

DRAFT MINUTES
SENATE INTERIM COMMITTEE ON INSURANCE AND COMMERCE
World Trade Center, 3300 Market Street, Suite 400, Rogers, Arkansas
Friday, October 3, 2014

The Senate Interim Committee on Insurance and Commerce met Friday, October 3, 2014, at 10:00 a.m., at the World Trade Center in Rogers, Arkansas.

Committee members present: Senators Jason Rapert, Chair; and Jon Woods.

Other legislators present: Senators Jeremy Hutchinson and Uvalde Lindsey. Representatives Bob Ballinger, David Branscum, Les Carnine, Jim Dotson, Dan Douglas, Mary Slinkard, and Sue Scott.

Senator Rapert called the meeting to order.

OVERVIEW OF ARKANSAS WORLD TRADE CENTER

Mr. W. Dan Hendrix, President and Chief Operating Officer, Arkansas World Trade Center (WTC), [PwrPoint Presentation] stated the mission of the WTC is to connect Arkansas to the world by providing international trade services to Arkansas companies, agricultural producers and entrepreneurs, and by educating students in global commerce. The global network started in 1969 out of the New York, New Jersey port authority. Currently there are approximately 340 WTCs in over 110 countries. The WTC partners are the U.S. Department of Commerce, Arkansas Export Assistance Center, Arkansas Economic Development Commission(AEDC), Local and State Chambers of Commerce, Delta Center for Economic Development, and Northwest Arkansas Council.

Over 50,000 Arkansans are employed by companies that are exporters, as nearly \$7 billion in manufactured goods were exported in 2013; \$3 billion with free trade agreement agents (FTA) partners. Fayetteville-Springdale-Rogers exported \$699 million in 2013, an increase of 5%.

Mr. Hendrix stated the WTC has an annual budget of approximately \$800,000, and has the following external funding:

- Economic Development Administration Grant - \$160,000
- Arkansas Economic Development Commission - \$50,000
- Appropriation Request Arkansas Department of Higher Education - \$250,000
- Walton Family Charitable Support Foundation- \$5 million
- 4.6% usable funds generated annually
- Hunt Ventures - \$147,336 annually [building space]
- Event Revenue for FY 2013 - \$6,304

He stated there will be future trade missions with Malaysia, Ghana, Corte d'Ivoire, Panama, Brazil, China, and Chile.

Senator Rapert asked what the legislature can do to assist the WTC continue its vision.

Mr. Hendrix replied that general improvement funds help, receiving the appropriation through higher education, and continued support by identifying constituents which can benefit from WTC services.

NORTHWEST ARKANSAS CHAMBER OF COMMERCE UPDATES – PANEL DISCUSSION

Mr. Wayne Mays, President and Chief Executive Officer, Siloam Springs Chamber of Commerce, moderated the panel and stated the chambers' focus is on recruiting industries, corporate headquarters, companies, families, entrepreneurs, and young professionals to keep the balance between growth and quality of life.

He noted in 2012 the Smithsonian Magazine ranked Siloam Springs as one of the best small towns in America and home to John Brown University. Approximately 40% of Siloam Springs' workforce is from northeast Oklahoma, and a majority are members of the Cherokee Nation.

Mr. Bill Rogers, Vice President for Communications and Special Projects, Springdale Chamber of Commerce, was recognized and noted Springdale is ranked 6th fastest growing city in the United States; 10th in job growth; top 50 in income and educational growth.

He stated the emphasis in job creation has resulted in the expansion of existing manufacturing companies such as NanoMech, with an increase in jobs, but higher paying jobs. An investment in infrastructure has produced new retail such as the Walmart Supercenter. A \$71 million bond will assist in building parks, fire stations, and streets all geared toward driving economic development. The education component is a \$26 million "Race to the Top" grant awarded in December 2013, which allows the district to be the largest and to make remarkable innovative approaches to education. The Springdale School of Innovation opened this fall with approximately 200 eighth graders and will grow one grade level each year, adding 200-250 students each year. They will have the opportunity to graduate from high school with an associate's degree.

Mr. Steve Cox, Director, Economic Development, Rogers/Lowell Chamber of Commerce, stated Northwest Arkansas was ranked 2nd as the most recession-proof metro area in the United States. Since January 2014, Rogers has seen an increase of approximately 700 high-paying jobs. Total Quality Logistics in Lowell recently added 50 new jobs with an hourly wage of over \$17. Superior Industries closing causes a loss of approximately 500 jobs. A hiring fair was held in September in hopes of other industries absorbing some of those employees.

There is retail development with the largest being the recent Walmart AMP (music pavilion) opening. Four shopping centers are under development, and there is new neighborhood construction. The Rogers New Technology High School opened this year. It is part of a grant from the Bill and Linda Gates Foundation. The chamber recently released its vision 2030 plan which is the strategic development plan focusing on downtown revitalization.

Mr. Dana Davis, President and Chief Executive Officer, Bentonville/Bella Vista Chamber of Commerce, stated they are home to the number one retailer, Walmart, who continues to make investments in Bentonville and the region.

Bentonville made an investment in 2007 of a \$100 million bond of which \$85 million is being used for roads and transportation. They are looking to create neighborhoods as opposed to just subdivisions. Since 2008, they have been focusing on revitalizing downtown. Property values have more than doubled. They are constructing a new high school which will open in 2016. A \$16 million community center is to be completed in 2015. The Amazeum, a children's interactive museum, which is a \$29 million project paid for primarily by donations, will open in 2015. They are developing their first long-range economic development plan, which will focus on arts and cultural, business retention, expansion opportunities, and entrepreneurship.

Mr. Steve Clark, President and Chief Executive Officer, Fayetteville Chamber of Commerce, was recognized and stated Fayetteville has 3800+ businesses employing 28,000 people. All five cities (Bella Vista, Bentonville, Fayetteville, Springdale, and Rogers) on the I-49 corridor have adopted sales tax referendums to allow the use of bonded indebtedness to build roads, parks and other facilities and meet water and sewer needs. He stated regionalism is important and succeeds because of strong leadership; five good mayors.

Over a billion dollars worth of capital improvements have taken place in Fayetteville. In the last 3 years 3,000 beds have been added to the population in terms of multi-family dwelling, and in two years another 1,800 beds will be added. Fayetteville's success can also be attributed to the involvement of the Northwest Arkansas Council, which assists with the Employer Retention and Expansion surveys. All five cities communicate with at least 100 businesses annually and ask about their growth plans, their biggest problem as it relates to short term, mid-term, long-term for the

next three years, and how they can assist them in meeting their plans. This provides insight and assists with good planning.

Senator Rapert asked about contributing factors in the success of entrepreneurs' start-ups.

Mr. Mays stated the University of Arkansas at Fayetteville (UAF) provides leadership in entrepreneurial support and innovators.

Mr. Clark explained a gathering called "Gone in 60 Seconds." If you have an idea you have a live microphone for exactly 60 seconds to explain your idea and why you think it is worth an investment. Participants are given a smart phone app for voting. When presenter is finished, the vote is thumbs-up or thumbs-down. If chosen, winners receive \$1,000 for their business investment.

Senator Hutchinson stated he has been frustrated with highway funding and asked if individual communities would consider taking responsibility for state highways with an increase in turn-back.

Mr. Davis stated many people come into the communities from unincorporated areas, therefore highways and roads are very important and critical to the economic development growth and process. He stated they are willing to look at a legislative plan and details on how to implement such a plan.

Representative Dotson asked about the roadblocks to growth and expansion, and Mr. Cox stated it is workforce skill gaps.

WALMART'S MOBILE CHECKING ACCOUNT SERVICES – GOBANK

Mr. Mark Matthews, Senior Director, Walmart, was recognized and stated Walmart's business model revolves around the idea of saving people money so they live better. He stated Walmart started about 10-11 years ago providing simple services such as money orders, check cashing, and transferring money through money grams to serve the approximately 20% of American households which are unbanked (adults not served by the banking industry).

An underserved person is forced, for whatever reason, to use alternative financial services even though they may have a bank account. These services include pawn shops, payday lenders, and check cashers. These are historically the individuals Walmart serves and saves them money because it is done on a national scale and with economic efficiency. Some "banked" customers, the customers that have traditional bank accounts, debit cards, etc., became increasingly impacted by bank fees, whether overdrafts or monthly fees. He noted Bretton Woods, an independent research firm, found a bank account costs an average American family \$218-\$314 per year, and for some people a bank account could actually cost \$600-700 a year and 70% of that is from overdraft fees. Walmart challenged their suppliers and card partners to see collectively what could be done about the fact Americans, more than any other nation, are unbanked or under-banked.

In 2012 Walmart launched a product called "BlueBird" in partnership with American Express. It is a card issued by American Express Bank linked to an American Express account. This product is delivered almost entirely through mobile devices and can do almost everything a checking account can do, but is not a checking account. It included the ability to write checks that won't bounce, and take a picture of a check and deposit it in real time according to funds availability policies.

Mr. Matthews explained the Walmart product known as Green Dot GoBank Checking Account issued by Green Dot Bank. It is a MasterCard debit card and can be used anywhere MasterCard is accepted. The process starts in the store with a \$20-500 deposit to a temporary card. The customer, must be a U.S. citizen, goes online and provides Green Dot Bank with name, address, birth date, and social security number. Once Green Dot verifies the identity, a checking account is created. There is no negative history that can affect the ability to get this account, and once the Green Dot account is successfully opened, there are no overdraft charges or minimum balance fees. With a qualifying deposit of

\$500 per month the customer pays no monthly fees and can withdraw cash using a PIN number at 42,000 ATMs. This account also includes bill paying ability from mobile devices. Green Dot is a prepaid card provider with a network allowing customers to add money to their accounts at many different retail locations. The GoBank account will be offered in the United States and Puerto Rico. The bank holding company for Green Dot is in Burbank, California, and the bank is a state chartered bank in Utah.

Mr. Matthews stated Walmart has a great relationship with banks. There are over 1,650 banks located in Walmart stores across the country. Approximately 150 are community banks with less than two branches.

Ms. Candace Franks, Commissioner, Arkansas Bank Department, was recognized and stated the banks in Arkansas have successfully come out of the great recession and are pretty much back to normal. She also stated technology is driving new payment systems in the banking industry such as Apple Pay, Google Wallet, etc., and it will be interesting to see how they integrate with the banking system as they are considered competitors. The cost associated with cyber security and new technology may affect community banks.

She stated generational change is affecting a lot of smaller institutions in rural areas, not only in Arkansas, as there are a number of institutions throughout the country where management is older and wanting to retire. However, the most important issue banks are facing is substantial regulatory burdens and related costs imposed by the Dodd Frank Act. She noted it is paramount for state regulators and state legislators to talk to representatives in Washington and the federal regulatory agencies, to discuss the industry's regulation. "We need the right size regulation; you don't regulate a bank in Dumas the same way you regulate Chase Manhattan. It is not a one size fits all."

Senator Hutchinson asked about banks receiving a portion of the interchange fee. Ms. Franks stated banks get a small fee that is smaller than the retailers. She will visit with Senator Hutchinson at a later date.

Senator Rapert stated interchange fees may be a discussion topic at a future meeting.

ARKANAS ECONOMIC DEVELOPMENT COMMISSION – LEGISLATIVE ISSUES TO KEEP STATE MOVING FORWARD

Mr. Grant Tennille, Executive Director, Arkansas Economic Development Commission (AEDC), was recognized and stated there has been much publicity on the manufacturing "on-shoring" effort Walmart is encouraging. Walmart, AEDC, and other states have learned a lot through this process. After visits to Taiwan and China, these are the issues he is encountering:

- The continuing rising wage in the Pacific Rim and China has been about 20% per year for the last five years and shows no sign of slowing down, coupled with the rising cost of transpacific freight, this is where the margin is to create opportunities for manufacturing jobs back into the U.S.
- The way to compete is through fairly relentless automation. If it takes a 1000 people to do the job in China, bring it here and do the job with 100 people and pay better than pay in China.
- Financing these operations are a problem. In many cases these are "mom and pop manufacturers" who have won the opportunity to bring the jobs back to the U.S., but have trouble obtaining financing.

He stated there has to be innovative ways to help banks make loans. AEDC has been taking cash out of the Quick Action Closing Fund and setting-up a Debt Service Reserve Account against a loan at a community bank. It hasn't been done before, but it is a way to solve some of these problems.

Mr. Tennille stressed in an increasingly difficult budget picture there needs to be a way to re-authorize the Quick Action Closing Fund or there will be serious problems. AEDC is down to approximately \$600,000 in free cash in that fund, which is supposed to last until June 31, 2015. He stated AEDC currently has more deals than funds. There is under \$40 million from that account that is already committed to projects around the state, and have been committed for a number of years. “If these companies don’t submit their plans to spend the funds by fall 2014, we will have to take the money back. The bottom line is, if we don’t have the incentives we can’t compete.”

Arkansas has invested approximately \$10.5 million in NanoMech which will return enormous dividends to the state. Texas offered \$40 million in cash to move NanoMech to Austin. To continue to see these ultra high-tech businesses grow, succeed, and thrive in the state, Arkansas will have to find ways to get serious about its ability to fund these deals.

The Chambers of Commerce have been working to get commitments from the gubernatorial candidates and individual legislative candidates to support a resolution to fund the Quick Action Closing Fund in the amount of \$50 million every biennium (\$25 million per year). What Arkansas doesn’t have that most other states have is a secure and predictable funding mechanism. It has always been done with surplus. They are looking at Georgia’s model to see how to create a stable and predictable funding stream for economic development activities without immediately taking money from someone else.

Mr. Tennille said he can predict with 85-90% confidence, there will another Amendment 82 project in 2015, 70% chance of two, and a 40% chance of three in one year; for a total investment in the state in excess of \$3 billion. There has been some disagreement on the interpretation of Amendment 82. Currently it is interpreted as the most bonded indebtedness is restricted to 5% of the state’s Gross Domestic Product (GDP), noting there could be 20 projects, but cannot ever sell more bonds than 5%. Looking at the way Amendment 82 is written, it appears to state we can approach the legislature and on every project, commit up to 5%, which is a vastly different scenario. He said he is not sure the state can afford to interpret it that way; the middle ground would be changing it to 8-9%.

He stated currently Lockheed Martin is one of three finalists to build the next generation Humvee. If chosen, Camden is one of the possible production sites. AEDC is helping Lockheed pull many of their costs out of the bottom line price of this vehicle, such as helping them with infrastructure investment. If Lockheed were to build in Camden, parts suppliers from around the country and the world will locate there. This would also give the state the potential to manufacture automobiles.

There being no further business, the meeting adjourned at 1:10 p.m.