Ann. § 21-5-425, it will be unable to be repealed unless the statute is repealed. Based on the review of overall costs, EBD will be able to determine whether any amendments are available to reduce costs.

The proposed effective date is pending legislative review and approval.

LEGAL AUTHORIZATION: The director of the Employee Benefits Division shall administer Arkansas Code § 21-5-401 et seq., which is the subchapter of the Arkansas Code that concerns the State and Public School Life and Health Insurance Program, and the rules and orders of the State Board of Finance. *See* Arkansas Code § 21-5-406(d). The director shall promulgate rules to implement Arkansas Code § 21-5-425, which concerns rules, civil penalties, and the independent audit process for the verification of data of vendors for the State Public School Life and Health Insurance Program. *See* Arkansas Code § 21-5-425(e).

This rule implements Acts 2025, No. 956, sponsored by Senator Kim Hammer, which required a vendor that contracts with the Employee Benefits Division to submit data for verification by an independent audit and imposed a civil penalty on a vendor that provides inaccurate data.