

SUMMARY BUDGET INFORMATION

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2016 AGENCY FUND TRANSFERS

**For your information, the Office of Budget has
enumerated the following fund transfers which were
made from agency treasury fund accounts but do not appear on
the Appropriation Summary as expenditures**

<u>Agency</u>	<u>Blanket Surety Bond Premiums ACA §21-2-710</u>	<u>Claims ACA §19-10-204</u>	<u>Workers' Compensation Administrative Cost Reimbursement ACA §11-9-307</u>
Aeronautics, Arkansas Department of	\$64	\$0	\$0
Appraiser Licensing & Certification Board, Arkansas	\$19	\$0	\$0
Assessment Coordination Department	\$153	\$0	\$9
Auctioneer's Licensing Board	\$5	\$0	\$0
Bail Bondsman Licensing Board, Professional	\$19	\$0	\$0
Bank Department, State	\$306	\$0	\$0
Barber Examiners, State Board of	\$19	\$0	\$0
Capitol Zoning District Commission	\$14	\$0	\$0
Development Finance Authority, Arkansas	\$50	\$0	\$0
Disability Determination for Social Security Administration	\$1,944	\$1,889	\$64
Fair Housing Commission, Arkansas	\$38	\$0	\$0
Geographic Information Services, Office of	\$48	\$0	\$0
Office of Health Information Technology	\$57	\$0	\$46
Information Systems, Department of	\$1,089	\$13,598	\$0
Insurance Department	\$1,352	\$0	\$1,598
Judicial Discipline and Disability Commission	\$29	\$0	\$0
Minority Health Commission, Arkansas	\$48	\$0	\$0
Oil and Gas Commission	\$196	\$0	\$448
Parks & Tourism, Department of	\$3,658	\$0	\$44,086
Private Career Education, State Board of	\$19	\$0	\$0
Public Service Commission, Arkansas	\$482	\$0	\$87
Real Estate Commission	\$57	\$0	\$0
Securities Department	\$167	\$0	\$113
Spinal Cord Commission	\$129	\$0	\$88

2016 AGENCY FUND TRANSFERS

For your information, the Office of Budget has enumerated the following fund transfers which were made from agency treasury fund accounts but do not appear on the Appropriation Summary as expenditures

<u>Agency</u>	<u>Blanket Surety Bond Premiums ACA §21-2-710</u>	<u>Claims ACA §19-10-204</u>	<u>Workers' Compensation Administrative Cost Reimbursement ACA §11-9-307</u>
Student Loan Authority, Arkansas	\$19	\$0	\$0
Tobacco Control Board, Arkansas	\$139	\$0	\$760
Tobacco Settlement Commission, Arkansas	\$10	\$0	\$0
War Memorial Stadium Commission	\$24	\$0	\$0
Waterways Commission, Arkansas	\$14	\$0	\$0

AGENCY POSITION USAGE REPORT

Agency	FY2016 - FY2017						3 YEAR AVERAGE(FY15,FY16,FY17)					
	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
		Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
Accountancy, State Board of	9	8	1	9	0	11.11 %	9	8	0	8	1	11.11 %
Acupuncture & Related Techniques, AR State Board of	0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %
Aeronautics, Arkansas Department of	5	0	5	5	0	100.00 %	5	3	1	4	1	40.00 %
Appraiser Licensing & Certification Board, Arkansas	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %
Assessment Coordination Department	36	0	36	36	0	100.00 %	36	22	13	35	1	38.89 %
Auctioneer's Licensing Board	1	1	0	1	0	0.00 %	1	1	0	1	0	0.00 %
Bail Bondsman Licensing Board, Professional	4	4	0	4	0	0.00 %	3	4	0	4	-1	-33.33 %
Bank Department, State	72	65	7	72	0	9.72 %	72	65	7	72	0	9.72 %
Barber Examiners, State Board of	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %
Capitol Zoning District Commission	3	3	0	3	0	0.00 %	3	3	0	3	0	0.00 %
Collection Agencies, State Board of	4	3	1	4	0	25.00 %	4	3	0	3	1	25.00 %
Development Finance Authority, Arkansas	62	52	11	63	-1	16.13 %	62	53	9	62	0	14.52 %
Disability Determination for Social Security Administration	479	394	62	456	23	17.75 %	480	397	61	458	22	17.29 %
Fair Housing Commission, Arkansas	13	5	8	13	0	61.54 %	12	6	6	12	0	50.00 %
Geographic Information Services, Office of	10	9	1	10	0	10.00 %	8	8	1	9	-1	0.00 %
Office of Health Information Technology	12	9	3	12	0	25.00 %	12	8	3	11	1	33.33 %
Hearing Instrument Dispensers, Arkansas Board of	0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %
Information Systems, Department of	262	204	58	262	0	22.14 %	261	207	54	261	0	20.69 %
Insurance Department	217	163	54	217	0	24.88 %	210	168	43	211	-1	20.00 %
Judicial Discipline and Disability Commission	6	5	1	6	0	16.67 %	6	5	0	5	1	16.67 %
Minority Health Commission, Arkansas	9	9	0	9	0	0.00 %	9	8	0	8	1	11.11 %
Oil and Gas Commission	44	42	2	44	0	4.55 %	44	42	1	43	1	4.55 %
Parks & Tourism, Department of	799	752	35	787	12	5.88 %	795	754	30	784	11	5.16 %
Physical Therapy, Arkansas State Board of	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %
Private Career Education, State Board of	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %
Psychology Board, Arkansas	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %
Public Service Commission, Arkansas	114	106	8	114	0	7.02 %	114	105	9	114	0	7.89 %

AGENCY POSITION USAGE REPORT

Agency	FY2016 - FY2017						3 YEAR AVERAGE(FY15,FY16,FY17)					
	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
		Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
Real Estate Commission	15	14	1	15	0	6.67 %	15	13	1	14	1	13.33 %
Securities Department	39	34	5	39	0	12.82 %	39	35	3	38	1	10.26 %
Spinal Cord Commission	30	23	5	28	2	23.33 %	29	24	3	27	2	17.24 %
Student Loan Authority, Arkansas	5	4	1	5	0	20.00 %	7	4	1	5	2	42.86 %
Tobacco Control Board, Arkansas	31	26	5	31	0	16.13 %	31	27	3	30	1	12.90 %
Tobacco Settlement Commission, Arkansas	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %
War Memorial Stadium Commission	7	5	2	7	0	28.57 %	7	5	2	7	0	28.57 %
Waterways Commission, Arkansas	3	2	1	3	0	33.33 %	3	2	0	2	1	33.33 %

Bail Bondsman Licensing Board (0211) - Total Budgeted positions in FY15 exceed Authorized amount due to positions authorized from the Central Growth Pool.

Development Finance Authority (0395) - Total Budgeted positions exceed Authorized amount due to a position authorized from the Central Growth Pool.

Geographic Information Services (0472) - Total Budgeted positions exceed Authorized in FY16 due to the transfer of the Division of Land Surveys from the Arkansas Agriculture Department by Act 8 of the First Extraordinary Session of 2015.

Insurance Department (0425) - Total Budgeted positions exceed Authorized due to positions authorized through the Miscellaneous Federal Grant process.

Spinal Cord Commission (0295) - Total Budgeted positions exceed Authorized amount due to positions authorized from the Central Growth Pool.

STATE BOARD OF ACCOUNTANCY

Enabling Laws

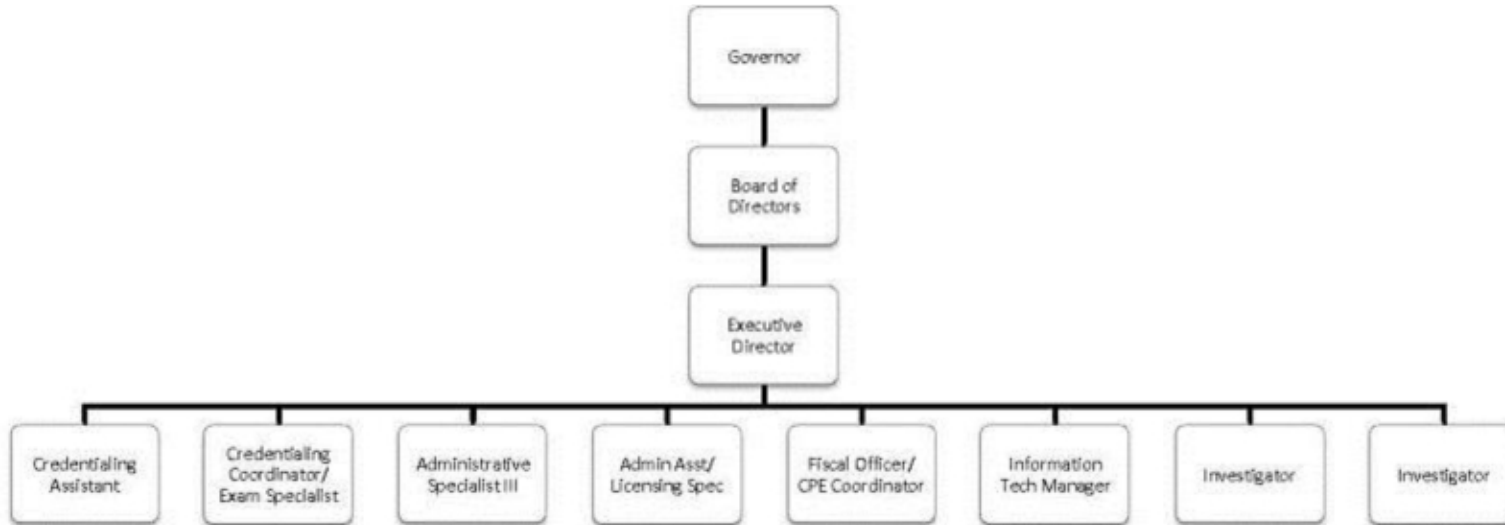
Act 159 of 2016
A.C.A. §17-12-101 et seq.

History and Organization

Act 229 of 1915 established the Accountancy Board. Act 160 of 1975 repealed Act 229 and is known as the Public Accountancy Act of 1975. It authorized a seven member Board that is made up of five CPAs, a consumer representative and a senior citizen. The mission of the Board is to protect the public welfare by establishing and maintaining a high standard of integrity and dignity in the practice of public accountancy. The statutory responsibility of the Board is to see that persons attesting as experts in accountancy as to the reliability or fairness of presentation of financial information be qualified to do so and that such be reserved to persons who demonstrate their ability and fitness to observe and apply the standards of the accounting profession.

The primary activities of the Board are to:

- Process applications, evaluate and certify education of exam candidates for eligibility to take the Uniform CPA Examination.
- Grant certifications to those who pass the CPA examination and those that otherwise qualify.
- Determine whether those who apply for a license to practice qualify.
- Annually register and issue licenses to all CPAs, PAs and Firms practicing public accounting.
- Investigate violations of the Public Accountancy Act and take disciplinary action when appropriate after conducting a hearing.
- Monitor mandatory continuing professional education on CPAs and PAs who hold licenses to practice.
- Administer a Quality Review Program on audit, compilation, review and governmental audit reports.



Agency Commentary

The Arkansas State Board of Public Accountancy is a self-funded agency. We receive no general revenue tax dollars but operate from the license fees from the licensed CPAs and CPA firms in Arkansas. Due to efficient budgeting and operations we have not raised our license fees since 2003 and do not anticipate doing so in the foreseeable future. Some of the changes / improvements that have been made since that time to allow us to operate more efficiently include:

- We moved our annual renewal licensing process from paper based to online. Before this change we had to bring in temporary workers to help open envelopes, sort and deposit checks, enter Continuing Professional Education (CPE) hours into our database, and mail out licenses. Now the CPA enters the CPE hours via our website, pays with a credit card or e-check, and receives their license via email (PDF file).
- We recently changed our licensing procedures so that licenses are issued upon review of the applicant's file by our Executive Director and Legal Counsel. Previously, all files had to be reviewed by Board members after regularly scheduled Board Meetings. Instead of having to wait in some cases months for their application to be approved / license issued, we now can issue licenses within days of receiving all of the required documentation.
- A few years ago we completed a project to move to a more paperless office. Licensee files were scanned and linked up to our database. After scanning the paper files were shredded - this saved us money in storing records and also allows multiple employees to access the same licensee record at the same time, reducing frustration and wait time for licensees.

- We moved from a vendor licensed software database package to an Access Database that does not require an annual licensing fee. This change saves us around \$30,000 annually.
- This year we rolled out a CPE reporting tool on our website that allows licensees to look up the last 3 years of CPE that they reported to us. Before this was developed the CPA would have to call or email a staff member and ask for the information.
- We developed online application process for the CPA exam and for license applications. Previously, students who wanted to take the CPA exam had to complete a handwritten form and pay the associated fees via a money order or cashier's check. They can now apply via our website and pay via credit card or e-check. Students receive the necessary information to schedule their exams much faster now.
- All checks received in the office are now deposited via check scanning / remote deposit vs. physically taking the checks to a local bank.
- Postage fees expense have steadily declined from almost \$20K in FY2010 to around \$5K the last two fiscal years. This is mainly due to moving our Quality Review surveys from snail mail to 85-90% online.

The agency is requesting a reallocation of \$10,000 from Operating Expenses to Conference and Travel Expenses each year of the 2017-2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY
 FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	4	5	9	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			9	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3030000	\$1,148,540	Investment	Regions Investment/Raymond James

Statutory/Other Restrictions on use:

Public Accountancy Act of 1975 as amended. A.C.A. §17-12-100 et seq. All fees and other moneys received by the Arkansas State Board of Public Accountancy pursuant to the provisions of this chapter shall be kept in a separate fund and expended solely for the purposes of this chapter.

Statutory Provisions for Fees, Fines, Penalties:

Public Accountancy Act of 1975 as amended A.C.A §17-12-306 – The Arkansas State Board of Public Accountancy shall charge a fee to each applicant applying to sit for the examination.

Revenue Receipts Cycle:

Fall/Winter receipt of Annual Registration from registrants. Year round registration for Uniform CPA Examination.

Fund Balance Utilization:

Funds expended to meet expenditures in accordance with appropriations act for the Board of Public Accountancy.

Fund Account	Balance	Type	Location
3030000	\$423,036	Checking/Savings	Regions Bank

Statutory/Other Restrictions on use:

Public Accountancy Act of 1975 as amended. A.C.A. §17-12-100 et seq. All fees and other moneys received by the Arkansas State Board of Public Accountancy pursuant to the provisions of this chapter shall be kept in a separate fund and expended solely for the purposes of this chapter.

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Revenue Receipts Cycle:

Fall/Winter receipt of Annual Registration from registrants. Year round registration for Uniform CPA Examination.

Fund Balance Utilization:

Funds expended to meet expenditures in accordance with appropriations act for the Board of Public Accountancy.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Directory of Licensees	A.C.A.17-12-203 (b)	N	N	10	Existence of Statutory Requirement	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
9	9	0	9	0	0.00 %	9	9	0	9	0	0.00 %	9	8	1	9	0	11.11 %

Analysis of Budget Request

Appropriation: A25 - Accounting Board-Cash Operations

Funding Sources: 303 - Accountancy Board - Cash

The State Board of Public Accountancy was authorized by Arkansas Code Annotated §17-12-201, and is responsible for oversight of the practice of public accounting and individuals performing duties as a certified public accountant. The Board is responsible for promulgating and amending the rules of professional conduct to establish and maintain high standards of integrity and dignity within the profession; printing and distributing to the public a register of all practitioners holding permits for the practice public accountancy; and issuing rules of professional conduct pertaining to corporations practicing public accounting. Further, the Board is responsible for administering an examination, certifying educational and continuing educational requirements, and issuing certificates and licenses to those individuals meeting established standards for the practice of public accounting. The operations of the Board are funded from examination and license fees charged by the agency.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Board is requesting a reallocation of \$10,000 from Operating Expenses to Conference and Travel Expenses for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A25 - Accounting Board-Cash Operations

Funding Sources: 303 - Accountancy Board - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	439,162	432,049	451,388	432,149	432,149	432,149	432,149	432,149	432,149
#Positions		9	9	9	9	9	9	9	9	9
Extra Help	5010001	20,386	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
#Extra Help		1	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	146,786	142,202	145,218	144,606	144,606	144,606	144,606	144,606	144,606
Operating Expenses	5020002	204,312	230,662	230,662	230,662	220,662	220,662	230,662	220,662	220,662
Conference & Travel Expenses	5050009	4,600	20,583	20,583	20,583	30,583	30,583	20,583	30,583	30,583
Professional Fees	5060010	17,546	39,041	39,041	39,041	39,041	39,041	39,041	39,041	39,041
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	6,906	14,520	14,520	14,520	14,520	14,520	14,520	14,520	14,520
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Exam Fees	5900046	225,477	280,000	280,000	280,000	280,000	280,000	280,000	280,000	280,000
Total		1,065,175	1,194,057	1,216,412	1,196,561	1,196,561	1,196,561	1,196,561	1,196,561	1,196,561
Funding Sources										
Fund Balance	4000005	1,534,884	1,571,576		1,377,519	1,377,519	1,377,519	1,180,958	1,180,958	1,180,958
Cash Fund	4000045	1,101,867	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Funding		2,636,751	2,571,576		2,377,519	2,377,519	2,377,519	2,180,958	2,180,958	2,180,958
Excess Appropriation/(Funding)		(1,571,576)	(1,377,519)		(1,180,958)	(1,180,958)	(1,180,958)	(984,397)	(984,397)	(984,397)
Grand Total		1,065,175	1,194,057		1,196,561	1,196,561	1,196,561	1,196,561	1,196,561	1,196,561

Change Level by Appropriation

Appropriation: A25 - Accounting Board-Cash Operations
Funding Sources: 303 - Accountancy Board - Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,196,561	9	1,196,561	100.0	1,196,561	9	1,196,561	100.0
C04	Reallocation	0	0	1,196,561	100.0	0	0	1,196,561	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,196,561	9	1,196,561	100.0	1,196,561	9	1,196,561	100.0
C04	Reallocation	0	0	1,196,561	100.0	0	0	1,196,561	100.0

Justification

C04	A reallocation of \$10,000 from Operating Expenses to Conference and Travel Expenses for each year of the 2017-2019 Biennium.								
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BOARD OF ACUPUNCTURE & RELATED TECHNIQUES

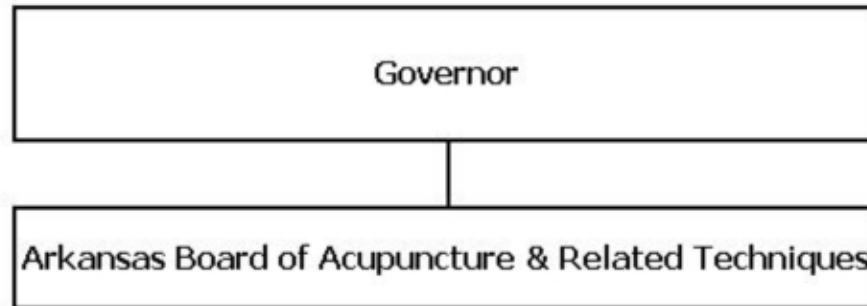
Enabling Laws

Act 68 of 2016
A.C.A. §17-102-101 et seq.

History and Organization

The purpose of the Board is to protect the public from those persons who are untrained and unqualified to practice acupuncture and related techniques, license those individuals who meet the qualifications of licensure under the Act, and hear and resolve such disciplinary matters as may come before it.

The Board currently contracts for part-time administrative support and office facilities in order to provide a central place for records storage, Board meetings, and service to licensees and the general public.



Agency Commentary

The Board is requesting base level appropriation of \$11,000 for the 2017-19 Biennium. Find below annual breakdown of the Board's base level request:

\$8,001	Professional Fees (administrative services paid monthly)
\$2,999	Operation Expenses
\$420.00	- Telephone Services (monthly fee)
\$2,319.00	- Office Supplies
\$160.00	- Postage
\$100.00	- Other Refunds

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS STATE BOARD OF ACUPUNCTURE AND RELATED TECHNIQUES
 FOR THE YEAR ENDED JUNE 30, 2013

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3900000	\$10,175	Checking	Bank of America

Statutory/Other Restrictions on use:

A.C.A. 17-102-206 establishes that the Board can use funds collected for expenses and to carry on the functions of the Agency.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 17-102-304 authorizes the Board to collect fees.

Revenue Receipts Cycle:

Licenses are collected on an irregular basis throughout the year and renewal fees are collected at the end of each year.

Fund Balance Utilization:

Funds are used to carry out the stated purpose of the Board.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %

Analysis of Budget Request

Appropriation: C13 - Acupuncture Operations

Funding Sources: 390 - Acupuncture Board Cash

Act 816 of 1997 (A.C.A. §17-102-101) created the State Board of Acupuncture and Related Techniques. The Board is funded from fees as authorized by A.C.A. §17-102-204. The Board regulates the licensure and activities of practitioners of this discipline and shelters the public from those who are unqualified to practice in this field. The second aspect of the Board's responsibility is the resolution of disciplinary matters as they arise due to violations of the law.

The Board is requesting Base Level of \$11,000 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C13 - Acupuncture Operations

Funding Sources: 390 - Acupuncture Board Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	559	2,999	2,999	2,999	2,999	2,999	2,999	2,999	2,999
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	8,000	8,001	8,001	8,001	8,001	8,001	8,001	8,001	8,001
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		8,559	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Funding Sources										
Fund Balance	4000005	9,059	10,175		7,175	7,175	7,175	4,175	4,175	4,175
Cash Fund	4000045	9,675	8,000		8,000	8,000	8,000	8,000	8,000	8,000
Total Funding		18,734	18,175		15,175	15,175	15,175	12,175	12,175	12,175
Excess Appropriation/(Funding)		(10,175)	(7,175)		(4,175)	(4,175)	(4,175)	(1,175)	(1,175)	(1,175)
Grand Total		8,559	11,000		11,000	11,000	11,000	11,000	11,000	11,000

AR DEPARTMENT OF AERONAUTICS

Enabling Laws

Act 33 of 2016
A.C.A. §27-115-101 et seq.

History and Organization

The mission of the Arkansas Department of Aeronautics is to create a safer, more desirable atmosphere for the pilot, and at the same time, create and improve airports to better serve Arkansas communities, industries, and the general public.

The Department was created by Act 457 of 1941, as amended by Act 373 of 1965, and is currently charged with the following duties:

- Provide for the examination and licensing of airports in the State;
- Adopt rules and regulations for the issuance, expiration, suspension, or revocation of licenses of airports;
- Establish air space reservations within the State;
- Designate, establish, and chart civil airways, and publish a map of such;
- Investigate accidents in air navigation;
- Encourage the establishment of airports, civil airways, and other navigation facilities;
- Supervise and regulate the safety of airports;
- Adopt rules and regulations for flight instruction;
- Adopt rules and regulations for aerial markings;
- Adopt rules and regulations for aerial beacon lights;
- Exchange with other government agencies information pertaining to civil air navigation;
- Enforce the regulations and air traffic rules through local authorities; and
- Establish minimum safe altitudes for flight in the State.

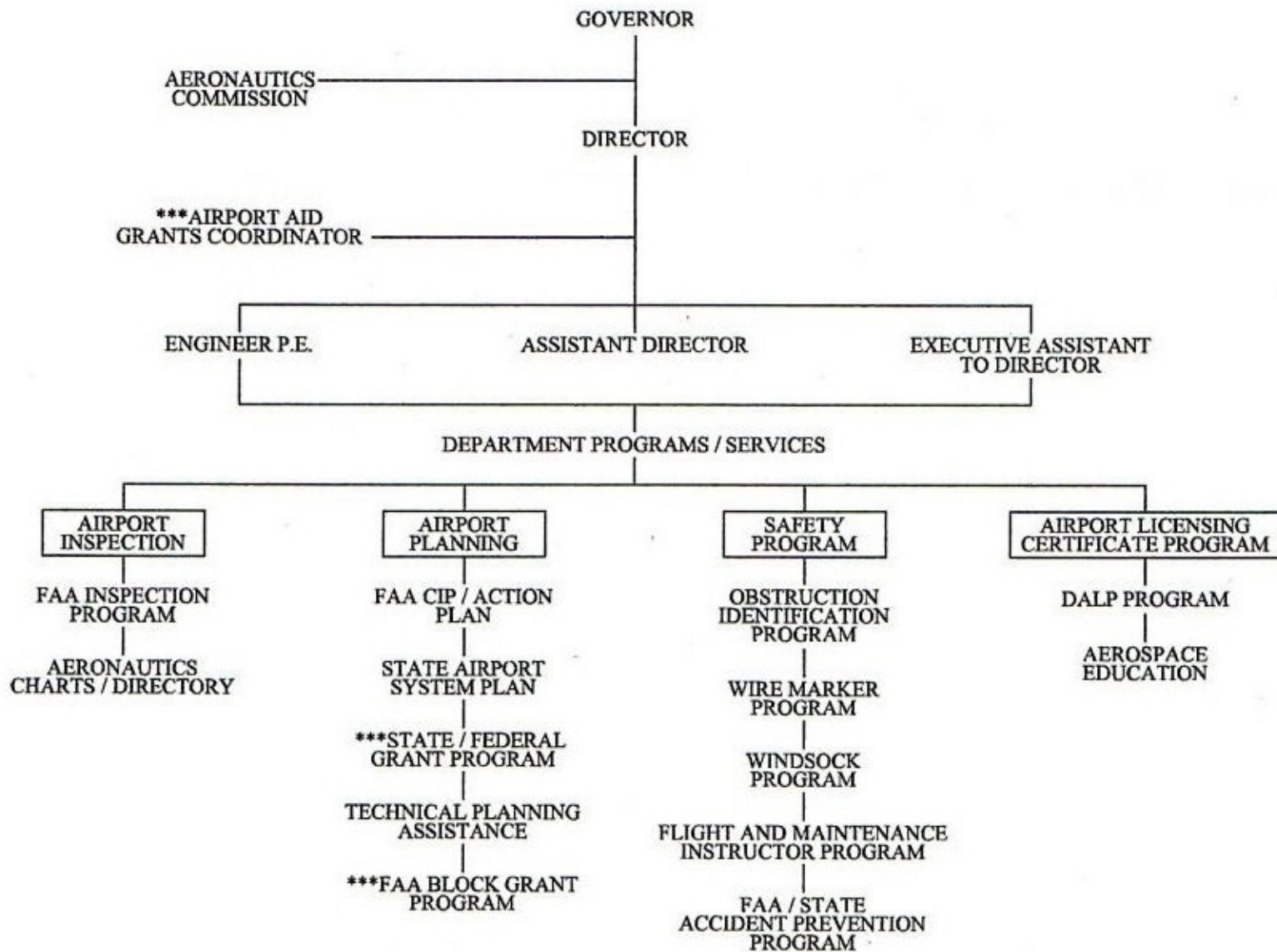
In 1967, Act 499 provided that all revenue derived from the Gross Receipts Tax on aviation fuel shall be deposited in the State Treasury to the credit of the Arkansas Department of Aeronautics Fund to be used solely for constructing airports, civil airways, and other navigational facilities in the State.

Act 38 of 1971 transferred the Arkansas Department of Aeronautics by a Type 2 transfer to the Department of Planning as the Division of Aeronautics. Act 64 of 1973 increased the Aeronautics Commission from five members to seven.

Act 278 of 1975 abolished the Department of Planning and placed the Division of Aeronautics in the Department of Local Services. Act 733 of 1977 provided that all revenues derived from the Arkansas Gross Receipts Tax on aircraft, aviation fuel, aircraft services, and aircraft parts and accessories shall go to the Arkansas Division of Aeronautics Special Fund.

Act 764 of 1981 transferred the Division of Aeronautics to the Arkansas Department of Commerce by a Type 2 transfer. This change placed the Division of Aeronautics under the Director of the Department of Commerce and the Governor, with the seven member Aeronautics Commission continuing in an advisory capacity.

Act 691 of 1983 abolished the Department of Commerce and restored the Arkansas Department of Aeronautics to independent status to function in the same manner as it functioned prior to its transfer to the Department of Local Services and the Department of Commerce. Provided, however, that the administrative head of the Department shall be appointed by the Aeronautics Commission, with the approval of the Governor, and shall serve at the pleasure of the Governor.



Agency Commentary

It has always been a point of pride and commendation for the Department of Aeronautics to run effectively and efficiently as a state agency. With only 5 budgeted positions, there are no two positions that are titled the same; however, each member of our team takes on many roles so that the mission of the agency can be carried out with as little bureaucracy as possible. We are mindful of the agency's budget and always ask ourselves when procuring if it is necessary and the best possible use of funds. Of the total budget, our agency operates on 5% or less while the total remaining appropriated amount goes solely to our grant program, which directly gives back to airport communities in Arkansas.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF AERONAUTICS
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	3	5	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			5	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
State Aeronautical Chart	N/A	N	N	10,000	Provided as a service to general flying public for safety and informational purposes. Requested by individuals and businesses State and nationwide. (Published biennially)	0	0.00
State Airport Directory	N/A	N	N	5,000	Provides information to the flying public concerning individual Arkansas airports. (Published biennially)	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
665 Aeronautics-State Operations	15,503,830	5	15,599,708	5	15,626,734	5	15,602,489	5	15,602,489	5	15,602,489	5	15,603,348	5	15,603,348	5	15,603,348	5
666 Aeronautics-Federal Grants	102,458	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0
Total	15,606,288	5	27,599,708	5	27,626,734	5	27,602,489	5	27,602,489	5	27,602,489	5	27,603,348	5	27,603,348	5	27,603,348	5

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance 4000005	19,681,376	72.6	11,520,826	32.7			7,601,118	24.3	7,601,118	24.3	7,601,118	24.3	3,678,629	13.3	3,678,629	13.3	3,678,629	13.3
Federal Revenue 4000020	102,458	0.4	12,000,000	34.1			12,000,000	38.4	12,000,000	38.4	12,000,000	38.4	12,000,000	43.5	12,000,000	43.5	12,000,000	43.5
Special Revenue 4000030	7,343,280	27.1	11,680,000	33.2			11,680,000	37.3	11,680,000	37.3	11,680,000	37.3	11,924,719	43.2	11,924,719	43.2	11,924,719	43.2
Total Funds	27,127,114	100.0	35,200,826	100.0			31,281,118	100.0	31,281,118	100.0	31,281,118	100.0	27,603,348	100.0	27,603,348	100.0	27,603,348	100.0
Excess Appropriation/(Funding)	(11,520,826)		(7,601,118)				(3,678,629)		(3,678,629)		(3,678,629)		0		0		0	
Grand Total	15,606,288		27,599,708				27,602,489		27,602,489		27,602,489		27,603,348		27,603,348		27,603,348	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
5	5	0	5	0	0.00 %	5	5	0	5	0	0.00 %	5	0	5	5	0	100.00 %

Analysis of Budget Request

Appropriation: 665 - Aeronautics-State Operations

Funding Sources: SDA - Department of Aeronautics Fund

The Department of Aeronautics' State Operations appropriation is funded entirely by Special Revenues derived from a tax on the sale of aviation fuels and aviation related products sold for use in aircraft weighing less than 12,500 lbs., as authorized in Arkansas Code § 27-115-110.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Agency's Base Level request is \$15,602,489 in FY2018 and \$15,603,348 in FY2019.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 665 - Aeronautics-State Operations
Funding Sources: SDA - Department of Aeronautics Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	298,742	288,153	309,468	289,104	289,104	289,104	289,804	289,804	289,804
#Positions	5	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	89,471	89,026	94,737	90,856	90,856	90,856	91,015	91,015	91,015
Operating Expenses 5020002	107,357	200,029	200,029	200,029	200,029	200,029	200,029	200,029	200,029
Conference & Travel Expenses 5050009	5,622	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Professional Fees 5060010	10,995	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	14,991,643	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	15,503,830	15,599,708	15,626,734	15,602,489	15,602,489	15,602,489	15,603,348	15,603,348	15,603,348
Funding Sources									
Fund Balance 4000005	19,681,376	11,520,826		7,601,118	7,601,118	7,601,118	3,678,629	3,678,629	3,678,629
Special Revenue 4000030	7,343,280	11,680,000		11,680,000	11,680,000	11,680,000	11,924,719	11,924,719	11,924,719
Total Funding	27,024,656	23,200,826		19,281,118	19,281,118	19,281,118	15,603,348	15,603,348	15,603,348
Excess Appropriation/(Funding)	(11,520,826)	(7,601,118)		(3,678,629)	(3,678,629)	(3,678,629)	0	0	0
Grand Total	15,503,830	15,599,708		15,602,489	15,602,489	15,602,489	15,603,348	15,603,348	15,603,348

Analysis of Budget Request

Appropriation: 666 - Aeronautics-Federal Grants

Funding Sources: FAA - Aeronautics Department - Federal

The Aeronautics-Federal Grants appropriation is authorized for disbursement of Federal Airport Aid Block Grant Funds when and if those funds are approved by the U.S. Congress for the State of Arkansas.

Agency's Base Level request is \$12,000,000 for each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 666 - Aeronautics-Federal Grants

Funding Sources: FAA - Aeronautics Department - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	102,458	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Total	102,458	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Funding Sources									
Federal Revenue 4000020	102,458	12,000,000		12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Total Funding	102,458	12,000,000		12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	102,458	12,000,000		12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

AR APPRAISER LICENSING AND CERTIFICATION BOARD

Enabling Laws

Act 35 of 2016
A.C.A. § 17-14-101 et seq.

History and Organization

The necessity for establishing this agency was prompted by enactment of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), which requires that all federally related transactions requiring appraisals will be performed by state licensed and/or certified appraisers. Act 541 of the 1991 Regular Session was the instrument that set in motion the mechanics for Arkansas to pre-qualify, test, and issue licenses to appraisers in order that the State might be in compliance with the Federal Act.

In its general purpose statement, Title XI of FIRREA states that it is to “provide that federal, financial, and public interest in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with the Uniform Standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.”

The mission of the state agency is primarily to maintain a system for licensing and regulating real estate appraisers, which is in compliance with federal guidelines and results in license holders that have verified qualifying education, experience, and have demonstrated a competency to provide quality service consistent with their specific credentials.

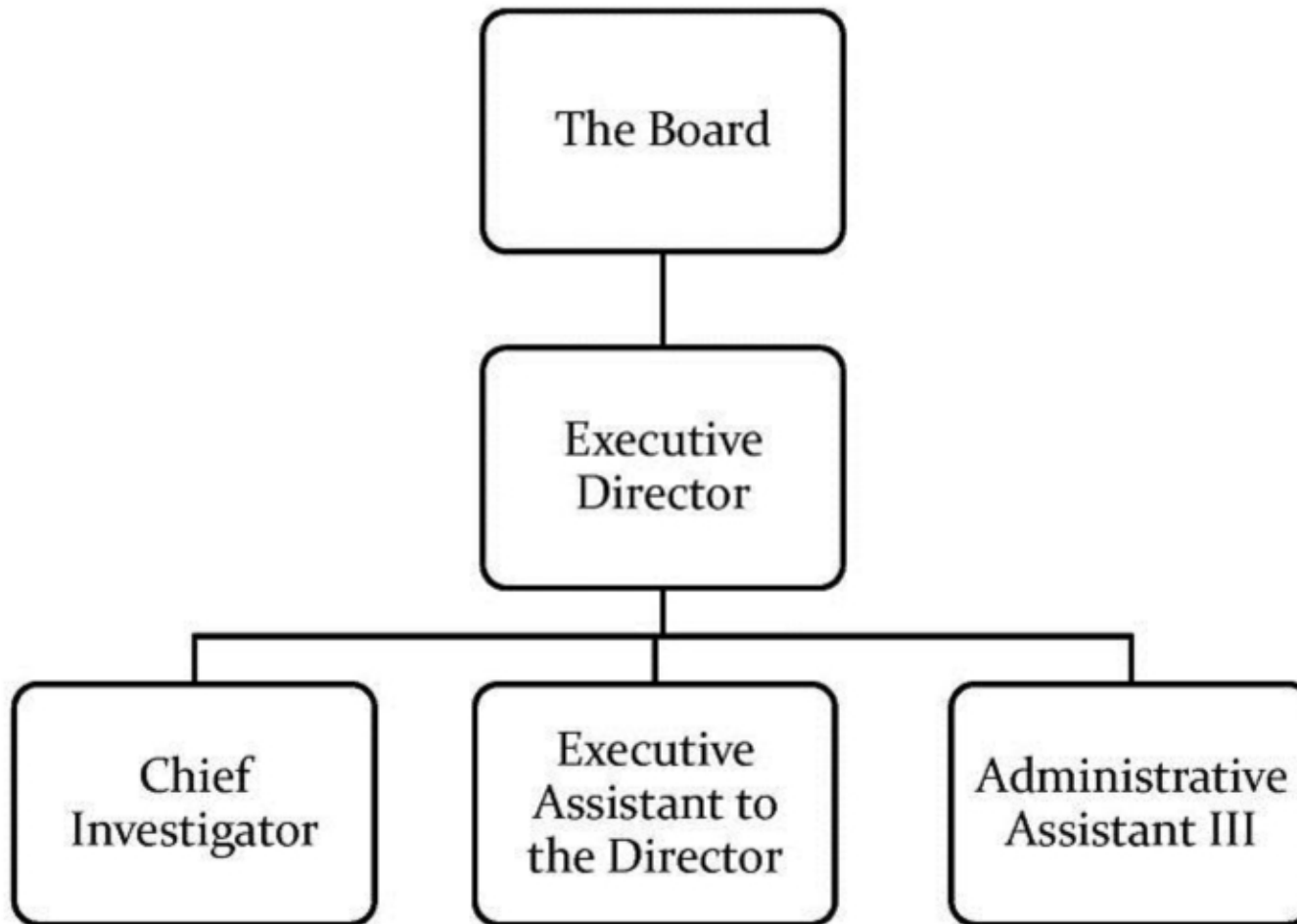
The Arkansas Appraiser Licensing Board was officially constituted in July of 1991 and members immediately began drafting Rules and Regulations to implement the provisions of Act 541 in conformity with the Title XI provisions. In 1993, the General Assembly approved Act 1270, which clarified certain provisions of the initial Act and limited financial institutions’ liability on non-federally related transactions. In 2001, the General Assembly expanded the role of this Board by adding a fourth classification of appraisers, State Registered. This Amendment has added more than 375 individuals to its roster.

The Arkansas Appraiser Licensing Board is composed of ten (10) members appointed by the Governor, seven of whom are practicing appraisers, and the primary duties of this Board are to establish, maintain, and periodically update meaningful qualification standards for state registered, licensed, and certified appraisers practicing in Arkansas. This includes testing, reviewing work experience and educational backgrounds that are adequate to demonstrate the applicant’s knowledge and competency of the profession. The agency is charged with

maintaining a roster of the names, addresses, and phone numbers of all persons licensed/certified under Act 541 (A.C.A. 17-14-203) and in accordance with Title XI of FIRREA must update and submit this roster monthly to the Appraisal Subcommittee. The Act also provides for the Board to promulgate rules and regulations for handling complaints, disciplinary matters and to establish administrative procedures for the setting and collection of fees necessary for operation of this Board.

Some of the more significant activities this Agency is called on to perform are:

- To process applications for registration, license, or certification in compliance with the Agency's Rules and Regulations and to personally interview (where applicable) all applicants prior to examination;
- To provide an approved examination for all applicants meeting the minimum qualifications for licensing;
- To issue, where appropriate, a registration, license, or certificate to qualified applicants;
- To establish annual fees to be billed in May/June and November of each year;
- To monitor the continuing education of each registered or licensed appraiser and to validate compliance prior to the annual issuance of a new license and/or certificate;
- To investigate and adjudicate all complaints, an area that has become a major activity of this Board;
- To develop and distribute on a quarterly basis a newsletter addressing appraisal issues;
- To sponsor and/or coordinate annual seminars for the purpose of updating licensees of changes within the industry standards;
- To provide annually, subject to budgetary consideration, all licensees with a current version of the Uniform Standards of Professional Appraisal Practice;
- To maintain a current website via Arkansas home Page whereby practitioners, potential applicants, and the consuming public can go to learn more about regulations impacting real estate appraiser licensing; and
- To insure the Agency's adherence to federal guidelines and cooperate with the Federal reviewers from ASC when auditing the agency's operation.



Agency Commentary

Established by Arkansas General Assembly Act 541 of 1991, the Arkansas Appraiser Licensing and Certification Board (Appraiser Board) is in its twenty-fifth year of operation. Our mission is to serve the public through ensuring that real estate appraisers and appraisal management companies have the proper credentials and the registration. Additionally, the Appraiser Board investigates complaints filled against real estate appraisers.

The agency is requesting base level funding of \$471,408 in FY18 and \$472,144 in FY19. We have done our best to operate as efficiently as possible. In recent years, the agency's actual spending has been less than the budgeted amounts.

In recognition of the Governor's efficiency goals, we will continue to evaluate expenses and purchases with the goal of keeping costs down while continuing to deliver on our mandate to protect the public with respect to the real estate appraiser profession.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS APPRAISER LICENSING AND CERTIFICATION BOARD
FOR THE YEAR ENDED JUNE 30, 2013

Findings

R4-19-4-501 of the Arkansas Financial Management Guide requires deposits to be accompanied by cash logs that include sufficient detail to allow an audit trail of an individual receipt. The Agency's deposit support does not provide a sufficient audit trail back to the Agency's receipting database. The lack of appropriate reconciliation between the individual receipts that comprise a deposit and the deposit amount could make it difficult to detect undeposited receipts.

License information is maintained in an electronic database. The Agency was unable to extract historical data from the database that would support a reconciliation of licenses to receipts. To properly safeguard assets and ensure reliability of license information, the Agency should ensure that controls are in place to support the reconciliation of receipts and deposits to licenses issued.

Recommendations

Implement controls that would better associate deposits back to the receipts that comprise them.

Agency Response:

We will improve and better utilize the receipting function in our database in order to ensure all receipts can be associated back to specific deposits.

Develop procedures to ensure revenue is properly recorded and receipts are reconciled to the number of licenses issued.

Agency Response:

We have decided to develop and print a yearly, and probably monthly, record of all registrations, licensees, and certifications which have renewed throughout the year. This will include a complete end-of-year roster.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	1	2	3	75 %
Black Employees	0	1	1	25 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	25 %
Total Employees			4	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3450000	\$284,432	Cash in Treasury/TMMP	State Treasury

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 17-14-101 et eq.

Revenue Receipts Cycle:

Funds are deposited in money market account or treasury for payroll account and savings.

Fund Balance Utilization:

Use for payroll account and secure additional CDs.

Fund Account	Balance	Type	Location
3450000	\$64,430	Certificate of Deposit	First Security - Mountain Home

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

N/A

Revenue Receipts Cycle:

Upon maturity, interest rates are checked and either the CD is renewed, money added (if allowed) to current CD, or cash proceeds are placed in the State Treasury Money Market Account.

Fund Balance Utilization:

To secure funds for future use.

Fund Account	Balance	Type	Location
3450000	\$524,683	Checking	Regions-Little Rock

Statutory/Other Restrictions on use:

A.C.A. 17-14-203(10) authorizes the setting and collection of fees and for pass thru payment of a fee as required by Section 1109 (a)(2) of FIRREA of 1989, currently set at \$40 per licensee.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 17-14-203 (6)(g) establishes maximum fees not including exams for license. A.C.A. 17-14-206 (a) authorizes fines for disciplinary action.

Revenue Receipts Cycle:

Fines and penalties are collected throughout the year. The majority of fees are collected in June of each year and December. Funds are deposited in bank account as received.

Fund Balance Utilization:

The Board anticipates more expenses in the budget thereby reducing the agency reserves. Funds are used for expenditures and to purchase CDs and transfer money into the money market trust fund at the State Treasury.

Fund Account	Balance	Type	Location
3450000	\$63,336	Certificate of Deposit	Metropolitan/Simmons Bank - Little Rock

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

N/A

Revenue Receipts Cycle:

Upon maturity, interest rates are checked and either the CD is renewed, money added (if allowed) to current CD, or cash proceeds are placed in the State Treasury Money Market Account.

Fund Balance Utilization:

To secure funds for future use.

Fund Account	Balance	Type	Location
3450000	\$61,128	Certificate of Deposit	Regions - Little Rock

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

N/A

Revenue Receipts Cycle:

Upon maturity, interest rates are checked and either the CD is renewed, money added (if allowed) to current CD, or cash proceeds are placed in the State Treasury Money Market Account.

Fund Balance Utilization:

To secure funds for future use.

Fund Account	Balance	Type	Location
3450000	\$228,945	Certificate of Deposit	Bank of the Ozarks - Little Rock

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

N/A

Revenue Receipts Cycle:

Upon maturity, interest rates are checked and either the CD is renewed, money added (if allowed) to current CD, or cash proceeds are placed in the State Treasury Money Market Account.

Fund Balance Utilization:

To secure funds for future use.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Rules and Regulations	A.C.A. 17-14-201	N	N	10	Revised periodically to reflect current state law and federal guidelines and regulations. Posted to the Board's website.	0	0.00
Statutes and Amendments	A.C.A. 17-14-103	N	N	10	Statutes and amendments can be found on the Board's website. They are given to all new board members.	0	0.00

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
The Appraiser	N/A	N	N	10	E-mailed to all appraisers and posted to the Board's website.	0	0.00

Agency Position Usage Report

FY2014 - 2015					FY2015 - 2016					FY2016 - 2017							
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %

Analysis of Budget Request

Appropriation: A86 - Cash Operations

Funding Sources: 345 - Appraiser Licensing & Certification - Cash

The mission of the Arkansas Appraiser Licensing & Certification Board is to maintain a system for licensing and regulating real estate appraisers in compliance with federal guidelines and results in license holders who have verified adequate education, experience, and have demonstrated a competency to provide quality service consistent with their specific credentials.

The Appraiser Licensing & Certification Board is funded from the receipt of application fees and annual license renewals.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Board is requesting Base Level of \$471,408 in FY18 and \$472,144 in FY19.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A86 - Cash Operations

Funding Sources: 345 - Appraiser Licensing & Certification - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	188,670	202,286	207,071	202,286	202,286	202,286	202,886	202,886	202,886
#Positions		4	4	4	4	4	4	4	4	4
Personal Services Matching	5010003	60,721	63,661	65,354	64,744	64,744	64,744	64,880	64,880	64,880
Operating Expenses	5020002	130,525	163,178	163,178	163,178	163,178	163,178	163,178	163,178	163,178
Conference & Travel Expenses	5050009	23,162	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700
Professional Fees	5060010	1,338	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		404,416	470,325	476,803	471,408	471,408	471,408	472,144	472,144	472,144
Funding Sources										
Fund Balance	4000005	1,204,941	1,226,954		1,156,629	1,156,629	1,156,629	1,055,221	1,055,221	1,055,221
Cash Fund	4000045	426,429	400,000		370,000	370,000	370,000	370,000	370,000	370,000
Total Funding		1,631,370	1,626,954		1,526,629	1,526,629	1,526,629	1,425,221	1,425,221	1,425,221
Excess Appropriation/(Funding)		(1,226,954)	(1,156,629)		(1,055,221)	(1,055,221)	(1,055,221)	(953,077)	(953,077)	(953,077)
Grand Total		404,416	470,325		471,408	471,408	471,408	472,144	472,144	472,144

ASSESSMENT COORDINATION DEPARTMENT

Enabling Laws

Act 41 of 2016
A.C.A. §25-28-101 et seq.

History and Organization

MISSION STATEMENT

The Assessment Coordination Department (ACD) exercises general and complete supervision over the valuation, assessment and equalization of all locally assessed ad valorem taxes in Arkansas, and the local officials and employees administering them in all 75 counties. The Department confers with, advises, trains and directs, as needed, these officials regarding their duties and responsibilities for proper and equitable assessment of property.

COMMENTARY

Property taxes constitute a significant source of revenue for local governments and school districts in Arkansas. The level of equalization funding provided to each school district is based on the average assessed wealth per student in the district. School districts which have a high average assessed property value per student, receive less in equalization funds per pupil than those school districts which have a relatively low average assessed property value per student. The relative wealth of a district is based on the total assessed value of all tangible real and personal property in the county as measured by the county assessor.

The Department performs the following tasks to fulfill that mission: conducts appraisal schools and seminars for county employees; prepares valuation manuals to be used as suggested guidelines by county assessors for the appraisal of real and personal property; performs assessment ratio studies to measure the level and uniformity of assessments; conducts performance audits to ensure accuracy of reappraisals and to help counties identify problems before they become a permanent part of the local tax records; and provides pertinent data necessary for the upkeep of appraisals.

ENABLING LEGISLATION

Act 436 of 1997 created the Assessment Coordination Department and transferred the Assessment Coordination Division of the Public Service

Commission to it by a Type Two transfer. The Director of the Department is appointed by the Governor and serves at the pleasure of the Governor.

Act 903 of 1995 established an Assessment Personnel Educational Incentive Program for local assessment employees paid from the Assessment Coordination Department's budget.

Act 949 of 1991 established the continuing education fund for county assessors to be used to maintain and operate a continuing education program for county assessors and their staffs. Act 342 of 1999, as amended, increased the funds payable from each county assessor's office to the amount of \$600 per year.

Act 1185 of 1999 was to establish a uniform system of assessments and to prevent large increases in property taxes in Arkansas. It places the State on a three year revaluation cycle in which approximately one-third of the counties in the State will be completing reappraisals each year beginning in 2002. It mandated that the reappraisal be professionally run; the ACD audit performance of reappraisal projects on an ongoing basis; the ACD stop reappraisal projects should a county fail to meet, or plan for, professional standards; authorized ACD to employ appraisal contractors should a county fail to meet, or plan for, professional standards. It created the Arkansas Real Property Reappraisal Fund to reimburse counties for the cost of said reappraisals.

Act 1058 of 2001 amended Act 1185, providing that slower growth counties will complete their next reappraisal cycle over five years, instead of the three years provided in Act 1185. High growth counties, measured by total market value increase resulting from reappraisal, will remain on a three year reappraisal cycle. The ACD measures the growth resulting from reappraisal, and if 15% or more, the county will remain on a three year reappraisal cycle, if less, the county will be placed on a five year cycle.

Act 1131 of 2001 altered the ratio study conducted by the ACD. It provided that real estate ratio studies will only be conducted when counties complete reappraisal cycles, or if the Department determines that a county has engaged in inappropriate assessment roll changes or manipulations. It further provided that all counties were to electronically transfer previous year real estate sales data to the Department annually before January 31. The penalty for failing a ratio study was changed to indicate that counties would lose state aid only if they failed to take corrective actions indicated by the sales ratio study results.

ORGANIZATION AND RESPONSIBILITIES

The Assessment Coordination Department is staffed by a Director, Deputy Director, Legal Counsel, three managers, twenty-one assessment auditors, one research/technical specialist, one data processing person, and three administrative/clerical personnel; and is divided into four major sections:

The Office Administration Section consists of the Director, Deputy Director, Legal Counsel, two managers, two assessment auditors, one

research/technical specialist, one data processing person, and three administrative/clerical persons.

The duties of the Director include: (1) management of the Department; (2) visiting, conferring with, and advising County Assessors and Equalization Boards; (3) certifying the percentage of the assessed value of each county of the total state value to each County Judge each year, for the disbursement of state aid and turn back funds; (4) recertifying any taxing unit which was originally below the accepted amount, within the legal time period for unit's compliance; (5) reviewing reappraisal plans of counties mandated to perform such and approve/disapprove as necessary; (6) managing distribution of reappraisal funds to those counties; (7) performing other duties and furnishing assistance to the counties as deemed necessary for the purpose of proper performance of the laws administered by the Department.

The duties of the Section include: (1) promulgating rules and regulations; (2) rendering interpretations of law; (3) preparing and managing budgets and fiscal operations; (4) preparing and promulgating Real Estate Manuals and Personal Property Manuals for the use and guidance of County Assessors and Equalization Boards; (5) preparing a ratio study for the purpose of determining the average ratio of assessed value to the true or actual market value of real property, by classification, and personal property in each of the taxing units of the State; (6) comparing the Equalization Board's Abstract with the Assessor's Abstract to determine if such Board has complied with the less than 5% deviation; (7) assisting counties in administering millage rollbacks and utility tax adjustments; (8) holding and conducting such schools and institutional meetings as deemed necessary for county officials, their employees, and Equalization Boards, dealing with assessment problems, regulations, and new methods for record keeping and appraising; (9) conducting impact studies on various proposed changes in the ad valorem system in Arkansas; (10) performing other duties and furnishing assistance as necessary.

The Field Operations Section consists of one Manager and nineteen property assessment auditors. This section (1) performs compliance audits as required by Act 1185 of 1999; (2) provides special assistance to county officials on new or unusual appraisal situations, and provides a source with which an assessor can verify or compare county appraisals; (3) prescribes uniform appraisal, assessment, and record forms for the use of County Assessors throughout the State; (4) develops, tests, and implements systems for appraising rural land and improvements to be used by assessors, appraisal companies, and the ACD appraisal group; (5) maintains a sales data bank for each county for use by assessors, and the ACD in making market value appraisals for assessment purposes; (6) develops and maintains other appraisal aids such as maps, plats, and land value analysis for use in appraisal work; (7) does field research for the development and/or improvement of real estate appraisal methods.

The Assessor's Education function was created for budget purposes to separate operating funds of the Department and the funds appropriated for the expenses of county personnel attending schools conducted by the Department. It also supports an annual seminar to further inform county assessors and their employees of assessment problems, ways of solving them, and new laws and regulations.

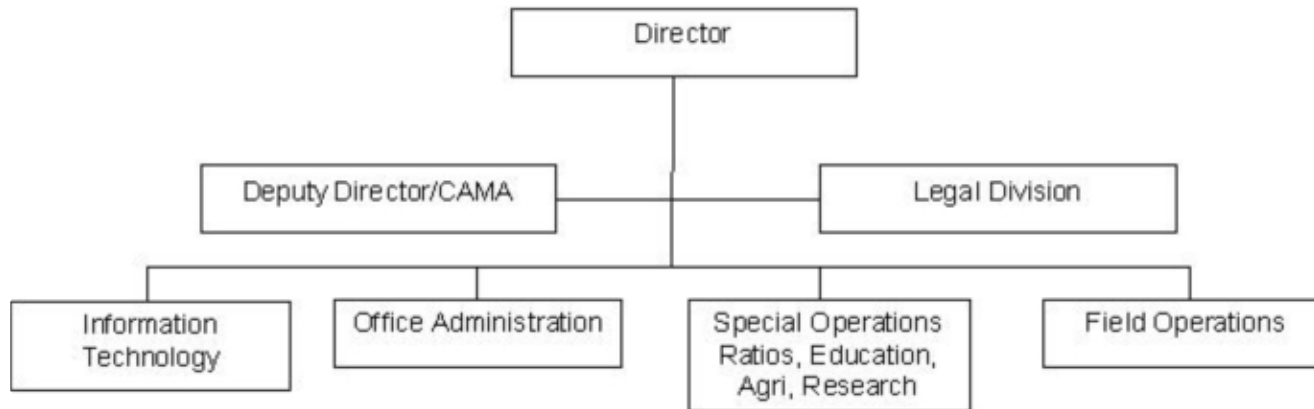
The Cash Operations function was created for budget purposes to separate operating funds of the Department from cash funds created from the sale of manuals and educational materials that are used to replenish such and to fund participation in educational programs.

GOALS

The Department plans the following: (1) to perform annual ratio studies; (2) to implement and maintain the audit procedures established in Act 1185 of 1999, as amended; (3) to manage state funds used for reappraisals conducted according to the Act; (4) to provide valuation guidelines for Personal Property and Real Estate Property; (5) conduct and improve all existing appraisal courses, expand offerings as necessary, and maintain education records; (6) to provide outside training opportunities through professional organizations; (7) to improve professionalism of all levels of assessment personnel; (8) to develop a better system for handling assistance to counties; (9) to upgrade and improve the Department's computer skills and technology in order to function more efficiently and better communicate with the seventy-five counties, other state agencies and the public; and (10) to help counties take advantage of technological advancements that will improve data collection and records management.

CONCLUSION

By fulfilling its responsibilities, the Assessment Coordination Department will have an impact on every taxpayer in the State. The Department will help achieve equalization among all properties and ensure that each taxpayer pays only his or her legally mandated share of the tax



Agency Commentary

The primary purposes of the Assessment Coordination Department are to assist counties in the equalization and appraisal of property for ad valorem tax purposes, conduct schools and educational seminars, prepare guidelines for valuation, measure assessments through ratio studies

and performance audits, and provide pertinent data necessary for the upkeep of appraisals.

The Department is requesting Base Level for the 2017 - 2019 Biennium.

The Department's efficiency efforts are refining and improving the process for counties to complete statutorily-required county-wide reappraisal plans, including revising the reappraisal plan documents, conducting planning meetings with County Assessors, creating checklists for the reappraisal plan process and preparing accompanying documents for use by the counties.

In 2015, ACD conducted a travel expense study for the ACD field auditors in an effort to reallocate travel distance ranges which will hopefully result in decreased field travel expenses. The Department is also realigning audit territories to minimize travel expense and also to maximize audit work process efficiency.

ACD recently revised its field audit guidelines and forms to reduce redundancies in the field audit work, provide more breadth and depth in the audit documentation and provide a better audit product for the County assessors and their appraisers.

The Department is currently rewriting audit guidelines to clarify and simplify audit procedures as discussed in item 1 above. ACD recently provided document scanners to the ACD field auditors. This will reduce travel and paperwork load in the field and it is also digitizing the existing records for better storage and public access capability. ACD is in the process of revising job descriptions and realigning job duties to better fit employee skills with department functions.

The Department's vital functions, as mandated by statute or rule, could not continue without our current level of funding.

Mandated by statute or rule:

Ratio Studies to ensure county compliance with uniform real property assessment laws.

Reappraisal plans - assisting counties with the submission, approval and compliance of reappraisal plans required by statute.

Field Audits for both real and personal property to provide feedback to county assessors and to discover potential valuation issues as soon as possible for corrective action.

Education/certification/training programs for county assessors, county employees and reappraisal contractor employees.

Day-to-day assistance and support for county assessors, other local elected officials, and the Executive and Legislative branches of Arkansas state government and taxpayers.

Reimbursement of county-wide reappraisal expenses to counties.

Assist counties in the calculations needed to determine if mileage rollbacks are required by statute.

Calculation of the agricultural values.

Calculate the oil and gas real property values, relieving the counties from having to contract out for those services.

Provide the counties with property values at a savings by buying at the state level, for mobile homes, aircraft, atv's, tractors and other miscellaneous construction equipment.

Have a joint contract with DFA to provide the car and truck values to the counties, again providing savings for the counties and the state.

The Department is also requesting the continuation of the special language clause that provides for transfer of funds to the Real Property Reappraisal Fund from the Department's operating fund account and the special language clause that provides for transfer of funds from Operating Expense to the Assessors' School special line item in the State Operations Program.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS ASSESSMENT COORDINATION DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	17	10	27	82 %
Black Employees	2	4	6	18 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			6	18 %
Total Employees			33	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Agri Land Values	A.C.A. 26-4-407	N	N	25	Statute requires every county and appraisal company to be provided with listing of agri land values. Also provided electronically.	0	0.00
AR Property Tax Equalization and Appeals System - A Synopsis	None	N	N	250	Biennial update of the property tax system intended to aid public understanding and used as a guide by county equalization boards.	0	0.00
Millage Report	None	N	N	10	Provided upon request to be used as a source to identify all taxing units and their millage rates. Also provided on the Agency website.	0	0.00
Real Estate Manual	None	N	N	10	Provided upon request as a guide in counties for assessment of real property.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1VC Real Property Reappraisal Program	14,565,213	0	15,750,000	0	15,750,000	0	15,750,000	0	15,750,000	0	15,750,000	0	15,750,000	0	15,750,000	0	15,750,000	0
215 County Assessors Continuing Education	0	0	60,000	0	60,000	0	60,000	0	60,000	0	60,000	0	60,000	0	60,000	0	60,000	0
258 Assessment Coordination-State Operations	3,159,278	34	3,319,288	36	3,056,350	36	3,331,436	36	3,331,436	36	3,331,436	36	3,331,684	36	3,331,684	36	3,331,684	36
99Z Cash Operations	0	0	55,000	0	55,000	0	55,000	0	55,000	0	55,000	0	55,000	0	55,000	0	55,000	0
Total	17,724,491	34	19,184,288	36	18,921,350	36	19,196,436	36	19,196,436	36	19,196,436	36	19,196,684	36	19,196,684	36	19,196,684	36

Funding Sources		%		%		%		%		%		%		%		%
Fund Balance	4000005	3,206,997	15.7	2,755,662	13.8		785,930	4.0	785,930	4.0	785,930	4.0	294,604	1.5	294,604	1.5
General Revenue	4000010	534,449	2.6	534,449	2.7		534,449	2.7	534,449	2.7	534,449	2.7	534,449	2.7	534,449	2.7
Cash Fund	4000045	18,921	0.1	20,000	0.1		20,000	0.1	20,000	0.1	20,000	0.1	20,000	0.1	20,000	0.1
Merit Adjustment Fund	4000055	0	0.0	17,607	0.1		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Ad Valorem Tax	4000060	2,425,064	11.8	2,350,500	11.8		3,858,661	19.8	3,858,661	19.8	3,858,661	19.8	4,297,235	22.1	4,297,235	22.1
County Assessors Cont Educ	4000170	44,722	0.2	42,000	0.2		42,000	0.2	42,000	0.2	42,000	0.2	42,000	0.2	42,000	0.2
Intra-agency Fund Transfer	4000317	0	0.0	0	0.0		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Real Property Reappraisal	4000405	14,250,000	69.6	14,250,000	71.4		14,250,000	73.1	14,250,000	73.1	14,250,000	73.1	14,250,000	73.3	14,250,000	73.3
Total Funds		20,480,153	100.0	19,970,218	100.0		19,491,040	100.0	19,491,040	100.0	19,491,040	100.0	19,438,288	100.0	19,438,288	100.0
Excess Appropriation/(Funding)		(2,755,662)		(785,930)			(294,604)		(294,604)		(294,604)		(241,604)		(241,604)	
Grand Total		17,724,491		19,184,288			19,196,436		19,196,436		19,196,436		19,196,684		19,196,684	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
36	34	2	36	0	5.56 %	36	34	2	36	0	5.56 %	36	0	36	36	0	100.00 %

Analysis of Budget Request

Appropriation: 1VC - Real Property Reappraisal Program

Funding Sources: GPR - Real Property Reappraisal Fund

The Assessment Coordination Department administers the Real Property Reappraisal Program in which the market value of real property in all of the State's 75 counties is refigured every three to five years for taxation purposes, as mandated by Act 1185 of 1999 (A.C.A. §26-26-1902 et seq.). Current special language provides for funding of this program by proportional transfers from the Public School Fund (76%), the County Aid Fund (16%), and the Municipal Aid Fund (8%) up to a total of \$14,250,000.

Agency's Base Level request is \$15,750,000 for each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1VC - Real Property Reappraisal Program

Funding Sources: GPR - Real Property Reappraisal Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Real Property Reappraisal 5900046	14,565,213	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000
Total	14,565,213	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000
Funding Sources									
Intra-agency Fund Transfer 4000317	315,213	1,500,000		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Real Property Reappraisal 4000405	14,250,000	14,250,000		14,250,000	14,250,000	14,250,000	14,250,000	14,250,000	14,250,000
Total Funding	14,565,213	15,750,000		15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	14,565,213	15,750,000		15,750,000	15,750,000	15,750,000	15,750,000	15,750,000	15,750,000

Analysis of Budget Request

Appropriation: 215 - County Assessors Continuing Education

Funding Sources: TCA - County Assessors Continuing Education Fund

The Assessment Coordination Department's County Assessors Continuing Education Program is funded by \$600 assessments collected annually from the counties, as authorized by Arkansas Code §19-5-944. These proceeds are used to provide educational courses for local assessment personnel.

Agency's Base Level request is \$60,000 for each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 215 - County Assessors Continuing Education

Funding Sources: TCA - County Assessors Continuing Education Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	51,600	51,600	51,600	51,600	51,600	51,600	51,600	51,600
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		0	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Funding Sources										
Fund Balance	4000005	212,246	256,968		238,968	238,968	238,968	220,968	220,968	220,968
County Assessors Cont Educ	4000170	44,722	42,000		42,000	42,000	42,000	42,000	42,000	42,000
Total Funding		256,968	298,968		280,968	280,968	280,968	262,968	262,968	262,968
Excess Appropriation/(Funding)		(256,968)	(238,968)		(220,968)	(220,968)	(220,968)	(202,968)	(202,968)	(202,968)
Grand Total		0	60,000		60,000	60,000	60,000	60,000	60,000	60,000

Analysis of Budget Request

Appropriation: 258 - Assessment Coordination-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The Assessment Coordination Department's State Operations appropriation is funded by a mix of general revenues and Ad Valorem Taxes that are authorized by A.C.A. §19-5-906.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Agency's Base Level request is \$3,331,436 in FY2018 and \$3,331,684 in FY2019.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 258 - Assessment Coordination-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	1,706,148	1,709,082	1,502,496	1,711,582	1,711,582	1,711,582	1,711,782	1,711,782	1,711,782
#Positions	34	36	36	36	36	36	36	36	36
Extra Help 5010001	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
#Extra Help	0	3	3	3	3	3	3	3	3
Personal Services Matching 5010003	556,932	575,597	519,245	585,245	585,245	585,245	585,293	585,293	585,293
Operating Expenses 5020002	652,140	622,240	622,240	622,240	622,240	622,240	622,240	622,240	622,240
Conference & Travel Expenses 5050009	69,053	49,869	49,869	49,869	49,869	49,869	49,869	49,869	49,869
Professional Fees 5060010	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Assessor's School 5900046	175,005	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Assessment Educ Incentive 5900047	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total	3,159,278	3,319,288	3,056,350	3,331,436	3,331,436	3,331,436	3,331,684	3,331,684	3,331,684
Funding Sources									
Fund Balance 4000005	2,870,036	2,355,058		438,326	438,326	438,326	0	0	0
General Revenue 4000010	534,449	534,449		534,449	534,449	534,449	534,449	534,449	534,449
Merit Adjustment Fund 4000055	0	17,607		0	0	0	0	0	0
Ad Valorem Tax 4000060	2,425,064	2,350,500		3,858,661	3,858,661	3,858,661	4,297,235	4,297,235	4,297,235
Intra-agency Fund Transfer 4000317	(315,213)	(1,500,000)		(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Total Funding	5,514,336	3,757,614		3,331,436	3,331,436	3,331,436	3,331,684	3,331,684	3,331,684
Excess Appropriation/(Funding)	(2,355,058)	(438,326)		0	0	0	0	0	0
Grand Total	3,159,278	3,319,288		3,331,436	3,331,436	3,331,436	3,331,684	3,331,684	3,331,684

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Analysis of Budget Request

Appropriation: 99Z - Cash Operations

Funding Sources: NCA - Assessment Coordination - Cash in Treasury

The Assessment Coordination Department's Cash in Treasury appropriation is funded by proceeds from the sales of property assessment and appraisal publications to parties in the private sector. Tuition is also collected from private citizens who enroll in assessment and appraisal courses conducted by the Department. These resources are used to purchase educational materials, defray printing costs, and pay for evaluations of agency methods and procedures to determine their compliance with guidelines of the International Association of Assessing Officers.

Agency's Base Level request is \$55,000 for each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 99Z - Cash Operations

Funding Sources: NCA - Assessment Coordination - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Conference & Travel Expenses	5050009	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Professional Fees	5060010	0	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		0	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Funding Sources										
Fund Balance	4000005	124,715	143,636		108,636	108,636	108,636	73,636	73,636	73,636
Cash Fund	4000045	18,921	20,000		20,000	20,000	20,000	20,000	20,000	20,000
Total Funding		143,636	163,636		128,636	128,636	128,636	93,636	93,636	93,636
Excess Appropriation/(Funding)		(143,636)	(108,636)		(73,636)	(73,636)	(73,636)	(38,636)	(38,636)	(38,636)
Grand Total		0	55,000		55,000	55,000	55,000	55,000	55,000	55,000

AUCTIONEER'S LICENSING BOARD

Enabling Laws

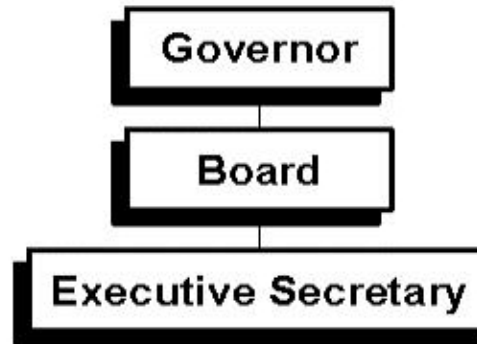
Act 136 of 2016
Act 266 of 1989 as amended
A.C.A. § 17-17-201

History and Organization

The Auctioneer's Licensing Board, consisting of seven members - four auctioneers and three consumer representatives, was created in 1989.

The mission of the organization is to protect public welfare by establishing and maintaining a high standard of integrity in the Profession of Auctioneers and Auction Houses.

The responsibility of the organization is to certify, license, register individuals and companies who meet the requirements to engage in the profession of Auctioneers and, additionally, to protect the public from illegal, incompetent, unethical and unprofessional practitioners.



Agency Commentary

The Auctioneer's Licensing Board was created by Act 266 of 1989. The Board is self-funded from funds collected through application fees for licensure, renewal of licenses and permits, issuance of permits, late penalties, examinations, and disciplinary fines.

The primary activities of the Board are as follows: 1) Administer a professional auctioneer examination four times a year; 2) License those who pass the examination and otherwise qualify; 3) Annually issue renewal licenses to all qualified auctioneers and auction house owners; 4) Maintain and publish a register of all qualified auctioneers and auction house owners that are permitted to operate in the State; 5) Conduct investigations into allegations of violations of Statutes and Rules and Regulations; 6) Conduct hearings and take disciplinary actions when appropriate; 7) Monitor continuing professional education on auctioneers for license renewals; 8) Conduct yearly audits of auction houses to ensure compliance with record keeping and reporting requirements. All of this is done with one secretary/treasurer position and an extra help position.

The Board is requesting Base Level for the 2017 - 2019 Biennium. The Board has succeeded each year in fulfilling its statutory obligations with an emphasis on efficiency and cost containment. It is essential to maintain the current level to ensure the Board's financial obligations are met. Reductions in Base Level funding or appropriation would restrict the Board's ability to perform its core regulatory functions.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS AUCTIONEERS LICENSING BOARD
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	1	1	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			1	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3440000	\$82,764	Checking and TMMP	Centennial Bank and Treasury

Statutory/Other Restrictions on use:

A.C.A. §17-17-204 authorizes all fees, charges, and penalties collected to be deposited in a bank or banks to be designated by the Board.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-17-214 and A.C.A. §17-17-301 et seq. authorize the Agency to collect and use fees, fines, and penalties for operating costs.

Revenue Receipts Cycle:

Fees, fines, and penalties are collected during the fiscal year.

Fund Balance Utilization:

Funds are collected during the fiscal year and are used for operating expenses.

Fund Account	Balance	Type	Location
3440100	\$194,902	TMMP and CD	Bank of America and Treasury

Statutory/Other Restrictions on use:

A.C.A. §17-17-204 authorizes all fees, charges, and penalties collected to be deposited in a bank or banks to be designated by the Board.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-17-204 authorizes the Agency to collect fees at initial licensure and at each renewal period.

Revenue Receipts Cycle:

Funds are collected from new licensees during the fiscal year.

Fund Balance Utilization:

Funds are collected from new licensees during the fiscal year and are used to pay any claim resulting from a disciplinary hearing. The Agency may use any funds above \$180,000 to advance education, underwrite seminars, and for improvement of the profession.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Licensee List	A.C.A. 17-17-206	N	N	75	Required by A.C.A. 17-17-206 to be available to the general public upon request.	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
1	1	0	1	0	0.00 %	1	1	0	1	0	0.00 %	1	1	0	1	0	0.00 %

Analysis of Budget Request

Appropriation: C51 - Auctioneer's - Cash Operations

Funding Sources: 344 - Auctioneer's Licensing Board - Cash

The Arkansas Auctioneer's Licensing Board was established by Act 266 of 1989, as codified in Arkansas Code Annotated §17-17-201, for promulgating rules and regulations, licensing, and publishing annually a register of all auctioneers that are licensed to do business in Arkansas. The Agency monitors auctions held within the State and gives examinations to certify new auctioneers four times a year. The Commission consists of seven (7) Commissioners that are appointed by the Governor.

This is the primary operating appropriation of the Agency. Its revenues are generated from receipt of fees charged for examinations, licensing, renewals, and penalties.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Agency's Base Level and total request is for appropriation of \$212,363 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C51 - Auctioneer's - Cash Operations
Funding Sources: 344 - Auctioneer's Licensing Board - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	57,210	57,200	56,687	57,200	57,200	57,200	57,200	57,200	57,200
#Positions		1	1	1	1	1	1	1	1	1
Extra Help	5010001	0	15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780
#Extra Help		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	17,427	18,272	18,334	18,578	18,578	18,578	18,578	18,578	18,578
Operating Expenses	5020002	32,533	52,117	52,117	52,117	52,117	52,117	52,117	52,117	52,117
Conference & Travel Expenses	5050009	0	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Professional Fees	5060010	23	13,688	13,688	13,688	13,688	13,688	13,688	13,688	13,688
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	0	500	500	500	500	500	500	500	500
Claims	5110015	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		107,193	212,057	211,606	212,363	212,363	212,363	212,363	212,363	212,363
Funding Sources										
Fund Balance	4000005	280,926	277,666		176,861	176,861	176,861	75,750	75,750	75,750
Cash Fund	4000045	103,933	111,252		111,252	111,252	111,252	111,252	111,252	111,252
Total Funding		384,859	388,918		288,113	288,113	288,113	187,002	187,002	187,002
Excess Appropriation/(Funding)		(277,666)	(176,861)		(75,750)	(75,750)	(75,750)	25,361	25,361	25,361
Grand Total		107,193	212,057		212,363	212,363	212,363	212,363	212,363	212,363

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Expenditure of appropriation is contingent upon available funding.

PROFESSIONAL BAIL BONDSMAN LICENSING BOARD

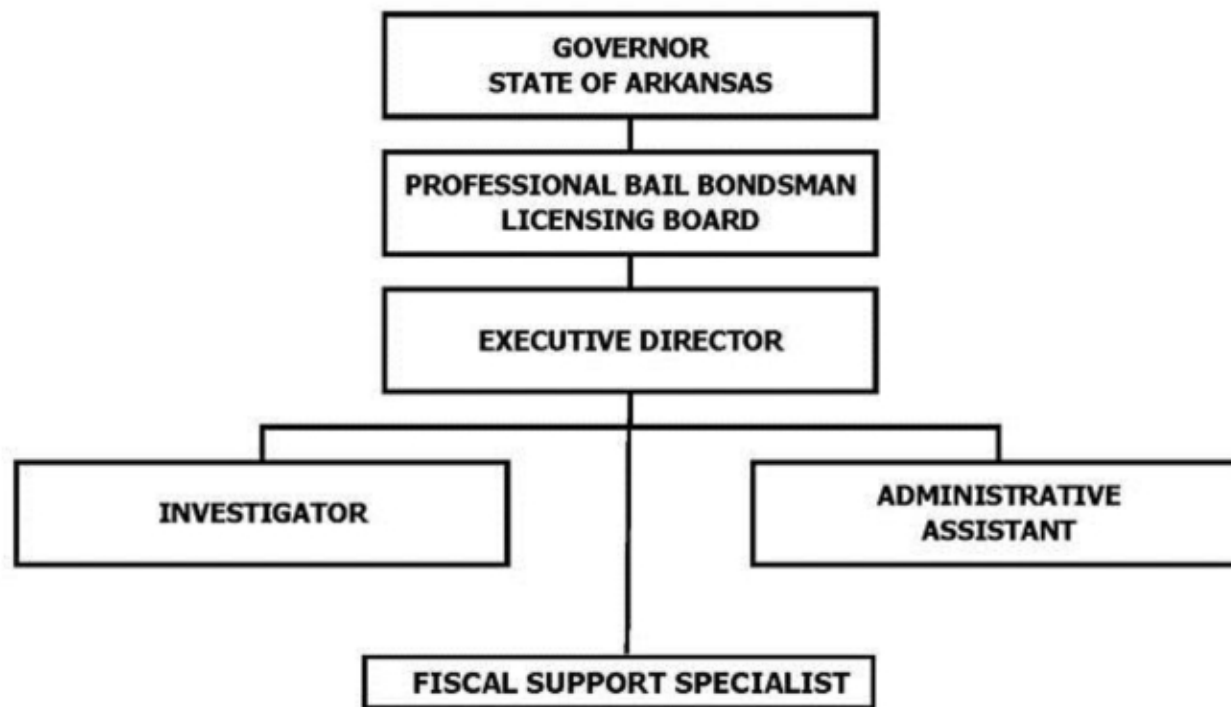
Enabling Laws

Act 173 of 2016
A.C.A. § 17-19-101 et seq.

History and Organization

A.C.A. § 17-19-106 et seq. established the Professional Bail Bond Company & Professional Bail Bondsman Licensing Board. The Act provided for a seven member Board to be appointed by the Governor for terms of seven years. The Board consists of one (1) Sheriff, one (1) Chief of Police, one (1) elected Judge, one (1) citizen at large, and three (3) bail bond company owners. Act 1817 of 2001 provided that one (1) member of the Board be an African-American and that one (1) member be female. In 2010, the Supreme Court of Arkansas (No. 09-1269) declared unconstitutional that one member of the Board be a municipal or circuit judge. The position has remained unfilled.

The Board is organized as follows: An executive director, appointed by the Board, is responsible for the day-to-day administration of the duties and functions of the Board. The Board currently employs an investigator, an administrative assistant, and a Fiscal Support Specialist.



Agency Commentary

Act 500 of 1993 established the Professional Bail Bond Company & Professional Bail Bondsman Licensing Board and provided the Board with the authority and responsibility of administering and enforcing the provisions of Arkansas Code Annotated Title 17, Chapter 19. The Board was given authority to adopt and enforce such reasonable rules and regulations as it determines are necessary to enable the effective and efficient administration of its official duty of licensing and regulating professional bail bond companies and professional bail bondsman.

The primary activities of the Board are as follows: 1) Administer the Professional Bail Bondsman Examination weekly; 2) License those who pass the examination and otherwise qualify; 3) Determine whether those who apply for an Arkansas Bail Bond Company License qualify; 4) Annually issue renewal licenses to all qualified bail bondsman and bail bond companies; 5) Conduct investigations into allegations of violations of Statutes and Rules & Regulations based on complaints and/or information received by the Board office; 6) Conduct hearings and take disciplinary action where appropriate; 7) Monitor mandatory continuing professional education for professional bail bondsman who hold

a valid Arkansas license; and 8) Conduct yearly audits of bail bond companies to ensure compliance with record keeping and reporting requirements.

The Board requests Base Level appropriation for the 2017-2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS PROFESSIONAL BAIL BONDSMAN LICENSING BOARD
FOR THE YEAR ENDED JUNE 30, 2014

Findings

The IRS Fringe Benefit Guide (Publication 5137) provides for certain instances whereby commuting is a non-taxable event. To qualify, the individual must meet certain criteria, including driving a clearly-marked public safety officer vehicle. If these criteria are not met, the individual should record \$1.50 per trip per day as taxable income. The Agency Director did not include use of a state-owned vehicle as a taxable benefit on his IRS Form W-2, as required by IRS fringe benefit regulations.

Recommendations

The Director obtain a formal ruling from the IRS regarding the exclusion of taxable usage of a state vehicle from her IRS Form W-2. Additionally, the Agency should review vehicle usage and reporting requirements to ensure compliance with all federal laws and regulations.

Agency Response:

This issue concerns the Executive Director, Larry Peters, driving the state-issued vehicle to his residence after business hours without having submitted a waiver to do so. This has been the policy and procedures of the Board prior to Mr. Peters' employment. As with the former Executive Director, it was considered part of the compensation package. Mr. Peters is called out several times per month for issues after hours, and it has been this Board's position since 1999 that the Executive Director should not be required to drive their personal vehicle. This has never been an issue brought to our attention.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	3	1	4	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			4	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Bail Bonds Company and Bail Bondsman Licensing Board	A.C.A. §17-29-206 (f)	N	N	150	Required by law. Public Use.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1DV Bail Bondsman-Operations	361,185	4	396,968	4	395,536	4	373,383	4	373,383	4	373,383	4	373,383	4	373,383	4	373,383	4
4HD Treasury Cash Reimbursement	95,320	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
F67 Bail Bond Recovery	0	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0
Total	456,505	4	4,396,968	4	4,395,536	4	4,373,383	4	4,373,383	4	4,373,383	4	4,373,383	4	4,373,383	4	4,373,383	4

Funding Sources		%		%		%		%		%		%		%		%
Fund Balance	4000005	912,021	56.9	1,147,522	20.6		1,173,877	20.8	1,173,877	20.8	1,173,877	20.8	1,257,194	21.8	1,257,194	21.8
Special Revenue	4000030	233,141	14.5	3,500,000	62.8		3,500,000	62.2	3,500,000	62.2	3,500,000	62.2	3,500,000	60.6	3,500,000	60.6
Cash Fund	4000045	661,691	41.3	1,231,950	22.1		1,231,950	21.9	1,231,950	21.9	1,231,950	21.9	1,291,950	22.4	1,291,950	22.4
Transfer to General Revenue	4000635	(143,749)	(9.0)	(150,000)	(2.7)		(120,000)	(2.1)	(120,000)	(2.1)	(120,000)	(2.1)	(120,000)	(2.1)	(120,000)	(2.1)
Transfers (to) / from Agencies	4000693	(59,077)	(3.7)	(158,627)	(2.8)		(155,250)	(2.8)	(155,250)	(2.8)	(155,250)	(2.8)	(155,000)	(2.7)	(155,000)	(2.7)
Total Funds		1,604,027	100.0	5,570,845	100.0		5,630,577	100.0	5,630,577	100.0	5,630,577	100.0	5,774,144	100.0	5,774,144	100.0
Excess Appropriation/(Funding)		(1,147,522)		(1,173,877)			(1,257,194)		(1,257,194)		(1,257,194)		(1,400,761)		(1,400,761)	
Grand Total		456,505		4,396,968			4,373,383		4,373,383		4,373,383		4,373,383		4,373,383	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
3	4	0	4	-1	-33.33 %	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %

Total Budgeted positions in FY15 exceed Authorized amount due to positions authorized from the Central Growth Pool.

Analysis of Budget Request

Appropriation: 1DV - Bail Bondsman-Operations

Funding Sources: MBB - Professional Bail Bondsman Licensing Board

The Professional Bail Bondsman Licensing Board uses this appropriation for personal services and operating expenses to administer and enforce the law pertaining to licensing and regulating professional bail bond companies and bondsmen. The Board collects \$10 per bond written and by statute funds the Board to provide for the personal services and operating expenses; and the remainder directly into the Domestic Peace Fund administered by the Arkansas Child Abuse/Rape/Domestic Violence Commission. The Board is required to transfer all but 25% of its fund balance to the State Treasury at the end of each fiscal year.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Board is requesting Base Level appropriation of \$373,383 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 1DV - Bail Bondsman-Operations
Funding Sources: MBB - Professional Bail Bondsman Licensing Board

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	175,159	173,921	172,324	173,921	173,921	173,921	173,921	173,921	173,921
#Positions		4	4	4	4	4	4	4	4	4
Personal Services Matching	5010003	58,366	57,161	57,326	58,076	58,076	58,076	58,076	58,076	58,076
Operating Expenses	5020002	102,730	103,386	103,386	103,386	103,386	103,386	103,386	103,386	103,386
Conference & Travel Expenses	5050009	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	70	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	24,860	24,500	24,500	0	0	0	0	0	0
Total		361,185	396,968	395,536	373,383	373,383	373,383	373,383	373,383	373,383
Funding Sources										
Fund Balance	4000005	441,592	443,952		470,307	470,307	470,307	553,624	553,624	553,624
Cash Fund	4000045	566,371	731,950		731,950	731,950	731,950	791,950	791,950	791,950
Transfer to General Revenue	4000635	(143,749)	(150,000)		(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Transfers (to) / from Agencies	4000693	(59,077)	(158,627)		(155,250)	(155,250)	(155,250)	(155,000)	(155,000)	(155,000)
Total Funding		805,137	867,275		927,007	927,007	927,007	1,070,574	1,070,574	1,070,574
Excess Appropriation/(Funding)		(443,952)	(470,307)		(553,624)	(553,624)	(553,624)	(697,191)	(697,191)	(697,191)
Grand Total		361,185	396,968		373,383	373,383	373,383	373,383	373,383	373,383

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.
 Transfers (to)/from Agencies is a transfer to the Domestic Peace Fund.

Analysis of Budget Request

Appropriation: 4HD - Treasury Cash Reimbursement

Funding Sources: NBB - Cash in Treasury

The Professional Bail Bondsman Licensing Board uses this appropriation to allow the Board to process security deposits and pay outstanding judgments of bail bonds companies that go out of business. This appropriation allows proper accounting of these transactions on the state accounting system.

The Board is requesting Base Level appropriation of \$500,000 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 4HD - Treasury Cash Reimbursement

Funding Sources: NBB - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	95,320	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	95,320	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources									
Fund Balance 4000005	112,130	112,130		112,130	112,130	112,130	112,130	112,130	112,130
Cash Fund 4000045	95,320	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	207,450	612,130		612,130	612,130	612,130	612,130	612,130	612,130
Excess Appropriation/(Funding)	(112,130)	(112,130)		(112,130)	(112,130)	(112,130)	(112,130)	(112,130)	(112,130)
Grand Total	95,320	500,000		500,000	500,000	500,000	500,000	500,000	500,000

Analysis of Budget Request

Appropriation: F67 - Bail Bond Recovery

Funding Sources: SBL - Special Revenue

This appropriation will be used for personal services and operating expenses for recovery of forfeited professional bonds.

The Bail Bond Recovery Fund is funded through a \$4 nonrefundable administrative fee for each bond issued.

The Board is requesting Base Level appropriation of \$3,500,000 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: F67 - Bail Bond Recovery

Funding Sources: SBL - Special Revenue

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Pers. Svs. & Op. Exp. Bond Recr 5900046	0	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total	0	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Funding Sources									
Fund Balance 4000005	358,299	591,440		591,440	591,440	591,440	591,440	591,440	591,440
Special Revenue 4000030	233,141	3,500,000		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total Funding	591,440	4,091,440		4,091,440	4,091,440	4,091,440	4,091,440	4,091,440	4,091,440
Excess Appropriation/(Funding)	(591,440)	(591,440)		(591,440)	(591,440)	(591,440)	(591,440)	(591,440)	(591,440)
Grand Total	0	3,500,000		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000

STATE BANK DEPARTMENT

Enabling Laws

Act 174 of 2016
A.C.A. §23-46-101 et seq.

History and Organization

The State Bank Department was established by Act 113 of 1913. Its duties are to perform periodic examinations of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness and compliance with laws and regulations.

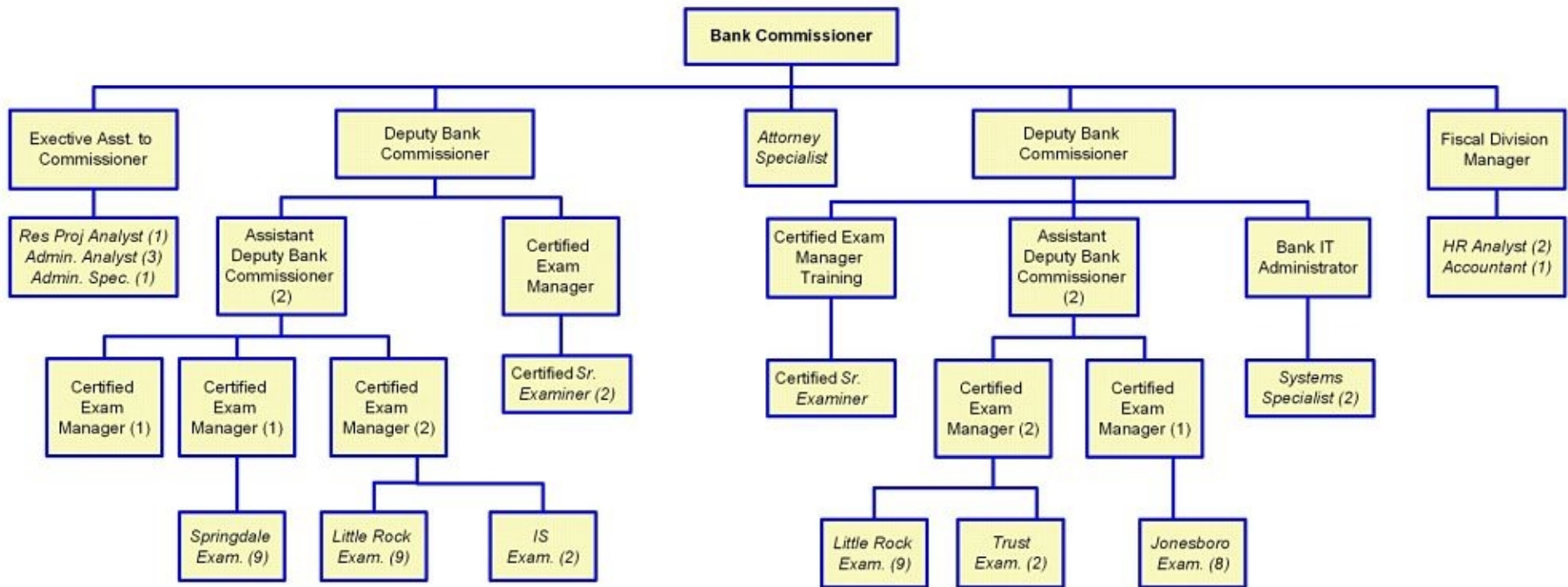
These examinations are accomplished by on-site evaluation of assets and liabilities, adequacy of internal routines and controls, the competency of management, the adequacy of capital of the institution, and other evaluations as performed by examiners.

The Bank Commissioner is charged with the responsibility of ensuring all state banks operate in compliance with state and federal laws. She also has responsibility for the approval of new branches, changes in ownership, and Plans of Exchange, whereby bank stock is exchanged for bank holding company stock.

In order to discharge the statutory responsibilities of the above, the Bank Commissioner and bank examiners periodically conduct investigations, hold hearings and perform all actions necessary to discharge their statutory responsibilities. Act 60 of 1933 created the Arkansas State Banking Board. The Board consists of six (6) members whose powers and duties include: Pass upon bank charter applications and charter amendments; pass upon proposed reorganizations, mergers and consolidations, conversions from National Charter to State Charter; hold hearings; propose regulations; and otherwise perform all actions necessary to discharge their statutory responsibility. The Commissioner and the State Banking Board have full authority to issue rules and regulations.

The Bank Commissioner, aided by the team of examiners, is required periodically to issue Cease and Desist Orders, Memorandums of Understanding, or obtain official Resolutions of Affirmative Action from banks when safety and soundness issues arise that warrant such action.

The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology, and Administrative Services Divisions to maintain a legal and regulatory structure for Arkansas that provides the public with convenient, safe, and competitive banking, which allows for economic development within this State.



Agency Commentary

The Arkansas State Bank Department has statutory responsibility for the examination and regulation of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness, and compliance with laws and regulations. As of June 30, 2016, we are the chartering agency and are responsible for the regulation of 86 commercial banks headquartered in Arkansas, as well as 85 parent bank holding companies, 46 trust departments, one trust company and one industrial development corporation. The primary responsibility of the Department is to ensure the safety and soundness of these institutions.

The Department will continue its policy of being an advocate of banking and seeking every means available to improve those financial institutions found to be in need of assistance. In order to execute these responsibilities and fulfill the mission and goals of the Department, certain budget requests are imperative.

Executive staff. During our annual Strategic Planning meeting all discussions indicated that due to new technology and new computer programs available, we will see a reduction in travel and vehicle expenses during the next biennial. These new programs will provide efficient and productive tools for portions of an examination to be done in-house. Due to these changes, current budget will be sufficient for the next biennium. In addition to current Base Level, the Department is requesting Capital Outlay appropriation of \$70,000 the first year and \$70,000 the second year to replace state vehicles according to the State’s mileage and time of service policy. An additional \$10,000 per year to replace fully depreciated equipment at costs above \$5,000 per item is also being requested. This request is a \$30,000 reduction per year from our current approved appropriation.

Other Capital Outlay resources are requested for replacement of obsolete information technology equipment according to the Department’s three-year replacement plan. The Department is requesting \$20,000 each year in Capital Outlay for technology equipment costing over \$5,000 per item. The Department’s IT plan has been filed with the DFA-Office of State Technology Planning per its instructions for the 2017-2019 Biennium.

Approval of all requests will allow the Bank Department to continue to meet demands placed upon it by the financial industry and to continue to monitor the safety and soundness of all Arkansas state banking institutions under its jurisdiction. This will be accomplished by priorities set by the Department to regulate and supervise the constantly changing banking environment. Funding for the State Bank Department is 100% Special Revenue and is provided by semi-annual assessments of all institutions under the supervisory authority of the Department.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 STATE BANK DEPARTMENT
 FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	44	14	58	89 %
Black Employees	3	2	5	8 %
Other Racial Minorities	2	0	2	3 %
Total Minorities			7	11 %
Total Employees			65	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Report of the Bank Commissioner	A.C.A. 23-46-210	Y	N	1	Required for Governor by Statute. Report is also available on the Agency's website for public information.	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
72	63	9	72	0	12.50 %	72	67	5	72	0	6.94 %	72	65	7	72	0	9.72 %

Analysis of Budget Request

Appropriation: 051 - State Bank Department-Operations

Funding Sources: SIB - Bank Department Fund

The State Bank Department is funded entirely by special revenue fees assessed and collected on a semi-annual basis, as authorized in Arkansas Code §19-6-412.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

Base Level request is \$9,248,029 in FY18 and \$9,250,671 in FY19.

The Agency's net Change level request is \$90,000 each year of the 2017-2019 Biennium and is summarized as follows:

- Professional Services decrease of \$10,000 each year to properly align expenses,
- Capital Outlay increase of \$80,000 each year to replace state vehicles and fully depreciated equipment, also an increase of \$20,000 each year for replacement of obsolete information technology equipment according to the Department's three year replacement plan. The request is noted in the Department's IT plan.

The Executive Recommendation provides for the Agency Request, which also provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Appropriation Summary

Appropriation: 051 - State Bank Department-Operations

Funding Sources: SIB - Bank Department Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	5,082,190	5,619,787	5,619,787	5,623,088	5,623,088	5,623,088	5,624,888	5,624,888	5,624,888
#Positions		70	72	72	72	72	72	72	72	72
Extra Help	5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	1,485,289	1,606,710	1,630,043	1,627,523	1,627,523	1,627,523	1,628,365	1,628,365	1,628,365
Operating Expenses	5020002	1,110,162	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193	1,490,193
Conference & Travel Expenses	5050009	266,163	332,225	332,225	332,225	332,225	332,225	332,225	332,225	332,225
Professional Fees	5060010	45,937	170,000	170,000	170,000	160,000	160,000	170,000	160,000	160,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	123,997	130,000	130,000	0	100,000	100,000	0	100,000	100,000
Total		8,113,738	9,353,915	9,377,248	9,248,029	9,338,029	9,338,029	9,250,671	9,340,671	9,340,671
Funding Sources										
Fund Balance	4000005	7,039,301	7,634,967		8,671,052	8,671,052	8,671,052	10,371,817	10,281,817	10,281,817
Special Revenue	4000030	8,709,404	10,390,000		10,948,794	10,948,794	10,948,794	11,077,200	11,077,200	11,077,200
Total Funding		15,748,705	18,024,967		19,619,846	19,619,846	19,619,846	21,449,017	21,359,017	21,359,017
Excess Appropriation/(Funding)		(7,634,967)	(8,671,052)		(10,371,817)	(10,281,817)	(10,281,817)	(12,198,346)	(12,018,346)	(12,018,346)
Grand Total		8,113,738	9,353,915		9,248,029	9,338,029	9,338,029	9,250,671	9,340,671	9,340,671

Change Level by Appropriation

Appropriation: 051 - State Bank Department-Operations
Funding Sources: SIB - Bank Department Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	9,248,029	72	9,248,029	100.0	9,250,671	72	9,250,671	100.0
C01	Existing Program	80,000	0	9,328,029	100.9	80,000	0	9,330,671	100.9
C03	Discontinue Program	(10,000)	0	9,318,029	100.8	(10,000)	0	9,320,671	100.8
C08	Technology	20,000	0	9,338,029	101.0	20,000	0	9,340,671	101.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	9,248,029	72	9,248,029	100.0	9,250,671	72	9,250,671	100.0
C01	Existing Program	80,000	0	9,328,029	100.9	80,000	0	9,330,671	100.9
C03	Discontinue Program	(10,000)	0	9,318,029	100.8	(10,000)	0	9,320,671	100.8
C08	Technology	20,000	0	9,338,029	101.0	20,000	0	9,340,671	101.0

Justification

C01	Capital Outlay appropriation of \$70,000 each fiscal year is requested to replace state vehicles according to the State's mileage and time of service policy; an additional \$10,000 each year is requested to replace fully depreciated equipment at costs above \$5,000.
C03	A decrease of \$10,000 each year is being requested to reduce agency Professional Service Fees in the IT Cost Center 318220.
C08	Capital Outlay resources of \$20,000 each year is requested for replacement of obsolete information technology equipment according to the Department's three-year replacement plan. The Department's IT plan has been filed with the DFA Office of State Technology Planning per it instructions for the 2017-2019 biennium.

STATE BOARD OF BARBER EXAMINERS

Enabling Laws

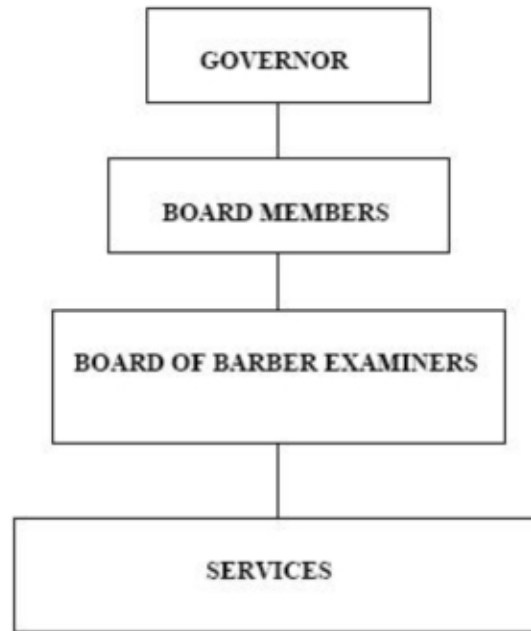
Act 197 of 2016
A.C.A. §17-20-101 et seq. (Act 313 of 1937 as amended)

History and Organization

Act 313 of 1937, as amended, established the Arkansas State Board of Barber Examiners to provide for the regulation of the barber profession. All barbers, barbershops, barber schools or colleges and students in the barber colleges in Arkansas are required to meet minimum requirements and be licensed or certified by the Board of Barber Examiners. Board membership is composed of five (5) persons appointed by the Governor for a term of six (6) years, with one term expiring each two years and the State Health Officer, who is an ex-officio member.

Fees are collected on an annual basis from all barbers, barbershops, barber colleges, barber college instructors and students enrolled in barber college. All barbershops and barber colleges in the State are inspected for sanitation and sterilization of equipment and any other violation of the barber law. Examinations for a license to practice barbering in our State are given to all barbers and barber college instructors.

The Board is a cash fund agency funded by the collection of fees.



Agency Commentary

The State Board of Barber Examiners is responsible to the general public for ensuring that all barbers, barber shops and barber schools/colleges are properly licensed and the sanitation and sterilization rules are met in accordance with the laws set forth.

To be in compliance with Arkansas Barber Law, Act 313 of 1937, as amended, and to ensure the health and safety of the public, the board conducts random inspections on each barber shop and barber school /college in the State of Arkansas and investigates and resolves all complaints submitted to the board.

In addition, the board is responsible for establishing a curriculum of training that will produce students eligible for testing by the board and subsequent licensing as barbers, and TMI's (teachers, managers, instructors).

The Board is requesting Base Level appropriation for the 2017-2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
STATE BOARD OF BARBER EXAMINERS
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	1	2	3	75 %
Black Employees	1	0	1	25 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	25 %
Total Employees			4	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Letter with Financial Report	A.C.A. 17-20-207	Y	N	2,500	Required by A.C.A. 17-20-207.	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %

Analysis of Budget Request

Appropriation: 81J - Barber Board-Treasury Cash

Funding Sources: NBE - Cash in Treasury

The State Board of Barber Examiners was created by Act 313 of 1937 to regulate the barbering profession. The Board supervises barber colleges in Arkansas to ensure they teach the proper methods of sanitation and sterilization, and perform services to the public. The Board prepares written and practical examinations and administers them to students upon completion of the course. Upon passage, students are licensed to work in a licensed barbershop.

The Board issues Student Barber, Barber Technician, Barber Shop, Barber Instructor, and Barber College licenses. Barber shops are periodically inspected, by direction of the Board, to ensure barbers are currently licensed and are using the proper methods of sanitation and sterilization. Fees are collected annually from barbers, barber shops, barber colleges, barber college instructors and students enrolled in barber college.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Board is requesting Base Level appropriation of \$270,726 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 81J - Barber Board-Treasury Cash

Funding Sources: NBE - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	150,932	155,032	158,939	155,132	155,132	155,132	155,132	155,132	155,132
#Positions		4	4	4	4	4	4	4	4	4
Extra Help	5010001	10,387	10,802	10,802	10,802	10,802	10,802	10,802	10,802	10,802
#Extra Help		1	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	55,573	54,717	56,084	55,592	55,592	55,592	55,592	55,592	55,592
Operating Expenses	5020002	41,677	45,150	45,150	45,150	45,150	45,150	45,150	45,150	45,150
Conference & Travel Expenses	5050009	2,030	3,550	3,550	3,550	3,550	3,550	3,550	3,550	3,550
Professional Fees	5060010	0	500	500	500	500	500	500	500	500
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		260,599	269,751	275,025	270,726	270,726	270,726	270,726	270,726	270,726
Funding Sources										
Fund Balance	4000005	147,952	153,988		153,237	153,237	153,237	154,511	154,511	154,511
Cash Fund	4000045	266,635	269,000		272,000	272,000	272,000	275,000	275,000	275,000
Total Funding		414,587	422,988		425,237	425,237	425,237	429,511	429,511	429,511
Excess Appropriation/(Funding)		(153,988)	(153,237)		(154,511)	(154,511)	(154,511)	(158,785)	(158,785)	(158,785)
Grand Total		260,599	269,751		270,726	270,726	270,726	270,726	270,726	270,726

CAPITOL ZONING DISTRICT COMMISSION

Enabling Laws

Act 228 of 2016
A.C.A. § 22-3-302 et seq.

History and Organization

By the early 1970s, downtown Little Rock was an area in decline. Blight and abandoned buildings were common, and new construction, when it did occur, was rarely in keeping with the traditional building forms that remained from the city's early history. In response to these trends, **the General Assembly created the Capitol Zoning District in 1975 to protect the character and dignity of the neighborhoods surrounding the State Capitol and the Governor's Mansion**, so the people of Arkansas might derive maximum benefit from the state's two most preeminent public buildings. Today, an appointed nine-member Commission regulates development in the District using a master plan and design standards, written and regularly updated with input from the public. The agency reviews land use, building heights and setbacks, off-street parking, signage, rehabilitation and restoration work, new construction, site improvements, additions, and demolition. (The agency does not review ordinary maintenance, paint colors, interior arrangements, state-owned property, or any work in the public right-of-way.)

The Commission's mission, in brief, is:

- 1.) To preserve the visual prominence of the State Capitol;
- 2.) To ensure a public environment of high amenity in the Capitol Area;
- 3.) To preserve the residential character of the Governor's Mansion Area and;
- 4.) To preserve historic and architecturally significant structures; and
- 5.) To encourage compatible development within the District.

A full-time professional staff of three provides administrative support to the Commission and assists constituents in preparing applications. **Most permits are approved at the staff level**, usually the same day. (A CZDC permit is a prerequisite to obtaining a work permit or business license from the City of Little Rock for properties within the District.) The Commission holds a regular monthly meeting, and permits that cannot be approved by staff are placed on the Commission's agenda for review. Over the last 5 years (July 2011 - June 2016) the agency **approved 97% of all applications**.

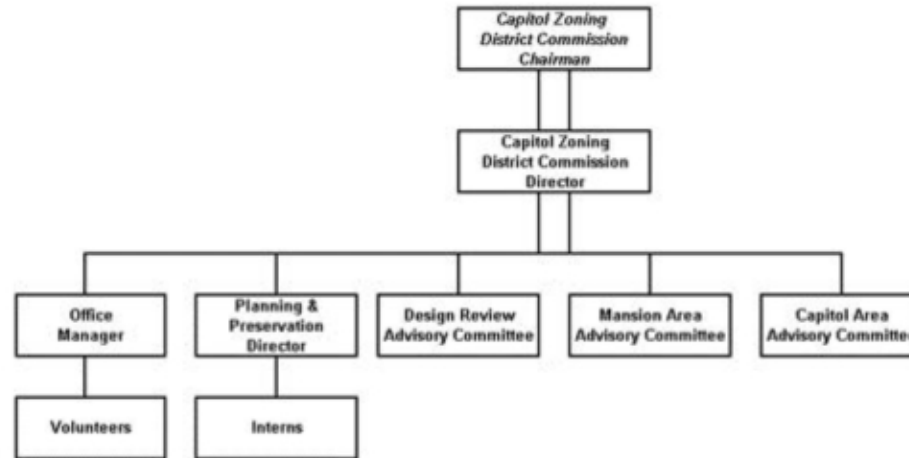
A Design Review Committee, comprised of architects and other design professionals, also meets monthly to provide **free architectural**

advice to property owners and make recommendations to the Commission. Two citizen advisory committees, comprised of residents and property owners in the Mansion and Capitol Areas, also make recommendations to the Commission.

In 2001, the District was expanded bringing the total number of properties under its protection to over 1,400. The **Capitol Zoning District protects more historic resources** than any local (city or county) historic preservation district in Arkansas.

Agency Impact

The effect of the Capitol Zoning Master Plan on the neighborhoods under the agency's jurisdiction becomes readily apparent when one examines photographs of the District from a generation ago versus today. Moreover, adjacent neighborhoods have continued to struggle with disinvestment, while the District has seen a remarkable revitalization. To be certain, pockets of blight still exist within the District, but on the whole, the District has fared significantly better over the past 40 years than other nearby areas. A 2016 study by the City of Little Rock shows a substantially lower incidence of vacant lots and buildings within the Governor's Mansion Area than in adjoining neighborhoods.



Agency Commentary

The Capitol Zoning District Commission operates on an **annual budget of approximately \$250,000** - roughly half of one percent of one percent (1/2 of 1% of 1%) of the state's total budget. About 88% of the agency's budget is for salaries and benefits for the three full time

staff members. Commission members also receive stipends for their service totaling roughly \$5,000 per year for the entire Commission. An additional \$1,000 extra-help appropriation allows the agency to hire a summer intern, usually a graduate student in UALR's Public History program. (In recent years, this individual has written a nomination to the National Register of Historic Places for a property within the State Capitol Area.)

Only about \$25,000 per year is appropriated for maintenance & operating expenses, roughly half of which is paid to DFA's Building Authority Division for rental of the agency's office in the historic Davidson House on the State Capitol complex. The agency's next biggest expenses are connectivity and technology costs - about \$5,000 per year paid to DIS and INA for telephones, email, internet, and web hosting. Fixed expenses also include rental of office equipment (roughly \$3,000/yr for a color copier/printer/scanner and a water cooler). **Less than \$5,000 per year is available for miscellaneous and incidental expenses** such as office supplies, postage, and other low-cost equipment and services. In FY16, the agency purchased a new desktop computer on the state contract for \$1,600 (replacing a nine-year-old system), and paid \$900 to a third-party vendor for updates and maintenance to the agency's MS-Access database of properties and permits.

The agency is requesting **base-level funding** for each year of the upcoming 2017-2019 Biennium. We believe current funding levels are adequate to maintain essential services. Substantial cuts to current levels, however, would likely result in lower service levels, particularly increased wait times for permits.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
CAPITOL ZONING DISTRICT COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	1	3	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			3	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Capitol Zoning District Commission Minutes of Meetings	N/A	N	Y	4	Required by Legislative Council	0	0.00
Monthly Activity Report	N/A	N	Y	1	Required by Legislative Council	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
3	3	0	3	0	0.00 %	3	3	0	3	0	0.00 %	3	3	0	3	0	0.00 %

Analysis of Budget Request

Appropriation: 676 - Capitol Zoning District-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The Capitol Zoning District Commission was created by Act 267 of 1975 (A.C.A. § 22-3-303). Duties of the nine (9) member Commission include development of a comprehensive zoning plan in the Capitol Zoning District, which encompasses the areas surrounding the State Capitol and the Governor's Mansion. The Commission has exclusive authority over the zoning and regulation of all property within the District. The Commission meets monthly to review applications for development permits.

This is the operating appropriation of the Commission and is funded by general revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. Base Level request for Regular Salaries includes board member stipend payments.

The Agency Request is for Base Level of \$246,204 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 676 - Capitol Zoning District-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	168,950	162,040	161,026	162,040	162,040	162,040	162,040	162,040	162,040
#Positions		3	3	3	3	3	3	3	3	3
Extra Help	5010001	936	938	938	938	938	938	938	938	938
#Extra Help		1	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	56,893	55,217	55,416	56,054	56,054	56,054	56,054	56,054	56,054
Operating Expenses	5020002	25,622	27,172	30,323	27,172	27,172	27,172	27,172	27,172	27,172
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		252,401	245,367	247,703	246,204	246,204	246,204	246,204	246,204	246,204
Funding Sources										
General Revenue	4000010	252,401	237,002		246,204	246,204	246,204	246,204	246,204	246,204
Merit Adjustment Fund	4000055	0	8,365		0	0	0	0	0	0
Total Funding		252,401	245,367		246,204	246,204	246,204	246,204	246,204	246,204
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		252,401	245,367		246,204	246,204	246,204	246,204	246,204	246,204

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

STATE BOARD OF COLLECTION AGENCIES

Enabling Laws

Act 198 of 2016

A.C.A. §17-24-101 et seq. (Collection Agencies)

A.C.A. §23-52-101 et seq. [Repealed.] (Check-Cashing)

History and Organization

The Arkansas State Board of Collection Agencies (ASBCA) was created by Act 145 of 1965. The ASBCA is currently comprised of the Division of Collection Agencies. The Division of Check-Cashing was created by Act 1216 of 1999 and was part of the ASBCA until it was declared unconstitutional by the Supreme Court of Arkansas (No. 08-164) in November 2008.

The Division of Collection Agencies is responsible for licensing collection agencies, investigating and prosecuting violations of Arkansas collection law, enforcing bonding requirement and monitoring the activities of approximately 1,200 collection agencies. The ASBCA investigates consumer complaints such as non-remittance of client funds, prohibited collection practices, or unlicensed activity. When a complaint is lodged, the ASBCA initiates an investigation. Upon completion of the investigation appropriate remedies are applied. Remedies may include formal hearing before the Board, which may result in suspension or revocation of the collection agency's license, civil fines and/or criminal prosecution.



Agency Commentary

The Arkansas State Board of Collection Agencies (ASBCA) was created by Act 145 of 1965. The Board licenses and regulates the activities of third party debt collectors including debt buyers. Currently, there are approximately 1,340 licensees 95% of which are located outside Arkansas and 98% of the Board's income is from those out-of-state agencies.

The Board receives no general revenue and operates on funds generated by licensing fees and fines imposed by the Board.

The Board requests the Base Level appropriation for the 2017-2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STATE BOARD OF COLLECTION AGENCIES
FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	3	3	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			3	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3100000	\$1,991,383	Checking	Simmons National Bank - Little Rock

Statutory/Other Restrictions on use:

A.C.A. §17-24-305 establishes that the agency can use funds collected to pay all expenses.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-24-103 & 105 authorizes the Board to collect licensing fees, fines, and penalties.

Revenue Receipts Cycle:

Funds are deposited in bank account as received.

Fund Balance Utilization:

Funds are collected throughout the year and used for expenses.

Fund Account
3100000

Balance
\$3,545,423

Type
Certificate of Deposit

Location
First Security Bank - Little Rock

Statutory/Other Restrictions on use:

A.C.A. §17-24-305 establishes that the agency can use funds collected to pay all expenses.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-24-103 & 105 authorizes the Board to collect licensing fees, fines, and penalties.

Revenue Receipts Cycle:

Funds are deposited in bank account as received.

Fund Balance Utilization:

Funds are collected throughout the year and used for expenses.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
4	4	0	4	0	0.00 %	4	3	1	4	0	25.00 %	4	3	1	4	0	25.00 %

Analysis of Budget Request

Appropriation: A56 - Division of Collections - Cash Operations

Funding Sources: 310 - Collection Agencies Board - Cash

The State Board of Collection Agencies (SBCA) is responsible for such matters as licensing, revocation of licenses, investigation and prosecution of violations, enforcement of bonding requirements, setting and enforcing standards of ethical operations, and generally policing the activities of approximately 1,300 collection agencies presently operating in Arkansas. The aspiration of the SBCA is to reduce undesirable collection activity, fraud, misrepresentation of client funds, and unprofessional conduct.

The SBCA is funded with the receipts of license fees for collection agencies.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Board is requesting Base Level appropriation of \$1,720,291 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A56 - Division of Collections - Cash Operations

Funding Sources: 310 - Collection Agencies Board - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	203,933	206,283	209,541	206,283	206,283	206,283	206,283	206,283	206,283
#Positions		4	4	4	4	4	4	4	4	4
Extra Help	5010001	3,869	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help		1	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	65,265	66,017	67,407	67,166	67,166	67,166	67,166	67,166	67,166
Operating Expenses	5020002	77,380	91,700	91,700	91,700	91,700	91,700	91,700	91,700	91,700
Conference & Travel Expenses	5050009	2,132	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Professional Fees	5060010	4,549	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	1,265,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Claims	5110015	0	24,642	24,642	24,642	24,642	24,642	24,642	24,642	24,642
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		1,622,128	1,719,142	1,723,790	1,720,291	1,720,291	1,720,291	1,720,291	1,720,291	1,720,291
Funding Sources										
Fund Balance	4000005	5,467,884	5,536,806		4,997,664	4,997,664	4,997,664	4,457,373	4,457,373	4,457,373
Cash Fund	4000045	1,691,050	1,180,000		1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Total Funding		7,158,934	6,716,806		6,177,664	6,177,664	6,177,664	5,637,373	5,637,373	5,637,373
Excess Appropriation/(Funding)		(5,536,806)	(4,997,664)		(4,457,373)	(4,457,373)	(4,457,373)	(3,917,082)	(3,917,082)	(3,917,082)
Grand Total		1,622,128	1,719,142		1,720,291	1,720,291	1,720,291	1,720,291	1,720,291	1,720,291

AR DEVELOPMENT FINANCE AUTHORITY

Enabling Laws

Act 129 of 2016
A.C.A. § 15-5-101 et seq.

History and Organization

The Arkansas Development Finance Authority (the "Authority") is a public body politic and corporate, created pursuant to the Arkansas Development Finance Authority Act of 1985 (Act 1062 of 1985, as amended, codified at A.C.A. § 15-5-101 *et seq.*) The Authority is the successor to the Arkansas Housing Development Agency, an agency of the State created in 1977 and abolished upon the creation of the Authority. The primary mission of the Authority is to provide and support financing for affordable housing, agricultural business enterprises, industrial and economic development, and capital improvements for state agencies and local governments. In 2001, the mission of the Authority was expanded with passage of the Arkansas Venture Capital Investment Act, which resulted in the creation of the Arkansas Venture Capital Investment Trust, a public trust administered by the Authority providing a mechanism to expand venture capital funding in Arkansas.

Powers of the Authority:

To achieve its mission, the Authority's enabling legislation authorizes it to borrow money and issue bonds, notes and other obligations as the Authority deems necessary to provide sufficient funding to carry out its purposes and powers. Bonds and other debt instruments issued by the Authority are special obligations of the Authority, payable solely from and secured by a lien on the revenues pledged under the various resolutions authorizing the particular bond issues. The State of Arkansas is not obligated to pay the bonds, and neither the full faith and credit nor the taxing power of the State of Arkansas is pledged against the obligations of the Authority.

In addition to issuing bonds in the Authority's name, the Authority also acts as an issuer of general obligation bonds on behalf of the State, including Amendment 82 project bonds and Higher Education Bonds. These bonds are not obligations of the Authority, but instead are obligations of the State of Arkansas backed by the State's full faith and credit.

The powers of the Authority are vested in a 14-member Board of Directors, consisting of the director of the Department of Finance and Administration, the Treasurer of the State, eleven public members appointed by the Governor, and the president of the Authority (non-voting).

Operational Funding of the Authority:

The operations and expenses of the Authority are paid entirely from revenue generated from its various programs, primarily bond earnings and program administration fees. With the exception of the Arkansas Housing Trust Fund, the Authority receives no direct fund appropriations from the State. The Authority neither imposes taxes nor does it have taxing authority. When requested, the Authority has at times, through interagency agreements, administered appropriations, fees and other cash revenue of other state agencies; these agencies include the Arkansas Department of Corrections, the Arkansas Economic Development Commission, and the Arkansas Natural Resource Commission. The Authority charges no fees to the citizens of the State other than negotiated fees on the Authority's entirely voluntary programs. As a separate, self-sustaining instrumentality, the net revenues of the Authority not only perpetuate its operations, but build a capital base that enables the Authority (without any funding from the State's general revenues) to create new loan and investment capital funds and to implement other programs that play an important role in advancing the Authority's mission.

The Authority administers several different programs in each of its program areas that further the cause of the respective program. With the business-like flexibility afforded the Authority by its statutory charge and, under the guidance of a very active and professional Board of Directors, the Authority has added and discontinued programs from time to time, with consideration given to demands, resource availability and market relevance. Almost all Authority programs, in and of themselves, are self-sustaining from interest margins, negotiated fees or other revenues. And, as stated earlier, all programs, in the aggregate are fully funded and sustained from the self-generated revenue of the Authority.

Oversight of the Authority:

The Authority is subject to considerable oversight both from within and outside the Authority. An internal audit division, established in 1996, has made tremendous strides in strengthening compliance and implementing and reviewing internal accounting controls to provide greater assurance of the general integrity of the Authority and its programs. Along with the internal audit and compliance oversight, the following serve as additional review of the Authority:

1. A 14-member, professional board of directors meets at least monthly and has a very active committee structure that oversees various aspects of the operations and participates in, among other things: (a) the selection of professionals who serve the Authority; (b) the decisions on the issuance of bonds and other debt instruments; (c) the decision as to whether to offer a guaranty of bonds under the Bond Guaranty Act (A.C.A. § 15-5-401 et seq.); (d) the adoption of any program or Authority rules and regulations; and (e) other policy decisions affecting the Authority.
2. ADFA has an annual independent audit performed by an outside accounting firm. Currently, the firm engaged as external auditor is BKD, LLP, headquartered in Springfield, MO, with several offices in Arkansas. Along with the regular audit report, BKD issues to the Board a

“management letter” that addresses any identified internal control weaknesses and makes recommendations.

3. The loan files in the Authority’s Bond Guaranty Program and Intermediary Relending Program are examined annually by the bank examiners from the State Bank Department. The examination was voluntarily initiated by the Authority in 1998 to provide an unbiased, third-party review of loan files and loan-loss reserve balances and to save on costs in the review required by the Authority’s external auditors.

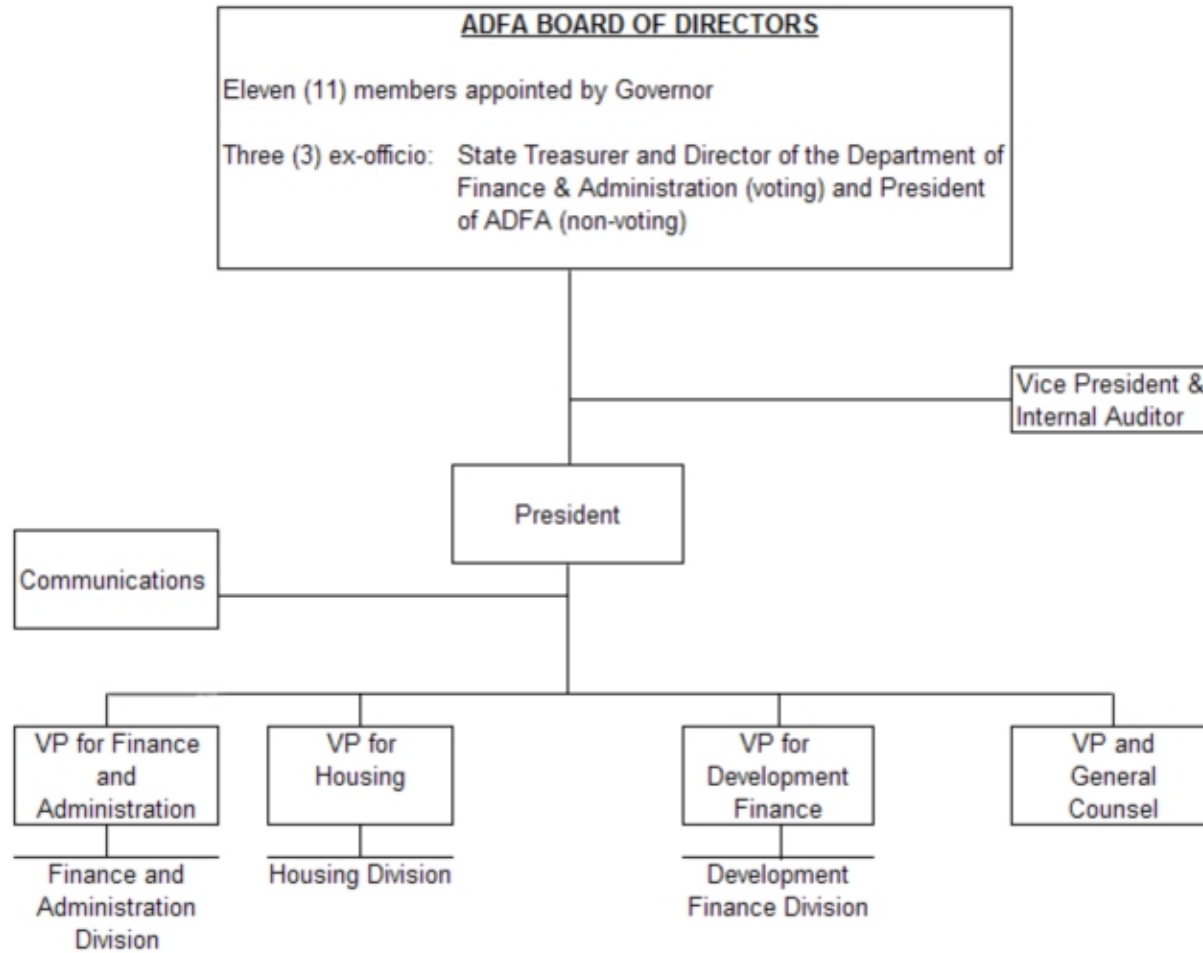
4. In the Housing Division, the Authority administers various programs under the direction of the Federal Department of Housing and Urban Development (“HUD”). HUD officials regularly come to the Authority’s offices, conduct audits, and visit property sites for the purpose of monitoring the Authority’s compliance with federal program rules.

5. As an issuer of bonds that are exempt from federal taxation, the Authority is always subject to audit and periodically receives an audit by the Internal Revenue Service.

6. As with all other state agencies that are part of the executive branch, the Authority and its budget, personnel, program rules and regulations, activities and other aspects of the Authority are subject to supervision, oversight and direction by the Governor’s office and the Arkansas General Assembly and its various committees and subcommittees.

7. A comprehensive, publicly-reported review of the Authority and the bonds issued by the Authority is regularly conducted by S&P Global Ratings. As a bond-issuing entity, the Authority receives an “issuer credit rating” (comparable to the general obligation rating that is maintained by the State of Arkansas), which was first assigned an “A” rating in 1999 and has since been upgraded three times to its current “AA” rating. In receiving and maintaining this rating, the Authority annually undergoes a thorough review of its balance sheet and general finances, as well as a comprehensive review of, among other things: (a) the expertise and experience of its management team and board of directors; (b) the efficiency and operation of its accounting, operating and management information systems; (c) its reputation and relationship with the Legislature, the Governor’s office and other political constituencies; and (d) the strength of its internal accounting controls and compliance areas.

8. In the Development Finance Division, the Authority is subject to oversight by the Federal Office of the Inspector General (“OIG”) as a result of receiving an allocation of U.S. Department of Treasury funding for the State Small Business Credit Initiative (“SSBCI”). In 2015 and 2016, the Authority provided OIG auditors with information relating to an ongoing audit.



Agency Commentary

Appropriation A57 will be used primarily to fund federal programs administered by the Arkansas Development Finance Authority (ADFA) as

well as to fund the general operations of ADFA.

The agency requests that three positions that were surrendered to OPM to obtain a growth pool position not be continued in ADFA's appropriation in the Biennium. One of the positions was not budgeted in FY17 due to the agency's cap level. The restoring of the growth pool position (see below) and discontinuing three surrendered positions will reduce the agency's number of positions by two to allow for 60 positions.

The agency requests to restore a growth pool position and for it to become a permanent position in ADFA's appropriation in the Biennium. The salary for this position is \$85,548 and personal services matching of \$24,476.

The agency requests to reduce Commitment 02 - Operating expenses by \$100,000 for each fiscal year within the biennium. Historical data shows that there is sufficient appropriation for expenses by making this reduction.

In accordance with the Governor's Policy Memo, ADFA can demonstrate the efficient and productive use of its appropriation. ADFA continues to analyze costs to determine if there is a true need and if so, if there is a less expensive alternative. In doing so, ADFA has either eliminated or negotiated lower rates thus reducing its operating expenses budget by \$100,000 each year, ADFA has not requested renewal of capital outlay of \$23,000, and ADFA has given up 2 (net) positions. The growth pool position has allowed ADFA to negotiate better fees with professionals, engage fewer professionals, and create additional revenues.

The agency requests to reduce the appropriation balance of the Arkansas Housing Trust Fund to \$15,475 for each fiscal year within the Biennium.

The federal programs are the U.S. Department of Housing and Urban Development's (HUD's) HOME Program, Federal Housing Programs, Grants and Aid Programs, and the Agricultural Loan Mediation and Development Program (Mediation Program).

The Grants and Aid Programs, budgeted at \$6,600,000 for each fiscal year, will be funded through unspecified special purpose federal grants. The Mediation Program will be funded by ADFA and from federal reimbursements for costs associated with the Loan Mediation Program.

A.C.A. 15-5-1704 established a special restricted fund, to be known as the Arkansas Housing Trust Fund on July 1, 2012. There was an initial "one time transfer" from unexpended balances of funds received by the Division of Check Cashing of the State Board of Collection Agencies under the Check-Cashers Act. Future funding for this program will depend on outside sources to be identified by the Arkansas Housing Trust Fund Advisory Committee.

Act 1519 of the 2013 Regular Session, cited as the "General Improvement Distribution Act of 2013" created and established the "89th Session Projects Account" within the "General Improvement Fund". There was an initial transfer of \$500,000 from the Special Projects Account to the Arkansas Housing Trust Fund. Future funding will be determined if monies are made available from the General Improvement Fund.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	15	27	42	81 %
Black Employees	2	8	10	19 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			10	19 %
Total Employees			52	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
1230200	\$81,792	Checking	Regions Bank, Little Rock, AR

Statutory/Other Restrictions on use:

A.C.A. 15-5-207 (b) authorizes the Authority to issue bonds for the purpose of generating investment earnings or other income.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 15-5-207 (b) authorizes the Authority to issue bonds for the charges in connection with its loans, bond guarantees, commitments, and servicing.

Revenue Receipts Cycle:

The investment earnings or other income shall be used to finance activities or projects of the agency as outlined in the Authority's enabling legislation.

Fund Balance Utilization:

The use of fund balances are restricted by the terms of trust indentures that pertain to the maintenance of various funds and reserves and investments of such when not needed for authorized purposes.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Audit Report	A.C.A. 15-5-210	N	Y	2	Reporting of audited agency financials.	0	0.00
Bond Issuance Report	Act 36 of 1989	N	Y	1	Provides summary of bond transactions when executed	0	0.00
Bond Issues/Outstanding Report	Act 222 of 1987	N	N	1	Provides comprehensive list of bonds issued and outstanding.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
A57 ADFA-Cash Operations	15,904,057	60	30,381,326	62	30,317,750	62	30,271,999	61	30,199,377	60	30,199,377	60	30,273,045	61	30,200,423	60	30,200,423	60
C57 AR Housing Trust Advisory Comm	30,244	0	15,718	0	45,718	0	15,718	0	15,475	0	15,475	0	15,718	0	15,475	0	15,475	0
Total	15,934,301	60	30,397,044	62	30,363,468	62	30,287,717	61	30,214,852	60	30,214,852	60	30,288,763	61	30,215,898	60	30,215,898	60

Funding Sources		%		%		%		%		%		%		%		%	
Fund Balance 4000005	81,792	0.5	81,792	0.3		18,216	0.1	18,216	0.1	18,216	0.1	0	0.0	18,216	0.1	18,216	0.1
Federal Revenue 4000020	10,355,195	64.7	24,341,215	80.0		24,341,215	80.5	24,341,215	80.5	24,341,215	80.5	24,341,215	80.6	24,341,215	80.5	24,341,215	80.5
Cash Fund 4000045	5,579,106	34.8	5,992,253	19.7		5,873,637	19.4	5,873,637	19.4	5,873,637	19.4	5,874,683	19.4	5,874,683	19.4	5,874,683	19.4
Total Funds	16,016,093	100.0	30,415,260	100.0		30,233,068	100.0	30,233,068	100.0	30,233,068	100.0	30,215,898	100.0	30,234,114	100.0	30,234,114	100.0
Excess Appropriation/(Funding)	(81,792)		(18,216)			54,649		(18,216)		(18,216)		72,865		(18,216)		(18,216)	
Grand Total	15,934,301		30,397,044			30,287,717		30,214,852		30,214,852		30,288,763		30,215,898		30,215,898	

Budget exceeds Authorized amount in (A57) ADFA-Cash Operations due to salary and matching rate adjustments during the 2015-2017 Biennium.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
62	56	6	62	0	9.68 %	62	52	11	63	-1	16.13 %	62	52	11	63	-1	16.13 %

Total Budgeted positions exceed Authorized amount due to a position authorized from the Central Growth Pool.

Analysis of Budget Request

Appropriation: A57 - ADFA-Cash Operations

Funding Sources: 123 - Arkansas Development Finance Authority Cash

A.C.A. §15-5-201 created the Arkansas Development Finance Authority along with a Board of Directors that was created in A.C.A. §15-5-202. The Board of Directors is composed of the Director of the Department Finance and Administration, State Treasurer, President of ADFA and eleven (11) public members appointed by the Governor with the advice and consent of the Senate. Duties and responsibilities of the Board may include but are not limited to, powers to sue; make and issue rules, regulations, and bylaws; acquire, hold, and dispose of real and personal property for corporate purposes; appoint officers, agents, and employees; borrow money; issue notes and bonds on behalf of state agencies and political subdivisions; make secured or unsecured loans; sell mortgages and security interests, collect fees and charges in connection with its loans, bond guarantees; and invest moneys of the Authority.

This appropriation reflects all operational costs of the Authority including the Federal Housing Assistance Program, HUD Home Program, and other financial programs. Funding for this appropriation is derived primarily from federal funds with other funding from bond proceeds.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Agency's Change level request is decrease of (\$72,622) each year of the 2017-2019 Biennium and includes the following:

- Regular Salaries and Personal Services Matching decrease of (\$82,643) each year for discontinuing two (2) positions that were surrendered to the OPM growth pool and an increase of \$110,021 each year for restoration of one (1) growth pool position,
- Operating Expenses decrease of (\$100,000) each year to align with expenses.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A57 - ADFA-Cash Operations
Funding Sources: 123 - Arkansas Development Finance Authority Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	3,451,601	3,575,855	3,515,530	3,494,010	3,520,426	3,520,426	3,494,510	3,520,926	3,520,926
#Positions	60	62	62	61	60	60	61	60	60
Extra Help 5010001	7,673	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
#Extra Help	3	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	1,072,795	1,105,761	1,102,510	1,101,279	1,102,241	1,102,241	1,101,825	1,102,787	1,102,787
Operating Expenses 5020002	623,787	825,458	825,458	825,458	725,458	725,458	825,458	725,458	725,458
Conference & Travel Expenses 5050009	31,341	81,715	81,715	81,715	81,715	81,715	81,715	81,715	81,715
Professional Fees 5060010	102,623	123,810	123,810	123,810	123,810	123,810	123,810	123,810	123,810
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Grants and Aid 5100004	0	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000
Capital Outlay 5120011	0	23,000	23,000	0	0	0	0	0	0
Data Processing Services 5900044	259,039	264,512	264,512	264,512	264,512	264,512	264,512	264,512	264,512
Hud Home Program 5900046	10,355,198	16,341,215	16,341,215	16,341,215	16,341,215	16,341,215	16,341,215	16,341,215	16,341,215
Federal Housing Programs 5900047	0	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Total	15,904,057	30,381,326	30,317,750	30,271,999	30,199,377	30,199,377	30,273,045	30,200,423	30,200,423
Funding Sources									
Fund Balance 4000005	81,792	81,792		18,216	18,216	18,216	0	18,216	18,216
Federal Revenue 4000020	10,355,195	24,341,215		24,341,215	24,341,215	24,341,215	24,341,215	24,341,215	24,341,215
Cash Fund 4000045	5,548,862	5,976,535		5,858,162	5,858,162	5,858,162	5,859,208	5,859,208	5,859,208
Total Funding	15,985,849	30,399,542		30,217,593	30,217,593	30,217,593	30,200,423	30,218,639	30,218,639
Excess Appropriation/(Funding)	(81,792)	(18,216)		54,406	(18,216)	(18,216)	72,622	(18,216)	(18,216)
Grand Total	15,904,057	30,381,326		30,271,999	30,199,377	30,199,377	30,273,045	30,200,423	30,200,423

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium. Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: A57 - ADFA-Cash Operations
Funding Sources: 123 - Arkansas Development Finance Authority Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	30,271,999	61	30,271,999	100.0	30,273,045	61	30,273,045	100.0
C03	Discontinue Program	(182,643)	(2)	30,089,356	99.4	(182,643)	(2)	30,090,402	99.4
C06	Restore Position/Approp	110,021	1	30,199,377	99.8	110,021	1	30,200,423	99.8

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	30,271,999	61	30,271,999	100.0	30,273,045	61	30,273,045	100.0
C03	Discontinue Program	(182,643)	(2)	30,089,356	99.4	(182,643)	(2)	30,090,402	99.4
C06	Restore Position/Approp	110,021	1	30,199,377	99.8	110,021	1	30,200,423	99.8

Justification

C03	The agency request is to discontinue two (2) positions that were surrendered to OPM to obtain a growth pool position that do not need to be continued in the Biennium. The reduction of Operating expenses by (\$100,000) is to align with agency needs.
C06	The agency request is to restore a growth pool position and for it to become a permanent position in the Biennium. The salary for this position is \$85,545 and personal services matching of \$24,476.

Analysis of Budget Request

Appropriation: C57 - AR Housing Trust Advisory Comm

Funding Sources: 123 - Arkansas Development Finance Authority Cash

The Arkansas Housing Trust Fund Arkansas Housing Trust Fund Advisory Committee was established by Act 661 of 2009, as amended (A.C.A. §15-5-1701) to provide a source of funds for communities to address affordable housing needs. Act 661 of 2009 also created the Arkansas Housing Trust Fund Advisory Committee to provide advice to the Authority's Board of Directors on matters relating the Housing Trust Fund and its programs. Act 764 of 2012 provided a "one time transfer" from unexpended balances of funds received by the Division of Check Cashing of the State Board of Collections Agencies under the Check-Cashers Act. Program funding is contingent on the Arkansas Housing Trust Fund Advisory Committee securing a dedicated funding source.

The Authority uses this appropriation to provide for personal services and operating expenses for the Housing Trust Fund Advisory Committee.

Base Level for this appropriation is \$15,718 each year of the 2017-2019 Biennium. The Agency's Change level request is (\$243) each year to reduce appropriation down to the funding level.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C57 - AR Housing Trust Advisory Comm

Funding Sources: 123 - Arkansas Development Finance Authority Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Ar Housing Trust Fund 5900046	30,244	15,718	45,718	15,718	15,475	15,475	15,718	15,475	15,475
Total	30,244	15,718	45,718	15,718	15,475	15,475	15,718	15,475	15,475
Funding Sources									
Cash Fund 4000045	30,244	15,718		15,475	15,475	15,475	15,475	15,475	15,475
Total Funding	30,244	15,718		15,475	15,475	15,475	15,475	15,475	15,475
Excess Appropriation/(Funding)	0	0		243	0	0	243	0	0
Grand Total	30,244	15,718		15,718	15,475	15,475	15,718	15,475	15,475

Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: C57 - AR Housing Trust Advisory Comm
Funding Sources: 123 - Arkansas Development Finance Authority Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	15,718	0	15,718	100.0	15,718	0	15,718	100.0
C03	Discontinue Program	(243)	0	15,475	98.5	(243)	0	15,475	98.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	15,718	0	15,718	100.0	15,718	0	15,718	100.0
C03	Discontinue Program	(243)	0	15,475	98.5	(243)	0	15,475	98.5

Justification

C03	The agency requests to reduce the appropriation balance of the Arkansas Housing Trust Fund to \$15,475 for each fiscal year within the Biennium.
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DISABILITY DETERMINATION

Enabling Laws

Act 112 of 2016
A.C.A. §20-76-301 et seq.
Titles II and XVI of the Social Security Act

History and Organization

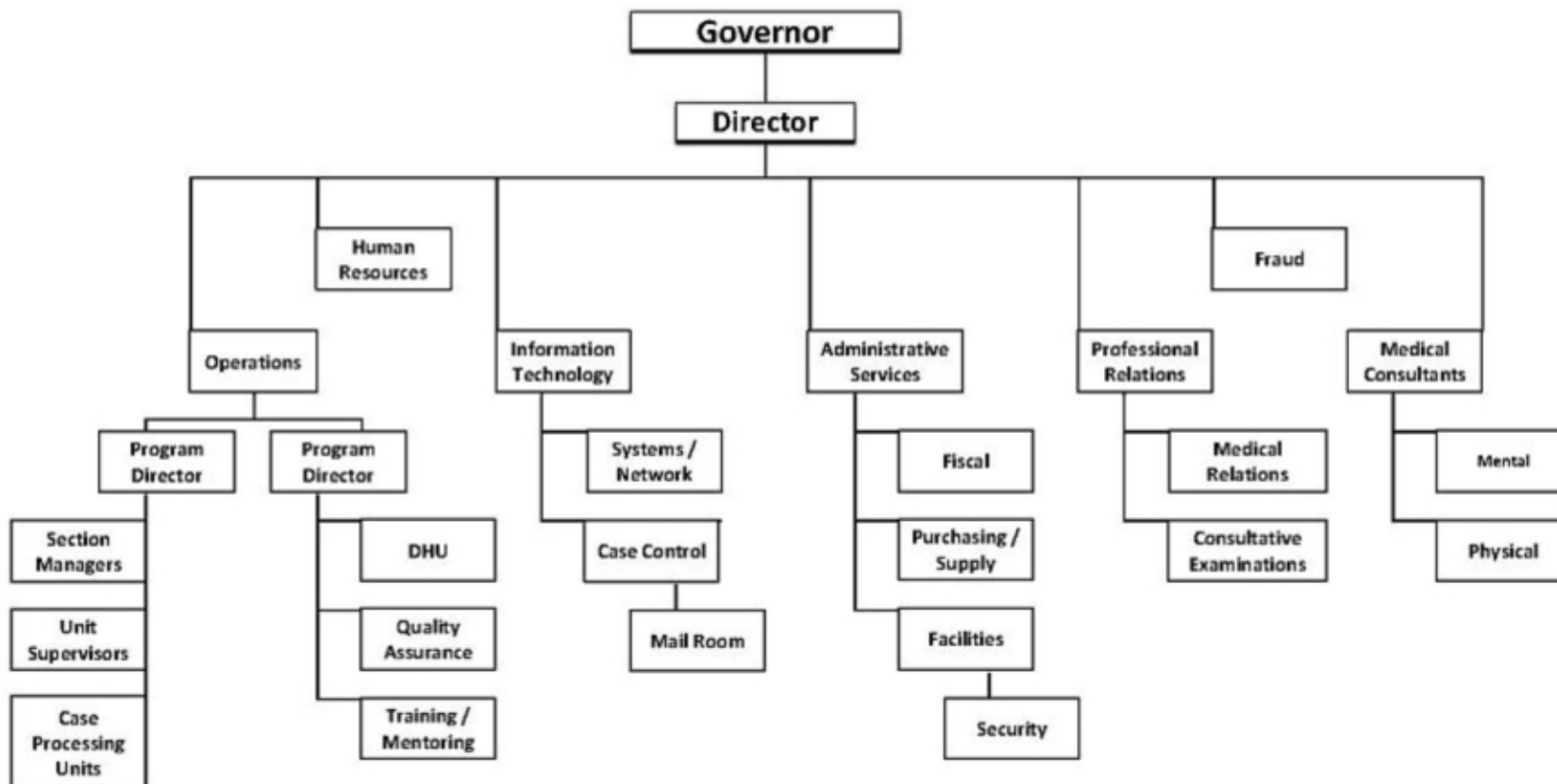
The State Department for Social Security Administration Disability Determination was created by Act 14 of the Second Extraordinary Session of the 1961 Arkansas General Assembly and codified in State law under A.C.A. §20-76-301 et seq. Act 177 of the 1965 Arkansas General Assembly changed the agency title to Disability Determination for Social Security Administration.

The Agency is a department within the executive branch, and accordingly is under the direction of the Chief Executive of the State of Arkansas. The Social Security Administration provides funds to the State of Arkansas to carry out the disability determination and hearing functions for the federal government.

The basic statutory authorities for the Social Security Disability Program are contained in Titles II (Section 221) and XVI (Section 1633) of the Social Security Act. These sections of the Social Security Act were amended by P.L. 95-265 on June 9, 1980, to provide for administration of this state agency by federal regulations rather than by agreement. On January 1, 1984, P.L. 97-445 gave all disability beneficiaries the opportunity for a face-to-face evidentiary hearing before benefits ceased.

The Disability Insurance Program includes two groups of claimants: Title II and Title XVI. To qualify for Title II Social Security disability benefits, an individual must have worked long enough in jobs covered by Social Security and must have a medical condition that meets Social Security's definition of disability. In general, monthly benefits are paid to people who are unable to work for a year or more, or who have a condition expected to end in death. The disability must be so severe the worker cannot work, considering age, education and experience. Title XVI (Supplemental Security Income) provides cash assistance to people with limited income and resources who are age 65 or older, blind or disabled. Disabled children may also be eligible for Supplemental Security Income. Employment taxes primarily finance Social Security Title II disability insurance benefits while Title XVI funds come from federal revenues.

As of October 2010, the Arkansas Disability Determination for Social Security Administration has been adjudicating disability claims for other states in the Union. The Social Security Administration chose Arkansas to work these claims due to proven efficiency and accuracy in disability claims adjudication.



Agency Commentary

The mission of the Arkansas Disability Determination for Social Security Administration (DDSSA) is to provide timely and accurate determinations of whether or not applicants for Social Security Disability Benefits are disabled. The mission entails procuring medical records from treating doctors and hospitals and providing medical examinations when adequate existing medical records are not available.

The Arkansas DDS has proven to be a national leader when it comes to DDS adjudication. Listed below are a few recent highlights.

- Better use of current medical records, eliminating the need for more expensive consultative examinations. This initiative has produced savings of over \$1.2 million through first three quarters of FFY16.
- State's cost per case is at \$394, which currently ranks 11th nationally.
- Arkansas DDS is currently ranked 16th nationally in initial quality with 96.5% accuracy while also ranked 6th in the nation in processing time at 71.1 days.
- New Cooperative Disability Investigations (CDI) task force has led to prevention of, and cessation of fraudulent claims totaling over \$4 million.

Requests for fiscal years 2018 and 2019 include an increase in appropriation above Base Level to restore 23 positions, which were unbudgeted in FY17 due to current SSA climate making hiring at that level an unlikely scenario in FFY17. DDSSA will need these positions going forward to remain flexible in the event that federal SSA counterparts need manpower for national-level initiatives that Arkansas must help meet. Additional appropriation is also needed in overtime. This amount was granted by the legislature in FY16 to help the agency meet workload goals assigned by federal SSA office. The final appropriation request is in capital outlay for anticipated equipment expenses in both years of the biennium. Funding for appropriation for the Arkansas Disability Determination for Social Security Administration is 100% federal funds from the Social Security Administration.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 STATE OF ARKANSAS DISABILITY DETERMINATION FOR SOCIAL SECURITY ADMINISTRATION
 FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	104	182	286	73 %
Black Employees	14	78	92	23 %
Other Racial Minorities	7	8	15	4 %
Total Minorities			107	27 %
Total Employees			393	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
483	396	70	466	17	18.01 %	479	403	53	456	23	15.87 %	479	394	62	456	23	17.75 %

ARKANSAS PLANNING BUDGETING & ADMINISTRATIVE SYSTEM
STATE CONTRACTS OVER \$50,000 AWARDED TO MINORITY OWNED BUSINESSES
 Fiscal Year 2016
 Required by A.C.A. 25-36-104

AGENCY: 0311 DISABILITY DETERMINATION

Minority Business	Total Contract Awarded	Minority Type per A.C.A. 15-4-303 (2)					
		African American	Hispanic American	American Indian	Asian American	Pacific Islander American	Disabled Veteran
Rios Psychological Services	\$156,000		X				

TOTAL NUMBER OF MINORITY CONTRACTS AWARDED	<u>1</u>
TOTAL EXPENDITURES FOR CONTRACTS AWARDED	<u>\$2,602,738</u>
% OF MINORITY CONTRACTS AWARDED	<u>4.01 %</u>

Analysis of Budget Request

Appropriation: 2QQ - DDSSA-Operations

Funding Sources: FSD - Disability Determination - Federal

Disability Determination for Social Security Administration (DDSSA) is the State Agency responsible for determining the eligibility of Arkansans for disability and other payments in accordance with federal Social Security laws, regulations and instructions. The Agency makes determinations for disability benefits under Titles II and XVI of the Social Security Act and investigates suspected cases of fraud or abuse. Title II claimants are those who have contributed FICA taxes on wages for five of the past ten years prior to the date of alleged disability. Title XVI (Supplemental Security Income) claimants are those who have established the fact that they have low income and resources and are alleging disability.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Base Level request is for appropriation of \$53,440,763 in FY18 and \$53,486,032 in FY19.

The Agency's Change Level request is for appropriation of \$2,383,196 in FY18 and \$2,383,629 in FY19, and includes the following:

- Regular Salaries and related Personal Services Matching of \$1,669,946 in FY18 and \$1,670,379 in FY19 for the restoration of sixteen (16) DDSSA Adjudicative Assistant C113 positions, six (6) DDSSA Medical Consultant N916 positions, and one (1) DDSSA Medical Specialist N919 position, which were unbudgeted in FY17. These positions will allow the Agency to meet demands brought on by the federal SSA office.
- Overtime and related Personal Services Matching of \$613,250 each fiscal year to help the Agency meet workload goals assigned by federal SSA office.
- Capital Outlay of \$100,000 each fiscal year for desks, cubicles, and other office equipment for one of the adjudicative units.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2QQ - DDSSA-Operations
Funding Sources: FSD - Disability Determination - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	22,187,347	24,898,800	26,037,436	24,910,101	26,176,373	26,176,373	24,935,001	26,201,273	26,201,273
#Positions		452	456	479	456	479	479	456	479	479
Extra Help	5010001	345,038	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
#Extra Help		14	20	20	20	20	20	20	20	20
Personal Services Matching	5010003	7,178,657	8,088,044	8,484,141	8,124,562	8,641,486	8,641,486	8,144,931	8,662,288	8,662,288
Overtime	5010006	1,172,091	1,360,000	860,000	860,000	1,360,000	1,360,000	860,000	1,360,000	1,360,000
Operating Expenses	5020002	2,814,353	3,984,400	3,984,400	3,984,400	3,984,400	3,984,400	3,984,400	3,984,400	3,984,400
Conference & Travel Expenses	5050009	6,738	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Professional Fees	5060010	11,409,499	15,145,200	15,145,200	15,145,200	15,145,200	15,145,200	15,145,200	15,145,200	15,145,200
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	85,427	100,000	100,000	0	100,000	100,000	0	100,000	100,000
Total		45,199,150	53,992,944	55,027,677	53,440,763	55,823,959	55,823,959	53,486,032	55,869,661	55,869,661
Funding Sources										
Federal Revenue	4000020	45,199,150	53,992,944		53,440,763	55,823,959	55,823,959	53,486,032	55,869,661	55,869,661
Total Funding		45,199,150	53,992,944		53,440,763	55,823,959	55,823,959	53,486,032	55,869,661	55,869,661
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		45,199,150	53,992,944		53,440,763	55,823,959	55,823,959	53,486,032	55,869,661	55,869,661

Budget exceeds Authorized Appropriation in Overtime due to a transfer from the Miscellaneous Federal Grant Holding Account.

Change Level by Appropriation

Appropriation: 2QQ - DDSSA-Operations
Funding Sources: FSD - Disability Determination - Federal

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	53,440,763	456	53,440,763	100.0	53,486,032	456	53,486,032	100.0
C01	Existing Program	2,383,196	23	55,823,959	104.5	2,383,629	23	55,869,661	104.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	53,440,763	456	53,440,763	100.0	53,486,032	456	53,486,032	100.0
C01	Existing Program	2,383,196	23	55,823,959	104.5	2,383,629	23	55,869,661	104.5

Justification

C01	Reflects \$1,669,946 in FY18 and \$1,670,379 in FY19 to restore 23 positions, \$613,250 in each year of the biennium to cover possible additional overtime when requested by federal SSA, and \$100,000 in each year of the biennium for anticipated equipment costs and furniture replacement in one adjudication unit.
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ARKANSAS FAIR HOUSING COMMISSION

Enabling Laws

Act 51 of 2016
A.C.A. §16-123-301 et seq.

History and Organization

The Arkansas Legislature created the Arkansas Fair Housing Commission by Act 1785 of 2001. The Commission acts as a quasi-judicial, regulatory agency that enforces state and federal fair housing and fair lending laws with the authority to hold administrative hearings and litigate cases where discriminatory conduct is found to have occurred.

The mission of the Commission is to receive, investigate, conciliate and/or resolve complaints alleging violations of the Arkansas Fair Housing Act, which prohibits housing discrimination on the basis of race, religion, color, sex, national origin, familial status or disability; to cooperate with and provide technical and other assistance to federal, state, local and other public or private entities that are formulating or operating programs to prevent or eliminate discriminatory housing practices; and to establish an education and outreach program to prevent discriminatory housing practices.

The Commission is composed of thirteen members: seven (7) are appointed by the Governor; three (3) are appointed by the President Pro Tempore of the Senate; and three (3) are appointed by the Speaker of the House. Six (6) of the appointees are industry representatives and seven represent various consumer interests. The Governor shall appoint a Commissioner from each of the state's four (4) Congressional Districts.



Agency Commentary

The Arkansas Fair Housing Commission is a quasi-judicial, regulatory enforcement Agency charged with protecting a very basic right of Arkansans - housing. With Act 1785 of 2001, the Arkansas General Assembly declared this right to be one necessary to ensure the health, safety and welfare of Arkansans.

As in previous years, the Commission strives to provide needed services and assistance to citizens of the State of Arkansas and has provided those services within its authorized budget. The Commission budget in previous years and for the upcoming biennial budget period remains the same as it has for the past several years.

The Commission's proposed budget for Total Operating Expenses will remain the same for FY2017-2019 as last fiscal year. The Commission has made two change level requests (appropriation only) - both based on new guidance from DFA's Office of Accounting Administrator implemented during FY2016: (1) to move appropriation only from the Professional Fees and Services Commitment Item to the Operating Expenses Commitment Item in 1NH; and (2) to move appropriation only from the Operating Expense Commitment Item to the Conference and Travel Expense Commitment Item in 53L, the Commission's Education Trust Fund Account which is not funded through General Revenue funds. The Commission also requests special language for use to promote the mission of the Arkansas Fair Housing Commission through educational materials designed to promote the State's commitment to fair housing and fair lending initiatives.

The Arkansas Fair Housing Commission has succeeded in staying within its approved budget each year, even as operating and enforcement expenses continue to increase.

In closing, it is essential that the Arkansas Fair Housing Commission's biennial budget for 2017-2019 remain at its present level to ensure the fiscal integrity of the Commission and to ensure that the Arkansas Fair Housing Commission continues to meet the critical fair housing and fair lending enforcement and education/outreach needs of Arkansans. As the only state agency specifically charged with protecting the civil rights of our citizens, the Commission continues to strive to bring awareness and encourage housing accessibility throughout our state.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS FAIR HOUSING COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013

Findings

Per the Department of Finance and Administration (DFA) Financial Management Guide, invoices will be paid based on the vendor's due date and payment terms. The Agency paid several invoices after the due date, resulting in \$383 paid for interest or carrying charges on late payments.

Per R3-19-4-1601 of the Financial Management Guide, agencies may not employ contract labor longer than six consecutive weeks or 240 hours per calendar quarter. A Staffmark employee worked at the Agency 427.25 hours in the October-December 2012 quarter and 323.05 hours in the April-June 2013 quarter, exceeding the limit by 187.25 hours and 83.05 hours, respectively. For the two quarters combined, the employee worked 270.30 hours more than allowable, for which the Agency paid \$4,055.

The Agency paid \$1,500 to the Arkansas Democratic Black Caucus, which, according to the Executive Director, was for sponsorship of the 2013 King-Kennedy Dinner; however, the Executive Director stated that no Agency personnel attended the Dinner. Despite the advertisement in the souvenir book, the \$1,500 payment appears to be a contribution to the Arkansas Democratic Black Caucus. Op. Att'y Gen. no. 2008-026 states an entity "...may not contribute public funds to a political party."

Recommendations

Comply with the DFA Financial Management Guide regarding timely payments.

Agency Response:

Due to limited personnel... and the need to segregate duties as required by fiscal guidelines, some late payments were made. Additionally, some of the noted late payments were due to DFA's Office of Accounting procedures that were outside the Agency's control. The Agency is classified as Service Bureau (a smaller state agency lacking the fiscal and personnel resources of larger agencies). The Agency will continue to work to ensure adequate staffing and has implemented control measures to reduce the exposure to late payment processing.

Review and comply with the DFA Financial Management Guide regarding contract labor.

Agency Response:

As per regulations, the Agency utilized contract staff to assist with duties due to limited personnel. During the course of the fiscal year, the amount paid for contract labor exceeded the allowable expenses for such services by \$4,055. The Agency identified and mitigated this oversight in May of 2013 by implementing a method to track future contract expenditures. Notably, the Agency provided the auditor with documentation from the Arkansas Department of Finance and Accounting (DFA) Accounting Director, Paul Louthian, and a ratification letter from the Arkansas Office of State Procurement (OSP) Director, Jane Benton, in which the Agency was deemed to have not acted fraudulently or in bad faith. The Agency will limit future use of contract labor to an allowable amount.

Agency review and comply with Governor's Policy Directive No. 9, Arkansas Office of Personnel Management policy 70.12 and Op. Att'y Gen. no. 2008-026 limiting the active support of a political party.

Agency Response:

The Agency did not actively support any political party by placing a fair housing advertisement in the King-Kennedy souvenir book to raise awareness of and federal laws prohibiting the unlawful treatment of statutorily protected persons.

Per statute, the Agency is charged with statewide education and outreach activities designed to eradicate fair housing/fair lending violations. As the assassination of Dr. King was the impetus for passage of the Fair Housing Act, placing an advertisement about the Fair Housing Act in this souvenir book presented a unique opportunity to advertise to this

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS FAIR HOUSING COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013

Findings

Recommendations

statutorily protected group (African Americans).

The Arkansas Fair Housing Act prohibits discrimination in housing and real-estate related transactions on the basis of race, color, national origin, sex, disability, religion and familial status. Ark. Code Ann. §§ 16-123-201 et. seq.

Ark. Code Ann. § 16-123-301, recognizes: (1) That the right to seek housing underlies the general public's ability to secure health, safety, and welfare; and (2) Seeks with this subchapter to protect the public's access to [fair] housing.

To accomplish that mission, Ark. Code Ann. § 16-123-346 authorizes the Agency Director to, "establish a statewide education and outreach program through contracts with local governments or their agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices."

Additionally, that program shall be designed to provide a centralized, coordinated effort for the development and dissemination of fair housing media products, including:

- (1)Public service announcements, both audio and video;
- (2)Television, radio, and print advertisements;
- (3)Posters; and
- (4)Pamphlets and brochures.

The Agency works diligently to target outreach to both the populous as a whole and to each of the protected classes as they are the most vulnerable to housing and lending discrimination as identified by statute.

As part of its statutory obligation, the Agency routinely advertises with a number of organizations, groups and entities at numerous events targeted to the statutorily protected classes, including the African American community, the Latino community, disability groups and others.

The Black Caucus approached the Agency regarding fair housing advertising for the King-

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS FAIR HOUSING COMMISSION
 FOR THE YEAR ENDED JUNE 30, 2013

Findings

Recommendations

Kennedy Dinner, an annual event at which advertising directly reaches the more than 4,000 attendees each year and indirectly reaches a much larger percentage of the nearly 450,000 African Americans residing within the state. [Advertising] at the King-Kennedy Dinner was an economical way to reach the African American community for a minimal amount of advertising dollars.

The Agency will not purchase future fair housing/fair lending advertisements at any Black Caucus events.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	1	1	2	33 %
Black Employees	1	3	4	67 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			4	67 %
Total Employees			6	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1NH State Operations	696,423	12	1,392,974	13	1,431,561	13	1,395,926	13	1,395,926	13	1,351,313	12	1,395,926	13	1,395,926	13	1,351,313	12
53L Education-Trust	88,353	0	170,000	0	170,000	0	170,000	0	170,000	0	170,000	0	170,000	0	170,000	0	170,000	0
Total	784,776	12	1,562,974	13	1,601,561	13	1,565,926	13	1,565,926	13	1,521,313	12	1,565,926	13	1,565,926	13	1,521,313	12

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	1,397,409	49.9	2,017,358	60.6		1,763,455	57.7	1,763,455	57.7	1,763,455	57.7	1,492,139	53.5	1,492,139	53.5	1,536,752	54.3
General Revenue	4000010	274,212	9.8	286,026	8.6		271,565	8.9	271,565	8.9	271,565	8.9	271,565	9.7	271,565	9.7	271,565	9.6
Federal Revenue	4000020	1,009,024	36.0	949,223	28.5		949,223	31.0	949,223	31.0	949,223	31.0	949,223	34.1	949,223	34.1	949,223	33.5
Trust Fund	4000050	121,489	4.3	73,822	2.2		73,822	2.4	73,822	2.4	73,822	2.4	73,822	2.6	73,822	2.6	73,822	2.6
Total Funds		2,802,134	100.0	3,326,429	100.0		3,058,065	100.0	3,058,065	100.0	3,058,065	100.0	2,786,749	100.0	2,786,749	100.0	2,831,362	100.0
Excess Appropriation/(Funding)		(2,017,358)		(1,763,455)			(1,492,139)		(1,492,139)		(1,536,752)		(1,220,823)		(1,220,823)		(1,310,049)	
Grand Total		784,776		1,562,974			1,565,926		1,565,926		1,521,313		1,565,926		1,565,926		1,521,313	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
12	8	3	11	1	33.33 %	13	5	7	12	1	61.54 %	13	5	8	13	0	61.54 %

Analysis of Budget Request

Appropriation: 1NH - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The Arkansas Fair Housing Commission (AFHC) was created by Act 1785 of 2001 to investigate housing discrimination complaints and punish violators, in cooperation with the State Attorney General. Funding for the AFHC is derived from federal reimbursements by Fair Housing Assistance Program Funds and general revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Base Level request is for appropriation of \$1,395,926 each year of the 2017-2019 Biennium.

The Agency is requesting a reallocation of \$1,991 each year from Professional Fees to Operating Expenses to more accurately reflect expenditures.

Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects the reduction of one (1) Grants Analyst C117 position based on the personnel evaluation in addition to providing for the Agency Request.

Appropriation Summary

Appropriation: 1NH - State Operations
Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	393,384	535,303	551,392	535,303	535,303	503,054	535,303	535,303	503,054
#Positions		12	13	13	13	13	12	13	13	12
Extra Help	5010001	3,018	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
#Extra Help		1	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	160,763	185,304	207,802	188,256	188,256	175,892	188,256	188,256	175,892
Operating Expenses	5020002	124,165	389,470	389,470	389,470	391,461	391,461	389,470	391,461	391,461
Conference & Travel Expenses	5050009	13,944	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000
Professional Fees	5060010	250	133,998	133,998	133,998	132,007	132,007	133,998	132,007	132,007
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Public Education	5900046	899	899	899	899	899	899	899	899	899
Total		696,423	1,392,974	1,431,561	1,395,926	1,395,926	1,351,313	1,395,926	1,395,926	1,351,313
Funding Sources										
Fund Balance	4000005	1,123,602	1,710,415		1,552,690	1,552,690	1,552,690	1,377,552	1,377,552	1,422,165
General Revenue	4000010	274,212	286,026		271,565	271,565	271,565	271,565	271,565	271,565
Federal Revenue	4000020	1,009,024	949,223		949,223	949,223	949,223	949,223	949,223	949,223
Total Funding		2,406,838	2,945,664		2,773,478	2,773,478	2,773,478	2,598,340	2,598,340	2,642,953
Excess Appropriation/(Funding)		(1,710,415)	(1,552,690)		(1,377,552)	(1,377,552)	(1,422,165)	(1,202,414)	(1,202,414)	(1,291,640)
Grand Total		696,423	1,392,974		1,395,926	1,395,926	1,351,313	1,395,926	1,395,926	1,351,313

Change Level by Appropriation

Appropriation: 1NH - State Operations
Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,395,926	13	1,395,926	100.0	1,395,926	13	1,395,926	100.0
C04	Reallocation	0	0	1,395,926	100.0	0	0	1,395,926	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,395,926	13	1,395,926	100.0	1,395,926	13	1,395,926	100.0
C04	Reallocation	0	0	1,395,926	100.0	0	0	1,395,926	100.0
C13	Not Recommended	(12,364)	0	1,383,562	99.1	(12,364)	0	1,383,562	99.1
C19	Executive Changes	(32,249)	(1)	1,351,313	96.8	(32,249)	(1)	1,351,313	96.8

Justification

C04	Reallocation from Professional Fees to Operating Expenses to more accurately reflect expenditures.
C19	Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation.

Analysis of Budget Request

Appropriation: 53L - Education-Trust

Funding Sources: TFH - Arkansas Fair Housing Commission Trust Fund

The Education - Trust Program was established by Act 1201 of 2007 and provides for fair housing education of the public and the operational expenses of the commission, as set out in A.C.A. §§16-123-301 through 16-123-348. Funding is derived from administrative or civil penalties levied and collected pursuant to §16-123-301.

The Base Level request is for appropriation of \$170,000 each year of the 2017-2019 Biennium.

The Agency is requesting a reallocation of \$55,000 each year from Operating Expenses to Conference & Travel Expenses to host an annual conference which provides fair housing education to the public.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 53L - Education-Trust

Funding Sources: TFH - Arkansas Fair Housing Commission Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	47,042	170,000	170,000	170,000	115,000	115,000	170,000	115,000	115,000
Conference & Travel Expenses	5050009	41,311	0	0	0	55,000	55,000	0	55,000	55,000
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		88,353	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Funding Sources										
Fund Balance	4000005	273,807	306,943		210,765	210,765	210,765	114,587	114,587	114,587
Trust Fund	4000050	121,489	73,822		73,822	73,822	73,822	73,822	73,822	73,822
Total Funding		395,296	380,765		284,587	284,587	284,587	188,409	188,409	188,409
Excess Appropriation/(Funding)		(306,943)	(210,765)		(114,587)	(114,587)	(114,587)	(18,409)	(18,409)	(18,409)
Grand Total		88,353	170,000		170,000	170,000	170,000	170,000	170,000	170,000

FY16 Actual Expenditures in Conference & Travel Expenses were authorized through a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 53L - Education-Trust
Funding Sources: TFH - Arkansas Fair Housing Commission Trust Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	170,000	0	170,000	100.0	170,000	0	170,000	100.0
C04	Reallocation	0	0	170,000	100.0	0	0	170,000	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	170,000	0	170,000	100.0	170,000	0	170,000	100.0
C04	Reallocation	0	0	170,000	100.0	0	0	170,000	100.0

Justification

C04	Reallocation from Operating Expenses to Conference & Travel Expenses to host an annual conference which provides fair housing education to the public.								
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ARKANSAS GEOGRAPHIC INFORMATION SYSTEMS OFFICE

Enabling Laws

Act 206 of 2016
Act 8 of 2015 (Transfer of the Division of Land Surveys)
A.C.A. §15-21-501 - A.C.A. §15-21-505

History and Organization

The Arkansas Geographic Information Systems Office (AGISO) was created in 2001 as a division of the Department of Information Services (DIS) by the passage of Act 1250. Its purpose is to coordinate the development and maintenance of geographic information systems (GIS) data throughout the state. The AGISO coordinates with all levels of government, private and non-profit sectors to reduce duplication of effort. The office works in conjunction with the Arkansas Geographic Information Systems Board. In 2009, the AGISO became a state agency with the passage of Act 244 (HB 1356 of 87th General Assembly). The First Extraordinary Session of 2015 saw the merger of the Division of Land Surveys into the agency.

The Office operates GeoStor, Arkansas' GIS clearinghouse, where the state's GIS data is published for users. The Office works closely with County Assessors who are mapping real estate tax parcels, County Judges, E9-1-1 coordinators and City Mayors. The Office is also responsible for maintaining the aerial imagery program that procures aerial imagery of the state.

The parcel mapping focuses on the development of tax parcels that are listed in the counties' computer-assisted mass appraisal system. Parcel mapping improves the efficiency of the Assessor reappraisal process. The data aids the Assessors in discovering taxable real estate. The data is used by the banking industry, Realtors, surveyors, floodplain administrators and others to view information about properties. One of the most valuable uses of the data is for economic development where prospects can research and evaluate potential sites for development without having to conduct an initial visit.

The road centerline program compiles a standardized road centerline map layer that can be used by all levels of government, the private sector and individuals. The data is one of the most commonly needed datasets by GIS users. The AGISO helps the County E9-1-1 offices with the technical facets of creating and maintaining centerline data. The data can be used to locate people, places and events along the roads by correlating them to a physical address. The AGISO assembles a statewide version of the data by incorporating updates from individual counties as roads are changed or new roads are built. The layer is heavily used following disaster and emergency response events. This layer in combination with address point coordinates is used to drive the state's Streamlined Sales Tax database that supports collection and accurate

distribution of county and city sales tax. The system added over \$13 million in sales tax revenue to the state in 2015.

The aerial imagery is a special type of photography that is corrected for terrain distortion and encoded with the latitude and longitude coordinates. This enables the data to be used in a number of applications. Because a picture is worth a thousand words, this data is the most popular GIS data published by the agency. It is used by County Assessors to locate and discover real estate, by County E9-1-1 office to map roads, by numerous state agencies for a variety of purposes and by private sectors including real estate, land surveying, engineering, utilities, agriculture and forestry. The AGISO procured this statewide image database in 2001 and 2006 with General Improvement funding. The data is also provided to commercial Internet search engines so that GIS users worldwide can access it, and entrepreneurs can potentially make more informed business decisions.

The agency maintains the city boundary GIS record for the state and is required to coordinate with the cities on any city boundary change. In January of each year the agency is required by law to report city boundary changes to the U.S. Census Bureau.

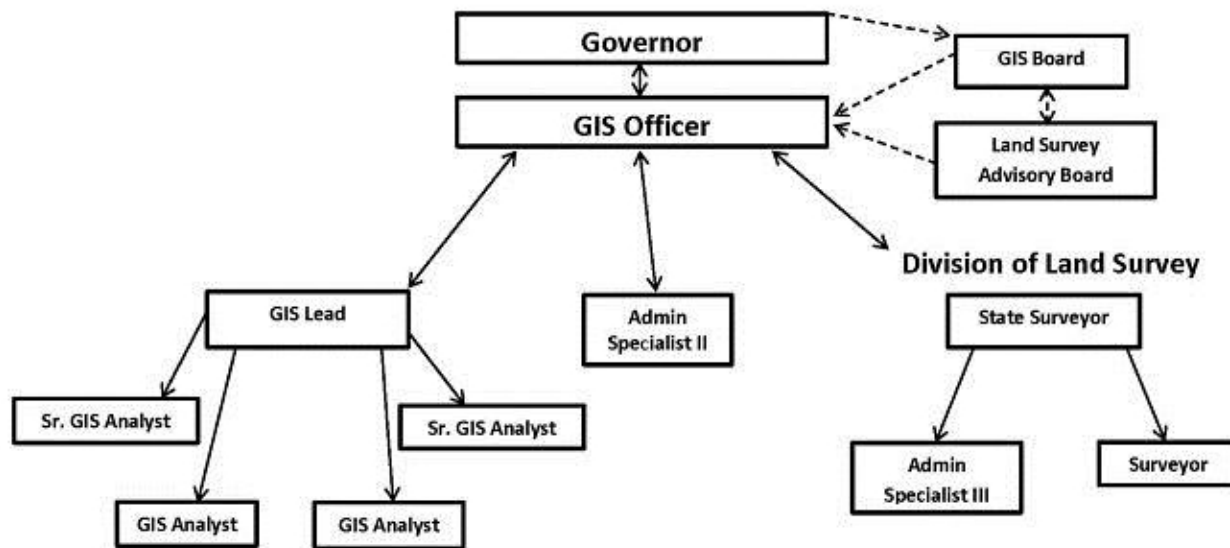
The AGISO continues to work with Arkansas counties, state and federal agencies to ensure the accuracy and self-maintenance of GIS data about Arkansas for decision makers.

Arkansas Division of Land Surveys

The Division is responsible for the restoration of the U.S. General Land Office original corner monuments of Arkansas. This includes documenting and publishing detailed certificates of the corner locations for future generations. There are over 16,000 certified corner records in the archive and more are restored each year.

The Division establishes uniform professional surveying and mapping standards, administers the rules by referring evidence of violations to the State Board of Professional Engineers and Professional Surveyors under ACA 15-21-206.

The Division is responsible for receiving, filing and publishing land survey plats of Arkansas for public inspection. Arkansas is among the first in the nation to provide access to a digital archive of land survey plats. This is in keeping with ACA 17-48-106. This remarkable system continues to grow with over 172,000 records. The land survey plats are filed in accordance with ACA 17-48-106.



Agency Commentary

The Arkansas Geographic Information Office acts as the functional arm of the Arkansas Geographic Information Systems (GIS) Board. The agency coordinates the development and maintenance of statewide GIS data with cities, counties, state agencies, the federal government, non-profit and private sectors. This activity reduces duplication of effort and ensures GIS data about Arkansas is readily available for decision makers. The data is made available through GeoStor the state's online GIS platform. The agency provides administrative and technical support to the Board.

The agency's long-range plan calls for investing in the most important GIS databases needed in Arkansas. The priorities represent the most commonly used base maps. These layers are used by multiple agencies, local government and private sector and are used for emergency response, natural resource management, regulatory oversight, allocation of streamlined sales tax revenue and to generate real estate revenue. The agency uses the data to support the Department of Finance and Administration, Excise Tax Division in the Streamlined Sales and Use Tax program that collects and allocates sales tax at the delivery point. Points of delivery are determined by the GIS databases. The agency's request is for the state to invest in getting these critical layers created and maintained. Nearly every function in state government can be mapped and analyzed geographically when GIS data is available. This data is needed statewide to support statewide decision making.

The agency requests an increase of \$127,907 each year of the biennium. The increase includes \$121,444 in Regular Salaries and Personal Services Matching for two new Sr. GIS Analyst positions, and \$6,463 restoration of the Extra Help and Personal Services Matching.

The agency and DFA have partnered for ten years on the development and maintenance of the Streamlined Sales and Use Tax databases that are required by the national agreement. These databases are used to accurately place the source jurisdiction for collection of sales tax using GIS data of physical addresses and ZIP+4 locations. During the ten year period DFA has used two Sr. GIS Analysts under contract and funded by DFA. The contractors have been housed and under direct supervision of the GIS Office. The GIS Office has provided the workspace, software licenses, computers and other infrastructure needed to complete the work. The work involves accurately mapping addresses and assigning codes for the correct tax jurisdiction. Over this period the agency has supported the creation of physical address point data in 70 of the 75 counties. These data are coordinated with the Emergency 9-1-1 Coordinators at the local level. These positions will aid in getting the remainder of the state completed. The agency also maintains the municipal boundary map of cities. When any city annexes new territory, the physical addresses and ZIP+4 locations in the new territory must be assigned the correct tax jurisdiction code. The workload to maintain the statewide file of over 1.44 million physical address and over half a million ZIP+4 records requires two full time positions. The foremost benefit of creating and maintaining this GIS data is to save lives by having accurate address coordinates for Emergency 9-1-1 response. The secondary benefit is the accurate allocation of sales tax revenue to the proper jurisdictions.

The GIS Office proposes to convert the contract positions to Full Time Employee positions. This conversion will save the state \$54,367 in the first year and we project a \$402,030 savings over a ten year period.

The Extra Help restoration is requested to improve the accuracy and quality of the Section Township and Range corner database. The Extra Help would perform data entry on corner records from information gathered by the State Surveyor of the Division of Land Surveys. These records include latitude and longitude of corners recovered.

The agency has gained efficiencies in operational areas and therefore does not require any increase in operating expense.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS GEOGRAPHIC INFORMATION SYSTEMS OFFICE
FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	5	3	8	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			8	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Report to Joint Committee on Advanced Communications & Information Technology	A.C.A 15-21-503 (i)	Y	Y	40	A.C.A. 15-21-503 (i)	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
56X GeoStor & Framework	85,496	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0	850,000	0
56Y Geographic Information Systems	1,177,661	9	1,143,680	10	1,157,286	10	1,147,869	10	1,275,776	12	1,275,776	12	1,147,869	10	1,275,776	12	1,275,776	12
86X Parcel Mapping Grant	113,979	0	1,333,300	0	1,333,300	0	1,333,300	0	1,333,300	0	1,333,300	0	1,333,300	0	1,333,300	0	1,333,300	0
Total	1,377,136	9	3,326,980	10	3,340,586	10	3,331,169	10	3,459,076	12	3,459,076	12	3,331,169	10	3,459,076	12	3,459,076	12

Funding Sources		%		%		%		%		%		%		%		%		%	
Fund Balance	4000005	270,926	16.0	313,504	8.5			373,504	9.9	373,504	9.6	373,504	9.9	433,504	11.3	433,504	11.0	433,504	11.3
General Revenue	4000010	1,177,661	69.7	1,143,680	30.9			1,147,869	30.5	1,275,776	32.8	1,147,869	30.5	1,147,869	30.0	1,275,776	32.3	1,147,869	30.0
Trust Fund	4000050	242,053	14.3	1,393,300	37.7			1,393,300	37.0	1,393,300	35.8	1,393,300	37.0	1,393,300	36.4	1,393,300	35.3	1,393,300	36.4
Other	4000370	0	0.0	850,000	23.0			850,000	22.6	850,000	21.8	850,000	22.6	850,000	22.2	850,000	21.5	850,000	22.2
Total Funds		1,690,640	100.0	3,700,484	100.0			3,764,673	100.0	3,892,580	100.0	3,764,673	100.0	3,824,673	100.0	3,952,580	100.0	3,824,673	100.0
Excess Appropriation/(Funding)		(313,504)		(373,504)				(433,504)		(433,504)		(305,597)		(493,504)		(493,504)		(365,597)	
Grand Total		1,377,136		3,326,980				3,331,169		3,459,076		3,459,076		3,331,169		3,459,076		3,459,076	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
7	6	0	6	1	14.29 %	8	9	3	12	-4	-12.50 %	10	9	1	10	0	10.00 %

Total Budgeted positions exceed Authorized in FY16 due to the transfer of the Division of Land Surveys from the Arkansas Agriculture Department by Act 8 of the First Extraordinary Session of 2015.

Analysis of Budget Request

Appropriation: 56X - GeoStor & Framework

Funding Sources: TGS - Geographic Information Systems Fund

The Geographic Information Systems Fund consists of funds approved by the General Assembly, contributions, federal funds, and any other funds allowable by law. This fund is used to carry out the duties, responsibilities, and authority of the Arkansas Land Board; and create, update, and maintain GeoStor, the Arkansas Spatial Data Infrastructure.

The Agency requests Base Level appropriation of \$850,000 each year for the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 56X - GeoStor & Framework
Funding Sources: TGS - Geographic Information Systems Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Geostor & Framework 5900047	85,496	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Total	85,496	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Funding Sources									
Fund Balance 4000005	156,947	313,504		373,504	373,504	373,504	433,504	433,504	433,504
Trust Fund 4000050	242,053	60,000		60,000	60,000	60,000	60,000	60,000	60,000
Other 4000370	0	850,000		850,000	850,000	850,000	850,000	850,000	850,000
Total Funding	399,000	1,223,504		1,283,504	1,283,504	1,283,504	1,343,504	1,343,504	1,343,504
Excess Appropriation/(Funding)	(313,504)	(373,504)		(433,504)	(433,504)	(433,504)	(493,504)	(493,504)	(493,504)
Grand Total	85,496	850,000		850,000	850,000	850,000	850,000	850,000	850,000

Analysis of Budget Request

Appropriation: 56Y - Geographic Information Systems

Funding Sources: HUA - Miscellaneous Agencies Fund

The Office of Geographic Information Systems was established as a part of the Office of Information Technology as an integral component of the Initiative for Statewide Technology Advancement (GISTA) and Arkansas' Electronic Government to provide services and data to cities, counties, state and federal agencies, private businesses, and citizens. It provides technology transfer and educational services to all users of GeoStor and enables specific county level projects to become more integrated within GeoStor. The Arkansas Spatial Data Infrastructure (ASDI) is a public resource that provides storage and easy access to essential statewide geographically linked information such as maps, boundaries, aerial photography, facilities, and natural resources.

Upon the dissolution of the Office of Information Technology (OIT) by Acts 751 and 794 of 2007, this appropriation was transferred to the Department of Information Systems. In 2009, the Arkansas Geographic Information Office (AGIO) became a state agency with the passage of Act 244 of 2009.

This appropriation is funded by general revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency requests a Change Level increase of \$127,907 each year of the 2017-2019 Biennium as follows:

- Regular Salaries and Personal Services Matching of \$121,444 for two new Senior GIS Analyst Grade C124 positions. The two positions are needed to assist with the maintenance of the Streamlined Sales and Use Tax databases.
- Extra Help and Personal Services Matching of \$6,463 for the restoration of the Extra Help position. The Extra Help will be necessary to improve the accuracy and quality of the Section Township and Range corner database. The Extra Help will perform data entry on corner records from information gathered by the State Surveyor of the Division of Land Surveys. The records include latitude and longitude of corners recovered.

The Executive Recommendation provides for Base Level funding and \$127,907 of appropriation only for Regular Salaries and Personal Services Matching for the two Senior GIS Analyst positions and Extra Help.

Appropriation Summary

Appropriation: 56Y - Geographic Information Systems

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	641,423	594,505	602,751	595,205	685,959	685,959	595,205	685,959	685,959
#Positions		9	10	10	10	12	12	10	12	12
Extra Help	5010001	0	0	0	0	6,463	6,463	0	6,463	6,463
#Extra Help		0	0	0	0	1	1	0	1	1
Personal Services Matching	5010003	200,431	182,083	187,443	185,572	216,262	216,262	185,572	216,262	216,262
Operating Expenses	5020002	268,712	245,742	245,742	245,742	245,742	245,742	245,742	245,742	245,742
Conference & Travel Expenses	5050009	14,195	14,350	14,350	14,350	14,350	14,350	14,350	14,350	14,350
Professional Fees	5060010	52,900	107,000	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		1,177,661	1,143,680	1,157,286	1,147,869	1,275,776	1,275,776	1,147,869	1,275,776	1,275,776
Funding Sources										
General Revenue	4000010	1,177,661	1,143,680		1,147,869	1,275,776	1,147,869	1,147,869	1,275,776	1,147,869
Total Funding		1,177,661	1,143,680		1,147,869	1,275,776	1,147,869	1,147,869	1,275,776	1,147,869
Excess Appropriation/(Funding)		0	0		0	0	127,907	0	0	127,907
Grand Total		1,177,661	1,143,680		1,147,869	1,275,776	1,275,776	1,147,869	1,275,776	1,275,776

Change Level by Appropriation

Appropriation: 56Y - Geographic Information Systems
Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,147,869	10	1,147,869	100.0	1,147,869	10	1,147,869	100.0
C02	New Program	127,907	2	1,275,776	111.1	127,907	2	1,275,776	111.1

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,147,869	10	1,147,869	100.0	1,147,869	10	1,147,869	100.0
C02	New Program	127,907	2	1,275,776	111.1	127,907	2	1,275,776	111.1

Justification

C02	The GIS Office proposes to convert the contract positions to Full Time Employee positions. This conversion will save the state \$54,367 in the first year and we project a \$402,030 savings over a ten year period. The Extra Help restoration is requested to improve the accuracy and quality of the Section Township and Range corner database. The Extra Help would perform data entry on corner records from information gathered by the State Surveyor of the Division of Land Surveys. These records include latitude and longitude of corners recovered. The agency has gained efficiencies in operational areas and therefore does not require any increase in operating expense.
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**CARRY FORWARD OF ANY REMAINING FUND BALANCES
FROM FISCAL YEAR 2016 TO FISCAL YEAR 2017**

Agency: Arkansas Geographic Information Systems Office

Program: Geographic Information Systems

Act #: 730 of 2015 Section(s) #: 2 & 6

Estimated Carry Forward Amount \$ 55,000.00 Funding Source: General Revenue

Accounting Information:

Business Area: 0472 Funds Center: 56Y Fund: HUA Functional Area: ADMN

Current law requires a written statement be submitted to the DFA Office of Budget stating the reason(s) to carry forward funding for a program or a specific line item within a program remaining on June 30th of a fiscal year.

Justification for carry forward of fund balance:

Carry forward funds are requested for operating and maintaining the Arkansas Spatial Data Infrastructure, creating, updating, maintaining and disseminating framework spatial data as defined by Arkansas Code 15-21-502.

Actual Funding Carry Forward Amount \$ 84,695.00

Current status of carry forward funding:

Carry forward funds are requested for operating and maintaining the Arkansas Spatial Data Infrastructure, creating, updating, maintaining and disseminating framework spatial data as defined by Arkansas Code 15-21-502.

Shelby Johnson
State Geographic Information Officer

09-27-2016
Date

Analysis of Budget Request

Appropriation: 86X - Parcel Mapping Grant

Funding Sources: TGS - Geographic Information Systems Fund

This appropriation is used to update the statewide digital parcel data map. It is used to initiate parcel automation, accelerate the completion of parcel automation, and support improvements in those counties which have completed automation. Grants under this program are funded as follows, state funding of up to 60% of the cost of approved projects and the balance of the cost from required matching funds from the county.

The Agency requests Base Level appropriation of \$1,333,300 each year for the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 86X - Parcel Mapping Grant

Funding Sources: TGS - Geographic Information Systems Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Statewide Parcel Map Grant Prog 5900046	113,979	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300
Total	113,979	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300
Funding Sources									
Fund Balance 4000005	113,979	0		0	0	0	0	0	0
Trust Fund 4000050	0	1,333,300		1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300
Total Funding	113,979	1,333,300		1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	113,979	1,333,300		1,333,300	1,333,300	1,333,300	1,333,300	1,333,300	1,333,300

OFFICE OF HEALTH INFORMATION TECHNOLOGY

Enabling Laws

Act 252 of 2016
A.C.A § 25-42-101 et seq.

History and Organization

The Office of Health Information Technology (OHIT) was established through a Miscellaneous Federal Grant authorized by the American Recovery & Reinvestment Act (ARRA) of 2009, which included the Health Information Technology for Economic & Clinical Health Act (HITECH) of 2009. HITECH authorized grants to promote health information technology as part of the overhaul of the healthcare system. OHIT was created to promote a health information exchange for information sharing among health care providers.

The Health Information Exchange (HIE) is necessary for electronic movement and use of health information according to national standards and exists independently of the Health Benefits Exchange proposed under the Patient Protection & Affordable Care Act of 2009. OHIT will continue to provide information about health care providers, patients, and patient records, regardless of which benefits exchange option the state chooses.

The 88th Regular Session of the General Assembly passed Act 891 of 2011 which established the Office of Health Information Technology and the governance structure for the State Health Alliance for Records Exchange (SHARE).

Act 891 established:

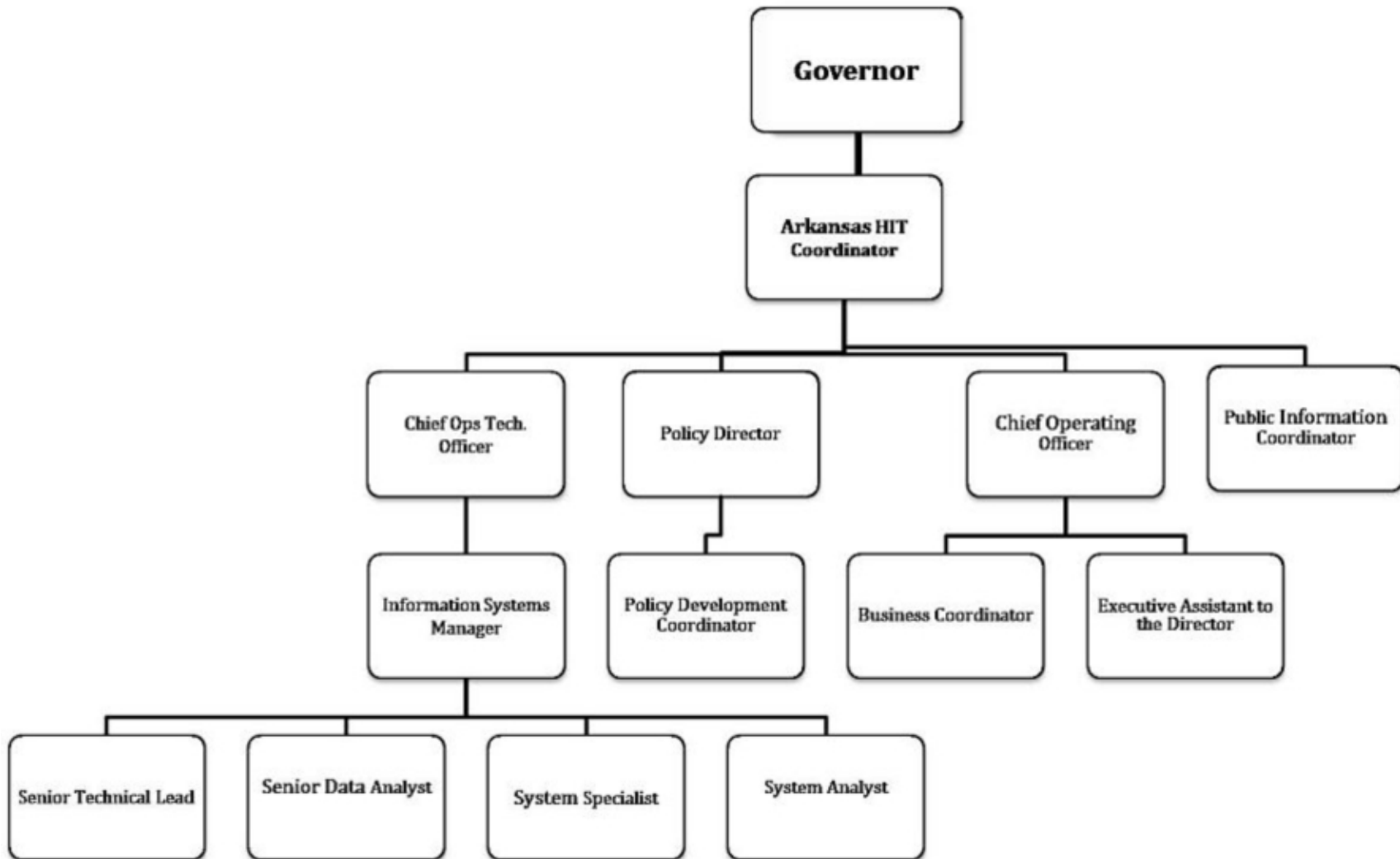
- The Office of Health Information Technology, provided the initial governance structure of the State Health Alliance for Records Exchange (SHARE), and authorized the Office to form a non-profit corporation at the proper time,
- The policies creating the Office and SHARE,
 - Details privacy and security components of SHARE and authorizes the Office to promulgate any additional rules and regulations,
 - The authority to establish reasonable fees or charges for the use of SHARE to fund operational costs of the Office and SHARE,
 - The Health Information Technology Fund, and

- OHIT shall serve as the coordinator of all health information technology efforts in Arkansas.

In January 2012, OHIT began Phase I implementation of SHARE to facilitate communications (connections) among health care organizations in the state. In May 2012, OHIT received approval from the Office of the National Coordinator (ONC) to begin Phase II implementation of SHARE to deploy the health information exchange connections and functions to enable health care providers to exchange clinical record information through a secure and Health Insurance Portability and Accountability (HIPAA) of 1996 compliant system. Arkansas is the first state to receive approval to move from Phase I to Phase II.

As of July, 2014, OHIT has connected 18 hospitals and almost 200 physician practices to SHARE, the statewide health information exchange. This effort has involved building electronic interfaces with a variety of brands of hospital information systems (HIS) and many different electronic medical record (EMR) systems. In addition, SHARE also has approximately 3,000 users of the Secure Messaging, encrypted email system that enables health care providers to exchange messages and patient specific clinical information in a private, secure email system.

OHIT has coordinated health information technology development activities with the Arkansas Department of Health, Arkansas Department of Human Services-Division of Medical Services, the Arkansas Insurance Department, the Arkansas Center for Health Improvement, and the Arkansas Foundation for Medical Care (AFMC)/Regional Extension Center.



Agency Commentary

The Office of Health Information Technology (OHIT) was legislatively authorized by Act 891 of 2011. The office is responsible for planning

and implementing the State Health Alliance for Records Exchange (SHARE), Arkansas's health information exchange and for coordinating health information technology activities and funding throughout the state. Through the use of SHARE, individuals, health care providers and health organizations can electronically share health-related information throughout Arkansas. Along with providing a secure messaging system for point-to-point communication between healthcare providers, OHIT launched the health information exchange in the fall of 2012. OHIT has established a fee structure for participants in SHARE as authorized in A.C.A. § 25-42-101 et seq. The Office is authorized also to form a nonprofit corporation to be known as the State Health Alliance for Records Exchange.

The Agency requests a Change Level increase of \$ \$387,417 each year of the Biennium for Regular Salaries and Personal Services Matching for positions approved by the Personnel Committee upon recommendations from the Office of Personnel Management (OPM). This increase in State positions will reduce OHIT's contractor/consultant costs by \$1.9 million. The Agency requests Base Level for the State Operations appropriation (HUA7100) funded by General Revenue for the 2017-2019 Biennium as well as federal funds provided through grants and CMS. The CMS funds are being made available through 90/10 matching for activities related to the Patient Centered Medical Home Program and for the expansion of health information exchange services.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS OFFICE OF HEALTH INFORMATION TECHNOLOGY
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	4	4	50 %
Black Employees	0	4	4	50 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			4	50 %
Total Employees			8	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
N/A	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
F04 OHIT-State Match	919,589	9	3,436,336	12	6,072,244	12	3,441,714	12	3,829,131	16	3,728,475	14	3,442,505	12	3,829,922	16	3,729,266	14
M64 OHIT - State Operations	1,619,037	0	1,000,000	0	2,200,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0
M90 SHARE-IAPD HIE PCMH Program	2,997,162	1	4,000,000	0	9,442,800	0	2,486,515	0	3,605,255	0	3,605,255	0	2,486,515	0	3,605,255	0	3,605,255	0
Total	5,535,788	10	8,436,336	12	17,715,044	12	6,928,229	12	8,434,386	16	8,333,730	14	6,929,020	12	8,435,177	16	8,334,521	14

Funding Sources		%		%		%		%		%		%		%		%		%	
Fund Balance	4000005	1,906,690	25.2	2,032,445	21.3			1,096,109	12.8	1,096,109	12.8	1,096,109	12.8	2,546,565	25.3	1,427,825	16.0	1,427,825	16.0
General Revenue	4000010	1,700,000	22.5	1,000,000	10.5			1,000,000	11.6	1,000,000	11.6	1,000,000	11.6	1,000,000	10.0	1,000,000	11.2	1,000,000	11.2
Federal Revenue	4000020	2,853,108	37.7	4,000,000	42.0			4,000,000	46.5	4,000,000	46.5	4,000,000	46.5	4,000,000	39.8	4,000,000	44.8	4,000,000	44.8
Special Revenue	4000030	1,108,435	14.6	2,500,000	26.2			2,500,000	29.1	2,500,000	29.1	2,500,000	29.1	2,500,000	24.9	2,500,000	28.0	2,500,000	28.0
Total Funds		7,568,233	100.0	9,532,445	100.0			8,596,109	100.0	8,596,109	100.0	8,596,109	100.0	10,046,565	100.0	8,927,825	100.0	8,927,825	100.0
Excess Appropriation/(Funding)		(2,032,445)		(1,096,109)				(1,667,880)		(161,723)		(262,379)		(3,117,545)		(492,648)		(593,304)	
Grand Total		5,535,788		8,436,336				6,928,229		8,434,386		8,333,730		6,929,020		8,435,177		8,334,521	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
12	9	3	12	0	25.00 %	12	8	4	12	0	33.33 %	12	9	3	12	0	25.00 %

Analysis of Budget Request

Appropriation: F04 - OHIT-State Match

Funding Sources: MHI - Health Information Technology Fund

This appropriation was created as a requirement of the Cooperative Agreement for a state match and sustainability of the health information exchange after the end of the federal funding period.

The appropriation is funded by the Health Information Technology Fund for use by the Office of Health Information Technology (OHIT) for operating expenses of the Office of Health Information Technology and the State Alliance for Records Exchange (SHARE). Funds include fees or charges for use of the exchange, funds transferred from the General Improvement Fund or other funds, gifts, bequests, foundations grants and gifts, Governor's or other emergency funds, federal grants and matching funds, proceeds from bond issues, interagency transfer of funds, and other funds that may be appropriated by the General Assembly.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency requests a Change Level increase of \$387,417 for each year of the 2017-2019 Biennium for Regular Salaries and Personal Services Matching as follows:

- Four (4) new positions, the HIT Technical Director, two (2) HIT Interface Developers, and the HIT Onboarding/Outreach/Training Coordinator.

The Executive Recommendation provides for the Agency Request which includes the four (4) new positions. Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation. The Executive Recommendation also includes merging the Agency with the Department of Health by a Type 2 transfer.

Appropriation Summary

Appropriation: F04 - OHIT-State Match
Funding Sources: MHI - Health Information Technology Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	531,162	725,219	732,720	726,508	1,022,040	949,154	726,908	1,022,440	949,554
#Positions	9	12	12	12	16	14	12	16	14
Personal Services Matching 5010003	121,891	232,420	224,884	236,509	328,394	300,624	236,900	328,785	301,015
St Health Info Exch, Personal Se 5900046	266,536	2,478,697	5,114,640	2,478,697	2,478,697	2,478,697	2,478,697	2,478,697	2,478,697
Total	919,589	3,436,336	6,072,244	3,441,714	3,829,131	3,728,475	3,442,505	3,829,922	3,729,266
Funding Sources									
Fund Balance 4000005	810,519	999,365		63,029	63,029	63,029	0	0	0
Special Revenue 4000030	1,108,435	2,500,000		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Funding	1,918,954	3,499,365		2,563,029	2,563,029	2,563,029	2,500,000	2,500,000	2,500,000
Excess Appropriation/(Funding)	(999,365)	(63,029)		878,685	1,266,102	1,165,446	942,505	1,329,922	1,229,266
Grand Total	919,589	3,436,336		3,441,714	3,829,131	3,728,475	3,442,505	3,829,922	3,729,266

FY17 Budget amount in Personal Services Matching exceeds the authorized amount due to matching rate adjustments during the 2013-2015 Biennium.
 Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: F04 - OHIT-State Match
Funding Sources: MHI - Health Information Technology Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,441,714	12	3,441,714	100.0	3,442,505	12	3,442,505	100.0
C06	Restore Position/Approp	387,417	4	3,829,131	111.3	387,417	4	3,829,922	111.3

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,441,714	12	3,441,714	100.0	3,442,505	12	3,442,505	100.0
C06	Restore Position/Approp	387,417	4	3,829,131	111.3	387,417	4	3,829,922	111.3
C13	Not Recommended	(27,770)	0	3,801,361	110.4	(27,770)	0	3,802,152	110.4
C19	Executive Changes	(72,886)	(2)	3,728,475	108.3	(72,886)	(2)	3,729,266	108.3

Justification

C06	This increase in State positions will reduce OHIT's contractor/consultant costs by \$1.9 million.
C19	Subsequent to the Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation. It eliminates the Dept. Business Coordinator (C119) position and the Public Information Coordinator (C120) position.

Analysis of Budget Request

Appropriation: M64 - OHIT - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

This appropriation was authorized during the 2014 Fiscal Session. It provides for personal services, and operating expenses of the State Health Alliance for Records Exchange (SHARE) and the Office of Health Information Technology.

Funding is derived from General Revenue.

The Agency requests Base Level appropriation of \$1,000,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. The Executive Recommendation also includes merging the Agency with the Department of Health by a Type 2 transfer.

Appropriation Summary

Appropriation: M64 - OHIT - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
St Hlth Info Exch Pers svcs & Op. 5900046	1,619,037	1,000,000	2,200,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total	1,619,037	1,000,000	2,200,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Funding Sources									
Fund Balance 4000005	200,685	281,648		281,648	281,648	281,648	281,648	281,648	281,648
General Revenue 4000010	1,700,000	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Funding	1,900,685	1,281,648		1,281,648	1,281,648	1,281,648	1,281,648	1,281,648	1,281,648
Excess Appropriation/(Funding)	(281,648)	(281,648)		(281,648)	(281,648)	(281,648)	(281,648)	(281,648)	(281,648)
Grand Total	1,619,037	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Analysis of Budget Request

Appropriation: M90 - SHARE-IAPD HIE PCMH Program

Funding Sources: FHT - Federal

This appropriation was established through the authority of the Miscellaneous Federal Grant Holding Account during the 2013-2015 biennium. The agency received funding from the Centers for Medicare and Medicaid Services (CMS). The Health Information Exchange (HIE) through the Office of Health Information Technology, will assist to ensure a successful implementation of the State Health Alliance for Records Exchange (SHARE) for all hospitals and primary care providers participating in the Patient Centered Medical Home (PCMH) program.

The Agency's Change Level request totals \$1,118,740 each year of the 2017-2019 Biennium. The increase is for the continuation of appropriation established through the Miscellaneous Federal Grant (MFG) process and consists of the following:

- Operating Expenses increase of \$1,100,890 each year and,
- Conference and Travel increase of \$17,850 each year.

The Executive Recommendation provides for the Agency Request. The Executive Recommendation also includes merging the Agency with the Department of Health by a Type 2 transfer.

Appropriation Summary

Appropriation: M90 - SHARE-IAPD HIE PCMH Program

Funding Sources: FHT - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	86,777	318,343	0	0	0	0	0	0	0
#Positions		1	0	0	0	0	0	0	0	0
Personal Services Matching	5010003	21,252	76,402	0	0	0	0	0	0	0
Operating Expenses	5020002	68,989	1,100,890	0	0	1,100,890	1,100,890	0	1,100,890	1,100,890
Conference & Travel Expenses	5050009	10,946	17,850	0	0	17,850	17,850	0	17,850	17,850
Professional Fees	5060010	2,809,198	2,486,515	9,442,800	2,486,515	2,486,515	2,486,515	2,486,515	2,486,515	2,486,515
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		2,997,162	4,000,000	9,442,800	2,486,515	3,605,255	3,605,255	2,486,515	3,605,255	3,605,255
Funding Sources										
Fund Balance	4000005	895,486	751,432		751,432	751,432	751,432	2,264,917	1,146,177	1,146,177
Federal Revenue	4000020	2,853,108	4,000,000		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total Funding		3,748,594	4,751,432		4,751,432	4,751,432	4,751,432	6,264,917	5,146,177	5,146,177
Excess Appropriation/(Funding)		(751,432)	(751,432)		(2,264,917)	(1,146,177)	(1,146,177)	(3,778,402)	(1,540,922)	(1,540,922)
Grand Total		2,997,162	4,000,000		2,486,515	3,605,255	3,605,255	2,486,515	3,605,255	3,605,255

Budget exceeds Authorized Appropriation in Regular, Salaries, Personal Services Matching, Operating Expenses, and Conference & Travel Expenses due to a transfer from the Miscellaneous Federal Grant Holding Account.

Change Level by Appropriation

Appropriation: M90 - SHARE-IAPD HIE PCMH Program
Funding Sources: FHT - Federal

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,486,515	0	2,486,515	100.0	2,486,515	0	2,486,515	100.0
C01	Existing Program	1,118,740	0	3,605,255	145.0	1,118,740	0	3,605,255	145.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,486,515	0	2,486,515	100.0	2,486,515	0	2,486,515	100.0
C01	Existing Program	1,118,740	0	3,605,255	145.0	1,118,740	0	3,605,255	145.0

Justification

C01	The Agency is requesting a total change level request of \$1,118,740 each year of the biennium for continuation of appropriation established through the MFG process. An increase of \$1,100,890 each year in Operating Expenses and \$17,850 each year in Conference & Travel.
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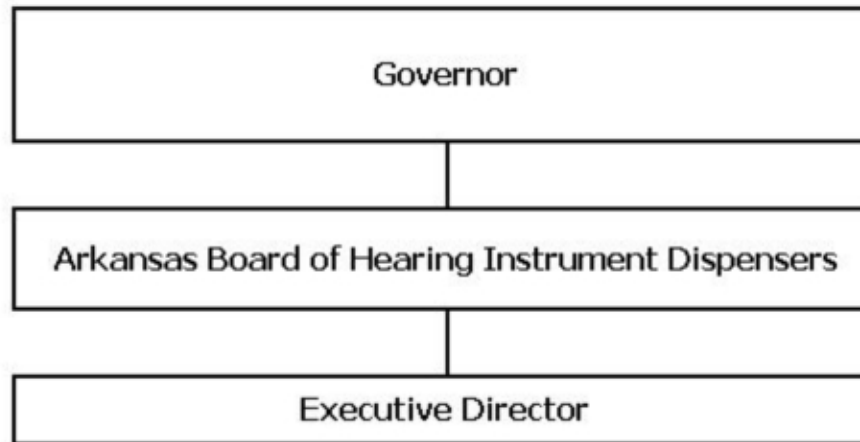
AR BOARD OF HEARING INSTRUMENT DISPENSERS

Enabling Laws

Act 34 of 2016
A.C.A. §17-84-101

History and Organization

The Board of Hearing Instrument Dispensers, authorized by A.C.A. §17-84-101 et seq., is responsible for the examination and licensure of persons engaging in the sale of hearing instruments. The Board is comprised of eight members appointed by the Governor for three-year terms. The Board is a cash agency funded from fees used for operating expenses and an extra help position.



Agency Commentary

The primary mission of the Arkansas State Board of Hearing Instrument Dispensers is to insure the public is protected when purchasing hearing instruments. The duties and powers include promulgation of rules necessary to enforce and administer the laws governing hearing instrument dispensers, the licensing of qualified persons who have passed the board examination, and the handling of complaints against licensed dispensers.

Base Level appropriations are used for the administration and support of the Board, to employ one extra help employee who acts as the Executive Director and administrator of the Board. This employee processes income and revenue, along with the service bureau, of the Board's cash account. Appropriations are requested specifically to complete the necessary functions of the Board, to pay mileage to Board members, to purchase office supplies and any other supplies as needed. The Board is authorized one additional extra help position to provide investigative services as required.

The Board is requesting Base Level appropriation for the 2017 - 2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS BOARD OF HEARING INSTRUMENT DISPENSERS
 FOR THE YEAR ENDED JUNE 30, 2014

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3160000	\$79,473	Checking	Bank of Little Rock

Statutory/Other Restrictions on use:

A.C.A. §17-84-204 Fees are to be used to pay administrative expenses. Any remaining balances at year end are to be carried forward.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-84-203 Fees, Fines &

Revenue Receipts Cycle:

Fees and penalties are collected throughout the year, with the bulk of the fees collected between June and September.

Fund Balance Utilization:

Fund balance each year is carried forward to support the Board's operating budget.

Fund Account	Balance	Type	Location
PHA0000	\$480	Payroll	State Treasury

Statutory/Other Restrictions on use:

None

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-84-203 Fees, Fines & Penalties as established in law.

Revenue Receipts Cycle:

Funds transferred from Operating Account - 3160000 as required to process payroll obligations.

Fund Balance Utilization:

Fund balance is carried forward to process payroll related expenses for the following year.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Rules & Regulations	A.C.A. §17-84-203	N	N	1	Required to distribute to licensees when changes occur.	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016					FY2016 - 2017						
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %

Analysis of Budget Request

Appropriation: A89 - Cash Operations

Funding Sources: 316 - Hearing Instrument Dispensers-Cash

The Arkansas Board of Hearing Aid Dispensers was created by Act 197 of 1969 to insure the public is protected when purchasing any instrument or device designed for aiding, improving, or correcting human hearing. Act 592 of 1999 amended Arkansas Code §17-84-101 and changed the name to Arkansas Board of Hearing Instrument Dispensers. Pursuant to Arkansas Code §17-84-203, funding is derived from examination fees, license fees, and renewal fees charged to persons who practice the fitting or selling of hearing instruments. The Board utilizes these funds to finance two (2) Extra Help positions and provide operating expenses for the administration of the laws governing hearing instrument dispensers.

Base Level appropriation is \$33,229 each year of the biennium.

The Board is requesting Base Level for the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request and additional Extra Help and Personal Services Matching appropriation totaling \$2,370 each year to provide administrative support. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A89 - Cash Operations

Funding Sources: 316 - Hearing Instrument Dispensers-Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Extra Help	5010001	13,578	14,000	26,900	14,000	14,000	16,200	14,000	14,000	16,200
#Extra Help		1	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	1,044	1,071	4,691	1,079	1,079	1,249	1,079	1,079	1,249
Operating Expenses	5020002	9,806	30,700	17,800	17,800	17,800	17,800	17,800	17,800	17,800
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	350	350	350	350	350	350	350	350
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		24,428	46,121	49,741	33,229	33,229	35,599	33,229	33,229	35,599
Funding Sources										
Fund Balance	4000005	75,362	79,953		58,903	58,903	58,903	51,674	51,674	49,304
Cash Fund	4000045	29,019	25,071		26,000	26,000	26,000	26,000	26,000	26,000
Total Funding		104,381	105,024		84,903	84,903	84,903	77,674	77,674	75,304
Excess Appropriation/(Funding)		(79,953)	(58,903)		(51,674)	(51,674)	(49,304)	(44,445)	(44,445)	(39,705)
Grand Total		24,428	46,121		33,229	33,229	35,599	33,229	33,229	35,599

Budget exceeds Authorized Appropriation in Operating Expenses due to a transfer from the Cash Fund Holding Account.

Change Level by Appropriation

Appropriation: A89 - Cash Operations

Funding Sources: 316 - Hearing Instrument Dispensers-Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	33,229	0	33,229	100.0	33,229	0	33,229	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	33,229	0	33,229	100.0	33,229	0	33,229	100.0
C19	Executive Changes	2,370	0	35,599	107.1	2,370	0	35,599	107.1

Justification

C19	Extra Help and Personal Services Matching appropriation totaling \$2,370 to provide administrative support.
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DEPARTMENT OF INFORMATION SYSTEMS

Enabling Laws

Act 247 of 2016
A.C.A. §25-4-101 et seq.

History and Organization

The Department of Computer Services, or DCS, was created in 1977 by Act 884 (Arkansas Code Annotated, Section 25, Chapter 4), as a cabinet-level department reporting to the Governor. Its purpose was to provide to state government a central data processing service, a statewide telephone network, and technical guidance and planning for the acquisition of related hardware, software, and training. During the 1997 session, the 81st General Assembly amended certain sections of the Arkansas Code to reestablish the Department of Computer Services as the Department of Information Systems, or DIS, and expanded the department responsibilities. Act 914 of 1997 charged DIS with various duties including but not limited to:

- 1) Providing information technology services to state agencies and other governmental entities;
- 2) Entering into contracts with state agencies and other governmental entities for the purpose of providing information technology services;
- 3) Establishing fair and reasonable schedules of rates or fees to be paid by state agencies and governmental entities provided services to enable the Department to defray the cost of delivering information technology services;
- 4) Establishing rates and fees for services provided by the Department to assure the Department is self-supporting. A billing rate plan shall be developed for a two-year period to coincide with the budgeting process. The same rate structure will apply to all agencies and entities receiving services;
- 5) Acquiring information technology on behalf of state agencies, the cost of which shall be recovered through customer billings at established rates;
- 6) Promulgating rules and regulations that are necessary for efficient administration and enforcement of the powers, functions, and duties of the Department.

Act 1401 of 2005 added - Compliance with State and Federal Regulations as follows: In order to effect compliance with the requirements of Federal OMB Circular A-87, the Director shall adjust billing rates or issue billing adjustments to be federally compliant, notwithstanding the provisions of ACA §25-4-105 and ACA §25-4-119 or funds sufficient to effect compliance shall be provided the Department from General Revenues, Special Revenues or such other fund sources as may become available.

Act 751 of 2007 dissolved the Office of the Executive Chief Information Officer and named the Director of the Department of Information Systems the Chief Technology Officer. The Act also transferred the daily operations, duties, and responsibilities of the Arkansas Geographic Information Office and the Security and Compliance Monitoring Office that resided within the organization to the Department of Information Systems.

Act 648 of 2009 amended the Arkansas Information Systems Act of 1997 to include:

- 1) The Department of Information Systems shall be vested with all the powers and duties necessary to administer the department and enable it to carry out fully and effectively the regulations and laws relating to the department;
- 2) The department's powers and duties relate to information technology without limitation;
- 3) Provide information technology services to state agencies, other governmental entities, non- governmental first responder entities, and other quasi-governmental entities;
- 4) Implementing systems to ensure the security of state data and state data processing assets, to provide for disaster recovery and continuity of operations to the state agencies served, and to recover its costs from the customers benefited;
- 5) Developing the information technology policies, standards, and specifications for state agencies and ensuring agencies' compliance with those policies, procedures and standards;
- 6) Developing a state information technology plan that shall establish a state-level mission, goals, and objectives for the use of information technology;
- 7) Identifying and establishing information technology solutions that can support more than one (1) agency in providing governmental services;
- 8) Advising agencies regarding information technology contracts and agreements;
- 9) Developing policies to promote and facilitate electronic access to government information and interoperability of information systems;

10) Reviewing and approving agencies' information technology plans and requests.

11) Under ACA §25-4-114 - Contracts and agreements for information. (a) Contracts and agreements for state agencies for information technology shall adhere to the state enterprise architecture. (b) A state agency shall submit to the Director of the Department of Information Systems for review and approval a request for the state agency to enter into a technology contract or agreement that is not in compliance with the state enterprise architecture.

During the General Assembly of 2010, an Executive recommendation with Legislative approval removed the Arkansas Geographic Information Office from purview of the Department of Information Systems to create a separate stand-alone agency for this function.

The Department of Information Systems has adopted a vision statement and mission statement along with values, decision drivers and goals that are the focus of the Department's statewide service efforts.

Our Vision - Customer satisfaction every time.

Our Mission - Provide technology leadership and solutions to assist our customers in their delivery of public services.

Values - Integrity, Professional Workforce, Innovation, Customer Focus, Constant Communication, Continual Service Improvement

Decision Drivers - People - Cost - Reliability - Security

Goals - The Five E's - Workforce Excellence, Customer Service Excellence, e-Leadership, Financial Excellence, Operational Excellence.

DIS is organized to accomplish its mission through 5 primary teams under the Director's office. The director's office also functions as the Chief Technology Officer for the state, is the Administrative Division of DIS. The office provides overall guidance for the Agency and works directly with the Executive Leadership Team and the legislature.

(1) Deputy Director's Office

(2) Chief Operating Officer

(3) The State Cyber Security Office

(4) Customer Relationship Management Office

(5) General Counsel

Deputy Director

The deputy director's office oversees the department's fiscal division, Human resources division and enterprise architecture, which encompasses the project management and quality management. The office is also responsible for ensuring agency compliance with state and federal laws.

The Chief Financial Officer is responsible for the Fiscal Administration Division which plans, develops, implements policy, and provides for the overall management of DIS Accounting functions, budgeting, funds management, financial activities, rate design, cost recovery, and internal time reporting, Information Technology Asset Management (ITAM) group, as well as special projects.

Billing Section - DIS operates as an Internal Service Fund providing telecommunications and data processing services to state agencies and other approved governmental entities on a fee-for-service basis. As prescribed in both State and Federal laws and guidelines, DIS is required to operate at or near zero profit. DIS recovers all expended cost by billing clients for service usage.

Vendor Invoice Reconciliation allows DIS to manage our expensed dollars versus dollars billed. This group tracks invoice details to authorized contract rate elements in order to validate service rendered.

Procurement Services is responsible for processing all contract related documentation and managing all contract processes. This includes RFP, IFB, RFQ awards and renewals, as well as maintenance contracts, leases, or inter-agency agreements. Procurement Services will review all vendor contracts for compliance with Arkansas Law and works with the Office of State Procurement, vendors, and internal stakeholders to assure a valid contract agreement is in place at all times.

Strategic Funding - E-RATE Program - This program provides discounts to assist schools and libraries in obtaining affordable telecommunications and internet access. It is one of the support programs funded through the Universal Service fee which is charged to companies that provide interstate telecommunications services. Through these efforts, state entities have received several million dollars by participating in this program.

Human Resource Division (HR) - HR plans and implements human resource policies in accordance with DIS guidelines, the Department of Finance and Administration-Office of Personnel Management, and Federal Employment Labor Laws. This Division administers payroll, job classification/compensation, employment/recruiting, training, employee benefits enrollment, and general personnel policies.

Enterprise Architecture is responsible for the process of translating business vision and strategy into effective enterprise change by creating, communicating and improving the key requirements, principles and models that describe the enterprises' future state and enable its evolution. The scope of enterprise architecture includes the people, processes, information and technology of the enterprise, and their relationships to

agency, board and commission are required to submit. DIS IT planning efforts align with the responsibilities of the DFA team to manage budget and costs. The enterprise architecture team governs the IT Planning processes in accordance with Arkansas Code § 25-4-110, aligning of IT investments with mission and business goals under overarching governance and compliance mandates and best practices, and development/evaluation of policies and procedures pursuant to establishing Enterprise Architecture framework applicable to and governing IT activities/investments of the State.

Project & Enterprise Program Management Office (PEPMO) provides project management services for internal and external projects, as well as for multi-agency and state-wide projects and programs. PEPMO services are the management of project schedules, progress reports, life-cycle development, risk and resource management, cost and budget control, and change management. DIS project managers utilize a consistent approach based on internationally accepted methods, techniques, and best practices defined by the Project Management Institute.

In addition to Enterprise Architecture & Planning, this section includes:

Quality Management is responsible for the agency quality program, which is built around the Malcolm Baldrige National Quality Award criteria and has Arkansas Governor's Quality Award examiners on staff. Quality efforts include the customer and employee feedback system, performance measurement dashboard, quality process audits, and strategic plan development. DIS earned the Governor's Award for Performance Excellence in 2011 which demonstrates through practices and achievements the highest level of performance excellence.

Chief Operations Office:

Enterprise Systems Management (ESM) Division is responsible for designing, implementing, and maintaining solutions to meet customers' IT hosting requirements on UNIX and Linux server platforms. Systems Hosting has many state-wide applications, such as the drivers' license system, state tax systems, state-wide accounting, criminal justice, welfare eligibility, child protection, and numerous other public service applications. The applications are hosted on a vast array of server operating systems and are maintained in the DIS Data Center. ESM also manages the State of Arkansas Enterprise Storage and Tape Management System environment with over 600TB of disk storage and close to a petabyte of tape storage under management. These services provide robust, flexible, highly available, and cost effective data storage to support continuous operations for the state's critical workloads. ESM is also central to a computing optimization effort currently underway. One of the aspects of this effort is to improve our hosting services by offering a service that increases the efficiency and availability of computing resources for applications. Through the use of new technologies, the state is implementing a virtual infrastructure that will respond dynamically to our rapidly changing business needs. With on-demand computing power, this virtual infrastructure will reduce operational costs and minimize energy demands. This effort will deliver IT resources when and where they are needed using a flexible and efficient environment for running applications created by a virtual infrastructure. ESM has taken this approach by offering "Private Cloud" services available to those Agencies, Boards and Commissions making use of State of Arkansas Network. This internal cloud is available to

applications and will give state entities the elasticity to run applications internally or partner with external cloud and SAAS (Software as a Service) providers to be able to provide services to citizens in the most efficient manner possible.

Enterprise Network Services provides and manages the State voice, data, video, and wireless networks, including Internet access and state-wide network connectivity to state agencies, boards, commissions, constitutional offices, K-12 education, and higher education institutions. The division also assists customers in accomplishing their technology goals through network engineering, provisioning, and operations. The Enterprise Network Services (ENS) Division manages 1,600 network edge devices or firewalls and routers, utilizing more than 2,000 circuits. Internet bandwidth capacity provided at the State Data Center has grown from 45 Mbps (millions of bits per second) in 1997 to 22,150 Mbps today distributed over four Points of Presence (POPs). ENS is ending the first year of a two year project to replace the K12 network that first installed in the early 1990's. The new network will initially provide forty times the bandwidth of the current K12 network at a similar cost for the Arkansas Department of Education. It will also save the school districts some \$700K/month since their local school district ordered Direct Internet Access connections will no longer be needed. This new K12 network is scalable to a factor five times the initial bandwidth as the school needs increase. Enhanced security is being provided at the schools and at the Internet POPs. The old Internet Content Filter service is being replaced with an enterprise level Cloud Web Security service. These enhanced security items will also be provided to non-schools. Because of changes in technology and the vendor availability of traditional voice telephone services, Unified Communications (UC) will be replacing the current telephone service offered. UC provides more features and at a lower cost to the agencies, boards and commissions. The Enterprise Network Services group provides operational support twenty-four hours a day, three hundred sixty five days a year to ensure uninterrupted services to state agencies, and the citizens of Arkansas. The Division also provides solutions that comply and support the business and program priorities for state government. It establishes open and common frameworks and processes to enable statewide information sharing and interoperability of services.

Enterprise Solutions Division is responsible for designing, implementing and maintaining solutions to meet customer' IT hosting requirements on the Windows server platform, as well as end user support and application management. The Exchange E-mail Hosting section hosts approximately 16,000 Microsoft exchange e-mail accounts. Windows Hosting has multiple statewide applications, such as the driver' license system, state tax systems, unemployment, and numerous other public service applications. Windows hosting services include installation, maintenance, operations, monitoring, tuning, and backup/recovery. The Database Administration in ESM provides services to many applications hosted by DIS. The services include installation, maintenance, operations, monitoring, tuning, and backup/recovery of the many database management systems in use by the State of Arkansas' applications. The Field Support Team provides desktop, server, and local area network support for K-12 education, as well as other DIS customers as needed. Nine remote and five central office technicians serve over 260 Arkansas Public School Computer Network (APSCN) customers. Technical training workshops for school technology coordinators are offered at local educational cooperatives and Little Rock. DIS also provides precinct-level support to county election officials as coordinated through the Secretary of State's Office. The Field Support group plays a key role in DIS disaster response technical support. Prior examples include the

tornado response support for Mena, Atkins, and Marmaduke to name a few. Application Management provides analysis and development services to state agencies, boards, and commissions. Application Management uses a variety of technologies to develop custom business-specific applications, convert legacy systems, create websites, and provide system maintenance as required. Employees within Applications Management currently provide support for systems within the Arkansas Crime Information Center (ACIC), the Office of Child Support Enforcement, Administrative Office of the Courts, and the Arkansas Department of Human Services among others. The division has developed multiple systems for various agencies including the Child Nutrition program for the Arkansas Department of Education, the Tax21 system for the Department of Workforce Services, the licensing system for the Arkansas Board of Cosmetology, and the Arkansas Consumer Reporting System (ACRS) for the Arkansas Department of Workforce Services. Current activities include development of a complex licensing and investigations system for Arkansas Tobacco Control, project consulting on ARWINS for the Department of Workforce Services, and SharePoint systems for various agencies. Additionally, the division continues to provide support for systems used by the Arkansas Public Employees Retirement System (APERS), the Arkansas Development Finance Authority (ADFA), the Arkansas Department of Emergency Management and many others.

Enterprise Operations Division provides DIS customers a high-reliability Operations Center, Mainframe Support Services, and Production Control support services. They are responsible for over 20,000 sq. ft. of secure, environmentally controlled, raised floor environment that houses critical technology assets, such as an AWIN SmartZone controller, mainframe and server computers, centralized disk storage, network routing equipment, security monitoring, data back-up tape systems, redundant AC power protection, fire suppression system, under-floor and above-ceiling water leak detection, emergency generator, off-site vaulted media storage, and disaster cold site capability. The Operations Center performs more than 2,000 mainframe and server-based data processing jobs per day. The division also monitors AWIN, the state's first responder system, state network and computer systems 24 hours a day, every day of the year. The division is responsible for the print production which averages over 525,000 pages per month.

The State Cyber Security Office offers security solutions to provide protection to public organizations on the state network and assist public organizations in developing business and disaster recovery plans.

The state Security team monitors, protects, and performs vulnerability assessments for DIS hosted services and provides security monitoring of the state-wide network, including the operation and maintenance of 900 firewalls on the network and the State Intrusion Prevention System. These efforts result in the denial of 10 million malicious attempts through the network daily.

The network Security Information Event Management (SEIM) reviews on average 57,024,000,000 network flow records, 50,000,000 System messages, and inspects on average 1.2 Gigabits per second of Internet based traffic. This effort creates 16 million events per day that correlates to 450 incidents per day. Events and Incidents are then correlated to an average of 21 new malware notifications per day. The SEIM tracks an average of 200 active notifications at any one given time that must be resolved by customer administrators or DIS personnel. DIS

provides twenty-four hours a day, seven days a week automated monitoring, system support and on-call phone support to ensure maximum reliability for our customers.

The State Cyber Security Office architects security systems to meet HIPAA, IRS, SSA, CMS, and PCI rules. The security systems are in design and implementation phases that will be able to notify compliance officers when end users are outside of compliance rules.

The State Cyber Security Office facilitates the state security working group to formulate policies and standards related to cyber security. The Office also works to develop state contracts for cyber security products to save the state money by taking advantage of economies of scale and to provide a more secure environment across the public sector.

The Continuity of Operations Team of professionals is also a part of the Security Office. Primary functions include planning and coordination of the development, implementation, testing, and maintenance of Continuity of Operations plans, Pandemic Flu plans and preparation for any major interruption of DIS services and operations.

Arkansas Wireless Information Network Program Office (AWIN) provides a statewide trunk-based interoperable communications system to support the public safety/service users in Arkansas on a daily basis as well as in times of emergencies that are multi-jurisdictional or multi-disciplinary. The primary focus is to provide cost-efficient/well-maintained data, voice, wireless, and video services to our customers including technical stability, application of converged technology, and timely response to customer's needs and, in general, creating customer satisfaction. AWIN currently serves more than 28,000 public safety personnel across the state. More than 132 tower sites provide a state-wide network that allows users in any part of the state to communicate in time of emergencies. The AWIN team provides system management, including engineering support for system monitoring, engineering design and analysis for new projects, and 24 hours a day, 365 days a year system support, monitoring, and on-call phone support. Support of the system includes monitoring of the digital trunked system, monitoring and control of the microwave backbone, monitoring site environmental alarms, monitoring sites and channels, and the monitoring of radios and talk groups. The team also provides coordination with the Association of Public Safety Communications Officials (APCO) to ensure proper frequency licensing.

Customer Relationship Management Office (CRM) provides customer account managers who serve as liaisons between DIS and assigned customer base. The account managers evaluate the technology needs of our customers and present solutions. They also coordinate with internal departments to present solutions and complete projects, provide product demonstrations and presentations, and promote DIS products and services to ensure buying power for the state. The team also coordinates technology upgrades and conversions for state agencies, boards, and commissions.

CRM also includes the following:

Communications Section provides leadership in the agency's efforts in planning and conducting internal and external communications. The team utilizes printed and electronic correspondence and newsletters, as well as audio and video presentations. The team is also responsible for communications efforts for programs such as the Arkansas Wireless Information Network (AWIN), state video network (VNET) and the state's participation in the E-Rate program. The division is directly responsible for the agency's communication with administration, legislators, customers, taxpayers, media and other key stakeholders and drives the social media presence on behalf of DIS by serving as the content administrators for YouTube, Facebook, Twitter, and LinkedIn.

Service Order Section serves the DIS customer base by placing telecommunications service orders on their behalf with contracted vendors throughout the state. This group is responsible for making sure service is provided to the customer in a timely and accurate manner, and that the appropriately billing for those services has been established.

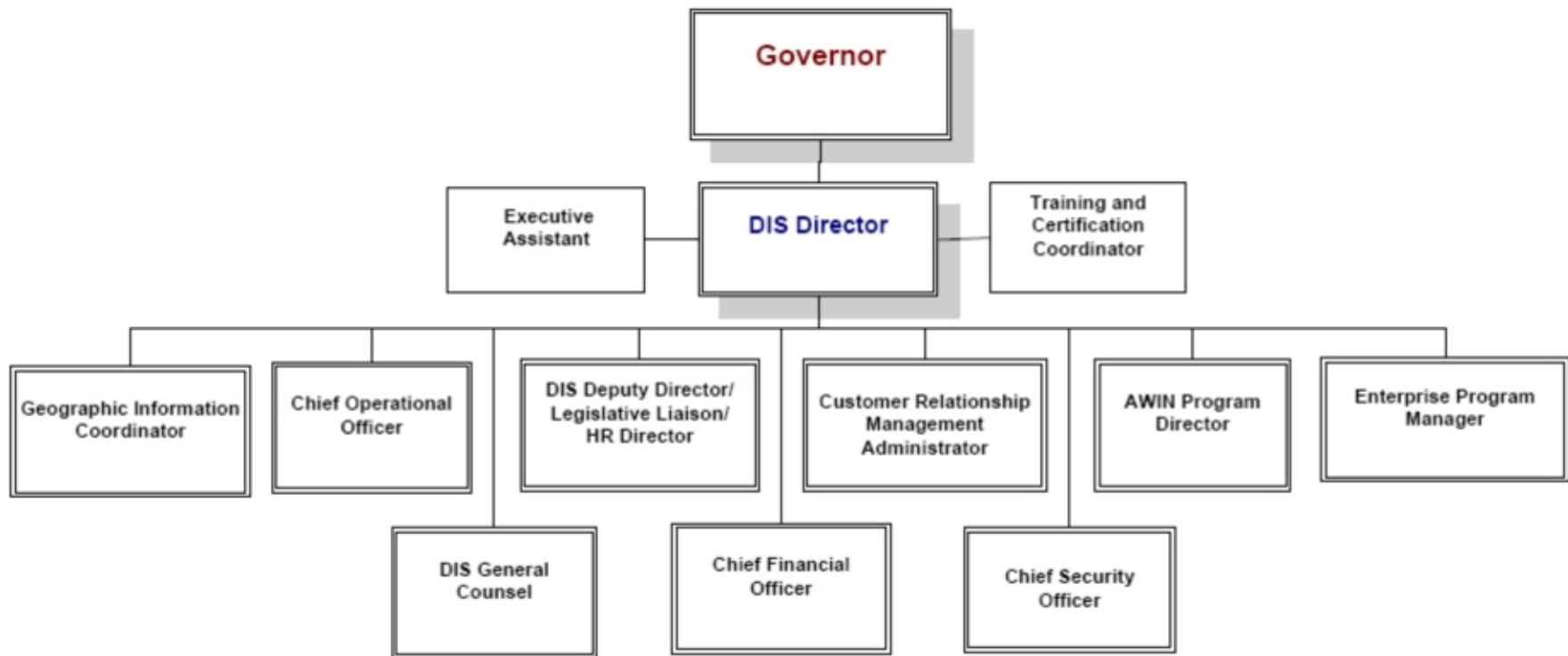
The Customer Service Desk (Call Center) is staffed by seven agents who received over 41,000 state, city, local government, and education customer trouble calls annually. From these calls, and additional e-mail contacts, approximately 94,000 incidents are created and managed using our incident management system. The Customer Service Desk (Call Center) also houses the State Operators who assist Arkansas citizens with 20,000 telephone number inquiries each year, and this past year also added the Access Arkansas Technical Support Center which fielded over 24,000 calls in just nine months.

General Counsel

General Counsel provides departmental oversight to ensure that DIS policies and practices adhere to federal, state, and local laws, rules and regulations. Within this mission, the position facilitates governance in support of the department's business services and serves as a resource to ensure that purchases are made in compliance with laws and regulations and that the corresponding terms and conditions are in the best interests of the State of Arkansas.

General Counsel, in conjunction with Human Resources, is also responsible for monitoring breaches of the DIS Uniform Conduct Standards and DIS Code of Ethics. As a state agency, DIS is subject to a broad array of legal standards that define expected ethical behavior, identify key monitoring requirements, and assign penalties for any violation of these standards. Activities ranging from employment practices and procurement procedures to the personal financial activities of employees are addressed, and ethical behaviors are built into all key processes.

General Counsel participates in a biennial agency-wide risk assessment, which includes identifying potential financial and operational risks and the controls to mitigate those risks. The assessment also involves testing the viability of the controls and proposing improvement activities.



Agency Commentary

The Department of Information Systems (DIS) continues to pursue its leadership role in bringing Arkansas agencies and institutions of state government forward in the use of technology. DIS provides technical planning, design, services, and support for information technology and telecommunications services to the public sector of Arkansas in a reliable, cost-effective manner. Every day, Arkansas state agencies are using more electronic tools to conduct business and deliver services and information to citizens. Public expectations and business necessity are driving this trend. An electronic enterprise environment will meet that need by improving public access to government information and democratic processes as well as help government become more efficient, effective, and responsible to the public through the use of information technology. Technology is our most valuable tool in eliminating the effects of distance, time and geography in the delivery of

state government are to stay in tune with emerging technologies, which will aid agencies and institutions in delivering the services demanded by their customers, the citizens of Arkansas.

DIS does not receive State General Revenue for daily operations. The department is funded from Non-Revenue Receipts. Non-Revenue Receipts are comprised of moneys received from our customers in payment for services provided. Consequently, DIS must stay attuned to the ever-changing needs of the agencies and institutions we serve to be able to respond to their needs.

2017 - 2019 Biennium Requests

Appropriation Only Request:

- A. Renew the Unanticipated Services Appropriation
- B. Requesting Capital outlay appropriation in the DIS Operating Line Item Budget
- C. Renew Telecommunications Technology Appropriation to FY2016 & FY2017
Authorized Level
- D. Renew Equipment Acquisition Appropriation to FY2016 & FY2017 Authorized Level
- E. Request for 9 additional Extra Help positions

Appropriation Only Request:

A. Renew Unanticipated Services Contingency - Appropriation Only

This request provides renewal of the unanticipated services appropriation from the previous biennial budget. This contingency level was set at \$20,000,000. It allows for operating expenses incurred in the provision of unanticipated services to state agencies, unusual growth in application and/or due to uncontrollable increases in payments to public utilities necessary for the continual provision of services to our customers. Approval of this appropriation will allow DIS to continue to save money for agencies and ultimately the people of Arkansas. DIS is in a unique position to bring together and aggregate procurements and service demands from all agencies and institutions. The significant

technology services. Additionally, this aggregation and economy of scale provides the substantial benefit so that organizations can have access to technologies, through increased speed and broadband, that would otherwise have been out of their reach. This helps equalize the opportunities available to rural areas and the poorer areas of the state. It can help make government services available in areas and at times where it would not otherwise be cost-effective to provide them. Unanticipated project needs from our customers make this request necessary. We are asking that this appropriation be reinstated at \$20,000,000 each year of the biennium. This request is for appropriation only.

Operating Budget Request:

B. Request Capital Outlay - Appropriation Only

The capital outlay requested for the Department of Information Systems is \$2,300,000 in appropriation for year one of the biennium and \$5,500,000 for year two for a combined request of \$7,800,000 in appropriation only total for the biennium. This request will allow the agency to procure upgraded equipment to provide enhanced services and product selections to its customers.

C. Renew Telecommunications Technology - Appropriation Only

DIS purchases communications technology goods and services from the private sector to provide government agencies, Boards, and Commissions the technology services that are required for the daily operations of each entity. From telephony and data networking to technical consulting, the Department of Information Systems provides products and services to the agencies that serve our citizens. Examples a to participating schools, libraries and rural health customers.

D. Renew Equipment Acquisition - Appropriation Only

The Department is requesting renewal of the \$3,500,000 appropriation for major acquisition of equipment and improvements of information technology. The Department of Information Systems is authorized under A.C.A § 25-4-122 and § 25-4-123 to accumulate a reserve for equipment acquisition in an amount not to exceed the department's depreciation expense per fiscal year. This reserve allows DIS to replace or upgrade obsolete equipment, software, or fully depreciated equipment that needs to be exchanged for newer technology. This appropriation is for major purchases only.

E. Request for Nine (9) Extra Help positions

The Arkansas Department of Information Systems is requesting the addition of nine Extra Help positions. These positions will enable the agency to hire individuals with specific technical skills to work on a specific project requiring those skills. These positions will add to the cost efficiency of the organization by better matching employees with skills required for individual projects.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF INFORMATION SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	118	54	172	83 %
Black Employees	13	13	26	13 %
Other Racial Minorities	4	5	9	4 %
Total Minorities			35	17 %
Total Employees			207	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Quarterly Report to Joint Committee on Advanced Communications and Information Technology	A.C.A. §25-33-104	Y	Y	40	A.C.A. §25-33-104	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
288 Unanticipated Services	0	0	0	0	20,000,000	0	0	0	20,000,000	0	20,000,000	0	0	0	20,000,000	0	20,000,000	0
2QX Information Systems-Operations	63,369,297	231	75,162,005	262	102,698,335	262	72,276,976	262	100,320,735	262	100,320,735	262	72,282,526	262	103,526,285	262	103,526,285	262
2QY Equipment Acquisition	2,162,971	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0	3,500,000	0
NOT REQUESTED FOR THE BIENNIUM																		
F64 Broadband Services	0	0	0	0	10,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	65,532,268	231	78,662,005	262	136,198,335	262	75,776,976	262	123,820,735	262	123,820,735	262	75,782,526	262	127,026,285	262	127,026,285	262

Funding Sources		%		%		%		%		%		%		%		%		
Fund Balance 4000005	13,764,020	17.0	15,365,555	14.2			29,237,047	23.6	29,237,047	20.3	29,237,047	20.3	48,280,806	33.0	20,237,047	14.6	20,237,047	14.6
Non-Revenue Receipts 4000040	69,321,051	85.7	92,533,497	85.8			94,820,735	76.4	114,820,735	79.7	114,820,735	79.7	98,026,285	67.0	118,026,285	85.4	118,026,285	85.4
Transfer from DIS Revolving 4000520	1,009,908	1.2	2,837,995	2.6			3,500,000	2.8	3,500,000	2.4	3,500,000	2.4	3,500,000	2.4	3,500,000	2.5	3,500,000	2.5
Transfer to Info Tech Reserve 4000645	(3,197,156)	(4.0)	(2,837,995)	(2.6)			(3,500,000)	(2.8)	(3,500,000)	(2.4)	(3,500,000)	(2.4)	(3,500,000)	(2.4)	(3,500,000)	(2.5)	(3,500,000)	(2.5)
Total Funds	80,897,823	100.0	107,899,052	100.0			124,057,782	100.0	144,057,782	100.0	144,057,782	100.0	146,307,091	100.0	138,263,332	100.0	138,263,332	100.0
Excess Appropriation/(Funding)	(15,365,555)		(29,237,047)				(48,280,806)		(20,237,047)		(20,237,047)		(70,524,565)		(11,237,047)		(11,237,047)	
Grand Total	65,532,268		78,662,005				75,776,976		123,820,735		123,820,735		75,782,526		127,026,285		127,026,285	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
259	212	47	259	0	18.15 %	262	205	57	262	0	21.76 %	262	204	58	262	0	22.14 %

Analysis of Budget Request

Appropriation: 288 - Unanticipated Services

Funding Sources: MHC - Department of Information Systems Revolving Fund

This appropriation was established for the Department of Information Systems for the provision of unanticipated services to State Agencies, unusual growth in applications, or uncontrollable increases in payments to public utilities necessary for the continuous provision of services. Special language authorizes an appropriation transfer, upon approval of the Governor and prior review by the Joint Committee on Advanced Communications and Information Technology, to appropriation 2QX-Operations.

The Agency requests continuation of this appropriation at \$20,000,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 288 - Unanticipated Services
Funding Sources: MHC - Department of Information Systems Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Contingency-Reserve 5130018	0	0	20,000,000	0	20,000,000	20,000,000	0	20,000,000	20,000,000
Total	0	0	20,000,000	0	20,000,000	20,000,000	0	20,000,000	20,000,000
Funding Sources									
Non-Revenue Receipts 4000040	0	0		0	20,000,000	20,000,000	0	20,000,000	20,000,000
Total Funding	0	0		0	20,000,000	20,000,000	0	20,000,000	20,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	0		0	20,000,000	20,000,000	0	20,000,000	20,000,000

Change Level by Appropriation

Appropriation: 288 - Unanticipated Services
Funding Sources: MHC - Department of Information Systems Revolving Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
C01	Existing Program	20,000,000	0	20,000,000	100.0	20,000,000	0	20,000,000	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
C01	Existing Program	20,000,000	0	20,000,000	100.0	20,000,000	0	20,000,000	100.0

Justification

C01	It allows for operating expenses incurred in the provision of unanticipated services to state agencies, unusual growth in application and/or due to uncontrollable increases in payments to public utilities necessary for the continual provision of services to our customers. Approval of this appropriation will allow DIS to continue to save money for agencies and ultimately the people of Arkansas. DIS is in a unique position to bring together and aggregate procurements and service demands from all agencies and institutions. The significant economies of scale and the ability to have more than one organization served by a single resource is a very cost effective way to implement technology services. Additionally, this aggregation and economy of scale provides the substantial benefit so that organizations can have access to technologies, through increased speed and broadband, that would otherwise have been out of their reach. This helps equalize the opportunities available to rural areas and the poorer areas of the state. It can help make government services available in areas and at times where it would not otherwise be cost-effective to provide them. Unanticipated project needs from our customers make this request necessary.
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Analysis of Budget Request

Appropriation: 2QX - Information Systems-Operations

Funding Sources: MHC - Department of Information Systems Revolving Fund

The Department of Information Systems (DIS) provides information technology services to state government and includes a centralized service bureau; a statewide network backbone for data, voice and video; technical guidance and planning for integration with the state architecture; procurement services; and other services for agency and community connectivity. This appropriation is funded by non-revenue receipts derived from services provided to various agencies of the federal, state, city, and county governments. In the event of unforeseen conditions, the agency may request appropriation transfer from Appropriation 288 - Unanticipated Services; after approval of the Governor and prior review by the Joint Committee on Advanced Communications and Information Technology.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Agency requests a Change Level increase of \$28,043,759 in FY18 and \$31,243,759 in FY19 as follows:

- Extra Help of \$107,500 and \$8,267 for Personal Services Matching each year of the 2017-2019 Biennium for nine additional Extra Help positions. These positions will enable the agency to hire individuals with specific technical skills to work on a specific project requiring those skills. These positions will add to the cost efficiency of the organization by better matching employees with skills required for individual projects.
- Capital Outlay of \$2,300,000 in FY18 and \$5,500,000 in FY19 for the 2017-2019 Biennium. This request is for appropriation only and will allow the agency to procure upgraded equipment to provide enhanced services and product selections to its customers.
- Telecommunication/Technology Delivery line item of \$25,627,992 for each year of the 2017-2019 Biennium. This line item is used for E-Rate reimbursement and delivery of goods and services requested by the agency's customers.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2QX - Information Systems-Operations
Funding Sources: MHC - Department of Information Systems Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	12,825,131	15,951,028	16,934,383	15,161,589	15,161,589	15,161,589	15,165,589	15,165,589	15,165,589
#Positions		231	262	262	262	262	262	262	262	262
Extra Help	5010001	74,746	107,500	107,500	107,500	215,000	215,000	107,500	215,000	215,000
#Extra Help		4	9	9	9	18	18	9	18	18
Personal Services Matching	5010003	4,142,476	4,691,423	5,616,406	4,782,833	4,791,100	4,791,100	4,784,383	4,792,650	4,792,650
Overtime	5010006	329	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Operating Expenses	5020002	6,939,729	9,545,591	9,545,591	9,545,591	9,545,591	9,545,591	9,545,591	9,545,591	9,545,591
Conference & Travel Expenses	5050009	83,991	107,160	107,160	107,160	107,160	107,160	107,160	107,160	107,160
Professional Fees	5060010	13,063	631,500	631,500	631,500	631,500	631,500	631,500	631,500	631,500
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	1,329,177	2,832,000	2,832,000	645,000	2,945,000	2,945,000	645,000	6,145,000	6,145,000
Data Processing Services	5900044	623,356	8,406,866	8,406,866	8,406,866	8,406,866	8,406,866	8,406,866	8,406,866	8,406,866
Telecommunication/Technology C	5900046	37,337,299	32,822,937	58,450,929	32,822,937	58,450,929	58,450,929	32,822,937	58,450,929	58,450,929
Total		63,369,297	75,162,005	102,698,335	72,276,976	100,320,735	100,320,735	72,282,526	103,526,285	103,526,285
Funding Sources										
Fund Balance	4000005	11,948,952	14,703,550		29,237,047	29,237,047	29,237,047	48,280,806	20,237,047	20,237,047
Non-Revenue Receipts	4000040	69,321,051	92,533,497		94,820,735	94,820,735	94,820,735	98,026,285	98,026,285	98,026,285
Transfer to Info Tech Reserve	4000645	(3,197,156)	(2,837,995)		(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
Total Funding		78,072,847	104,399,052		120,557,782	120,557,782	120,557,782	142,807,091	114,763,332	114,763,332
Excess Appropriation/(Funding)		(14,703,550)	(29,237,047)		(48,280,806)	(20,237,047)	(20,237,047)	(70,524,565)	(11,237,047)	(11,237,047)
Grand Total		63,369,297	75,162,005		72,276,976	100,320,735	100,320,735	72,282,526	103,526,285	103,526,285

Change Level by Appropriation

Appropriation: 2QX - Information Systems-Operations
Funding Sources: MHC - Department of Information Systems Revolving Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	72,276,976	262	72,276,976	100.0	72,282,526	262	72,282,526	100.0
C08	Technology	28,043,759	0	100,320,735	138.8	31,243,759	0	103,526,285	143.2

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	72,276,976	262	72,276,976	100.0	72,282,526	262	72,282,526	100.0
C08	Technology	28,043,759	0	100,320,735	138.8	31,243,759	0	103,526,285	143.2

Justification

C08	DIS requests \$28,043,759 in FY18 and \$31,243,759 in FY19 as follows: \$107,500 for Extra Help and \$8,267 for Personal Services Matching each year of the 2017-2019 Biennium for nine additional Extra Help Positions. These positions will enable the agency to hire individuals with specific technical skills to work on a specific project requiring those skills. As a result these added positions will add to the cost efficiency of the organization by better matching employees with skills required for individual projects. The Capital Outlay requested for the Department of Information Systems is \$2,300,000 for FY18 and \$5,500,000 for FY19. This request is for appropriation only and will allow the agency to procure upgraded equipment to secure the state network and enhance services and product selections for its customers. DIS purchases communications and technology goods and services from the private sector to provide government entities the technology services required for daily operations. Contracting for the state DIS is able to obtain favorable pricing as technology changes the demand for services can increase rapidly and DIS needs to be able to meet this demand. DIS is also requesting \$25,627,992 each year of the 2017-2019 Biennium for Telecommunication/Technology Delivery. This line item is used for E-Rate reimbursement and delivery of goods and services requested by the agency's customers.
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Analysis of Budget Request

Appropriation: 2QY - Equipment Acquisition

Funding Sources: MHD - Department of Information Systems Reserve

The Department of Information Systems utilizes this appropriation for major equipment acquisition or information technology improvements as stated in A.C.A §25-4-122. The agency also uses appropriation authorized through their Operations appropriation (2QX) for purchase of equipment.

The Department is authorized to accumulate a reserve for equipment acquisition in an amount not to exceed the Department's depreciation expense per fiscal year. In addition, the Department is authorized to obtain, from the State Board of Finance, loans from the Budget Stabilization Trust Fund to supplement the reserve if the reserve is insufficient to handle the total cost of required equipment acquisitions. These loans and the reserve for equipment acquisition shall be used exclusively for major equipment acquisitions or information technology improvements required in order to fulfill the requirements for one (1) or more user agencies. The loans from the Budget Stabilization Trust Fund to the Information Technology Reserve Fund shall be repaid within five (5) years from revenues derived from charges to users, and the annual loan repayment amount shall be computed as a part of the total yearly expenses of the Department and shall be charged proportionately to users. The State Board of Finance, after obtaining the Governor's written approval, shall also review and may approve the loans the establish terms of repayment and a rate of interest to be paid by the Department of Information Systems Revolving Fund to the Budget Stabilization Trust Fund, which rate shall be approximately equivalent to the rate of interest the State Board of Finance is receiving on other investments at the time of approving the loan request.

The Agency requests Base Level appropriation of \$3,500,000 for each year of the 2017 - 2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2QY - Equipment Acquisition
Funding Sources: MHD - Department of Information Systems Reserve

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Equip Acq's & IT Improvements 5900046	2,162,971	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total	2,162,971	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Funding Sources									
Fund Balance 4000005	1,815,068	662,005		0	0	0	0	0	0
Transfer from DIS Revolving 4000520	1,009,908	2,837,995		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total Funding	2,824,976	3,500,000		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Excess Appropriation/(Funding)	(662,005)	0		0	0	0	0	0	0
Grand Total	2,162,971	3,500,000		3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000

Appropriation Summary

Appropriation: F64 - Broadband Services

Funding Sources: NIS - DIS Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Oper. Exp. Enhancements & Gra 5900046	0	0	10,000,000	0	0	0	0	0	0
Total	0	0	10,000,000	0	0	0	0	0	0

APPROPRIATION NOT REQUESTED FOR THE 2017-2019 BIENNIUM

STATE INSURANCE DEPARTMENT

Enabling Laws

Act 254 of 2016
A.C.A. §21-2-701 et seq.
A.C.A. §21-5-601 et seq.
A.C.A. §23-60-101---23-101-114
A.C.A. §26-57-601---26-57-616
A.C.A. §24-11-301; 24-11-809
A.C.A. §23-102-105---23-102-119
A.C.A. §11-9-301---11-9-307
A.C.A. §21-14-101(d)(2)
A.C.A. §23-40-101 et seq.

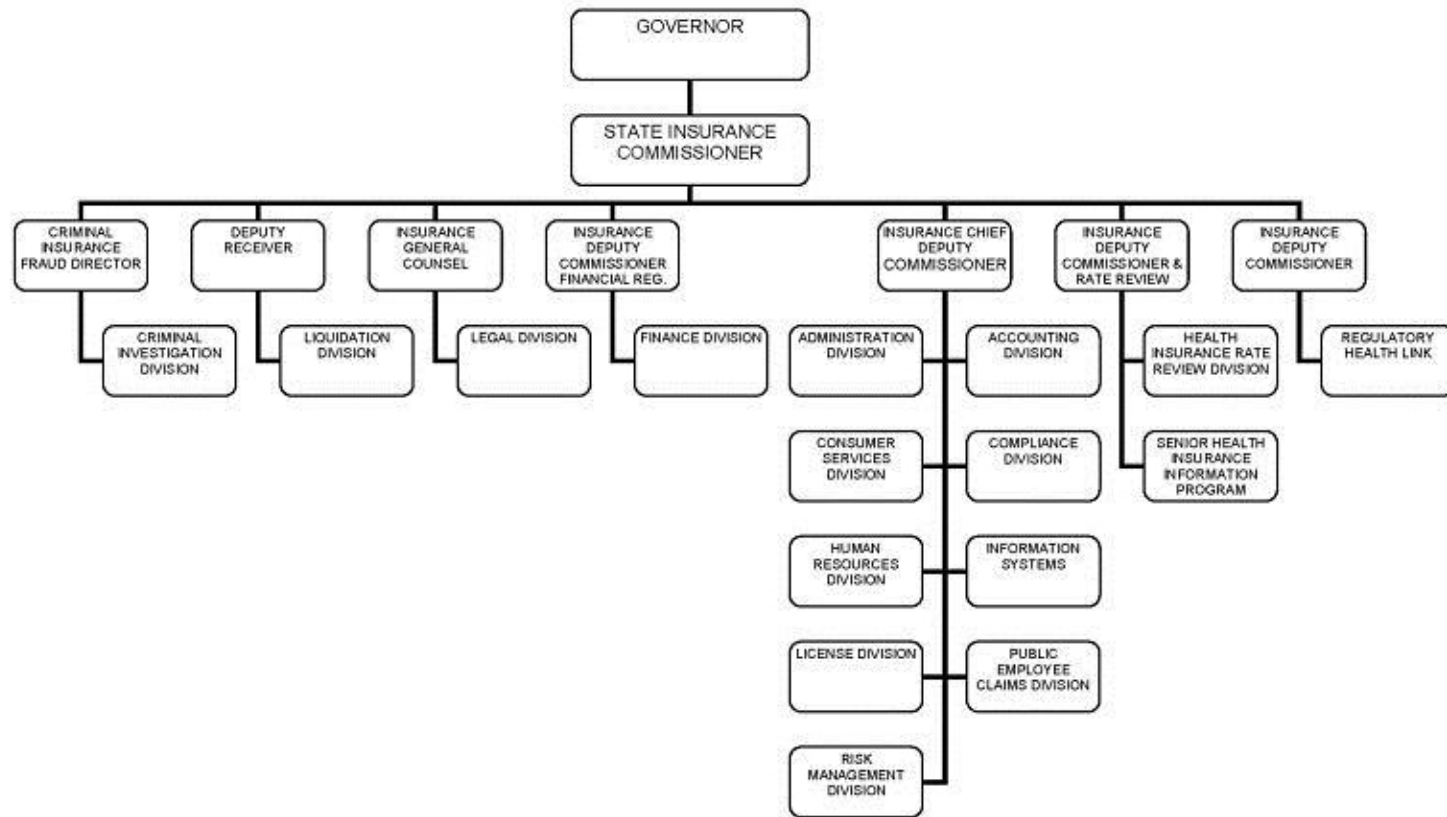
History and Organization

The purpose of the Arkansas Insurance Department is to serve and protect the public interest by the equitable enforcement of the State's laws and regulations affecting the insurance industry. The primary mission of the Department is consumer protection through insurer solvency, market conduct regulation, and fraud prevention and deterrence.

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, title agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations. Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. It assists state agencies, institutions and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and provides information to the public with regard to these entities. Legislation is prepared and rules are promulgated to effectively carry out duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. The State Insurance Department operates with a trust fund. Legislation

established the Workers' Compensation Fraud Investigation Unit, the Insurance Fraud Investigation Division, and PrePaid Funeral Benefits Division; all operating with trust funds.

The Public Employee Claims Division was created within the State Insurance Department. The Division is designated as the unit of State government primarily responsible for the administration of Public Employee Workers' Compensation claims in the State of Arkansas.



Agency Commentary

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations.

Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. Another duty is assisting State agencies, institutions, and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and for providing information to the public with regard to these entities. Legislation is prepared and rules are promulgated to effectively carry out these duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. Legislation has added the Workers' Compensation Fraud Investigation Unit, the Insurance Fraud Investigation Division and the Prepaid Funeral Benefits Division. The Public Employee Claims Division was also created within the State Insurance Department. This Division is designated as the unit of state government primarily responsible for the administration of Public Employee Workers' Compensation claims in the State of Arkansas. The Department currently has five awarded Federal Grants that completely support the operations of the Rate Review and Senior Health Insurance Information Program.

The Arkansas Insurance Department has implemented the following efficiencies with the current base level operation budget:

- Updated premium tax collection/payment system to be 100% processed online, which requires a fraction of the data entry and maintenance of tool that the outdated internal software solution required. There is no cost to AID for the use of this tool.
- Created online venue for pre-licensing education for insurance agents and producers, allowing more potential agents to prepare for exams and licensing.
- Moved the Public Employee Claims Division from a neighboring building back to AID's main facility resulting in estimated \$80,000 annual savings.
- Conducted internal review of all divisions in order to identify redundant work functions, attendance issues, and performance issues.
- Rewrote and upgraded procedure manual for Criminal Investigation Division; creating similar changes in other divisions.

- Absorbed duties of vacant administrative positions and other positions with existing employees. There are now approximately 20 vacant positions within AID where duties have been absorbed by active employees.

HIGHLIGHTS BY DIVISION:

Consumer Services:	91% of customer complaints closed since Jan. 2015 \$3,671,393 in consumer recoveries since Jan. 2015
Licensing:	90.4% of filings are online in 2016, up from 86.5% in 2015 26,288 licenses issued through May 2016 (24,772 through May 2015)
Accounting:	\$80.2M in premium taxes through May 2016 (\$160.2M all of 2015) \$108.9M in deposits through May 2016 (\$254.6M all of 2015)
Finance:	1551 Licensed Entities currently doing business in Arkansas. (1542 in 2015) \$3.42B in written premium through Q1, 2016 (\$12.68B all of 2015)
Compliance:	\$251,576 in filing fees collected through May 2016. Average days to complete filing in May 2016: 13. (24 in May 2015)
Licensing:	90.4% of filings are online in 2016, up from 86.5% in 2015 26,288 licenses issued through May 2016 (24,772 through May 2015)
PECD:	AWWC Report Card, First Payment of Compensation: Q1, 2016: 98.8% timely Q1, 2015: 95.3% timely
Legal:	\$138,219 in recoveries through May 2016. (\$136,211 all of 2015) 93 complaints opened through May 2016. (224 all of 2015)
Criminal:	403 investigations opened through May 2016. (907 all of 2015) 61 cases referred for prosecution through May 2016. (31 all of 2015)

Besides requesting base level operating budget, the Department is also requesting the following:

- In the State Operations Program, the addition of \$20,000 each year in Capital Outlay is requested for replacement of Non-IT equipment.
- \$135,000 each year in Capital Outlay is for continuation of scheduled replacement and upgrading of technology equipment indicated in the Department's IT plan that has been submitted to the DFA - Office of State Technology Planning.
- \$15,226 in FY18 and \$45,633 in FY19 is to cover increase in office space rent. Estimate is based on previous negotiation experience.

The Department respectfully requests the above, and will continue to strive for additional efficiencies throughout all divisions.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
STATE INSURANCE DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	53	70	123	75 %
Black Employees	4	31	35	21 %
Other Racial Minorities	2	4	6	4 %
Total Minorities			41	25 %
Total Employees			164	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Report	A.C.A 23-61-112	Y	N	120	Required for the Governor and provided to others upon request.	30	16.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1QA AMAIT - Operations	7,062,972	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0
2SW Insurance-State Operations	11,944,524	128	13,653,621	134	13,868,487	134	13,408,421	134	13,578,647	134	13,425,111	130	13,416,310	134	13,616,943	134	13,463,407	130
2SX Fraud Investigation Unit	372,286	4	1,146,338	15	1,186,848	15	1,150,610	15	1,150,610	15	1,114,534	14	1,150,610	15	1,150,610	15	1,114,534	14
2SY Insurance Fraud Investigation Division	792,844	11	237,635	0	237,635	0	237,635	0	237,635	0	237,635	0	237,635	0	237,635	0	237,635	0
2SZ Prepaid Funeral Benefits Division	247,918	4	395,705	5	399,518	5	396,801	5	396,801	5	396,801	5	396,801	5	396,801	5	396,801	5
2TA Continuing Education Program	5,040	0	35,950	1	36,080	1	36,076	1	36,076	1	36,076	1	36,076	1	36,076	1	36,076	1
2TB State Employee Claims	13,176,032	0	16,500,000	0	16,500,000	0	16,500,000	0	16,500,000	0	16,500,000	0	16,500,000	0	16,500,000	0	16,500,000	0
2TC Governmental Bonding Board Operations	257,752	0	4,104,855	0	4,104,855	0	4,104,855	0	4,104,855	0	4,104,855	0	4,104,855	0	4,104,855	0	4,104,855	0
2TD Public Employees Claims Section	1,530,526	23	1,989,718	24	1,991,358	24	1,995,438	24	1,995,438	24	1,995,438	24	1,995,684	24	1,995,684	24	1,995,684	24
2TE Health Information Counseling	575,869	6	965,279	7	921,572	7	966,463	7	966,463	7	966,463	7	966,585	7	966,585	7	966,585	7
2TF Refunds of Overpayments	10,999,255	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0
2TG Public School Employees Claims	97,348	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0
2TH County Employee Claims	28,181	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0
2TJ City Employee Claims	26,368	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0
2TK Consumer Info System - Cash	2,587	0	79,005	0	79,005	0	79,005	0	79,005	0	79,005	0	79,005	0	79,005	0	79,005	0
2TM Travel & Subsistence-Cash	28,457	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0
2TN Prepaid Funeral Contracts Recovery	0	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
4HH Criminal Background Checks-Cash	53,614	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0
56A Public School Insurance Program	7,166,536	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0
85P Rate Review-Federal	1,357,298	3	5,865,025	3	5,845,413	3	5,866,230	3	5,866,230	3	5,866,230	3	5,866,230	3	5,866,230	3	5,866,230	3
NOT REQUESTED FOR THE BIENNIIUM																		
F08 Level One Cooperative Agreement*	345,195	10	0	0	39,590,827	23	0	0	0	0	0	0	0	0	0	0	0	0
M52 Medicare - MIPPA - 2	0	0	0	0	320,850	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	56,070,602	189	97,948,131	189	138,057,448	212	97,716,534	189	97,886,760	189	97,697,148	184	97,724,791	189	97,925,424	189	97,735,812	184

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	59,065,237	45.2	74,722,899	48.0	57,730,183	41.5	57,730,183	41.5	57,730,183	41.5	50,173,210	38.2	50,002,984	38.1	50,192,596	38.2	
Federal Revenue	4000020	2,278,362	1.7	6,830,304	4.4	6,832,693	4.9	6,832,693	4.9	6,832,693	4.9	6,832,815	5.2	6,832,815	5.2	6,832,815	5.2	
Special Revenue	4000030	2,963,277	2.3	4,771,106	3.1	4,781,048	3.4	4,781,048	3.4	4,781,048	3.4	4,781,294	3.6	4,781,294	3.6	4,781,294	3.6	
Cash Fund	4000045	78,024	0.1	304,005	0.2	304,005	0.2	304,005	0.2	304,005	0.2	304,005	0.2	304,005	0.2	304,005	0.2	
Trust Fund	4000050	42,081,417	32.2	40,300,000	25.9	40,550,000	29.2	40,550,000	29.2	40,550,000	29.2	40,550,000	30.9	40,550,000	30.9	40,550,000	30.9	
Miscellaneous Revolving	4000350	11,151,152	8.5	12,250,000	7.9	12,250,000	8.8	12,250,000	8.8	12,250,000	8.8	12,250,000	9.3	12,250,000	9.3	12,250,000	9.3	
Workers' Comp Revolving	4000735	13,176,032	10.1	16,500,000	10.6	16,500,000	11.9	16,500,000	11.9	16,500,000	11.9	16,500,000	12.6	16,500,000	12.6	16,500,000	12.6	

Total Funds	130,793,501	100.0	155,678,314	100.0		138,947,929	100.0	138,947,929	100.0	138,947,929	100.0	131,391,324	100.0	131,221,098	100.0	131,410,710	100.0
Excess Appropriation/(Funding)	(74,722,899)		(57,730,183)			(41,231,395)		(41,061,169)		(41,250,781)		(33,666,533)		(33,295,674)		(33,674,898)	
Grand Total	56,070,602		97,948,131			97,716,534		97,886,760		97,697,148		97,724,791		97,925,424		97,735,812	

Budget exceeds authorization for Health Information Counseling (2TE) due to salary and matching rate adjustments during the 2015-2017 Biennium.

*Rate Review- Federal (85P) combines Federal and Health Insurance Rate Review Cycle III approved as a Miscellaneous Federal Grant into Health Insurance Premium Rate Review-Federal.

Variance in fund balance is due to unfunded appropriation in (1AQ) AMAIT - Operations and (2TC) Governmental Bonding Board Operations.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
198	181	19	200	-2	8.59 %	217	161	56	217	0	25.81 %	217	163	54	217	0	24.88 %

Total Budgeted positions exceed Authorized due to positions authorized through the Miscellaneous Federal Grant process.

Analysis of Budget Request

Appropriation: 1QA - AMAIT - Operations

Funding Sources: TMI - Arkansas Multi-Agency Insurance Trust Fund

The Arkansas Multi-Agency Insurance Trust Fund Program was established by Act 1762 of 2003 to reduce the costs of insurance coverage for state agencies by combining their premium dollars in purchasing broader coverage for property and vehicle insurance with higher deductibles. The program is also designed to build a growing reserve to self-insure ever larger deductible amounts allowing further reductions in policy prices.

Agency Request provides for Base Level of \$20,000,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1QA - AMAIT - Operations

Funding Sources: TMI - Arkansas Multi-Agency Insurance Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
AMAIT 5900046	7,062,972	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total	7,062,972	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Funding Sources									
Fund Balance 4000005	16,475,423	17,667,462		5,867,462	5,867,462	5,867,462	0	0	0
Trust Fund 4000050	8,255,011	8,200,000		8,250,000	8,250,000	8,250,000	8,250,000	8,250,000	8,250,000
Total Funding	24,730,434	25,867,462		14,117,462	14,117,462	14,117,462	8,250,000	8,250,000	8,250,000
Excess Appropriation/(Funding)	(17,667,462)	(5,867,462)		5,882,538	5,882,538	5,882,538	11,750,000	11,750,000	11,750,000
Grand Total	7,062,972	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

Analysis of Budget Request

Appropriation: 2SW - Insurance-State Operations

Funding Sources: TSI - State Insurance Department Trust Fund

The State Insurance Department's State Operations appropriation is funded by special revenues that are authorized in Arkansas Code §19-5-922.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

Base Level is \$13,408,421 in FY2018 and \$13,416,310 in FY2019 and includes 134 positions and 19 Extra Help.

The Agency Change Level Request totals \$170,226 in FY2018 and \$200,633 in FY2019, and includes the following:

- Operating Expenses of \$15,226 in FY2018 and \$45,633 in FY2019 to cover office space rent increase.
- Capital Outlay of \$155,000 each year for scheduled replacement and upgrading of technology indicated in the Department's IT plan and replacement of Non-IT equipment.

Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation in addition to providing for the Agency Request reflects the reduction of one (1) Administrative Specialist (C109), (1) Fiscal Support Specialist (C112), (1) Administrative Specialist III (C112), and (1) Legal Support Specialist (C113) based on the personnel evaluation.

Appropriation Summary

Appropriation: 2SW - Insurance-State Operations
Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	6,475,209	6,867,858	7,013,643	6,941,016	6,941,016	6,832,430	6,946,416	6,946,416	6,837,830
#Positions		128	134	134	134	134	130	134	134	130
Extra Help	5010001	129,368	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
#Extra Help		15	19	19	19	19	19	19	19	19
Personal Services Matching	5010003	2,296,348	2,237,807	2,306,888	2,274,449	2,274,449	2,229,499	2,276,938	2,276,938	2,231,988
Overtime	5010006	17	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Operating Expenses	5020002	2,599,674	2,731,956	2,731,956	2,731,956	2,747,182	2,747,182	2,731,956	2,777,589	2,777,589
Conference & Travel Expenses	5050009	75,133	138,000	138,000	138,000	138,000	138,000	138,000	138,000	138,000
Professional Fees	5060010	21,626	142,000	142,000	142,000	142,000	142,000	142,000	142,000	142,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	82,713	355,000	355,000	0	155,000	155,000	0	155,000	155,000
Special Maintenance	5120032	17,380	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Professional Services	5900043	247,056	956,000	956,000	956,000	956,000	956,000	956,000	956,000	956,000
Total		11,944,524	13,653,621	13,868,487	13,408,421	13,578,647	13,425,111	13,416,310	13,616,943	13,463,407
Funding Sources										
Fund Balance	4000005	23,188,045	35,886,632		37,233,011	37,233,011	37,233,011	38,824,590	38,654,364	38,807,900
Trust Fund	4000050	24,643,111	15,000,000		15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Total Funding		47,831,156	50,886,632		52,233,011	52,233,011	52,233,011	53,824,590	53,654,364	53,807,900
Excess Appropriation/(Funding)		(35,886,632)	(37,233,011)		(38,824,590)	(38,654,364)	(38,807,900)	(40,408,280)	(40,037,421)	(40,344,493)
Grand Total		11,944,524	13,653,621		13,408,421	13,578,647	13,425,111	13,416,310	13,616,943	13,463,407

Change Level by Appropriation

Appropriation: 2SW - Insurance-State Operations
Funding Sources: TSI - State Insurance Department Trust Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	13,408,421	134	13,408,421	100.0	13,416,310	134	13,416,310	100.0
C01	Existing Program	35,226	0	13,443,647	100.3	65,633	0	13,481,943	100.5
C08	Technology	135,000	0	13,578,647	101.3	135,000	0	13,616,943	101.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	13,408,421	134	13,408,421	100.0	13,416,310	134	13,416,310	100.0
C01	Existing Program	35,226	0	13,443,647	100.3	65,633	0	13,481,943	100.5
C08	Technology	135,000	0	13,578,647	101.3	135,000	0	13,616,943	101.5
C13	Not Recommended	(44,950)	0	13,533,697	100.9	(44,950)	0	13,571,993	101.2
C19	Executive Changes	(108,586)	(4)	13,425,111	100.1	(108,586)	(4)	13,463,407	100.4

Justification

C01	Requesting capital outlay of \$20,000 for each year for non-IT equipment; an additional \$15,226 in FY18 and \$45,633 in FY19 to cover anticipated office space rent increase.
C08	Requesting capital outlay of \$135,000 for each year to continue scheduled replacement and upgrading of information technology equipment in accordance with the Departments IT Plan as submitted to the DFA Office of State Technology Planning.
C19	The Executive Recommendation reflects the reduction of one (1) Administrative Specialist C109, (1) Fiscal Support Specialist C112, (1) Administrative Specialist III C112, and (1) Legal Support Specialist C113 position based on the personnel evaluation.

Analysis of Budget Request

Appropriation: 2SX - Fraud Investigation Unit

Funding Sources: TSI - State Insurance Department Trust Fund

The Fraud Investigation Unit was created with the passage of Act 1136 of 1993 to investigate allegations of fraud in workers' compensation cases. Funding is provided by special revenues collected by the Insurance Department and earmarked for this purpose.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

Base Level is \$1,150,610 each year of the biennium.

Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation in addition to providing for the Agency Request reflects the reduction of one (1) Administrative Specialist III (C112) position based on the personnel evaluation.

Appropriation Summary

Appropriation: 2SX - Fraud Investigation Unit

Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	208,669	756,079	785,917	756,479	756,479	731,211	756,479	756,479	731,211
#Positions		4	15	15	15	15	14	15	15	14
Personal Services Matching	5010003	65,494	244,432	255,104	248,304	248,304	237,496	248,304	248,304	237,496
Operating Expenses	5020002	97,798	122,827	122,827	122,827	122,827	122,827	122,827	122,827	122,827
Conference & Travel Expenses	5050009	325	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Professional Fees	5060010	0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		372,286	1,146,338	1,186,848	1,150,610	1,150,610	1,114,534	1,150,610	1,150,610	1,114,534
Funding Sources										
Fund Balance	4000005	126,602	25,564		25,614	25,614	25,614	25,614	25,614	61,690
Special Revenue	4000030	271,248	1,146,388		1,150,610	1,150,610	1,150,610	1,150,610	1,150,610	1,150,610
Total Funding		397,850	1,171,952		1,176,224	1,176,224	1,176,224	1,176,224	1,176,224	1,212,300
Excess Appropriation/(Funding)		(25,564)	(25,614)		(25,614)	(25,614)	(61,690)	(25,614)	(25,614)	(97,766)
Grand Total		372,286	1,146,338		1,150,610	1,150,610	1,114,534	1,150,610	1,150,610	1,114,534

Change Level by Appropriation

Appropriation: 2SX - Fraud Investigation Unit
Funding Sources: TSI - State Insurance Department Trust Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,150,610	15	1,150,610	100.0	1,150,610	15	1,150,610	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,150,610	15	1,150,610	100.0	1,150,610	15	1,150,610	100.0
C13	Not Recommended	(10,808)	0	1,139,802	99.1	(10,808)	0	1,139,802	99.1
C19	Executive Changes	(25,268)	(1)	1,114,534	96.9	(25,268)	(1)	1,114,534	96.9

Justification

C19	The Executive Recommendation reflects the reduction of one (1) Administrative Specialist III C112 position based on the personnel evaluation.
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Analysis of Budget Request

Appropriation: 2SY - Insurance Fraud Investigation Division

Funding Sources: TIF - Insurance Fraud Investigation Division Trust Fund

Act 337 of 1997 (A.C.A. §23-100-101 et seq.) provides for funding of an Insurance Fraud Investigation Division in the State Insurance Department to investigate suspected cases of fraud over a broad range of activities in the insurance industry in Arkansas. An annual administrative and regulatory fee exclusively to support fraud investigation efforts is collected annually from each company under the Department's jurisdiction.

Agency Request provides for Base Level of \$237,635 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 2SY - Insurance Fraud Investigation Division

Funding Sources: TIF - Insurance Fraud Investigation Division Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	547,102	0	0	0	0	0	0	0	0
#Positions		11	0	0	0	0	0	0	0	0
Personal Services Matching	5010003	183,126	0	0	0	0	0	0	0	0
Operating Expenses	5020002	61,193	191,635	191,635	191,635	191,635	191,635	191,635	191,635	191,635
Conference & Travel Expenses	5050009	1,423	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Professional Fees	5060010	0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		792,844	237,635	237,635	237,635	237,635	237,635	237,635	237,635	237,635
Funding Sources										
Fund Balance	4000005	524,133	350,955		763,320	763,320	763,320	1,175,685	1,175,685	1,175,685
Special Revenue	4000030	619,666	650,000		650,000	650,000	650,000	650,000	650,000	650,000
Total Funding		1,143,799	1,000,955		1,413,320	1,413,320	1,413,320	1,825,685	1,825,685	1,825,685
Excess Appropriation/(Funding)		(350,955)	(763,320)		(1,175,685)	(1,175,685)	(1,175,685)	(1,588,050)	(1,588,050)	(1,588,050)
Grand Total		792,844	237,635		237,635	237,635	237,635	237,635	237,635	237,635

Actual exceeds Budget and Authorized in Regular Salaries, Positions, and Personal Services Matching due to a transfer of positions to fund center (2SX)- Fraud Investigation Unit in FY17. Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 2SZ - Prepaid Funeral Benefits Division

Funding Sources: TIP - State Insurance Department Prepaid Trust Fund

Act 372 of 1997 (Arkansas Code §23-40-107 et seq.) provides for administration of prepaid funeral benefit plans in the State of Arkansas and established the Division of Prepaid Funeral Benefits within the State Insurance Department for this purpose. Funding is derived from initial application or renewal fees for annual permits to sell prepaid funeral benefits.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

Base Level Request is \$396,801 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SZ - Prepaid Funeral Benefits Division

Funding Sources: TIP - State Insurance Department Prepaid Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	177,441	219,174	221,367	219,174	219,174	219,174	219,174	219,174	219,174
#Positions	4	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	59,425	74,141	75,761	75,237	75,237	75,237	75,237	75,237	75,237
Operating Expenses 5020002	9,760	71,390	71,390	71,390	71,390	71,390	71,390	71,390	71,390
Conference & Travel Expenses 5050009	1,292	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees 5060010	0	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	247,918	395,705	399,518	396,801	396,801	396,801	396,801	396,801	396,801
Funding Sources									
Fund Balance 4000005	1,114,780	1,295,565		1,284,860	1,284,860	1,284,860	1,273,059	1,273,059	1,273,059
Special Revenue 4000030	428,703	385,000		385,000	385,000	385,000	385,000	385,000	385,000
Total Funding	1,543,483	1,680,565		1,669,860	1,669,860	1,669,860	1,658,059	1,658,059	1,658,059
Excess Appropriation/(Funding)	(1,295,565)	(1,284,860)		(1,273,059)	(1,273,059)	(1,273,059)	(1,261,258)	(1,261,258)	(1,261,258)
Grand Total	247,918	395,705		396,801	396,801	396,801	396,801	396,801	396,801

Analysis of Budget Request

Appropriation: 2TA - Continuing Education Program

Funding Sources: TIE - Insurance Continuing Education Trust Fund

The Insurance Department's Continuing Education Program has one position budgeted to process continuing education records that are required for agent license renewals. Funding is provided from continuing education application fees, as authorized in Arkansas Code §23-64-308.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

Agency Request provides for Base Level of \$36,076 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TA - Continuing Education Program
Funding Sources: TIE - Insurance Continuing Education Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	0	25,268	25,268	25,268	25,268	25,268	25,268	25,268	25,268
#Positions		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	5,040	10,682	10,812	10,808	10,808	10,808	10,808	10,808	10,808
Total		5,040	35,950	36,080	36,076	36,076	36,076	36,076	36,076	36,076
Funding Sources										
Fund Balance	4000005	1,511,237	1,612,669		1,676,719	1,676,719	1,676,719	1,740,643	1,740,643	1,740,643
Special Revenue	4000030	106,472	100,000		100,000	100,000	100,000	100,000	100,000	100,000
Total Funding		1,617,709	1,712,669		1,776,719	1,776,719	1,776,719	1,840,643	1,840,643	1,840,643
Excess Appropriation/(Funding)		(1,612,669)	(1,676,719)		(1,740,643)	(1,740,643)	(1,740,643)	(1,804,567)	(1,804,567)	(1,804,567)
Grand Total		5,040	35,950		36,076	36,076	36,076	36,076	36,076	36,076

Analysis of Budget Request

Appropriation: 2TB - State Employee Claims

Funding Sources: TUW - Workers' Compensation Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of workers' compensation claims payments for employees of the State. Revolving funds derived from agency workers' compensation benefits contributions are the revenue sources for this appropriation, as authorized in Arkansas Code §19-5-805.

Base Level is \$16,500,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TB - State Employee Claims
Funding Sources: TUW - Workers' Compensation Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	13,176,032	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Total	13,176,032	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Funding Sources									
Workers' Comp Revolving 4000735	13,176,032	16,500,000		16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Total Funding	13,176,032	16,500,000		16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	13,176,032	16,500,000		16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000

Analysis of Budget Request

Appropriation: 2TC - Governmental Bonding Board Operations

Funding Sources: TFB - Fidelity Bond Trust Fund

The State Insurance Department is the managing agency for the appropriation through which the Governmental Bonding Board administers the Self-Insured Fidelity Bond Program on behalf of officials and public employees of counties, municipalities, public schools, and the State of Arkansas. Funding is authorized in A.C.A. §21-2-711 and is derived from bond premiums withheld from the County Aid, Municipal Aid, and Public School funds and from premiums transferred from the fund accounts of State agencies.

Agency Request provides for Base Level of \$4,104,855 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TC - Governmental Bonding Board Operations

Funding Sources: TFB - Fidelity Bond Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	548	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Claims	5110015	257,204	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Investments	5120013	0	760,637	760,637	760,637	760,637	760,637	760,637	760,637	760,637
Professional Services	5900043	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reinsurance	5900046	0	139,218	139,218	139,218	139,218	139,218	139,218	139,218	139,218
Total		257,752	4,104,855	4,104,855	4,104,855	4,104,855	4,104,855	4,104,855	4,104,855	4,104,855
Funding Sources										
Fund Balance	4000005	4,190,033	4,750,433		745,578	745,578	745,578	0	0	0
Trust Fund	4000050	818,152	100,000		300,000	300,000	300,000	300,000	300,000	300,000
Total Funding		5,008,185	4,850,433		1,045,578	1,045,578	1,045,578	300,000	300,000	300,000
Excess Appropriation/(Funding)		(4,750,433)	(745,578)		3,059,277	3,059,277	3,059,277	3,804,855	3,804,855	3,804,855
Grand Total		257,752	4,104,855		4,104,855	4,104,855	4,104,855	4,104,855	4,104,855	4,104,855

Analysis of Budget Request

Appropriation: 2TD - Public Employees Claims Section

Funding Sources: HUA - Miscellaneous Agencies Fund

This program is funded by transfers from the Public School Fund, the County Aid Fund, the Municipal Aid Fund, and the fund accounts of State agencies for which workers' compensation claims are administered by this Section, as authorized in Arkansas Code §11-9-307.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

Base Level is \$1,995,438 in FY2018 and \$1,995,684 in FY2019.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TD - Public Employees Claims Section

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	980,352	996,344	997,645	996,944	996,944	996,944	997,144	997,144	997,144
#Positions	23	24	24	24	24	24	24	24	24
Personal Services Matching 5010003	342,772	343,443	343,782	348,563	348,563	348,563	348,609	348,609	348,609
Operating Expenses 5020002	197,119	635,931	635,931	635,931	635,931	635,931	635,931	635,931	635,931
Conference & Travel Expenses 5050009	10,283	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Professional Fees 5060010	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Claims 5110015	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	1,530,526	1,989,718	1,991,358	1,995,438	1,995,438	1,995,438	1,995,684	1,995,684	1,995,684
Funding Sources									
Special Revenue 4000030	1,530,526	1,989,718		1,995,438	1,995,438	1,995,438	1,995,684	1,995,684	1,995,684
Total Funding	1,530,526	1,989,718		1,995,438	1,995,438	1,995,438	1,995,684	1,995,684	1,995,684
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	1,530,526	1,989,718		1,995,438	1,995,438	1,995,438	1,995,684	1,995,684	1,995,684

Analysis of Budget Request

Appropriation: 2TE - Health Information Counseling

Funding Sources: FID - Insurance Department - Federal

The Insurance Department's Health Information Counseling Program is 100% federally funded by the U.S. Department of Health and Human Services. Its purpose is to develop and maintain a network of local volunteers to dispense information and assist senior citizens with their insurance needs.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

The Agency Request provides for Base Level of \$966,463 in FY2018 and \$966,585 in FY2019.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TE - Health Information Counseling

Funding Sources: FID - Insurance Department - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	201,002	236,677	204,217	236,677	236,677	236,677	236,777	236,777	236,777
#Positions	6	7	7	7	7	7	7	7	7
Personal Services Matching 5010003	75,040	88,130	76,883	89,314	89,314	89,314	89,336	89,336	89,336
Operating Expenses 5020002	71,739	284,063	284,063	284,063	284,063	284,063	284,063	284,063	284,063
Conference & Travel Expenses 5050009	1,600	0	0	0	0	0	0	0	0
Professional Fees 5060010	226,488	356,409	356,409	356,409	356,409	356,409	356,409	356,409	356,409
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	575,869	965,279	921,572	966,463	966,463	966,463	966,585	966,585	966,585
Funding Sources									
Federal Revenue 4000020	575,869	965,279		966,463	966,463	966,463	966,585	966,585	966,585
Total Funding	575,869	965,279		966,463	966,463	966,463	966,585	966,585	966,585
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	575,869	965,279		966,463	966,463	966,463	966,585	966,585	966,585

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Analysis of Budget Request

Appropriation: 2TF - Refunds of Overpayments

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Refunds of Overpayments appropriation is used to return premium taxes paid to this State in error and to return amounts that are overpaid.

The Agency Request provides for Base Level of \$11,000,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TF - Refunds of Overpayments
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	10,999,255	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total	10,999,255	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Funding Sources									
Miscellaneous Revolving 4000350	10,999,255	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total Funding	10,999,255	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	10,999,255	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000

Analysis of Budget Request

Appropriation: 2TG - Public School Employees Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to July 1, 1994, by public school employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in A.C.A. §19-5-1009.

The Agency Request provides for Base Level of \$450,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TG - Public School Employees Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	97,348	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total	97,348	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Funding Sources									
Miscellaneous Revolving 4000350	97,348	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Total Funding	97,348	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	97,348	450,000		450,000	450,000	450,000	450,000	450,000	450,000

Analysis of Budget Request

Appropriation: 2TH - County Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by county employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Agency Request provides for Base Level of \$200,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TH - County Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	28,181	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total	28,181	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Funding Sources									
Miscellaneous Revolving 4000350	28,181	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Total Funding	28,181	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	28,181	200,000		200,000	200,000	200,000	200,000	200,000	200,000

Analysis of Budget Request

Appropriation: 2TJ - City Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by city employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Agency Request provides for Base Level of \$600,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TJ - City Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	26,368	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Total	26,368	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Funding Sources									
Miscellaneous Revolving 4000350	26,368	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Total Funding	26,368	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	26,368	600,000		600,000	600,000	600,000	600,000	600,000	600,000

Analysis of Budget Request

Appropriation: 2TK - Consumer Info System - Cash

Funding Sources: NDD - Insurance Department - Cash in Treasury

The Department's Consumer Information System Cash Fund is used to dispense information to the public concerning the various policy types, coverages, and purchasing options offered by the insurance industry.

The current Cash in Treasury balance and previous funding support for this program were derived from a \$100 annual assessment levied on each licensed insurer, as authorized in Arkansas Code §23-63-108. This assessment is no longer collected and support of consumer information through this appropriation will end when the current fund balance and earned interest have been depleted.

The Agency Request provides for Base Level of \$79,005 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 2TK - Consumer Info System - Cash
Funding Sources: NDD - Insurance Department - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	2,587	79,005	79,005	79,005	79,005	79,005	79,005	79,005	79,005
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		2,587	79,005	79,005	79,005	79,005	79,005	79,005	79,005	79,005
Funding Sources										
Fund Balance	4000005	72,264	70,804		70,804	70,804	70,804	70,804	70,804	70,804
Cash Fund	4000045	1,127	79,005		79,005	79,005	79,005	79,005	79,005	79,005
Total Funding		73,391	149,809		149,809	149,809	149,809	149,809	149,809	149,809
Excess Appropriation/(Funding)		(70,804)	(70,804)		(70,804)	(70,804)	(70,804)	(70,804)	(70,804)	(70,804)
Grand Total		2,587	79,005		79,005	79,005	79,005	79,005	79,005	79,005

Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 2TM - Travel & Subsistence-Cash

Funding Sources: NDD - Insurance Department - Cash in Treasury

The Insurance Department's Travel and Subsistence Cash Fund is currently authorized at \$100,000 each year. Arkansas Code §23-67-220 provides for recovery of reasonable costs incurred by the Department in conducting financial examinations of entities under its jurisdiction. Part of the recovered costs is passed through this account to reimburse individual examiners for their personal expenses incurred during the examination process.

The Agency Request provides for Base Level of \$100,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 2TM - Travel & Subsistence-Cash

Funding Sources: NDD - Insurance Department - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Travel & Subsistence Expenses 5900046	28,457	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total	28,457	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Funding Sources									
Fund Balance 4000005	1,162	1,185		1,185	1,185	1,185	1,185	1,185	1,185
Cash Fund 4000045	28,480	100,000		100,000	100,000	100,000	100,000	100,000	100,000
Total Funding	29,642	101,185		101,185	101,185	101,185	101,185	101,185	101,185
Excess Appropriation/(Funding)	(1,185)	(1,185)		(1,185)	(1,185)	(1,185)	(1,185)	(1,185)	(1,185)
Grand Total	28,457	100,000		100,000	100,000	100,000	100,000	100,000	100,000

Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 2TN - Prepaid Funeral Contracts Recovery

Funding Sources: TIP - Prepaid Funeral Contracts Program Recovery Fund

Act 1043 of 2001 established the Prepaid Funeral Contracts Recovery Program to reimburse purchasers of pre-need funeral contracts who suffer financial loss due to impairment, insolvency, business interruption, or improper inactivity of a licensed prepaid funeral organization. Funding is authorized from one-time fees of no less than \$5 per contract, up to a maximum set by the State Insurance Commissioner. Such fees collected are to be deposited into the State Insurance Department Prepaid Trust Fund. A portion of these collections may be designated by the State Insurance Commissioner for transfer to the Prepaid Funeral Contracts Recovery Program Fund to pay expenses and claims incurred.

The Agency Request provides for Base Level of \$500,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TN - Prepaid Funeral Contracts Recovery

Funding Sources: TIP - Prepaid Funeral Contracts Program Recovery Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016	2016-2017	2016-2017	2017-2018			2018-2019		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses & Claims 5900046	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources									
Fund Balance 4000005	121,928	128,590		128,590	128,590	128,590	128,590	128,590	128,590
Special Revenue 4000030	6,662	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	128,590	628,590		628,590	628,590	628,590	628,590	628,590	628,590
Excess Appropriation/(Funding)	(128,590)	(128,590)		(128,590)	(128,590)	(128,590)	(128,590)	(128,590)	(128,590)
Grand Total	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000

Analysis of Budget Request

Appropriation: 4HH - Criminal Background Checks-Cash

Funding Sources: NDD - Criminal Background Checks - Cash in Treasury

The Insurance Department's appropriation for conducting criminal background checks was established by requests from the Cash Fund Holding Account during FY2006 and FY2007. Funding is provided through a \$22 fee charged to each first-time license applicant and is used to obtain criminal background data from the Arkansas State Police.

The Agency Request provides for Base Level of \$125,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 4HH - Criminal Background Checks-Cash

Funding Sources: NDD - Criminal Background Checks - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	53,614	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		53,614	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Funding Sources										
Fund Balance	4000005	18,575	13,378		13,378	13,378	13,378	13,378	13,378	13,378
Cash Fund	4000045	48,417	125,000		125,000	125,000	125,000	125,000	125,000	125,000
Total Funding		66,992	138,378		138,378	138,378	138,378	138,378	138,378	138,378
Excess Appropriation/(Funding)		(13,378)	(13,378)		(13,378)	(13,378)	(13,378)	(13,378)	(13,378)	(13,378)
Grand Total		53,614	125,000		125,000	125,000	125,000	125,000	125,000	125,000

Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 56A - Public School Insurance Program

Funding Sources: TPS - Public School Insurance Trust Fund

Act 738 of 2007 combined the School Motor Vehicle Operations Program and the Public Elementary and Secondary School Insurance Operations Program into the Public School Insurance Program to more efficiently and more economically provide coverage for the vehicles and property of participating school districts.

The Agency Request provides for Base Level of \$20,000,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 56A - Public School Insurance Program

Funding Sources: TPS - Public School Insurance Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses and Claims	5900046	7,166,536	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total		7,166,536	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Funding Sources										
Fund Balance	4000005	11,721,055	12,919,662		9,919,662	9,919,662	9,919,662	6,919,662	6,919,662	6,919,662
Trust Fund	4000050	8,365,143	17,000,000		17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Total Funding		20,086,198	29,919,662		26,919,662	26,919,662	26,919,662	23,919,662	23,919,662	23,919,662
Excess Appropriation/(Funding)		(12,919,662)	(9,919,662)		(6,919,662)	(6,919,662)	(6,919,662)	(3,919,662)	(3,919,662)	(3,919,662)
Grand Total		7,166,536	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

Analysis of Budget Request

Appropriation: 85P - Rate Review-Federal

Funding Sources: FID - Insurance Department - Federal

This federally funded Health Insurance Premium Rate Review Program provides federal dollars from the Department of Health and Human Services to establish or enhance a current state program that will conduct an annual review of health insurance premiums to protect consumers from unreasonable, unjustified, or excessive rate increases. This program is offered through authority in Section 2974 of the federal Public Health Service Act.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 a month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increase.

Base Level for this program is \$5,866,230 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 85P - Rate Review-Federal

Funding Sources: FID - Insurance Department - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	234,729	216,532	199,667	216,632	216,632	216,632	216,632	216,632	216,632
#Positions		3	3	3	3	3	3	3	3	3
Personal Services Matching	5010003	65,585	63,472	60,725	64,577	64,577	64,577	64,577	64,577	64,577
Operating Expenses	5020002	28,991	1,013,525	1,013,525	1,013,525	1,013,525	1,013,525	1,013,525	1,013,525	1,013,525
Conference & Travel Expenses	5050009	7,434	191,416	191,416	191,416	191,416	191,416	191,416	191,416	191,416
Professional Fees	5060010	1,020,559	4,380,080	4,380,080	4,380,080	4,380,080	4,380,080	4,380,080	4,380,080	4,380,080
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		1,357,298	5,865,025	5,845,413	5,866,230	5,866,230	5,866,230	5,866,230	5,866,230	5,866,230
Funding Sources										
Federal Revenue	4000020	1,357,298	5,865,025		5,866,230	5,866,230	5,866,230	5,866,230	5,866,230	5,866,230
Total Funding		1,357,298	5,865,025		5,866,230	5,866,230	5,866,230	5,866,230	5,866,230	5,866,230
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		1,357,298	5,865,025		5,866,230	5,866,230	5,866,230	5,866,230	5,866,230	5,866,230

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Appropriation Summary

Appropriation: F08 - Level One Cooperative Agreement*

Funding Sources: FID - Insurance Department - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	52,307	0	1,273,586	0	0	0	0	0	0
#Positions	10	0	23	0	0	0	0	0	0
Personal Services Matching 5010003	9,721	0	431,873	0	0	0	0	0	0
Operating Expenses 5020002	110,458	0	1,009,574	0	0	0	0	0	0
Conference & Travel Expenses 5050009	0	0	257,148	0	0	0	0	0	0
Professional Fees 5060010	172,709	0	36,618,646	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	345,195	0	39,590,827	0	0	0	0	0	0
Funding Sources									
Federal Revenue 4000020	345,195	0		0	0	0	0	0	0
Total Funding	345,195	0		0	0	0	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	345,195	0		0	0	0	0	0	0

Appropriation not requested for the 2017-2019 Biennium.

Appropriation Summary

Appropriation: M52 - Medicare - MIPPA - 2

Funding Sources: FID -MIPPA-2

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	0	72,452	0	0	0	0	0	0
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	81,896	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	0	0	166,502	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		0	0	320,850	0	0	0	0	0	0

Appropriation not requested for the 2017-2019 Biennium.

JUDICIAL DISCIPLINE & DISABILITY COMMISSION

Enabling Laws

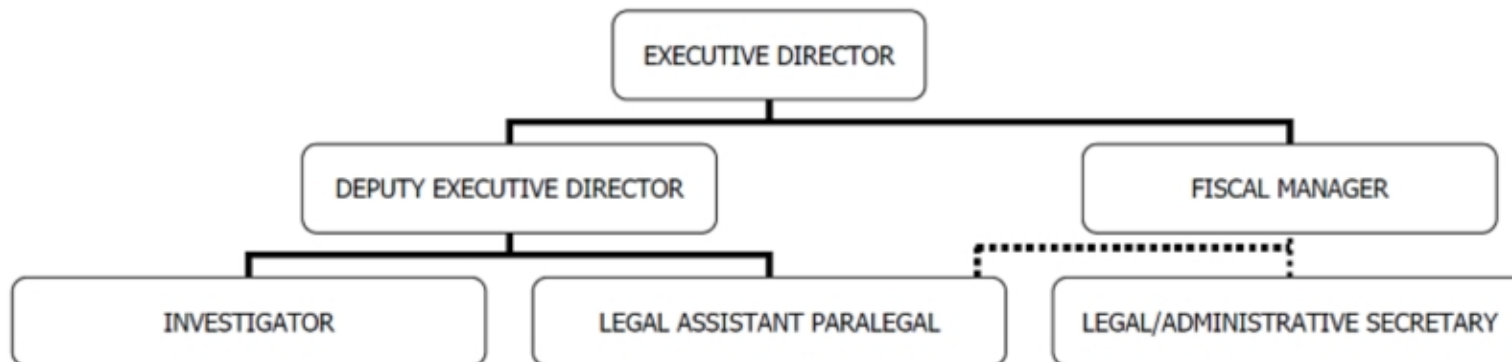
Act 66 of 2016
A.C.A. §21-5-204 et seq.
A.C.A. §21-5-101 et seq.

History and Organization

The Arkansas Judicial Discipline and Disability Commission was created by the passage of Amendment 66 to the Arkansas Constitution in November 1988. This amendment was proposed by Senate Joint Resolution 5, and was adopted at the 1988 general election. Act 637 of 1989, the enabling legislation of the Commission, is A.C.A. §16-101-401 et seq.

The Arkansas Judicial Discipline and Disability Commission receives and investigates information and complaints about the possible ethical misconduct or disability of Arkansas judges. The Commission's purpose is to help enforce the high ethical standards of judicial conduct on and off the bench, and thereby preserve both the integrity of judges, and public confidence in the courts. In performing its functions, the Commission strives to maintain the necessary balance between judicial independence and public accountability.

The Arkansas Judicial Discipline and Disability Commission created a Judicial Ethics Advisory Committee on July 1, 1991. This committee issues advisory opinions to all judges and judicial candidates on matters concerning ethical issues. The committee allows individuals to receive advice on how to act appropriately in future matters.



Agency Commentary

The Arkansas Judicial Discipline and Disability Commission receives and investigates information and complaints about the possible ethical misconduct or disability of Arkansas judges. The Commission's mission is to help enforce high standards of judicial conduct on and off the bench, in so doing preserve both the integrity of judges and public confidence in the judicial system.

In Fiscal Year 2016, the Arkansas Judicial Discipline and Disability Commission received 298 complaints against Arkansas judges. In a single year, the Commission investigated two high-profile cases that received national and international attention. The Commission's greatest resource, its employees, were utilized to the point of exhaustion both physically and emotionally. Because of the nature of the complaints and its sensitive subject matter, there will be a long lasting effect on the staff and members of the Commission. The Commission remained ethically and fiscally responsible to the citizens of the State of Arkansas by operating within means and proving to be accountable when audited. The Commission was able to enlist the services of other state agencies such as the Arkansas Attorney General's Office, the Department of Human Services, and Arkansas State Police as well as other Federal law enforcement agencies while investigating the cases. By doing so, the Commission was able to save money.

The Commission is not seeking to increase appropriations for FY18 and FY19. The Commission was able to negotiate an office lease agreement for the next three (3) years without an increase in monthly payments.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS JUDICIAL DISCIPLINE AND DISABILITY COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Financial Management Guide regulation R1-19-4-903 states in part "The maximum full day meal allowance (including tax and up to 15% tip) cannot exceed the federal per diem rate

Recommendations

We recommend the Agency implement procedures to ensure compliance with all state and federal travel regulations. We also recommend the agency seek reimbursement for the

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS JUDICIAL DISCIPLINE AND DISABILITY COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings

depending on the destination location. The traveler is only eligible for 75% of the daily allowance for meals on the first and last day of travel. Reimbursement for lodging is limited to the single room rate. The maximum daily [hotel room] allowance will be limited to the federal per diem rate depending on the location." In addition, Financial Management Guide regulation R5-19-4-904 states "The expense reimbursement for board or commission members shall not exceed the rate established for state employees." A review of travel reimbursements for six travelers revealed the following:

- Four of the travelers did not have completed travel reimbursement (TR-1) forms for all of the reimbursed travel expenses.
- TR-1's for five of travelers had not been signed by the individual requesting reimbursement.
- Travel expense reconciliations were not completed for trips with direct billed charges and travel reimbursements.
- Hotel reimbursements totaling \$388 exceeded the maximum allowable rates.
- Five travelers were reimbursed \$1,260 for additional hotel night stays without special authorization or written justification.
- Meal reimbursements totaling \$449 exceeded the daily maximum per diem amounts.

Recommendations

unallowable hotel and meal expenses.

Agency Response:

The Commission has strengthened its controls in travel reimbursement by utilizing the TR-1 Claim and the Travel Expense Reconciliation forms for all travel-related expenses. The Commission hopes that this method will better account for the total cost of training and educating Commission members. The new method will require that Commission members verify and sign both the TR-1 Claim and the Travel Expense Reconciliation forms before payment.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	2	4	67 %
Black Employees	0	2	2	33 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			2	33 %
Total Employees			6	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Mission Statement	A.C.A. §16-10-404	Y	Y	10	Required by Law	0	0.00
Annual Report	A.C.A. §16-10-404	Y	Y	150	Required by Law	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
6	6	0	6	0	0.00 %	6	6	0	6	0	0.00 %	6	5	1	6	0	16.67 %

Analysis of Budget Request

Appropriation: 913 - Judicial Discipline - Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The Arkansas Judicial Discipline & Disability Commission receives and investigates information and complaints about the possible ethical misconduct or disability of Arkansas judges. The Commission's purpose is to help enforce the high standards of judicial on and off the bench, and thereby preserve both the integrity of judges, and public confidence in the courts. In performing its functions, the Commission strives to maintain the necessary balance between judicial independence and public accountability. This appropriation is funded entirely by General Revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level includes appropriation and general revenue funding of \$684,787 in FY18 and \$685,032 in FY19 with six (6) Regular positions.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 913 - Judicial Discipline - Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	384,889	372,326	368,672	372,326	372,326	372,326	372,526	372,526	372,526
#Positions	6	6	6	6	6	6	6	6	6
Personal Services Matching 5010003	115,093	112,710	113,081	114,796	114,796	114,796	114,841	114,841	114,841
Operating Expenses 5020002	80,609	88,720	88,720	88,720	88,720	88,720	88,720	88,720	88,720
Conference & Travel Expenses 5050009	8,741	8,125	8,125	8,125	8,125	8,125	8,125	8,125	8,125
Professional Fees 5060010	38,646	72,740	84,665	72,740	72,740	72,740	72,740	72,740	72,740
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Investigator Expenses 5900046	15,513	28,080	28,080	28,080	28,080	28,080	28,080	28,080	28,080
Total	643,491	682,701	691,343	684,787	684,787	684,787	685,032	685,032	685,032
Funding Sources									
General Revenue 4000010	643,491	682,701		684,787	684,787	684,787	685,032	685,032	685,032
Total Funding	643,491	682,701		684,787	684,787	684,787	685,032	685,032	685,032
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	643,491	682,701		684,787	684,787	684,787	685,032	685,032	685,032

AR MINORITY HEALTH COMMISSION

Enabling Laws

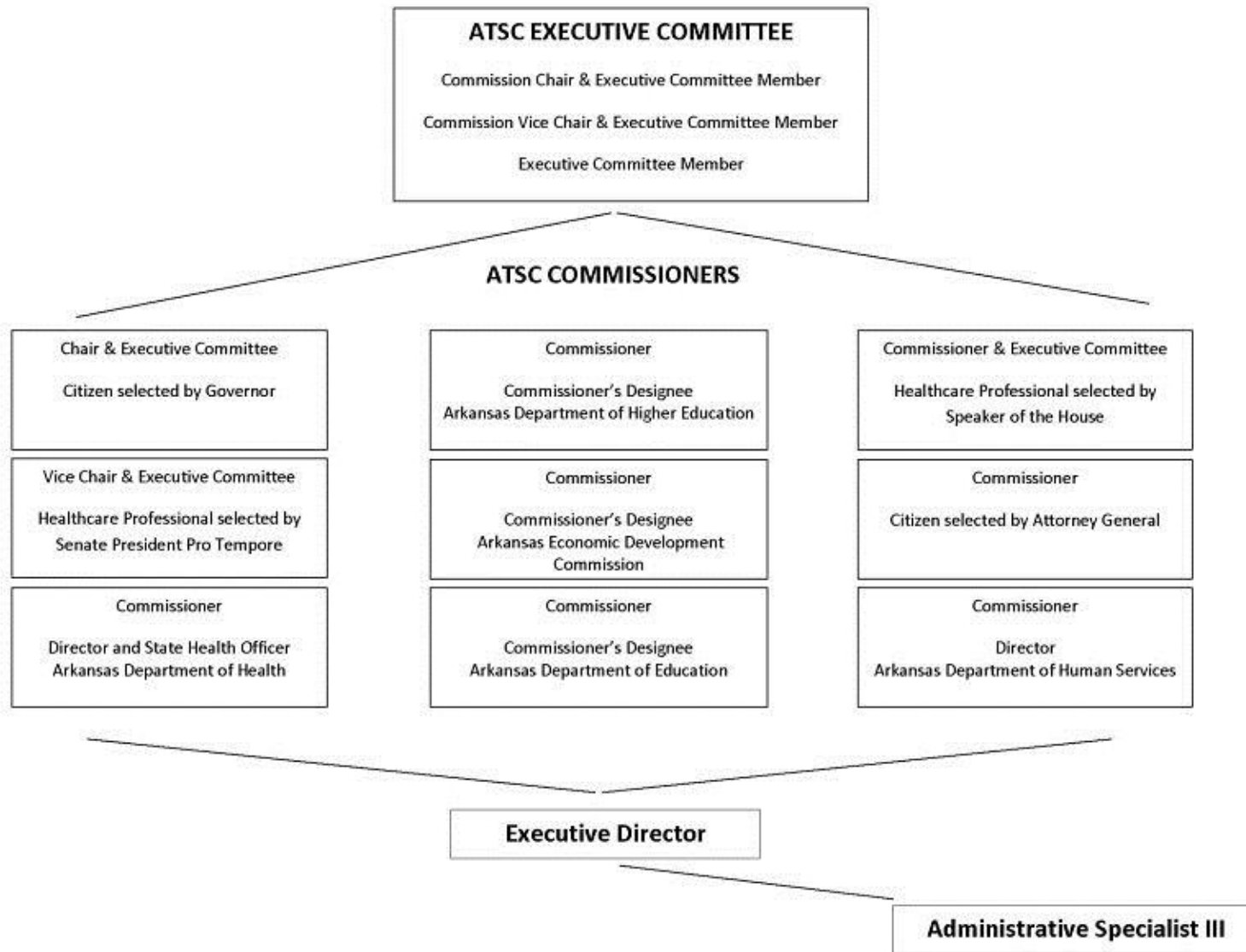
Acts 37 and 38 of 2016
A.C.A. §20-2-101 et seq.
A.C.A. §19-12-101 et seq.

History and Organization

The Arkansas Minority Health Commission was created by Act 912 of 1991 to: 1) study the issues relating to the delivery of access to health services for minorities in the State; 2) identify any gaps in the health system delivery that particularly affect minorities; 3) make recommendations to the relevant agencies for minorities and implement programs that impact the health status of minorities; and 4) study and make recommendations as to whether adequate services are available to ensure future minority health needs will be met.

Initiated Act I of 2000 provides that the Arkansas Minority Health Commission shall establish and administer the Arkansas Minority Initiatives for screening, monitoring, and treating hypertension, strokes, and other disorders disproportionately critical to minority groups in Arkansas. The program is designed to: 1) increase awareness of hypertension, strokes, and other disorders disproportionately critical to minorities by utilizing different approaches that include but are not limited to the following: advertisements, distribution of educational materials and providing medications for high risk minority populations; 2) provide screenings or access to screenings for hypertension, strokes, and other disorders disproportionately critical to minorities but will also provide this service to any citizen within the State regardless of racial/ethnic group; 3) develop intervention strategies to decrease hypertension, strokes, and other disorders noted above, as well as associated complications, including: educational programs, modification of risk factors by smoking cessations programs, weight loss, promoting healthy lifestyles, and treatment of hypertension with cost-effective, well-tolerated medications, as well as case management for patients in these programs; and 4) develop and maintain a database.

Act 358 of 2009 charges the AMHC with developing, implementing, maintaining, and disseminating a comprehensive survey of racial and ethnic minority disparities in health and health care. The Act specifies that the study is to be repeated every five years and that the commission will subsequently publish evidence-based data, define state goals and objectives, and develop pilot projects for decreasing disparities. In addition, Act 574 of 2009 modified the governance structure for the Commission and expanded and clarified its duties.



Agency Commentary

The mission of the Arkansas Minority Health Commission is to assure that all minority Arkansans access to health and health care is equal to the care received by other citizens of the State. The Agency also seeks ways to address diseases and conditions that are prevalent among minority populations. Funding for appropriation for the Arkansas Minority Health Commission is state general revenue, tobacco settlement funds, and cash funds from donations, grants, and reimbursements.

The agency's current base level allows it to implement programs in the community to assist in reaching its goals. For example, currently AMHC has partnered with the University of Arkansas for Medical Sciences College of Public Health in a generalizability and feasibility study entitled: A Public Health Practice Strategy to Promote Adherence with Medical Recommendations for Control of Hypertension. This project is designed to determine the effectiveness and, more importantly, the cost-effectiveness of a Health Advisor approach to help people with hypertension gain better control of their blood pressure, reducing their risk for heart attacks, strokes and kidney disease. Data suggest that the rate of uncontrolled hypertension in Arkansas is nearly twice the national average and is especially high among African Americans in the state, undoubtedly a leading factor for the fact that Arkansas typically leads the nation in stroke incidence and mortality, particularly among African Americans and especially among African American males.

In Arkansas, there are four counties, Mississippi, Miller, Crittenden, and Union, which have significant mortality rates associated with diabetes at 76.9, 71.4, 70.6, and 64.6 per 100,000, respectively. These high levels of mortality rates have serious economic and emotional consequences not only to the individual families, but also to the State of Arkansas. We're developing a lifestyle changes program to address the significant rates of health disparities that affect the minority population (diabetes, high blood pressure, stroke, heart attacks). This program will allow this Agency to continue its grass-roots approach of individual and family ownership in managing and preventing these diseases. Two of AMHC's Health Program Specialists have gone to this lifestyle change training, and are poised for programmatic implementation with the requested increase in appropriations and positions.

An increase in **Screening/Monitoring/Treating & Outreach** appropriation will allow AMHC to partner with various entities to aggressively seek evidence-based approaches to prevent the onset of diabetes by addressing physical activity and nutrition, mitigate the effects of diabetes by increasing education and medical compliance, and decrease the number of deaths as a direct consequence of diabetes. Subsequently an increase in appropriation in **Operating Expenses** will allow AMHC to enter into technical service agreements with 3rd party vendors related to reducing those numbers. Also an increase in appropriation in **Conference & Travel Expenses** will allow AMHC to provide proper training and career development to staff in order to meet the mission of the agency. It will also allow AMHC to host agency sponsored events related to its mission and goals.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS MINORITY HEALTH COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	1	0	1	14 %
Black Employees	1	5	6	86 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			6	86 %
Total Employees			7	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
AMHC Annual Report	A.C.A. §19-12-114, A.C.A. §20-2-101	Y	Y	100	Requests by the Public, Commissioners and Legislators	0	0.00
AMHC Yearly Magazine - Bridge	A.C.A. §19-12-114 (Initiated Act 1 of 2000)	N	N	5,000	Requests by the Public and Commissioners	0	0.00
Arkansas Racial & Ethnic Health Disparity Study Report	A.C.A. §20-2-101 (Act 912 of 1991)	N	Y	100	Requests by the Public, Institutions, and Agencies	0	0.00
Minority Health Consortium Directory	A.C.A. §19-12-114, A.C.A. §20-2-101	Y	Y	100	Requests by the Public, Commissioners and Legislators	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
2MF Treasury Cash	19,700	0	65,000	0	65,000	0	65,000	0	65,000	0	65,000	0	65,000	0	65,000	0	65,000	0
463 Minority Health Initiative	1,314,502	6	1,646,596	6	1,642,975	6	1,647,770	6	2,010,770	6	1,647,770	6	1,647,770	6	2,010,770	6	1,647,770	6
815 Minority Health Operations	194,475	3	197,505	3	203,941	3	198,333	3	198,333	3	198,333	3	198,333	3	198,333	3	198,333	3
Total	1,528,677	9	1,909,101	9	1,911,916	9	1,911,103	9	2,274,103	9	1,911,103	9	1,911,103	9	2,274,103	9	1,911,103	9

Funding Sources		%		%		%		%		%		%		%		%		%	
Fund Balance	4000005	19,328	1.2	23,035	1.2			3,707	0.2	3,707	0.2			3,707	0.2			0	0.0
General Revenue	4000010	194,475	12.5	197,505	10.3			198,333	10.5	198,333	8.8			198,333	10.5			198,333	8.8
Cash Fund	4000045	23,407	1.5	45,672	2.4			45,672	2.4	45,672	2.0			45,672	2.4			45,672	2.0
Tobacco Settlement	4000495	1,314,502	84.7	1,646,596	86.1			1,647,770	86.9	2,010,770	89.0			1,647,770	86.9			1,647,770	87.1
Total Funds		1,551,712	100.0	1,912,808	100.0			1,895,482	100.0	2,258,482	100.0			1,895,482	100.0			1,891,775	100.0
Excess Appropriation/(Funding)		(23,035)		(3,707)				15,621		15,621				19,328				19,328	
Grand Total		1,528,677		1,909,101				1,911,103		2,274,103				1,911,103				2,274,103	

Variance in the fund balance is due to unfunded appropriation in (FC 2MF-Treasury Cash). Budget exceeds Authorized due to salary adjustments in (FC 463).

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
9	8	1	9	0	11.11 %	9	9	0	9	0	0.00 %	9	9	0	9	0	0.00 %

Analysis of Budget Request

Appropriation: 2MF - Treasury Cash

Funding Sources: NMH - Cash in Treasury

This cash fund appropriation allows the Agency to expense any grants, donations, or reimbursements that it may receive on reimbursements for expenses of providing seminars or educational activities.

The Agency is requesting Base Level of \$65,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of this appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 2MF - Treasury Cash
Funding Sources: NMH - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Personal Svcs & Oprs Exp	5900046	19,700	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Total		19,700	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Funding Sources										
Fund Balance	4000005	19,328	23,035		3,707	3,707	3,707	0	0	0
Cash Fund	4000045	23,407	45,672		45,672	45,672	45,672	45,672	45,672	45,672
Total Funding		42,735	68,707		49,379	49,379	49,379	45,672	45,672	45,672
Excess Appropriation/(Funding)		(23,035)	(3,707)		15,621	15,621	15,621	19,328	19,328	19,328
Grand Total		19,700	65,000		65,000	65,000	65,000	65,000	65,000	65,000

Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 463 - Minority Health Initiative

Funding Sources: TSE - Targeted State Needs Program Account

The Tobacco Settlement Funded Minority Health Initiative is one of four targeted state needs programs established by Initiated Act 1 of 2000. This Initiative was established and is administered by the Agency to provide screening, monitoring, and treatment of hypertension, stroke, and other disorders disproportionately critical to the State's minorities.

Special Language allows the Agency to transfer from its Operating Expenses and/or Screening, Monitoring, Treating and Outreach appropriation and funds to be used in the acquisition of promotional items.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency is requesting a Change Level Request totaling \$363,000 each year of the biennium. The changes are as follows:

- Increase in Operating Expenses totaling \$108,000 each year to allow the Agency to enter into technical service agreements with third party vendors,
- Increase in Conference and Travel totaling \$5,000 each year to allow the Agency to provide proper training and career development to staff in order to meet the agency mission,
- Increase in Screening/Monitoring/Treating & Outreach totaling \$250,000 each year to allow the Agency to partner with various entities to aggressively seek evidence-based approaches to prevent the onset of diabetes by addressing physical activity and nutrition, mitigate the effects of diabetes by increasing education and medical compliance, and decrease the number of deaths as a direct consequence of diabetes.

The Executive Recommendation provides for Base Level.

Appropriation Summary

Appropriation: 463 - Minority Health Initiative
Funding Sources: TSE - Targeted State Needs Program Account

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	206,345	209,589	201,206	209,589	209,589	209,589	209,589	209,589	209,589
#Positions	6	6	6	6	6	6	6	6	6
Personal Services Matching 5010003	76,040	76,665	81,427	77,839	77,839	77,839	77,839	77,839	77,839
Operating Expenses 5020002	289,871	531,788	333,229	531,788	639,788	531,788	531,788	639,788	531,788
Conference & Travel Expenses 5050009	12,411	20,000	20,000	20,000	25,000	20,000	20,000	25,000	20,000
Professional Fees 5060010	199,857	250,000	448,559	250,000	250,000	250,000	250,000	250,000	250,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Promotional Items 5090028	4,622	0	0	0	0	0	0	0	0
Capital Outlay 5120011	26,153	0	0	0	0	0	0	0	0
Screen/Monitor/Treat & Outreach 5900046	499,203	558,554	558,554	558,554	808,554	558,554	558,554	808,554	558,554
Total	1,314,502	1,646,596	1,642,975	1,647,770	2,010,770	1,647,770	1,647,770	2,010,770	1,647,770
Funding Sources									
Tobacco Settlement 4000495	1,314,502	1,646,596		1,647,770	2,010,770	1,647,770	1,647,770	2,010,770	1,647,770
Total Funding	1,314,502	1,646,596		1,647,770	2,010,770	1,647,770	1,647,770	2,010,770	1,647,770
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	1,314,502	1,646,596		1,647,770	2,010,770	1,647,770	1,647,770	2,010,770	1,647,770

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium. Budget exceeds Authorized Appropriation in Operating Expenses by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 463 - Minority Health Initiative
Funding Sources: TSE - Targeted State Needs Program Account

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,647,770	6	1,647,770	100.0	1,647,770	6	1,647,770	100.0
C01	Existing Program	363,000	0	2,010,770	122.0	363,000	0	2,010,770	122.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,647,770	6	1,647,770	100.0	1,647,770	6	1,647,770	100.0
C01	Existing Program	0	0	1,647,770	100.0	0	0	1,647,770	100.0

Justification

C01	The agency is requesting an increase in Operating Expenses, Conference and Travel, and Screening/Monitoring/Treating and Outreach.
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Analysis of Budget Request

Appropriation: 815 - Minority Health Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The general revenue funded Minority Health Operations appropriation is used to assure equal access of the State's minorities to health care, provide disease education, treatment, screening, and prevention, study health delivery issues, increase awareness, and make agency and legislative recommendations concerning these issues.

Special Language allows the Agency to transfer from its Operating Expenses appropriation and funds to be used in the acquisition of Promotional Items.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency is requesting Base Level of \$198,333 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 815 - Minority Health Operations
Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	146,395	147,897	149,149	147,897	147,897	147,897	147,897	147,897	147,897
#Positions	3	3	3	3	3	3	3	3	3
Personal Services Matching 5010003	47,625	47,879	53,063	48,707	48,707	48,707	48,707	48,707	48,707
Operating Expenses 5020002	141	1,229	1,229	1,229	1,229	1,229	1,229	1,229	1,229
Conference & Travel Expenses 5050009	314	500	500	500	500	500	500	500	500
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Promotional Items 5090028	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	194,475	197,505	203,941	198,333	198,333	198,333	198,333	198,333	198,333
Funding Sources									
General Revenue 4000010	194,475	197,505		198,333	198,333	198,333	198,333	198,333	198,333
Total Funding	194,475	197,505		198,333	198,333	198,333	198,333	198,333	198,333
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	194,475	197,505		198,333	198,333	198,333	198,333	198,333	198,333

OIL AND GAS COMMISSION

Enabling Laws

Act 181 of 2016
A.C.A. §15-71-101 et seq.
A.C.A. §15-72-101 et seq.
A.C.A. §15-76-301 et seq.

History and Organization

The purpose and mission of the Arkansas Oil and Gas Commission is to serve the public regarding oil, gas and brine matters, to protect the correlative rights and interests of mineral owners through orderly resource development and to regulate the oil, gas and brine production industries to insure compliance with state and federal laws regarding protection of the environment and waters of the state.

The Commission maintains administrative offices in Little Rock and district offices in El Dorado and Ft. Smith. Approximately 48,000 permits to drill have been issued by the Arkansas Oil and Gas Commission since creation of the Commission in 1939. Well records for these wells are maintained at the Commission district offices in El Dorado and Ft. Smith and are available to the general public and regulated community during normal office hours. The Commission also maintains a web access to information pertinent to the general public and regulated community regarding the oil and gas industry in Arkansas.

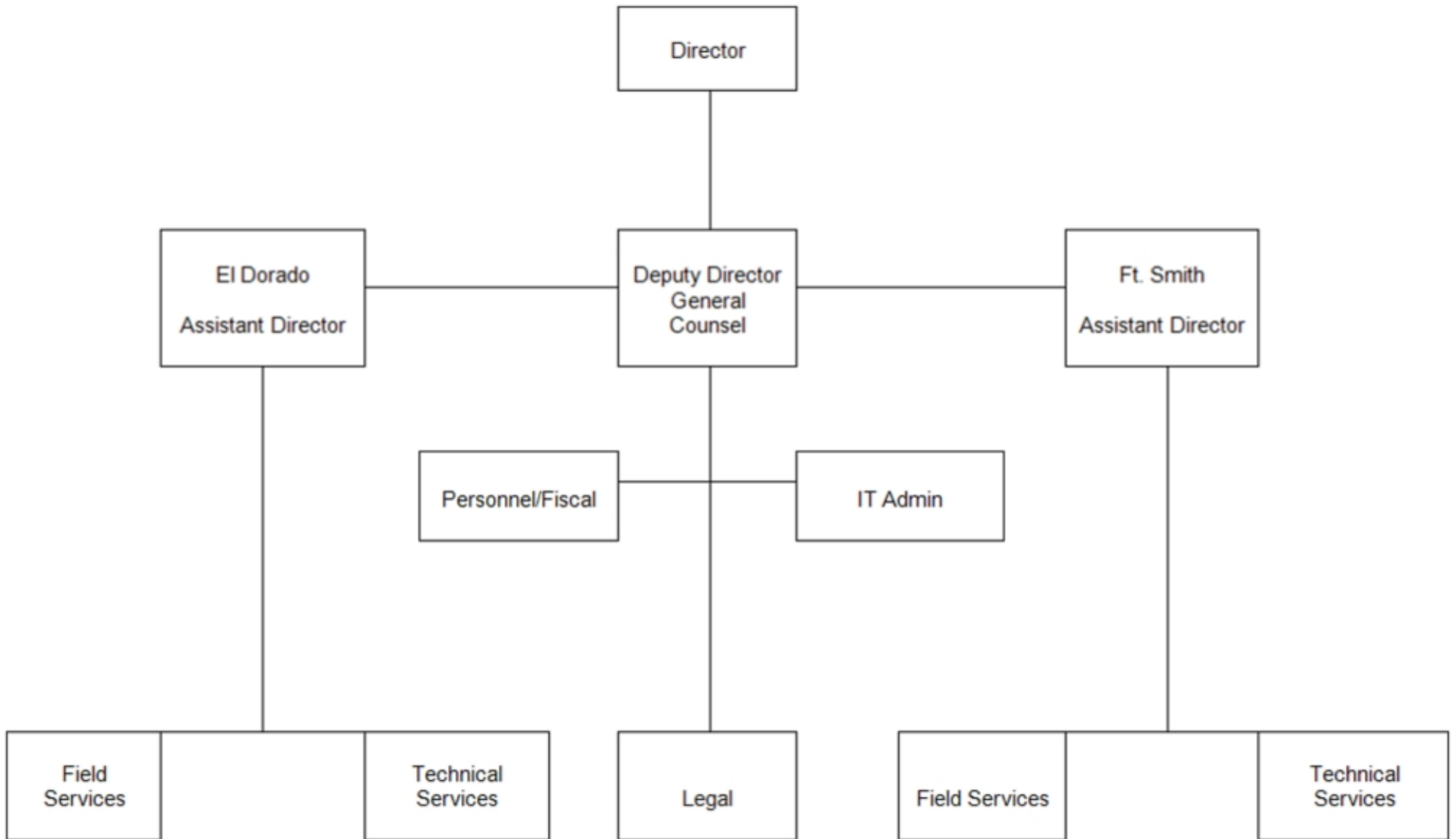
Act 105 of 1939, created the Oil and Gas Commission to oversee the oil and gas conservation and production requirements contained in Act 105. The Commission consisted of seven members with industry knowledge, appointed by the Governor to serve staggered six year terms. Compensation was also authorized for each day Commissioners attended a meeting or hearing, along with reimbursement of all necessary travel expenses. Act 680 of 1985 added two members to the Commission and specified that industry knowledge would not be a requirement of service by individuals holding these two positions. The Director of Production and Conservation serves as the ex-officio Secretary of the Commission and serves as the Director of the Commission staff. Act 472 of 1949, as amended by Act 232 of 1953, stipulates that the Director shall also serve as a member of the Pollution Control and Ecology Commission. Act 111 of 1969 amended Paragraph M of Section 11 of Act 105 of 1939 and empowered the Oil and Gas Commission to regulate the drilling for and production of salt water for the bromine industry.

In 1978, the U.S. Congress passed the Natural Gas Policy Act, and the Arkansas Department of Energy determined that the Oil and Gas Commission should serve as the jurisdictional agency for status determination under the provisions of that Act. Act 937 of 1979 provided additional authorities to the Commission to regulate drilling for and extraction of bromine from produced brine. In March 1984, the Oil and

Gas Commission assumed primacy for the Underground Injection Control Program from the U.S. Environmental Protection Agency for Class II injection wells and Class V bromine-related brine disposal wells.

Act 5 of 1991 required persons and entities conducting or proposing to conduct field seismic operations in the State to obtain a permit from and post a bond with the Oil and Gas Commission. Acts 1265, 1266, and 1267 of 2005 created and Abandoned and Orphan Well Plugging Fund to plug abandoned oil and gas wells for which a responsible party no longer existed or could not be located. The Fund and associated plugging program is administered by the Oil and Gas Commission and is funded by an annually assessed fee paid by oil and gas production companies operating in Arkansas.

Acts 1047 and 1048 of 1999 empowered the Oil and Gas Commission to regulate certain aspects of natural gas gathering line systems. This authority was further amended by Act 452 of 2009, which in part, granted the AOGC additional jurisdiction to inspect and regulate pursuant to its DOT certificate, natural gas pipelines and associated facilities.



Agency Commentary

The Oil and Gas Commission is charged by state statute to administer and enforce state and federal laws dealing with the regulatory oversight of the oil, natural gas and brine production industries in Arkansas. These laws are designed to protect the correlative rights of mineral owners, protect the oil, natural gas and brine resources of the state, and to protect the environment and waters of the state during the production of these resources. The Oil and Gas Commission regulatory programs also include administration of the USEPA Underground Injection Control Program for operation of deep injection disposal wells, the USDOT Pipeline Safety Program for natural gas gathering lines and Arkansas Abandoned and Orphaned Well Plugging Program used to plug old abandoned oil and gas wells for which the operators no longer are in existence.

The Fayetteville Shale development continues in the north central part of the state and over the last 8 years has resulted in a six (6) fold increase in the State's total natural gas production. The Fayetteville Shale development occurred in an area of the State which had not previously experienced oil and natural gas development, and which resulted in increased field inspections to ensure compliance with Commission regulations. The Commission addressed this need during previous budget cycles and received additional staff and appropriations to meet the growing regulatory program during the expansion of the Fayetteville Shale. Although there has been a reduction in the drilling activity in the Fayetteville Shale over the last 2 years due to reduced natural gas price, the Commission continues to perform field inspection activities on the approximately 6,000 producing wells in the Fayetteville Shale production area.

There are approximately 500 abandoned and orphaned oil and gas wells currently in the Commission Abandoned and Orphan Well Plugging Program awaiting plugging. In order to sufficiently fund the program to cover the plugging costs for these abandoned and orphan wells, the Commission is requesting to reauthorize special language to transfer up to \$2,000,000 annually from the Commission Treasury Fund to the Abandoned and Orphan Well Plugging Fund and maintain the expenditure appropriation at the Base Level amount \$2,500,000 annually.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS OIL AND GAS COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings

None

Recommendations

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	22	18	40	95 %
Black Employees	0	2	2	5 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			2	5 %
Total Employees			42	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3010000	\$207,893	Checking	Bank of the Ozark, Little Rock

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 15-71-110 Gives the Commission authority to oversee production of oil and gas and collect fees and fines to fund operations.

Revenue Receipts Cycle:

Fees and penalties are collected throughout the year.

Fund Balance Utilization:

Refunds/Transfers-Funds are collected on a daily basis. Appropriation is used to make refunds for overpayments and to reimburse posted bonds. The remaining balance at the end of each month is transferred to the State Treasury.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Rules and Regulations	15-71-111	N	N	0	Required by industry to inform them of Agency rules and regulations. Also included are forms required to be filed for drilling and required production reporting in Arkansas. Available on agency web site.	0	0.00
Weekly Permit and Completion Report	None	N	N	0	Weekly status report of current oil and gas well drilling and completion. Provided to all parties via agency webpage and also available to the general public in Oil & Gas Commission offices.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
204 Oil & Gas Commission-Operations	4,277,946	43	5,268,732	44	5,249,119	44	5,132,065	44	5,132,065	44	5,132,065	44	5,134,396	44	5,134,396	44	5,134,396	44
2XV Well Plugging Program	626,671	0	2,500,000	0	2,500,000	0	2,500,000	0	2,500,000	0	2,500,000	0	2,500,000	0	2,500,000	0	2,500,000	0
A20 Refunds/Reimbursements	232,000	0	200,000	0	500,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0
Total	5,136,617	43	7,968,732	44	8,249,119	44	7,832,065	44	7,832,065	44	7,832,065	44	7,834,396	44	7,834,396	44	7,834,396	44

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance 4000005	46,143,525	90.2	45,999,502	90.8			42,680,770	90.2	42,680,770	90.2	42,680,770	90.2	39,498,705	89.5	39,498,705	89.5	39,498,705	89.5
Special Revenue 4000030	4,994,241	9.8	4,150,000	8.2			4,150,000	8.8	4,150,000	8.8	4,150,000	8.8	4,150,000	9.4	4,150,000	9.4	4,150,000	9.4
Cash Fund 4000045	0	0.0	500,000	1.0			500,000	1.1	500,000	1.1	500,000	1.1	500,000	1.1	500,000	1.1	500,000	1.1
Transfer from Special Revenue 4000565	0	0.0	2,000,000	3.9			2,000,000	4.2	2,000,000	4.2	2,000,000	4.2	2,000,000	4.5	2,000,000	4.5	2,000,000	4.5
Transfers / Adjustments 4000683	(1,647)	0.0	(2,000,000)	(3.9)			(2,000,000)	(4.2)	(2,000,000)	(4.2)	(2,000,000)	(4.2)	(2,000,000)	(4.5)	(2,000,000)	(4.5)	(2,000,000)	(4.5)
Total Funds	51,136,119	100.0	50,649,502	100.0			47,330,770	100.0	47,330,770	100.0	47,330,770	100.0	44,148,705	100.0	44,148,705	100.0	44,148,705	100.0
Excess Appropriation/(Funding)	(45,999,502)		(42,680,770)				(39,498,705)		(39,498,705)		(39,498,705)		(36,314,309)		(36,314,309)		(36,314,309)	
Grand Total	5,136,617		7,968,732				7,832,065		7,832,065		7,832,065		7,834,396		7,834,396		7,834,396	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
44	43	0	43	1	2.27 %	44	42	2	44	0	4.55 %	44	42	2	44	0	4.55 %

Analysis of Budget Request

Appropriation: 204 - Oil & Gas Commission-Operations

Funding Sources: SDO - Oil and Gas Commission Fund

The Oil & Gas Commission's operating appropriation is funded by special revenues, as authorized in A.C.A §19-6-410.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Commission is requesting Base Level appropriation of \$5,132,065 in FY18 and \$5,134,396 in FY19.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 204 - Oil & Gas Commission-Operations

Funding Sources: SDO - Oil and Gas Commission Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	2,090,028	2,095,177	2,073,664	2,096,477	2,096,477	2,096,477	2,098,377	2,098,377	2,098,377
#Positions		43	44	44	44	44	44	44	44	44
Extra Help	5010001	49,905	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
#Extra Help		8	10	10	10	10	10	10	10	10
Personal Services Matching	5010003	694,881	692,041	693,941	704,074	704,074	704,074	704,505	704,505	704,505
Operating Expenses	5020002	589,238	987,797	987,797	987,797	987,797	987,797	987,797	987,797	987,797
Conference & Travel Expenses	5050009	23,822	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Professional Fees	5060010	6,142	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000
Construction	5090005	67,992	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Refunds/Reimbursements	5110014	6,500	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Capital Outlay	5120011	159,624	150,000	150,000	0	0	0	0	0	0
Data Processing Services	5900044	225,251	348,217	348,217	348,217	348,217	348,217	348,217	348,217	348,217
Interstate Oil Compact	5900046	0	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Geological Research	5900047	0	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Underground Injection Control	5900048	6,063	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Groundwater Protection	5900049	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Total		4,277,946	5,268,732	5,249,119	5,132,065	5,132,065	5,132,065	5,134,396	5,134,396	5,134,396
Funding Sources										
Fund Balance	4000005	42,886,947	43,310,482		39,941,750	39,941,750	39,941,750	36,709,685	36,709,685	36,709,685
Special Revenue	4000030	4,701,481	3,900,000		3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
Transfers / Adjustments	4000683	0	(2,000,000)		(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total Funding		47,588,428	45,210,482		41,841,750	41,841,750	41,841,750	38,609,685	38,609,685	38,609,685
Excess Appropriation/(Funding)		(43,310,482)	(39,941,750)		(36,709,685)	(36,709,685)	(36,709,685)	(33,475,289)	(33,475,289)	(33,475,289)
Grand Total		4,277,946	5,268,732		5,132,065	5,132,065	5,132,065	5,134,396	5,134,396	5,134,396

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Analysis of Budget Request

Appropriation: 2XV - Well Plugging Program

Funding Sources: SAW - Abandoned and Orphan Well Plugging Fund

This appropriation is funded by special revenue derived from fees, forfeited bonds, proceeds from the sale of hydrocarbons, and grants or gifts from the public. In addition, upon review of the Chief Fiscal Officer of the State and the Legislative Council, special language allows a transfer up to \$750,000 per year from the Oil and Gas Fund to the Abandoned and Orphan Well Plugging Fund. The Oil & Gas Commission's Abandoned and Orphan Well Plugging Fund was established by Acts 1265 and 1267 of 2005 (A.C.A. §15-71-115). The fund is utilized for well plugging program expenses. The Commission specifically utilizes the funds to plug abandoned and orphaned wells by means of contracts, grants to landowners, or for the payment of other plugging costs or corrective work.

The Commission is requesting Base Level of \$2,500,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2XV - Well Plugging Program

Funding Sources: SAW - Abandoned and Orphan Well Plugging Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Well Plugging Expenses	5900046	626,671	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total		626,671	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Funding Sources										
Fund Balance	4000005	2,815,038	2,481,127		2,231,127	2,231,127	2,231,127	1,981,127	1,981,127	1,981,127
Special Revenue	4000030	292,760	250,000		250,000	250,000	250,000	250,000	250,000	250,000
Transfer from Special Revenue	4000565	0	2,000,000		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Funding		3,107,798	4,731,127		4,481,127	4,481,127	4,481,127	4,231,127	4,231,127	4,231,127
Excess Appropriation/(Funding)		(2,481,127)	(2,231,127)		(1,981,127)	(1,981,127)	(1,981,127)	(1,731,127)	(1,731,127)	(1,731,127)
Grand Total		626,671	2,500,000		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

Analysis of Budget Request

Appropriation: A20 - Refunds/Reimbursements

Funding Sources: 301 - Oil and Gas Commission Cash

The Oil & Gas Commission's cash fund is used for deposit of special revenue fees collected by the Commission and to hold bonds posted by companies engaged in seismographic exploration in the State. This account provides checks with which to make transfers to the State Treasury and eliminates the necessity of sending cash through the mail. The Commission then transfers collected funds to the Oil and Gas Commission Fund to be utilized for Regular Salaries and Operating Expenses.

The Commission is requesting Base Level of \$200,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: A20 - Refunds/Reimbursements
Funding Sources: 301 - Oil and Gas Commission Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements	5110014	232,000	200,000	500,000	200,000	200,000	200,000	200,000	200,000	200,000
Total		232,000	200,000	500,000	200,000	200,000	200,000	200,000	200,000	200,000
Funding Sources										
Fund Balance	4000005	441,540	207,893		507,893	507,893	507,893	807,893	807,893	807,893
Cash Fund	4000045	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Transfers / Adjustments	4000683	(1,647)	0		0	0	0	0	0	0
Total Funding		439,893	707,893		1,007,893	1,007,893	1,007,893	1,307,893	1,307,893	1,307,893
Excess Appropriation/(Funding)		(207,893)	(507,893)		(807,893)	(807,893)	(807,893)	(1,107,893)	(1,107,893)	(1,107,893)
Grand Total		232,000	200,000		200,000	200,000	200,000	200,000	200,000	200,000

DEPARTMENT OF PARKS AND TOURISM

Enabling Laws

Appropriation Acts: Act 208 of 2016

Arkansas Code: 25-13-101 to 103; 25-13-104; 13-5-320; 13-5-321; 13-9-101 to 105; 13-13-102; 23-89-518; 26-58-124; 15-11-101 to 102; 15-11-201 to 209; 22-4-202; 22-4-307; 25-16-904; 3-5-701, 703; 14-170-205; 15-11-301 to 306; 15-11-401 to 410; 15-11-501 to 511; 15-11-802; 15-20-703,705 to 708; 25-13-301; 26-52-1006; 26-51-2207; 27-67-224; 25-13-101,102; 27-69-201 to 207; 15-11-601 to 604; 8-6-404; 8-6-612; 8-6-606; 8-6-1003; 19-6-484; 13-5-201 to 207; 13-5-309; 13-5-313, 314, 316, 317; 13-5-401 to 604; 13-5-801; 13-5-1013; 13-7-103; 13-7- 401; 13-14-103,105; 14-270-201, 203; 15-11-210, -211; 15-11-702 to 709; 15-12-101 to 103; 15-45-302; 19-5-051; 19-5-986; 19-6-426, 484; 21-5-701,705; 22-4-102 to 22-4-111,113; 22-4-201,203; 22-4-302; 22-4-305, 310, 312 to 313; 22-4-401 to 408; 22-4-501 to 504; 25-13-103; 25-17-304; 26-75-303; 27-24-1601 to 1602; 27 -67-204; 27-67-322; 6-20-205; 12-61-123; 13-3-101 to 109; 13-3-201 to 207, 209; 5-14-134;27-67-204.

History and Organization

The mission of the Department of Parks and Tourism is to enhance the quality of life in Arkansas by promoting, protecting, interpreting and managing the State's natural and cultural resources.

The reorganization of State government, as affected by Act 38 of 1971, gave considerable emphasis to Arkansas' travel and recreation industry. This was emphasized by the creation of the Department of Parks and Tourism and by the expansion of the overall effort of the Agency. The Executive Director is appointed by the Governor and is responsible for personnel and administration; policy is set by various commissions. Within the department itself, organization of the staff functions and delivery of services are divided into six defined areas with each managed by a division director. The Executive Director's office coordinates the overall operations of the department and also directs the personnel, internal audit and public information functions.

The Personnel Section of the Department of Parks and Tourism works directly for the Executive Director. The primary functions of this section include human resources management, the personnel process, policy, affirmative action, training, human resources management, personnel records, performance evaluation, job classification and the application/interview process. It works with all divisions of the department to

provide technical assistance, employee counseling and career planning.

The Administration Division provides administrative support for all department divisions in the accounting, auditing, purchasing and payroll areas, as well as the mail room, printing reproduction, warehouse functions, and data processing service. All department budgetary funding responsibilities are coordinated, verified, and monitored by the Administration Division.

The State Parks, Recreation and Travel Commission, the policy board of the Parks and Tourism divisions of the department, has seventeen members appointed by the Governor. One is a historian, four members represent News Media (minimum of one), one member represents age 60+ of population, one member represents occupation/avocation of Culture/Arts, one member represents occupation/avocation of Conservation/Recreation, seven members represent the Tourism industry, and two emeritus (lifetime). Each of the four Congressional Districts of the State is represented on this commission.

The Parks Division is the largest in the department. It is charged with conserving and protecting the State's natural, historical and cultural resources, providing recreation and educational opportunities to the State's citizens and visitors, enhancing the economy through tourism, and leadership in resource conservation. The State Parks Division, beginning operations in 1937, four years after the initial development of the first State parks in 1933 by the National Parks Service advisors and the Civilian Conservation Corps (CCC), is responsible for the development, maintenance, and operation of over 54,353 acres of land, consisting of 52 State parks and museums that offer a variety of natural, cultural, historical, educational, and recreational experiences. Characterized by 891 buildings (including 183 historic structures), six national historic and one natural landmark, 1,786 campsites, over 963 picnic site, four lodges (242 guest rooms), 8 restaurants, 400 miles of trails, 120 miles of roads, 10 marinas, 199 cabins, hundreds of miles of utilities, and over 8 million visitors annually, the State parks are like running small cities. In FY 2016 the parks generated \$28 million in revenue.

The Parks Division administers the Outdoor Recreation Grants Program from the U.S. Department of Interior, the Natural and Cultural Resources Fund for cities and counties, the Trails for Life Grant Program, the Statewide Comprehensive Outdoor Recreation Plan (SCORP), and provides technical assistance in park development and operation for cities and counties. The staff participates in statewide trail programs, environmental reviews, and conservation, recreation and environmental committees on behalf of the department. The Arkansas Outdoor Recreation Grants Advisory Committee is organized under provisions of the Land and Water Conservation Fund Act of 1965 and the Arkansas Open Project Selection Process as approved by the National Park Service. The Committee shall consist of five members appointed by the Governor.

In 1996, Amendment 75 was passed by the voters establishing a 1/8 cent conservation tax to repair, renovate and improve the State parks. In 1999, ArkansasStateParks.com web site was developed to enhance marketing, educational and informational efforts.

The State Parks Division (ASP) works with the Prairie Grove Battlefield Advisory Commission, which is composed of seven members appointed by the Governor, and charged with advising ASP for the preservation and development of the park commemorating those that

fought the Battle of Prairie Grove in 1862.

The Arkansas Museum of Natural Resources Advisory Committee, consisting of fifteen members, appointed by the Governor, serves in an advisory capacity to the Agency. At least half of the members are residents of oil and brine producing counties of south Arkansas. The Advisory Committee advises in the establishment of policies and procedures for the operation and development of the Arkansas Museum of Natural Resources and coordinates efforts to encourage gifts or donations to the museum.

The Plantation Agriculture Review Committee is a five-member group appointed by the Governor to advise the Agency in the establishment of policies and procedures for the development and operation of the Plantation Agriculture Museum and develops and coordinates efforts to encourage gifts or donations to the Plantation Agriculture Museum.

The Ozark Folk Cultural Center Commission members are selected by the seated Commission members and must be approved by the City Council of Mountain View. The nine (9) member board was created by legislation for the purpose of construction and operation of the Ozark Folk Center. The OFCCC serves as an advisory board and approves Capital Improvements/Major Maintenance Expenditures Reserve Account projects.

The overall purpose of the Tourism Division is to enrich the quality of life and improve the economy of Arkansas by generating travel and enhancing the image of the State. The division's out-of-state efforts are to: (1) generate travel and tourism to Arkansas by utilizing sophisticated marketing techniques; (2) enhance the image of the State via advertising messages, the Internet, and editorial efforts with national media; (3) encourage investment in Arkansas' tourism industry by providing an environment of cooperation and incentive where possible; and (4) encourage retirement and relocation to the State. The division's in-state objectives are to: (1) encourage travel and tourism in Arkansas by Arkansas people; (2) build pride by image enhancement and educational efforts; (3) be a leader and advocate to build understanding and support for the important role tourism plays in the Arkansas economy; (4) work to present and enhance the image of Arkansas. In 1998, arkansas.com web site was developed to expand the State's marketing and promotional efforts.

The Tourism Division has four in-house sections: Communications, Tourism Development, Group Travel, and Welcome Center Administration. The Communications Section generates articles and photos (which are made available to the public and the media), arranges and hosts "familiarization" tours for visiting journalists and writers, and also has Internet responsibilities. The Tourism Development Section conducts hospitality training seminars, provides technical assistance to city and county governments, assists communities and businesses with tourism development plans, promotes and assists in the development of retirement and relocation to the state, and aids in the planning and promotion of local festivals. It also administers the Division's matching fund program which makes grant monies available to recognized regional tourism promotion associations and the Tourism attraction Feasibility Grant Program. The Group Travel Section markets the state to increase visitor expenditures made by motor coach tours, conventions, and other group travelers and assists the Arkansas tourism industry in its group travel and convention marketing efforts. The Welcome Center Administration Section operates the State's system of 13 Welcome Centers located at major entry points into Arkansas. Trained staff at these facilities, which are a cooperative venture with the Arkansas State

Highway & Transportation Department, provide that critical "first impression" to our visitors, encouraging them to get off the main highways and explore all corners of the Natural State. The Tourism Division also has a Research Administrator whose responsibilities include compiling travel and tourism-related statistics, monitoring literature inventory and distribution, and producing the Division's annual report.

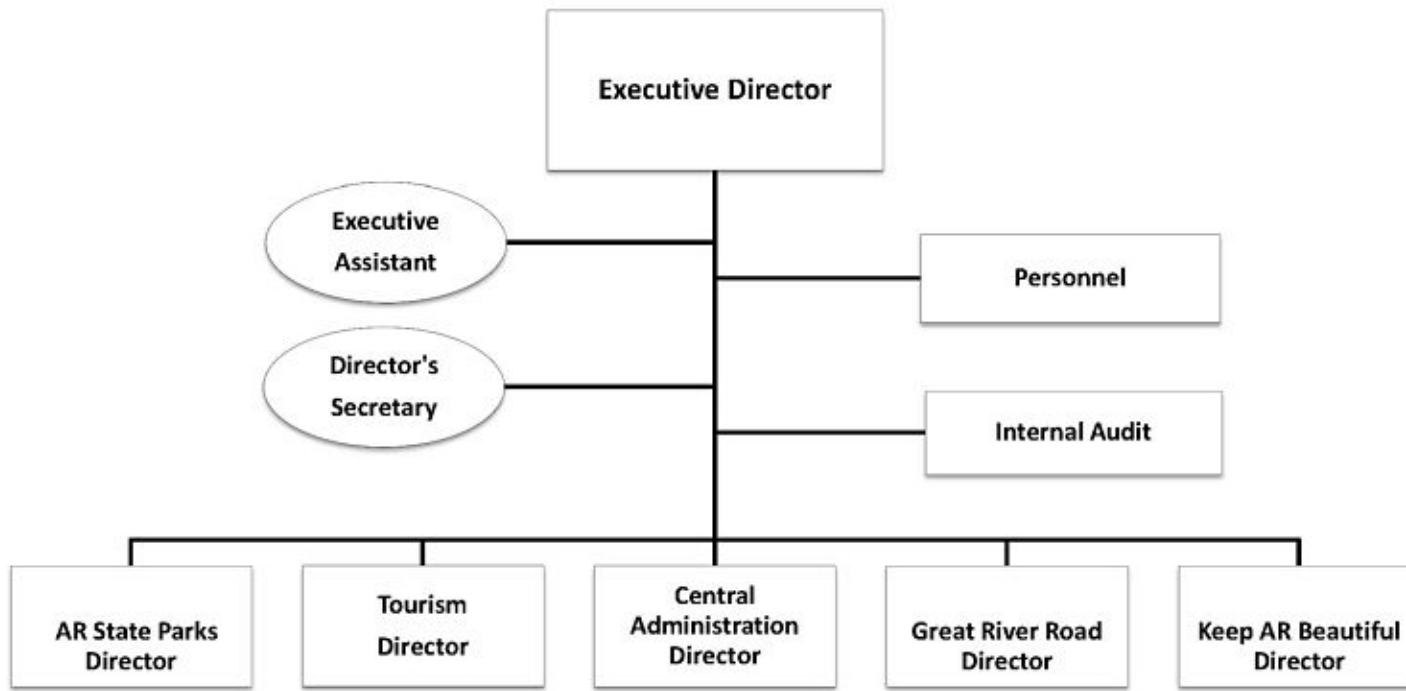
In addition, the Tourism Division works with two outside organizations, an advertising agency and an Internet agency, which provide professional services to augment the Division's promotional efforts for our \$7.3-billion-dollar tourism industry. The ad agency produces an annual marketing plan, creates and places media campaigns, conducts research, and assists in a variety of public relations efforts. The Internet agency keeps the arkansas.com web site current, conducts research, places key-word buys, and coordinates search engine optimization efforts. During FY 2016, traffic on arkansas.com totaled 6,084,291 visitors - which led to 2.6 million industry referrals for additional information or making reservations.

The Great River Road was reorganized under the Tourism Division, for administrative purposes. The Great River Road has a policy board, the Arkansas Mississippi River Parkway Commission, composed of ten members appointed by the Governor. The members represent the ten counties bordering the Mississippi River. The Great River Road Section is charged with preserving and promoting all tourism and historic aspects of the ten counties. The Section also works with the other states of the International Mississippi River Parkway Commission to secure National Scenic Byway status for all states in cooperation with the Federal Highway Administration. This International Parkway provides a unique route for tourists from Canada to the Gulf of Mexico.

The Keep Arkansas Beautiful Commission (KArB) was established in 1989 by Executive Order of the Governor. Since 1993, the Keep Arkansas Beautiful Commission has been a division of the Department of Parks and Tourism. In 1996, Amendment 75 the Conservation Amendment created funding for the Keep Arkansas Beautiful Commission. Act 1278 of 1997 superseded the Executive order and re-created the KArB Commission and a new Commission was appointed by the Governor, consisting of nine Commissioners appointed to six-year terms. Two members are appointed from each of the four Congressional Districts and one from the state at-large.

Keep Arkansas Beautiful has developed and maintains a year-round program to provide public education and to inspire voluntary community environmental improvement activities. Since 1998, KeepArkansasBeautiful.com and a full range of media have been developed to enhance marketing, educational and informational efforts toward improving individual behaviors toward our environment.

Keep Arkansas Beautiful is charged with: (1) raising public awareness of our litter problem; (2) educating the general public of the economics and ecological impact of litter; (3) encouraging litter prevention; (4) increasing awareness of litter laws and enforcement; (5) promoting recycling and recycling benefits to consumers; (6) generating interest in beautification projects; (7) supporting communities statewide in establishing litter prevention programs, ongoing recycling campaigns, and beautification projects.



Agency Commentary

Administration Division

These services include internal audit, personnel, accounting, purchasing, budgeting, computer technology services, printing and warehousing. In addition, overall department coordination, direction and liaison with the Governor, Legislature and various Commissions are responsibilities of this division.

The budget request includes reallocations in the maintenance and operation cost elements necessary to reflect the current level of operations and support of agency staff. Also included in the change is the Administration Division's share of the Department's Technology Plan, which covers normal equipment replacement of computers, software updates, network services charges, and training

An increase in personal services and matching is requested for FY2018 & FY2019 for a new Human Resources Recruiter position. With the expansion of new facilities and growth of staff over the years, coupled with accelerated retirement rates of our workforce, the recruiting workload and advertising has grown exponentially. This agency needs a professional dedicated to this duty. The Human Resources Recruiter would be responsible for planning, developing, and implementing recruitment and staffing strategies for our agency.

Tourism Division

The Tourism Division has a dual mission: 1) to enhance the image of the state; and 2) to improve the state's economy by increasing travel to Arkansas and also encouraging retirement and relocation through various marketing mediums. These tasks are accomplished by investing in research-based, targeted advertising that entices new travelers to the state year after year, as well as potential new residents. To help expand the state's tourism industry, the Department has no choice but to maintain an aggressive presence in the travel marketplace. To achieve this goal, we must meet our regional competition head on and increase our print and broadcast advertising presence, as well as add cutting edge content and tools to the Arkansas.com website.

Partnering with us in this endeavor are the state's 12 regional promotional associations. They utilize the state's (2 to 1) Regional Matching Funds Program and assist the grassroots efforts of local tourism attractions and events and help extend the reach of Arkansas's advertising messaging. The 12 regions focus consumer attention on local destinations by maintaining and expanding their advertising campaigns and continually upgrading website content.

The Tourism Division is also responsible for promoting the Natural State as a group travel destination. This objective is accomplished by participating in motor coach marketplaces and sporting event trade shows, as well as other convention-based selling opportunities which include both domestic and international buyers.

Travel expenditures in Arkansas generated more than \$7.3 billion dollars in 2015 and contributed approximately \$374 million in state tax receipts. To continue this upward trend, the Tourism Division requests additional authorization in Appropriation 504 (the state's 2% tourism tax) to increase advertising, regional matching fund grants, travel show participation, and capital expenditures (for replacement vehicles and photographic equipment).

The budget request includes an increase in M & O for FY2018 & FY2019. The increase reflects changes in the maintenance and operation costs necessary to reflect the current level of operations and support of agency staff. Increases include expenses for travel and lodging, annual Membership Dues, and increased costs of operating 14 welcome center locations.

An increase in advertising expense for FY2018 and FY2019 is also requested. The additional funds will allow for a boost in our comprehensive advertising investment for the State. As the travel industry continues to evolve, Arkansas must stay abreast of changing trends and technologies to effectively reach potential visitors to our state. We must maintain an active presence in the marketplace by getting our message to prospective visitors. The additional funds will allow us to expand our internet marketing campaign and purchase additional broadcast and print media. Also, the increased funding will help Arkansas take advantage of the growing tide of retiring baby boomers, many of whom will be relocating. The additional dollars will give us the means to invite this desirable group to move to The Natural State.

We're also requesting the reallocation of funds in 995 (Gift Shop), moving M & O dollars to the resale category. Such a transfer will give us more flexibility in purchasing *Arkansas: The Natural State* products for retail sales to the public.

An increase for FY2018 and FY2019 in personnel services and matching is requested for upgrading the ADPT Welcome Center Administrator from C123 to C124 and two ADPT Development Managers from C122 to C123. In addition, the Tourism Division is requesting the upgrade of two ADPT Consultants from C115 to C116. Also, the Division is requesting several changes within its Welcome Center program: upgrading six ADPT Welcome Center Manager IIs from C115 to C116; upgrading 7 ADPT Welcome Center Manager Is from C113 to C114; upgrading 13 ADPT Welcome Center Assistant Managers from C109 to C111; and upgrading 19 Travel Consultants from C107 to C109. The above upgrades are requested due to the low salaries for these positions which has resulted in high turnover and the commensurate costs of interviewing and training replacement employees.

The Division also requests one new position: an ADPT Consultant to handle the increased workload within the Group Travel Section, specifically to deal with sports-related shows and events resulting from the Division's increased emphasis on amateur sports tournaments, motorcycling, and bicycling (both road and mountain).

Lastly, the Department requests permission to move the 8 positions now funded by 504 - 2% Tourism Tax - to "agency position" status, giving the Tourism Division much more flexibility to handle its budget for staffing. These 8 positions are: ADPT Development Manager (2); Travel Information Writer (1); ADPT Welcome Center Manager I (1); Fiscal Support Specialist (1); Administrative Specialist (1); ADPT Welcome Center Assistant Manager (1); and Travel Consultant (1).

State Parks Division

The State Parks Division operates 52 state parks and museums covering 54,353 acres of forest, wetlands, fish, and wildlife habitat, outdoor recreation facilities and unique historic and cultural resources. The system includes over 891 buildings (including 183 historic structures) in its inventory with the buildings and contents insured for over \$363 million. Our state parks have over 1,786 camp sites, over 963 picnic sites, 199 cabins, four lodges (242 guest rooms), eight restaurants, ten marinas, 400 miles of hiking trails, over 120 miles of roads and hundreds of miles of utilities. The parks have over 8 million visitors each year who come from all regions of the country. In FY 2016 the parks generated \$28 million in revenue. Each park is similar to a small city, except the population changes every week. There are constant maintenance needs with buildings, recreational facilities, roads and utility systems. There are customer service, law enforcement and emergency services, fire protection, financial management, recreational and educational programs, supervision, visitor safety and security responsibilities to be concerned with on a 24/7 basis.

Personnel Requests - The State Parks Division requests 4 new regular positions to support new and expanded operations at Jacksonport, Lake Charles, Woolly Hollow and the Park Director's office. Upgrade requests on twelve titles (Desk Clerk, Asst. Lodge Sales Director, Lodge Sales Director, Asst. Lodge Manager, Lodge Manager, Asst. Restaurant Manager, Restaurant Manager, Park Superintendent II, III, IV, & V, and Chief Park Planner) to enable the agency to be more competitive in the job market and decrease the high turnover in these titles. Re-class requests on 11 positions to better classify and utilize proper titles in multiple locations throughout the park system.

Parks General Revenue (Appropriation 499) - The general revenue request for the Parks Division is "continuing Level".

Parks Cash Fund (Appropriation 986) - Generated from numerous retail facilities and services provided at the state parks and museums, this is the major operating fund for their day to day operations and maintenance. An increase in M&O \$900,577 is requested for both years of the biennium to fund maintenance and operations for implementation of a new on-line reservation system, and for expected increases related to higher fuel and utility costs. An increase in Professional Fees & Services of \$637,588 for FY18 and \$736,588 FY19 is requested for additional expenses for marketing and advertising new facilities/parks at Mississippi River, Reopening of Queen Wilhelmina, Delta Heritage Trail, Jacksonport and Logoly. The Parks Division requests a decrease in Construction by \$1,271,385 for each year of the biennium. The agency was approved for \$1,771,385 during FY16 & FY17 for construction projects at Delta Heritage Trail. The Delta Heritage cash construction requirement should be completed by the end of FY17. An increase of \$50,000 for FY18 and FY19 for increasing contract labor costs at the Ozark Folk Center.

Amendment 75 - 1/8¢ Conversation Tax (Appropriation 500) - This request is to continue the long term plan to repair, renovate, improve, expand and properly equip the 52 state parks and address the backlog of \$211 million in projects yet to be completed. We are requesting an increase in Regular Salaries for the upgrade request and the various position reclassifications to better classify employees and \$250,000 in Extra Help to keep salaries competitive to attract quality employees in remote locations, accommodate the final installment of the minimum wage and to fund a change in accounting for auto gratuities required by the IRS. An increase in Professional Fees & Services of \$200,000 for

FY18 and FY19 is requested for additional expenses for marketing and advertising at various park locations throughout the system and to compete for high quality celebrity concerts at the Ozark Folk Center. We are requesting to continue the \$1,878,000 both years of the biennium in Capital Outlay in order to meet the parks and museums needs to replace worn out and deteriorated equipment. We are requesting an increase \$750,000 in FY18 and FY19 in Special Maintenance for increases in costs for plumbing, electrical, other building materials and addressing the growing cost of maintaining 891 buildings and facilities.

Parks SCORP Federal (Appropriation 2JJ) - We are asking to continue base level.

Parks Outdoor Recreation Grant Program (579 Appropriation) - We are asking for Capital Outlay of \$30,000 for replacement of an aging vehicle.

Trails for Life (Appropriation 1MH) - this request is to discontinue this program. All funds obligated to this program should be granted to grantees by the end of FY18. 433 Oil & Brine appropriation - We are requesting a decrease in this appropriation due to declining revenues resulting from reduced tax collections.

Keep Arkansas Beautiful

The Keep Arkansas Beautiful Program is predominantly funded by the 1/8¢ Conservation Amendment, but also receives some revenue from litter law enforcement fines. The mission of the program is to educate and inspire improved behavior change toward or environment.

It is responsible for communicating and coordination of anti-litter efforts, encouraging of recycling, and promotion of scenic beautification. In addition to two statewide cleanup campaigns each year, Keep Arkansas Beautiful maintains year-round educational, marketing and informational events and activities that engage citizen volunteers to improve their community environments. Additionally, the director serves the director of the Dept. of Parks and Tourism as a division head, responsible for all operations and accountability of the commission.

Program growth has resulted in the establishment and supervision of an active network of local affiliated communities which undertake environmental improvements within their local areas as well as participating in statewide activities. The program utilizes the voluntary efforts of individual citizens who are engaged to take personal responsibility for improving their community environments. These volunteers, working with government and organizations accomplish visual and physical improvement programs, contributing more than \$5.82 in cost avoidance benefit value to each program dollar. This relationship is enhanced and sustained through an extensive and continuous education and public awareness communications program, planning, training and support processes and voluntary public engagement opportunities offered by the program.

An increase in Advertising Expenses is requested in FY2018 and FY2019 to permit improved web-based communications between our program and the public, our affiliated communities and our volunteers. This budget category has remained static over the past nine years and now needs realignment to include better utilization of on-line media, digital and promotional communications opportunities and to continue

website improvement and maintenance. We also request a decrease in Profession Fees in both years as our needs are greater for additional advertising funding rather than professional services and administrative expenses. Additionally, we seek a Capital Outlay appropriation of \$35,000 to purchase a new automobile for the division replacing the 2005 vehicle currently in service.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS DEPARTMENT OF PARKS AND TOURISM
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Sound information system controls require a disaster recovery plan be established and periodically tested to ensure critical business processes can be restored in the event of an interruption.

No disaster recovery plan exists at the Agency, which increases the risk that routine business processes will not be successfully reinstated in a reasonable time frame in the event of a disaster.

Recommendations

We recommend Agency management implement an adequate disaster recovery plan and perform testing on a periodic basis.

Agency Response:

No disaster recovery plan exists.

This finding relates to the IT section. While we acknowledge that there is no formal written disaster recovery plan by the MIS section of Arkansas Department of Parks and Tourism (ADPT), most critical systems are hosted by DIS and are not internally managed by the Department. All network connections and routers are owned and managed by DIS and fall under their Continuity of Operations Plan. All network switches deemed critical are DIS-owned and managed. The database for Maestro (the property management system for State Parks) is managed by DIS. All server hardware is owned by DIS and leased to ADPT. The virtual servers themselves are managed by ADPT MIS. Backups are conducted daily and replicated to the DIS Datacenter in west Little Rock.

The following actions are underway to implement a more comprehensive IT disaster recovery plan:

1. Identify all critical business processes to ensure each is adequately covered. We already define Maestro as a critical application for State Parks; however, there are other servers/services/applications that could be considered critical for other divisions within ADPT.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS DEPARTMENT OF PARKS AND TOURISM
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

Adequate controls should be in place to ensure electronic transfers of funds (Ebanking) are properly authorized and the supporting information systems architecture provides a secure environment.

Several deficiencies were noted:

- Controls were inadequate to prevent a single user from performing a complete fund transfer process.
- A terminated user was not deactivated timely.
- User authentication was inadequate.

- Out-of-band confirmations were not performed for Ebanking transactions.

Failure to provide adequate controls increases the risk of errors and fraud.

2. Since our most critical systems are hosted by DIS, we will implement a process by which we are incorporated into the DIS Continuity of Operations Plan (CoOP). This will include formally defining each item that is covered under the DIS CoOP and which item ADPT covers as well as working with DIS to create a method to periodically test the recovery plan.

3. Create and document a plan for each of the ADPT responsible items.

We recommend the Agency implement adequate Ebanking controls.

Agency Response:

- Controls were inadequate to prevent a single user from performing a complete fund transfer process.

Central Office Management is currently working with Regions Bank to establish dual controls within the ITreasury system for the Agency's ACH process. If one user enters and saves an ACH batch transfer, another user will then have to release the ACH batch transfer. The roles will be interchangeable so that the Agency is not restricted from completing a transfer if a person is out of the office.

- A terminated user was not deactivated timely.

Each Monday, Human Resources sends out an "Action" memo of employee hires, transfers, and terminations. This memo will be cross checked against Shift4 each week to ensure that terminated employees with Shift4 access are updated to "No Access." The weekly memo will be documented with the users that were updated in Shift4 and will be filed for future review/audit.

- User authentication was inadequate.

Currently, the only user authentication that Regions offers is for the Agency's ITreasury Administrator. She receives a phone call with a verification code to complete the sign-on process as Administrator. Other users enter a security code or answer security questions when they want to change their password. Authentication of users is in the control of Regions Bank and not the Agency and was already in place at the time of the

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS DEPARTMENT OF PARKS AND TOURISM
 FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

audit.

- Out-of-band confirmations were not performed for Ebanking transactions.

Central Office Management is currently working with Regions Bank to establish out-of-band confirmations for Ebanking transactions. The Agency is requesting confirmations when a bank is added or deleted from the ACH Template, when an ACH batch is saved in ITreasury, and when a batch is released from ITreasury.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	370	305	675	91 %
Black Employees	20	31	51	7 %
Other Racial Minorities	8	10	18	2 %
Total Minorities			69	9 %
Total Employees			744	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1MH Trails for Life Grants	150,943	0	200,000	0	260,000	0	200,000	0	75,000	0	75,000	0	200,000	0	0	0	0	0
2JJ SCORP Program-Federal	637,062	0	3,271,148	0	3,271,148	0	3,271,148	0	3,271,148	0	3,271,148	0	3,271,148	0	3,271,148	0	3,271,148	0
433 Museum Natural Res-Spec Rev	100,512	3	109,860	3	114,490	3	110,988	3	77,179	3	77,179	3	110,988	3	77,179	3	77,179	3
499 State Operations	21,850,974	435	21,600,330	430	21,794,605	430	21,694,473	430	21,738,044	431	21,694,473	430	21,713,829	430	21,757,400	431	21,713,829	430
500 Conservation Tax	31,828,102	152	52,171,716	160	52,170,991	160	50,625,638	160	54,126,392	164	53,976,263	160	50,637,051	160	54,137,805	164	53,987,676	160
502 Keep Arkansas Beautiful-ConsTax	594,746	3	686,608	3	694,073	3	687,165	3	752,665	3	752,665	3	687,289	3	717,789	3	717,789	3
504 Tourism Promotion-Special Rev	13,507,638	8	14,880,113	8	14,875,489	8	14,847,093	8	16,538,419	9	16,497,093	8	14,847,093	8	16,538,419	9	16,497,093	8
54L Wildlife Observation Trails	0	0	1,006,614	0	1,006,614	0	1,006,614	0	1,006,614	0	1,006,614	0	1,006,614	0	1,006,614	0	1,006,614	0
579 Outdoor Recreation Grants Prg	2,706,468	3	7,829,933	4	7,869,651	4	7,805,680	4	7,835,680	4	7,835,680	4	7,805,680	4	7,835,680	4	7,835,680	4
986 Operations & Construction-Cash in Treasury	31,100,518	188	33,792,543	191	34,508,136	191	33,303,827	191	34,418,202	191	34,418,202	191	33,310,526	191	34,523,901	191	34,523,901	191
994 Retirement & Relocation Program	0	0	228,278	0	228,278	0	228,278	0	428,278	0	428,278	0	228,278	0	428,278	0	428,278	0
995 Tourism - Cash in Treasury	20,193	0	55,010	0	65,200	0	55,010	0	55,010	0	55,010	0	55,010	0	55,010	0	55,010	0
996 Entertainers Hall of Fame-Treas	124	0	37,460	0	38,420	0	37,460	0	37,460	0	37,460	0	37,460	0	37,460	0	37,460	0
Total	102,497,280	792	135,869,613	799	136,897,095	799	133,873,374	799	140,360,091	805	140,125,065	799	133,910,966	799	140,386,683	805	140,151,657	799

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	39,326,769	27.3	41,679,578	28.3	11,407,072	9.6	11,407,072	9.6	11,407,072	9.6	6,309,076	5.4	4,558,805	4.0	4,603,325	4.0	
General Revenue	4000010	21,850,974	15.2	21,600,330	14.7	21,694,473	18.3	21,738,044	18.3	21,694,473	18.2	21,713,829	18.7	21,757,400	19.0	21,713,829	19.0	
Federal Revenue	4000020	662,935	0.5	3,324,086	2.3	3,224,086	2.7	3,224,086	2.7	3,224,086	2.7	3,124,086	2.7	3,124,086	2.7	3,124,886	2.7	
Special Revenue	4000030	50,012,589	34.7	50,483,533	34.3	51,916,335	43.7	52,116,335	43.8	52,119,529	43.8	53,707,678	46.3	53,907,678	47.1	53,909,382	47.1	
Cash Fund	4000045	32,320,596	22.4	29,180,044	19.8	29,571,884	24.9	29,571,884	24.8	29,571,884	24.8	30,027,608	25.9	30,027,608	26.3	30,027,608	26.3	
Interest	4000300	2,571	0.0	2,000	0.0	2,000	0.0	2,000	0.0	2,000	0.0	2,000	0.0	2,000	0.0	2,000	0.0	
Interest Income / Royalties	4000307	424	0.0	500	0.0	500	0.0	500	0.0	500	0.0	500	0.0	500	0.0	500	0.0	
Transfers from Agencies	4000690	0	0.0	1,006,614	0.7	1,006,614	0.8	1,006,614	0.8	1,006,614	0.8	1,006,614	0.9	1,006,614	0.9	1,006,614	0.9	
Total Funds		144,176,858	100.0	147,276,685	100.0	118,822,964	100.0	119,066,535	100.0	119,026,158	100.0	115,891,391	100.0	114,384,691	100.0	114,388,144	100.0	
Excess Appropriation/(Funding)		(41,679,578)		(11,407,072)		15,050,410		21,293,556		21,098,907		18,019,575		26,001,992		25,763,513		
Grand Total		102,497,280		135,869,613		133,873,374		140,360,091		140,125,065		133,910,966		140,386,683		140,151,657		

Variance in Fund Balance due to unfunded appropriation in Fund Centers 500, 502, 504, 579, and 986.

FY17 Budget amounts in FC 500 and FC 504 exceed the Authorized amount due to salary and matching rate adjustments during the 2015 - 2017 Biennium.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
787	754	25	779	8	4.19 %	799	756	31	787	12	5.38 %	799	752	35	787	12	5.88 %

Analysis of Budget Request

Appropriation: 1MH - Trails for Life Grants

Funding Sources: NPT - Parks Treasure Fund

The appropriation is funded by proceeds derived from the Health Department - Tobacco Settlement Proceeds Act for grants to cities and counties for the purpose of constructing health and fitness trails and other related facilities that target public health and fitness improvements in their communities.

The agency has decided that the Trails for Life Program will be discontinued due to decreased funding.

The Agency Base Level is \$200,000 each year of the biennium.

The Change Level Request is for a reduction of (\$125,000) in FY18 and (\$200,000) in FY19.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1MH - Trails for Life Grants

Funding Sources: NPT - Parks Treasure Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	150,943	200,000	260,000	200,000	75,000	75,000	200,000	0	0
Total		150,943	200,000	260,000	200,000	75,000	75,000	200,000	0	0
Funding Sources										
Fund Balance	4000005	4,111	30,221		5,221	5,221	5,221	0	0	0
Cash Fund	4000045	175,000	175,000		0	0	0	0	0	0
Interest	4000300	2,053	0		0	0	0	0	0	0
Total Funding		181,164	205,221		5,221	5,221	5,221	0	0	0
Excess Appropriation/(Funding)		(30,221)	(5,221)		194,779	69,779	69,779	200,000	0	0
Grand Total		150,943	200,000		200,000	75,000	75,000	200,000	0	0

Expenditure of Appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 1MH - Trails for Life Grants
Funding Sources: NPT - Parks Treasure Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	200,000	0	200,000	100.0	200,000	0	200,000	100.0
C03	Discontinue Program	(125,000)	0	75,000	37.5	(200,000)	0	0	0.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	200,000	0	200,000	100.0	200,000	0	200,000	100.0
C03	Discontinue Program	(125,000)	0	75,000	37.5	(200,000)	0	0	0.0

Justification

C03	Discontinue the trails for life program. Funding has decreased to the point that the agency can no longer provide new grants and has decided to allow the program to discontinue.
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Analysis of Budget Request

Appropriation: 2JJ - SCORP Program-Federal

Funding Sources: FPT - Parks & Tourism Federal

The Department utilizes this appropriation to provide for the Outdoor Recreation Grant Program and the Development of the Statewide Comprehensive Outdoor Recreation Plan. This appropriation is funded by the Federal Land and Water Conservation Fund Program (LWCF).

The Base Level Request is \$3,271,148 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2JJ - SCORP Program-Federal

Funding Sources: FPT - Parks & Tourism Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	58,651	66,950	66,950	66,950	66,950	66,950	66,950	66,950	66,950
Conference & Travel Expenses	5050009	0	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100
Professional Fees	5060010	1,975	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	576,436	3,178,098	3,178,098	3,178,098	3,178,098	3,178,098	3,178,098	3,178,098	3,178,098
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		637,062	3,271,148	3,271,148	3,271,148	3,271,148	3,271,148	3,271,148	3,271,148	3,271,148
Funding Sources										
Fund Balance	4000005	334,171	360,044		412,982	412,982	412,982	365,920	365,920	365,920
Federal Revenue	4000020	662,935	3,324,086		3,224,086	3,224,086	3,224,086	3,124,086	3,124,086	3,124,886
Total Funding		997,106	3,684,130		3,637,068	3,637,068	3,637,068	3,490,006	3,490,006	3,490,806
Excess Appropriation/(Funding)		(360,044)	(412,982)		(365,920)	(365,920)	(365,920)	(218,858)	(218,858)	(219,658)
Grand Total		637,062	3,271,148		3,271,148	3,271,148	3,271,148	3,271,148	3,271,148	3,271,148

Analysis of Budget Request

Appropriation: 433 - Museum Natural Res-Spec Rev

Funding Sources: SAH - Arkansas Oil Museum Fund

The Department utilizes this appropriation to provide operating expenses for the Museum of Natural Resources (formerly the Oil and Brine Museum). Pursuant to Arkansas Code §25-58-301, this appropriation receives its income from the 1/2 Cent Tax on each barrel of oil produced in the State.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency Base Level is \$110,988 each year of the biennium with three (3) Regular positions.

The Change Level Request is for a reduction of Regular Salaries and Personal Services Matching (\$33,809) each year of the biennium due to the special revenue that funds this appropriation has decreased due to reduced tax collection.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 433 - Museum Natural Res-Spec Rev

Funding Sources: SAH - Arkansas Oil Museum Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	73,877	76,682	82,490	77,282	50,028	50,028	77,282	50,028	50,028
#Positions		3	3	3	3	3	3	3	3	3
Extra Help	5010001	0	0	2,043	0	0	0	0	0	0
#Extra Help		0	0	0	0	0	0	0	0	0
Personal Services Matching	5010003	26,635	33,178	29,957	33,706	27,151	27,151	33,706	27,151	27,151
Operating Expenses	5020002	0	0	0	0	0	0	0	0	0
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		100,512	109,860	114,490	110,988	77,179	77,179	110,988	77,179	77,179
Funding Sources										
Fund Balance	4000005	33,032	13,523		0	0	0	0	6,555	9,749
Special Revenue	4000030	81,003	96,337		83,734	83,734	86,928	85,224	85,224	86,928
Total Funding		114,035	109,860		83,734	83,734	86,928	85,224	91,779	96,677
Excess Appropriation/(Funding)		(13,523)	0		27,254	(6,555)	(9,749)	25,764	(14,600)	(19,498)
Grand Total		100,512	109,860		110,988	77,179	77,179	110,988	77,179	77,179

The Expenditure of Appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 433 - Museum Natural Res-Spec Rev
Funding Sources: SAH - Arkansas Oil Museum Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	110,988	3	110,988	100.0	110,988	3	110,988	100.0
C03	Discontinue Program	(33,809)	0	77,179	69.5	(33,809)	0	77,179	69.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	110,988	3	110,988	100.0	110,988	3	110,988	100.0
C03	Discontinue Program	(33,809)	0	77,179	69.5	(33,809)	0	77,179	69.5

Justification

C03	The special revenue that funds this appropriation has decreased due to reduced tax collection. The agency only funds salaries at the Arkansas Museum of Natural Resources from this appropriation and will reduce the number of employees paid from this appropriation.
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Analysis of Budget Request

Appropriation: 499 - State Operations

Funding Sources: HGA - Parks & Tourism Account

This appropriation provides State Funding for the personal services and operating expenses of the Central Administration, Tourism (including Great River Road), and Parks (including Museum Services) Divisions of the Department of Parks and Tourism. The funding source for this appropriation is general revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015. The Base Level request for Regular Salaries includes board member stipend payments.

The Base Level Request is \$21,694,473 in FY18 and \$21,713,829 in FY19.

The Agency Change Level Request provides for Regular Salaries and Personal Services Matching of \$43,972 each year of the biennium for a new Human Resources Recruiter position as well as an increase in Board Member stipends each year. Reallocation is also requested to cover IT expenses for normal computer replacement in various Central Administration sections based on the Agency's replacement policy. M&O costs are redistributed from other expenditures to low value assets to meet this requirement.

The Executive Recommendation provides for Base Level in addition to the Reallocation requested.

Appropriation Summary

Appropriation: 499 - State Operations
Funding Sources: HGA - Parks & Tourism Account

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	15,160,357	14,782,870	14,854,438	14,799,125	14,830,238	14,799,125	14,814,425	14,845,538	14,814,425
#Positions		435	430	430	430	431	430	430	431	430
Extra Help	5010001	17,907	30,600	33,100	30,600	30,600	30,600	30,600	30,600	30,600
#Extra Help		2	8	8	8	8	8	8	8	8
Personal Services Matching	5010003	5,534,884	5,647,911	5,709,248	5,725,799	5,738,257	5,725,799	5,729,855	5,742,313	5,729,855
Operating Expenses	5020002	493,640	493,423	549,893	493,423	493,423	493,423	493,423	493,423	493,423
Conference & Travel Expenses	5050009	4,198	4,950	7,350	4,950	4,950	4,950	4,950	4,950	4,950
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	22,000	22,588	22,588	22,588	22,588	22,588	22,588	22,588	22,588
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Tourism Promotion	5900046	0	0	0	0	0	0	0	0	0
Advertising Expense	5900047	617,888	617,888	617,888	617,888	617,888	617,888	617,888	617,888	617,888
Conference-DAC	5900048	100	100	100	100	100	100	100	100	100
Total		21,850,974	21,600,330	21,794,605	21,694,473	21,738,044	21,694,473	21,713,829	21,757,400	21,713,829
Funding Sources										
General Revenue	4000010	21,850,974	21,600,330		21,694,473	21,738,044	21,694,473	21,713,829	21,757,400	21,713,829
Total Funding		21,850,974	21,600,330		21,694,473	21,738,044	21,694,473	21,713,829	21,757,400	21,713,829
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		21,850,974	21,600,330		21,694,473	21,738,044	21,694,473	21,713,829	21,757,400	21,713,829

Change Level by Appropriation

Appropriation: 499 - State Operations
Funding Sources: HGA - Parks & Tourism Account

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	21,694,473	430	21,694,473	100.0	21,713,829	430	21,713,829	100.0
C01	Existing Program	43,571	1	21,738,044	100.2	43,571	1	21,757,400	100.2
C04	Reallocation	0	0	21,738,044	100.2	0	0	21,757,400	100.2

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	21,694,473	430	21,694,473	100.0	21,713,829	430	21,713,829	100.0
C01	Existing Program	12,427	0	21,706,900	100.1	12,427	0	21,726,256	100.1
C04	Reallocation	0	0	21,706,900	100.1	0	0	21,726,256	100.1
C13	Not Recommended	(12,427)	0	21,694,473	100.0	(12,427)	0	21,713,829	100.0

Justification

C01	An increase in salaries and matching is requested for both years for a new Human Resources Recruiter position. With the expansion of new facilities and growth of staff over the years, coupled with accelerated retirement rates of our long-term workforce, the workload in regard to recruiting and advertising has grown exponentially and can no longer be handled as an "other duty as assigned" by existing staff. This agency needs a professional dedicated to this duty. The Human Resources Recruiter would be responsible for planning, developing, and implementing recruitment and staffing strategies for our agency. There's a request for an increase in Board Members' stipend for \$401 each year of the biennium.
C04	A reallocation is required to cover IT expenses for normal computer replacement in various Central Administration sections based on the Agency's computer replacement policy. M&O costs are redistributed from other expenditures to low value assets to meet this requirement.

Analysis of Budget Request

Appropriation: 500 - Conservation Tax

Funding Sources: SPT - Dept. of Parks & Tourism Treasury Fund

This appropriation provides for the special revenue funding from the 1/8 Cent Sales Tax levied by Amendment 75 (A.C.A.19-6-484). The Department utilizes these funds to supplement existing funding for State Parks and to provide for their repair and further development, consistent with the referendum presented to and approved by the citizens of Arkansas in 1996.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level Request is \$50,625,638 in FY18 and \$50,637,051 in FY19.

The Change Level Request provides for \$3,500,754 each year of the biennium and is summarized as follows:

- Regular Salaries and Personal Services Matching of \$172,754 each year for four (4) new positions to support new and expanded operations at Jacksonport, Lake Charles, Woolly Hollow and the Parks Director's office.
- Extra Help of \$250,000 each year to keep salaries competitive and to fund a change in accounting for auto gratuities required by the IRS.
- Professional Fees and Services of \$200,000 each year to market and advertise new facilities/parks and for performing high quality celebrity concerts at the Ozark Folk Center.
- Construction of \$250,000 each year to clear some of the backlog of construction projects.
- Capital Outlay of \$1,878,000 each year to meet the parks and museums needs to replace deteriorated equipment.
- Special Maintenance of \$750,000 each year for buildings and facilities maintenance and repairs.

The Executive Recommendation provides for the Agency Request with the exception of four (4) new positions requested above. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 500 - Conservation Tax
Funding Sources: SPT - Dept. of Parks & Tourism Treasury Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018 Base Level	2017-2018 Agency	2017-2018 Executive	2018-2019 Base Level	2018-2019 Agency	2018-2019 Executive
Regular Salaries	5010000	4,794,195	5,069,136	5,050,002	5,074,436	5,179,207	5,074,436	5,083,636	5,188,407	5,083,636
#Positions		152	160	160	160	164	160	160	164	160
Extra Help	5010001	1,828,675	1,784,077	1,784,077	1,784,077	2,034,077	2,034,077	1,784,077	2,034,077	2,034,077
#Extra Help		268	237	237	237	237	237	237	237	237
Personal Services Matching	5010003	2,415,785	2,161,644	2,180,053	2,188,266	2,256,249	2,210,891	2,190,479	2,258,462	2,213,104
Operating Expenses	5020002	11,036,469	12,122,078	12,122,078	12,122,078	12,122,078	12,122,078	12,122,078	12,122,078	12,122,078
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	386,779	413,894	413,894	413,894	613,894	613,894	413,894	613,894	613,894
Construction	5090005	7,734,192	26,624,272	26,624,272	26,624,272	26,874,272	26,874,272	26,624,272	26,874,272	26,874,272
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	1,526,483	1,578,000	1,578,000	0	1,878,000	1,878,000	0	1,878,000	1,878,000
Special Maintenance	5120032	2,105,524	2,418,615	2,418,615	2,418,615	3,168,615	3,168,615	2,418,615	3,168,615	3,168,615
Total		31,828,102	52,171,716	52,170,991	50,625,638	54,126,392	53,976,263	50,637,051	54,137,805	53,987,676
Funding Sources										
Fund Balance	4000005	25,175,220	24,096,584		3,113,828	3,113,828	3,113,828	0	0	0
Special Revenue	4000030	30,749,466	31,188,960		32,124,629	32,124,629	32,124,629	33,088,368	33,088,368	33,088,368
Total Funding		55,924,686	55,285,544		35,238,457	35,238,457	35,238,457	33,088,368	33,088,368	33,088,368
Excess Appropriation/(Funding)		(24,096,584)	(3,113,828)		15,387,181	18,887,935	18,737,806	17,548,683	21,049,437	20,899,308
Grand Total		31,828,102	52,171,716		50,625,638	54,126,392	53,976,263	50,637,051	54,137,805	53,987,676

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium. Expenditure of Appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 500 - Conservation Tax
Funding Sources: SPT - Dept. of Parks & Tourism Treasury Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	50,625,638	160	50,625,638	100.0	50,637,051	160	50,637,051	100.0
C01	Existing Program	3,500,754	4	54,126,392	106.9	3,500,754	4	54,137,805	106.9

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	50,625,638	160	50,625,638	100.0	50,637,051	160	50,637,051	100.0
C01	Existing Program	3,395,983	0	54,021,621	106.7	3,395,983	0	54,033,034	106.7
C13	Not Recommended	(45,358)	0	53,976,263	106.6	(45,358)	0	53,987,676	106.6

Justification

C01	An increase of \$104,771 in Regular Salaries for both years of the biennium for four new positions. One position is in central office to coordinate section activities for the director, one position at Jacksonport for the new visitor center, one position at Woolly Hollow for the new visitor center, and a full time position at Lake Charles to replace an extra help position due to increased year round visitation and extra help is no longer able to fulfill the needs at this park. An increase in Extra Help of \$250,000 for both years of biennium to keep salaries competitive to attract quality employees in remote locations and to fund a change in accounting for auto gratuities required by the IRS. An increase of \$200,000 for both years in Professional Fees and Services for additional expenses to market and advertise new facilities/parks and to compete for high quality celebrity concerts at the Ozark Folk Center. An increase of \$250,000 in construction for both years of the biennium to clear some of the backlog of construction projects. To reestablish Capital Outlay each year of the biennium of \$1,878,000 to meet the parks and museums needs to replace worn out and deteriorated equipment. An increase of \$750,000 for both years of the biennium in Special Maintenance to address a backlog of maintenance repairs and renovations to buildings and grounds and energy conversation measures.
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Analysis of Budget Request

Appropriation: 502 - Keep Arkansas Beautiful-ConsTax

Funding Sources: SBA - Keep Arkansas Beautiful

Act 1278 of 1997 (A.C.A. 15-11-603) established the Keep Arkansas Beautiful Commission to implement a statewide litter prevention program through the voluntary actions of local communities. This appropriation provides for the special revenue funding from the 1/8th Cent Sales Tax levied by Amendment 75 (A.C.A. 19-6-484). This funding will be utilized to support the Keep Arkansas Beautiful Commission and its activities.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Agency Base Level is \$687,165 in FY18 and \$687,289 in FY19.

The Agency's Change Level Request is \$65,500 in FY18 and \$30,500 in FY19 and is summarized as follows:

- Advertising Expense of \$40,900 each year of the biennium to better realign communications with the public through on-line media and also sustain website additions and maintenance.
- Capital Outlay of \$35,000 in FY18 to replace the 2005 program vehicle currently in place.
- Professional Fees decrease of (\$10,400) each year of the biennium to support the increased Advertising Expenses.

The Executive Recommendation provides for the Agency Request. Also, the Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Appropriation Summary

Appropriation: 502 - Keep Arkansas Beautiful-ConsTax

Funding Sources: SBA - Keep Arkansas Beautiful

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	112,442	116,260	121,997	116,260	116,260	116,260	116,360	116,360	116,360
#Positions		3	3	3	3	3	3	3	3	3
Extra Help	5010001	273	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
#Extra Help		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	40,683	41,969	43,697	42,526	42,526	42,526	42,550	42,550	42,550
Operating Expenses	5020002	61,362	89,928	89,928	89,928	89,928	89,928	89,928	89,928	89,928
Conference & Travel Expenses	5050009	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Professional Fees	5060010	9,235	35,400	35,400	35,400	25,000	25,000	35,400	25,000	25,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	1,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Capital Outlay	5120011	0	0	0	0	35,000	35,000	0	0	0
Advertising Expense	5900047	369,751	379,051	379,051	379,051	419,951	419,951	379,051	419,951	419,951
Total		594,746	686,608	694,073	687,165	752,665	752,665	687,289	717,789	717,789
Funding Sources										
Fund Balance	4000005	190,479	275,909		282,389	282,389	282,389	309,105	243,605	243,605
Special Revenue	4000030	680,176	693,088		713,881	713,881	713,881	735,297	735,297	735,297
Total Funding		870,655	968,997		996,270	996,270	996,270	1,044,402	978,902	978,902
Excess Appropriation/(Funding)		(275,909)	(282,389)		(309,105)	(243,605)	(243,605)	(357,113)	(261,113)	(261,113)
Grand Total		594,746	686,608		687,165	752,665	752,665	687,289	717,789	717,789

Change Level by Appropriation

Appropriation: 502 - Keep Arkansas Beautiful-ConsTax
Funding Sources: SBA - Keep Arkansas Beautiful

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	687,165	3	687,165	100.0	687,289	3	687,289	100.0
C01	Existing Program	75,900	0	763,065	111.0	40,900	0	728,189	106.0
C03	Discontinue Program	(10,400)	0	752,665	109.5	(10,400)	0	717,789	104.4

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	687,165	3	687,165	100.0	687,289	3	687,289	100.0
C01	Existing Program	75,900	0	763,065	111.0	40,900	0	728,189	106.0
C03	Discontinue Program	(10,400)	0	752,665	109.5	(10,400)	0	717,789	104.4

Justification

C01	An increase of \$40,900 each year for both years is requested to better realign our communications with the public, our program participants and volunteers through on-line media opportunities and media and to sustain website additions and maintenance. Increase of \$35,000 in FY18 for a program vehicle to replace the 2005 automobile currently in service.
C03	A decrease of \$10,400 each year for both years is requested to use these funds for needed advertising expenses to increase web-based communications.

Analysis of Budget Request

Appropriation: 504 - Tourism Promotion-Special Rev

Funding Sources: TDT - Tourism Development Fund

Act 629 of 1989 (A.C.A. §19-5-956) established the Tourism Development Trust Fund to promote tourism in Arkansas. Pursuant to A.C.A. § 26-52-1006, funding is derived from a 2% Gross Receipts Tax on tourist-related business. The Department utilizes this appropriation for operating expenses to promote Arkansas tourism through advertising and website promotion, grassroots campaigns, and printed materials.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level Request includes appropriation of \$14,847,093 each year of the biennium.

The Agency's Change Level Request provides for \$1,691,326 each year and is summarized as follows:

- Regular Salary and Personal Services Matching of \$41,326 for one (1) new position in the Group Travel Section - ADPT Consultant (P034C) to assist in the lucrative sports marketing arena each year of the biennium.
- Operating Expenses of \$150,000 each year to cover additional costs in association membership dues, brochure printing, software maintenance, lodging, warehouse rental, equipment rental and website hosting.
- Advertising Expenses of \$1,500,000 each year to cope with recent changes in the travel industry particularly internet marketing campaigns as well as purchasing additional broadcast and print media in each year.
- Reallocation of appropriation within the Tourism Promotion line item totaling \$20,000 for more efficient allocation of maintenance and operating expenses. Those areas include software maintenance, rent, additional lodging, staff vehicle insurance, and professional and administrative fees.

The Executive Recommendation provides for the Agency Request with the exception of the one (1) new position requested above.

Appropriation Summary

Appropriation: 504 - Tourism Promotion-Special Rev

Funding Sources: TDT - Tourism Development Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	243,845	246,896	244,711	247,496	276,747	247,496	247,496	276,747	247,496
#Positions	8	8	8	8	9	8	8	9	8
Extra Help 5010001	23,972	27,502	25,000	27,502	27,502	27,502	27,502	27,502	27,502
#Extra Help	7	8	8	8	8	8	8	8	8
Personal Services Matching 5010003	99,640	100,950	101,013	102,330	114,405	102,330	102,330	114,405	102,330
Operating Expenses 5020002	1,244,753	1,682,575	1,682,575	1,682,575	1,830,575	1,830,575	1,682,575	1,830,575	1,830,575
Conference & Travel Expenses 5050009	1,424	5,360	5,360	5,360	5,360	5,360	5,360	5,360	5,360
Professional Fees 5060010	13,441	15,000	15,000	15,000	17,000	17,000	15,000	17,000	17,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	22,940	35,000	35,000	0	0	0	0	0	0
Tourist Promotion 5900046	1,050,595	1,272,000	1,272,000	1,272,000	1,272,000	1,272,000	1,272,000	1,272,000	1,272,000
Advertising Expense 5900047	10,807,028	11,344,830	11,344,830	11,344,830	12,844,830	12,844,830	11,344,830	12,844,830	12,844,830
Small Festival Expenses, Advertis: 5900048	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total	13,507,638	14,880,113	14,875,489	14,847,093	16,538,419	16,497,093	14,847,093	16,538,419	16,497,093
Funding Sources									
Fund Balance 4000005	666,893	1,910,741		2,453,545	2,453,545	2,453,545	3,723,310	2,031,984	2,073,310
Special Revenue 4000030	14,750,968	15,420,917		16,114,858	16,114,858	16,114,858	16,840,027	16,840,027	16,840,027
Interest 4000300	518	2,000		2,000	2,000	2,000	2,000	2,000	2,000
Total Funding	15,418,379	17,333,658		18,570,403	18,570,403	18,570,403	20,565,337	18,874,011	18,915,337
Excess Appropriation/(Funding)	(1,910,741)	(2,453,545)		(3,723,310)	(2,031,984)	(2,073,310)	(5,718,244)	(2,335,592)	(2,418,244)
Grand Total	13,507,638	14,880,113		14,847,093	16,538,419	16,497,093	14,847,093	16,538,419	16,497,093

FY17 Budget amount in Regular Salaries and Extra Help exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Change Level by Appropriation

Appropriation: 504 - Tourism Promotion-Special Rev
Funding Sources: TDT - Tourism Development Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	14,847,093	8	14,847,093	100.0	14,847,093	8	14,847,093	100.0
C01	Existing Program	1,691,326	1	16,538,419	111.4	1,691,326	1	16,538,419	111.4
C04	Reallocation	0	0	16,538,419	111.4	0	0	16,538,419	111.4

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	14,847,093	8	14,847,093	100.0	14,847,093	8	14,847,093	100.0
C01	Existing Program	1,662,075	0	16,509,168	111.2	1,662,075	0	16,509,168	111.2
C04	Reallocation	0	0	16,509,168	111.2	0	0	16,509,168	111.2
C13	Not Recommended	(12,075)	0	16,497,093	111.1	(12,075)	0	16,497,093	111.1

Justification

C01	An increase in advertising expenses of \$1,500,000 in FY18 and FY19 is requested to allow for the agency to maintain an active presence in marketing Arkansas to prospective visitors. The increase will allow for a boost in advertising investment that is needed to cope with recent changes in the travel industry. Arkansas must stay abreast of changing demands in methods of reaching potential visitors to our state, particularly in the area of expanded internet marketing campaigns as well as the purchase of additional broadcast and print media. We are requesting an increase of \$150,000 in maintenance and operation expenses over the biennium to cover anticipated additional costs in association membership dues, brochure printing, software maintenance, lodging, warehouse rental, equipment rental and website hosting. Additionally, we are requesting a new position in the Group Travel Section to help us compete in the very active and lucrative sports marketing arena: ADPT Consultant (P034C) Particular areas of growth include amateur team sports, especially tournaments geared toward baseball, softball, and soccer teams. Several of the state's local convention and visitor bureaus have been very successful luring a variety of major regional and national tournaments to Arkansas. Working with them at sports marketing shows to bring additional groups into the state offers lucrative opportunities for Arkansas's tourism industry. A big advantage is that landing such tournaments helps communities fill their local lodging accommodations over the weekends, typically the days when hotels/motels are running low occupancy rates and are seeking additional customers. In addition, Arkansas is aiming to position itself as the premier state for biking (both road biking and mountain biking) and motorcycling enthusiasts. We've had notable success, not only in obtaining major editorial coverage in leading publications but also in bringing the International Mountain Bicycling Association to Arkansas for its 2017 World Summit. To fully tap into these markets will require a substantial amount of travel to consumer shows specializing in these niche markets. Presently we don't have the staff to adequately handle the sports marketing component. Our team is busy working with meeting and convention planners, motor coach owners and operators, and reunion planners. This new position would augment our Tourism Group Travel section for this purpose. Our team is busy working with meeting and convention planners, motor coach owners and operators, and reunion planners. This new position would augment our Tourism Group Travel section for this purpose.
C04	The reallocation of funds within the 504 Tourism Promotion appropriation totaling \$20,000 is requested for more efficient allocation of maintenance and operation expenses. Those areas include \$5,000 in software maintenance, \$2,000 in rent, \$2,000 for additional lodging, \$1,000 for staff vehicle insurance and \$10,000 in professional and administrative fees.

Analysis of Budget Request

Appropriation: 54L - Wildlife Observation Trails

Funding Sources: SWO - Operations

Act 686 of 2009 established that the Arkansas Game and Fish Commission make available \$1,000,000 in FY2010 and FY2011 for the Wildlife Observation Trails Pilot Program. Wildlife Observation Trail means a trail route designed to promote conservation and management of wildlife resources of the state and to promote tourism and economic development through the enjoyment, use, protection and improvement of the natural resources of Arkansas.

The Agency requests Base Level of \$1,006,614 each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 54L - Wildlife Observation Trails

Funding Sources: SWO - Operations

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	6,614	6,614	6,614	6,614	6,614	6,614	6,614	6,614
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		0	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614
Funding Sources										
Transfers from Agencies	4000690	0	1,006,614		1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614
Total Funding		0	1,006,614		1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		0	1,006,614		1,006,614	1,006,614	1,006,614	1,006,614	1,006,614	1,006,614

Analysis of Budget Request

Appropriation: 579 - Outdoor Recreation Grants Prg

Funding Sources: MPT - Parks & Tourism Outdoor Recreation

The Agency utilizes this appropriation for operating expenses and outdoor recreational grants to cities and counties. Funding is derived from the State Parks' portion of the proceeds of the Real Estate Transfer Tax increase levied by Act 729 of 1987, and further increased by Act 1181 of 1993 (A.C.A. 26-60-105).

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level is \$7,805,680 each year of the biennium.

The Agency Change Level Request is for Capital Outlay of \$30,000 each year of the biennium for potential replacement of an aging vehicle.

The Executive Recommendation provides for the Agency Request. Also, the Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 579 - Outdoor Recreation Grants Prg
Funding Sources: MPT - Parks & Tourism Outdoor Recreation

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	108,811	149,563	177,011	149,563	149,563	149,563	149,563	149,563	149,563
#Positions		3	4	4	4	4	4	4	4	4
Extra Help	5010001	0	15,210	15,210	15,210	15,210	15,210	15,210	15,210	15,210
#Extra Help		0	1	1	1	1	1	1	1	1
Personal Services Matching	5010003	56,857	56,759	69,029	57,506	57,506	57,506	57,506	57,506	57,506
Operating Expenses	5020002	11,093	37,020	37,020	37,020	37,020	37,020	37,020	37,020	37,020
Conference & Travel Expenses	5050009	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	2,529,707	7,544,881	7,544,881	7,544,881	7,544,881	7,544,881	7,544,881	7,544,881	7,544,881
Capital Outlay	5120011	0	25,000	25,000	0	30,000	30,000	0	30,000	30,000
Total		2,706,468	7,829,933	7,869,651	7,805,680	7,835,680	7,835,680	7,805,680	7,835,680	7,835,680

Funding Sources										
Fund Balance	4000005	5,173,320	4,973,980		0	0	0	0	0	0
Special Revenue	4000030	2,507,128	2,855,953		2,650,955	2,650,955	2,650,955	2,730,484	2,730,484	2,730,484
Total Funding		7,680,448	7,829,933		2,650,955	2,650,955	2,650,955	2,730,484	2,730,484	2,730,484
Excess Appropriation/(Funding)		(4,973,980)	0		5,154,725	5,184,725	5,184,725	5,075,196	5,105,196	5,105,196
Grand Total		2,706,468	7,829,933		7,805,680	7,835,680	7,835,680	7,805,680	7,835,680	7,835,680

Expenditure of Appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 579 - Outdoor Recreation Grants Prg
Funding Sources: MPT - Parks & Tourism Outdoor Recreation

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	7,805,680	4	7,805,680	100.0	7,805,680	4	7,805,680	100.0
C01	Existing Program	30,000	0	7,835,680	100.4	30,000	0	7,835,680	100.4

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	7,805,680	4	7,805,680	100.0	7,805,680	4	7,805,680	100.0
C01	Existing Program	30,000	0	7,835,680	100.4	30,000	0	7,835,680	100.4

Justification

C01	A request for \$30,000 in Capital Outlay for both years of the biennium for potential replacement of an aging vehicle.								
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Analysis of Budget Request

Appropriation: 986 - Operations & Construction-Cash in Treasury

Funding Sources: NPT - Parks Fund

This appropriation is financed by cash receipts and interest income generated by the State Park System. Cash receipts include the fees charged for park facility usage and/or property rentals, the sale of items purchased from gift shops, restaurant operations, and other miscellaneous receipts. The Department utilizes this appropriation to provide staff and operational support to park and museum activities.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level includes appropriation of \$33,303,827 in FY18 and \$33,310,526 in FY19.

The Agency Change Level Request provides for \$1,114,375 in FY18 and \$1,213,375 in FY19 and is summarized as follows:

- Extra Help and Personal Services Matching of \$272,625 each year to fund the final installment of the minimum wage.
- Operating Expenses of \$900,577 each year for implementation of a new on-line reservation system and also for expected increases related to higher fuel and utility costs.
- Professional Fees of \$637,558 in FY18 and \$736,558 in FY19 for marketing/advertising new and expanded facilities/parks.
- Capital Outlay of \$525,000 each year of the biennium for the replacement of aging vehicles and deteriorating equipment.
- Contractual Services of \$50,000 each year to accommodate increases in vendor contracts at the Ozark Folk Center and also to fund a new internship program.
- Construction decrease of (\$1,271,385) each year due to completion of the rails to trails match on the Delta Heritage trail.

The Executive Recommendation provides for the Agency Request. Also, the Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 986 - Operations & Construction-Cash in Treasury
Funding Sources: NPT - Parks Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	5,812,132	5,965,718	5,928,135	5,970,918	5,970,918	5,970,918	5,976,318	5,976,318	5,976,318
#Positions		188	191	191	191	191	191	191	191	191
Extra Help	5010001	3,530,921	4,269,367	4,269,367	4,269,367	4,519,367	4,519,367	4,269,367	4,519,367	4,519,367
#Extra Help		420	553	553	553	553	553	553	553	553
Personal Services Matching	5010003	3,219,584	2,753,946	2,756,545	2,785,030	2,807,655	2,807,655	2,786,329	2,808,954	2,808,954
Operating Expenses	5020002	7,594,228	9,048,948	9,799,525	9,048,948	9,949,525	9,949,525	9,048,948	9,949,525	9,949,525
Conference & Travel Expenses	5050009	14,543	40,500	40,500	40,500	40,500	40,500	40,500	40,500	40,500
Professional Fees	5060010	681,948	871,542	871,542	871,542	1,509,100	1,509,100	871,542	1,608,100	1,608,100
Construction	5090005	3,068,779	1,771,385	1,771,385	1,771,385	500,000	500,000	1,771,385	500,000	500,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Resale (COGS)	5090017	4,309,492	5,058,961	5,058,961	5,058,961	5,058,961	5,058,961	5,058,961	5,058,961	5,058,961
Capital Outlay	5120011	0	525,000	525,000	0	525,000	525,000	0	525,000	525,000
Debt Service	5120019	2,580,430	3,050,999	3,050,999	3,050,999	3,050,999	3,050,999	3,050,999	3,050,999	3,050,999
Contractual Services	5900043	288,461	436,177	436,177	436,177	486,177	486,177	436,177	486,177	486,177
Total		31,100,518	33,792,543	34,508,136	33,303,827	34,418,202	34,418,202	33,310,526	34,523,901	34,523,901
Funding Sources										
Fund Balance	4000005	7,009,644	8,027,740		3,215,041	3,215,041	3,215,041	0	0	0
Cash Fund	4000045	32,118,614	28,979,844		29,558,684	29,558,684	29,558,684	30,002,408	30,002,408	30,002,408
Total Funding		39,128,258	37,007,584		32,773,725	32,773,725	32,773,725	30,002,408	30,002,408	30,002,408
Excess Appropriation/(Funding)		(8,027,740)	(3,215,041)		530,102	1,644,477	1,644,477	3,308,118	4,521,493	4,521,493
Grand Total		31,100,518	33,792,543		33,303,827	34,418,202	34,418,202	33,310,526	34,523,901	34,523,901

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium. Expenditure of Appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 986 - Operations & Construction-Cash in Treasury
Funding Sources: NPT - Parks Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	33,303,827	191	33,303,827	100.0	33,310,526	191	33,310,526	100.0
C01	Existing Program	2,385,760	0	35,689,587	107.2	2,484,760	0	35,795,286	107.5
C03	Discontinue Program	(1,271,385)	0	34,418,202	103.3	(1,271,385)	0	34,523,901	103.6

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	33,303,827	191	33,303,827	100.0	33,310,526	191	33,310,526	100.0
C01	Existing Program	2,385,760	0	35,689,587	107.2	2,484,760	0	35,795,286	107.5
C03	Discontinue Program	(1,271,385)	0	34,418,202	103.3	(1,271,385)	0	34,523,901	103.6

Justification

C01	An increase in Extra Help of \$250,000 for both years of the biennium to fund the final instalment of the minimum wage. An increase in M&O \$900,577 is requested for both years of the biennium for implementation of a new on-line reservation system, and for expected increases related to higher fuel and utility costs. An increase of \$637,558 for FY18 and \$736,558 for FY19 in Professional Fees and Services for additional expenses for marketing and advertising new/expanded facilities/parks at Queen Wilhelmina, Mississippi River, Delta Heritage Trail State Park and Logoly. Establish Capital Outlay each year of the biennium of \$525,000 for the replacement of high mileage aging vehicles and deteriorating equipment needs in the park system. An increase of \$50,000 in both years of the biennium to accommodate increases in crafter/vendor contracts at the Ozark Folk Center and fund a new internship program.
C03	Reduce construction each year of the biennium \$1,271,385 due to completion of the rails to trails match on the Delta Heritage trail.

Analysis of Budget Request

Appropriation: 994 - Retirement & Relocation Program

Funding Sources: TDT - PT - Trsm Promotion

Act 609 of 1997 (A.C.A. §25-13-301) created the Retirement and Relocation Program to promote economic development of the State by encouraging retirees to relocate to Arkansas. Funding is derived from general revenues. The Department utilizes the appropriation for advertising expenses to encourage retirees to relocate to Arkansas.

The Agency Base Level is \$228,278 each year of the biennium.

The Change Level Request provides for Advertising Expenses of \$200,000 each year of the biennium to attract baby-boomers to move to Arkansas in the retirement years.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 994 - Retirement & Relocation Program

Funding Sources: TDT - PT - Trsm Promotion

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	26,659	26,659	26,659	26,659	26,659	26,659	26,659	26,659
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Advertising Expense	5900047	0	198,619	198,619	198,619	398,619	398,619	198,619	398,619	398,619
Total		0	228,278	228,278	228,278	428,278	428,278	228,278	428,278	428,278
Funding Sources										
Fund Balance	4000005	666,893	1,910,741		1,910,741	1,910,741	1,910,741	1,910,741	1,910,741	1,910,741
Special Revenue	4000030	1,243,848	228,278		228,278	428,278	428,278	228,278	428,278	428,278
Total Funding		1,910,741	2,139,019		2,139,019	2,339,019	2,339,019	2,139,019	2,339,019	2,339,019
Excess Appropriation/(Funding)		(1,910,741)	(1,910,741)		(1,910,741)	(1,910,741)	(1,910,741)	(1,910,741)	(1,910,741)	(1,910,741)
Grand Total		0	228,278		228,278	428,278	428,278	228,278	428,278	428,278

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Change Level by Appropriation

Appropriation: 994 - Retirement & Relocation Program
Funding Sources: TDT - PT - Trsm Promotion

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	228,278	0	228,278	100.0	228,278	0	228,278	100.0
C01	Existing Program	200,000	0	428,278	187.6	200,000	0	428,278	187.6

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	228,278	0	228,278	100.0	228,278	0	228,278	100.0
C01	Existing Program	200,000	0	428,278	187.6	200,000	0	428,278	187.6

Justification

C01	An advertising increase of \$200,000 in each year is requested for additional funding to our Retirement and Relocation program. This will allow us to more aggressively market to more people interested in moving permanently to our state for active retirement years. With Baby-boomers increasingly starting to retire and look for attractive place to move for their "golden year," we feel the state can capitalize on this trend with increased advertising to that special market.
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Analysis of Budget Request

Appropriation: 995 - Tourism - Cash in Treasury

Funding Sources: NPT - Tourism Operations

This appropriation provides for the operation of the Gift Shop in the Central Office. Funding is derived from the sale of merchandise from the Gift Shop. Items for resale are purchased in bulk as necessary. Since 1999, this appropriation has typically averaged in excess of \$60,000 in fund balances.

The Agency Base Level is \$55,010 each year of the biennium.

The Change Level Request provides for Reallocation of \$20,000 from Operating Expenses to the Resale category to give more flexibility in purchasing Arkansas: The Natural State products for retail sales to the public.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 995 - Tourism - Cash in Treasury

Funding Sources: NPT - Tourism Operations

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	5,670	35,010	45,200	35,010	15,010	15,010	35,010	15,010	15,010
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Resale (COGS)	5090017	14,523	20,000	20,000	20,000	40,000	40,000	20,000	40,000	40,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		20,193	55,010	65,200	55,010	55,010	55,010	55,010	55,010	55,010
Funding Sources										
Fund Balance	4000005	49,050	42,851		1,041	1,041	1,041	0	0	0
Cash Fund	4000045	13,994	13,200		13,200	13,200	13,200	13,200	13,200	13,200
Total Funding		63,044	56,051		14,241	14,241	14,241	13,200	13,200	13,200
Excess Appropriation/(Funding)		(42,851)	(1,041)		40,769	40,769	40,769	41,810	41,810	41,810
Grand Total		20,193	55,010		55,010	55,010	55,010	55,010	55,010	55,010

The Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 995 - Tourism - Cash in Treasury
Funding Sources: NPT - Tourism Operations

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	55,010	0	55,010	100.0	55,010	0	55,010	100.0
C04	Reallocation	0	0	55,010	100.0	0	0	55,010	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	55,010	0	55,010	100.0	55,010	0	55,010	100.0
C04	Reallocation	0	0	55,010	100.0	0	0	55,010	100.0

Justification

C04	A reallocation of \$20,000 from the ADPT gift shop operation is requested in FY18 and FY19, moving unused postage to the purchase of non-inventory items that will be needed in the next biennium for the efficient operation of the shop.
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Analysis of Budget Request

Appropriation: 996 - Entertainers Hall of Fame-Treas

Funding Sources: NPT - Parks & Tourism Hall of Fame

Act 671 of 1985 (A.C.A. 13-9-101) as amended created the Arkansas Entertainers Hall of Fame Board to honor individuals who by achievement or service have made outstanding and lasting contributions in entertainment. During the 81st General Assembly, Act 255 of 1997 transferred the authority and responsibility for the administration of the Arkansas Hall of Fame to the Arkansas Department of Parks and Tourism. Additional funding is provided by donations from private sources and the City of Pine Bluff, where the Agency is located. This appropriation provides for the operation of the Arkansas Entertainers Hall of Fame.

The Agency requests Base Level of \$37,460 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 996 - Entertainers Hall of Fame-Treas

Funding Sources: NPT - Parks & Tourism Hall of Fame

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Various Exp - Entertainers Hall 5900046	124	37,460	38,420	37,460	37,460	37,460	37,460	37,460	37,460
Total	124	37,460	38,420	37,460	37,460	37,460	37,460	37,460	37,460
Funding Sources									
Fund Balance 4000005	23,956	37,244		12,284	12,284	12,284	0	0	0
Cash Fund 4000045	12,988	12,000		0	0	0	12,000	12,000	12,000
Interest Income / Royalties 4000307	424	500		500	500	500	500	500	500
Total Funding	37,368	49,744		12,784	12,784	12,784	12,500	12,500	12,500
Excess Appropriation/(Funding)	(37,244)	(12,284)		24,676	24,676	24,676	24,960	24,960	24,960
Grand Total	124	37,460		37,460	37,460	37,460	37,460	37,460	37,460

Revenue is received every other year. The Expenditure of appropriation is contingent upon available funding.

ARKANSAS STATE BOARD OF PHYSICAL THERAPY

Enabling Laws

Act 57 of 2016
A.C.A. §17-93-201

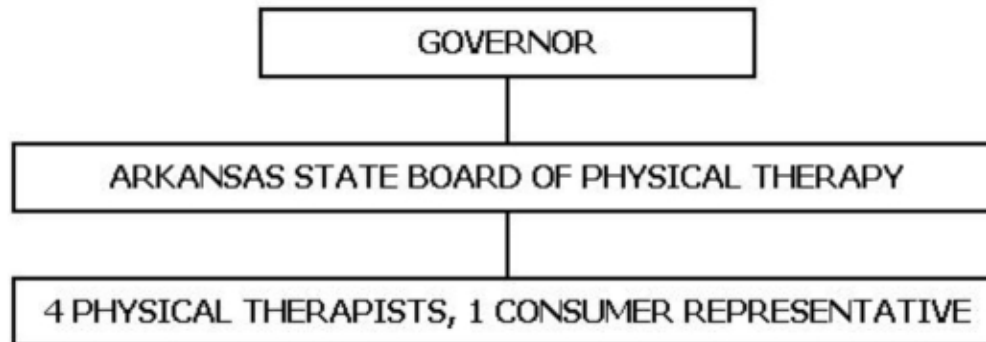
History and Organization

History: A.C.A. §17-93-201 established the Arkansas State Board of Physical Therapy. It authorized a five member Board that is made up of four Physical Therapists and a consumer representative.

Mission: To administer the statute with the highest degree of integrity, competence, and efficiency commensurate with the professional standards of physical therapy providers.

Statutory Responsibility: To see that persons attesting to provide physical therapy services have met all requirements and by doing so protect the public.

Primary Activities: 1) Grant a license to those who meet all requirements, including verification of eligibility to take the national examination and otherwise qualify; 2) Oversee examination which tests for minimum level competency; 3) Determine whether those who apply for a license to practice qualify; 4) Annually register and issue an annual license to practice; and 5) Investigate violations of the Act and take disciplinary action where appropriate after conducting a hearing.



Agency Commentary

As in previous years, the Arkansas State Board of Physical Therapy strives to issue licenses for physical therapy and to uphold the standards prescribed by statute to protect the health of the public. The Board's budget in previous years and for the upcoming biennial budget period remains the same as it has been for the past fifteen years. The Board has succeeded in staying within the approved budget each year.

The Arkansas State Board of Physical Therapy's proposed budget for the total operating expenses will remain the same. This covers salaries, facility rent, complaint investigations, disciplinary hearings, board member travel to meetings, office equipment rental and all other necessary operating expenses.

We believe it is necessary that the Arkansas State Board of Physical Therapy's biennial budget for 2017-2019 remain at its present level to ensure the financial obligations of the Board.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STATE BOARD OF PHYSICAL THERAPY
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	2	2	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			2	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Annual Report	A.C.A. §17-93-203 (c)	Y	N	1	Report receipts and disbursements	0	0.00
Directory	A.C.A. §17-93-202 (4)(A)	N	N	20	Communication with Licensees	0	0.00
Newsletter	None	N	N	2,600	Practice Changes:Suspension	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %

Analysis of Budget Request

Appropriation: B47 - Cash Operations

Funding Sources: 346 - Physical Therapy Cash Operations

The Arkansas State Board of Physical Therapy was created by A.C.A. §17-93-201. The primary duties of the Board include the licensure of Physical Therapists and Physical Therapy Assistants through examination. The Board is a cash agency funded from licensure and renewal fees charged pursuant to A.C.A. §17-93-202. The Board utilizes these funds to finance two Regular Salary positions and provide operating expenses for the administration of the laws governing individuals who provide physical therapy services.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Board is requesting Base Level of \$263,335 in each year of the biennium with two (2) Regular positions and one (1) Extra Help position.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: B47 - Cash Operations
Funding Sources: 346 - Physical Therapy Cash Operations

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	96,426	92,778	91,891	92,778	92,778	92,778	92,778	92,778	92,778
#Positions	2	2	2	2	2	2	2	2	2
Extra Help 5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help	0	1	1	1	1	1	1	1	1
Personal Services Matching 5010003	31,248	30,723	30,816	31,235	31,235	31,235	31,235	31,235	31,235
Operating Expenses 5020002	47,561	89,833	89,833	89,833	89,833	89,833	89,833	89,833	89,833
Conference & Travel Expenses 5050009	0	3,489	3,489	3,489	3,489	3,489	3,489	3,489	3,489
Professional Fees 5060010	4,273	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	179,508	262,823	262,029	263,335	263,335	263,335	263,335	263,335	263,335
Funding Sources									
Fund Balance 4000005	841,705	905,538		849,842	849,842	849,842	800,870	800,870	829,613
Cash Fund 4000045	243,341	207,127		214,363	214,363	214,363	263,335	263,335	263,335
Total Funding	1,085,046	1,112,665		1,064,205	1,064,205	1,064,205	1,064,205	1,064,205	1,092,948
Excess Appropriation/(Funding)	(905,538)	(849,842)		(800,870)	(800,870)	(800,870)	(800,870)	(800,870)	(829,613)
Grand Total	179,508	262,823		263,335	263,335	263,335	263,335	263,335	263,335

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

STATE BOARD OF PRIVATE CAREER EDUCATION

Enabling Laws

Act 184 of 2016

A.C.A. § 6-51-601 et. seq.

History and Organization

MISSION: The Arkansas State Board of Private Career Education (SBPCE) was established to provide consumer protection for Arkansas residents by licensing and monitoring organizations that offer certificates or diplomas for training that leads to or enhances a career. The Board's authority extends to organizations that offer education in Arkansas or that recruit students to attend a school located in another state.

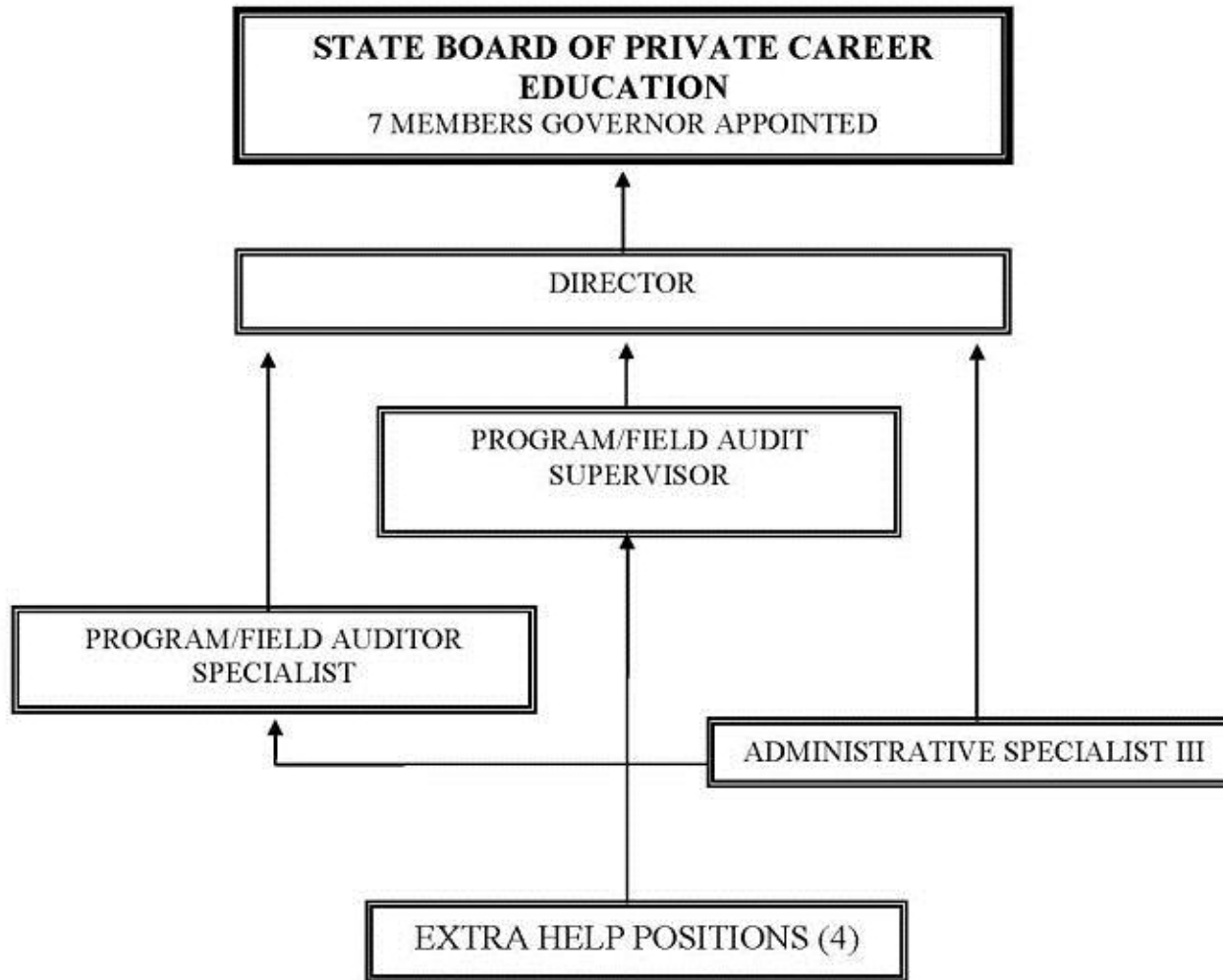
The Board was established in 1989 with responsibilities and authority as set forth in Arkansas Code Annotated 6-51-601 et. seq. The Governor appointed Board consists of seven members; four members from the general public and three members from the Private Career Education Industry, as well as ex officio members representing the Department of Higher Education and the Department of Career Education. The Board's day to day operation is conducted by a Director and office staff of three full-time employees.

Currently 206 schools and 84 admissions representatives are licensed; these schools have 231 individual owners, 1,372 instructors and 291 Programs of Study. As of June 30, 2016 there were 24,887 students enroll in private career education. To be granted a license, schools must meet established criteria and submit detailed operational information that includes review and approval of items such as program content and goals, facilities, equipment, instructor qualifications, etc. and undergo inspection visits by SBPCE staff. Continued monitoring requires review of financial stability, advertising practices, record maintenance, transcripts, placement records, catalogs, processing student complaints, etc. Review of student complaints can include the convening of the SBPCE Arbitration Panel, if requested by either party. School licenses must be renewed on a yearly basis.

When a school ceases to operate and students are enrolled, it is the responsibility of the SBPCE Director to attempt to place each student of the school in another private career school. When a school closes, the Board receives the academic transcripts that are then scanned, maintained and serviced as long as the computer equipment available will allow for retrieval. Financial aid records from closed schools are maintained in one of two ways: (A) Records for schools participating in the Federal Financial Aid Program are received from the previous three (3) years and will be maintained for three (3) years or (B) Records for schools not participating in the Federal Financial Aid programs are received from the previous year and are maintained for one (1) year. We currently have over 60,000 student transcripts available from closed schools.

The Student Protection Trust Fund (SPF) is funded by an annual assessment to each licensed school. On May 30, 2004 for the first time since the

licensure for fifteen (15) years will not be assessed additional fees unless the fund has a balance of less than \$500,000 on May 30 of any year. Schools that were not licensed in 1989 will continue to be assessed the fee until they have paid into the fund for fifteen (15) years.



Agency Commentary

General Operations of the State Board of Private Career Education are funded primarily from special revenue derived from annual license fees, admissions representative fees, and school amendment fees for changes such as program offerings, location, etc. We have committed to internally reducing the 2016-2017 expenditures by \$119,234. We have an employee retiring in August 2016; we will not fill the position. We have been working diligently since 2013 to move agency applications online. The remaining forms should be online by 2017. Online processing has allowed for online payment by schools, decreased the length of time it takes to process applications, receipting takes only minutes as the information received from the Information Network of Arkansas (INA) is imported to our database and the income sent by INA to the Treasurer's Office. The additional online applications will save time with in other application processes. These changes allow us to offer the same level of service to Arkansas residents with one less full time position for a reduction of (\$55,887) each year of the biennium and two extra help positions for a reduction to base level of (\$12,500) each year of the biennium. Personal Services Matching for all three positions provide a reduction to base level of (\$18,697) for FY 18 and (\$19,256) for FY 19. These reductions total up to a request of (\$87,084) for FY 18 and (\$87,643) for FY 19.

For the Student Protection Trust Fund appropriation, funded from special revenues received from annual assessment fees charged applicable schools, continuation of Authorized Level for each year of the biennium is requested. We are requesting continued base level of this appropriation so that if a large school was to close the appropriation would be available to assist the students and pay other items from A.C.A § 6-51-607 as listed below:

Pay claims filed by students when a school becomes insolvent or ceases to operate without offering a complete program of study;

- Pay expenses incurred by a school that are directly related to educating a student placed in the school for teach out purposes;
- Reimburse the Private Career Education Fund for expenses directly associated with the storage and maintenance of student academic and financial aid records; and
- Reimburse the Private Career Education Fund for administrative costs incurred due to school closings.

Any amounts in the fund above the required five hundred thousand dollar \$500,000 may be used with the approval of the board to:

- Fund educational seminars and other forms of educational projects for the use and benefit of licensed school administrators, faculty, staff, or admissions representatives;
- Provide for travel expenses and registration fees to send staff or board members to accrediting meetings, seminars, or meetings relating to the school sector; or
- Provide staff assistance.

For Cash Operations funded through cash fees, grants, and proceeds received from school surety bonds for students, the request is for continuation of Authorized Level for each year of the 2017-2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STATE BOARD OF PRIVATE CAREER EDUCATION
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Per the Department of Finance and Administration (DFA) Financial Management Guide R4-19-4-501, sound internal controls over cash receipts dictate daily deposits to Treasury and/or bank accounts. Weekly deposits are allowable if an agency receives only a minimal amount of cash. The Agency, again, allowed for the average time between receipts and deposits to exceed one week. For the fiscal years ending June 30, 2014, and June 30, 2015, the average number of days from receipt to deposit was 14 days and 15 days, respectively. Lack of expediency in depositing funds could allow for misappropriation.

Recommendations

We recommend the Agency make deposits weekly.

Agency Response:

We are implementing the following procedure to assure weekly deposits are made. During license renewal and Student Protection Fund (SPF) payment time, we will make deposits more than one time a week based on the amount of money received. All of our license renewal fees are paid online through the Information Network of Arkansas (INA). For currently licensed schools, the SPF fees are also paid online through INA.

The mail is opened by two persons when received in the office. Money received is manually recorded in the money log by the Administrative Secretary. Each day, the money log is printed by the Administrative Secretary and given to the Compliance Specialist. The Administrative Secretary places the money received in the money bag, and it is kept in a locked safe.

We receive the previous week's EFT deposit reports from INA each Monday, as well as a list showing that paid the fee and for what the fee was owed. The Compliance Analyst electronically moves the EFT funds into the receipt log and then prints the log and a copy of the list.

This step will be a reminder that the deposit needs to be made each week. The Director will get the deposit handed to her or an email reminding her to process the deposit. Income received Tuesday through Monday is entered on an internal deposit form and is balanced by the Compliance Specialist. When the internal form is completed and balanced, if the

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS STATE BOARD OF PRIVATE CAREER EDUCATION
 FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

Director is in the office, the prepared deposit is immediately given to her to deposit. If the Director is not in the office, the deposit is placed in the safe and an email sent to the Director by the Compliance Specialist. The email lets the Director know the deposit is balanced and in the safe. The Director completes the Revenue Receipt form and emails it to the Service Bureau - Office of Accounting for entry into AASIS. When the deposit form is received back from the Service Bureau, the Director completes the deposit form and places it with the money and/or EFT reports, and it is carried to the State Treasury's Office for deposit.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	1	1	33 %
Black Employees	0	2	2	67 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			2	67 %
Total Employees			3	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
505 Private Career Education-Operations	360,410	4	425,321	4	439,987	4	423,248	4	336,164	3	336,164	3	425,605	4	337,962	3	337,962	3
506 Student Protection Trust	13,519	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
834 Private Career Ed-Cash in Treasury	0	0	44,985	0	50,000	0	44,985	0	44,985	0	44,985	0	44,985	0	44,985	0	44,985	0
Total	373,929	4	970,306	4	989,987	4	968,233	4	881,149	3	881,149	3	970,590	4	882,947	3	882,947	3

Funding Sources		%		%		%		%		%		%		%		%	
Fund Balance	4000005	1,490,721	80.5	1,477,302	80.8	857,323	65.4	857,323	65.4	857,323	65.4	411,369	47.5	411,369	47.5	411,369	47.5
Special Revenue	4000030	288,650	15.6	286,327	15.7	387,284	29.6	387,284	29.6	387,284	29.6	387,843	44.8	387,843	44.8	387,843	44.8
Trust Fund	4000050	71,860	3.9	64,000	3.5	65,500	5.0	65,500	5.0	65,500	5.0	66,250	7.7	66,250	7.7	66,250	7.7
Total Funds		1,851,231	100.0	1,827,629	100.0	1,310,107	100.0	1,310,107	100.0	1,310,107	100.0	865,462	100.0	865,462	100.0	865,462	100.0
Excess Appropriation/(Funding)		(1,477,302)		(857,323)		(341,874)		(428,958)		(428,958)		105,128		17,485		17,485	
Grand Total		373,929		970,306		968,233		881,149		881,149		970,590		882,947		882,947	

Variance in fund balance is due to unfunded appropriation in 505 - Private Career Education - Operations and 834 - Private Career Ed - Cash in Treasury. Expenditure of appropriation is contingent upon available funding.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %	4	4	0	4	0	0.00 %

Analysis of Budget Request

Appropriation: 505 - Private Career Education-Operations

Funding Sources: SCS - Private Career Education Fund

The State Board of Private Career Education was created by Act 906 of 1989 and is responsible for annual licensure and monitoring of private career schools and admissions representatives in Arkansas. The State Operations appropriation is funded by special revenue derived primarily from annual license and admissions representative fees paid by the schools to the Board.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Base Level Request is \$423,248 for FY18 and \$425,605 for FY19.

The Board's Change Level request of (\$87,084) in FY18 and (\$87,643) in FY19 reflects the following:

- Regular Salaries and Personal Services Matching decrease of (\$74,542) in FY18 and (\$75,101) in FY19 for the discontinuation of a Program/Field Auditor Supervisor (C118).
- Extra Help and Personal Services Matching decrease of (\$12,542) both years of the biennium for the discontinuation of two extra help positions.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

Appropriation Summary

Appropriation: 505 - Private Career Education-Operations

Funding Sources: SCS - Private Career Education Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	246,571	241,047	239,687	241,147	185,260	185,260	241,147	185,260	185,260
#Positions		4	4	4	4	3	3	4	3	3
Extra Help	5010001	0	32,500	32,500	32,500	20,000	20,000	32,500	20,000	20,000
#Extra Help		0	4	4	4	2	2	4	2	2
Personal Services Matching	5010003	77,849	78,774	94,800	76,601	57,904	57,904	78,958	59,702	59,702
Operating Expenses	5020002	34,181	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Conference & Travel Expenses	5050009	1,175	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees	5060010	634	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		360,410	425,321	439,987	423,248	336,164	336,164	425,605	337,962	337,962
Funding Sources										
Fund Balance	4000005	216,042	144,077		4,883	4,883	4,883	0	0	0
Special Revenue	4000030	288,445	286,127		387,084	387,084	387,084	387,643	387,643	387,643
Total Funding		504,487	430,204		391,967	391,967	391,967	387,643	387,643	387,643
Excess Appropriation/(Funding)		(144,077)	(4,883)		31,281	(55,803)	(55,803)	37,962	(49,681)	(49,681)
Grand Total		360,410	425,321		423,248	336,164	336,164	425,605	337,962	337,962

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium. Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 505 - Private Career Education-Operations
Funding Sources: SCS - Private Career Education Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	423,248	4	423,248	100.0	425,605	4	425,605	100.0
C03	Discontinue Program	(87,084)	(1)	336,164	79.4	(87,643)	(1)	337,962	79.4

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	423,248	4	423,248	100.0	425,605	4	425,605	100.0
C03	Discontinue Program	(87,084)	(1)	336,164	79.4	(87,643)	(1)	337,962	79.4

Justification

C03	The Board of Private Career Education is requesting a decrease in appropriation for Salaries and Personal Services Matching of (\$74,542) for FY 18 and (\$75,101) for FY 19. The board also request a decrease in appropriation for Extra Help and Personal Services Matching of (\$12,542) both years of the biennium. Due to moving applications to an online service, the Board is able to decrease one full time position and two extra help positions and allows the State Board of Private Education to maintain its current level of service.
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Analysis of Budget Request

Appropriation: 506 - Student Protection Trust

Funding Sources: TCS - Private Career School Student Protection Trust Fund

Revenues deposited into this fund consists of annual certification fees paid by participating schools to the Board and are primarily used to cover expenses associated with providing for a student's continuing education in the event a school closes or to pay student claims when this arrangement is not feasible. Schools originally licensed during the 1989-91 biennium and have maintained their licensure for fifteen (15) years will not be assessed additional fees unless the fund balance totals less than \$500,000 on May 30th of any fiscal year. Regardless of the fund balance, schools that have not paid licensure fees for fifteen (15) years will continue being charged until they have paid fees for a minimum of fifteen (15) years.

The State Board of Private Career Education requests the continuation of the \$500,000 Base Level for each year of the 2017-2019 Biennium for the Student Protection Trust Fund Program.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

Appropriation Summary

Appropriation: 506 - Student Protection Trust

Funding Sources: TCS - Private Career School Student Protection Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses/Claims/Fees	5900046	13,519	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total		13,519	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources										
Fund Balance	4000005	1,223,528	1,281,869		845,869	845,869	845,869	411,369	411,369	411,369
Trust Fund	4000050	71,860	64,000		65,500	65,500	65,500	66,250	66,250	66,250
Total Funding		1,295,388	1,345,869		911,369	911,369	911,369	477,619	477,619	477,619
Excess Appropriation/(Funding)		(1,281,869)	(845,869)		(411,369)	(411,369)	(411,369)	22,381	22,381	22,381
Grand Total		13,519	500,000		500,000	500,000	500,000	500,000	500,000	500,000

Expenditure of appropriation is contingent upon available funding.

Analysis of Budget Request

Appropriation: 834 - Private Career Ed-Cash in Treasury

Funding Sources: NPC - Cash In Treasury

Funds for the Cash Operations appropriation are received through grants from the Real Estate Foundation and the Winthrop Rockefeller Foundation, investments, and from surety bond receipts paid to the Board to to used for payment of tuition refunds to students or potential students. These funds are used to supplement funding for regular operation costs of the Arkansas Private Career Education Board.

The Base Level Request is \$44,895 for both years of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditures are contingent on available funding.

Appropriation Summary

Appropriation: 834 - Private Career Ed-Cash in Treasury

Funding Sources: NPC - Cash In Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	28,087	31,102	28,087	28,087	28,087	28,087	28,087	28,087
Conference & Travel Expenses	5050009	0	8,898	8,898	8,898	8,898	8,898	8,898	8,898	8,898
Professional Fees	5060010	0	8,000	10,000	8,000	8,000	8,000	8,000	8,000	8,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		0	44,985	50,000	44,985	44,985	44,985	44,985	44,985	44,985
Funding Sources										
Fund Balance	4000005	51,151	51,356		6,571	6,571	6,571	0	0	0
Special Revenue	4000030	205	200		200	200	200	200	200	200
Total Funding		51,356	51,556		6,771	6,771	6,771	200	200	200
Excess Appropriation/(Funding)		(51,356)	(6,571)		38,214	38,214	38,214	44,785	44,785	44,785
Grand Total		0	44,985		44,985	44,985	44,985	44,985	44,985	44,985

ARKANSAS PSYCHOLOGY BOARD

Enabling Laws

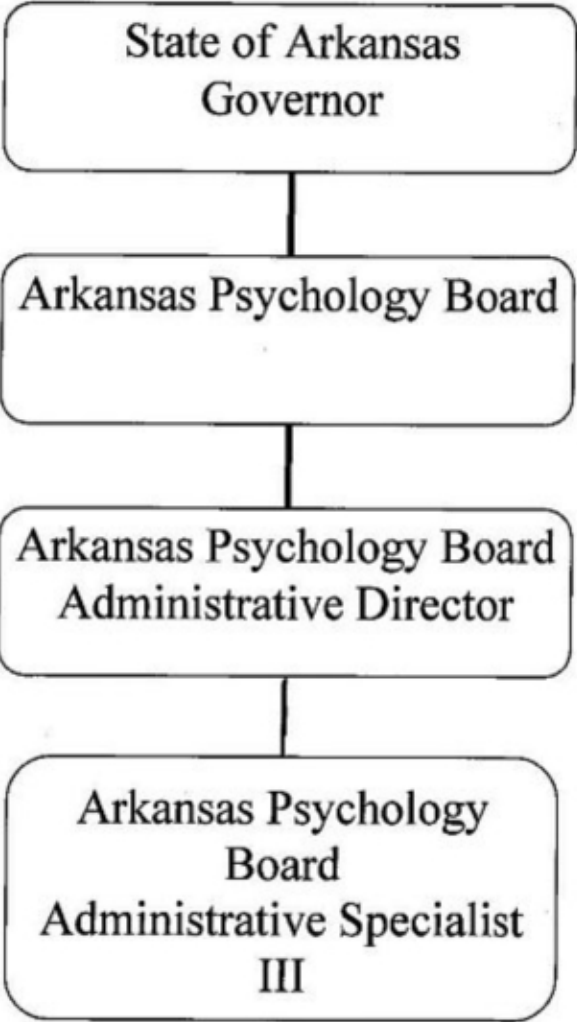
Act 65 of 2016
A.C.A. §17-97-101, et seq.

History and Organization

The Arkansas Board of Examiners in Psychology was created by Act 129 of 1955 to regulate the practice of psychology. The original Act has been amended several times. Act 113 of 1977 added a Consumer Representative to the Board; Act 939 of 1979 added another professional to the Board specifying one member to be a Psychological Examiner; Act 131 of 1983 added a Senior Citizen Representative to the Board; Act 955 of 1995 replaced one academic Psychologist with an additional Psychological Examiner; Act 1482 of 2003 added another academic Psychologist and also renamed the Board to the Arkansas Psychology Board; and most recently Act 1262 of 2005 added the registration of Psychological Technicians.

The major responsibility of the Arkansas Psychology Board is to ensure the citizens of Arkansas are protected from misrepresentation, unethical practice, and/or incompetence in the practice of psychology. The Board is charged by law with regulating the practice of psychology within the State of Arkansas, including, but not limited to, examining and passing upon the qualifications of applicants for the practice of psychology. The Board performs two major functions. The first involves approving the credentials of applicants and then administering both written and oral examinations. The second primary function performed by the Board involves the investigation of possible ethical violations or allegations of incompetent or fraudulent practices.

The Board is charged by law with administering its duties consistent with the Act under which it was organized and authorized to regulate the practice of psychology consistent with the Administrative Procedures Act and in the interest of the public of the State of Arkansas. The Board is now composed of nine individuals: Five Psychologists (doctoral level practitioners), two Psychological Examiners (master's level practitioners), one Consumer Representative, and one Senior Citizen Representative. All members receive reimbursement for actual expenses incurred, but no other remuneration. The Board employs two full time staff members who serve as the Board's Administrative Director and Administrative Specialist III.



Agency Commentary

The Arkansas Psychology Board's major responsibility is to ensure that the people of the state are protected from misrepresentation, unethical practice, and/or incompetence in the practice of psychology. Funding for this appropriation consists of fees received from licensees and applicants throughout the year.

The Board is requesting Base Level for the 2017-2019 Biennium. It is essential to maintain the current level to ensure the Board's financial obligations are met. Reductions in Base Level funding or appropriation would restrict the Board's ability to perform its core regulatory functions.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS PSYCHOLOGY BOARD
FOR THE YEAR ENDED JUNE 30, 2013

Findings

During fiscal year 2013, the Agency utilized a non-AASIS bank account for depositing receipts and paying bills. Payroll activities were processed using a State Treasury fund. Journal entries were made periodically in AASIS to reflect the transactions of the bank account. The Agency failed to record deposits of \$132,995 and disbursements of \$20,628 in AASIS. These omissions caused balances displayed in AASIS at June 30, 2013, to be misstated. The Department of Finance and Administration (DFA) detected the omissions and initiated correcting journal entries in the following fiscal year. The bank account was subsequently closed and all of the Agency's operations are now conducted through Treasury funds.

A review of liabilities revealed that the Agency failed to recognize accounts payable at June 30, 2013, for professional services and travel expenditures of \$12,000 and \$291, respectively. The Agency had sufficient appropriation remaining at the end of the year for these expenses.

The Agency did not always retain documentation to support expenditures. Based on a review of selected maintenance and operations expenditure accounts totaling \$28,292, the Agency was unable to produce documentation supporting \$9,049 of those disbursements.

Recommendations

Continue to work with DFA to ensure accurate reporting of financial activity.

Identify and record expenses in the proper year.

Retain proper documentation to support its expenditures and activities.

Agency Response:

- The Board has moved to a Treasury Fund and no longer operates out of a commercial bank account.
- The new Director has been trained by DFA staff on how to pay bills, process Purchase Orders and Goods Receipts, and process deposits to the Treasury to insure that revenues and bills are recorded in AASIS in a timely manner. This includes recording all transactions in the appropriate period and fiscal year.

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 ARKANSAS PSYCHOLOGY BOARD
 FOR THE YEAR ENDED JUNE 30, 2013

Findings

Recommendations

- Agency staff is maintaining copies of all documentation related to disbursements and revenues, including professional fees and travel expenditures.
- Staff continues to work closely with DFA staff to ensure that appropriate documentation of all transactions is reported accurately in AASIS.

Finally, the Board office has filled the second staff position. All employees will be adequately trained on segregation of duties to insure that these policies and internal controls will be maintained.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	1	1	50 %
Black Employees	0	1	1	50 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	50 %
Total Employees			2	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
ABEP Directory	None	N	N	1,000	Required by the Rules and Regulations Section 1.3.E(2-6).	0	0.00
ABEP Newsletter	None	N	N	900	Required by the Rules and Regulations Section 1.3.F	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016					FY2016 - 2017						
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %

Analysis of Budget Request

Appropriation: M82 - Treasury Cash Operations

Funding Sources: NBP - Cash in Treasury

A.C.A. §17-97-201 established the State Board of Examiners in Psychology. The Board is a cash agency funded from the fees collected primarily for application, testing and renewal. The Board is responsible for regulating the practice of psychology in the State of Arkansas by ensuring that Arkansans are protected from misrepresentation, unethical practices, and/or incompetence in the practice of psychology. This goal is accomplished by licensing psychologists and psychological examiners, registering psychological technicians, and investigating complaints. The Arkansas Psychology Board moved to a Cash in State Treasury fund on March 27, 2014.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency's Base Level and total request is for appropriation of \$176,042 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: M82 - Treasury Cash Operations

Funding Sources: NBP - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	61,181	61,024	70,325	61,024	61,024	61,024	61,024	61,024	61,024
#Positions		2	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	25,183	25,427	27,971	25,751	25,751	25,751	25,751	25,751	25,751
Operating Expenses	5020002	46,104	61,540	61,540	61,540	61,540	61,540	61,540	61,540	61,540
Conference & Travel Expenses	5050009	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	18,999	24,727	24,727	24,727	24,727	24,727	24,727	24,727	24,727
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		151,467	175,718	187,563	176,042	176,042	176,042	176,042	176,042	176,042
Funding Sources										
Fund Balance	4000005	571,543	648,124		587,406	587,406	587,406	526,364	526,364	526,364
Cash Fund	4000045	228,048	115,000		115,000	115,000	115,000	115,000	115,000	115,000
Total Funding		799,591	763,124		702,406	702,406	702,406	641,364	641,364	641,364
Excess Appropriation/(Funding)		(648,124)	(587,406)		(526,364)	(526,364)	(526,364)	(465,322)	(465,322)	(465,322)
Grand Total		151,467	175,718		176,042	176,042	176,042	176,042	176,042	176,042

ARKANSAS PUBLIC SERVICE COMMISSION

Enabling Laws

Act 111 of 2016

A.C.A., Title 23, Arkansas Public Service Commission

A.C.A. §23-15-101 to 217, Pipeline Safety Program

A.C.A. §26-24-101 to 123, 26-26-1601 to 1616, 26-26-1701-1707, and 26-26-1801-1803,

Tax Division

History and Organization

Utilities Division of the Public Service Commission

The Arkansas Public Service Commission (Commission or APSC) has general regulatory authority over electric, gas, telecommunications, water and sewer services which are provided to the public for compensation. The Commission does not have regulatory authority over municipally-owned or operated utilities. Additionally, the Commission has limited jurisdiction over small water and sewer utilities and most telecommunications utilities. More specifically, small water and sewer utilities are not subject to Commission jurisdiction unless either the utility or its customers petition the Commission to exercise its regulatory jurisdiction over that utility.

The Commission is charged with the duty of ensuring that a public utility's authorized rates will allow it the opportunity to earn a fair return on invested capital and that the customer does not pay more than necessary to produce a fair return to the utility for its service. In addition, the Commission has the responsibility to ensure that utility service is provided in a safe and adequate manner consistent with the Commission's rules and regulations.

The utilities under the Commission's jurisdiction are listed below:

Investor-Owned Electric Utilities	4
Electric Cooperatives	18
Investor-Owned Gas Utilities	4
Natural Gas Operators	21
Master Meter Gas Operators	126
Water and Sewer Utilities	1
Incumbent Local Exchange Carriers	32

Regional Transmission Organization	2
Private Pay Telephone Providers	13
Competitive Local Exchange Carriers	93
Interexchange Carriers and Private Pay Telephone Providers	<u>112</u>
TOTAL	426

These utilities generate annual revenues in Arkansas of approximately \$5.7 billion, of which \$4.6 billion are jurisdictional revenues.

The APSC consists of three Commissioners appointed by the Governor for overlapping six-year terms. The agency has 114 regular staff positions divided into two Divisions: The Utilities Division and the Tax Division.

The Commissioners have oversight responsibility for both Divisions.

The Utilities Division, including the partially federally reimbursed Pipeline Safety Office, has 99 authorized regular positions. This total includes the Commissioners and their immediate staff, which encompasses their Administrative Law Judges and Legal Section, Research and Policy Development Section, the Office of the Secretary of the Commission, the Administrative Services Section, the Information Technology Section, and the Executive Director including the nine General Staff Sections.

Tax Division of the Public Service Commission

The Tax Division of the Arkansas Public Service Commission is responsible for performing all functions and duties regarding the annual assessment, for property taxation purposes, of utilities and carriers operating in Arkansas.

The Tax Division was created by the General Assembly as part of the Board of Railroad Commissioners in 1883. Under the authority of the Arkansas Constitution, Article 16, § 5, the General Assembly vested the Board with the power of original assessment of certain railroad property for the purpose of taxation. Through the years, the Tax Division’s responsibilities have broadened to include assessment of utility property and the administration and enforcement of the tax laws related to utilities and carriers. The Tax Division is now under the direction and supervision of the Arkansas Public Service Commission.

For the purpose of assessment, the Tax Division determines the fair market value of the property of all utilities and carriers doing business in Arkansas. Once the Tax Division determines the fair market value, it calculates an assessed value which is distributed to the counties where the utility and railroad property is located for the calculation of property taxes due. The property tax revenue which results from the assessments made by the Division is a significant source of monetary support for the schools, cities, and counties of Arkansas.

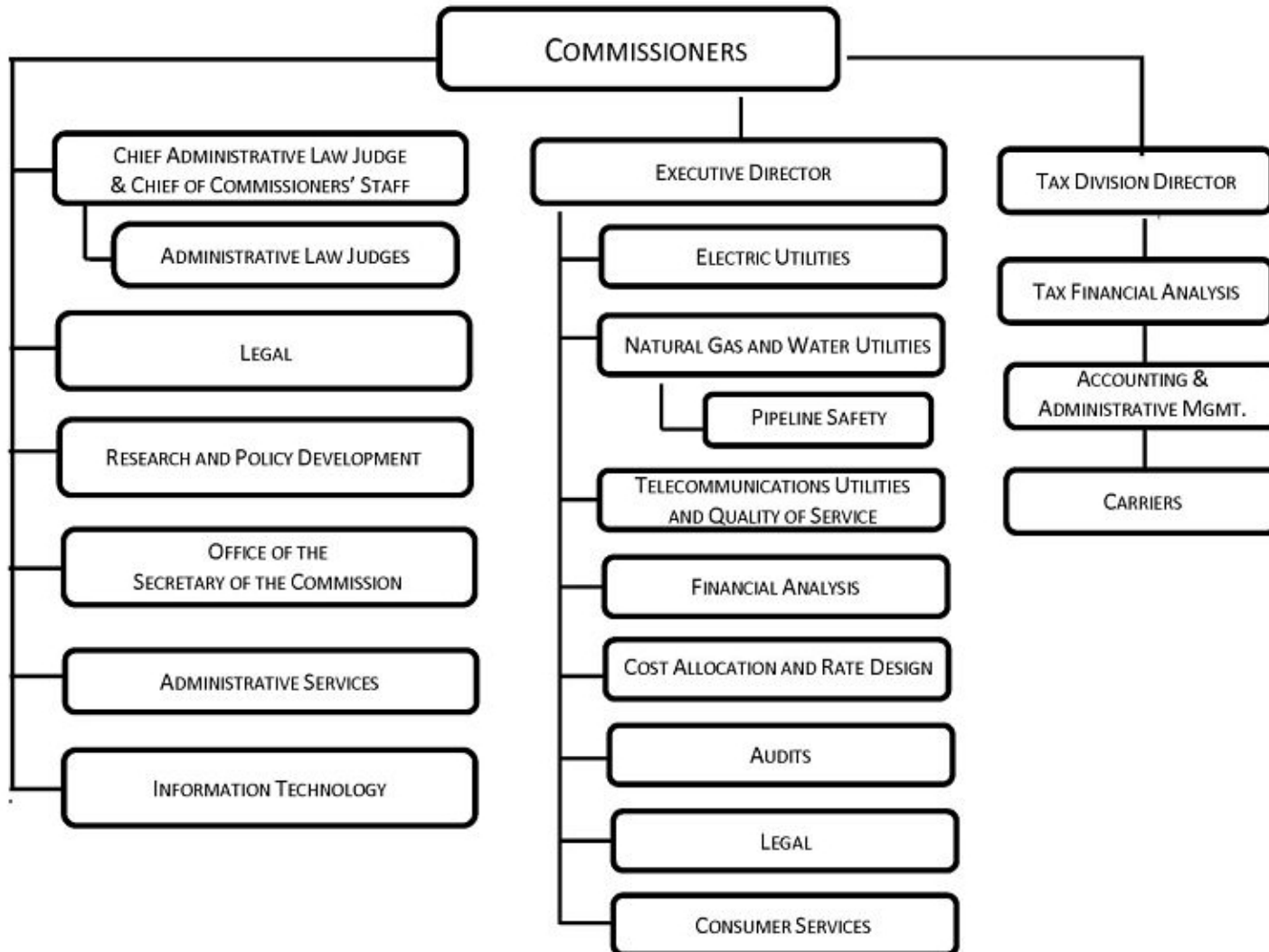
Annually, the Tax Division determines the property tax assessments for utilities and carriers in accordance with Title 26 of Arkansas Code Annotated (2012). Once determined, the assessments placed on the property of utilities are approved by the Arkansas Public Service

Commission. The assessments placed on the property of carriers are approved by the Arkansas Highway Commission.

With certain exceptions, the Tax Division certifies the approved assessments on utility and carrier property to the counties in which the property is located by the fifteenth of July each year. The various county assessors then place these assessment amounts on the property tax rolls. The exceptions are the assessments on the personal property of bus lines, motor carriers, airlines, barge lines, and private car companies, which are certified to the Department of Finance and Administration after the average state millage rate has been determined and applied to the assessments.

In 2015, the Tax Division assessed over 31,400 companies, with assessments rendered by the Tax Division totaling \$4,335,459,325. Revenue generated from these assessments provides approximately \$180,249,000 annually for the support of schools, cities, and counties. Annual tax revenue of approximately \$23,518,000 resulting from these assessments is used to partially fund the Tax Division, the Assessment Coordination Department, and the Division of Local Affairs and Audits of the Division of Legislative Audit.

The Tax Division has an authorized staff of 15 full-time positions and five Extra Help positions. The Division, for functional purposes, is organized into three smaller sections: the Tax Financial Analysis Section, which determines assessments for utilities and carriers and determines financial inputs necessary for such assessments; the Motor Carrier Section, which determines assessments for all motor carrier companies and certain other types of carriers; and the Accounting & Administrative Management Section, which distributes and prepares the certification of the assessments, assists the other sections in determining utility and carrier assessments, and assists in Division administration.



Agency Commentary

Utilities Division of the Public Service Commission

The Arkansas Public Service Commission (Commission or APSC) has general regulatory authority over electric, gas, telecommunications, water and sewer services which are provided to the public for compensation. The Commission is charged with the duty of ensuring that a public utility charges rates that will allow it the opportunity to earn a fair rate of return on invested capital and that the customer does not pay more than necessary to produce a fair return to the utility for its service.

Funding for the Arkansas Public Service Commission - Utilities Division comes from special revenues derived from assessments on jurisdictional utility companies' revenues.

Base Level for the Utilities Division is \$9,919,681 in FY18 and \$9,923,734 in FY19, with 89 full-time positions and 6 extra help positions authorized for each fiscal year. The Contingency appropriation has a Total Base Level of \$1,000,000 for each fiscal year. Utilization of the Contingency appropriation is only in the case of unforeseen events with the approval of the Governor and review by the Arkansas Legislative Council. Change level requests for the Utilities Division include Capital Outlay in the amount of \$21,000 for the replacement of one state vehicle for each year of the biennium.

The Pipeline Safety Office (PSO) of the Arkansas Public Service Commission has primary safety jurisdiction and authority to ensure that natural gas operators are in compliance with the *Arkansas Gas Pipeline Code*. Compliance is determined through periodic inspections of safety, corrosion, and leakage control which are performed on 30 intra-state natural gas operators and 181 operators covering 331 master-metered gas systems. Funding for the Pipeline Safety Office comes from special revenues derived from assessments on jurisdictional natural gas operators. In addition, the Pipeline Safety Office receives a partial federal reimbursement. The federal Department of Transportation - Office of Pipeline Safety provides reimbursement funding up to fifty percent of actual expenditures for salaries, equipment and related pipeline safety expenses.

The Pipeline Safety Office Total Base Level is \$950,539 for both years of the biennium, with ten positions authorized for each fiscal year. Change level requests for the Pipeline Safety Office include capital outlay for the replacement of state vehicles. This request includes the replacement of a four wheel drive vehicle each fiscal year. Total state vehicle replacement for the Pipeline Safety Program totals \$25,000 for each year of the biennium.

Tax Division of the Public Service Commission

The Tax Division of the Arkansas Public Service Commission is responsible for performing all functions and duties regarding the annual

assessment, for property taxation purposes, of utilities and carriers operating in Arkansas. The property tax revenue which results from the assessments made by the Tax Division is a significant source of monetary support for the schools, titles, and counties of Arkansas.

The base level for the Tax Division is \$1,328,201 for FY18 and \$1,328,692 for FY19. The Tax Division is requesting base level only. The agency requests that special language provisions be continued.

The Arkansas Public Service Commission demonstrates the efficient and productive use of its current level of appropriation and funding as follows:

The Commission has jurisdiction over 426 utilities and operators. The Commission has jurisdiction over 4 investor owned electric utilities; 18 electric cooperatives; 2 regional transmission organizations; 4 investor owned natural gas distribution companies; 21 natural gas operators; 126 natural gas master meter operators; 1 water utility; 32 incumbent local exchange carriers; 93 competitive local exchange carriers; 112 interexchange carriers; and 13 private pay telephone providers. The Commission has oversight over the rates, terms, and conditions of service for the electric and natural gas utilities. The Commission has pipeline safety jurisdiction over the 4 natural gas distribution companies, 21 natural gas operators, and the 126 natural gas master meter operators.

The Utilities Division which is responsible for these activities has 99 authorized positions. In 1997, the Agency had 117 authorized positions. That number was reduced to 99 in 1998, but the number of utilities subject to the Commission's authority and the Commission's area of responsibility did not decline. Since that time, the Commission's responsibilities have expanded, but the numbers of employees have not. There are additional requirements and expectations for the Agency's professional staff that will add responsibilities and require the knowledge and skills of an additional Attorney. Act 725 of 2015 established the opportunity for utilities to request a formula rate plan mechanism. This rate making mechanism will require Staff to review annual rate adjustment filings for the participating utilities. Currently, one utility has an approved mechanism in place, and another utility has a pending request to establish a mechanism. I anticipate that all seven of the investor owned electric and natural gas utilities will establish a formula rate plan which will require the annual review of seven filings annually which will require the Agency to maintain a professional staff with a thorough knowledge of rate making and utility operational issues. Additionally, Act 827 established additional requirements for net metering customers, and that development, coupled with the continuing development of renewable generating technologies, will require the Agency to maintain a professional staff with knowledge of those fields and the rate making and operational implications of distributed generation facilities. Pursuant to Act 740 of 2007, the Commission has jurisdiction over pole attachments, and the Commission is currently engaged in modifying its Pole Attachment Rules. As a result, it is likely that the Commission will be engaged in resolving issues between the pole owners and attaching entities. This will require Agency staff with knowledge and expertise in the field. Acts 1050 and 1267 of 2015 gave the Commission jurisdiction to certify transportation network companies such as Uber and Lyft. As a result, the Agency must ensure that it retains staff with knowledge in the transportation network field.

to verify continued compliance with the statutory requirements. The Environmental Protection Agency has issued a number of regulations that affect electric generating facilities. It is critical that the Agency maintain professional Staff members with familiarity with the effects of those environmental regulations on the operation and assessment of the continued cost effectiveness of those facilities. Further, as additional opportunities to obtain electric capacity and energy to serve electric utility customers grows, it will be critical to maintain experienced professional staff members to examine and assess resource planning options in the future. The United States Department of Transportation's Pipeline and Hazardous Materials Safety Administration continues to add regulations to the federal pipeline safety code. The Commission's Pipeline Safety Office is required by state law to maintain the Arkansas Natural Gas Pipeline Code at equal or greater standards than the federal code. Consequently, as the federal requirements increase, the state requirements must also increase. As a result, it is essential that the Agency retain individuals in the Pipeline Safety Office that are well versed in those requirements. These are examples of the expanding requirements for specialized utility knowledge among the Agency's professional staff. The requested revisions to the Agency's Special Pay Plan Grid are critical to attracting and retaining individuals with the knowledge, skills, and abilities to meet these growing regulatory responsibilities. This is not an exhaustive list of the increasing issues and responsibilities confronting the Agency. As noted above, the level of responsibilities have expanded, but the staffing to address those responsibilities has not expanded. The Commission has efficiently and effectively applied the resources provided to accomplish its statutory obligations. The requested level of appropriation continues to be required to enable efficient and effective operations in the performance of the Agency's statutory obligations.

The Commission's Tax Division is responsible for the annual valuation and ad valorem assessment of public utilities and carriers operating in Arkansas. During 2014, the Tax Division valued and assessed the real and personal property of 311 telecommunications companies and their operating subsidiaries; 29 cable television companies and their operating subsidiaries; 31 electric companies and cooperatives; 16 gas companies; 9 pipeline companies; 2 water companies; 25 railroads; 369 private car companies; 18 airlines, 51 barge lines; and 34,363 motor carriers. The market value of the utilities and carriers evaluated by the Tax Division in 2014 was approximately \$21,030,000,000, which represents approximately \$4,206,000,000 and an estimated property tax of \$196,840,800. The Tax Division conducts its operations with a staff of 15 authorized positions. The property tax revenue resulting from the assessments by the Tax Division is a significant monetary support for the schools, cities, and counties in Arkansas. The tax revenues resulting from the Tax Division's assessments on carriers also supports the Counties and Municipalities Section of Legislative Audit and the Assessment Coordination Department. The Commission's Tax Division has efficiently and effectively applied the resources provided to accomplish its statutory obligations. The requested level of appropriation continues to be required to enable efficient and effective operations in the performance of the Agency's Tax Division's statutory obligations.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS PUBLIC SERVICE COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	46	36	82	77 %
Black Employees	6	17	23	21 %
Other Racial Minorities	1	1	2	2 %
Total Minorities			25	23 %
Total Employees			107	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
PSC Annual Report	A.C.A. 23-2-315 and A.C.A. 13-2-212	Y	N	31	Required by Statute. One copy provided to the Governor and 30 copies to the State Library	0	0.00
Tax Division Biennial Report	A.C.A. 26-24-121 and A.C.A. 13-2-212	Y	N	31	Required by Statute. One copy provided to the Governor and 30 copies to the State Library.	0	0.00
Utility Rate Case Report	A.C.A. 23-4-420 and A.C.A. 13-2-212	Y	Y	668	Required by Statute. One copy provided to the Governor, 136 copies to the General Assembly, and 30 copies to the State Library.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
255 Utilities Division-Operations	8,375,276	88	9,959,025	89	9,955,274	89	9,919,681	89	9,940,681	89	9,940,681	89	9,923,734	89	9,944,734	89	9,944,734	89
256 Pipeline Safety Program	905,709	10	972,106	10	942,610	10	950,539	10	975,539	10	975,539	10	950,539	10	975,539	10	975,539	10
257 Tax Division-Operations	1,076,132	15	1,336,634	15	1,736,361	15	1,728,201	15	1,728,201	15	1,728,201	15	1,728,692	15	1,728,692	15	1,728,692	15
2KA Contingency	0	0	0	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0
Total	10,357,117	113	12,267,765	114	13,634,245	114	13,598,421	114	13,644,421	114	13,644,421	114	13,602,965	114	13,648,965	114	13,648,965	114

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	7,066,478	41.8	6,547,670	38.6		4,678,541	28.6	4,678,541	28.6	4,678,541	28.6	2,767,310	18.7	2,721,310	18.5	2,721,310	18.5
Federal Revenue	4000020	362,708	2.1	486,053	2.9		465,932	2.8	465,932	2.8	465,932	2.8	465,932	3.2	465,932	3.2	465,932	3.2
Special Revenue	4000030	8,480,844	50.2	9,312,259	55.0		10,600,835	64.8	10,600,835	64.8	10,600,835	64.8	10,926,632	73.9	10,926,632	74.2	10,926,632	74.2
Ad Valorem Tax	4000060	994,757	5.9	600,324	3.5		620,423	3.8	620,423	3.8	620,423	3.8	620,423	4.2	620,423	4.2	620,423	4.2
Total Funds		16,904,787	100.0	16,946,306	100.0		16,365,731	100.0	16,365,731	100.0	16,365,731	100.0	14,780,297	100.0	14,734,297	100.0	14,734,297	100.0
Excess Appropriation/(Funding)		(6,547,670)		(4,678,541)			(2,767,310)		(2,721,310)		(2,721,310)		(1,177,332)		(1,085,332)		(1,085,332)	
Grand Total		10,357,117		12,267,765			13,598,421		13,644,421		13,644,421		13,602,965		13,648,965		13,648,965	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
115	104	10	114	1	9.57 %	114	105	9	114	0	7.89 %	114	106	8	114	0	7.02 %

Analysis of Budget Request

Appropriation: 255 - Utilities Division-Operations

Funding Sources: SJP - Public Service Commission Fund

The Public Service Commission - Utilities Division is funded entirely by special revenues derived from assessments paid by the utility companies under its jurisdiction, as authorized in A.C.A. § 19-6-406.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

Base Level for the Division is \$9,919,681 in FY18 and \$9,923,734 in FY19.

The Agency's Change Level Request is \$21,000 each year in Capital Outlay to replace one vehicle each year of the Biennium.

The Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Appropriation Summary

Appropriation: 255 - Utilities Division-Operations

Funding Sources: SJP - Public Service Commission Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	5,437,372	5,601,898	5,584,248	5,562,486	5,562,486	5,562,486	5,565,686	5,565,686	5,565,686
#Positions		88	89	89	89	89	89	89	89	89
Extra Help	5010001	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
#Extra Help		0	6	6	6	6	6	6	6	6
Personal Services Matching	5010003	1,653,995	1,695,858	1,709,757	1,716,926	1,716,926	1,716,926	1,717,779	1,717,779	1,717,779
Overtime	5010006	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Operating Expenses	5020002	927,577	1,070,597	1,070,597	1,070,597	1,070,597	1,070,597	1,070,597	1,070,597	1,070,597
Conference & Travel Expenses	5050009	48,396	68,922	68,922	68,922	68,922	68,922	68,922	68,922	68,922
Professional Fees	5060010	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	21,000	21,000	0	21,000	21,000	0	21,000	21,000
Special Maintenance	5120032	0	24,319	24,319	24,319	24,319	24,319	24,319	24,319	24,319
Fed Regulatory Services	5900040	214,029	290,575	290,575	290,575	290,575	290,575	290,575	290,575	290,575
Professional Services	5900043	56,680	998,000	998,000	998,000	998,000	998,000	998,000	998,000	998,000
Data Processing Services	5900044	37,227	138,856	138,856	138,856	138,856	138,856	138,856	138,856	138,856
Total		8,375,276	9,959,025	9,955,274	9,919,681	9,940,681	9,940,681	9,923,734	9,944,734	9,944,734
Funding Sources										
Fund Balance	4000005	3,650,233	3,504,212		2,479,032	2,479,032	2,479,032	1,597,972	1,576,972	1,576,972
Special Revenue	4000030	8,229,255	8,933,845		9,038,621	9,038,621	9,038,621	9,362,418	9,362,418	9,362,418
Total Funding		11,879,488	12,438,057		11,517,653	11,517,653	11,517,653	10,960,390	10,939,390	10,939,390
Excess Appropriation/(Funding)		(3,504,212)	(2,479,032)		(1,597,972)	(1,576,972)	(1,576,972)	(1,036,656)	(994,656)	(994,656)
Grand Total		8,375,276	9,959,025		9,919,681	9,940,681	9,940,681	9,923,734	9,944,734	9,944,734

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Change Level by Appropriation

Appropriation: 255 - Utilities Division-Operations
Funding Sources: SJP - Public Service Commission Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	9,919,681	89	9,919,681	100.0	9,923,734	89	9,923,734	100.0
C01	Existing Program	21,000	0	9,940,681	100.2	21,000	0	9,944,734	100.2

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	9,919,681	89	9,919,681	100.0	9,923,734	89	9,923,734	100.0
C01	Existing Program	21,000	0	9,940,681	100.2	21,000	0	9,944,734	100.2

Justification

C01	Capital Outlay request in the amount of \$21,000 for the replacement of one vehicle for each year.
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Analysis of Budget Request

Appropriation: 256 - Pipeline Safety Program

Funding Sources: SAD - Public Service Utility Safety Fund

The Public Service Commission's Pipeline Safety Program is funded by special revenue inspection fees charged annually to each company according to its pipeline mileage in Arkansas, as authorized in Arkansas Code § 23-15-214 et seq. The Program is also eligible for federal reimbursement for up to 50% of its expenditures. Under this program, the Commission maintains safety jurisdiction and monitors the transmission by pipeline of hazardous materials, such as gasoline, oil, and natural gas.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level for this appropriation is \$950,539 each year of the 2017-2019 Biennium.

The Agency's Change Level Request is \$25,000 each year in Capital Outlay to replace one vehicle each year of the Biennium.

The Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Appropriation Summary

Appropriation: 256 - Pipeline Safety Program
Funding Sources: SAD - Public Service Utility Safety Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	588,265	624,708	599,043	624,808	624,808	624,808	624,808	624,808	624,808
#Positions		10	10	10	10	10	10	10	10	10
Personal Services Matching	5010003	178,685	188,835	185,004	192,168	192,168	192,168	192,168	192,168	192,168
Operating Expenses	5020002	94,128	105,714	105,714	105,714	105,714	105,714	105,714	105,714	105,714
Conference & Travel Expenses	5050009	20,041	25,620	25,620	25,620	25,620	25,620	25,620	25,620	25,620
Professional Fees	5060010	0	2,229	2,229	2,229	2,229	2,229	2,229	2,229	2,229
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	24,590	25,000	25,000	0	25,000	25,000	0	25,000	25,000
Total		905,709	972,106	942,610	950,539	975,539	975,539	950,539	975,539	975,539
Funding Sources										
Fund Balance	4000005	1,540,858	1,249,399		1,049,399	1,049,399	1,049,399	1,030,724	1,005,724	1,005,724
Federal Revenue	4000020	362,708	486,053		465,932	465,932	465,932	465,932	465,932	465,932
Special Revenue	4000030	251,542	286,053		465,932	465,932	465,932	465,932	465,932	465,932
Total Funding		2,155,108	2,021,505		1,981,263	1,981,263	1,981,263	1,962,588	1,937,588	1,937,588
Excess Appropriation/(Funding)		(1,249,399)	(1,049,399)		(1,030,724)	(1,005,724)	(1,005,724)	(1,012,049)	(962,049)	(962,049)
Grand Total		905,709	972,106		950,539	975,539	975,539	950,539	975,539	975,539

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Change Level by Appropriation

Appropriation: 256 - Pipeline Safety Program
Funding Sources: SAD - Public Service Utility Safety Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	950,539	10	950,539	100.0	950,539	10	950,539	100.0
C01	Existing Program	25,000	0	975,539	102.6	25,000	0	975,539	102.6

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	950,539	10	950,539	100.0	950,539	10	950,539	100.0
C01	Existing Program	25,000	0	975,539	102.6	25,000	0	975,539	102.6

Justification

C01	Capital Outlay request in the amount of \$25,000 for the replacement of one vehicle for each year.
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Analysis of Budget Request

Appropriation: 257 - Tax Division-Operations

Funding Sources: HTD - Tax Division Fund

The Public Service Commission - Tax Division's appropriation is funded by special revenues transferred from the Public Service Commission Fund, the Division's share of ad valorem taxes, as authorized in Arkansas Code §19-5-1024, and general revenues, if needed.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level request for the Division is \$1,728,201 in FY18 and \$1,728,692 in FY19.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 257 - Tax Division-Operations

Funding Sources: HTD - Tax Division Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	661,417	735,746	733,632	725,663	725,663	725,663	726,063	726,063	726,063
#Positions	15	15	15	15	15	15	15	15	15
Extra Help 5010001	0	38,238	38,238	38,238	38,238	38,238	38,238	38,238	38,238
#Extra Help	0	5	5	5	5	5	5	5	5
Personal Services Matching 5010003	222,938	242,678	244,519	244,328	244,328	244,328	244,419	244,419	244,419
Overtime 5010006	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Operating Expenses 5020002	175,832	202,472	202,472	202,472	202,472	202,472	202,472	202,472	202,472
Conference & Travel Expenses 5050009	6,787	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Professional Fees 5060010	9,158	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Contingency 5130018	0	0	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total	1,076,132	1,336,634	1,736,361	1,728,201	1,728,201	1,728,201	1,728,692	1,728,692	1,728,692
Funding Sources									
Fund Balance 4000005	1,875,387	1,794,059		1,150,110	1,150,110	1,150,110	138,614	138,614	138,614
Special Revenue 4000030	47	92,361		96,282	96,282	96,282	98,282	98,282	98,282
Ad Valorem Tax 4000060	994,757	600,324		620,423	620,423	620,423	620,423	620,423	620,423
Total Funding	2,870,191	2,486,744		1,866,815	1,866,815	1,866,815	857,319	857,319	857,319
Excess Appropriation/(Funding)	(1,794,059)	(1,150,110)		(138,614)	(138,614)	(138,614)	871,373	871,373	871,373
Grand Total	1,076,132	1,336,634		1,728,201	1,728,201	1,728,201	1,728,692	1,728,692	1,728,692

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Analysis of Budget Request

Appropriation: 2KA - Contingency

Funding Sources: SJP - Public Service Commission Fund

The Public Service Commission - Utilities Division's Contingency appropriation provides additional spending authority that may be transferred to the Division's operating line items in emergency situations that would require additional resources. Funding for this appropriation is from Special Revenue balances held in the Public Service Commission Fund to support any transfers that may be made.

The Agency Request provides for Base Level of \$1,000,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2KA - Contingency
Funding Sources: SJP - Public Service Commission Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Overtime Salaries 5130018	0	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total	0	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Funding Sources									
Special Revenue 4000030	0	0		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Funding	0	0		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	0		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

ARKANSAS REAL ESTATE COMMISSION

Enabling Laws

Act 86 of 2016

A.C.A. §17-42-101 et seq.

A.C.A. §17-42-201 et seq.

A.C.A. §17-42-301 et seq.

A.C.A. §17-42-401 et seq.

A.C.A. §17-42-501 et seq.

A.C.A. §17-42-601 et seq.

A.C.A. §17-42-701 et seq.

A.C.A. §18-14-101 et seq.

A.C.A. §18-14-201 et seq.

A.C.A. §18-14-301 et seq.

A.C.A. §18-14-401 et seq.

A.C.A. §18-14-501 et seq.

A.C.A. §18-14-601 et seq.

A.C.A. §18-14-701 et seq.

History and Organization

Act 148 of 1929, as amended, created the Arkansas Real Estate Commission (AREC) for the purpose of regulating and licensing real estate brokers and salespersons in accordance with the real estate license law.

The mission of the Arkansas Real Estate Commission is to protect the public interest. That mission charges the Commission with the responsibility of administering the Real Estate License Law (A.C.A. §17-42-101 et seq.), the Real Estate Recovery Fund (A.C.A. §17-42-401 et seq.), the Real Estate Education Program (A.C.A. §17-42-501 et seq.), and the Time-Share Law (A.C.A. §18-14-101 et seq.).

The Real Estate Commission consists of five members appointed by the Governor for three year terms. Three of the commission members are real estate brokers or salespersons licensed by the commission. Of the two remaining commission members who may not be actively engaged or retired from the business of real estate, one serves as a consumer representative and one, who shall be sixty (60) years of age or older serves as an elderly representative. Responsibilities are discharged through a staff directed by an Executive Director who is employed by the Commission.

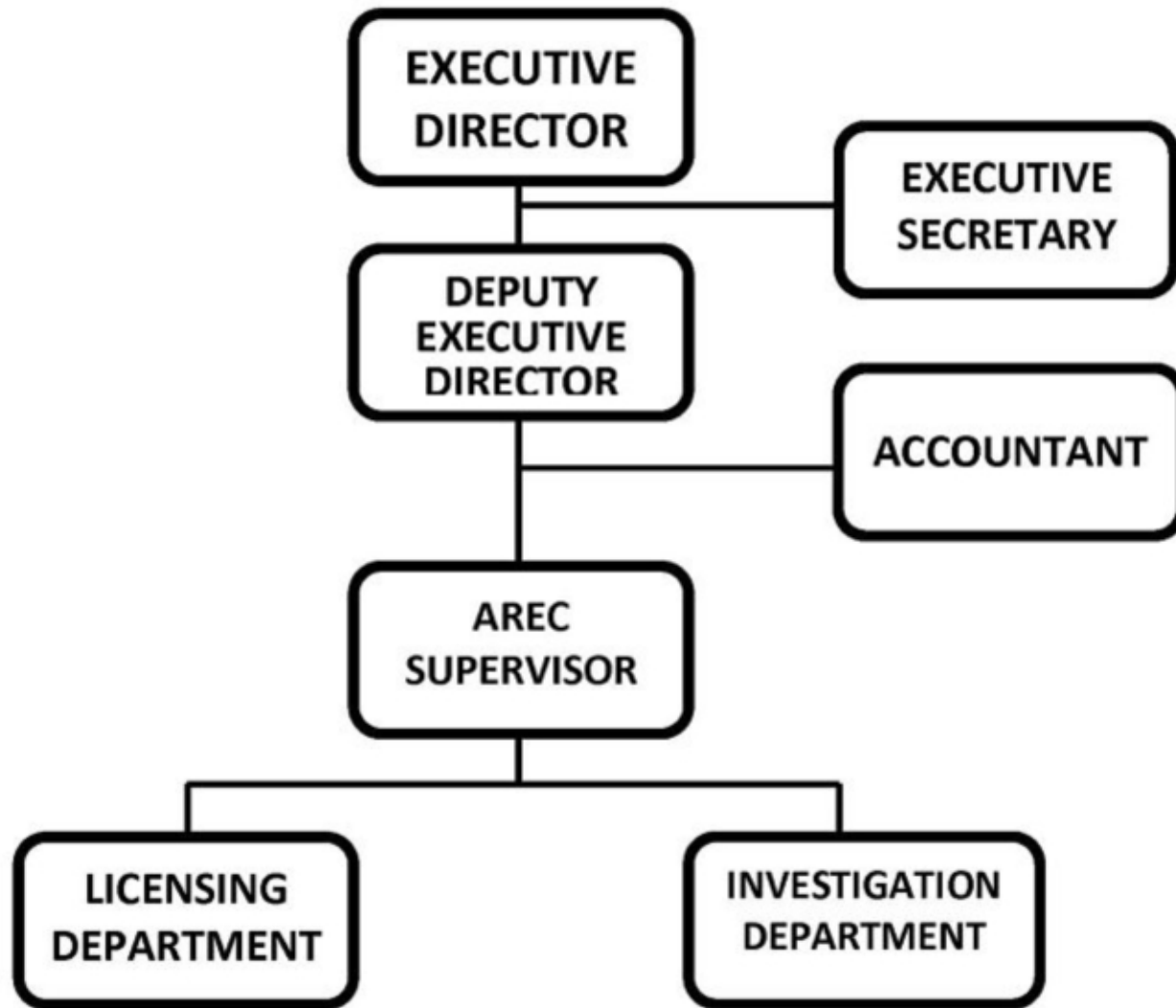
The Agency's primary activities include licensing real estate brokers, salespersons, and real estate educators; investigating complaints against persons or entities licensed by the commission and against unlicensed persons for conducting brokerage activities without proper licensure; conducting formal Disciplinary and Recovery Fund hearings; hearing appeals by applicants for licensure who have disqualifying background issues; and administering the registration of Time-Share plans.

The Licensing Section is responsible for reviewing applications of individuals who are applying to take the Arkansas real estate exam, issuing licenses to persons who enter the profession, monitoring educational compliance by real estate licensees and annually renewing licenses issued to real estate brokers and salespersons.

The Investigative Section is responsible for investigating complaints received from members of the public concerning alleged violations of the Real Estate License Law or Time-Share Law. Each complaint investigated is either dismissed, resolved by consent order or scheduled for a disciplinary hearing before the Commission.

The Education Section is responsible for reviewing applications of instructors and schools wishing to offer real estate education that fulfills the mandatory educational requirements for real estate licensees, issuing and renewing licenses, monitoring educational offerings and investigating complaints against instructors or schools licensed by the Commission.

The Commission is responsible for administering the Recovery Fund, which was established to pay damage claims to members of the public who have suffered monetary loss specifically attributable to real estate brokers and/or salespersons who have been found, in disciplinary actions before the Commission, to have violated the Real Estate License Law or Regulations. The Recovery Fund is also used for real estate educational purposes.



Agency Commentary

The mission of the Arkansas Real Estate Commission (AREC) is to protect the public interest, through the examination, licensing, and regulation of real estate brokers and salespersons, real estate educators and through administration of the Arkansas Time-Share Law. Funding for appropriation for the Arkansas Real Estate Commission is by cash funds generated through fees received from real estate licensees, real estate applicants for licensure, real estate educators and timeshare developers.

The budget requests contained herein affect (1) the Real Estate Operations appropriation which is supported by the commission's general cash fund deposited in the State Treasury, and (2) the Real Estate Recovery Fund appropriation which is funded by the commission's Recovery Fund cash fund deposited in the State Treasury. Funding for the biennial budget request will be provided from the two cash fund balances and fees to be collected during the biennium.

Base level is requested for the Real Estate Recovery Fund Program.

Requested changes in the General Cash Fund Program are as follows:

For the upcoming biennium and beyond, AREC is permanently forfeiting two of four "Extra Help" positions, thereby reducing the agency's annual appropriation by \$8,000 per year.

A reallocation request is made to transfer \$10,000 from Professional Fees (5060010) to Conference and Travel Expenses (5050009). In 2013, AREC added the licensing of real estate educators and schools without adding additional staff. For the AREC staff that assumed the duties associated with the real estate education licensing, opportunities to learn, train and gain experience from persons engaged in similar activities are held out-of-state. Much can be learned from their counterparts in other states who have long been involved in the real estate education. This reallocation request will allow AREC staff to attend functions where they can take advantage of these resources. The reason that the request is for the funds to be transferred from Professional Fees is partly due to savings realized by discontinuing to contract with an attorney to serve as our hearing officer.

Requested changes in the Capital Outlay include \$25,000 in each fiscal year for a new state vehicle in each year. AREC has two 2008 model vehicles that need to be replaced to ensure staff safety. AREC forfeited a third vehicle in FY2016 that we do not intend to replace. One area AREC cut back in as the housing sector declined was employee travel. Office visits by staff were reduced significantly. Consequently, for many years AREC has had less face to face contact with the real estate brokers and salespersons we license. As the housing sector begins to recover, AREC's increased revenue will enable staff to travel again to visit with our licensees, many times in a town hall format to discuss any concerns and difficulties they may be having.

2019). The first year would include costs associated with the design, development and implementation of software for a new licensing management system with improved functionality, process enhancement, data security and compliant backup capability. The second year cost would be to purchase permanent licenses for the anticipated number of concurrent users of the system. Once the implementation of the new licensing management system is complete, the current base level funding for IT support should be sufficient for the annual maintenance, support and hosting of the system including compliant back-up capability. AREC needs to upgrade its licensing management system to automate many processes that are currently done manually. Moving forward, all licensing functions from initial licensure to retiring a license should be automated and accomplished electronically through AREC's website. Brokers and Salespersons need to be able to monitor the status of their education, license status and annual renewal through their laptop computers, smart phones, iPads and other electronic devices that will inevitably become available. Consumers should also have better access to services offered by AREC as they engage in real estate transactions and utilize the services of those persons we license. AREC's addition of the licensing and regulation of real estate education in 2013 resulted in the need for a more complex licensing system. The current licensing management system does not have the capacity or sophistication to move AREC forward with these advancements.

As a cash fund agency, AREC is funded by the fees charged to persons licensed or registered with our agency. Consequently, declines in the economy, especially the housing sector, pose a significant impact to our revenue. The number of real estate licensees declined each year from 2009 to 2013. Because of these declines the agency experienced negative cash flows for fiscal years 2010 through 2013. For fiscal years 2014 and 2015 we experienced positive cash flows and project a positive cash flow for fiscal year 2016. This has resulted in an increase in the agency's cash fund balance that will enable us to feasibly pursue a new licensing management system that is sorely needed. This will enable AREC to significantly increase efficiency, quality and the number of automated functions and services available to consumers and real estate licensees.

Cutting expenses obviously became a priority while revenues declined. Even though it added pressure to existing staff, unfilled positions were left unfilled longer than usual to reduce payroll expenses. As employees retired or moved to other agencies, AREC took advantage of the opportunity to hire replacement staff at smaller salaries than their predecessors.

For FY2016, AREC discontinued contracting with an attorney to serve as the Hearing Officer at formal hearings before the commission. We have chosen instead to utilize persons from within state government for this service.

Information technology is not an area where agencies commonly consider cutting expenses. However, our current vendor of the AREC licensing management system was failing to meet our expectations. Consequently, we negotiated a less rigorous IT package that we felt the vendor could more likely perform. This reduced our IT expenses for our licensing management system almost in half. This is an area we hope to improve significantly in the upcoming biennium as we begin seeking a vendor that can more adequately meet the agency's information technology needs of the future.

We also reduced newsletter publications from quarterly to biannually. This, along with fewer mass mailings has enabled us to keep printing and postage expenses minimal. As part of a new licensing management system, AREC will move quickly toward e-communications with our licensees and hopefully eliminate most of our hardcopy mailings. We anticipate discontinuing paper licenses in favor of electronic licenses that will be accessible through the AREC website and on licensees' mobile devices. This will provide licensees an identification tool that will hopefully lead to greater safety for licensees and consumers.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS REAL ESTATE COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	9	11	73 %
Black Employees	0	4	4	27 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			4	27 %
Total Employees			15	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
AR Real Estate Commission Newsletter	ACA 17-42-404 & 17-42-203	N	N	24,000	Education & enforcement: Articles about real estate practice, law, regulations & hearings help licensees comply with AREC requirements, which protects the public.	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
853 Real Estate – Operations	1,112,776	15	1,258,342	15	1,280,872	15	1,262,086	15	1,778,370	15	1,778,370	15	1,263,696	15	1,429,980	15	1,429,980	15
952 Real Estate Recovery	74,872	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0	352,500	0
Total	1,187,648	15	1,610,842	15	1,633,372	15	1,614,586	15	2,130,870	15	2,130,870	15	1,616,196	15	1,782,480	15	1,782,480	15

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance 4000005	1,889,953	59.9	1,969,507	59.4			1,702,665	55.9	1,702,665	55.9	1,702,665	55.9	1,432,079	51.6	915,795	40.5	915,795	40.5
Cash Fund 4000045	1,267,202	40.1	1,344,000	40.6			1,344,000	44.1	1,344,000	44.1	1,344,000	44.1	1,344,000	48.4	1,344,000	59.5	1,344,000	59.5
Total Funds	3,157,155	100.0	3,313,507	100.0			3,046,665	100.0	3,046,665	100.0	3,046,665	100.0	2,776,079	100.0	2,259,795	100.0	2,259,795	100.0
Excess Appropriation/(Funding)	(1,969,507)		(1,702,665)				(1,432,079)		(915,795)		(915,795)		(1,159,883)		(477,315)		(477,315)	
Grand Total	1,187,648		1,610,842				1,614,586		2,130,870		2,130,870		1,616,196		1,782,480		1,782,480	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
15	13	2	15	0	13.33 %	15	14	1	15	0	6.67 %	15	14	1	15	0	6.67 %

Analysis of Budget Request

Appropriation: 853 - Real Estate – Operations

Funding Sources: NRE - Real Estate - Cash in Treasury

The Arkansas Real Estate Commission (AREC) is funded from the receipt of fees it charges for originating and renewing the licenses of real estate brokers and salespersons.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Base Level request is for appropriation of \$1,262,086 in FY18 and \$1,263,696 in FY19.

The Agency's Change Level request is for appropriation of \$516,284 in FY18 and \$166,284 in FY19, and includes the following:

- Extra Help and Personal Services Matching decrease of (\$8,716) each year for the forfeiture of two Extra Help positions.
- Conference and Travel Expenses increase of \$10,000 due to a reallocation from Professional Fees in order to allow staff to obtain information and train with counterparts from other states who have long been involved in real estate education.
- Professional Fees decrease of (\$10,000) to a reallocate to Conference and Travel Expenses due to the discontinuation of an attorney contract that served as the Agency's hearing officer.
- Capital Outlay of \$25,000 each year for the purchase of one new vehicle each fiscal year.
- Capital Outlay of \$500,000 in FY18 and \$150,000 in FY19 for the purchase of a new licensing management system in FY18 and its completion costs in FY19.

The Technology related requests are documented in the Agency's Information Technology (IT) Plan (pages 19-22).

The Executive Recommendation provides for the Agency Request, including Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 853 - Real Estate – Operations

Funding Sources: NRE - Real Estate - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	532,337	574,833	597,819	575,433	575,433	575,433	576,733	576,733	576,733
#Positions		15	15	15	15	15	15	15	15	15
Extra Help	5010001	3,568	16,000	16,000	16,000	8,000	8,000	16,000	8,000	8,000
#Extra Help		2	4	4	4	2	2	4	2	2
Personal Services Matching	5010003	199,486	210,174	209,718	213,318	212,602	212,602	213,628	212,912	212,912
Operating Expenses	5020002	350,755	397,744	397,744	397,744	397,744	397,744	397,744	397,744	397,744
Conference & Travel Expenses	5050009	16,175	16,662	16,662	16,662	26,662	26,662	16,662	26,662	26,662
Professional Fees	5060010	8,647	32,929	32,929	32,929	22,929	22,929	32,929	22,929	22,929
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	1,808	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Outlay	5120011	0	0	0	0	525,000	525,000	0	175,000	175,000
Total		1,112,776	1,258,342	1,280,872	1,262,086	1,778,370	1,778,370	1,263,696	1,429,980	1,429,980

Funding Sources										
Fund Balance	4000005	1,185,436	1,300,433		1,347,091	1,347,091	1,347,091	1,390,005	873,721	873,721
Cash Fund	4000045	1,227,773	1,305,000		1,305,000	1,305,000	1,305,000	1,305,000	1,305,000	1,305,000
Total Funding		2,413,209	2,605,433		2,652,091	2,652,091	2,652,091	2,695,005	2,178,721	2,178,721
Excess Appropriation/(Funding)		(1,300,433)	(1,347,091)		(1,390,005)	(873,721)	(873,721)	(1,431,309)	(748,741)	(748,741)
Grand Total		1,112,776	1,258,342		1,262,086	1,778,370	1,778,370	1,263,696	1,429,980	1,429,980

FY17 Budget amount in Personal Services Matching exceeds the authorized amount due to matching rate adjustments during the 2015-2017 Biennium.

Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 853 - Real Estate – Operations
Funding Sources: NRE - Real Estate - Cash in Treasury

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,262,086	15	1,262,086	100.0	1,263,696	15	1,263,696	100.0
C02	New Program	25,000	0	1,287,086	102.0	25,000	0	1,288,696	102.0
C03	Discontinue Program	(8,716)	0	1,278,370	101.3	(8,716)	0	1,279,980	101.3
C04	Reallocation	0	0	1,278,370	101.3	0	0	1,279,980	101.3
C08	Technology	500,000	0	1,778,370	140.9	150,000	0	1,429,980	113.2

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,262,086	15	1,262,086	100.0	1,263,696	15	1,263,696	100.0
C02	New Program	25,000	0	1,287,086	102.0	25,000	0	1,288,696	102.0
C03	Discontinue Program	(8,716)	0	1,278,370	101.3	(8,716)	0	1,279,980	101.3
C04	Reallocation	0	0	1,278,370	101.3	0	0	1,279,980	101.3
C08	Technology	500,000	0	1,778,370	140.9	150,000	0	1,429,980	113.2

Justification

C02	Requested appropriation in Capital Outlay for the purchase of 1 new vehicle each fiscal year of the biennium.
C03	Decrease in the Extra Help and Personal Services Matching appropriations in coordination with the forfeiture of 2 Extra Help positions.
C04	Reallocation from Professional Fees to Conference and Travel Expenses to more accurately reflect expenditures. Savings in Professional Fees are due to discontinuation of contracting services with an attorney to serve as the Agency's hearing officer. The increase in Conference and Travel Expenses would allow staff to obtain information and train with counterparts from other states who have long been involved in real estate education.
C08	Requested appropriation in Capital Outlay for the purchase of a new licensing management system.

Analysis of Budget Request

Appropriation: 952 - Real Estate Recovery

Funding Sources: NRE - Real Estate - Cash in Treasury

The Arkansas Real Estate Commission's Recovery Fund cash appropriation is supported by a one-time fee of \$25 charged to each new license applicant and also includes interest earned from investing the Fund's balances. If damages are assessed against any licensee who is insolvent, the Commission covers the claim from fees collected in this fund. Earned interest is applied toward support of the Commission's educational efforts to keep its licensees and the general public informed of changes in regulations, market conditions, and illegal practices.

The Agency's Base Level and total request is for appropriation of \$352,500 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 952 - Real Estate Recovery

Funding Sources: NRE - Real Estate - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Damage Payment	5900046	74,872	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Education	5900047	0	102,500	102,500	102,500	102,500	102,500	102,500	102,500	102,500
Total		74,872	352,500	352,500	352,500	352,500	352,500	352,500	352,500	352,500
Funding Sources										
Fund Balance	4000005	704,517	669,074		355,574	355,574	355,574	42,074	42,074	42,074
Cash Fund	4000045	39,429	39,000		39,000	39,000	39,000	39,000	39,000	39,000
Total Funding		743,946	708,074		394,574	394,574	394,574	81,074	81,074	81,074
Excess Appropriation/(Funding)		(669,074)	(355,574)		(42,074)	(42,074)	(42,074)	271,426	271,426	271,426
Grand Total		74,872	352,500		352,500	352,500	352,500	352,500	352,500	352,500

Expenditure of appropriation is contingent upon available funding.

STATE SECURITIES DEPARTMENT

Enabling Laws

Act 267 of 2016
A.C.A. §20-17-1001 et seq.
A.C.A. §23-35-101 et seq.
A.C.A. §23-38-101 et seq.
A.C.A. §23-39-501 et seq.
A.C.A. §23-42-101 et seq.
A.C.A. §23-55-101 et seq.
A.C.A. §23-37-101 et seq.

History and Organization

The Arkansas Securities Department has legislated responsibilities to protect the monetary interests of Arkansas residents by providing administration, regulation, and enforcement of the various Acts.

Act 254 of 1959 placed responsibility for the "sale of securities" under the jurisdiction of the State Bank Department, and provided for a State Securities Commissioner. The Securities Commissioner was to be appointed by the Governor and subject to the supervision of the State Bank Commissioner, and the Securities Department was operated as a division of the State Bank Department. Act 38 of 1971 transferred both the State Bank Department and the State Securities Department to the Department of Commerce. Each division continued to function independently of the Commerce Department with regard to the prescribed statutory powers, authorities, duties, and rulemaking responsibilities they had prior to the transfer. Act 471 of 1973 amended Act 254 of 1959 to provide that the Securities Division was no longer a part of the State Bank Department and the Securities Commissioner was no longer subject to the supervision of the State Bank Commissioner. The Act further provided that the Securities Division be renamed the Arkansas Securities Department and that all Acts previously regulated by the Securities Division be transferred to the new agency effective July 1, 1973.

In early 1975 it became apparent that the special revenue fund balances transferred to the Department by the Bank Department pursuant to Act 471 of 1973 would not be sufficient to continue operation of the Department at its then current level. Act 863 of 1975 amended all Acts administered by the Department to reclassify all revenues received by the Department as general revenues. Thus, effective July 1, 1975, the Department ceased being a special revenue agency and became a general revenue agency with all expenditures paid from the general revenues of the State.

Act 691 of 1983 abolished the Department of Commerce. Section 3 of the Act directed that the State Securities Department shall function as an independent agency. The Securities Commissioner is appointed by the Governor and serves at the pleasure of the Governor.

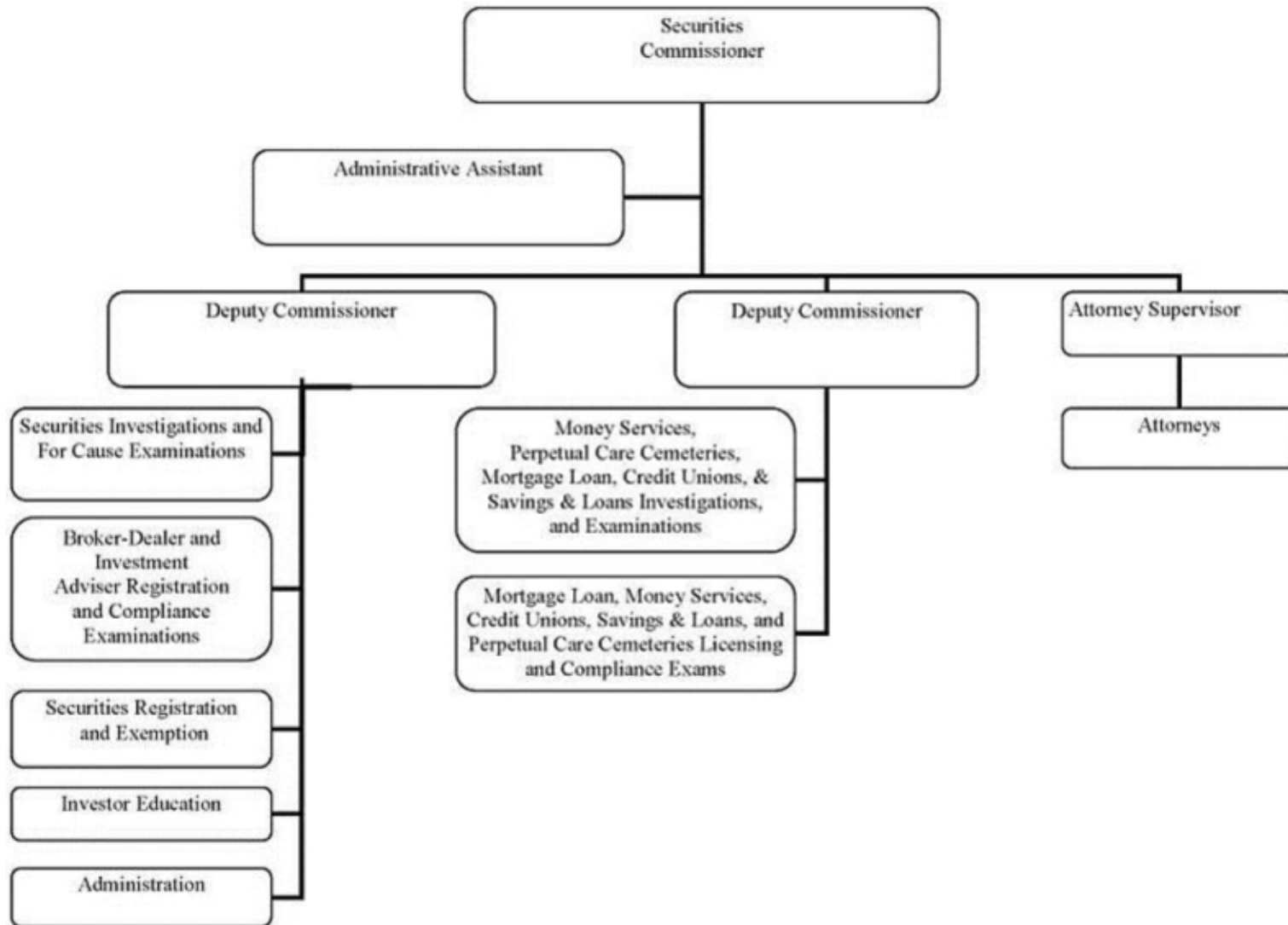
Act 42 of the First Extraordinary Session of 1989 appropriated funds to the Arkansas Securities Department, up to a maximum of \$200,000 in each fiscal year, to be used to contract for legal, accounting, and other appropriate assistance in addition to that available from the Department's regular staff, in specific cases and situations as deemed necessary by the Securities Commissioner. Act 207 of 1993 provided that all revenues received from administrative fines shall be deposited into the fund account from which the Arkansas Securities Department receives its maintenance and support as special revenues and used only for the stated purposes. Act 66 of 1997 provides in the event specific cases, situations, or programs make it necessary that the State Securities Department receives additional appropriations to carry out the objectives of the agency, the Securities Commissioner is hereby authorized to request the approval of the Governor and the Chief Fiscal Officer of the State for transfer of the appropriations provided in the Contingency line item (\$200,000). In no event shall the transfer in any fiscal year exceed the appropriations provided in the Contingency line item. The Governor may approve or modify such request for transfer of appropriations as in his judgment he deems necessary, and shall inform the Chief Fiscal Officer of the State. Upon notification, the Chief Fiscal Officer of the State shall direct the State Auditor to process said transfer upon his books.

Act 659 of 1993 created on the books of the Chief Fiscal Officer of the State and those of the State Treasurer a fund to be known as the "Securities Department Fund". Such fund is to be used for the maintenance, operation, support and improvement of the State Securities Department in carrying out its functions, powers, and duties as set out by law and by rule and regulation not inconsistent with law. Filing fees for initial or renewal registration of agent of a broker-dealer and investment adviser were increased to Seventy-five dollars (\$75), of which twenty-five dollars (\$25) shall be designated as special revenue and shall be deposited in the Securities Department Fund. Also, the filing fee for the filing of a registration statement was increased to a maximum filing fee of no more than two thousand dollars (\$2,000). Any portion of the fee in excess of one thousand dollars (\$1,000) shall be designated as special revenues and shall be deposited in the Securities Department Fund.

The Securities Department's operating appropriation is funded from special revenues deposited with the State Treasurer in the Securities Department Fund. The Securities Department Fund consists of portions of certain filing fees received by the Securities Department. Act 759 of 2003 created the Investor Education Fund. The Investor Education Program is funded from administrative fines received by the Department. The fines deposited into the Investor Education Fund are limited to \$150,000 each fiscal year. Fines received in excess of \$150,000 are deposited into the Securities Department Fund. The remaining fees and funds received by the Securities Department are turned over to the State Treasurer as general revenues.

Pursuant to the Savings and Loan Association Act, Act 227 of 1963, as amended, the Securities Commissioner acts as the Supervisor of savings and loan associations. In 1997 the Savings and Loan Association Act was amended to do away with the Savings and Loan Association Board and transferred the Board's power and authority to the Savings and Loan Supervisor.

Pursuant to the Cemetery Act, Act 352 of 1977, as amended, the Securities Commissioner serves as a voting member of the Cemetery Board.



Agency Commentary

The Securities Department ("Department") is a small but efficiently operated agency that has managed to handle increased responsibilities in the number of entities and persons that are regulated, resulting in increased revenue, while identifying efficiencies that will result in a decrease in the number of requested staff positions.

The Department is a special revenue agency funded by filing fees collected under the Securities Act ("Act"). Currently, the Department retains \$4 million in special revenue collected each fiscal year. The Department collects approximately \$17 in total revenue each year. The current balance of the Securities Department Fund is about \$3.7 million. The annual appropriation of the Department is about \$3.5 million. The Department proposes to decrease the \$4 million cap provided for in Section 23-42-211(a)(4) of the Act to \$2.5 million in each fiscal year of the biennial budget. This will provide an additional \$1.5 million to general revenue in each year of the biennium.

The Department has experienced a high turnover in examiner and attorney positions due to the low salaries and the inability of employees to increase their salary with experience, training, and knowledge obtained on the job. In FY16, 2 attorneys, 2 support staff, and 5 examiners have terminated their employment with the Department. 9 out of 39 positions or 23% of the Department's workforce has left within the last 12 months. In the last 5 years, a total of 27 employees have left the Department. The retention problem has created a knowledge void. The Department has experienced employees that have reached retirement age and additional employees who will be retiring in the next 5 years. There is a significant gap between long-term experienced employees and a number of employees that are new or with a few years of experience. Securities and financial regulation is a specialized field. It is imperative that the Department be able to attract and retain qualified employees.

Currently, the Department has 2 Securities Deputy Commissioners, Grade N902, 1 Attorney Supervisor, Grade 127, and 6 Attorney Specialist positions, Grade 126. Additionally, the Department has 2 Securities Chief Examiners, Grade 126, 3 Securities Examiner Supervisors, Grade 124, 10 Senior Securities Examiners, Grade 122, and 5 Securities Examiners, Grade 119, positions. The Department needs to reorganize in order to operate more efficiently, to reduce the number of positions and create savings. The Department is requesting to crossgrade one Securities Deputy Commissioner to a new Attorney Manager position. Currently, the Department has 2 Securities Chief Examiners, one of which is currently downgraded to a Senior Securities Examiner. The Department proposes to retain both Securities Chief Examiner positions and keep one position downgraded. The Department proposes to eliminate one Securities Examiner position creating a savings in salaries of more than \$40,000.

The Investor Education Fund is funded by fines imposed and collected pursuant to Section 23-42-209 and 308 of the Act. Fines in excess of \$150,000 collected in any fiscal year are deposited into the Securities Department Fund. When the Securities Department Fund reaches its cap, then the fines are deposited into General Revenues. The balance of the Investor Education Fund is about \$870,000. Part of this program is to provide grants to public schools and non-profit organizations. The grants provide funding to these organizations to procure

educational resources, software, and equipment for the purpose of providing securities and investment education to teachers and students in grades 5 through 12. The current appropriation for grants is \$70,000. Each year, the Department receives grant requests in excess of the appropriation. The Department proposes to increase the appropriation for grants to \$125,000 to fulfill more qualified grant requests from existing funds.

The proposed budget for the Securities Department strives to address problems facing the Department while achieving the goal of operating more efficiently. The proposed changes reduces the total number of positions from 39 to 38. This will create savings of more than \$40,000 in salaries and fringe benefits.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
STATE SECURITIES DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	14	16	30	86 %
Black Employees	1	2	3	9 %
Other Racial Minorities	2	0	2	5 %
Total Minorities			5	14 %
Total Employees			35	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
1530000	\$3,000	Checking Account	Simmons First National Bank

Statutory/Other Restrictions on use:

None

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §23-42-304 authorizes the State Securities Department to collect various filing fees.

Revenue Receipts Cycle:

Revenue deposited as received. Excess transferred to Treasury Account.

Fund Balance Utilization:

Refunds and reimbursements, remaining revenues are transferred to treasury account.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	None	N	N	0	None	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
027 State Operations	3,243,299	39	3,249,817	39	3,514,117	39	3,224,746	39	3,210,642	38	3,210,642	38	3,225,849	39	3,211,745	38	3,211,745	38
1MV Investor Education	77,715	0	113,500	0	113,500	0	113,500	0	168,500	0	168,500	0	113,500	0	168,500	0	168,500	0
C67 Refunds and Reimbursements	31,692	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
Total	3,352,706	39	3,863,317	39	4,127,617	39	3,838,246	39	3,879,142	38	3,879,142	38	3,839,349	39	3,880,245	38	3,880,245	38

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	4,413,460	52.0	5,132,836	52.5	5,919,519	65.3	5,919,519	65.3	5,919,519	65.3	5,231,273	62.4	5,190,377	62.2	5,190,377	62.2	
Special Revenue	4000030	4,040,540	47.6	4,150,000	42.4	2,650,000	29.2	2,650,000	29.2	2,650,000	29.2	2,650,000	31.6	2,650,000	31.8	2,650,000	31.8	
Cash Fund	4000045	31,542	0.4	500,000	5.1	500,000	5.5	500,000	5.5	500,000	5.5	500,000	6.0	500,000	6.0	500,000	6.0	
Total Funds		8,485,542	100.0	9,782,836	100.0	9,069,519	100.0	9,069,519	100.0	9,069,519	100.0	8,381,273	100.0	8,340,377	100.0	8,340,377	100.0	
Excess Appropriation/(Funding)		(5,132,836)		(5,919,519)		(5,231,273)		(5,190,377)		(5,190,377)		(4,541,924)		(4,460,132)		(4,460,132)		
Grand Total		3,352,706		3,863,317		3,838,246		3,879,142		3,879,142		3,839,349		3,880,245		3,880,245		

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
39	37	2	39	0	5.13 %	39	36	3	39	0	7.69 %	39	34	5	39	0	12.82 %

Analysis of Budget Request

Appropriation: 027 - State Operations

Funding Sources: SDH - Securities Department Fund

The State Operations appropriation is funded by special revenue fees that are authorized by A.C.A. §19-6-475. Administrative fines collected by the Agency are also designated as special revenues.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

Base Level for the biennium is \$3,224,746 in FY18 and \$3,225,849 in FY19.

The Agency's Change Level request totals (\$14,104) each year and includes:

- Reduction in Regular Salaries and Personal Services Matching due to elimination of one (1) Securities Examiner
- Reallocation of \$23,500 from Professional Fees to Operating Expenses to properly code what was once considered a professional service.
- Reallocation of \$15,700 between General Ledger codes within Operating Expenses to align with agency needs.
- Capital Outlay of \$35,000 each year for vehicle purchases.

The Executive Recommendation provides for the Agency Request.

The Executive Recommendation provides for the Agency Request for Capital Outlay to replace aging, high mileage vehicles in accordance with A.C.A. §22-8-201 et seq., Automobile and Pickup Truck Acquisition Act, which establishes guidelines for automobile replacement.

Appropriation Summary

Appropriation: 027 - State Operations

Funding Sources: SDH - Securities Department Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	2,004,925	2,010,552	2,051,884	2,012,311	1,976,402	1,976,402	2,013,211	1,977,302	1,977,302
#Positions		39	39	39	39	38	38	39	38	38
Extra Help	5010001	12,719	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
#Extra Help		2	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	731,965	643,121	666,089	654,791	641,596	641,596	654,994	641,799	641,799
Operating Expenses	5020002	437,214	447,160	447,160	447,160	470,660	470,660	447,160	470,660	470,660
Conference & Travel Expenses	5050009	23,033	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Professional Fees	5060010	0	44,484	44,484	44,484	20,984	20,984	44,484	20,984	20,984
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	29,127	38,500	38,500	0	35,000	35,000	0	35,000	35,000
Contingency	5130018	0	0	200,000	0	0	0	0	0	0
Examination Travel	5900046	4,316	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total		3,243,299	3,249,817	3,514,117	3,224,746	3,210,642	3,210,642	3,225,849	3,211,745	3,211,745
Funding Sources										
Fund Balance	4000005	3,565,178	4,258,684		5,008,867	5,008,867	5,008,867	4,284,121	4,298,225	4,298,225
Special Revenue	4000030	3,936,805	4,000,000		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Funding		7,501,983	8,258,684		7,508,867	7,508,867	7,508,867	6,784,121	6,798,225	6,798,225
Excess Appropriation/(Funding)		(4,258,684)	(5,008,667)		(4,284,121)	(4,298,225)	(4,298,225)	(3,558,272)	(3,586,480)	(3,586,480)
Grand Total		3,243,299	3,249,817		3,224,746	3,210,642	3,210,642	3,225,849	3,211,745	3,211,745

Change Level by Appropriation

Appropriation: 027 - State Operations
Funding Sources: SDH - Securities Department Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,224,746	39	3,224,746	100.0	3,225,849	39	3,225,849	100.0
C01	Existing Program	35,000	0	3,259,746	101.1	35,000	0	3,260,849	101.1
C03	Discontinue Program	(49,104)	(1)	3,210,642	99.6	(49,104)	(1)	3,211,745	99.6
C04	Reallocation	0	0	3,210,642	99.6	0	0	3,211,745	99.6

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,224,746	39	3,224,746	100.0	3,225,849	39	3,225,849	100.0
C01	Existing Program	35,000	0	3,259,746	101.1	35,000	0	3,260,849	101.1
C03	Discontinue Program	(49,104)	(1)	3,210,642	99.6	(49,104)	(1)	3,211,745	99.6
C04	Reallocation	0	0	3,210,642	99.6	0	0	3,211,745	99.6

Justification

C01	Capital Outlay to replace state vehicle.
C03	Elimination of one (1) Securities Examiner position to meet agency needs.
C04	Reallocation of \$23,500 from Professional Fees to Operating Expenses to meet agency needs.

Analysis of Budget Request

Appropriation: 1MV - Investor Education

Funding Sources: SDH - Investor Education Fund

The Securities Department's Investor Education Program was established by Act 759 of 2003 (A.C.A. §23-42-213) and is funded by administrative fines levied by the Department. The Program is designed to work in conjunction with various non-profit economic education, religious, civic, and community groups to provide economic and financial education primarily to junior high through first year college students and senior citizen groups and to inform the investing public of investment schemes and unlawful, fraudulent conduct.

Base Level Request is \$113,500 each year of the biennium.

The Agency Change Level request of \$55,000 in Grants and Aid is to fulfill additional qualified grant requests from existing funds.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1MV - Investor Education

Funding Sources: SDH - Investor Education Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	1,286	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Promotional Items	5090028	7,098	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Grants and Aid	5100004	69,331	70,000	70,000	70,000	125,000	125,000	70,000	125,000	125,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		77,715	113,500	113,500	113,500	168,500	168,500	113,500	168,500	168,500
Funding Sources										
Fund Balance	4000005	845,132	871,152		907,652	907,652	907,652	944,152	889,152	889,152
Special Revenue	4000030	103,735	150,000		150,000	150,000	150,000	150,000	150,000	150,000
Total Funding		948,867	1,021,152		1,057,652	1,057,652	1,057,652	1,094,152	1,039,152	1,039,152
Excess Appropriation/(Funding)		(871,152)	(907,652)		(944,152)	(889,152)	(889,152)	(980,652)	(870,652)	(870,652)
Grand Total		77,715	113,500		113,500	168,500	168,500	113,500	168,500	168,500

Change Level by Appropriation

Appropriation: 1MV - Investor Education
Funding Sources: SDH - Investor Education Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	113,500	0	113,500	100.0	113,500	0	113,500	100.0
C01	Existing Program	55,000	0	168,500	148.5	55,000	0	168,500	148.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	113,500	0	113,500	100.0	113,500	0	113,500	100.0
C01	Existing Program	55,000	0	168,500	148.5	55,000	0	168,500	148.5

Justification

C01	Increase in appropriation for grants to match funding levels.
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Analysis of Budget Request

Appropriation: C67 - Refunds and Reimbursements

Funding Sources: 153 - Securities Department - Cash in Bank

The Securities Department's Refunds and Reimbursements appropriation is a Cash in Bank account that is used for transfer of fee collections to State Treasury fund accounts after necessary refunds have been made. Transfers to the Treasury do not appear as expenditures.

The Agency Request provides for Base Level of \$500,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C67 - Refunds and Reimbursements
Funding Sources: 153 - Securities Department - Cash in Bank

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	31,692	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	31,692	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources									
Fund Balance 4000005	3,150	3,000		3,000	3,000	3,000	3,000	3,000	3,000
Cash Fund 4000045	31,542	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	34,692	503,000		503,000	503,000	503,000	503,000	503,000	503,000
Excess Appropriation/(Funding)	(3,000)	(3,000)		(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Grand Total	31,692	500,000		500,000	500,000	500,000	500,000	500,000	500,000

Expenditure of appropriation is contingent upon available funding.

ARKANSAS SPINAL CORD COMMISSION

Enabling Laws

Act 149 of 2016
A.C.A. §20-8-201 et seq.

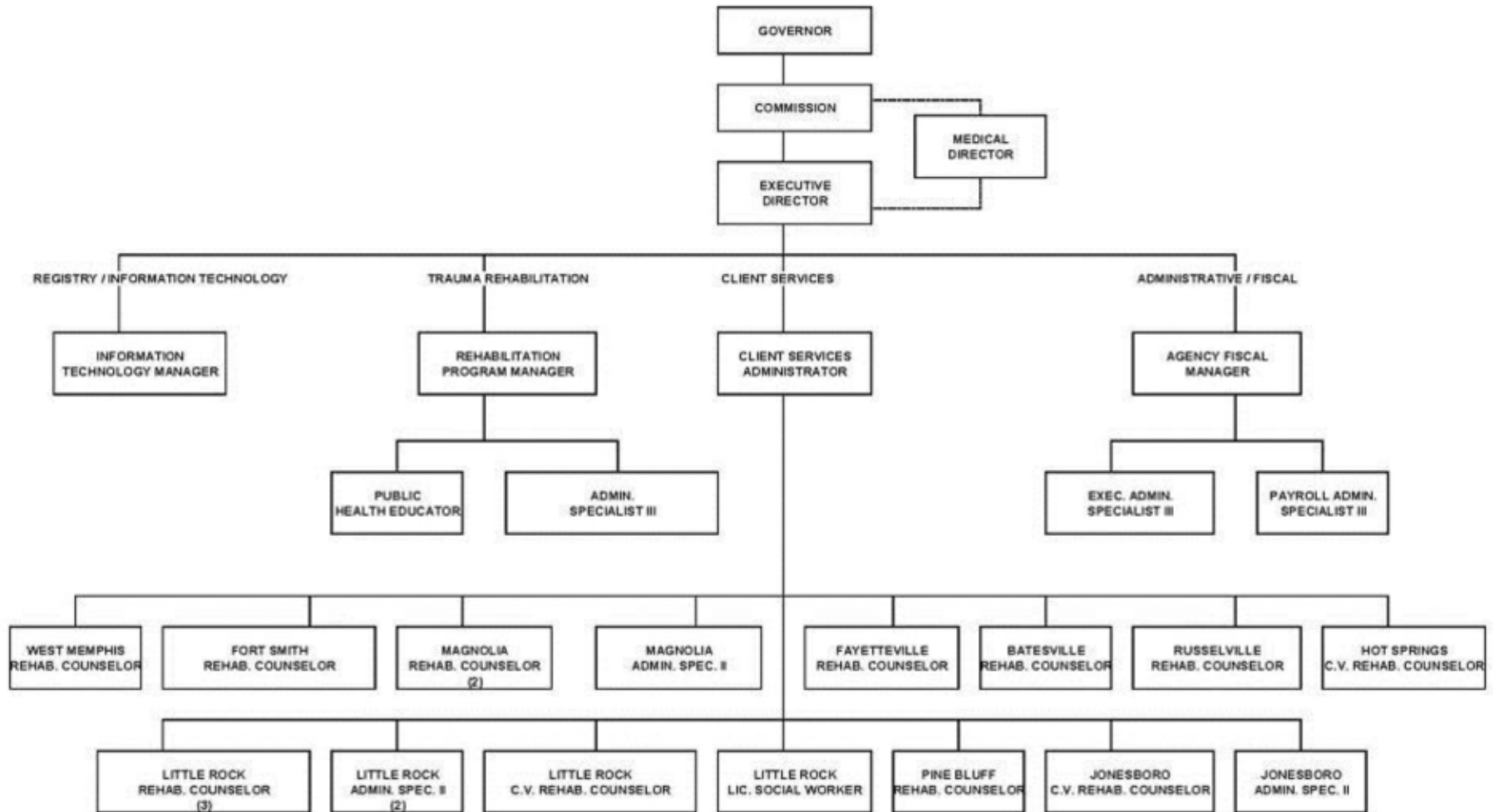
History and Organization

The mission of the Arkansas Spinal Cord Commission is to administer a statewide service program to identify and meet the unique and lifelong needs of Arkansans with spinal cord disabilities.

The **Arkansas Legislature established the Arkansas Spinal Cord Commission** in 1975. An innovative concept, it was the first in the nation, dedicated to the complex, lifelong needs of citizens with spinal cord disabilities. In 1977, the Arkansas Spinal Cord Disability Registry was established to track, identify and monitor new cases. In **calendar year 2015**, the Commission served about **2,502** Arkansans with spinal cord disabilities and accepted **194 new referrals**. The Commission is governed by a five (5)-member board, appointed by the Governor and confirmed by the Senate, from the state at large for ten (10) year terms. The members must have a spinal cord disability themselves, be a member of the immediate family of one with spinal cord disability, or demonstrate special knowledge of and experience with spinal cord disabilities. The Commission currently has 28 budgeted positions.

The agency serves an integral role in promoting and preserving the independent functioning of Arkansans with spinal cord disabilities, allowing them to contribute to our state rather than drain its resources. Our **Case Management** program provides **legislatively mandated services** to individuals with spinal cord disabilities, including assessing needs, developing individual independent living plans, providing lifelong follow-up, counseling, guidance and support and assisting the individual through the maze of state and federal programs to obtain the services they need. ASCC Case Managers made **over 5,036** client contacts in 2015, in all 75 Arkansas counties and leveraged over \$803,162 in services on behalf of their clients. In the absence of all other resources, the Commission **Spinal Treatment Fund** purchases medical services for clients who meet our financial criteria including wheelchairs, home modifications and ramps, outpatient therapy and emergency medical supplies and medications. Our **Long Term Attendant Care** program provides funding for consumer directed personal care assistance needed to maintain 20 individuals with quadriplegia in their own homes, preventing institutionalization. The Commission serves an integral role in providing **education and training** to individuals with spinal cord disabilities and their care providers through educational conferences, development and dissemination of educational resources and our website. These services assure that Arkansans with spinal cord disabilities live in their least restrictive environment.

Our **Arkansas Spinal Cord Disability Registry**, is a legislatively mandated spinal cord disability registry that identifying individuals who need our services, this surveillance system monitors the cause of injury, location, level of disability, age, education and other information on open and closed cases to assist in recognizing trends, predicting future needs and allocating resources. Our **Trauma Rehabilitation Program**, is funded through state trauma system funds. These program funds are utilized to develop statewide trauma rehabilitation programs including development of outreach, outcome measures, professional training programs and build the rehabilitation component of the statewide Trauma System.



Agency Commentary

The **Arkansas Spinal Cord Commission** is mandated to identify and meet the unique and lifelong needs of individuals with spinal cord disabilities in Arkansas.

To date, the Commission serves over 2,500 severely disabled Arkansans. Due to improvement in the Arkansas Trauma System, our clients are living longer and require more complex and costly services to live independently. Advanced equipment utilized by clients living with a spinal cord disability is on the rise as newer, more refined technology is designed. Changes in the healthcare system have left many uninsured or underinsured clients without the equipment and technology necessary to maintain their activities of daily living. More concerning are the changes within the social services system. They have left many clients with tetraplegia in dangerous situations where they are alone and without care for several hours a day.

This is where Arkansas Spinal Cord Commission comes in to assist Arkansans with spinal cord disabilities. An increased number of our clients now meet our financial guidelines at 113% of poverty and qualify to receive purchased services. In accordance with our legislative mandate, our goal is to assist clients in obtaining the medical services they need to prevent them from "falling through the cracks" of our complex healthcare and social services system, to allow them to live independently in their least restrictive environment. Our last survey in 2012 showed only 5% of Arkansans with spinal cord disabilities live in nursing homes or institutions (compared to 11% nationally), but this trend is changing with the increased cost of healthcare and cuts to the social services system.

ASCC Commission members and staff have made every attempt to reallocate resources to optimize state funding. Cost saving strategies since the last biennium are dwindling due to the changes noted above. In 2013, ASCC Rehabilitation Counselors leveraged over \$1.1 million in goods and services from resources available to their clients prior to utilizing state funds. In 2014, ASCC Rehabilitation Counselors were only able to leverage a little over \$850,000. Recently in 2015, ASCC Rehabilitation Counselor leveraged just over \$800,000. We are unable to maintain our previous level of services based on these new trends, costs and cuts. This biennium budget request is being submitted in keeping with the Governor's Directive yet being mindful of our clients' needs.

MAINTAIN ADEQUATE CASE MANAGEMENT STAFF TO PROVIDE QUALITY CLIENT SERVICES AND OPTIMIZE STATE FUNDS IS OUR PRIORITY.

Case Management is the most integral component of our program. Rehabilitation Counselors provide direct assistance to our clients and their families, particularly the newly injured and newborns with Spina Bifida. Rehabilitation Counselors help clients navigate the system for services they need for essential independent living. Individuals with spinal cord disabilities need help in locating and obtaining services due to the complexity and challenges in the healthcare and social services system. Many healthcare providers are unaware of the appropriate treatment or equipment needs for this population, particularly in rural areas. Our Rehabilitation Counselors provide expertise and advice to assist in obtaining appropriate medical care, treatment, and equipment in preventing pressure sores and other medical complications by saving our clients from undue hardships and the state financially. July of 2007, ASCC was approved appropriation and funding for an additional

Rehabilitation Counselor. Since that time, our caseload continues to increase even with efforts to redistribute caseloads (most recent redistribution was in September 2015) and based on evaluation of client needs. In addition, even with present economic circumstances, most of our clients are uninsured or underinsured. A private sector caseload averages around 50-75 clients. At an average of 180 clients per caseload, our rehabilitation counselors are weighed down in providing quality services. Since 2012, there have been 5 turnovers in areas with extremely high caseload with an average of 207 clients per Rehabilitation Counselor. We anticipate as population trends show, these areas will continue to see high client to Rehabilitation Counselor caseload ratios. In 2015, our Rehabilitation Counselors made 5,086 home visits to clients in all 75 counties. This is a decrease in home visits by 1,045 from 2012. Rehabilitation counselors are attempting to manage more client needs over the phone versus being able to see first hand the full scope of the clients needs due to heavy caseload. We respectfully request appropriation be **RESTORED** for the 2 (approved in FY 16/17 biennium) Rehabilitation Counselors (C117, L051C) positions, plus the funding for salary and personal service match urgently needed to fill these positions. An **increase of \$64,498 will be required for Commitment Item 00 in FY 18 and FY19**. An **increase of \$24,727 will be required for Commitment item 03 in FY 18 and FY 19**. One Rehabilitation Counselor will be housed and supported in our existing Little Rock Central Office. The other will be housed in NW Arkansas and included under the existing ARS contract for office space and administrative assistant support in FY 18. These positions are needed to meet the most critical needs in serving some of Arkansas' most vulnerable citizens who live with spinal cord disabilities. **THIS IS OUR MOST CRITICAL NEED.**

MAINTAIN OUR SPINAL TREATMENT PROGRAM TO MEET OUR LEGISLATIVE MANDATE.

In order to provide adequate spinal treatment services, we respectfully request our Spinal Treatment Program (**Commitment Item 46**) be **increased \$337,855**. In FY 2013, the appropriation level for the Spinal Treatment Program was at \$772,000 each year. In FY 16, the appropriation level was decreased to \$434,145. These funds allow us to purchase medical equipment for our clients, including wheelchairs, patient lifts, wheelchair ramps, home modifications, air mattresses to prevent pressure sores, emergency medical supplies, and to provide and maintain emergency loaner medical equipment. Our client caseloads continue to increase, as does the percentage of clients who meet our financial guidelines. We are purchasing services for more clients and the cost of these purchased items continues to increase.

We respectfully request the RESTORED appropriation level (\$772,000) and the provision of funds for our Spinal Treatment Program to continue to assist Arkansans with spinal cord disabilities, especially the uninsured and underinsured client base that is unfolding with the changes in the healthcare and social services system. **THIS IS OUR SECOND MOST CRITICAL NEED.**

SUPPORT CASE MANAGEMENT PROGRAM

In order to optimize client home visits, we will implement electronic signature capabilities and provide connectivity to a new electronic statewide client registry and tracking service network, we respectfully request **funding for data plans** for 16 Rehabilitation Counselors and 1 Intake Coordinator and the additional **funding for cost of software to a new electronic statewide client registry system**. The approximate cost of data plans for the listed staff is \$13,260 (\$65 x17 direct client services staff x 12 month in FY 19). We also anticipate the cost of the software for the new Client Registry/ Tracker System to be in the vicinity of \$5,000 to include software, licensing and use for 25 staff members in the biennium. The Data Plans will be an ongoing vital expense for each FY that will allow our Rehabilitation Counselors to

have access, even in the most rural areas of Arkansas' 75 counties. Implementation of this new statewide system will decrease or eliminate state costs in office space and administrative specialist support costs under current contracts. Currently, under contract, ASCC is paying \$24,000 for 8 field office spaces (including supplies, telephone, internet) per year. With this forecasted new system, the cost would be on average \$19,260 a year.

This new system will create the need for one full-time Administrative Specialist II, C109 position, for the NW Arkansas Region to provide support to 4 Rehabilitation Counselors. Currently under ARS contract, we are paying \$61,250 per year for half-time Administrative Specialist Support assistance in 7 regional offices. This new system will create 4 hubs serving 4 regions versus the 10 separate areas existing under our current paper file system. There is no other service system in the nation that provides services to individuals with spinal cord disabilities on a lifetime basis. We have to find ways to be more cost efficient, on the verge of a cutting edge philosophy of doing more with less, yet finding the best solution to save state funds and provide quality and timely client services. This new electronic statewide client registry and tracking service system will allow us to meet this needed best solution. **THIS IS OUR THIRD MOST CRITICAL NEED.**

An increase for training funds in the amount of **\$5,100** (\$300 x 17 staff members) **Commitment item 09-Travel and Conference** is essential to keep our Rehabilitation Counselors updated on the latest medical information, medical equipment, technology, resources and services to ensure we provide cutting edge information and services to our clients. We request this additional funding amount in order to conduct additional face-to-face and electronic meetings. Though we have been keen on cost savings by implementing monthly trainings via Gotomeeting, many of these trainings require hands-on learning.

Our remaining appropriations reflect the Trauma Rehabilitation program that is funded through the Trauma System funds (Cash 97G). These program funds are utilized to develop statewide trauma rehabilitation programs including development and outreach, outcomes measures, professional training programs and build the rehabilitation component of the statewide Trauma System. It is a discrete program that does not supplement nor supplant our state operations. It includes no direct client services. We also request level appropriations in our Cash (864) and Federal (187) funds.

This proposal reflects careful evaluation and consideration by Commission members and staff. They represent our best assessment of the most basic needs of our Agency in order to allow us to support our mission and provide quality and timely services to our clients, some of our state's most severely disabled citizens and their families.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS SPINAL CORD COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	7	7	14	61 %
Black Employees	2	6	8	35 %
Other Racial Minorities	0	1	1	4 %
Total Minorities			9	39 %
Total Employees			23	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Referral Poster	None	N	N	500	Health care provider, referral agency education to Leg. Mandate for reporting.	0	0.00
Spinal Courier Newsletter	None	N	N	9,000	Client, family & health care provider education	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
096 State Operations	2,347,680	25	2,343,625	25	2,486,552	27	2,359,033	25	2,774,622	27	2,359,033	25	2,360,014	25	2,718,733	27	2,360,014	25
187 Federal Operations	3,105	0	34,500	0	34,500	0	34,500	0	34,500	0	34,500	0	34,500	0	34,500	0	34,500	0
864 Cash Operations	25,934	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0
97G ASCC-TAC	402,079	3	500,000	3	503,999	3	498,779	3	498,779	3	498,779	3	498,779	3	498,779	3	498,779	3
Total	2,778,798	28	2,928,125	28	3,075,051	30	2,942,312	28	3,357,901	30	2,942,312	28	2,943,293	28	3,302,012	30	2,943,293	28

Funding Sources		%		%		%		%		%		%		%		%
Fund Balance	4000005	70,098	2.5	76,686	2.6		56,686	1.9	56,686	1.8	56,686	1.9	36,686	1.2	36,686	1.2
General Revenue	4000010	2,249,450	78.8	2,237,474	75.0		2,264,672	76.0	2,353,897	76.6	2,264,672	76.0	2,265,613	76.5	2,354,838	77.1
Federal Revenue	4000020	101,335	3.5	132,730	4.4		128,861	4.3	132,730	4.3	128,861	4.3	128,901	4.4	132,730	4.3
Cash Fund	4000045	32,522	1.1	30,000	1.0		30,000	1.0	30,000	1.0	30,000	1.0	30,000	1.0	30,000	1.0
Merit Adjustment Fund	4000055	0	0.0	7,921	0.3		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Transfer from Health Dept	4000511	402,079	14.1	500,000	16.8		498,779	16.7	498,779	16.2	498,779	16.7	498,779	16.9	498,779	16.3
Total Funds		2,855,484	100.0	2,984,811	100.0		2,978,998	100.0	3,072,092	100.0	2,978,998	100.0	2,959,979	100.0	3,053,033	100.0
Excess Appropriation/(Funding)		(76,686)		(56,686)			(36,686)		285,809		(36,686)		(16,686)		248,979	
Grand Total		2,778,798		2,928,125			2,942,312		3,357,901		2,942,312		2,943,293		3,302,012	

Variance in fund balance is due to unfunded appropriation in (FC 096) -State Operations.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
27	28	1	29	-2	-3.70 %	30	23	5	28	2	23.33 %	30	23	5	28	2	23.33 %

Total Budgeted positions exceed Authorized amount due to positions authorized from the Central Growth Pool.

Analysis of Budget Request

Appropriation: 096 - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

A.C.A. § 20-8-201 created the Arkansas Spinal Cord Commission for the establishment and integration of a statewide system of treatment, rehabilitation, counseling, and social services for persons with spinal cord injuries or spina bifida. The Commission serves an integral role in promoting and preserving the independent functioning of Arkansans with spinal cord disabilities, allowing them to contribute to our state. State General Revenue provides approximately 96% of the total funding for this appropriation. While a small portion of this appropriation is supported with Federal Social Services Block Grant funds allocated through the Department of Human Services, general revenue funding comprises the bulk of the revenue source.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Agency's Change Level request is \$415,589 in FY18 and \$358,719 in FY19 in appropriation and additional general revenue funding of \$89,225 each year, and reflects of the following:

- Regular Salaries and Personal Services Matching totaling \$89,225 in FY18 and FY19 for restoration of two (2) additional Rehabilitation Counselor (L051C) positions to meet the critical needs in serving some of Arkansas' most vulnerable citizens, those who live with spinal cord disabilities and paralysis. The additional Counselors are needed in Northwest and North Central Arkansas to meet the significant case load increase that follows the increased population trend.
- Operating Expenses decrease of (\$11,077) in FY18 and (\$15,447) in FY19 to reallocate several appropriation within several line items.
- Conference Fees and Travel increase of \$5,100 each year to provide training for the Rehabilitation Counselors to keep them updated on the latest medical information, medical equipment, technology, resources and services.
- Professional Fees decrease of (\$5,514) in FY18 and (\$58,014) in FY19 due to discontinuation of a portion of the services provided by the contract with Arkansas Rehabilitation Services for administrative support.
- Spinal Treatment Program increase of \$337,855 each year to restore the appropriation to previously authorized levels and to continue to assist Arkansas with spinal cord disabilities.

The Executive Recommendation provides for Base Level.

Appropriation Summary

Appropriation: 096 - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	955,017	972,192	1,074,111	980,279	1,044,777	980,279	981,079	1,045,577	981,079
#Positions		25	25	27	25	27	25	25	27	25
Personal Services Matching	5010003	336,063	339,823	380,831	347,144	371,871	347,144	347,325	372,052	347,325
Operating Expenses	5020002	235,472	235,335	235,335	235,335	224,258	235,335	235,335	219,888	235,335
Conference & Travel Expenses	5050009	7,871	10,520	10,520	10,520	15,620	10,520	10,520	15,620	10,520
Professional Fees	5060010	66,985	90,000	90,000	90,000	84,486	90,000	90,000	31,986	90,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	198,550	261,610	261,610	261,610	261,610	261,610	261,610	261,610	261,610
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Spinal Treatment Program	5900046	547,722	434,145	434,145	434,145	772,000	434,145	434,145	772,000	434,145
Total		2,347,680	2,343,625	2,486,552	2,359,033	2,774,622	2,359,033	2,360,014	2,718,733	2,360,014

Funding Sources										
General Revenue	4000010	2,249,450	2,237,474		2,264,672	2,353,897	2,264,672	2,265,613	2,354,838	2,265,613
Federal Revenue	4000020	98,230	98,230		94,361	98,230	94,361	94,401	98,230	94,401
Merit Adjustment Fund	4000055	0	7,921		0	0	0	0	0	0
Total Funding		2,347,680	2,343,625		2,359,033	2,452,127	2,359,033	2,360,014	2,453,068	2,360,014
Excess Appropriation/(Funding)		0	0		0	322,495	0	0	265,665	0
Grand Total		2,347,680	2,343,625		2,359,033	2,774,622	2,359,033	2,360,014	2,718,733	2,360,014

Change Level by Appropriation

Appropriation: 096 - State Operations
Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,359,033	25	2,359,033	100.0	2,360,014	25	2,360,014	100.0
C01	Existing Program	427,080	2	2,786,113	118.1	427,080	2	2,787,094	118.1
C03	Discontinue Program	(20,497)	0	2,765,616	117.2	(72,997)	0	2,714,097	115.0
C04	Reallocation	9,006	0	2,774,622	117.6	4,636	0	2,718,733	115.2

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,359,033	25	2,359,033	100.0	2,360,014	25	2,360,014	100.0
C01	Existing Program	24,727	0	2,383,760	101.0	24,727	0	2,384,741	101.0
C03	Discontinue Program	0	0	2,383,760	101.0	0	0	2,384,741	101.0
C04	Reallocation	0	0	2,383,760	101.0	0	0	2,384,741	101.0
C13	Not Recommended	(24,727)	0	2,359,033	100.0	(24,727)	0	2,360,014	100.0

Justification

C01	We respectfully request appropriation be restored for the 2 (approved in FY 16/17 biennium) Rehabilitation Counselors (C117, L051C) positions, plus the funding for salary and personal service match urgently needed to fill these positions. The increase of \$337,855.00 in Spinal Treatment Program is requested to restore the appropriation and funding to the SFY 2013 base level. These funds allow the Arkansas Spinal Cord Commission to purchase medical equipment, emergency medical supplies, and to provide loaner equipment to Arkansans who are without medical insurance or are underinsured. This increase will allow Arkansans with spinal cord injuries and or diseases to live as independently as they can without burdening their families and the state for confinement to a long term nursing facility.
C03	The Professional Fees for SFY 18 is decreased \$5,514.00 and in SFY 19 is decreased \$58,014.00 due to discontinuation of a portion of the services provided by the contract with Arkansas Rehabilitation Services for administrative support. With the proposed new electronic statewide client registry system, the 8 field offices with administrative support will be reduced to 2 within the ARS contract.
C04	We are requesting reallocation of some Operating Expense line items to more accurately reflect the cost of doing business and to be more efficient with state funds. a) A \$13,260.00 increase in Telecommunications – Wired for the data plan to allow the case managers phone access in remote rural areas. b) A \$290.00 decrease in Telecommunications – Wireless due to over budgeted in previous years. c) A \$574.00 increase in printing due to an increase in cost. d) A \$750.00 decrease in Advertising as this is not needed. e) A \$350.00 decrease in Vehicle Maintenance as this was over budgeted in previous years. f) A \$100.00 decrease in Natural Gas was reallocated to Janitorial Service. g) A \$750.00 increase in Miscellaneous Technical Services. h) A \$3,000.00 increase in SFY 18 and \$18,000.00 decrease in Other Expenses and Services due to the reduced ARS contract for office space which was reallocated to Telecommunications Wired. i) A \$238.00 decrease in Educational Costs. j) A \$500.00 reduction in Tires as they were purchased in SFY 16. k) A \$2,400.00 decrease in Data Processing Supplies. l) A \$5,000.00 increase in Software for the proposed new electronic statewide client registry system. m) A \$11,300.00 decrease in low value equipment. n) A \$5,100.00 increase 09 Travel – Conferences.

Analysis of Budget Request

Appropriation: 187 - Federal Operations

Funding Sources: FSK - Federal Funds

The Spinal Cord Commission's Federal Operations appropriation is utilized for various Research and Prevention Programs. This appropriation is 100% federally funded.

The Commission is requesting a total of \$34,500 each year of the 2017-2019 Biennium. The request also includes a reallocation in the Operating Expenses line items, decreasing low value equipment by \$10,000 and increasing printing and office supplies each by \$5,000.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 187 - Federal Operations

Funding Sources: FSK - Federal Funds

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	3,105	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Conference & Travel Expenses	5050009	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		3,105	34,500	34,500	34,500	34,500	34,500	34,500	34,500	34,500
Funding Sources										
Federal Revenue	4000020	3,105	34,500		34,500	34,500	34,500	34,500	34,500	34,500
Total Funding		3,105	34,500		34,500	34,500	34,500	34,500	34,500	34,500
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		3,105	34,500		34,500	34,500	34,500	34,500	34,500	34,500

Change Level by Appropriation

Appropriation: 187 - Federal Operations
Funding Sources: FSK - Federal Funds

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	34,500	0	34,500	100.0	34,500	0	34,500	100.0
C04	Reallocation	0	0	34,500	100.0	0	0	34,500	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	34,500	0	34,500	100.0	34,500	0	34,500	100.0
C04	Reallocation	0	0	34,500	100.0	0	0	34,500	100.0

Justification

C04	Low value equipment is not needed in this fund center. The funds are needed in Printing GL account 5030001000 and Office Supplies GL account 5090006000.
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Analysis of Budget Request

Appropriation: 864 - Cash Operations

Funding Sources: NSC - Cash in Treasury

The Spinal Cord Commission's cash appropriation is utilized for contingency, miscellaneous, or emergency purchases and educational activities, which include conducting an annual conference. The funding sources of this cash appropriation include private donations, proceeds from educational activities and grants.

The Commission is requesting a total of \$50,000 each year of the 2017-2019 Biennium. The request includes a reallocation in the Operating Expenses line item, decreasing low value equipment, educational supplies, contractual food services, and subscriptions and publications by a total of \$25,468 and increasing binding copying, rent of facilities, mileage, lodging, common carrier, ground transportation, parking fees, food purchases, and other expenses by a total of \$25,468.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 864 - Cash Operations
Funding Sources: NSC - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	25,934	40,000	25,000	40,000	40,000	40,000	40,000	40,000	40,000
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	0	10,000	25,000	10,000	10,000	10,000	10,000	10,000	10,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	25,934	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Funding Sources									
Fund Balance 4000005	70,098	76,686		56,686	56,686	56,686	36,686	36,686	36,686
Cash Fund 4000045	32,522	30,000		30,000	30,000	30,000	30,000	30,000	30,000
Total Funding	102,620	106,686		86,686	86,686	86,686	66,686	66,686	66,686
Excess Appropriation/(Funding)	(76,686)	(56,686)		(36,686)	(36,686)	(36,686)	(16,686)	(16,686)	(16,686)
Grand Total	25,934	50,000		50,000	50,000	50,000	50,000	50,000	50,000

Budget exceeds Authorized Appropriation in Operating Expenses by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 864 - Cash Operations
Funding Sources: NSC - Cash in Treasury

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	50,000	0	50,000	100.0	50,000	0	50,000	100.0
C04	Reallocation	0	0	50,000	100.0	0	0	50,000	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	50,000	0	50,000	100.0	50,000	0	50,000	100.0
C04	Reallocation	0	0	50,000	100.0	0	0	50,000	100.0

Justification

C04	Contractual Food Services, Subscriptions and Publications, and Low Value Equipment are not needed in this fund center. Educational Supplies and Materials base level is more than is needed in this fund center. These funds are better utilized in Copying, Rent of Facilities, Transportation, Food Purchases, Office Supplies, and Other Expenses.								
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Analysis of Budget Request

Appropriation: 97G - ASCC-TAC

Funding Sources: NSC - Cash in Treasury

This program is to develop statewide trauma rehabilitation programs including developing outcome measures, professional training programs and a rehabilitation hospital designation. It is funded from Trauma System funds that are transferred from the Arkansas Department of Health.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Commission is requesting a total of \$498,779 each year of the 2017-2019 Biennium. The request includes a reallocation in the Operating Expenses line item, decreasing postage, binding copying, office supplies, educational supplies, and low value equipment by a total of \$8,412 and increasing rent of office equipment, board member expense, board travel, board lodging, and travel reimbursement by a total of \$8,412.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 97G - ASCC-TAC

Funding Sources: NSC - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	108,053	134,721	114,956	133,077	133,077	133,077	133,077	133,077	133,077
#Positions		3	3	3	3	3	3	3	3	3
Personal Services Matching	5010003	39,461	46,480	37,650	46,903	46,903	46,903	46,903	46,903	46,903
Operating Expenses	5020002	20,973	63,326	37,062	63,326	63,326	63,326	63,326	63,326	63,326
Conference & Travel Expenses	5050009	46,272	43,903	75,994	43,903	43,903	43,903	43,903	43,903	43,903
Professional Fees	5060010	6,100	21,125	20,000	21,125	21,125	21,125	21,125	21,125	21,125
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	181,220	190,445	218,337	190,445	190,445	190,445	190,445	190,445	190,445
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		402,079	500,000	503,999	498,779	498,779	498,779	498,779	498,779	498,779
Funding Sources										
Transfer from Health Dept	4000511	402,079	500,000		498,779	498,779	498,779	498,779	498,779	498,779
Total Funding		402,079	500,000		498,779	498,779	498,779	498,779	498,779	498,779
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		402,079	500,000		498,779	498,779	498,779	498,779	498,779	498,779

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium. Budget exceeds Authorized Appropriation in Operating Expenses and Professional Fees by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 97G - ASCC-TAC
Funding Sources: NSC - Cash in Treasury

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	498,779	3	498,779	100.0	498,779	3	498,779	100.0
C04	Reallocation	0	0	498,779	100.0	0	0	498,779	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	498,779	3	498,779	100.0	498,779	3	498,779	100.0
C04	Reallocation	0	0	498,779	100.0	0	0	498,779	100.0

Justification

C04	Reallocated funds from Postage, Printing, Office Supplies, Educational Supplies and Materials, and Low Value Assets to Rent of Office Equipment, and Board/Commission Member Expenses in order to more efficiently utilize these funds.
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STUDENT LOAN AUTHORITY

Enabling Laws

Act 46 of 2016
A.C.A. §6-81-101 - A.C.A §6-81-132

History and Organization

Since the Authority was created in 1977, its enabling legislation has been amended six times:

Act 633 of 1979

- delineated membership of the Authority board and
- expanded authorized investments.

Act 296 of 1981

- defined the term "obligation",
- increased the obligation "cap" from \$15 million to \$50 million,
- required repayment from the next sale of revenue bonds of any outstanding obligation(s) other than revenue bonds, and
- repealed the requirement that student loans qualify for payment of federal interest benefits.

Act 937 of 1983

- defined the term "bond",
- removed the 10% limit on bond interest rates,
- reduced the notice period for public sale of bonds to ten days, and
- expanded authorized investments.

Act 39 of the 1983 First Extraordinary Session

- increased the obligation "cap" from \$50 to \$100 million.

Act 51 of the 1983 First Extraordinary Session

- authorized negotiated sales of obligations.

Act 429 and 449 of 1985 (identical acts)--

- authorized the Authority to make and purchase PLUS (parent) loans
- re-defined the term "obligation" to authorize the Authority to issue taxable and/or non-taxable debt, and

- designated the Authority as a public body politic and corporate.

Act 705 and 631 of 1985 (identical acts)--

- authorized the Authority to make or purchase loans from any qualified guarantor of its choice,
- removed the limitation on obligations that may be issued by the Authority, and,
- permitted the issuance of obligations, the proceeds of which may be used to acquire investment contracts.

Act 377 of 1989

- authorized the Authority to sell guaranteed educational loan notes where appropriate to its operation

Act 1284 of 1993

- clarified the powers and authority of agency
- authorized the Authority to administer financial assistance for particular health education programs

Act 1218 of 1999

- moved administration of the Health Education Grant Program from the Authority to the Department of Higher Education

Act 521 of 2011

- authorized the Authority to administer federal education loans on behalf of the U.S. Department
- clarified the Authority's ability to provide non-federal education loans

The Arkansas Student Loan Authority ("ASLA" or "Authority") was created to provide an enduring source of affordable higher education funding to Arkansas citizens and non-citizens who attend an Arkansas higher education institution. In 1977, as the number of student loan providers dwindled, the Arkansas General Assembly established ASLA to ensure an enduring source of affordable student loans to the citizens. It is ASLA's mission to enhance access to affordable educational funding and to provide localized student loan servicing to Arkansas citizens. All funding to support ASLA programs is provided by cash funds generated from loan program operations. ASLA is a self-sufficient agency that does not receive any state revenue dollars.

The Authority operated as a loan originator and secondary market in the Federal Family Education Loan Program (FFELP) for over 30 years; the agency continues to fulfill loan servicing responsibilities for approximately \$375 million in FFELP student loans owned by the Authority. The Authority anticipates that it will manage a minimum of \$300 million and up to \$350 million in FFELP student loans during the 2015-2017 biennial period. Loan servicing and administration expenses related to FFELP accounts typically run in the range of 1.00%-1.25% of the total outstanding loan portfolio.

As of July 1, 2010, Congress eliminated FFELP and replaced it with the Federal Direct Loan Program (FDLP) through a mandate included in the Health Care and Education Reconciliation Act of 2010 (HCERA). Under HCERA, the U.S. Department of Education is the only entity authorized to originate federal student loans; however, qualified state agencies, such as the Authority, are authorized to provide loan servicing.

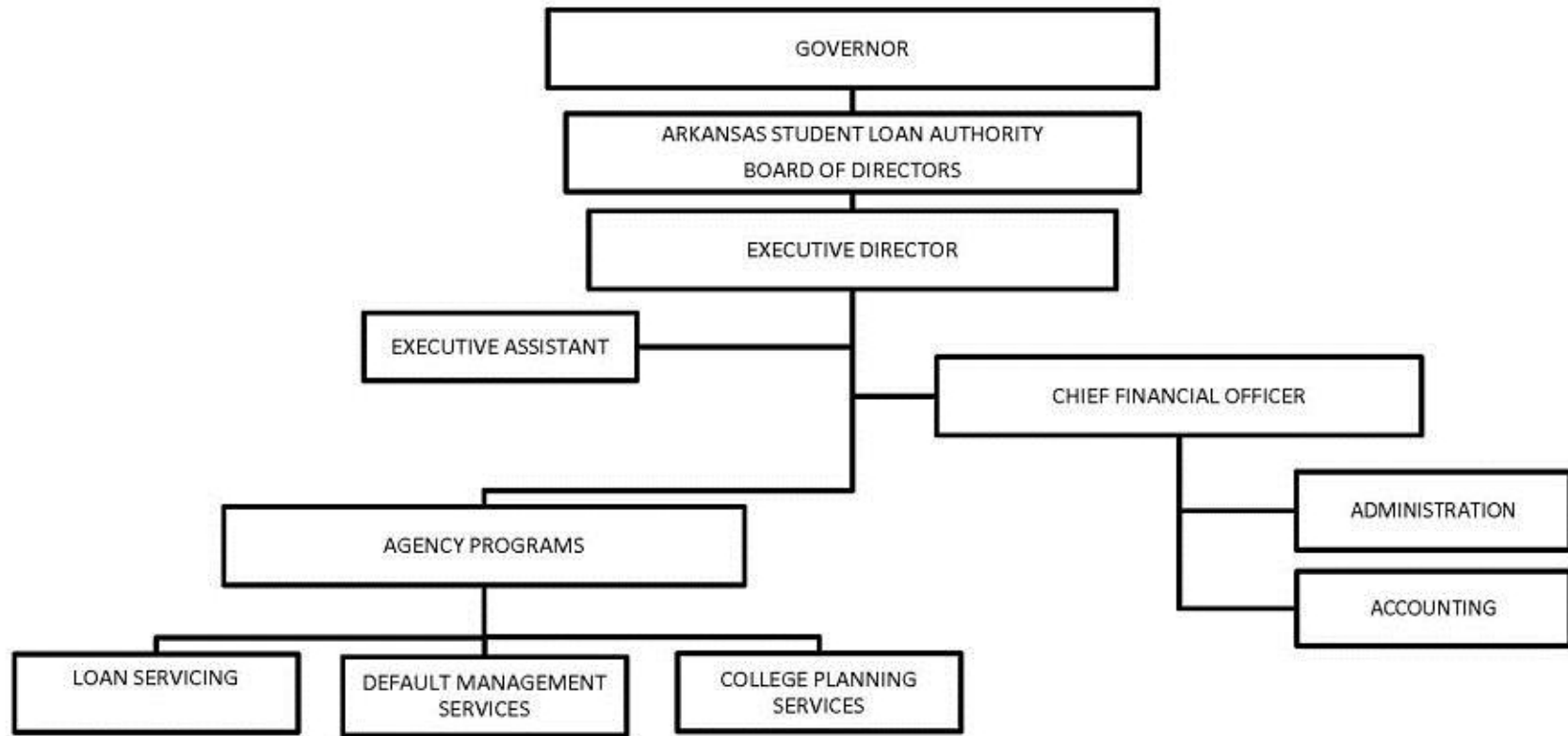
ASLA received an allocation of approximately 100,000, student loan accounts during the period of January 2012 through May 2012. The par value of the FDLP accounts, the Authority is administering on behalf of the U.S. Department of Education, is approximately \$1.6 billion. The initial FDLP loan servicing contract is for a period of five years. ASLA is the only organization in Arkansas eligible to provide loan servicing for the U.S. Department of Education.

ASLA continues to offer extensive college planning services through its Fund My Future (FMF) program. FMF provides students, parents and high school counselors with comprehensive college financial aid information. The FMF website houses a free scholarship search with more than 3,000 state and national scholarships. ASLA publishes a "How To Pay For College" booklet in cooperation with the Arkansas Department of Higher Education to ensure that Arkansas students are familiar with the resources available to assist in paying for higher education. ASLA participates in college fairs and financial seminars statewide every year to help families understand the federal and state financial aid application processes and to help students understand that higher education can be an affordable option for most any Arkansas citizen. Social media (Twitter and Facebook) have become important tools supported by ASLA that are being utilized to reach and communicate with students and their families. All college planning services are provided free of charge.

Student loan debt and defaults have become a major issue for student loan borrowers. ASLA has partnered with the Arkansas Association of Student Financial Aid Administrators to educate students about the options and tools available to assist in repayment of their student loans. The Authority's efforts include a campaign to discourage "over-borrowing". Arkansas had the 49th highest student loan default rate in the country in 2013, therefore ASLA is taking measures to make a positive impact on the default rate while also helping students avoid the serious repercussions of default.

ASLA began offering Default Management Services (DMS) to Arkansas colleges and universities in 2013. Under this program, ASLA tracks former students in order to provide loan counseling to the ones who become delinquent. The goal of this program is to protect students from the serious repercussions of student loan default, protect the federal student aid eligibility for Arkansas colleges and universities and to make a positive impact on the State's overall student loan default rate.

ASLA is the designated student loan agency in the state and is authorized to issue taxable and tax-exempt revenue bonds to finance student loan in Arkansas for the benefit of its citizens; however, the agency's current primary focus is to administer loans on behalf of the U.S. Department of Education, as referenced above. The ASLA board of directors is committed to the support of students, the efficient management of the agency and the protection of the State's individual and corporate investment by keeping student loan funds Arkansas.



Agency Commentary

The Arkansas Student Loan Authority ("Authority") was created to provide an enduring source of affordable higher education funding to Arkansas citizens and non-citizens who attend an Arkansas higher education institution. In 1977, as the number of student loan providers dwindled, the Arkansas General Assembly established ASLA to ensure an enduring source of affordable student loans to the citizens. It is ASLA's mission to enhance access to affordable educational funding and to provide localized student loan servicing to Arkansas citizens. All funding to support ASLA programs is provided by cash funds generated from loan program operations. ASLA is a self-sufficient agency that does not receive any state revenue dollars.

The Authority operated as a loan originator and secondary market in the Federal Family Education Loan Program (FFELP) for over 30 years;

the agency continues to fulfill loan servicing responsibilities for approximately \$250 million in FFELP student loans owned by the Authority. Loan servicing and administration expenses related to FFELP accounts typically are approximately 1.00% of the total outstanding loan portfolio.

As of July 1, 2010, Congress eliminated FFELP and replaced it with the Federal Direct Loan Program (FDLP) through a mandate included in the Health Care and Education Reconciliation Act of 2010 (HCERA). Under HCERA, the U.S. Department of Education is the only entity authorized to originate federal student loans; however, qualified state agencies, such as the Authority, are authorized to provide loan servicing. ASLA received a allocation of approximately 100,000, student loan accounts during the period of January 2012 through May 2012. The par value of the FDLP accounts, the Authority is administering on behalf of the U.S. Department of Education, is approximately \$1.6 billion. The initial FDLP loan servicing contract is for a period of five years.

ASLA continues to offer extensive college planning services through its Fund My Future (FMF) program. FMF provides students, parents and high school counselors with comprehensive college financial aid information. The FMF website houses a free scholarship search with more than 2,000 state and national scholarships. ASLA publishes a "How To Pay For College" booklet in cooperation with the Arkansas Department of Higher Education to ensure that Arkansas students are familiar with the resources available to assist in paying for higher education. ASLA participates in over 50 financial seminars annually to help families understand the federal and state financial aid application processes and to help students understand that higher education can be an affordable option for most any Arkansas citizen. Social media (Twitter and Facebook) have become important tools supported by ASLA that are being utilized to reach and communicate with students and their families. All college planning services are provided free of charge.

Student loan debt and defaults have become a major issue for student loan borrowers. ASLA has partnered with the Arkansas Association of Student Financial Aid Administrators to educate students about the options and tools available to assist in repayment of their student loans. ASLA also offers Default Management Services to Arkansas colleges and universities in order to assist the schools in lowering their default rates. The Authority communicates with student loan borrowers via incoming and outgoing phone calls, creative mail efforts and periodic call campaigns. Efforts also include advertising campaigns to discourage "over-borrowing". Arkansas had the 48th highest student loan default rate in the country in 2014, therefore ASLA is taking measures to make a positive impact on the default rate while also helping students avoid the serious repercussions of default. The overall Arkansas student loan default rate has dropped from 19.0% to 14.5% in the last two years. With a continued focus on default management, we expect the default rate to continue to decrease over the next few years.

The Authority continuously enhances its internet-based products and services in order to fulfill its mission and to enhance communications with its stakeholders. The Authority maintains three internet sites designed to be used by students, parents, high school guidance counselors, financial aid administrators, and investors. The websites are:

- www.asla.info
- www.fundmyfuture.info
- www.aslafinancials.info

Financial aid forms and financial aid information can be down loaded and forms can be completed electronically in many cases. Many of ASLA's Fund My Future services, such as free scholarship searches, are provided on-line. Rating agency quarterly servicing reports, annual audit reports, and other important financial information can be obtained by investors from the Authority's investor website.

ASLA is the designated student loan agency in the state and is authorized to issue taxable and tax-exempt revenue bonds to finance student loan in Arkansas for the benefit of its citizens; however, the agency's current primary focus is to administer loans on behalf of the U.S. Department of Education, as referenced above. The ASLA board of directors is committed to the support of students, the efficient management of the agency and the protection of the State's individual and corporate investment by keeping student loan funds Arkansas.

ASLA requests Base Level appropriation for the 2017 -2019 Biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS STUDENT LOAN AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2015

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	0	2	50 %
Black Employees	0	1	1	25 %
Other Racial Minorities	0	1	1	25 %
Total Minorities			2	50 %
Total Employees			4	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
1570000	\$190,923	Checking	Regions, Little Rock

Statutory/Other Restrictions on use:

Arkansas code §6-8-102 established the Arkansas Student Loan Authority to provide federal guaranteed educational loans through the process of originating, buying and selling, and servicing educational loans. Use of cash fund balances is restricted by Bond Trust indentures.

Statutory Provisions for Fees, Fines, Penalties:

Proceeds received from the repayment of principal and interest on guaranteed Educational loans, investments, and fees received from the U.S. Department of Education for servicing Federal Direct Loans.

Revenue Receipts Cycle:

Funds drawn from the outstanding loan balances in Trust Indentures and are deposited monthly. Investment returns and fees received from the U.S. Dept. of Education for servicing Federal Direct Loans.

Fund Balance Utilization:

The use of fund balances is restricted by the terms of Trust Indentures that pertain to the maintenance of various funds and reserves and the investment of such when not needed for authorized purposes.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016					FY2016 - 2017						
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
12	4	1	5	7	66.67 %	5	4	1	5	0	20.00 %	5	4	1	5	0	20.00 %

Analysis of Budget Request

Appropriation: A51 - Student Loan Authority - Cash Operations

Funding Sources: 157 - Student Loan Authority - Cash

The Arkansas Student Loan Authority was created for the purpose of originating and acquiring student loans and support Arkansas' student financial assistance by purchasing loans made by local lenders to higher education students. The process provides liquidity to banks so additional loans may be made to students in need. Funding is based upon Trust Indentures which allow the Authority to draw the cost of loan servicing plus 80 basis points or 0.8% of the outstanding loan balance on a monthly basis for loan servicing, program administration, and general and administrative costs.

Funding for the Agency is derived from bond issues and participation in loan administration under the Health Care and Education Reconciliation Act of 2010.

The Arkansas Student Loan Authority (ASLA, Authority) was created to provide an enduring source of affordable higher education funding to Arkansas citizens and non-citizens who attend an Arkansas higher education institution. All funding to support ASLA programs is provided by cash funds generated from loan program operations. ASLA is a self-sufficient agency which does not receive any state revenue dollars.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Agency requests Base Level appropriation of \$3,819,765 in FY18 and \$3,819,887 in FY19.

Subsequent to Agency's initial Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A51 - Student Loan Authority - Cash Operations

Funding Sources: 157 - Student Loan Authority - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	353,100	369,187	365,877	369,187	369,187	339,936	369,287	369,287	340,036
#Positions		4	5	5	5	5	4	5	5	4
Personal Services Matching	5010003	103,350	106,581	107,010	108,633	108,633	96,949	108,655	108,655	96,971
Operating Expenses	5020002	103,705	205,717	205,717	205,717	205,717	205,717	205,717	205,717	205,717
Conference & Travel Expenses	5050009	13,282	22,839	22,839	22,839	22,839	22,839	22,839	22,839	22,839
Professional Fees	5060010	1,842,945	3,113,389	3,113,389	3,113,389	3,113,389	3,113,389	3,113,389	3,113,389	3,113,389
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		2,416,382	3,817,713	3,814,832	3,819,765	3,819,765	3,778,830	3,819,887	3,819,887	3,778,952
Funding Sources										
Fund Balance	4000005	220,650	190,923		270,000	270,000	270,000	285,000	285,000	325,935
Federal Revenue	4000020	0	220,000		220,000	220,000	220,000	220,000	220,000	220,000
Cash Fund	4000045	2,386,655	3,676,790		3,614,765	3,614,765	3,614,765	3,428,265	3,428,265	3,428,265
Total Funding		2,607,305	4,087,713		4,104,765	4,104,765	4,104,765	3,933,265	3,933,265	3,974,200
Excess Appropriation/(Funding)		(190,923)	(270,000)		(285,000)	(285,000)	(325,935)	(113,378)	(113,378)	(195,248)
Grand Total		2,416,382	3,817,713		3,819,765	3,819,765	3,778,830	3,819,887	3,819,887	3,778,952

FY17 Budget amount in Regular Salaries exceeds the authorized amount due to salary adjustments during the 2015-2017 Biennium.

Change Level by Appropriation

Appropriation: A51 - Student Loan Authority - Cash Operations
Funding Sources: 157 - Student Loan Authority - Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,819,765	5	3,819,765	100.0	3,819,887	5	3,819,887	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	3,819,765	5	3,819,765	100.0	3,819,887	5	3,819,887	100.0
C13	Not Recommended	(11,684)	0	3,808,081	99.7	(11,684)	0	3,808,203	99.7
C19	Executive Changes	(29,251)	(1)	3,778,830	98.9	(29,251)	(1)	3,778,952	98.9

Justification

C19	The Executive Recommendation reflects the reduction of a Fiscal Support Analyst position. This reduction will result in a decrease of \$29,251 in Regular Salaries each year of the 2017-2019 Biennium.
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ARKANSAS TOBACCO CONTROL

Enabling Laws

Act 227 of 2016
A.C.A. §26-57-255 et seq.

History and Organization

The Arkansas Tobacco Control Board was created by Act 1337 of 1997 of the 81st General Assembly, and authorized an eight (8) member Board appointed by the Governor. The Board was constituted as follows: Two (2) members of the Board were tobacco products wholesalers; two (2) members were tobacco products retailers; and four (4) members were members of the public-at-large who were not public employees or officials, at least one of which was an African American, and two (2) of whom were selected from a list of at least eight (8) candidates supplied to the Governor by the Arkansas Medical Society. The Director of Arkansas Tobacco Control is appointed by, and serves at the pleasure of, the Governor. The Board's mission was to enforce the state laws and regulations pertaining to tobacco sales for the protection of the citizens of Arkansas. The Board authorizes the issuance of permits for all retail, wholesale, manufacturing entities as well as sales representatives and vending machine operators who deal in cigarette or tobacco products in the State of Arkansas. The Board also rules on applications by wholesalers to lower the statutorily presumed cost of doing business that is used to calculate the minimum selling price of cigarettes in Arkansas. The Board acts as a quasi-judicial body, sitting as both judge and jury in disciplinary proceedings against permit holders and other individuals who have been cited for violating Arkansas tobacco laws or rules.

Act 1699 of 2001 authorized the Director to appoint agents as specialized law enforcement officers for the purpose of conducting investigations pertaining to violations of tobacco laws in this state. On July 19, 2001, the Board entered into a sub-recipient contractual agreement with the Arkansas Department of Health to receive monies from the Master Tobacco Settlement Fund for the enforcement of youth access laws.

Act 785 of 2009 designated Arkansas Tobacco Control (ATC) as a law enforcement agency and ATC agents as law enforcement officers with state-wide authority who can bring both administrative charges and initiate criminal investigations for violations of Arkansas' tobacco laws. This recognized the separation between the ATC, the law enforcement and regulatory agency, and the Board as the quasi-judicial adjudicatory body for administrative disciplinary matters and as the primary rule-making body for tobacco issues. ATC is tasked with enforcing both the Board's rules and all of Arkansas' tobacco laws. Violations that constitute criminal offenses may be filed administratively to be dealt with by the Board or agents may file information with local prosecuting attorneys to pursue criminal proceedings against offenders.

At that time, the statutes enforced by ATC were: A.C.A. §26-57-213 Invoices, A.C.A. §26-57-214 Registration and licensing required prior to

§26-57-226 Sale, delivery, etc., without license - Penalty, A.C.A. §26-57-228 Purchases from unregistered, unlicensed dealers unlawful, A.C.A. §26-57-231 Failure to allow inspection unlawful, A.C.A. §26-57-240 Counterfeiting of stamps unlawful - Penalty, A.C.A. §26-57-245 Unstamped products or products with unpaid taxes - Purchase, sale, receipt, etc., a criminal offense, A.C.A. §26-57-262 Sale of export cigarettes, A.C.A. §26-57-1303 Certifications - Directory - Tax stamps, A.C.A. §26-57-1306 Penalties and other remedies, A.C.A. §5-27-227 Providing minors with tobacco products and cigarette papers - Purchase, use, or possession prohibited - Self-service displays prohibited - Placement of tobacco vending machines, A.C.A. §5-78-102 Confiscation of tobacco products authorized, and A.C.A. §4-75-701 et seq. The Unfair Cigarette Sales Act. To accomplish this massive task, ATC works closely with other local, state and federal law enforcement agencies.

Act 697 of 2009, "An Act To Create The Arkansas Cigarette Fire Safety Standard Act; Concerning The Reduced Ignition Propensity Standards For Cigarettes Sold In The State Of Arkansas; To Create The Cigarette Fire Safety Standard Fund; And For Other Purposes" required that all cigarettes sold in Arkansas after January 1, 2010 to comply with the Act's reduced ignition propensity standards and added the enforcement of A.C.A. §20-27-2101 et seq. to ATC's mandate, necessitating additional tobacco inventory inspections and authorizing ATC to undertake random testing of cigarettes to confirm manufacturer compliance with the Act, but did not provide any additional manpower to accomplish this.

Act 697 of 2009 also placed the Cigarette Fire Safety Standard Fund under the ATC Director's control to support fire safety and prevention programs. Act 939 of 2009, "An Act To Establish A Forfeiture Procedure For Tobacco Products; To Establish A Tobacco Control Fund; And For Other Purposes" passed at the behest of the Office of the Prosecuting Coordinator in an effort to combat the growing problem of smuggled, untaxed tobacco, created a forfeiture procedure modeled on Arkansas' drug forfeiture act for use by local prosecuting attorneys and local and state law enforcement agencies to divest tobacco smugglers of property used to facilitate their illegal activities. Tobacco forfeitures are reported to the Director of Arkansas Tobacco Control who compiles and annual report on same for Legislative Audit.

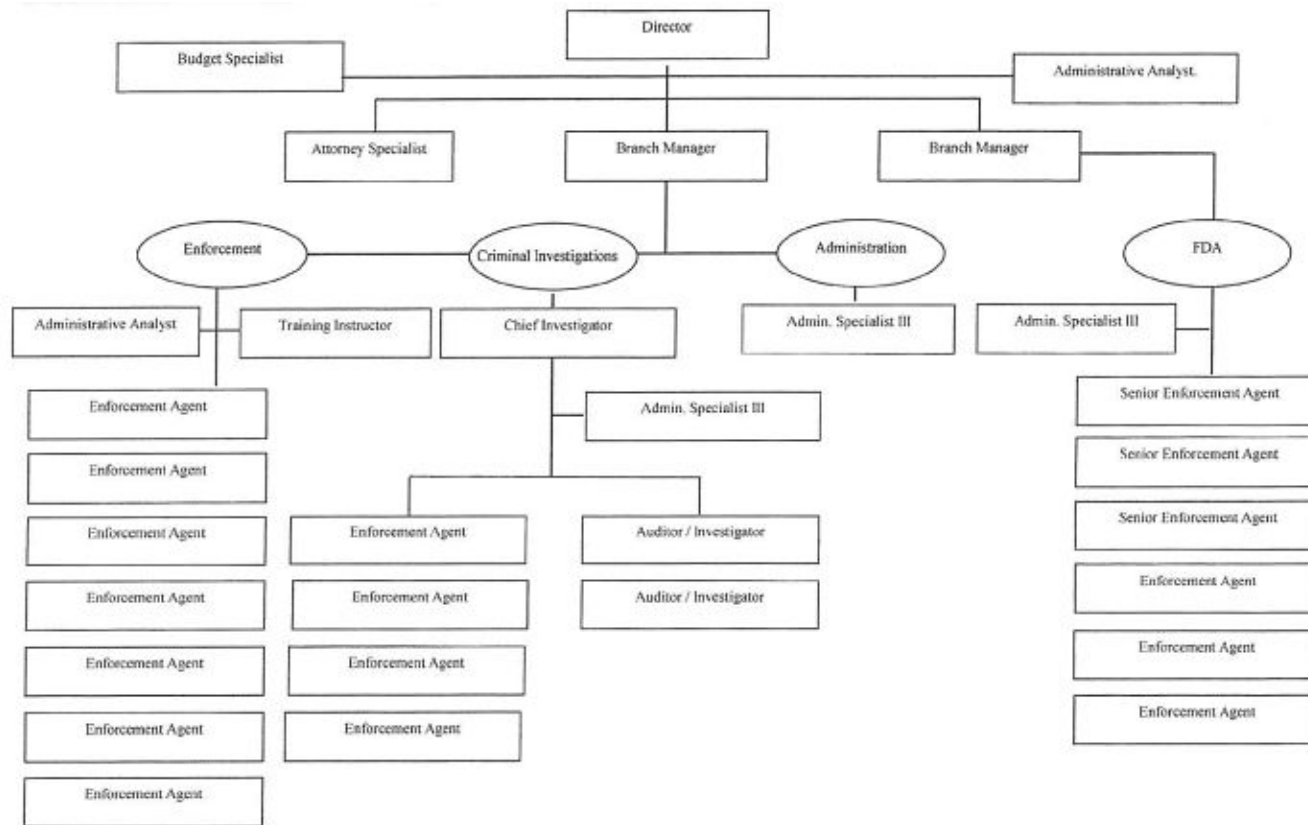
Public Law 111-31 of 2009, the "Family Smoking Prevention And Tobacco Control Act" gave regulatory authority over tobacco products to the Federal Food and Drug Administration (FDA). The FDA subsequently began contracting with individual states to perform enforcement of FDA regulations pertaining to the sale of tobacco products to minors. Arkansas was one of the first states to complete the contract process and then Governor Mike Beebe designated ATC as the state agency to provide enforcement services for the FDA. ATC was authorized to add nine (9) additional personnel to undertake the enforcement of FDA tobacco regulations in the State of Arkansas. FDA reimburses the State of Arkansas for salaries, operating and equipment costs for these FDA enforcement personnel.

Act 198 of 2011 recognized that herbal snuff should be marketed only to adults to avoid any possibility of herbal snuff being regarded as a gateway product for children and therefore prohibits the sale of herbal snuff in this state to persons under the age of eighteen (18) years of age. ATC was again tasked with enforcing this additional youth access law, but no additional personnel were authorized for the agency.

Act 1272 of 2013, "An Act To Require Wholesalers To Report Certain Information To The Arkansas Tobacco Control Board; To Protect Information In The Required Report From Disclosure; And For Other Purposes", allowed ATC to begin working with cigarette and tobacco wholesalers to build a database of legally taxed tobacco products sold to retailers to better enable ATC agents to detect and prosecute retailers who are dealing in untaxed tobacco products.

Act 1273 of 2013, "An Act Concerning The Regulation Of Tobacco Products; To Amend The Arkansas Tobacco Products Tax Act Of 1977; To Make Technical Changes; And For Other Purposes", brought cigarette and tobacco manufacturers under ATC's regulatory umbrella by requiring them to have a permit approved by the Board to deal in tobacco products in Arkansas. The Act also clarified ATC's permitting process and required criminal background checks to be run on all tobacco permit applicants to ensure no one convicted of a felony will own or operate a business that deals in tobacco. This has greatly increased the permit application processing time as no additional personnel were authorized.

Act 1235 of 2015, "An Act to Regulate Vapor Products, Alternative Nicotine Products, and E-Liquid Products; To Amend Certain Laws Concerning the Regulation of Tobacco Products; To Declare and Emergency; And for Other Purposes", put vapor products, e-liquids, and alternative nicotine products under ATC and the Board's jurisdiction, combining them with tobacco manufacturing and wholesale permits but designating an exclusive vapor permit for retail stores specializing in vapor products. This act allowed ATC to keep its permit fees as special revenue to allow funding of a long authorized but to this point, unfunded agent position to help in the policing of the new vapor permits.



Agency Commentary

The Arkansas Tobacco Control Board was created by Act 1337 of 1997. Arkansas Tobacco Control's (ATC) purpose is now to regulate any individual or entity who deals in cigarettes, other tobacco products, vapor products, e-liquids or alternative nicotine products in the State of Arkansas by ensuring that said individual or entity is duly permitted, and that all individuals or entities that deal in such products in Arkansas, comply with all the tobacco and vapor laws and rules of the state.

This compliance includes but is not limited to ensuring that all tobacco and vapor products are purchased according to state statute and regulation, that no tobacco, cigarette paper, herbal snuff, vapor products, e-liquids or alternative nicotine products are sold to anyone under eighteen (18) years of age and that all tobacco and vapor products sold in Arkansas are legitimate products that have been handled, taxed, in

the case of tobacco, and, in the case of cigarettes, priced, in accordance with Arkansas law.

It is ATC's mandate to investigate all violations of Arkansas tobacco and vapor law and, as appropriate, to either prosecute said violations administratively before the Arkansas Tobacco Control Board or refer them to the appropriate prosecuting attorney's office for criminal prosecution.

Following the mandate set forth above, ATC's efforts have a major effect on state revenue by limiting illegal tobacco smuggling and protecting law abiding businesses dealing in tobacco from illegal competition. The budget request has been thoroughly reviewed and meets the needs of the Agency while making efficient use of taxpayer money.

Fund Center 2EH - Arkansas Tobacco Control - Enforcement Division

The Agency is requesting an appropriation increase in Operating Expense, for its Enforcement Division in the amount of \$19,800 each year of the biennium. This increase will cover the added cost of conducting compliance checks due to minimum wage increase (\$1,800.00 per year) and half of the increased cost for the Department of Information Systems to host our new database (\$18,000 per year).

The Agency is also requesting an appropriation increase in Conference and Travel Expenses to cover the cost of attending the annual Federation of Tax Administrators conference and the National Synar Conference and other out-of-state training. These conferences offer good networking opportunities and tremendous insight on tobacco smuggling and under age youth access, respectively.

This fund is used to provide enforcement activities throughout the state with a focus on preventing youth access to tobacco and vapor products. It also funds our merchant training efforts which help to reduce youth access to these products across the state. A federal mandate, the Synar Amendment, requires each state to do a random sample of inspections across the state each year to determine the state's rate of compliance. Without enforcement, Arkansas risks losing up to 40% of its Substance Abuse Block Grant Fund which would amount to several million dollars.

Fund Center 85C - ATC Cigarette Fire Safety

The Agency is requesting Base Level for each year of the biennium. The Agency plans to establish a grant process that will allow fire departments and others to receive grants to help with fire prevention and fire safety in their areas.

Fund Center 85N - Tobacco Inspection Program

The Agency is requesting Base Level for each year of the biennium. This Fund Center is for the Federal Tobacco Inspection Program which is Contract for Services with the Federal Food and Drug Administration, Center for Tobacco Products. The Federal guidelines and the terms of

the contract with the State of Arkansas and Arkansas Tobacco Control allow the Agency to operate the Federal Tobacco program at zero cost to the State. The Contract for Services with the FDA solely provides funding for all aspects of the operation and the Base Level appropriation budgets are locked into said contract. Funding at Base Level for all years of the biennium with adequately cover the Fund Center.

Fund Center 983 - Arkansas Tobacco Control - Criminal Investigations and Administration Divisions

This appropriation funds the Agency's requirement to issue permits and regulate those dealing in cigarettes, other tobacco products, vapor products, e-liquids or alternative nicotine products in the State of Arkansas. It also funds the Agency's Criminal Investigations Division which investigates tobacco smuggling cases and other criminal offenses. Without this enforcement, the State would lose millions of dollars each year to illegal tobacco smuggling.

Recent legislation to regulate the vapor industry retailers, wholesalers and manufacturers has increased the workload of the Agency tremendously. No new personnel have been added, but enforcement costs have increased. The Agency is therefore requesting to reduce appropriation each fiscal year in Conference and Travel Expenses as well as Professional Fees by \$5,000 each, which will allow an increase in appropriation in Operating Expenses by \$10,000 to deal with the additional enforcement costs.

Fund Center U68 - ATC Revenue Enforcement

The Agency is requesting additional appropriation to cover the cost of an additional Enforcement Agent to combat tobacco smuggling. This cost includes salary and benefits plus associated operating expenses. Funding will be from ATC permit fees and will not impact General Revenue. This position is an existing one that has been vacated through attrition; therefore a new position is neither requested nor required.

In addition, the Agency is requesting an appropriation increase in Operating Expense, for its Revenue Enforcement in the amount of \$18,000 each year of the biennium. This increase will cover half of the estimated cost for the Department of Information Systems (DIS) to host the new agency database that is being designed and built by DIS.

This is a new revenue stream that will help cover the costs of enforcement of new vapor laws that took effect last year as well as tobacco smuggling.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS TOBACCO CONTROL BOARD
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	16	7	23	88 %
Black Employees	0	3	3	12 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			3	12 %
Total Employees			26	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
2EH Sales to Minors Enforcement - Cash	1,468,458	12	969,735	13	896,618	13	972,830	13	997,630	13	992,630	13	973,198	13	997,998	13	992,998	13
85C ATC Cigarette Fire Safety	0	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0
85N Tobacco Insp Prog	568,188	7	866,588	8	940,750	8	868,516	8	868,516	8	868,516	8	868,639	8	868,639	8	868,639	8
983 Tobacco Control Board Operations	782,036	9	839,791	10	898,920	10	804,647	10	804,647	10	804,647	10	804,770	10	804,770	10	804,770	10
U68 ATC Revenue Enforcement	0	0	16,270	0	74,384	0	16,270	0	92,384	0	16,270	0	16,270	0	92,384	0	16,270	0
Total	2,818,682	28	2,742,384	31	2,860,672	31	2,712,263	31	2,813,177	31	2,732,063	31	2,712,877	31	2,813,791	31	2,732,677	31

Funding Sources		%		%		%		%		%		%		%		%			
Fund Balance	4000005	455,281	11.7	1,071,948	27.0			1,224,641	30.0	1,224,641	30.0	1,224,641	30.0	1,374,239	32.1	1,273,325	30.4	1,354,439	31.7
General Revenue	4000010	782,036	20.1	839,791	21.2			804,647	19.7	804,647	19.7	804,647	19.7	804,770	18.8	804,770	19.2	804,770	18.9
Federal Revenue	4000020	568,188	14.6	866,588	21.8			868,516	21.3	868,516	21.3	868,516	21.3	868,639	20.3	868,639	20.8	868,639	20.4
Special Revenue	4000030	529,170	13.6	295,000	7.4			295,000	7.2	295,000	7.2	295,000	7.2	345,000	8.0	345,000	8.2	345,000	8.1
Cash Fund	4000045	1,555,955	40.0	893,698	22.5			893,698	21.9	893,698	21.9	893,698	21.9	893,698	20.8	893,698	21.4	893,698	20.9
Total Funds		3,890,630	100.0	3,967,025	100.0			4,086,502	100.0	4,086,502	100.0	4,086,502	100.0	4,286,346	100.0	4,185,432	100.0	4,266,546	100.0
Excess Appropriation/(Funding)		(1,071,948)		(1,224,641)				(1,374,239)		(1,273,325)		(1,354,439)		(1,573,469)		(1,371,641)		(1,533,869)	
Grand Total		2,818,682		2,742,384				2,712,263		2,813,177		2,732,063		2,712,877		2,813,791		2,732,677	

FY17 Budget amount in appropriation 2EH exceeds the authorized amount due to Regular Salaries and Personal Services Matching rate adjustments during the 2015-2017 Biennium.

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
31	28	3	31	0	9.68 %	31	27	3	30	1	12.90 %	31	26	5	31	0	16.13 %

Analysis of Budget Request

Appropriation: 2EH - Sales to Minors Enforcement - Cash

Funding Sources: NTC - Cash in Treasury

Arkansas Tobacco Control administers the Sales to Minors program. This program is responsible for executing the sales to minors checks and enforcing any violations that result from these checks. Funding for this program is made available through a grant from the Arkansas Department of Health using Master Tobacco Settlement funds.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level request is \$972,830 in FY18 and \$973,198 in FY19.

For the 2017-2019 Biennium, the Agency is requesting the following:

- Operating Expenses of \$1,800 each year for the cost of conducting compliance checks due to the minimum wage increase.
- Operating Expenses of \$18,000 each year to cover half of the increased cost for the Department of Information Systems to host the new database.
- Conference & Travel Expenses of \$5,000 to cover the cost of attending annual conferences and training.

The Technology related requests are documented in the Agency's Information Technology (IT) Plan (pages 10-11).

The Executive Recommendation provides for the Agency Request, with the exception of the Conference & Travel Expenses request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: 2EH - Sales to Minors Enforcement - Cash

Funding Sources: NTC - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	517,105	560,802	502,824	560,902	560,902	560,902	561,202	561,202	561,202
#Positions		12	13	13	13	13	13	13	13	13
Personal Services Matching	5010003	182,505	189,961	174,822	192,956	192,956	192,956	193,024	193,024	193,024
Operating Expenses	5020002	521,146	212,272	212,272	212,272	232,072	232,072	212,272	232,072	232,072
Conference & Travel Expenses	5050009	0	0	0	0	5,000	0	0	5,000	0
Professional Fees	5060010	235	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Promotional Items	5090028	1,259	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Capital Outlay	5120011	246,208	0	0	0	0	0	0	0	0
Total		1,468,458	969,735	896,618	972,830	997,630	992,630	973,198	997,998	992,998
Funding Sources										
Fund Balance	4000005	286,916	374,413		298,376	298,376	298,376	219,244	194,444	199,444
Cash Fund	4000045	1,555,955	893,698		893,698	893,698	893,698	893,698	893,698	893,698
Total Funding		1,842,871	1,268,111		1,192,074	1,192,074	1,192,074	1,112,942	1,088,142	1,093,142
Excess Appropriation/(Funding)		(374,413)	(298,376)		(219,244)	(194,444)	(199,444)	(139,744)	(90,144)	(100,144)
Grand Total		1,468,458	969,735		972,830	997,630	992,630	973,198	997,998	992,998

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Change Level by Appropriation

Appropriation: 2EH - Sales to Minors Enforcement - Cash
Funding Sources: NTC - Cash in Treasury

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	972,830	13	972,830	100.0	973,198	13	973,198	100.0
C01	Existing Program	6,800	0	979,630	100.7	6,800	0	979,998	100.7
C08	Technology	18,000	0	997,630	102.5	18,000	0	997,998	102.5

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	972,830	13	972,830	100.0	973,198	13	973,198	100.0
C01	Existing Program	1,800	0	974,630	100.2	1,800	0	974,998	100.2
C08	Technology	18,000	0	992,630	102.0	18,000	0	992,998	102.0

Justification

C01	The Agency is requesting an increase in Operating Expenses to cover the added cost of conducting compliance checks due to the minimum wage increase. The Agency is also requesting an increase in Conference and Travel to cover the cost of attending annual conferences and other out-of-state training.
C08	The Agency is requesting an appropriation increase in Operating Expenses to cover the increased cost for the Department of Information Systems to host our new database.

Analysis of Budget Request

Appropriation: 85C - ATC Cigarette Fire Safety

Funding Sources: SFS - Cigarette Fire Safety Standard Fund

The Arkansas Cigarette Fire Safety Standard Act (A.C.A. 20-27-2101) was established by Act 697 of 2009 to set ignition propensity standards for cigarettes sold in Arkansas to be uniform with other states with enacted reduced cigarette ignition propensity laws. This appropriation is funded by special revenues from cigarette certification fees and civil penalties.

The Agency's Base Level and total request is for appropriation of \$50,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 85C - ATC Cigarette Fire Safety

Funding Sources: SFS - Cigarette Fire Safety Standard Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Fire Safety & Prevention	5900046	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total		0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Funding Sources										
Fund Balance	4000005	168,365	246,100		206,100	206,100	206,100	166,100	166,100	166,100
Special Revenue	4000030	77,735	10,000		10,000	10,000	10,000	60,000	60,000	60,000
Total Funding		246,100	256,100		216,100	216,100	216,100	226,100	226,100	226,100
Excess Appropriation/(Funding)		(246,100)	(206,100)		(166,100)	(166,100)	(166,100)	(176,100)	(176,100)	(176,100)
Grand Total		0	50,000		50,000	50,000	50,000	50,000	50,000	50,000

Analysis of Budget Request

Appropriation: 85N - Tobacco Insp Prog

Funding Sources: FCT - Tobacco Inspection Program - Federal

Arkansas Tobacco Control was awarded a grant in FY10 which allowed ATC to assist the U.S. Food and Drug Administration (FDA) in inspecting retail establishments that sell cigarettes and/or smokeless tobacco products and in surveillance of other entities that fall under the scope of the FDA.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency's Base Level and total request is for appropriation of \$868,516 in FY18 and \$868,639 in FY19.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 85N - Tobacco Insp Prog
Funding Sources: FCT - Tobacco Inspection Program - Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	325,444	346,690	401,376	346,690	346,690	346,690	346,790	346,790	346,790
#Positions	7	8	8	8	8	8	8	8	8
Personal Services Matching 5010003	117,064	121,032	140,508	122,960	122,960	122,960	122,983	122,983	122,983
Overtime 5010006	0	17,041	17,041	17,041	17,041	17,041	17,041	17,041	17,041
Operating Expenses 5020002	125,680	345,583	345,583	345,583	345,583	345,583	345,583	345,583	345,583
Conference & Travel Expenses 5050009	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Professional Fees 5060010	0	31,242	31,242	31,242	31,242	31,242	31,242	31,242	31,242
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	568,188	866,588	940,750	868,516	868,516	868,516	868,639	868,639	868,639
Funding Sources									
Federal Revenue 4000020	568,188	866,588		868,516	868,516	868,516	868,639	868,639	868,639
Total Funding	568,188	866,588		868,516	868,516	868,516	868,639	868,639	868,639
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	568,188	866,588		868,516	868,516	868,516	868,639	868,639	868,639

Change Level by Appropriation

Appropriation: 85N - Tobacco Insp Prog
Funding Sources: FCT - Tobacco Inspection Program - Federal

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	868,516	8	868,516	100.0	868,639	8	868,639	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	868,516	8	868,516	100.0	868,639	8	868,639	100.0
C14	Title Change	0	0	868,516	100.0	0	0	868,639	100.0

Justification

C14	Reflects title changes for three (3) ATC FDA Senior Enforcement Agents to ATC Senior Enforcement Agents. The purpose of the title changes is to allow for broader utilization of the positions.
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Analysis of Budget Request

Appropriation: 983 - Tobacco Control Board Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Arkansas Tobacco Control was established by Act 1337 of 1997 to regulate and issue permits and licenses to any person (except manufacturers) handling, receiving, processing, storing, distributing, taking orders for, soliciting orders of, selling, offering for sale or dealing in, through sale, barter or exchange, any cigarettes or other tobacco products in the State of Arkansas. This appropriation is funded by general revenues.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Base Level request is for appropriation of \$804,647 for FY18 and \$804,770 for FY19.

The Agency's Change level request is for Base Level appropriation each year of the biennium, and includes the following:

- Conference & Travel Expenses decrease of (\$5,000) due to a reallocation to Operating Expenses.
- Professional Fees decrease of (\$5,000) due to a reallocation to Operating Expenses.
- Operating Expenses increase of \$10,000 due to reallocations from Conference & Travel Expenses and Professional Fees.

These requests are to cover additional enforcement costs brought on by recent legislation.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 983 - Tobacco Control Board Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	405,373	445,752	457,745	445,852	445,852	445,852	445,952	445,952	445,952
#Positions		9	10	10	10	10	10	10	10	10
Personal Services Matching	5010003	145,201	148,475	152,907	150,830	150,830	150,830	150,853	150,853	150,853
Operating Expenses	5020002	188,718	187,965	268,268	187,965	197,965	197,965	187,965	197,965	197,965
Conference & Travel Expenses	5050009	4,845	10,000	10,000	10,000	5,000	5,000	10,000	5,000	5,000
Professional Fees	5060010	300	10,000	10,000	10,000	5,000	5,000	10,000	5,000	5,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	37,599	37,599	0	0	0	0	0	0	0
Total		782,036	839,791	898,920	804,647	804,647	804,647	804,770	804,770	804,770
Funding Sources										
General Revenue	4000010	782,036	839,791		804,647	804,647	804,647	804,770	804,770	804,770
Total Funding		782,036	839,791		804,647	804,647	804,647	804,770	804,770	804,770
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		782,036	839,791		804,647	804,647	804,647	804,770	804,770	804,770

Budget exceeds Authorized Appropriation in Capital Outlay by authority of a Budget Classification Transfer.

Change Level by Appropriation

Appropriation: 983 - Tobacco Control Board Operations
Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	804,647	10	804,647	100.0	804,770	10	804,770	100.0
C04	Reallocation	0	0	804,647	100.0	0	0	804,770	100.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	804,647	10	804,647	100.0	804,770	10	804,770	100.0
C04	Reallocation	0	0	804,647	100.0	0	0	804,770	100.0

Justification

C04	The Agency is requesting a reallocation from Conference and Travel Expenses and Professional Fees to Operating Expenses to cover additional enforcement costs brought on by recent legislation.
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Analysis of Budget Request

Appropriation: U68 - ATC Revenue Enforcement

Funding Sources: STR - ATC Revenue Fund

This appropriation covers personal services and operating expenses of the Arkansas Tobacco Control Board Enforcement. The Arkansas Tobacco Control Revenue Fund was established by A.C.A. §19-6-831.

The Base Level request is for appropriation of \$16,270 in each year of the 2017-2019 Biennium.

The Agency's Change level request is for appropriation of \$76,114 each year of the biennium, and includes the following:

- Regular Salaries and Personal Services Matching of \$42,386 each year for one ATC Enforcement Agent C116 position to be used to combat tobacco smuggling. This position is an existing one that has been vacated through attrition.
- Operating Expenses of \$18,000 to cover half of the estimated cost for the Department of Information Systems to host the new agency database.

The Technology related requests are documented in the Agency's Information Technology (IT) Plan (pages 10-11).

The Executive Recommendation provides for Base Level.

Appropriation Summary

Appropriation: U68 - ATC Revenue Enforcement

Funding Sources: STR - ATC Revenue Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	0	0	42,386	0	42,386	0	0	42,386	0
#Positions	0	0	0	0	0	0	0	0	0
Personal Services Matching 5010003	0	0	15,728	0	15,728	0	0	15,728	0
Overtime 5010006	0	0	0	0	0	0	0	0	0
Operating Expenses 5020002	0	15,770	15,770	15,770	33,770	15,770	15,770	33,770	15,770
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	0	500	500	500	500	500	500	500	500
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	0	16,270	74,384	16,270	92,384	16,270	16,270	92,384	16,270
Funding Sources									
Fund Balance 4000005	0	451,435		720,165	720,165	720,165	988,895	912,781	988,895
Special Revenue 4000030	451,435	285,000		285,000	285,000	285,000	285,000	285,000	285,000
Total Funding	451,435	736,435		1,005,165	1,005,165	1,005,165	1,273,895	1,197,781	1,273,895
Excess Appropriation/(Funding)	(451,435)	(720,165)		(988,895)	(912,781)	(988,895)	(1,257,625)	(1,105,397)	(1,257,625)
Grand Total	0	16,270		16,270	92,384	16,270	16,270	92,384	16,270

There is no authorized number of positions due to single salary section in appropriation act.

Change Level by Appropriation

Appropriation: U68 - ATC Revenue Enforcement
Funding Sources: STR - ATC Revenue Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	16,270	0	16,270	100.0	16,270	0	16,270	100.0
C01	Existing Program	58,114	0	74,384	457.2	58,114	0	74,384	457.2
C08	Technology	18,000	0	92,384	567.8	18,000	0	92,384	567.8

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	16,270	0	16,270	100.0	16,270	0	16,270	100.0
C01	Existing Program	0	0	16,270	100.0	0	0	16,270	100.0
C08	Technology	0	0	16,270	100.0	0	0	16,270	100.0

Justification

C01	The Agency is requesting additional appropriation in Salaries and Personal Services Matching to cover the cost of an additional Enforcement Agent to combat tobacco smuggling. This position is an existing one that has been vacated through attrition; therefore a new position is neither requested nor required.
C08	The Agency is requesting an appropriation increase in Operating Expense to cover half of the estimated cost for the Department of Information Systems to host the new agency database that is being designed and built by DIS.

ARKANSAS TOBACCO SETTLEMENT COMMISSION

Enabling Laws

Act 224 of 2016
A.C.A. §19-12-117

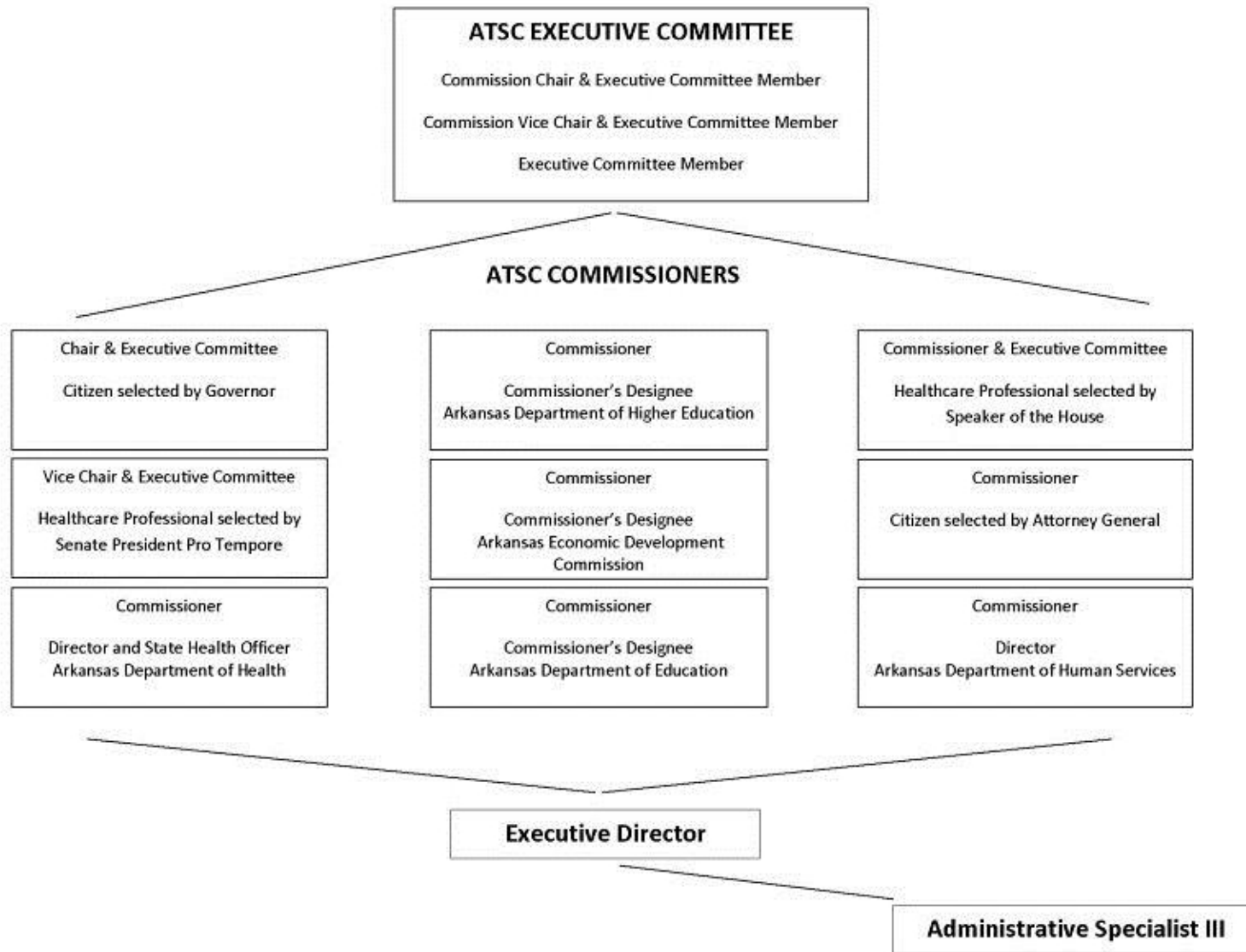
History and Organization

In accordance with Section 17 of the Tobacco Settlement Proceeds Act of 2000, the Arkansas Tobacco Settlement Commission (ATSC) was established October 30, 2001. The purpose of the Commission is to monitor and evaluate programs established in Sections 13, 14, 15, and 16 of the Tobacco Proceeds Act. The Commission shall consist of 9 members that include two citizens (appointed by the Governor, and Attorney General), two healthcare professionals (appointed by the Speaker of the House and the President Pro Tempore of the Senate), and five state agency and division directors of the following agencies: Arkansas Department of Education, Arkansas Economic Development Commission, Arkansas Department of Higher Education, the Arkansas Department of Health, and the Department of Human Services.

In accordance with Section 18 of the Act, The Commission was established to monitor and evaluate the program activities and expenditures from the program accounts of the Tobacco Settlement. The Tobacco Settlement Program Accounts are as follows:

- Tobacco Prevention and Cessation Programs (§13)
- Fay W. Boozman College of Public Health (§14-c)
- UAMS East (§14-d)
- Arkansas Aging Initiative (§14-e)
- Minority Health Initiative (§14-f)
- Arkansas Biosciences Institute (§15)
- Medicaid Expansion Program (§16)

The Commission is directed to report the progress of these programs to the Governor and General Assembly preceding a legislative session for future appropriation decisions. The Commission is also authorized to administer grants, if the funds exceed the amount necessary to conduct the above-mentioned activities, to non-profit and community-based organizations.



Agency Commentary

The Arkansas Tobacco Settlement Proceeds Act of 2000 established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement (MSA) with tobacco manufacturers. The Arkansas Tobacco Commission (ATSC) was created pursuant to Section 17 of the Act to monitor and evaluate expenditures made from the program accounts. Those program accounts are the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program and Medicaid Expansion Program Account.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited as trust funds in the Arkansas Tobacco Settlement Commission Fund. The Commission is authorized to hire an independent third party to monitor and evaluate progress in the programs and prepare a biennial report for the General Assembly and Governor by each August preceding a regular session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit and community-based organizations.

The Commission is requesting a decrease of \$500,000 in Professional Fees and a decrease of \$937,000 in Grants and Aid. This request is to restructure authorized appropriation to more accurately reflect the operations of The Arkansas Tobacco Settlement Commission.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS TOBACCO SETTLEMENT COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

Findings

In accordance with Ark. Code Ann. § 19-4-702, agencies are allowed to pay carryover obligations up to 45 days after the end of the fiscal year, but the carryover obligations "shall be charged against appropriations and fund cash balances of the fiscal year in which the obligations were incurred." R1-19-4-702 of Department of Finance and Administration (DFA) Financial Management Guide requires prior-year obligations paid in the first 45 days of the current year to be identified and recorded as accounts payable for the prior year. This is generally achieved by adding a preceding "Y" reference to the vendor's invoice number in the reference field.

Again, the Agency did not properly reflect its liabilities at the end of the fiscal year. It was

Recommendations

We recommend the Agency comply with state laws and regulations pertaining to the proper recognition and payment of accounts payable.

Agency Response:

While I cannot speak to what occurred in our Agency before I was hired as the Executive Director on March 2, 2015, I can assure you that the Agency will comply with state laws and regulations pertaining to the proper recognition and payment of accounts payable. Any prior-year obligations paid in the first 45 days of the current year will be identified and recorded as Accounts Payable for the prior year and will be marked with a "Y" reference to the vendor's invoice number in the reference field.

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS TOBACCO SETTLEMENT COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

Findings

noted that the Agency made a \$29,291 payment in fiscal year 2015 for expenses incurred in fiscal year 2014. The payment was not recorded as a "Y" voucher and the appropriate journal entries were not made to record accounts payable at the end of the year.

The Agency made two \$500 payments in FY14 and two \$500 payments in FY15, awarding a total of \$2,000 to four individuals for their achievements in research at Arkansas Biosciences Institute Symposiums. Arkansas Biosciences Institute is one of seven programs the Agency is responsible for monitoring. Personal achievement awards do not fall under the scope of the appropriation for the Arkansas Tobacco Settlement Commission Appropriation Acts 1024 of 2013 and 101 of 2014, which appropriate these funds to be used for "personal services and operating expenses necessary to monitor and evaluate the various program accounts established within the Tobacco Settlement Program Fund." In addition, using the funds of this Agency to reward a program that it is charged with monitoring could suggest a lack of independence between the Agency and that program.

Recommendations

We recommend the Agency discontinue the payment of personal achievement awards and strengthen controls over expenditure approval to avoid transactions that could jeopardize its independence from the seven programs it is charged with monitoring.

Agency Response:

While I cannot speak to what occurred in our Agency before I was hired as the Executive Director on March 2, 2015, the Agency has not made any similar payments for personal achievements awards since that time and will not in the future. All expenditures and financial reports are reviewed by the Commission during the quarterly meetings. Any expenditure that does not fall under the normal scope of business will be approved by the Executive Committee before disbursement is made.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	0	1	1	50 %
Black Employees	0	1	1	50 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	50 %
Total Employees			2	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
ATSC Biennial Report	A.C.A. §19-12-117	Y	Y	200	Required by law	0	0.00
ATSC Quarterly Report	Special Language	N	Y	75	Required to keep Public Health Welfare & Labor informed of Tobacco Program activities.	0	0.00

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted Total	% of Authorized Unused
	Filled	Unfilled	Total				Filled	Unfilled	Total				Filled	Unfilled	Total		
3	2	0	2	1	33.33 %	2	2	0	2	0	0.00 %	2	2	0	2	0	0.00 %

Analysis of Budget Request

Appropriation: 468 - Operations

Funding Sources: TSC - Tobacco Settlement Commission

The Tobacco Settlement Proceeds Act (Initiated Act 1 of 2000) established funds and accounts for the deposit, investment and management of the State of Arkansas' portion of the Master Settlement Agreement with certain tobacco manufacturers. The Arkansas Tobacco Settlement Commission (ATSC) was created pursuant to Section 17 of this act to monitor and evaluate expenditures made from the four program accounts. Those program accounts are the Prevention and Cessation Program Account, the Targeted State Needs Program Account, the Arkansas Biosciences Institute Program Account and the Medicaid Expansion Program Account.

The Commission is funded from the investment earnings of the Tobacco Settlement Program Fund and Program Accounts, which are deposited as trust funds into the Arkansas Tobacco Settlement Commission Fund. The Commission is authorized to hire an independent third-party to monitor and evaluate program account expenditures and prepare a biennial report for the General Assembly and Governor by each August 1 preceding a regular session of the General Assembly. As funding permits, the Commission is also authorized to make grants in amounts not to exceed \$50,000 to non-profit and community-based organizations.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level request is for appropriation of \$2,400,163 each year of the 2017-2019 Biennium.

The Agency's Change Level request is for decrease in appropriation by (\$1,437,000) each year of the biennium, and includes the following:

- Professional Fees decrease of (\$500,000) each year to more accurately reflect the operations of the Agency.
- Grants and Aid decrease of (\$937,000) each year to more accurately reflect the operations of the Agency.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 468 - Operations
Funding Sources: TSC - Tobacco Settlement Commission

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	98,368	94,131	95,017	94,131	94,131	94,131	94,131	94,131	94,131
#Positions		2	2	2	2	2	2	2	2	2
Personal Services Matching	5010003	31,906	30,930	31,432	31,457	31,457	31,457	31,457	31,457	31,457
Operating Expenses	5020002	32,070	84,575	84,575	84,575	84,575	84,575	84,575	84,575	84,575
Conference & Travel Expenses	5050009	158	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Professional Fees	5060010	175,000	1,000,000	1,000,000	1,000,000	500,000	500,000	1,000,000	500,000	500,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	0	1,187,000	1,187,000	1,187,000	250,000	250,000	1,187,000	250,000	250,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		337,502	2,399,636	2,401,024	2,400,163	963,163	963,163	2,400,163	963,163	963,163
Funding Sources										
Fund Balance	4000005	3,789,882	3,659,553		1,386,403	1,386,403	1,386,403	0	549,698	549,698
Transfer from Tobacco Settlmnt	4000590	207,173	126,486		126,458	126,458	126,458	126,486	126,486	126,486
Total Funding		3,997,055	3,786,039		1,512,861	1,512,861	1,512,861	126,486	676,184	676,184
Excess Appropriation/(Funding)		(3,659,553)	(1,386,403)		887,302	(549,698)	(549,698)	2,273,677	286,979	286,979
Grand Total		337,502	2,399,636		2,400,163	963,163	963,163	2,400,163	963,163	963,163

Expenditure of appropriation is contingent upon available funding.

Change Level by Appropriation

Appropriation: 468 - Operations
Funding Sources: TSC - Tobacco Settlement Commission

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,400,163	2	2,400,163	100.0	2,400,163	2	2,400,163	100.0
C03	Discontinue Program	(1,437,000)	0	963,163	40.1	(1,437,000)	0	963,163	40.1

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,400,163	2	2,400,163	100.0	2,400,163	2	2,400,163	100.0
C03	Discontinue Program	(1,437,000)	0	963,163	40.1	(1,437,000)	0	963,163	40.1

Justification

C03	Decrease in Professional Fees and Grants and Aid to more accurately reflect the operations of the Agency.
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WAR MEMORIAL STADIUM COMMISSION

Enabling Laws

Act 138 of 2016
A.C.A. § 22-3-1001

History and Organization

War Memorial Stadium's mission is to provide safe and adequate facilities for open-air events for schools, colleges, and universities of the State of Arkansas. War Memorial Stadium was originally built as a tribute to Arkansans who had given their lives in the service of their country during the two great World Wars. It has grown, over time, as a living tribute to all Arkansans who have served and paid the ultimate price for their country. Military personnel have been honored over the years through programs, tributes and monuments. The Sturgis Plaza opened in 2008 on the Westside of the stadium as a place of remembrance and reflection. The plaza was the centerpiece of the celebration of War Memorial Stadium's 60th anniversary and re-dedication. Additionally, the Stadium is available for use by other institutional and commercial organizations for various activities requiring a large open-air facility. The Stadium also allows various non-profit organizations to utilize the facilities for fund raising events as a community service. Beginning in Fiscal Year 2006, funding for the operation and upkeep of the Stadium came from stabilized General Revenue in the Miscellaneous Agencies Fund so that cash revenue could be used to do some much needed major renovations to the Stadium. The War Memorial Stadium Commission wishes to continue to receive general revenue funding for fiscal years 2016, 2017 and so on. The cash revenues are generated by the use of the Stadium through rentals and profits from concession sales and are being used for operations not covered by general revenue and for major renovations to the Stadium.

The Stadium Commission consists of eight (8) members appointed by the Governor with the advice and consent of the Senate. Each Congressional District in the State is represented by membership on this commission along with four (4) members from the State at large. This commission has exclusive jurisdiction over the operation of War Memorial Stadium.

Since its inception, the Stadium Commission has overseen a steady increase in the use of the Stadium. In the last biennium the Stadium's average usage was 250 days out of the year with one or more events on those days. The University of Arkansas is under contract to play one college game a year here until 2018. UA isn't the only Arkansas college to play games at War Memorial Stadium. Arkansas State University has its own history of games at the stadium along with the University of Central Arkansas and the University of Arkansas at Pine Bluff. Arkansas also has a strong core of teams from the NCAA Division II powerhouse Gulf South Conference that play games at War Memorial Stadium as well. War Memorial Stadium is also the home of the Arkansas Activities Association High School State Football Championship Games. The 2005 6A state championship game set the record for highest attendance for any high school title game. Little Rock Catholic High

School plays all its home games at War Memorial Stadium. Neighboring schools, Benton and Bryant, play its game every year at War Memorial Stadium. The game is known around the state as "The Salt Bowl" and is considered the state's biggest and most competitive rivalry. The game routinely draws 25,000+ fans for this Saline County Showdown. The National Premier Soccer League's Little Rock Rangers Soccer Club played all of their home games in 2016 at the stadium. Sports aren't the only events to make history at War Memorial Stadium. Concerts such as the Rolling Stones, Billy Joel & Elton John, the Eagles, George Strait and N'Sync have graced the stage at the stadium, drawing nearly 40,000+ fans for each show. The Reverend Billy Graham hosted an event at War Memorial Stadium that drew 270,000 people over the course of a week. Bob Hope's event, "Hope across America", drew 49,000 fans in 1991. The Stadium Press Box is also available for rent for meetings, events, wedding receptions, reunions, etc. The Press Box looks out over the War Memorial Golf Course and the field.

From show stopping entertainment to miracles on the gridiron, War Memorial Stadium has been home to history. The Stadium is Arkansas' most beloved venue for over 60 years and will continue to bring the best in sports and entertainment while serving a memorial to the great state of Arkansas.

The Stadium Executive Director/Stadium Manager, Stadium Staff as well as the Stadium Commission will continue to seek events to maximize the use of the facility. During the past year, we have had over 200 inquiries regarding the use of the Stadium for football events as well as events other than football.

Renovations to the Stadium include a newly constructed press box, new visiting dressing rooms, and signage updates. War Memorial Stadium Commission is hoping the upgrade of the facility will continue in the upcoming years including renovating the last few outdated concession stands & restrooms in the south corners.

The Stadium Commission hopes the citizens of Arkansas will be proud of and have the convenience they need and require at the Stadium that has served our State so well for over 60 years.



Agency Commentary

War Memorial Stadium Commission's mission is to provide safe and adequate facilities for open-air events for schools, colleges, and universities of the State of Arkansas. War Memorial Stadium was originally built as a tribute to Arkansans who had given their lives in the service of their country during the two great World Wars. It has grown, over time, as a living tribute to all Arkansans who have served and paid the ultimate price for their country. Military personnel have been honored over the years through programs, tributes and monuments. The Sturgis Plaza opened in 2008 on the Westside of the stadium as a place of remembrance and reflection. The plaza was the centerpiece of the celebration of War Memorial Stadium's 60th anniversary and re-dedication.

Additionally, the Stadium is available for use by other institutional and commercial organizations for various activities requiring a large open-air facility. The Stadium also allows various non-profit organizations to utilize the facilities for fund raising events as a community service. Beginning in Fiscal Year 2006, funding for the operation and upkeep of the Stadium came from stabilized General Revenue in the Miscellaneous Agencies Fund so that cash revenue could be used to do some much needed major renovations to the Stadium. The War Memorial Stadium Commission wishes to continue to receive general revenue funding for fiscal years 2016, 2017 and so on. The cash revenues are generated by the use of the Stadium through rentals and profits from concession sales and are being used for operations not covered by general revenue and for major renovations to the Stadium.

The key constituent groups are the citizens of the State of Arkansas. In addition to being a memorial to the men and women who gave the ultimate sacrifice for our freedoms, we honor all of our military service personnel and veterans.

The stadium supports high school and college football and numerous large band competitions. The stadium is expanding the constituent base to include many non-traditional stadium events. Two of the newly acquired constituent bases are the Soccer and Lacrosse Communities. We are expanding our focus into many non-traditional events such as concerts and other outdoor entertainment.

The constituents of the stadium include the University of Arkansas, the University of Arkansas at Pine Bluff, Arkansas State University, City of Little Rock, City of North Little Rock, Pulaski County Government, Little Rock and North Little Rock Advertising and Promotions Commission, Greater Little Rock Chamber of Commerce, Arkansas Activities Association, Signal Media, Benton Chamber of Commerce, the Bryant Chamber of Commerce, Salt Bowl Committee, Bryant School District, Benton School District, Little Rock School District, North Little Rock School District, Catholic High School, Little Rock Rangers, Arkansas High School Band Association, John Caldwell and Robert Hesse with the Showcase of Bands and the Championship at the Rock, Drum Corps International, Garrett Uekman GU88 Foundation, Little Rock Police Department, Coca Cola of North America, and a host of smaller promoters and event planners and our corporate sponsors. The largest issue facing the budget of War Memorial Stadium is the future of Arkansas Razorback Games at War Memorial Stadium after 2018. We will see a financial impact after the 2016 season when the stadium is no longer compensated for the loss of one University of Arkansas Game that was reallocated from War Memorial to Fayetteville and the loss of the rental fee for the games in 2017 and 2018. However, we are working on several budget scenarios to make up for that loss. War Memorial Stadium over the past two years has instituted an aggressive campaign to attract new events to the stadium. We have seen success in the addition of a minor league soccer team this spring and the expansion of the minor league soccer in spring 2017 to include a women's team. We have hosted several non-traditional stadium events such as the Nitro Circus, Bella Rustina Vintage Market and an R&B Concert. We are working with Major League Football to host a team at War Memorial in the summer of 2017.

We are expanding the use of the stadium. Currently we have a 250 event day calendar which means we have one or more events at the stadium 250 days per year. We are utilizing our existing staff of (6) six to recruit and manage War Memorial Stadium events and not requiring the addition of full time staff. We are utilizing our part time positions to make the stadium a functional venue. We are utilizing our budget at base level and only asking for increases in the cash appropriation line items to provide for the additional events being held. It is essential to the Stadium to have this budget approved to continue to provide the State of Arkansas citizens the convenience they need and require at the Stadium that has served our State so well for over 60 years.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
WAR MEMORIAL STADIUM COMMISSION
FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
None	None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	2	3	5	100 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			0	0 %
Total Employees			5	100 %

Cash Fund Balance Description as of June 30, 2016

Fund Account	Balance	Type	Location
3260000	\$972,988	Checking, CD, Payroll Paying	Bank of America, First Security Bank

Statutory/Other Restrictions on use:

A.C.A. 22-3-1002 Withdrawals are made by check and direct invoices are sent to DFA for approval and recorded in AASIS. A.C.A. 22-3-1010 All transactions are reviewed by DFA-Accounting and audited by Legislative Audit.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. 22-3-1002 authorizes the Commission to fix the amount of admission fees, commissions, rents, and other charges to be collected by the Commission for the use of the Stadium for athletic or other

Revenue Receipts Cycle:

A.C.A. 22-3-1002 states that revenues are deposited upon receipt from income sources like Stadium rent, advertising space rent, concession and novelty sales and other rental and parking fees.

Fund Balance Utilization:

A.C.A. 22-3-1002 Funds are used to pay expenses incurred by the War Memorial Stadium Commission.

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
None	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
2VZ State Operations	836,583	6	893,093	6	898,238	6	895,171	6	895,171	6	895,171	6	895,294	6	895,294	6	895,294	6
A24 War Memorial Operations	2,419,723	0	2,516,441	0	2,557,396	1	2,516,550	0	2,891,550	0	2,891,550	0	2,516,550	0	2,891,550	0	3,339,197	0
Total	3,256,306	6	3,409,534	6	3,455,634	7	3,411,721	6	3,786,721	6	3,786,721	6	3,411,844	6	3,786,844	6	4,234,491	6

Funding Sources		%		%		%		%		%		%		%		%		
Fund Balance 4000005	816,815	19.3	972,988	21.5			1,122,878	24.0	1,122,878	24.0	1,122,878	24.0	1,272,659	26.3	897,659	20.1	897,659	22.4
General Revenue 4000010	836,583	19.8	893,093	19.7			895,171	19.1	895,171	19.1	895,171	19.1	895,294	18.5	895,294	20.1	447,647	11.2
Cash Fund 4000045	2,575,896	60.9	2,666,331	58.8			2,666,331	56.9	2,666,331	56.9	2,666,331	56.9	2,666,331	55.2	2,666,331	59.8	2,666,331	66.5
Total Funds	4,229,294	100.0	4,532,412	100.0			4,684,380	100.0	4,684,380	100.0	4,684,380	100.0	4,834,284	100.0	4,459,284	100.0	4,011,637	100.0
Excess Appropriation/(Funding)	(972,988)		(1,122,878)				(1,272,659)		(897,659)		(897,659)		(1,422,440)		(672,440)		222,854	
Grand Total	3,256,306		3,409,534				3,411,721		3,786,721		3,786,721		3,411,844		3,786,844		4,234,491	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
7	5	2	7	0	28.57 %	7	5	2	7	0	28.57 %	7	5	2	7	0	28.57 %

Analysis of Budget Request

Appropriation: 2VZ - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The State Operations appropriation funded by general revenue provides for operations and maintenance of War Memorial Stadium. This appropriation in part replaced the general revenue the Stadium was receiving through the City and County Tourist Meeting and Entertainment Facilities Assistance Law, A.C.A. §14-171-215, from fiscal years 1996 to 2004.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency is requesting Base Level of \$895,171 for FY18 and \$895,294 for FY19.

The Executive Recommendation provides for Base Level and a reduction in general revenue funding of \$447,467 for FY19 only. The Executive recommends that a feasibility study be conducted to provide a comprehensive assessment of the future uses of the stadium and a roadmap for financial sustainability.

Appropriation Summary

Appropriation: 2VZ - State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	360,685	365,393	342,138	365,393	365,393	365,393	365,493	365,493	365,493
#Positions		6	6	6	6	6	6	6	6	6
Extra Help	5010001	7,473	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
#Extra Help		3	103	103	103	103	103	103	103	103
Personal Services Matching	5010003	113,391	114,567	110,539	116,645	116,645	116,645	116,668	116,668	116,668
Overtime	5010006	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Operating Expenses	5020002	355,034	371,633	404,061	371,633	371,633	371,633	371,633	371,633	371,633
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		836,583	893,093	898,238	895,171	895,171	895,171	895,294	895,294	895,294
Funding Sources										
General Revenue	4000010	836,583	893,093		895,171	895,171	895,171	895,294	895,294	447,647
Total Funding		836,583	893,093		895,171	895,171	895,171	895,294	895,294	447,647
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	447,647
Grand Total		836,583	893,093		895,171	895,171	895,171	895,294	895,294	895,294

FY17 Budget amount in Regular Salaries and Personal Services Matching exceeds the authorized amount due to salary and matching rate adjustments during the 2015-2017 Biennium.

Analysis of Budget Request

Appropriation: A24 - War Memorial Operations

Funding Sources: 326 - War Memorial Stadium - Cash

Created by Act 232 of 1967, the War Memorial Stadium Commission strives to keep the facility in the best possible condition for athletics, entertainment, events and community service events, which are all for the enjoyment of the citizens and visitors of our State. Funding for the cash operations of the Stadium is generated from rental of the Stadium and profits from concession/novelty sales charged pursuant to Arkansas Code Annotated §22-3-1002.

The Base Level Request is \$2,516,550 each year of the 2017-2019 Biennium.

The Agency Change Level request totals \$375,000 each year to provide for additional events being held and consists of the following:

- Operating Expenses increase of \$75,000 each year,
- Resale increase of \$200,000 each year, and
- Refunds/Reimbursements increase of \$100,000 each year.

The Executive Recommendation provides for the Agency Request and provides for an additional increase in the Operating Expenses line item of \$447,647 in FY19 only to offset the general revenue funding reduction. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: A24 - War Memorial Operations
Funding Sources: 326 - War Memorial Stadium - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	0	0	29,251	0	0	0	0	0	0
#Positions	0	0	1	0	0	0	0	0	0
Extra Help 5010001	25,711	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000
#Extra Help	2	47	47	47	47	47	47	47	47
Personal Services Matching 5010003	1,967	10,348	22,052	10,457	10,457	10,457	10,457	10,457	10,457
Overtime 5010006	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Operating Expenses 5020002	607,452	572,555	572,555	572,555	647,555	647,555	572,555	647,555	1,095,202
Conference & Travel Expenses 5050009	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Professional Fees 5060010	19,229	54,538	54,538	54,538	54,538	54,538	54,538	54,538	54,538
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Resale (COGS) 5090017	1,042,360	1,025,000	1,025,000	1,025,000	1,225,000	1,225,000	1,025,000	1,225,000	1,225,000
Refunds/Reimbursements 5110014	173,460	130,000	130,000	130,000	230,000	230,000	130,000	230,000	230,000
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Debt Service 5120019	549,544	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Total	2,419,723	2,516,441	2,557,396	2,516,550	2,891,550	2,891,550	2,516,550	2,891,550	3,339,197
Funding Sources									
Fund Balance 4000005	816,815	972,988		1,122,878	1,122,878	1,122,878	1,272,659	897,659	897,659
Cash Fund 4000045	2,575,896	2,666,331		2,666,331	2,666,331	2,666,331	2,666,331	2,666,331	2,666,331
Total Funding	3,392,711	3,639,319		3,789,209	3,789,209	3,789,209	3,938,990	3,563,990	3,563,990
Excess Appropriation/(Funding)	(972,988)	(1,122,878)		(1,272,659)	(897,659)	(897,659)	(1,422,440)	(672,440)	(224,793)
Grand Total	2,419,723	2,516,441		2,516,550	2,891,550	2,891,550	2,516,550	2,891,550	3,339,197

Change Level by Appropriation

Appropriation: A24 - War Memorial Operations
Funding Sources: 326 - War Memorial Stadium - Cash

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,516,550	0	2,516,550	100.0	2,516,550	0	2,516,550	100.0
C01	Existing Program	375,000	0	2,891,550	114.9	375,000	0	2,891,550	114.9

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	2,516,550	0	2,516,550	100.0	2,516,550	0	2,516,550	100.0
C01	Existing Program	375,000	0	2,891,550	114.9	375,000	0	2,891,550	114.9
C19	Executive Changes	0	0	2,891,550	114.9	447,647	0	3,339,197	132.7

Justification

C01	We are expanding the use of the stadium. Currently we have a 250 event day calendar which means we have one or more events at the stadium 250 days per year. We are asking for increases in the cash appropriation line items-Operating Expenses, Resale, and Refunds/Reimbursements to provide for the additional events being held. It is essential to the Stadium to have this budget approved to continue to provide the State of Arkansas citizens the convenience they need and require at the Stadium that has served our State so well for over 60 years.
C19	The Executive Recommendation reduces the Agency's general revenue funding by \$447,647 and increases the Operating Expenses line item in the cash appropriation by \$447,647 in FY19 only.

ARKANSAS WATERWAYS COMMISSION

Enabling Laws

Act 169 of 2016

A.C.A. §15-23-201 et seq.

A.C.A. §15-23-901 et seq.

History and Organization

The Arkansas Waterways Commission supports the development of the navigable waterways of Arkansas. The seven member, Governor-appointed Commission was created by Act 242 of 1967. The Commission, which is funded by general revenues, is supported by a three person staff and offers services and advice to the water transportation industry by means of correspondence, participation in seminars, serving on advisory committees and boards, and providing research on specialty subjects. The Commission also supports the efforts of the Red River Valley, Arkansas Basin Development and White River Valley Associations through its State's Contributions line item.



Agency Commentary

The Arkansas Waterways Commission is the sole state agency responsible for protecting, promoting, and developing the state's five commercially navigable rivers for transportation and economic development. The McClellan -Kerr Arkansas River Navigation System, the Mississippi River, the Ouachita - Black Navigation System, the Red River, and the White River are all under-developed and consequently, under-used, especially in comparison to the investments made by adjacent states with which we share waterways. Arkansas ranks third in the nation in inland navigation mileage, and it is a natural economic resource that we have not taken full advantage. Opportunities lost for lack of funding include local economic development, transportation savings, international trade, and a potential loss of federal construction and maintenance funding of navigable waterways. Competition for federal maintenance and construction funds is intense, putting at risk our rivers' annual contribution of \$2.5 billion dollars to the economy of Arkansas.

Three needs are within the state's ability to correct: 1) port infrastructure, 2) marketing of existing resources, and 3) a 12- foot navigation channel on the McClellan-Kerr Arkansas River Navigation System (MKARNS). Port infrastructure needs are now being met with the Arkansas Ports, Intermodal and Waterways Improvement Grant program approved by the legislature (Act 1483 of 2013, funded by Act 1427 of 2013). The Commission will continue to work with both the Arkansas Economic Development Commission and the Arkansas Highway and Transportation Department to market our existing port and waterway resources. We will also continue to educate government leaders at the municipal, county, state and federal levels. Additionally, the Commission is also looking at ways in which a partnership can be created with the U.S. Army Corp of Engineers to build the 12-foot channel on the MKARNS.

Although the Commission will have some new technology needs over the next biennium, we believe that we can address those needs by reallocations in our current operating budget. We will show additional savings to the state beginning in FY17 as we recently downgraded a Public Information Specialist (C116) to an Administrative Analyst Position (C115). Our Business Operations Specialist (C116) will be retiring in FY17 and the replacement hire should come in at a lower pay rate.

Our special language for memberships in the Mississippi Valley Flood Control Association, Ouachita River Valley Association, Red River Valley Association, the White River Coalition and the Arkansas Waterways Association will continue to show our support in local development of our waterways.

The Commission request that The Three Rivers Study Fund reflect a decrease of \$1,230,000 in FY18 and a decrease of \$1,500,000 in FY19 to match the actual amount of funding needed to complete The Three Rivers Study. The Commission will only need \$270,000 in FY18.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS WATERWAYS COMMISSION
FOR THE YEAR ENDED JUNE 30, 2014

Findings

Recommendations

None

None

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Employment Summary

	Male	Female	Total	%
White Employees	1	1	2	67 %
Black Employees	0	1	1	33 %
Other Racial Minorities	0	0	0	0 %
Total Minorities			1	33 %
Total Employees			3	100 %

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
Biennial Report	A.C.A §15-23-204	Y	Y	10	To inform state elected officials, colleagues and other interested parties on activities, goals and accomplishments of the Arkansas Waterways Commission. The Commission will also make the report available in PDF format on its website waterways.arkansas.gov .	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
085 Arkansas Waterways Commission	238,099	3	245,689	3	255,791	3	246,508	3	246,508	3	246,508	3	246,508	3	246,508	3	246,508	3
M63 Waterway Development Grants	450,644	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000	0
N49 Three Rivers Study	430,000	0	1,500,000	0	1,500,000	0	1,500,000	0	270,000	0	270,000	0	1,500,000	0	0	0	0	0
Total	1,118,743	3	2,745,689	3	2,755,791	3	2,746,508	3	1,516,508	3	1,516,508	3	2,746,508	3	1,246,508	3	1,246,508	3

Funding Sources		%		%		%		%		%		%		%		%
Fund Balance 4000005	0	0.0	275,062	10.0			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
General Revenue 4000010	238,099	17.1	245,689	8.9			246,508	16.3	246,508	16.3	246,508	16.3	246,508	19.8	246,508	19.8
Cash Fund 4000045	705,062	50.6	1,224,938	44.6			270,000	17.8	270,000	17.8	270,000	17.8	0	0.0	0	0.0
Ad Valorem Tax 4000060	450,644	32.3	1,000,000	36.4			1,000,000	65.9	1,000,000	65.9	1,000,000	65.9	1,000,000	80.2	1,000,000	80.2
Total Funds	1,393,805	100.0	2,745,689	100.0			1,516,508	100.0	1,516,508	100.0	1,516,508	100.0	1,246,508	100.0	1,246,508	100.0
Excess Appropriation/(Funding)	(275,062)		0				1,230,000		0		0		1,500,000		0	
Grand Total	1,118,743		2,745,689				2,746,508		1,516,508		1,516,508		2,746,508		1,246,508	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
3	3	0	3	0	0.00 %	3	3	0	3	0	0.00 %	3	2	1	3	0	33.33 %

Analysis of Budget Request

Appropriation: 085 - Arkansas Waterways Commission

Funding Sources: HUA - Miscellaneous Agencies Fund

The Arkansas Waterways Commission supports the development of the navigable waterways of Arkansas. The seven (7) member, Governor-appointed Commission was created by Act 242 of 1967. The Commission, which is funded by general revenues, is supported by a three (3) member staff and offers services and advice to the water transportation industry by means of correspondence, participation in seminars, serving on advisory committee and boards, and providing research on specialty subjects. The Commission also supports the efforts of the Red River Valley, Arkansas Basin and White River Valley Associations through the State's Contributions line item.

This appropriation is funded by General Revenue.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level request for Regular Salaries includes board member stipend payments.

The Commission is requesting Base Level appropriation of \$246,508 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 085 - Arkansas Waterways Commission

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	146,545	148,422	156,289	148,422	148,422	148,422	148,422	148,422	148,422
#Positions	3	3	3	3	3	3	3	3	3
Personal Services Matching 5010003	47,300	47,682	49,917	48,501	48,501	48,501	48,501	48,501	48,501
Operating Expenses 5020002	38,636	43,879	43,879	43,879	43,879	43,879	43,879	43,879	43,879
Conference & Travel Expenses 5050009	3,118	3,151	3,151	3,151	3,151	3,151	3,151	3,151	3,151
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
State's Contributions 5900021	2,500	2,555	2,555	2,555	2,555	2,555	2,555	2,555	2,555
Total	238,099	245,689	255,791	246,508	246,508	246,508	246,508	246,508	246,508
Funding Sources									
General Revenue 4000010	238,099	245,689		246,508	246,508	246,508	246,508	246,508	246,508
Total Funding	238,099	245,689		246,508	246,508	246,508	246,508	246,508	246,508
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	238,099	245,689		246,508	246,508	246,508	246,508	246,508	246,508

Analysis of Budget Request

Appropriation: M63 - Waterway Development Grants

Funding Sources: MPW - Ad Valorem Tax Fund

Through the Arkansas Port, Intermodal, and Waterway Development Grant Program, the Arkansas Waterways Commission can provide financial assistance to port authorities and intermodal authorities for port development projects. These projects include without limitation, construction, improvement, facility rehabilitation, expansion of a public port facility, and a maritime-related industrial park infrastructure development.

Taxes and penalties collected from water transportation companies under §26-26-1614 in excess of two million five hundred thousand dollars (\$2,500,000) provides funding for the grant program.

The Commission is requesting Base Level appropriation of \$1,000,000 each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: M63 - Waterway Development Grants

Funding Sources: MPW - Ad Valorem Tax Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	450,644	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total	450,644	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Funding Sources									
Ad Valorem Tax 4000060	450,644	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Funding	450,644	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	450,644	1,000,000		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Analysis of Budget Request

Appropriation: N49 - Three Rivers Study

Funding Sources: NSF- Three Rivers Study Fund

The Three Rivers Study has been the top priority issue of the Arkansas Waterways Commission for the last three years. The area is where White River is in close proximity to the lower Arkansas River and the Mississippi River. The White River during high water events moves across Big Island to the lower Arkansas River. A back cut has formed as the White River creates a new path to the lower Arkansas. If this were to occur the navigation pool would be lost on the White River and navigation would not be possible to the Mississippi River. The result of a failure would be loss of navigation on the system for close to one year and have a serious economic impact on the state. The US Army Corp of Engineers has spent 20 million dollars in the last five years to prevent this from happening and estimates that there is a seven to ten percent chance of failure each year. The Three Rivers Study would seek a permanent fix for a flood-prone area of the lower Arkansas River and protect the navigation on the McClellan-Kerr Arkansas River Navigation System by making it more reliable.

The Commission is requesting that the Three Rivers Study appropriation reflect the actual funding needed to conclude the Three Rivers Study at the end of FY18. The Commission Change Level Request provides for a decrease of \$1,230,000 in FY18 and a decrease of \$1,500,000 in FY19.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: N49 - Three Rivers Study

Funding Sources: NSF- Three Rivers Study Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Three Rivers Study 5900046	430,000	1,500,000	1,500,000	1,500,000	270,000	270,000	1,500,000	0	0
Total	430,000	1,500,000	1,500,000	1,500,000	270,000	270,000	1,500,000	0	0
Funding Sources									
Fund Balance 4000005	0	275,062		0	0	0	0	0	0
Cash Fund 4000045	705,062	1,224,938		270,000	270,000	270,000	0	0	0
Total Funding	705,062	1,500,000		270,000	270,000	270,000	0	0	0
Excess Appropriation/(Funding)	(275,062)	0		1,230,000	0	0	1,500,000	0	0
Grand Total	430,000	1,500,000		1,500,000	270,000	270,000	1,500,000	0	0

Change Level by Appropriation

Appropriation: N49 - Three Rivers Study
Funding Sources: NSF- Three Rivers Study Fund

Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,500,000	0	1,500,000	100.0	1,500,000	0	1,500,000	100.0
C03	Discontinue Program	(1,230,000)	0	270,000	18.0	(1,500,000)	0	0	0.0

Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
BL	Base Level	1,500,000	0	1,500,000	100.0	1,500,000	0	1,500,000	100.0
C03	Discontinue Program	(1,230,000)	0	270,000	18.0	(1,500,000)	0	0	0.0

Justification

C03	The Commission request that The Three Rivers Study Fund reflect a change level decrease of \$1,230,000 in FY18 and a decrease of \$1,500,000 in FY19 to match the actual amount of funding needed to complete the Three Rivers Study. The Commission will only need \$270,000 in FY18.
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