A SESSION OF HIGHS AND LOWS

Each legislative session brings its own bag of mixed goods, and the Regular Session of the 91st General Assembly was no different. The Arkansas General Assembly welcomed 20 newly elected members (one Senator and 19 Representatives) to its ranks and further defined Arkansas’s fiscally conservative political environment. While we were concerned about the constant push for legislation that punishes poor people, there were definitely some wins for families this year. The session began with an aggressive push by Governor Asa Hutchinson for a $50 million low-income tax cut. Although AACF advocated for the creation of a state Earned Income Tax Credit as the cheaper and more effective way to provide tax relief for low-income working families, we applaud the Governor for his plan, which was the first tax cut in recent history to specifically target low-income Arkansans. With the creation of the Legislative Tax Reform Task Force in Gov. Hutchinson’s bill, we realize there will be future battles to fight over tax cuts, and a state Earned Income Tax Credit deserves their consideration.

There were other notable wins, too. Arkansas now has paid maternity leave for its state employees. Now, new moms do not have to choose between their finances and their health. Health care remained a priority as well. Legislators decided to fund the Medicaid expansion for at least another year and will consider additional changes in a separate special session. Policymakers overwhelmingly passed a school discipline law that is designed to keep our youngest kids in the classroom so they can learn. There are exceptions built into the law for physical violence or in other extreme cases. Gov. Hutchinson included an additional $3 million in his budget for pre-K. This is the first time in nine years that our state’s Arkansas Better Chance preschool program has received new baseline funding. There’s still more work to do, but that gets us closer to where we need to be. Lawmakers did not fund the Positive Youth Development Grant Program Act. This law passed in 2011 and is designed to provide funding for quality after-school and summer programs. Just $5 million would get these programs off the ground. However, legislators decided to set aside funds for a competitive grant program to allow districts to apply for funds for after-school, pre-K and tutoring programs. This is progress, but we hope lawmakers will fund the Positive Youth Development program, as well, so that non-school district programs will also have access to grant funds for quality after-school and summer programs. Another great win is the Fair Sentencing of Minors Act, which prohibits sentencing youth to life without parole. It also creates a process for re-sentencing the 110 inmates in Arkansas prisons currently serving life without parole. It also creates a process for re-sentencing the 110 inmates in Arkansas prisons currently serving life without parole for offenses they committed as minors.

Unfortunately, there were also some low points in the session. Legislators made permanent a program that screens welfare recipients for drug use, despite the pilot program demonstrating that it is not an efficient use of tax dollars. The bill is based on legislation passed in 2015, which failed to produce effective results. There were also several attempts to pass Supplemental Nutrition Assistance Program (food stamps) bills that would have placed unnecessary and unhelpful restrictions on families. On the education front, some policymakers wanted to create education savings accounts that could be used to pay for private school tuition and would have funneled millions in public tax dollars to private schools. While not all the efforts passed, there appears to be a targeted effort to undermine programs that serve low-income people. Without additional voices around the state, we are concerned that this trend will continue and have a harmful impact on Arkansas children and families. AACF’s priority has always been low-income children and families here in Arkansas. We were happy to help lawmakers this session who shared that same set of priorities. It’s something we have done every legislative session since 1977, and it’s what we’ll continue to do in the future.
HEALTH
During the 2017 legislative session, health care remained a primary focus because of the state’s Medicaid expansion program now known as Arkansas Works. With over 300,000 Arkansans enrolled in coverage and millions of federal dollars helping to stabilize the state budget, it is a key priority for AACF to ensure the continuation of this unique health program that provides coverage for low-income Arkansans.

Changes to Arkansas Works. During this session, lawmakers introduced bills that would cap enrollment in Arkansas Works or eliminate the program altogether. Both bills, House Bill 1465 and Senate Bill 55, were likely tabled because lawmakers will convene in May 2017 for a special session on health. This special session will focus on making additional changes to the Arkansas Works program to add new restrictions. Some of the proposed restrictions include adding work requirements and capping enrollment to the lowest income beneficiaries with household incomes at the Federal Poverty Level—$12,060 for an individual and $24,600 for a family of four. While legislation to end the program was unsuccessful, funding Medicaid expansion is an ongoing fight because the Medicaid appropriation bill must pass with a three-fourths majority vote every year. After at least one failed vote in both the Senate and the House, the Medicaid appropriation bill (Act 1045) passed with funding for Arkansas Works intact.

The ACA debate. At the same time, the future of the Affordable Care Act (ACA) was also being debated at the federal level. This included Congress considering a House bill that would have effectively ended the Medicaid expansion by 2020 and significantly cut Medicaid funding to cover children, seniors, and individuals with disabilities. Estimates show that these sweeping changes would put health care for more than a million Arkansans at risk and leave taxpayers footing the bill. Arkansas would also be one of the hardest-hit states because the uninsured rate here has sharply declined since the ACA was implemented in 2014. Among adults (aged 19 through 64), the rate dropped over 12 percentage points—down to just 10 percent in 2016, one of the largest declines in the country. While immediate efforts to repeal the ACA and cut funding for the Medicaid program were unsuccessful, this debate is far from over, and we anticipate future proposals that will curtail recent progress to expand access to affordable coverage and care.

Passage of House Concurrent Resolution 1012. In one of the session’s bright spots, AACF and lawmakers worked together to address a longstanding issue that kept children born in the Marshall Islands from enrolling in ARKids First. Bipartisan majorities overwhelmingly passed a resolution (House Concurrent Resolution 1012) to encourage Gov. Hutchinson to extend coverage to these children through a state Medicaid option, which he said he will do. This is just the first step; more action is necessary at the state and federal level.

Consumer protections in managed care. AACF rallied consumer advocates and was successful in getting amendments added to Act 775, which will allow the state to create a managed care model for medically complex Medicaid enrollees. These amendments created a consumer advisory committee to include
members who are receiving services, and added a patient bill of rights to the legislation. Work to design and implement this model is underway, with changes expected in July.

**Other noteworthy health legislation that passed:**

- Act 50 will increase access to home- and community-based services for children and adults with disabilities and decrease the current waiting list. The legislation reallocated Tobacco Settlement dollars to fund additional waiver slots that previously paid for coverage for some individuals who are now covered by Arkansas Works.
- Act 203 establishes standards for the use of telemedicine in the state. It also requires that Medicaid-enrolled minors being treated in a school-based setting receive a primary care physician referral to receive telemedicine services.

**Other noteworthy health legislation that failed:**

- Legislation failed in the house that would have increased the age to purchase cigarettes and other tobacco products to 21 years.
- Similar to efforts during the 2015 legislative session, two bills were unsuccessful that would have impacted school nurses. House Bill 1516 and House Bill 1517 would have improved nurse-to-student ratios by aligning with best practice standards, changed funding requirements for recommended ratios, and revised educational requirements for school nurse supervisors.
- House Bill 1865 would have reversed progress to expand community water fluoridation. It would have undermined the 2011 law that mandates cities of a certain size maintain optimal fluoride levels in their water system to prevent poor oral health and cavities in children. Senate Bill 299 would have allowed local municipalities to determine whether the water system would be fluoridated.

**EDUCATION**

AACF made steady progress on some of our priority education agenda this legislative session—while managing to defeat potentially devastating legislation in other areas. We were encouraged that many of our education agenda items received strong bipartisan support. However, our biggest challenges remain the same: convincing many legislators that investing in education is more vital to our state’s economic future than short-term tax cuts, and defending public education from privatization, which undermines our common good.

**Pre-K.** The state’s Arkansas Better Chance pre-K program will receive $3 million in new funding—its first permanent increase since fiscal year 2008. However, this $3 million investment doesn’t even catch us up with cost-of-living increases, still falling far short of what our ABC programs need to maintain high quality and improve access for more working families. There was a major push by several pre-K legislative champions and partner organizations to appropriate a total of $20 million in new funding, but it failed.

In addition, the $3 million was placed in category “B” of the state’s budget, instead of category “A,” meaning that this funding could disappear if the revenue forecast continues to come up short in 2017. Category B allocations only happen if there’s enough money after everything in Category A has been funded.

AACF and other pre-K advocates will continue to push for more permanent funding during the 2018 fiscal session and beyond. Our second priority is continuing to increase our state’s capacity for data collection and analysis, which will help build the case for further pre-K quality improvements and expansion in the future.
After-school and summer programs. The Arkansas Out of School Network, AACF, and other partners have been working to support and expand quality after-school and summer programs in Arkansas for over a decade. Unfortunately, the Positive Youth Development Grant Program Act, which was passed in 2011 to fund these programs, was not funded by legislators again this year. However, the good news is that our years of advocacy did help persuade the Joint Education Committees to appropriate $4.3 million in additional categorical funding for students in poverty for a new competitive grant program that will allow districts to apply for funds for after-school, pre-K, or tutoring programs. The difference between that program and funding the Positive Youth Development Grant is that community organizations that aren’t school districts cannot apply under the new competitive grant program.

School funding. Overall funding for public education did not fare well. K-12 education received a paltry 1 percent increase, compared to the 2.5 percent increase that the legislature’s staff projected that schools would need just to keep up with inflation. Not only was public education inadequately funded, but legislators proposed several constitutional amendments that would have usurped the ability of state courts to mandate policy changes or funding increases in future lawsuits brought against the state. AACF testified against these proposed amendments, which fortunately did not pass.

At the higher education level, AACF helped defeat an effort to strip state funding from colleges and universities deemed to have created “sanctuaries” for undocumented immigrants, who simply want to continue paying for their education and become productive citizens.

Privatization of public education. The legislature also took steps to expand privatization and school choice at the expense of traditional public schools. Vouchers for special needs children were expanded, and a new voucher program for foster children was created. Only a major lobbying effort by AACF and other partners prevented the adoption of a so-called “pilot” voucher program for other students that would have opened the door for expanded voucher systems in future years. In its first iteration, this bill would have funneled up to $9 million in public tax dollars to private schools each year, with no accountability for results or legal protections for students with special needs. Finally, the legislature defeated several good bills that would have improved accountability and transparency for the state’s growing charter school system.

School discipline. AACF helped pass legislation to ban out-of-school suspensions and expulsions for students in grades K-5, unless a student poses a harm to himself or others and all other disciplinary measures have been tried and failed (Act 1059). This Act will help keep our most vulnerable children in the classroom and encourage schools to use more effective, research-based disciplinary methods. AACF also worked with the Arkansas Department of Education...
to enact legislation (Act 1015) that will improve data collection and transparency on how school discipline is administered, as well as disparities in disciplinary actions for racial or ethnic subgroups, low-income students, or students with disabilities.

**Grade-level reading.** As part of the Arkansas Campaign for Grade-Level Reading, AACF was excited to see the Right to Read Act (Act 1063) and legislation to improve dyslexia screening and interventions (Act 1039) signed into law. The Right to Read Act requires elementary and special education teachers to receive training and demonstrate competency in the science of teaching reading, which research has proven to be most effective in helping students read on grade level.

**TAX**

In a change of pace from years past, income tax debates this session focused on the best ways to provide tax relief to low-income families. Previous legislative sessions extended tax breaks only to middle- and upper-income Arkansans, and completely left out the bottom 20 percent of earners in our state. Low-income families in Arkansas have long been shown to pay a much higher share of their income to state and local taxes (the lowest 20 percent of earners in our state pay twice as much as a share of their income compared to the top one percent). So, these low-income focused policies are a welcomed change.

Gov. Hutchinson and legislative leaders such as Representative Warwick Sabin and Senator Jake Files led the charge to make low-income taxpayers the priority this legislative session. This occurred in the face of several attempts to create even more tax cuts for the rich. Two major avenues for low-income tax relief were considered: tax credits and tax rate cuts. AACF advocated for the creation of a state Earned Income Tax Credit as the cheaper and more effective of the two. It is harder to give low-income workers a tax break through an income tax rate cut because most of their taxes are paid in different ways (like sales tax). A tax credit helps low-income workers more because it can help reduce their overall tax payments even if their income tax rate is already low. However, income tax rate cuts for those at the bottom of the income ladder was the prevailing strategy. The result was Gov. Hutchinson’s “Tax Reform and Relief Act of 2017” (Act 79), a $50 million tax cut for those making less than $21,000 a year in taxable income.

Many additional tax-related questions remained unresolved after this session, despite robust debate. There were no successful bills to encourage online retailers to collect sales tax and therefore level the playing field for brick-and-mortar stores in our state. There was also no clear solution for our ongoing highway funding issues, although a change to the fuel tax was proposed. It is possible that these types of loose ends can be resolved through the Governor’s Arkansas Tax Reform and Relief Task Force, which was created as part of his low-income tax cut this session. This task force could, however, lead to further budget-busting tax cuts for upper-income earners.
FAMILY ECONOMIC SECURITY

Legislation that makes it easier for people to move up the income ladder is important in Arkansas because so many of our families struggle to afford the basics, and roughly a quarter of our kids are living below the poverty line. Highlights from this session that will help families move up that ladder include legislation that improves access to paid maternity leave, and laws that defend our state’s constitutional ban on predatory lenders. Here is a breakdown of how key legislative decisions will impact the financial success of working Arkansans:

**Good: Increasing access to paid leave.** Thanks to the hard work of legislators and advocates, more new moms in Arkansas will have access to paid leave. Paid leave is one of the best options available to improve family health and financial security. Act 182 allows state employees to draw up to four weeks of paid leave after the birth of a child.

**Good: Shutting down predatory lenders.** The Arkansas Constitution has strong protections in place for consumers who borrow money because it caps interest rates at 17 percent. Because of that cap, the Arkansas Attorney General was able to shut down our last payday lender in 2009, and people have been clearly better off since then. Still, bad loans are starting to pop up again in our state because of loopholes. Fortunately, several bills that would have widened a loophole for predatory lenders were either withdrawn or defeated this legislative session (House Bill 1958 and Senate Bill 671). Another win in the fight against predatory lending was the passage of Act 944. This legislation clarifies current lending laws in an effort to push out the nefarious lending organizations that have re-appeared recently in Arkansas. Unfortunately, the newly passed Act 986 makes it harder to hold lenders accountable via our deceptive trade practices act. Overall, we made good progress during this session in reversing the recent influx of predatory lenders.

**Mixed: Hunger advocates defeated most, but not all, harmful bills.** Legislators defeated multiple harmful bills that would have cut access to a basic safety net program that helps feed hungry kids—the Supplemental Nutrition Assistance Program (food stamps). Many of these failed bills would have made it difficult or impossible for families to access food in times of need by implementing photo ID requirements (House Bill 1904, House Bill 2149), adding complicated food-purchase restrictions (House Bill 1035, House Bill 2148), or making it harder for separated parents to access the program (House Bill 2004).

Unfortunately, a bill that restricts our state’s ability to expand the program during a future recession did pass (Act 518). That means that if we have another economic downturn, Arkansas won’t be allowed to apply for a waiver to help people stay on the program without a change at the state legislative level. Food pantries could dry up, leaving thousands of families hungry.

**Bad: Major problems remain unsolved.** Despite efforts from legislative advocates and community members, many obstacles to family financial success remain in place after this session. We still have the worst landlord-tenant laws in the nation. Two bills that would have significantly improved tenant rights failed (House Bill 2135, Senate Bill 600), while another bill that maintained some of the worst statutes in Arkansas tenant law succeeded (Act 159). Unfortunately, we also expanded a pilot program that drug tests welfare recipients, despite its clear failure to identify and help drug users (Act 314). Finally, we still have a fundamental lack of protection for workers who are victims of wage theft, despite two attempts to improve workers’ rights (House Bill 1624, House Bill 1625) and a bill specifically aimed at minimizing the gender wage gap (House Bill 1021).
Under the Arkansas Constitution, the Arkansas General Assembly must adopt a balanced budget that reflects the revenue forecast, the state’s official estimate of how much revenue the state expects to collect for the upcoming year. At the end of every legislative session the legislature passes a major spending bill, known as the Revenue Stabilization Act (RSA). It allocates state general revenue to state agencies and programs and sets priorities for spending when collections fall short and cuts need to be made. As reflected in this year’s RSA (Act 1127 and Act 1083), the Arkansas legislature adopted a general revenue budget for fiscal year 2018 of $5.49 billion, an increase of about $163 million, or 3 percent over the current fiscal year. As a result, many state agencies will see flat funding or take small cuts in their budgets for next year.

Under the state spending plan, most of the $163 million in new state general revenue funding will be used for seven purposes, including:
- $75.6 million for DHS grants, which funds the state’s share of the Medicaid program;
- $26.7 million for the DHS Division of Children and Family Services (DCFS), the state agency responsible for child welfare services for abused and neglected children;
- $10.7 million for the Department of Corrections;
- $9.2 million for the Department of Community Corrections;
- $10.8 million for the Merit Adjustment Fund and raises for state employees;
- $6 million for the Public School Fund, which helps support public schools;
- $6 million for the Department of Higher Education.

Not all allocations are created equal. This year’s RSA allocates funding into two big categories—“A” and “B.” Allocations in category “A” must be funded first, then items in category “B” are funded if the revenue forecast (and available funding) for the year holds up. Most of the new funding for fiscal year 2018—$131 million out of $163 million—will be in category “B.” This is important, because if the revenue forecast does not hold up, then any new funding in category “B” might have to be scaled back or even eliminated.

It’s important to note that the state general revenue budget does not reflect all spending by state agencies. Many state agencies also receive one or more of the following: federal funding, state “special revenues” dedicated by state law for certain purposes, or one-time money that is left over from previous years.

The Public School Fund, for example, is expected to receive a general revenue increase of less than $6.5 million, far less than the $45 million needed to cover a 1 percent increase for K-12 educational adequacy. In order to make up that difference in the Public School Fund, money from the Educational Adequacy Trust Fund will be used, which is funded by a dedicated state sales tax of 0.875 percent.
One big change this session is that the legislature did not pass a General Improvement Fund (GIF) bill, a strategy implemented in the past to use excess revenue to fund the favored local or pet projects of legislators. Instead, the legislature plans to set aside this one-time money to fund projects that truly have a statewide interest or to plug holes in state agency operating budgets. The legislature expects to have $239 million in excess revenue available at the end of the current fiscal year. Some of the major uses of this one-time money include:

- Up to $90 million for Medicaid;
- Up to $60 million for educational facilities;
- Up to $14 million for foster care at DCFS;
- Up to $30 million for the Governor’s Quick Action Economic Development Fund;
- Up to $20 million to be used for matching highway funds to pull down $200 million in federal funds;
- Almost $13 million to be used for a rainy day fund.

The state budget is a moral document and reflects the values and priorities of Arkansas policymakers. However, the tax cuts enacted during the 2013, 2015, and 2017 legislative sessions have robbed the state budget of new revenue that is desperately needed to pay for critical investments in our children and families. Some of our biggest budget disappointments during the 2017 legislative session included:

- The Arkansas Better Chance Program (our state-funded high-quality pre-K program) received a $3 million increase, when $20 million was needed;
- No funding for quality after-school and summer programs to implement the 2011 Positive Youth Development Grant Program Act;
- Only $1 million for community-based programs at the Division of Youth Services to help the state transition from a juvenile justice system focused on incarceration to one focused on community-based services;
- No funding for a state Earned Income Tax Credit to support working families;
- Funding for K-12 education adequacy was increased by just 1 percent, compared to the usual adequacy increase of 1.5-2 percent, robbing public education of tens of millions of dollars in needed funding.

Tax cuts have clearly been a bigger priority for many Arkansas policymakers than the needs of children and families. Arkansas can and must do better in the future. See a more detailed 2017-2018 general revenue budget by visiting www.aradvocates.org/state-general-revenue-budget-highlights-fy-2018/.

Note: At press time, the state announced it would reduce its revenue forecast for fiscal year 2018 by $43 million, thus lowering the amount of new general revenue for the state budget from $163 million to $120 million.
Arkansas is slowly moving toward a better juvenile justice system that reduces incarceration by expanding proven, effective community-based alternatives. We made some progress this session, but we're not there yet. Gov. Hutchinson's Arkansas Youth Justice Reform Board recommended changes to the state's juvenile justice system during the 2017 session. Some, but not enough, of the recommendations became law.

Act 690 expands an effective program that gives judges the information they need to make more informed decisions before they impose sentences on delinquent youths. The program provides judges with a risk assessment tool to determine where youthful offenders should be placed, what interventions may be needed, and the risk of re-offending. The Administrative Office of the Courts Risk Assessment and Behavioral Screening Project began in 2015 in four pilot sites, and this new legislation expands the program to other judicial districts. It also provided funds to improve training and support for juvenile probation officers who are critical to the implementation of the project and the supervision of the youth in their care.

Act 540, the Fair Sentencing of Minors Act of 2017, eliminates the sentence of life without parole for minors in Arkansas. It also sets up a process for resentencing people already in prison who are serving life without parole sentences for crimes they committed as minors. Additionally, it adjusts minimum sentences for youth sentenced to life with possibility of parole based on the circumstances of their case, allowing the parole board to consider potential release.

The DHS Division of Youth Services received an increase of $1.3 million (albeit in Category B funds) to potentially expand access to proven-effective, community-based alternatives to incarceration. Funds are also being made available to expand implementation of the Juvenile Detention Alternative Initiative used by detention centers to appropriately reduce the use of detention.

Other legislation was enacted to improve the oversight and operations of the state's youth detention centers (local jails). Under Act 153, the juvenile detention facilities will now be inspected, monitored, and visited by regional facility committees under the state Office of Criminal Detention Facilities Review Coordinator. Act 540 changes the makeup of the Arkansas Coalition for Juvenile Justice Board. This Board is responsible for deciding how federal Juvenile Delinquency and Prevention Act funds are distributed in Arkansas. These funds are contingent on the state’s strict adherence to regulations regarding the appropriate use of detention in the state.

An Arkansas mother speaks out about her 15-year-old son’s incarceration on a drug charge and the need for more community-based services in this video produced by AACF.
The hope now is that there will be significant and meaningful juvenile justice reforms enacted in the 2019 legislative session. Arkansas continues to trail behind all the Southern states in the region by increasing its use of incarceration.

**IMMIGRATION**

For the first time in several years, legislation negatively targeted at immigrants gained a foothold this session. Lawmakers filed bills aimed at punishing so-called “sanctuary” cities and university campuses, as well as other harmful legislation. Much more than in previous years, the debate in the state Capitol mirrored the national political debate on immigration.

Senate Bill 14 would have stripped funding from cities that, for example, require federal immigration officials to obtain warrants or demonstrate probable cause before transferring immigrants. This “sanctuary city” bill failed to pass out of committee. House Bill 1042, a similar bill, would have applied the same type of restrictions to public universities and colleges. It, too, never made it past the committee level. With partners at the Arkansas Friendship Coalition, Arkansas United Community Coalition, Hispanic Women’s Organization of Arkansas—as well as others—AACF worked to defeat that legislation.

In an effort to improve opportunities for immigrants, Rep. Warwick Sabin of Little Rock filed a bill that would have allowed all graduates of Arkansas high schools the opportunity to pay in-state tuition rates at state universities and colleges. Currently, undocumented high school graduates in Arkansas must pay much higher out-of-state tuition, though studies show that their parents and families are contributing to the state tax base. Sabin’s House Bill 2028 failed to clear the House Education Committee.

**CHILD WELFARE**

The Division of Children and Family Services (DCFS) received a much-needed increase of $26.7 million in the budget the legislature adopted. The number of children in foster care remains at an all-time high. Part of the funding will be used to hire new workers to help ease the burden on staff, which will hopefully help reduce staff turnover. Several new laws concerned oversight and administrative processes, including Act 713, which creates the Child Maltreatment Investigations Oversight Committee. The purpose of the committee is to review and evaluate investigations that have been completed by DCFS and the Crimes Against Children Division of the Department of Arkansas State Police. Act 319 allows a license exemption for organizations that help place children with volunteer families when their parents cannot temporarily take care of them, but the cause for the placement does not rise to the level of abuse or neglect. AACF testified against this legislation because organizations involved in the placement of children should be licensed.

The legislature also passed laws that focused on parents of children in abuse and neglect cases. Act 701 presumes that all non-custodial parents are fit unless DCFS can present evidence that they contributed to the abuse or neglect in question. Act 993 requires DCFS to demonstrate reasonable efforts to include incarcerated parents in case planning, monitoring services provided to the parent by the Department of Corrections, and to schedule visitation with the child when appropriate and in the best interest of the child. Finally, Act 1111 states that if the court determines that the health and safety of the child can be adequately protected and it is in the best interest of the child in foster care, parents may have unsupervised visitation. And a positive drug screen is insufficient on its own to deny visitation.