

**SENATE INTERIM COMMITTEE ON CITY, COUNTY, & LOCAL AFFAIRS
HOUSE INTERIM COMMITTEE ON CITY, COUNTY, & LOCAL AFFAIRS**

MEETING JOINTLY

**JUNE 20, 2012
MINUTES**

Senate and House Interim Committees on City, County, and Local Affairs met Wednesday, June 20, 2012 at 3:30 p.m. at the Hot Springs Convention Center in Hot Springs. The meeting was held in conjunction with the 2012 Annual Convention of the Arkansas Municipal League.

Committee members present were Representatives Charolette Wagner, House Chair, Tommy Baker, Nate Bell, Linda Collins-Smith, David Fielding, Josh Johnston, Betty Overbey, Leslie Milam-Post, Mary Lou Slinkard, and Tommy Thompson; and Senators Jonathan Dismang, Mike Fletcher, and Michael Lamoureux.

Other members present were Senators Gene Jeffress, Jimmy Jeffress, and Bill Pritchard. Representatives present were Lori Benedict, Billy Gaskill, Clark Hall, Mary "Prissy" Hickerson, Homer Lenderman, Buddy Lovell, Stephanie Malone, James McLean, Stephen Meeks, Johnnie Roebuck, and Garry Smith.

CALL TO ORDER

Representative Wagner called the meeting to order. She encouraged committee members to participate in the conference workshops and activities. She asked the legislators to introduce themselves.

APPROVAL OF MINUTES – MAY 22 - 24, 2012 [Exhibit B, B-1, and B-2]

Minutes of the May 22, 23, and 24, 2012 committee meetings were approved without objection.

PRESENTATION ON "WOMEN IN THE ARKANSAS LEGISLATURE" [Exhibit D]

Representative Johnnie Roebuck recognized former Representative Lindsley Smith. Ms. Smith outlined the project she is conducting on the history of women legislators in Arkansas. Ms. Smith explained she has conducted oral interviews and made video biographies of past and present women legislators from around the state. The completed biographies are located in the Pryor Center for Arkansas Oral and Visual History at the University of Arkansas at Fayetteville. Ms. Smith is continuing her interviews and contacting as many women legislators as possible. Representative Roebuck explained that her interest in Ms. Smith's project occurred several years ago at a Women's Legislative Caucus meeting where Representative Smith introduced her project. Representative Roebuck

decided to compare women legislators in Arkansas to women legislators throughout the U.S. She joined the Women's Legislative Network of the National Council of State Legislators (NCSL), along with Representatives Sheila Lampkin and Stephanie Malone. AT NCSL, Representative Roebuck was elected to represent eight southern states.

Representative Roebuck gave a PowerPoint presentation, which included an historical review of women who have served in the Arkansas General Assembly. Ms. Frances Hunt of Pine Bluff was the first woman to serve. She was appointed to the House of Representatives in 1922 by Governor Thomas McRae.

Representative Roebuck provided the following data on women legislators in Arkansas:

- ❖ 105 women have served in the General Assembly since 1992
- ❖ 22 women currently serve in the House of Representatives
- ❖ 8 women currently serve in the Senate
- ❖ 50.95% of women legislators in Arkansas hold leadership roles in the legislature
- ❖ 50.8% of women legislators throughout the U.S. hold leadership roles in the legislature

Data obtained from a 2008 Brookings Institute Study gave the following reasons women choose not to run:

- ❖ women are too busy with work and family obligations
- ❖ women wait to be recruited
- ❖ women fear the rigor of the campaign
- ❖ women sometimes lack the confidence in their political ability and would rather work in the background

Representative Roebuck gave her observations of why women should run for political office:

- ❖ women work harder and longer
- ❖ women are already working behind the scenes and understand the process
- ❖ women tend to do the common good, rather than the political good
- ❖ women are better at "fixing it" and not as likely to worry about the blame
- ❖ women know how to negotiate and compromise

Representative Roebuck quoted the following statement made by the NCSL Women's Legislative Network:

"women bring a different and needed frame of reference to government"

Representative Roebuck asked the legislators to encourage women in their districts to run for office.

**DISCUSSION OF ISSUES FOR THE 2013 SESSION OF THE GENERAL ASSEMBLY
CONCERNING THE ALCOHOLIC BEVERAGE CONTROL (ABC) DIVISION, ARKANSAS
DEPARTMENT OF FINANCE AND ADMINISTRATION**

Mr. Michael Langley, Director, Alcoholic Beverage Control (ABC) Division, gave a presentation. He told legislators there are currently 35 "wet" and 40 "dry" counties throughout the state. He explained that four counties are collecting petitions to be placed on the November ballot seeking liquor permits. The four counties are: Benton, Madison, Polk, and Sharp. Mr. Langley stated that historically, counties who have succeeded in getting on the ballot, have also succeeded in obtaining the status of a "wet" county. The following changes will occur should all four counties be successful in their elections:

- ✓ 15% increase in the number of liquor permits
- ✓ 70 additional liquor stores

Mr. Langley gave the following number of permits currently in place in Arkansas:

- 3,655 liquor permits throughout the state
- 430 liquor stores
- 1,600 convenience stores, grocery stores and beer stores
- 431 small farm wine retail
- 1,626 alcohol permits are on-premise private clubs, restaurants and hotels

Mr. Langley stated that a major change for the ABC in 2012 was the addition of an Education Director. He explained that under the previous rules and regulations the only persons required to receive training in alcohol distribution was the person obtaining the permit. The ABC is now endeavoring to have any person who comes in contact with alcohol be certified by their agency, which includes classes, testing, and a certification process. The ABC staff will travel throughout the state talking with local law enforcement to promote working together to reduce underage drinking and over-consumption.

Mr. Langley discussed a proposed bill by the ABC, known as the Alcoholic Beverage Control Revision Act of 2012. The proposed bill will make the following changes:

- Create a Spirits and Wine Manufacturer's Permit:
 - it will bring spirit and wine manufacturers in line with beer and small farm wine producers who must already obtain ABC permits
 - the ABC will have recourse against manufacturers who violate state law and rules and regulations through the use of fines and suspension of permits;
 - it will not change the permitting of small farm wineries

Mr. Langley advised that the spirits and wine manufacturers agree with the language of the proposed bill. Each producer will pay:

- \$300.00 per year for a permit
- \$25.00 will be charged for each label size sold in Arkansas on an annual basis

- \$5.00 will be charged to register the label online as a one-time fee
- it will create an online registration system to shorten registration time from 6-8 weeks to 24-48 hours
- the ABC will use the additional funds to further expand education and enforcement efforts

The following will occur:

- it will remove the election requirement for "wet" counties to become "liquor by the drink" counties
- it will expand community control of outlets through zoning ordinances
- permits will apply to specific business entities and eliminate general application of permits used by the current system
- it will improve economic development through the expansion of available permits, creating attractive options to developers
- it will more readily allow local governments to limit hours of consumption, including Sunday
- it will create statewide uniformity within the ABC system

Mr. Langley said the changes in the proposed bill will have no effect on alcohol "off premise to go" permits.

DISCUSSION ON SEVERANCE TAX BALLOT INITIATIVE AND LOCAL ECONOMIC IMPACT [Exhibit F, F-1, F-2, F-3]

Senator Dismang discussed his letter requesting that the Municipal League rescind its support for the natural gas severance tax increase initiative. He explained that his letter had been previously submitted to the Municipal League at its Winter Conference in January 2012. The legislators who co-authored the letter asked Senator Dismang to resubmit it to include updated information. Senator Dismang explained that Exhibit F is a study done by the University of Arkansas. The study found that passage of the natural gas tax increase initiative would impact the state in the amount of \$18.5 billion. Senator Dismang described Exhibits F through F-3 as studies done showing support of the natural gas industry; what it does, the jobs it creates, and why an increase in the natural gas severance tax should not be supported. Senator Dismang explained that the studies show an increase in the severance tax would cause Arkansas to become non-competitive, particularly in shale gas wells. He stressed the importance of keeping natural gas industry jobs in Arkansas. There was brief discussion by legislators regarding the jobs currently held by Arkansans working in the industry.

There being no other business, the meeting adjourned at 4:35 p.m.

**SENATE INTERIM COMMITTEE ON CITY, COUNTY, & LOCAL AFFAIRS
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MEETING JOINTLY

**JUNE 21, 2012
MINUTES**

Senate and House Interim Committees on City, County, and Local Affairs met Thursday, June 21, 2012 at 10:45 a.m. at the Hot Springs Convention Center in Hot Springs. The meeting was held in conjunction with the 2012 Annual Convention of the Arkansas Municipal League.

Committee members present were Representatives Charolette Wagner, House Chair, Tommy Baker, Nate Bell, Linda Collins-Smith, Josh Johnston, Andy Mayberry, Leslie Milam-Post, and Tommy Thompson; and Senators Jonathan Dismang and Bill Sample.

Other members present were Representatives Homer Lenderman, Mike Patterson, and James Ratliff.

Committee members joined a panel discussion of economic and infrastructure challenges for funding highway, street, and road improvements, plus constitutional amendments (SJR5 and HJR 1001) referred by the 88th General Assembly, and other ballot issues.

Craig Douglas, spokesperson, Move Arkansas Forward, discussed a proposed constitutional amendment implementing a temporary $\frac{1}{2}\%$ sales and use tax earmarked for state highways, county roads, and city streets, which will appear on the November 2012 ballot. A portion of the tax will be directed to a state-aid street fund, which is a recommendation from the Arkansas Blue Ribbon Committee on Highway Finance. Mr. Douglas said the passage of the constitutional amendment will direct \$20 million to the state-aid street fund. The funds will provide revenue for cities to meet their transportation infrastructure needs. He encouraged municipal officials to support the constitutional amendment.

Sheffield Nelson, Chairman, "The Committee for a Fair Severance Tax", discussed a proposed ballot initiative to increase the natural gas severance tax in Arkansas from 5% to 7%. Mr. Nelson said the method used to determine the amount of money Arkansas paid in natural gas severance taxes in 2011 is

calculated by the total amount of gas sold. He explained that the amount of gas sold in Arkansas in 2011 totaled \$59 million, which was based on a charge of 5.5 ¢ per 1,000 cubic feet (Mcf) of natural gas. He compared Mcf charges in Arkansas to the following states:

- 16.4¢ per Mcf was charged in Louisiana in 2011
- 19.9¢ per Mcf was charged in Oklahoma in 2011
- 16.4¢ per Mcf was charged in Texas in 2011

Mr. Nelson gave the following examples of the amount of money Arkansas would have realized had it charged the same amount per Mcf as charged in Texas and Oklahoma:

- 16.4¢ per Mcf charged in Texas would have resulted in \$179 million in Arkansas
- 19.9¢ per Mcf charged in Oklahoma would have resulted in \$217 million in Arkansas

Mr. Nelson advised that Arkansas has the fourth lowest natural gas severance tax in the U.S. He asked Municipal League members to support the ballot initiative to increase the natural gas severance tax to 7%.

Mr. Nelson introduced Dr. Charles Venus, an economist hired by "The Committee for a Fair Severance Tax". Mr. Nelson explained that the committee hired Dr. Venus to conduct a study on the economic impact passage of the severance tax would have in Arkansas. Dr. Venus stated that passage of the severance tax increase would produce \$150 million annually. He discussed the three major gas producing companies currently operating in Arkansas. Dr. Venus stated that each company earned an average of 25% on equity in 2011. Dr. Venus explained that 28 states in the U.S. have a natural gas severance tax. He listed the rates charged in the following states:

- Alaska at 25%
- Montana at 12.16%
- Alabama at 10%
- Kansas at 8.3%
- Texas at 7.5%
- Oklahoma at 7.15%
- Louisiana at 4.48%

Dr. Venus stated that an increase to 7% would still rank Arkansas lower than the rates charged in Oklahoma and Texas. He discussed the impact in Arkansas in terms of employment. An additional \$150 million in severance taxes would create 6,200 more jobs. Dr. Venus does not believe that passage of the tax initiative would create a loss of jobs in the state.

Mr. Craig Douglas was asked to answer questions about the proposed constitutional amendment for a temporary ½¢ sales and use tax, in particular the state-aid street fund. The question was whether or not the \$20 million state-aid street fund would be permanent because the tax is designed to sunset? Mr. Douglas stated that the state-aid street fund amount of \$20 million would be permanent, because the funding is derived from one penny of existing gas taxes. The one penny of the existing gas tax would continue to be dedicated to that fund. Mr. Douglas was also asked to explain how the funding would be implemented. He said that a committee of nine mayors throughout the state would be appointed. The nine-mayor committee would review applications and requests from cities before revenues are allocated.

Prior to the panel discussion, committee members heard remarks by Arkansas Governor Mike Beebe and Mayor Ted Ellis, President of the National League of Cities. Governor Beebe talked about the importance of elected officials on all levels working together in a non-partisan manner. He emphasized that Municipal League members are an example of the success of working together towards their common goals to best serve their local communities.

Mayor Ellis discussed legislative issues before Congress that the National League of Cities has endorsed. He described a proposed bill known as "The Market Place Fairness Act", which targets the collection of taxes owed by on-line retailers. Although it is not a new tax, it's one that is already owed. Most states have not been collecting the tax. He encouraged Municipal League members to contact their congressional delegates and ask them to support the legislation.

There being no further business, the meeting ended at 1:55 p.m.