Contents

Overview .................................................................................. 1
I  Introducing...The Murphy Commission ........................................ 1
II  Education: Our Top Priority ...................................................... 5
III  Role and Function of State Government .................................... 11
IV  Current Structure of State Government ..................................... 13
V   A Sample of Possible Savings .................................................. 19
VI  Tax System for Growth and Prosperity ..................................... 21
VII Bringing Performance Management to State Government ........... 24

Charts and Graphs

Total State Spending (includes federal) 1962-97 in 000's ....................... 1
Arkansas Spending vs. Population and Personal Income Growth 1972-97 ...... 2
The Murphy Commission (A Citizens Commission to Streamline State Government) 3, 4
$20 Billion Arkansas Education Dollars Invested Since 1971 ................... 6
Share of Local, State, and Federal Funds Spent on K-12 ....................... 6
Education Spending Growth ...................................................... 7
Growth in Number of Teachers .................................................. 7
Growth in K-12 Non-Teaching Personnel, 1970 to 1996 ....................... 8
Enrollment Stays Constant ....................................................... 8
Declining Teacher/Student Ratio ............................................... 9
State Tax Growth Compared to Personal Income (1986-1996) .................. 21

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Overview

The National Advisory Board of the former First Commercial Bank of Little Rock, N.A., warmly welcomed leaders of The Murphy Commission to its 28th annual meeting October 16, 1998.

Led by Madison Murphy of El Dorado, The Murphy Commission has devoted almost three years to a detailed study of Arkansas state government with an eye to applying business principles where appropriate to make the government smaller, more cost-effective, and more accountable to the taxpayers.

As Governor Mike Huckabee said at the dinner he and First Lady Janet Huckabee hosted for the NAB at the Governor’s Mansion, Arkansas never would have been able to afford the kind of expertise The Murphy Commission has brought to bear on the problems and needs of state government, and many of its findings and recommendations already have proven to be “very valuable.”

“Arkansas never would have been able to afford the kind of expertise The Murphy Commission has brought to bear on the problems and needs of state government.”

-Governor Mike Huckabee

In early 1999, The Murphy Commission will release numerous reports rich in detail on its comprehensive review of state government. Many of the group’s recommendations are known, but others are forthcoming. NAB members were provided preliminary reports on some subjects in advance of their meeting. The reports were augmented by presentations of what necessarily had to be highlights only from Mr. Murphy, Jackson T. “Steve” Stephens, Jr., Charles D. Morgan, J. French Hill, and Michael and Donna Watson.

NAB members clearly were amazed that a citizens group had marshaled the kind of resources and spent the kind of time it has on the subject of reforming state government. It truly has been a gift flowing from the devotion these native sons have for Arkansas. The Murphy Commission deserves the gratitude of all Arkansans.

Some findings, such as those on educational achievement, were more disturbing than others to NAB members. The NAB declared at its executive session that all of The Murphy Commission’s recommendations are worthy of consideration. However, having been inundated with a vast amount of information in a matter of a few hours, the NAB was comfortable endorsing only three specific recommendations for adoption by the 82nd General Assembly that convenes January 11.

Arkansas state government will be unable to meet the demands of the 21st Century without a sound rebuilding of its infrastructure, the Board said. Therefore, it encourages the adoption of:

- Performance-based budgeting
- A form of compensating state employees that embodies rewards for extraordinary job performance
- Activities-Based Costing (ABC) accounting

First Commercial Bank is now a part of a regional financial group (Regions Financial Corporation). Under these circumstances, NAB members felt it was inappropriate that Regions should be called on to show favoritism to Arkansas by continuing to sponsor the National Advisory Board. On a motion by Kemmons Wilson, who has never missed a NAB meeting since its founding in 1971, the Board voted to disband with the hope its studies and suggestions through the years have made a positive contribution to the fact Arkansas now enjoys a place squarely in the mainstream of the United States of America.
Introducing...

The Murphy Commission

Most National Advisory Board members live out of state, and “The Murphy Commission” is not the household name for them that it is for the politically aware Arkansas resident. Therefore, Madison Murphy of El Dorado, chairman of the board of Murphy Oil Corporation and a son of NAB charter member Charles H. Murphy, Jr., opened the Board’s 1998 meeting with an explanation about the group he chairs that has had the state government’s attention for nearly three years.

Mr. Murphy described the Commission as a nonpartisan group of concerned individuals who came together in early 1996 as an initiative of the Arkansas Policy Foundation to contribute their business expertise toward making a burgeoning state government smaller and more cost-effective and accountable—to achieve “in your face government reform,” as he put it. His personal goal, he said as an aside, is to see changes that will enhance academic performance and economic activity in Arkansas. The two are “inextricably interwoven,” he said.

He assured the NAB that The Murphy Commission was not politically naive—that it will not recommend changes it knows would be impossible to achieve in Arkansas, such as reducing the state’s 310 public school districts through consolidation.

Those who initiated the Commission were alarmed about the rate at which state government spending has been growing, as illustrated in the graphs on the next two pages (1-A and 1-B).

Mr. Murphy emphasized the nonpartisan nature of the Commission. Although the group contains both Democrats and Republicans, it is unquestionably conservative and libertarian in orientation.

When one or two NAB members mentioned the historic but failed Hoover and Peter Grace Commissions in a comparative context to the Murphy Commission, J. French Hill pointed out that the two federal groups had been created by executive orders. He saw a significant difference in that The Murphy Commission was originated by citizens and its work has been “blended” with input from the executive and legislative branches of Arkansas state government.

Jackson T. “Steve” Stephens, Jr., president and CEO of EOE, Inc., a biotechnology firm, is The Murphy Commission’s vice chairman. The group has regional vice chairmen, nine at-large members, a legislative advisory group, a governor’s advisory group, and seven subgroups—role and function of state government chaired by NAB member Charles D. Morgan, Jr., president of Axiom Corporation; current state government structure chaired by Mr. Murphy; budget analysis chaired by Randy Laney, general counsel for The Llama Group; competitive
outsourcing chaired by former state Rep. Mike Wilson, D-Jacksonville; financial and tax policy chaired by Mr. Hill, a Little Rock bank executive; technology chaired by Clarence Durand of the state Department of Information Systems; and public awareness co-chaired by Barbara Pardue, director of the Arkansas Economic Development Commission (AEDC), and Tim Martin, CEO of Martin & Martin, a Little Rock-based public relations firm. Deloitte & Touche, the accounting firm, has worked with the Commission on a pro bono basis. Commission members and how they are organized are shown in the charts on the next two pages (1-C).

Mr. Murphy said the group was ready to begin work in the spring of 1996 and had scheduled a meeting with former Gov. Jim Guy Tucker for May 29. The meeting never took place because late the preceding afternoon, a federal court jury found Gov. Tucker guilty of two felony counts related to business dealings in the 1980s when he was not in politics.

Mr. Tucker resigned and was succeeded on July 15, 1996, by the lieutenant governor, Mike Huckabee, a Republican. Gov. Huckabee soon met with Commission leaders and signed an executive order directing all state agencies to give their full cooperation to the group.

For its in-depth study and analysis, The Murphy Commission chose 1972 as its benchmark year because the last major reorganization of state government took place then under Gov. Dale Bumpers based on Act 38 of 1971. The Commission agreed nothing would be regarded as a sacred cow; more important, it would search for “invisible cows” because, as Mr. Murphy put it, “they’re often the important ones.”

Dale Bumpers’ brother, Carroll, is a veteran NAB member. He recalled receiving a call from his brother shortly after Dale became governor during which he complained about having 75 different government officials reporting directly to him. Carroll Bumpers said he told his brother, “it seemed to me [that with 75], he didn’t really have anyone reporting to him.” Under Gov. Bumpers, state government was reorganized into thirteen departments. For example, many free-standing agencies such as the Securities Department, the Soil and Water Conservation Commission, the Livestock and Poultry Commission, the Oil and Gas Commission, etc., were placed within a new Department of Commerce. The agencies were never happy with the arrangement, and the Department did not survive. Yet Gov. David Pryor created a new Department of Natural and Cultural Resources, now the Department of Arkansas Heritage, in 1975, and it continues.

* Mr. Murphy later explained in a November 11, 1998, memorandum by Michael Watson that this benchmark year was applicable only to defining a starting point to measure growth of state agencies and boards and commissions from the Bumpers reorganization forward. Other measurements, such as growth in state spending, range back to 1962 and 1965 and are meant, according to Mr. Watson, to show growth trends only.
# The Budget and Agency Review Workshop

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- Tom Dober  
- Jerry Watkins  
- Tom Easterly  
- Mel Ingram
Specifically, The Murphy Commission determined it would:

- Recommend changes to the current structure of state government, the number and composition of boards and commissions, and government's regulatory powers.
- Analyze the current state budget and the process by which it is generated and target ways to save money and set priorities.
- Identify and highlight opportunities to privatize state government services.
- Address state taxation and financial practices in order to develop reforms conducive to investment and savings, and the creation of a nationally competitive business environment.
- Use technology to make government more efficient and to provide greater citizen access to state information and data.

The Commission has completed much of its work. To the extent its work had been finished by mid-October 1998 and was ready for public comment, Mr. Murphy and other Commission leaders provided the National Advisory Board with highlights of some of the major findings and recommendations.

Members of the Commission agreed to stay together for five years after making their recommendations in order to monitor progress. Even if its recommendations are not implemented, Mr. Murphy said the Commission would have accomplished “one good deed” by “raising the level of debate on substantive issues,” thereby bringing Arkansas out of its existing “political muck and mire.” But he also told the NAB that if the 1999 General Assembly does not make sufficient progress implementing the Commission’s recommendations, he is “not above creating a PAC (political action committee)” in an effort to influence the outcome of future legislative elections.
Education: Our Top Priority

Jackson T. "Steve" Stephens, Jr., co-chaired The Murphy Commission subgroup on education with the late Karen Henry. Unlike other groups within The Murphy Commission, Mr. Stephens said his panel did not feel it had to concentrate on an agency—the state Department of Education—because a thorough study of it was done by the University of Arkansas at Little Rock (UALR) in 1996.

The Murphy Commission incorporated the UALR study and recommendations by reference into its report.

The Stephens-Henry subgroup focused on K-12 public education with an eye toward determining "input versus output," as its co-chairman told the NAB, the return on investment. Arkansas taxpayers are getting for the dollars they are putting into the system. Academic performance is The Murphy Commission's "overriding concern," he said.

Since 1971, Mr. Stephens said, Arkansas has spent $20 billion on its public schools plus $3 billion from the federal government (see graph, 2-A). The spending in 1971 was $221 million; last year it was $1.66 billion." The average breakdown in income sources during the period was 32 percent local, 55 percent state, and 13 percent federal (see graph 2-B).

In real dollar growth (adjusted for inflation), Mr. Stephens continued, spending on K-12 has increased 160 percent since 1965 (see graph 2-C on page 7). Per-pupil expenditure has grown 13.15 times—from $317 to $4,168.

There has been a 70 percent increase in the number of teachers since 1967, he said (see graph 2-D on page 7). From 1970 to 1996, the number of nonteaching personnel has doubled (see graph 2-E on page 8). Today Arkansas spends about half of its K-12 dollars on nonteaching personnel, including counselors who were mandated in 1983.

Enrollment has been "fairly constant" during the last three decades, Mr. Stephens said, which means Arkansas' student/teacher ratio has been falling. The ratio was 22.4:1 in 1965 and is 14:1 today (see graphs 2-F, 2-G on page 9).

Information such as this led The Murphy Commission to conclude that "We have plenty of funding right now" in the public school system but it is not being allocated properly, Mr. Stephens said. He also cited an opinion of the American Legislative Exchange Council headed by Arkansas House Speaker Bobby L. Hogue, D-Jonesboro, that "there is no correlation between performance and per-pupil expenditures. None."

Performance, Mr. Stephens asserted, "has to do with motivation," and the source of that is parents and the spirit of the school.

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** Kindergarten and free textbooks were initiated in 1973.
What is Arkansas getting for its investment? Mr. Stephens said The Murphy Commission had aggregated what he described as “a disturbing set of outputs” such as:

- 87 percent of Arkansas 8th graders are not proficient in math.
- 87 percent of Arkansas 11th graders failed the math section on the state’s pilot “exit exam.”
- 80 percent of Arkansas 4th graders are not proficient in reading.
- Arkansas students’ SAT (Scholastic Aptitude Test) scores have declined over the last four years.
- The average ACT (American College Test) score of Arkansas students is consistently 20.2, which is below the national average score of 20.9.
- Arkansas state-supported universities spend $26 million annually to remediate 59.2 percent of the state’s high school graduates in math or reading or both.
- More than half the Arkansas high school graduates who are remediated in algebra still fail the subject.

When it was pointed out Arkansas did not require algebra to graduate from high school until recently, and that this reflected how little the state demanded of its public schools, Mr. Stephens responded, “What we have had and what we now have is unacceptable. These numbers are as bad as I can imagine.” Had he been in charge of K-12 education in Arkansas and these numbers were produced on his watch, he said, “I would quit my job and beg forgiveness and hope that I would not be stoned on my way out of town.”

Having traveled the state for several years selling school district bonds, Mr. Stephens said he had “a sense” of how Arkansas communities regard their schools and the feelings that exist among educators in them. “The only thing they don’t have is a way out of the system or a way to improve the system; they feel hamstrung,” he said. Later he said he was confident at least 50 percent of the teachers would like to “opt out” of the system for a “chance to really teach.” He suspects about the same percentage of administrators would do the same.

Mr. Stephens said the core problem is that K-12 is a “monopoly delivery system.” As businessmen, he explained, Murphy Commission members recognize that what a monopoly produces is “high prices and low quality.” (Earlier, Mr. Murphy had said The Murphy Commission was not recommending consolidation to reduce the number of school districts in Arkansas from the current 310 because of alternatives that have developed, such as business schools and home schooling. However, the Commission is recommending some administrative restructuring.)

All taxpayers fund this monopoly delivery system, and if they want to choose something different, they must pay again, Mr. Stephens said. When NAB member Virgil Waggoner asked about the availability of private schools as had been noted earlier by Mr. Murphy, Mr. Stephens said that in Pulaski County, private
schools operate at about 60 percent of the cost of public schools. Private school teachers are paid less, sometimes considerably less, but are willing to accept this because, he explained, they receive support from their administrations and are able to discipline their classrooms.

The Murphy Commission's point, Mr. Stephens emphasized, is that dollars do not necessarily produce quality. The "spirit" vital to quality has gone out of many, many public schools, he said, and the Commission has made a series of recommendations designed to restore it in primary and secondary education in Arkansas.

The academic results presented are "very disturbing" considering the investment that has been made and represent a "crisis" in Arkansas public schools, Mr. Stephens said. The Murphy Commission finds it hard to comprehend why the public has not perceived this and remains apathetic—in a "malaise." The group has concluded the public does not know because of the absence in Arkansas of an educational accountability system that provides information to the people in an understandable and consistent manner.

Therefore, the first Commission recommendation Mr. Stephens highlighted is that Arkansas develop and implement an academic and fiscal accountability system.

Mr. Waggoner questioned whether this was "ducking the issue" because "if parents cared, they would know...the problem is the apathy of the parents."

Mr. Watson rejoined that "parents do care" but are forming their perceptions about public schools from the report cards their children bring home, and there has been a 220 percent increase in As and Bs given from 1972-1982. To understand, he insisted, the performance numbers need to be aggregated and "spotlighted," he said. Murphy Commission member J. French Hill amplified this, saying the information now "trickles out" and makes little impression.

Mr. Watson went on to say that where "the rubber meets the road" is what happens between the teacher and the child in the classroom. Mr. Waggoner noted that 35 percent of the teachers hired by the Houston (Tex.) school system in the last five years have come from two area "substandard universities" where a substantial number of graduates have trouble passing fifth grade level quizzes. "How do you expect them to teach the kids? And you can't get rid of them because they have a [teaching] certificate."

The Murphy Commission also was challenged about having a lack of historical perspective, but Mr. Watson said the group had noted "modest and worthy improvements," such as the fact ACT scores by Arkansas students have been inching up a "significant" tenth of a point in recent years. "But this is not keeping pace with many other states," he added.

As a subrecommendation, The Murphy Commission said the governor should give an annual public address on the state of education in Arkansas.
Spending on public education should be constrained and savings and current spending redirected to enhance Arkansas' substandard academic performance by putting the money into hiring the highest quality teachers, compensating them better, and providing more classroom and instructional support "rather than into growing administration and overhead," Mr. Stephens said.

Teachers and supervisors should be paid on the basis of defined performance measures, and education managers—principals and superintendents—should have the power to terminate ineffective teachers, he continued. The cost of litigating a teacher termination case today averages from $150,000 to $200,000, which Mr. Stephens said scares administrators away from "biting the bullet." Establishing a litigation fund or moving to a "loser pay" pay rule similar to Great Britain's would help or at least end frivolous lawsuits, he said.

Since the NAB meeting, the Arkansas Board of Education has taken a step it hopes will lead to better teachers. At its December 1998 meeting, the Board voted 5-3 to require about 250 new teachers (called "candidates") to demonstrate they can meet performance requirements within the first three years of their employment before they can obtain standard five-year teaching licenses. Each "candidate" will be assigned a mentor. To the dismay of a committee that recommended wholesale revamping of the teacher certification system, the Board said it would try the new approach first on a test or "pilot" basis.

The Murphy Commission also believes a teacher trained in math should not be called on to teach English and vice versa. Teachers should have appropriate degrees for the subjects they teach, he said, and qualified uncertificated individuals should be allowed to teach.

The final recommendation Mr. Watson highlighted was that a uniform cost accounting system should be installed in public schools statewide because there is a "conspicuous lack of reliable data" now. The new system should enable the schools to report where and how they have spent their funds, and more important, what kind of results have been achieved.

He noted that the Walton Family Foundation had paid $2,500 to each of 17 Arkansas school districts to install a cost accounting system developed by Coopers-Lybrand and Fox River called InSite but that only one—the Bryant schools under Superintendent Winston Simpson—actually made use of it. Dr. Simpson is a "real champion" of the system, Mr. Stephens said.

Donna Watson, education policy analyst for the Arkansas Policy Foundation, presented the recommendations concerning standards.

She said Arkansas needs to establish rigorous academic standards based on the current best practices in other states.

The state's existing curricula frameworks, which were adopted in 1991, are "vague, nebulous and not measurable" as well as "rife with political and social dogma," Mrs. Watson said, adding that this is why they received "F" in a recent Fordham Foundation review. New knowledge and skill-based standards should be adopted that are "clear, measurable, and specific" in the way Virginia's are after a recent revamping. Massachusetts was the only state the Fordham

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Foundation gave an "A" for reading curriculum; California, North Carolina and Ohio received "As" for math. Use these states as models, she urged.

Mr. Hill provided an example of a "nebulous" Arkansas standard by pointing out that a certain number of hours of math are required for graduation but specific courses "that we know kids need" are not mentioned.

Instead of continuing to pour money into failed teaching methodologies and expecting different results, Arkansas should adopt proven curriculum and teaching methodologies, Mrs. Watson said. For example, the "whole language" approach to teach reading is a demonstrable failure. Reading must be taught phonetically. The Portland Elementary School in Southeast Arkansas has demonstrated this. Its scores have risen 30 percentile points in the three years since it started using the phonetically based "direct instruction" method. Other schools have not picked this up, however, and Mrs. Watson attributed this to resistance from the colleges and universities that train the teachers.

Further, Mrs. Watson said, The Murphy Commission recommends Arkansas continue to use and to strengthen exit exams and norm-referenced tests and end the practice of social promotion (promoting a child who cannot do grade-level work in order to keep him/her from being "stigmatized" socially through separation from his/her peers). Unlike in Texas, failure to pass an exit exam is not a bar to graduation in Arkansas, and this should be changed because awarding a diploma to a young person who does not have the knowledge this implies is a "fraud."

Arkansas has released test scores by school districts, and reporters and the public have been discouraged from making comparisons. Arkansas should publish school-by-school performance reports so that the public can compare them, Mrs. Watson said. State Sen. Jim Argue, D-Little Rock, has said he plans to introduce such a bill in the 1999 General Assembly session in the belief parents of children in the Eudora School District have as much right as any living in an affluent west Little Rock neighborhood to know the performance results of their schools.

Arkansas has had a charter school law on the books since 1995, but The Murphy Commission said it is so restrictive that it inhibits the formation of these public schools that are freed of regulations but not of accountability. The state should make its law more flexible and conducive to the creation of charter schools, Mrs. Watson said.

Mr. Stephens was ardent in all of his views about changes needed in the public school system, but he directed his most impassioned statements to the need for choice.

There will be no public demand for the changes that will produce quality performance, he said, until parents have a choice about where their children will be schooled. And no across-the-board choice will exist without vouchers. Now, he said, the United States Supreme Court has validated Wisconsin's system of allowing parents to determine what schools will receive their vouchers to educate their children, and nothing would be more "wholesome" than having two or three churches in a rural Arkansas community setting up schools to provide the kind of education parents want for their children.

Mr. Murphy said that public schools not only have a monopoly but they hold children "hostage" to attending a school based on where they live geographically.
Role and Function of Arkansas State Government

The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all, or cannot do so well for themselves in their separate and individual capacities. In all that the people can individually do as well for themselves, government ought not to interfere.

—Abraham Lincoln

Madison Murphy told the National Advisory Board that the subgroup Charles D. Morgan chaired provided the “road map” for The Murphy Commission to follow. Mr. Morgan confessed he thought defining the role and function of state government in Arkansas would be a relatively quick and easy job, but it proved to be difficult with numerous rewrites required of the draft report.

Mr. Morgan cited with approval the often-quoted statement of President Abraham Lincoln that opens this section. However, a close examination of the Lincoln quote will reveal why defining the role and function of government proved to be difficult. People often disagree about what they need. And certainly there is no unanimity about what people cannot do for themselves or so well for themselves as to warrant government intervention.

In defining the role and function of state government in Arkansas, the subgroup followed the two broad “business-like” goals of the Commission: to inject the idea of market forces and competition, as much as is reasonably possible, into all the government does...both in its internal functions and in the public services it provides; and to measure government’s performance so that it is continually accountable to the people.

Mr. Morgan’s subgroup finally succeeded in winnowing the “essential functions” of government to these five:

1. To ensure safety. Mr. Morgan said this was a reference to such services as fire and police protection.
2. To facilitate the “rule of law” and a system of justice. This requires a legislative body to enact laws to delineate the “rights and wrongs” of society made for the common good. A system of justice must exist to deal with those who violate society’s laws and to punish them.
3. To assure proper help is provided individuals who legitimately have exhausted all opportunities to provide for their own basic human needs. Mr. Morgan defined this as the “safety net” concept.
4. To assure educational opportunity exists for all citizens. Self-government will not survive without education and an informed citizenry; further, the entire American economy fundamentally is based on education, Mr. Morgan said.
5. To act as a responsible steward of public property and the environment.
The Morgan subgroup also concluded that government needs to alter radically its traditional style of operation. These three new principles are required to achieve this:

1. Stay focused on mission and essential functions. By keeping the five proper roles of government in focus, Arkansas will not risk wasting taxpayer money on budgets that grow without constraint, workforces that become bloated, spending that rises unchecked, taxes that continually creep upward, and essential services that decline in quality.

2. Contain costs by injecting market competition into government services and operations. The subgroup sees this as an issue of monopoly versus competition, and that it “only makes sense” to find out if there are other, better, and cheaper ways for services to be provided. The avenues the government should explore include:
   a) Contracting out;
   b) Issuing vouchers;
   c) Direct subsidizing;
   d) Service or “load shedding” by dropping a program that is no longer needed;
   e) Use of volunteers;
   f) Private sector infrastructure development and operation; and
   g) deregulation.

Having addressed what government should do, the subgroup found it was in order to make a few comments about what government should not do, which it said is:

1. Government should not intervene in the market.
2. Government should not interfere in an individual’s private life.
3. Government should not protect citizens so much that it deprives them of choices and personal responsibility.

4. Government should not attempt to deliver services where clear opportunity exists for the private sector to do it more efficiently.

5. Government should not attempt to do for citizens what they are able to do for themselves.

The subgroup’s report, a copy of which was provided in advance to NAB members, contains a quote from Mr. Morgan in which he notes that American public schools, kindergarten through the twelfth grade, are academically inferior (by all measures) to those of many other developed nations, but that the world “beats a path” to the United States because it is recognized universally as having the best colleges and universities.

NAB member Carroll Bumpers said he agreed with this assessment and asked Mr. Morgan why the paradox exists. Mr. Morgan replied it is because “fierce competition” exists for the best students among colleges and universities in the United States, including in Arkansas.

Although he concedes there are some private schools and academies in Arkansas, particularly in Pulaski County, the primary and secondary schools have a “near monopoly.” Fundamentally, Mr. Murphy interjected, the answer lies in competition—or lack of it.
Current Structure of State Government

Michael Watson, executive director of the Arkansas Policy Foundation, prepared the report on this subject. He explained that the Murphy Commission felt that before it could comment knowledgeably and with some authority on state government—before it could offer reform and cost-saving recommendations legitimately—it had to have a comprehensive visual overview of the current structure. The result was an organizational chart of state government that took nine months to prepare, and when set up, extended along the full length of the west wall of the First Commercial Bank board room where the National Advisory Board met.

The Murphy Commission's efforts to find someone who could say how many state agencies there are were fruitless, Mr. Watson said, so the group did some original research by using accounting codes to conclude there are 52.

The Murphy Commission's conclusions about current state government have been and are continuing to be challenged. For example, the group turned to the Employment Security Department (ESD)' for information about the number of state employees and reported there were more than 60,500, including slightly more than 29,000 who work for 10 state-supported universities and 22 two-year community and technical colleges.

This announcement infuriated some senior legislative leaders who said they felt the Murphy Commission was trying to "stack the deck" to support preconceived ideas. They quickly pointed out that the Commission's total included every adjunct professor and every "extra help" person no matter how short the time they worked or small the check they received. Because this information was released relatively early in the Murphy Commission's life, it has cost the project some credibility with a few legislators.

In addition to having a special committee that passes on employment hiring and upgrades, the Legislative Council receives a monthly report from the Bureau of Legislative Research on the number of full-time state government employees. (Only full-time employees can participate in the health/life insurance and retirement programs.) Agencies that do not report voluntarily to the Bureau are disclosed to the Council after they have been tracked down and the information pried from them.

The Bureau's records show that as of November 30, 1998, Arkansas had 46,729 full-time employees," which is 3,321 more than when Gov. Mike Huckabee took office in July 1996 and 1,469 more than in July 1998. Of these, 18,242 are employed by state-supported universities and two-year colleges. The amount of overtime paid in November 1998 was $721,044, the bulk of it as usual to the University of Arkansas for Medical Sciences, which operates a teaching hospital that treats patients from throughout the state. Ken Garner, who heads the Bureau's Personnel Review Section, said Arkansas ranks in the middle among states for full-time state government employees per capita.

Mr. Watson told the NAB The Murphy Commission had been "taken to task" for its state

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* The ESD provides monthly statistics on the number of employed and unemployed persons in the state as a whole. It is the source of the state's unemployment rate, which is based on the unemployment benefits the department administers.

government employee figures, and that in the future, the numbers for full-time and part-time workers would be shown separately.

Terminology has been another problem with this part of The Murphy Commission report. For example, The Murphy Commission said it found 52 agencies. This does not include regulatory boards and commissions that operate on fees from those regulated, which is why they generally are referred to as “cash fund agencies.” Some receive supplemental income from state general revenues. These boards and commissioners are established by law, and if they want any changes in their laws, they must return to the legislature to get them. The rules and regulations they promulgate must be reviewed and approved by the Legislative Council, the between-session governing body of the General Assembly. These boards and commissions cannot spend a dime that has not been appropriated by the General Assembly or hire anyone if no position exists in law, which is why the legislature hears and adopts their biennial budgets just as it does those of all departments and institutions. Further, they must adhere to all state personnel and purchasing laws, rules, and regulations, and their staff members are state employees.

Mr. Watson explained The Murphy Commission’s handling of this in a memorandum November 11. The Department of Finance and Administration, he said, uses the terms “agencies” and “state agencies” with agency referring, for example, to a two-year college or a regulatory board or commission. DF&A’s use of the term “state agencies,” he continued, “refers only to the 54 operating agencies that are traditionally thought of as the executive branch.” Mr. Watson wrote:

For listing purposes, we think ‘state agencies’ are what they are in name, and boards and commissions are what they are in name. They may be funded and staffed differently—and some more than others—but they are what their nomenclature makes them. We prefer showing the regulatory boards and commissions as boards and commissions because they are boards and commissions—but we do distinguish regulatory boards and commissions—in a separate listing—from non-regulatory boards and commissions on our chart. It would help our own reports, however, to always say ‘state agencies’ instead of just agencies when we mean the executive branch... something we will do in the future.

Regardless of what the Department of Finance and Administration does for its own bookkeeping purposes, the public does not draw such fine distinctions and regards all (except colleges and universities, which it recognizes as institutions) as state agencies.

Further, The Murphy Commission’s handling of this issue raises at least two questions:

Was a similar distinction made when Secretary of State Winston Bryant said in 1978 that there were about 175 boards and

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*The report says 52 agencies; the memorandum from Mr. Watson says 54.
commissions—a number the Murphy Commission said has exploded to 388 today. (More are threatening to come, too, because radiology technicians already have asked the 1999 General Assembly to create a board to regulate them!)

Are departments that have boards or commissions such as the Department of Health or the Department of Pollution Control and Ecology counted twice—once for the board or commission and once because it's an executive branch “state agency?” The answer is yes.

Mr. Watson told the NAB that about 170 agencies existed before Gov. Bumpers persuaded the 1971 legislature to reduce the number to 13 by passing Act 38. No government downsizing occurred, however. The law established 13 departments, and through one of four different kinds of transfers, most of the agencies were moved into one of the departments, including some wholly regulatory entities. Each department had a director who reported to Gov. Bumpers and became a member of his Cabinet. The 13 departments were: Planning; Finance and Administration; Industrial Development; Parks and Tourism; Pollution Control and Ecology; Higher Education; Education; Health; Social and Rehabilitative Services; Correction; Public Safety; Labor; and Commerce. Some of the groupings were compatible and some were not.

For example: Act 38 created the Commerce Department and these free-standing agencies with disparate missions were transferred to it with all of their duties and powers intact: Bank, Securities, and Insurance Departments; Commerce Commission (later renamed the Transportation Commission; transferred as a cost-saving legislative initiative in 1989 to the Highway Commission/Highway and Transportation Department); Plant Board; Oil and Gas Commission; State Apiary Board (folded into the Plant Board in the 1980s); Livestock and Poultry Commission; Liquefied Petroleum Gas Board; Geological Commission; Forestry Commission; and the Soil and Water Conservation Commission. The agencies complained continually about the new level of bureaucracy superimposed on them, and the Department lasted only eight years.

Gov. David Pryor continued the Bumpers management approach in 1975. He had the General Assembly create the Department of Natural and Cultural Heritage (now the Department of Arkansas Heritage) to house these programs or agencies (the Department itself refers to its parts as agencies and programs): Natural Heritage Commission, Commemorative Commission, Main Street Arkansas, Historic Preservation Program, Arkansas Arts Council and Artists Registry, and the Arkansas Territorial Restoration. Because of the compatibility of the various agencies, the Department remains intact today, less one agency that was merged with another within the Department in 1997.

Gov. Pryor also had the Department of Planning abolished and created the Department of Local Services in its place. This lasted until Gov. Frank White came into office in 1981 and persuaded the
legislature to abolish it. Gov. Pryor also consolidated all state government construction and leasing activities into one agency—State Building Services. It survives.

On request, Gov. Huckabee’s staff produced a list of 41 agencies he considers to be his Cabinet. The list includes nine agencies that were included in the old Commerce Department. Others are:

**About 170 agencies existed before Governor Bumpers persuaded the 1971 legislature to reduce the number to 13.**

- Employment Security Department, recently separated from the Labor Department where Gov. Bumpers had put it.
- Science and Technology Authority, created in 1983.
- Assessment Coordination Department, a division of the Public Service Commission until the legislature made it a separate entity in 1997.
- Veterans’ Affairs
- Law Enforcement Standards Commission
- Crime Laboratory, recently separated from the State Police
- Workers’ Compensation Commission, created by initiated act in 1938.
- Parks and Tourism Department
- Arkansas Development Finance Authority, created by Clinton in 1985 to consolidate the state’s bonding activities
- Military Department (National Guard)
- Crime Information Center
- Disability Determination for Social Security
- Department of Human Services
- Office of Emergency Services
- Department of Information Systems, formerly Department of Computer Services created in the late 1970s; revamped in 1997
- State Police
- Aeronautics Department
- State Building Services
- Department of Higher Education
- Department of Pollution Control and Ecology
- Department of Arkansas Heritage
- Department of Correction
- Economic Development Commission
- Rural Advocacy Commission (Gov. Huckabee wants to fold this into AEDC)
- Community Punishment Department (governed by Board of Correction)
- Department of Labor

* This “Department” has three employees.
• Department of Health
• Department of Education
• Public Service Commission
• Department of Workforce Education, split by 1997 law from the Department of Education
• Department of Finance and Administration
• Game and Fish Commission, created in 1945 by initiated Amendment 35 to the state Constitution

Arkansas voters went out of their way to make the Game and Fish Commission and the Highway Commission, which sets policy for the Highway and Transportation Department, constitutionally independent in 1944 and 1952, respectively, and no serious efforts have been made since to change either. The Murphy Commission is harsh in its report about the constitutional independence of the Highway Commission. It is interesting to note Gov. Huckabee says he maintains a “hands off” policy toward the G&FC, yet includes it in his Cabinet while excluding the Highway and Transportation Department. However, Gov. Huckabee’s press secretary, Jim Harris, said the makeup of the Cabinet varies as issues change. On November 20, 1998, for example, he said the Highway and Transportation Department was being included now because road funding is expected to be a major issue before the 1999 General Assembly.

The Murphy Commission observes that the Arkansas governor rarely has exclusive authority to choose his own agency leaders/cabinet members because he has to share it with a board or commission. Gov. Bumpers more or less formalized this situation by moving state agencies into 13 departments under four different transfer “schemes,” including one in which the board or commission kept its hiring powers or shared them with the governor.

Also, it may appear an Arkansas governor does not get to choose with whom he wants to work, but this is not how it actually is. Even directors who have boards or commissions see themselves as answering to the governor, but most also work diligently to keep their boards and commissions happy. The Pollution Control and Ecology Department is an exception. Its director for the last decade, Randall Mathis, works for the governor, and considerable friction has developed between the Department and the Pollution Control and Ecology Commission. This was true as well of Mathis’ predecessor.

A rare exception that serves to prove the rule is the current dispute between Gov. Huckabee and the Arkansas Board of Health. The Board, which was established in 1913, retains the authority to hire the director of the Department of Health, but the governor must concur with its choice. The Board and the governor are at loggerheads’ at this writing.
What The Murphy Commission appears to be saying in its report is that democracy is a messy business, and it is. Because of Reconstruction, the framers of the 1874 state Constitution, which has been amended 76 times, were intent on making the governor a weak position and putting much of the real power in the legislature. Arkansans have had four opportunities in the Twentieth Century (the last in 1995) to change this by adopting a new constitution. They turned down all of them.

The Murphy Commission noted that Arkansas adopted a “sunset law” for boards and commissions in 1977, and in a regretful tone, stated that it was repealed in 1983. Under the former sunset law, legislative committees spent hundreds of hours listening as every agency and every board and commission came before them to explain their work in an effort to “justify” their continued existence. The exercise resulted in the elimination of only one agency.”

The Murphy Commission’s overriding point, however, is that state government has grown substantially in the last four decades. This cannot be denied, though some may quarrel with the statistics The Murphy Commission uses to support its thesis.

In 1962, the group noted, Arkansas spent $294 million, inclusive of federal funds. Today the figure is $7.7 billion. Adjusted for inflation, growth in state spending from the mid-1960s to the present represents a 425 percent increase. The trend also reveals that since the mid-1970s, spending has doubled every 10 years. Since 1980, state spending consistently has outpaced the rate at which Arkansas families generate income. Arkansas’ spending growth during the period grew by 57 percent and Arkansas’ personal income by 40 percent.

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A Sample of Possible Savings

Mr. Watson told the National Advisory Board that The Murphy Commission to date had identified about $300 million in savings state government could achieve above the costs of the technological improvements the group has suggested. The various parts of The Murphy Commission report that support the savings are still being prepared, however, and Mr. Watson could furnish only general examples. They include:

Example 1: Some $60 million in administrative and program costs could be saved or redirected to classrooms and teachers. Achieving this would require reducing administration and overhead costs and restructuring the regional cooperatives system.

Some $60 million in administrative and program costs could be saved or redirected to classrooms and teachers.

Example 2: The team reviewing the Arkansas Highway and Transportation Department already has recommended $50 million in savings. A substantial part of these hinge on reducing the number of area and district offices. The team also wants the Highway Police re-integrated with the State Police. A modest administrative downsizing also has been suggested.

Example 3: Additional privatization could save the Department of Correction from $57 million to $127 million over five years (from $10 million to $23 million in a one-year period). Using technology could reduce further the cost of the parole system. Estimates of that reduction are being prepared.

Example 4: As the team studying the Department of Human Services puts the finishing touches on its report, at least $35 million in savings already have been identified. The total is expected to rise.

Example 5: Other reports have identified savings of $600,000 for the Department of Pollution Control and Ecology; $6 million at the Department of Parks and Tourism and the Department of Arkansas Heritage; and $4 million at the Department of Finance and Administration.

Mr. Watson also made these points in a post-NAB meeting memorandum:

Using Council of State Governments trends in Southern region privatization, The Murphy Commission can make a projected savings estimate for Arkansas of about $18 million, which is conservative. The Commission is looking at other Southern states and the services they already have outsourced and is using documented average annual savings from them to make this projection.

The current cost of state travel is about $40 million. A 5 percent savings would yield $2 million; a 10 percent reduction “would be achievable in a crunch.” Department of Finance and

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*AHTD had dual maintenance headquarters in 8 of the state’s 75 counties. The dual offices are being eliminated. In addition, AHTD has outsourced maintenance mowing of rights-of-way and taken other measures that cut operating expenses by $3.8 million in 1998. AHTD is one of the few state agencies that can say it has fewer employees today (3,688) than in November 1993—3,983, a decrease of 294.*
Administration officials have expressed concern about travel abuse, Mr. Watson said.

A 5 percent reduction in administrative costs in all state agencies could save Arkansas about $15 million."

Mr. Watson explained in his memorandum that it is difficult to place a dollar figure on savings that would result from Deloitte & Touche's efficiency and management recommendations. Risk management corrective actions alone were estimated to save from $2 million to $15 million. As a whole, Deloitte & Touche has said $30 million to $50 million is not out of reason. "Again, these are reasoned estimates based on experience and the knowledge that efficiency measures—once enacted—get results and save costs," he said.

** In 1993, the General Assembly enacted Act 494, which forbade agencies from spending more than 95 percent of their appropriations. The avowed purpose of the bill's sponsor was to achieve savings. On the recommendation of its staff, the Legislative Council has decided to seek repeal of Act 494 in 1999. In Arkansas, appropriations are almost always more than an agency actually spends because of the Revenue Stabilization Act. In response to Act 494, agencies come in with higher appropriation requests, which they usually receive. The higher appropriations, however, resulted in actual spending that was not reduced.
VI

Tax System for Growth and Prosperity

J. French Hill, a Regions Bank executive, chaired The Murphy Commission’s subgroup on taxation, which was aided by two studies: “Improving Productivity by Reducing Taxes” by Drs. Ronald John Hy and R. Lawson Veasey of the University of Central Arkansas, and “Taxes and Savings in Arkansas” by Dr. S. Keith Berry of Hendrix College.

Mr. Hill said the philosophical underpinnings of The Murphy Commission’s study of fiscal policy and taxation in Arkansas were: the tax system and all reforms must be pro-growth and comprehensive in their review and formation; Arkansans are not undertaxed; and taxes do matter when seeking higher rates of economic growth in the state. An additional belief was that consumption taxes are not per se unfair.

Expanding on these points, Mr. Hill said:

- Fiscal policy and taxation should be the result of determining first how much government is needed and then deciding how to finance it properly.
- Taxes should not penalize savings and investments because they are the livelihood of capital formation, which in turn is the livelihood of employment. “Arkansas has not gotten this fact right,” he declared.
- The state’s tax regime should be studied on a regular basis and changes should not be made as a knee-jerk response to “We need more dough, so we’re going to tax whatever we can.” Mr. Hill called this “soda tax planning,” a reference to an excise tax Arkansas imposed on the syrup used to make soft drinks in December 1992. He said the tax was proposed for a “trumped-up crisis” to “take care of a federal problem.”

Both the federal and state governments should employ “dynamic” rather than “static” modeling when studying tax policies, Mr. Hill continued. The “static” approach both now use is to say how much or less revenue the treasury will receive from a given tax increase or decrease. No effort is made as it should be to determine people’s behavior in response to an increase or decrease and how that will affect revenues. This is a technical but important point, he added.

Polls consistently show two-thirds of all Arkansans feel their state and local taxes are too high, Mr. Hill noted. From 1986 to 1996, Arkansas’ annual tax growth was an average 4.8 percent compared to the nation’s 3.03 percent. (See graph 6-A.) This means Arkansas’ tax growth was 35 percent faster than the nation’s; the state ranked ninth in the country among the states. Of greater significance, Arkansas’ personal income growth during this period was 2.73 percent compared to the nation’s 2.7 percent. Neighboring Oklahoma’s annual personal income growth was an average 1.38 percent, and in Iowa, the personal income growth from

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Source: Tax Foundation, February 1998

Arkansas taxes grew thirty-five percent faster than the national average while income grew at the national average.

6-A

* When Jim Guy Tucker became governor, he discovered the Department of Human Services consistently had been running short of money toward the end of fiscal years to meet required Medicaid matching payments. Instead of dealing with this shortfall, the Clinton administration routinely deferred payments until they could be made from the next fiscal year’s appropriation. Gov. Tucker said this no way to do business and proposed the “soda tax” to go into a Medicaid Trust Fund. It was passed at a special legislative session in December 1992, a later effort to repeal the tax at the ballot box failed.
1986 to 1996 was 1.18 percent. (Mr. Hill cited these two states because he said, like Arkansas, they are primarily rural and their population sizes are about the same as Arkansas’.) Arkansas ranked 13th among all the states in tax growth per $1,000 of personal growth.

“This is a big deal,” Mr. Hill said, because Southern states for decades have attracted industries by pointing out their wages were about 70 percent of the national average. With personal income growing, the South no longer has this advantage; this increases the importance of taxes in the economic development equation.

Mr. Hill, whose presentation was peppered with his puckish sense of humor, said he always liked to talk about the section of his subgroup’s report entitled, “Just Say ‘No’ to Double Taxation” because it allowed him to imitate Ross Perot’s “giant sucking sound.” In this case, Mr. Hill explained, the “giant sucking sound” is that of people leaving Arkansas because of its tax policy.

![The state capital gains tax should be eliminated](image)

The Arkansas Democrat-Gazette reported Dec. 10 that life-long Arkansan James T. “Red” Hudson of Rogers, who sold the meat processing firm he founded to Tyson Foods, had moved to Destin, Fla. because Arkansas’ 6 percent capital gains tax would have cost him $4 million on the $155 million he realized from the sale. Mr. Hudson told the newspaper reporter that “all of our hearts” are in Arkansas, “but the tax code is so archaic, it’s ridiculous.” The article discussed others who had moved to Florida or Texas for similar reasons. Mr. Hill told the NAB this is why the capital gains tax yields only about $60 million “in a good year” for the state treasury, and that “the right rate for capital gains is 0 percent.”

When the federal government reduced its capital gains tax rate from 28 percent to 20 percent, Mr. Hill said, this made Arkansas’ 6 percent rate proportionally more steep and onerous and a marginal impediment to investment in the state. With its distinct but relatively mild four seasons, Arkansas can be the mecca for retirees as Gov. Huckabee envisions, but “it will be hard if we have a penalizing tax system,” he added.

The Murphy Commission has not completed its fiscal policy and tax system recommendations, Mr. Hill said, but it has reached these conclusions:

- Arkansas should reverse its current process by determining first how much government is needed and then find a balanced way to finance it.
- The last systemic change to the state income tax occurred in 1971 when a top bracket of 7 percent was added for income of $25,000 or more. That $25,000 is almost $90,000 in 1998 money. Arkansas has never bracketed its income tax, and this causes an “unfair compression.” The Murphy Commission will encourage the 1999 legislative session to reform this.
- The state capital gains tax should be eliminated. Gov. Huckabee has made this a part of his 1999 legislative program.

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• Exclusions and exemptions to the sales and use taxes should be examined with an eye toward eliminating those that are economically unjustified. Mr. Hill conceded the controversy surrounding public school consolidation is "a nothing" compared to the heat this recommendation will generate. This should not stop Arkansas from determining whether the exclusions and exemptions are "economically justified"—whether they have any merit in economic fact, he said. Like Gov. Huckabee and state Sen. Eugene "Bud" Canada, D-Hot Springs, Mr. Hill believes groceries should be exempt from state and local sales taxes. (An initiated act to accomplish this was expected on the November 1998 ballot but did not materialize.) Exempting groceries would cost the state treasury about $150 million, and Mr. Hill said removing some existing exemptions should be debated as a way to recover this loss.

Arkansas, he continued, could take a lesson from the federal government by modeling its sales tax exemption and exclusion process after the one used for closing military bases. The panel would submit its recommendations to the General Assembly, which would vote up or down on the list in its entirety. Such a group would give politicians "the cover to make a courage vote," Mr. Hill said.

• A cap or index should be placed on growth rate of state government spending. For example, the state could say the annual increase in its total budget cannot exceed the Consumer Price Index. Decreases should be recognized, too. (This is a combined proposal from Mr. Watson and The Murphy Commission.)

• In 1934, Arkansans adopted Amendment 19 to the state Constitution. It requires a three-quarters vote of the House (75) and Senate (27) to raise any tax or fee that existed at the time. The sales tax did not come into existence in Arkansas until the next year. This means it does not take an extraordinary vote to raise the sales tax, which explains why this is the revenue source that has been tapped most frequently since while the income tax has remained largely unchanged. On November 3, 1998, for the second time in 10 years, Arkansas voters defeated a Constitutional amendment that would have required a 60 percent vote of the House and Senate to change any tax or fee. Mr. Hill said The Murphy Commission believes raising any tax or fee should require a 75 percent vote of the General Assembly.
Bringing Performance Management to State Government

Mr. Murphy said The Murphy Commission recognizes every program in state government could be changed, but in five years, each would be unrecognizable without four systemic reforms that it is recommending. Gov. Huckabee was sufficiently impressed with the proposals that he called a press conference in October at which Mr. Murphy outlined the four major recommendations, and the governor endorsed them. They are:

- Restructure Arkansas' existing budget process to require performance-based budgeting by all agencies rather than the traditional incremental budgeting (called "continuing level budgeting").
- Define and implement a system of performance-based pay for all state employees.
- Incorporate Activities Based Costing (ABC) into the state's accounting system with expenditures tied not only to costs but to measurable performance outputs.
- Provide for a fully independent audit of state government overseen by a bipartisan audit committee comprising a preponderance of members outside of state government's management and legislative sphere. And, in connection with the audit function, implement the recommendations contained in the management letters issued by the accounting firm of Deloitte & Touche over the course of three successive state government audits—1995, 1996, and 1997.

Mr. Murphy told the NAB he wants to wait to see how the 1999 legislative session responds before expending the time and energy to form a political action committee to support candidates who are committed to systemic reforms. He said it would be "unreasonable" to expect anyone to "buy into everything" that has been recommended, but The Murphy Commission is looking for substantial progress.

Apparently The Murphy Commission is not going to be disappointed.

Performance-Based Budgeting

On July 27, 1998, state Sen. Mike Beebe, D-Searcy, who has become the Senate's acknowledged leader, convened a meeting of the Legislative Council's Legislative Process Review Committee that he co-chairs for the purpose of describing (verbally and in writing) performance-based budgeting. He asked the other 16 members of the panel to study the material provided. (The other co-chair is House Speaker-Elect Bob Johnson, D-Bigelow, who is a legislative advisor to The Murphy Commission.)

The elements of the performance-based budgeting Sen. Beebe described are:

- Every agency is required to plan where it is going, how it is going to get there, and how to measure success or failure.
• Agency plans and measurements are public and subject to review and approval by the Executive and Legislative branches of government
• Plans are revised periodically to insure relevancy in changing times
• Selected programs will be given lump sum appropriations with standards and expectations written into law
• The legislature enacts into law both incentives (rewards) and disincentives (penalties) based on an agency’s performance
• The Office of the Governor and legislative interim committees are involved directly in the process.
• Budget recommendations are based on the success or failure of any agency to perform at the expected level

Sen. Beebe reconvened the committee November 5. This time he had a draft bill along with a statement that the new approach would be like “learning how to speak a new language,” but it was “becoming more and more apparent that the old way of budgeting can’t go on ... We have got to connect with the people who sent us here” by making state government more efficient and increasing its accountability. Without mentioning The Murphy Commission by name, Sen. Beebe said the state’s business community had been “preaching this for awhile.”

The committee recommended the draft bill to the Legislative Council. At its meeting on November 20, 1998, the Council endorsed the bill. Procedurally, the measure is ready at this writing to be introduced in the 1999 General Assembly session.

Sen. Beebe also has stated repeatedly that it is “essential we take our time and do it [performance-based budgeting] right,” which is why 1999 and 2000 are envisioned as transition years during which agencies will prepare and adopt strategic plans with assistance from the Department of Finance and Administration and the Bureau of Legislative Research. In May 2000, the governor is to choose three agencies—one large, one medium-sized, and one small—to serve as “pilots” with the approval of appropriate interim legislative committees. The three agencies are to submit performance-based budgets that include ways to evaluate or measure performance for the 2002-2003 biennium to the 2001 General Assembly for approval.

Sen. Beebe’s bill would create a three-person Office of Performance Evaluation to carry out the transition at a cost of $214,400 the first year. As the budget system is implemented, the staff would grow to 21, and the office would cost $1,276,756 and $1,209,754 in the 2002-2003 biennium.

Performance-Based Pay

Arkansas state government leaders have been dissatisfied for years with the so-called “merit pay” system that has been in place for employees. Supervisors too often have proven unwilling to “bite the
bullet" and award these pay increases on job performance rather than on the old "I know you/I like you" basis. In many cases, employees have come to look on "merit pay" as their right and consider it part of their cost-of-living increases. Act 899 of 1997 mandated a study of the existing system. The review was completed recently by the Office of Personnel Management (OPM) in the Department of Finance and Administration. OPM wants the existing system replaced with the Career Ladder Incentive Program (CLIP).

Unlike traditional performance-based reward systems that focus on individual performance and tend to pit one employee against another, competency-based reward systems focus on encouraging effective performance while motivating individuals to support key organizational goals and objectives, according to Artee Williams, the OPM administrator. With CLIP, a competency-based reward system, performance is a factor—but not the only factor—in determining salary increases, he added.

CLIP is a comprehensive compensation system covering all 30,000 classified employees in agencies and in institutions of higher education, Mr. Williams explained. Employees who complete competency-based criteria will be eligible for promotions, salary adjustments, or bonus payments.

"We believe CLIP can address recruitment and retention problems in state government because of the success of pilot-testing of the concept in several state agencies," he said. Some agencies already have special language in their appropriation acts authorizing Career Ladder promotions with selected job classifications. These are the Economic Development Commission for state economic developers; the Department of Human Services for family service workers and family support specialists; the Revenue Division of DF&A for tax auditors; the Pollution Control and Ecology Department for engineers; and the Bank Department for financial examiners.

These agencies are required to certify to OPM that incumbent employees have satisfied pre-established criteria, and in some cases, the resulting promotion request or salary adjustment also must be reviewed by the Personnel Committee of the Legislative Council. Mr. Williams said the policy "has provided more incentive for employees to become specialists in their area of expertise without assuming supervisory or management responsibilities for additional career advancement."

The criteria an employee must satisfy to be eligible for promotions, salary adjustments, or bonus payments are: 1) meets experience requirements; 2) attains specialized certification; 3) documented shifts in the labor market; 4) participates in successful projects that help his or her agency reach certain milestones or goals; 5) completes job-related training; 6) demonstrates acceptable performance; and 7) demonstrates appropriate conduct.

To implement CLIP, positions are being requested and budgeted at appropriate job classifi-
cation levels within the established Career Ladder during the biennial budget process that has been underway since September at the Capitol.

**Activities-Based Costing Accounting**

The Murphy Commission’s third recommendation was that Activities-Based Costing accounting be incorporated into the state’s system. It is widely recognized that Arkansas’ existing accounting system is antiquated. There are plans to seek a $20 million supplemental appropriation (from surplus funds) for the current (1999) fiscal year to buy and install a new computer system to replace the old one in its entirety during the spring. The new ABC-based system must be in place before performance-based budgeting can work, Sen. Beebe said.

**Independent Audit Function**

Mr. Murphy acknowledged to the NAB that his group is being called “hypocritical” for condemning the growth of agencies and boards/commission while recommending the formation of a new group to oversee independent performance-based audits. But he said if there are going to be any new boards or commissions, “this is the one to have.” Based on comments the author has heard legislators make at the Capitol—confirmed by subsequent private conversations—this one is not going to happen because lawmakers feel assessments about whether goals have been met should rest with individuals who have been elected. Further, they feel entirely capable of making such assessments.

Legislative Auditor Charles Robinson has assured lawmakers that with additional personnel and training, his staff will be able to add performance to the financial audits it already does of all state agencies and higher education institutions. (Mr. Robinson’s staff also audits most of the state’s municipalities, counties, school districts, etc.) The auditing function appears likely to remain with a beefed-up Legislative Auditing staff rather than be given to a new, outside group.

Sen. Beebe said as much at the November 5 meeting of the Legislative Process Revision Committee that Mr. Watson attended. Mr. Watson told the committee this was “okay,” but that The Murphy Commission sees an independent audit group as preferable. Sen. Beebe responded the business community and others would be “called on” and included. Asked to elaborate on this point later, the senator said the advice and counsel of business leaders will be sought. “I have every intention of working with them and being inclusive,” he said.

* At the time he addressed the committee, Mr. Watson explained later, he did not know the Legislative Auditing staff would seek a $750,000 appropriation increase for additional hiring and training of employees to conduct performance audits. Neither he nor The Murphy Commission viewed this as “okay.”
The Members of the 1998 National Advisory Board

Participating in the October 16, 1998, National Advisory Board meeting:


(Back row left to right): J. French Hill (Executive Officer, Regions West), William H. Bowen, J. Virgil Waggoner, Charles T. Meyer, Jack Fleischauer (Chairman, President and CEO, Regions Bank), Sheridan Garrison, Chris Carnahan (Arkansas Policy Foundation), Carol Griffie (Editorial Services Inc.), Mike Watson (Arkansas Policy Foundation), Madison Murphy (Chairman, The Murphy Commission).
Maya Angelou, the Reynolds Professor of American Studies at Wake Forest University, is one of the great voices of contemporary literature. A Renaissance woman, she is a poet, educator, historian, best-selling author, actress, playwright, civil rights activist, producer and director. She spent her early childhood in Stamps, Arkansas. In 1970, she received a National Book Award nomination for her autobiographical account of her youth, "I Know Why the Caged Bird Sings," a Pulitzer Prize nomination (1972) and a Tony Award nomination (1973). She was named by the Ladies' Home Journal Woman of the Year in Communications (1976) and one of the Top 100 Most Influential Women (1983). She has been awarded over 30 honorary doctorate degrees. The National Society for the Prevention of Cruelty to Children, London, England recently named a center in her honor.

R. R. Baxter, born in Cashman, Arkansas, is Chairman and Chief Executive Officer of Baxter Associates, Inc., management and financial consultants in Palatine, Illinois. He is also President and Chief Executive Officer of ASHTA Chemicals Inc., a leading manufacturer and marketer of potassium hydroxylate and related products in North America, and Managing Partner of Sand Creek Chemical, L. P., a methanol producer and marketer in Commerce City, Colorado. He was former President and Chief Executive Officer of Nimbus Medical, Inc., Cordova, California, and retired President and Chief Executive Officer of CF Industries, Inc., ranked on Fortune's list of the 500 largest industrial corporations. He is currently serving as Chairman of the Board of Directors of ASHTA Chemicals, Inc., Ashtabula, Ohio and B3 Systems, Raleigh, North Carolina. He received his BSCE from the University of Arkansas at Fayetteville and MSCE from Iowa State University.

E.H. "Tex" Boullion, a Little Rock native, is the retired president of Boullion Aviation Services, which specializes in the financing of commercial aircraft. He is the retired president of Boeing Commercial Airplane Company, the largest producer of commercial jet aircraft. During the period Boullion headed commercial aircraft operations, the 747 Superjet was successfully introduced into global service and two new technology fuel-efficient airplanes were developed. Boullion is on the board of directors of Singapore Airplane Leasing Enterprise in Singapore.

William H. Bowen, an Alzheimer native, earned bachelor's and master's degrees in law from the University of Arkansas at Fayetteville and New York University, respectively, in 1949 and 1950. After stints with the U.S. Tax Court and Justice Department in Washington, he became a partner in the Little Rock law firm of Smith, Williams, Friday & Bowen. He left law practice in 1971 to become president of Commercial National Bank and helped effect its merger in 1983 with First National Bank. Bowen retired at the end of 1990 as chairman of First Commercial Bank and as chairman and Chief Executive Officer of First Commercial Corporation. Following his careers as lawyer and banker, he served as Governor Bill Clinton's chief of staff from September 1991 until December 1992. In 1995, he was named Dean, University of Arkansas Law School, Little Rock, Arkansas, from which he is now retired.

W. Carroll Bumpers is retired chairman of the board of Greyhound Financial Corporation and financial consultant to FINOVA Group, Inc. of Phoenix, Arizona. Born in Charleston, Arkansas, Bumpers holds Bachelors and Masters degrees from the University of Arkansas and a law degree from Harvard. He is the brother of U.S. Senator Dale Bumpers.

USA Colonel (Ret.) Lloyd L. Burke, a Tichnor, Arkansas native, retired from the United States Army in 1978 after a thirty-five year distinguished career. He volunteered for and entered the Army in March, 1943, Following service during the Italian campaign in World War II, Colonel Burke completed his studies at Henderson State University where he graduated in 1950 as a Distinguished Military Graduate. For his service in the infantry in Korea and Vietnam, he was awarded the Congressional Medal of Honor, five Purple Hearts and numerous other awards for service and heroism. He was awarded the Korean Medal. From 1967 until his retirement, Colonel Burke was the Chief Army Liaison Officer to the United States House of Representatives in Washington, D.C. He currently resides in Hot Springs, Arkansas.
Robert H. Dedman is founder and chairman of the board of ClubCorp International. ClubCorp owns and operates approximately 250 clubs, golf courses, resorts and real estate developments. His employees exceed 20,000. A native of Roxon, Arkansas, Dedman received four degrees from the University of Texas at Austin and SMU. Dedman College and Dedman Center for Lifetime Sports at SMU are named for him. Because of funds he contributed, 800 National Merit Scholars at UT are called Dedman Scholars. Among his many awards, he received the State of Israel 40th Anniversary Medal in 1988.

William Dillard, Sr. of Little Rock is one of the leading retailing executives in America, serving as chairman of the board of Dillard's, Inc. A native of Mineral Springs, Arkansas, he acquired his first department store in Nashville, Arkansas, in 1938 following his graduation from the University of Arkansas and Columbia University. The corporation, which was listed in the 1987 Fortune 500, now owns 146 stores in 13 states with 1987 sales in excess of $2.2 billion. He was previously a director of First National Bank in Little Rock and its successor, First Commercial Corporation.

Harry C. Gamble, a native of Piggott, Arkansas, is president and chief executive officer of TransUnion Corporation, a leading consumer credit information company. He joined the company in 1985 as vice president/general manager of the Chicago division. In 1987, he was promoted to vice president of TransUnion's central region, in 1990, named president of TransAction and assumed additional responsibilities for the TransMark in 1991. Prior to joining TransUnion, he held a number of management positions with Sears, Roebuck and Furniture and Belt Department Stores. He is a graduate of Arkansas State University.

F.S. Garrison, born in Harrison, Arkansas, received his bachelor of science in business administration from the University of Arkansas at Fayetteville. He is president and chief executive officer of American Freightways, Inc., headquartered in Harrison, which is one of the nation's fastest growing freight carriers. He was president of Arkansas Barge and Truck Association and Harrison Chamber of Commerce, former member of the board of trustees, Blue Cross Blue Shield of Arkansas and was named 1989 Executive of the Year by Arkansas Business. He currently serves on the board of directors of the Arkansas Motor Carriers Association and on the executive committee of the American Trucking Association.

Dr. Mary L. Good is managing member of Venture Capital Investors, LOC and former Under Secretary of Technology of the U.S. Department of Commerce. Previously, Dr. Good was senior vice president - technology of Allied-Signal, Inc. of Morrisville, New Jersey, having served before that as a professor at LSU and as president of Signal Research, Inc. She is past president of the American Chemical Society, a fellow of the American Institute of Chemistry and the British Royal Society of Chemistry and chairman of the American National Science Board. Her childhood home was Williville, Arkansas; her bachelor's degree from State College of Arkansas; and her master's and Ph.D. from the University of Arkansas at Fayetteville. She has received 12 honorary doctorates and has published a book and more than 100 research documents.
Ernest G. Green is a managing director at Lehman Brothers, the New York based investment banking firm. Based in the firm's Washington, D.C. office, Mr. Green is engaged in public finance, where he has participated in the planning of several managed transactions for the nation's leading municipalities, counties, airports and housing authorities. He is a former assistant secretary of Labor for employment and training. Mr. Green, as a high school student, was one of the "Little Rock Nine" who integrated Little Rock Central High School. He received undergraduate and graduate degrees from Michigan State University. Among numerous charitable and board responsibilities, Mr. Green serves on the Board of Directors of the NAACP/The World of Rockefeller Foundation and the Board of Trustees of the March of Dimes.

Dr. Neil E. Harlan, born in Cherry Valley, Arkansas, has a Bachelor of Science degree from the University of Arkansas, master's and doctoral degrees from Harvard and an honorary Doctor of Laws from the University of Arkansas at Fayetteville and Golden Gate University. After serving in the U.S. Army, he became professor and author of several books at Harvard Business School. In 1962, President John F. Kennedy appointed him assistant secretary of the Air Force. In 1974, he joined McKesson Corporation, San Francisco, California, where he recently was chairman and chief executive officer. McKesson is the nation's leading distributor of pharmaceuticals, health care and other consumer products.

Joe M. Henson is a private investor in computer software companies and the retired chairman of LEGENT Corporation, a leading international systems software company subsequently sold to Computer Associates. Prior to his first retirement, Mr. Henson was president and chief executive officer of Prime Computer, Inc. On graduating from the University of Arkansas at Fayetteville with a bachelor's degree in accounting, he joined IBM for a 27-year career. Henson, a Fort Smith native, is also a director of Hamil Entertainment, Inc., Marcon Corporation and a number of private software companies. He has served as a member of the Board of Regents of Higher Education in Massachusetts, Babson College Corporation and as a trustee of Howard University.

Frank D. Hockingbotham, chairman of the board of TCBY Enterprises, is a native of McGehee, Arkansas. Mr. Hockingbotham founded the country's largest franchisor and operator of self-serve frozen yogurt product retail stores with the opening of the first TCBY store in Little Rock, Arkansas, in 1981. There are now over 2,800 locations worldwide. Mr. Hockingbotham adds his leadership abilities to many community organizations, including the Arkansas Business Council and the Arkansas Cancer Research Center.

John H. Johnson, born in Arkansas City, Kansas, is publisher, chairman and chief executive officer of Johnson Publishing Company of Chicago. The company, which he founded, publishes books and three magazines, Ebony, Jet and JET, with combined circulation of 2,800,000. Johnson also is chairman and CEO of Supreme Life Insurance Company; of radio stations WJPC in Chicago and WLOU in Louisville, Kentucky; and president of Fashion Fair cosmetics. Johnson was appointed to national service by President Kennedy, Johnson and Nixon. He is on the following boards: Chrysler, Dillard's, Greyhound, Zenith and Continental Illinois.

Dale P. Jones joined the Dallas-based Halliburton Company in 1965 and is now vice chairman after having been its president since 1989 and serving two years as executive vice president of its oil field services. He is a director of numerous trade associations, including the American Petroleum Institute, the National Ocean Industries Association and the Petroleum Equipment Suppliers Association. Born in Gilmour, Jones grew up and went to public schools in Gravette and Mena and earned his bachelor's degree from the University of Arkansas at Fayetteville.
Jerry Jones is president and general manager of the Dallas Cowboys. He attended the University of Arkansas on a football scholarship and was co-captain of the 1964 team which won the national championship. He received his MBA from the University of Arkansas and, after graduation, entered the oil and gas exploration business. In 1989, he purchased the Dallas Cowboys. He currently serves on the NFL's Competitive Committee. In 1991, he was selected the NFL's Owner of the Year.

Charles M. Kittrell retired from Phillips Petroleum Company in February 1987 after 37 years of service. At retirement, he was Executive Vice President and member of the Board. He was chairman of the Environmental Policy Committee and Corporate Safety Policy Committee. Kittrell now serves as a member of the Fulbright College Advisory Board and the University of Arkansas Development Council, and he is a former advisor to the President's Council on Physical Fitness. Born in Gregory, Arkansas, he graduated from the University of Arkansas with a degree in industrial engineering. In 1981, he was awarded the university's honorary Doctor of Laws degree and, in 1985, he received the Distinguished Alumni citation.

M.D. Matthews, until his retirement in 1986, was chairman, president and chief executive officer of Houston Natural Gas Corporation (now part of Enron Corporation). The company was involved in pipeline, oil and gas exploration and production; coal mining; industrial gases; marine transportation; and construction. The company operated throughout the United States and abroad. He is a native of Faulkner County, Arkansas, and a graduate of the University of Arkansas at Fayetteville. He now has his own venture capital business.

Jerry L. Maulden is vice chairman of Entergy Corporation. As an Entergy System executive, he is vice chairman of Arkansas Power & Light Company, Louisiana Power & Light Company, Gulf States Utilities, Mississippi Power & Light Company and New Orleans Public Service, Inc. Maulden is a graduate of the University of Arkansas at Little Rock, receiving a Bachelor of Science degree in accounting. In 1982, he was named UALR's Distinguished Alumnus and served as vice chairman of the University's Board of Visitors. Maulden's numerous awards and honors include March of Dimes 1987 Arkansas Citizen of the Year, one of 10 Americans inducted in 1987 into the Horatio Alger Association of Distinguished Americans and the Arkansas Council of the National Conference of Christians and Jews 1989 Humanitarian of the Year.

Sidney McKnight was reared in Brinkley, Arkansas, where he still has banking interests. In 1977, after 40 years of service with Montgomery Ward Company, he retired as president. Montgomery Ward was a subsidiary of the Mobil Corporation at that time and was headquartered in Chicago. Mobil has since sold Montgomery Ward to other interests, but Montgomery Ward's home office is still in Chicago.

Charles T. Meyer is a Little Rock native who has been a leader academically, commercially and socially throughout his life. He was student body president of what is now Central High School, graduated cum laude in business administration from the University of Arkansas at Fayetteville, has been chairman of Meyer's Bakersies, Inc., since 1988 and is officer in the American Bakers Association. His numerous civic activities range from founding the Charles Meyer Scholarship Foundation to serving as state chairman and president of the Heart Fund, Arthritis Foundation and the March of Dimes.
Charles D. Morgan, Jr., a Fort Smith, Arkansas native, is chairman of the board, president and chief executive officer of Axiom Corporation of Conway. Axiom provides a complete range of marketing service software and outsourcing to direct marketing businesses and marketing divisions of Fortune 500 companies in the U.S. and the United Kingdom. Axiom has been included in the Forbes 200 list of the best small companies in America. A leader in business and community organizations, Mr. Morgan was one of two state members of the 1986 Commission on the Future of the South, a task force of the Southern Growth Policies Board. He is a member of the Arkansas Business Council, a partnership of state business leaders for economic and social efforts. Mr. Morgan also served on the Commission for Arkansas’ Future.

David W. Mullins, Jr. earned a Bachelor of Science degree at Yale University, an S.M. in finance and a PhD. in finance and economics from the Massachusetts Institute of Technology. He is presently a principal and limited partner at Long-Term Capital Management, L.P., based in Greenwich, Connecticut. From 1990 to 1994, Dr. Mullins served on the Board of Governors of the Federal Reserve system and as vice chairman of the Board of Governors. From 1988 to 1990, Dr. Mullins served as assistant secretary for Domestic Finance at the Treasury Department. He sat on the boards of the Securities Investor Protection Corporation, the Pension Benefit Guarantee Corporation and the Farm Credit Assistance Board. Dr. Mullins was awarded the Alexander Hamilton Award. From 1974 to 1988, Dr. Mullins was a professor at Harvard University Graduate School of Business Administration.

Charles H. Murphy, Jr. is chairman of the Executive Committee of Murphy Oil Corporation, headquartered in El Dorado, Arkansas. The Fortune 500 international company’s major diversifications include a subsidiary, Ocean Drilling & Exploration Company, which has fleets of offshore drilling barges, and Deltec Farm & Timber Co. Inc. of Arkansas and Louisiana. He established the Murphy Institute of Political Economy at Tulane and is a trustee of Ochsner Medical Foundation. As a director of First Commercial Corporation, he serves as chairman emeritus of the executive committee. He is also a member of the Arkansas Business Council and the National Advisory Board of the Smithsonian Institution.

Richard L. O’Shields, a native of Ozark, Arkansas, is retired chairman and chief executive officer of PanEnergy Corporation of Houston, Texas. During his nearly two decades in its chief executive’s office, PanEnergy experienced an unparalleled era of growth and progress. It is now one of the nation’s largest operators of interstate natural gas transportation systems, serving broad areas of the upper midwest and northeastern regions of the United States. In 1977, Panhandle Eastern merged with Duke Power Company to form Duke Energy Corporation.

John G. Phillips, retired chairman of the board of the Louisiana Land and Exploration Company, is a native of Camden, Arkansas. Louisiana Land and Exploration has its headquarters in New Orleans. The company searches for oil and natural gas primarily in the United States but also in the Dutch and United Kingdom sectors of the North Sea.

William T. Seawell retired in 1981 as chairman of Pan American World Airways, Inc. in New York. He attained the rank of brigadier general in the United States Air Force and became one of the youngest and most popular commanders of the Air Force Academy. A Pine Bluff, Arkansas native, he is currently on the board of directors of McDermott International, Inc.
Sam E. Segars, born in Hope, Arkansas, is the retired chairman of Enron Corporation of Houston. His degrees are from Texas A&M, the University of Oklahoma, Harvard Business School and an honorary doctorate from the University of Nebraska. He is on the boards of Seaull Energy Company, Hartmarx, Inc., Textron, Inc. and Gulf States Utilities. He has also served as chairman and director of Vista Chemical Company and Collecting Bank, N.A. in Houston and as a director of Petrocane, Inc. and Bucyrus-Erie Corporation.

Admiral (Ret.) William Nevell Small was commander in chief of Allied Forces Southern Europe and commander in chief, U.S. Naval Forces in Europe, until late 1985. Born in Little Rock, he was appointed to the Naval Academy by Senator Hattie Caraway. He commanded the fleet oiler NEOFOTO and the aircraft carrier INDEPENDENCE. As director of Navy Programming, Small was responsible for a budget exceeding $90 billion annually. From 1979-1981, he was commander in chief of the U.S. 6th Fleet based in the Mediterranean. He is currently senior vice president, Defense Group, Inc. in Washington, D.C.

Fred W. Smith, chairman of Donald W. Reynolds Foundation, is a Fort Smith native whose higher education was achieved at Arkansas Tech in Russellville, Arkansas and Westark Community College, Fort Smith, Arkansas. For nearly 44 years, Smith was affiliated with the Donrey Media Group, a national communications company ranging across 20 states with daily newspapers, cable television and outdoor advertising companies. Smith began at Donrey in 1951 as a classified advertising salesman at the Southwest Times Record, and in 1987, he was appointed President, Chief Executive Officer and Chairman of the Board. In 1994, Smith resigned his position with Donrey and now devotes most of his time to his duties as Chairman of the Donald W. Reynolds Foundation. The Foundation is oriented toward making capital grants to qualified charitable organizations.

USAF General (Ret.) William Y. Smith, a Hot Springs native, is a West Point graduate in political economy and government from Harvard. After a 35-year military career, rising from jet fighter pilot with combat duty in the Korean War to four-star rank, Smith became president of the Institute for Defense Analyses in Alexandria, Virginia, a federally funded research and development center. He retired as president in February 1991, but remains on the board and executive committee. He has been assistant to the chairman, chief of staff of the joint chiefs of staff of the NATO military staff in Europe and deputy commander in chief, U.S. European Command.

W. Thomas Stephens, age 56, is the President and Chief Executive Officer of MacMillan Bloedel Limited, Canada's largest forest products company. Mr. Stephens, a native of Crossett, Arkansas, is a graduate of the University of Arkansas with a Masters degree in Industrial Engineering. Stephens retired in 1996 from Johns Manville Corporation where he was chairman of the board of directors since 1990 and president and chief executive officer since 1986. Mr. Stephens serves as a director on the boards of the following companies: MacMillan Bloedel Limited; Mail-Well, Inc.; Quest Communications; The Putnam Funds; and New Century Energies. Fortune magazine recognized Mr. Stephens as one of the 25 most exciting businessmen in America for 1988. Mr. Stephens, his wife Alice, and their family have made their home in Colorado and have a residence in British Columbia.

George Stinson, a native of Camden, Arkansas was chairman (retired) of the National Steel Corporation. The corporation, which is the third largest steel producer, owns and operates businesses in the steel, aluminum, fabricated metal products, mineral resources and energy industries.
William P. Stiritz is chairman and chief executive officer of Ralston Purina Company, with home offices in St. Louis, Missouri. The company is made up of several operating companies primarily involved in grocery and bakery products and food ingredients. Ralston Purina reports over $6 billion in net sales and employs 56,700 people worldwide. Stiritz was born in Jasper, Arkansas.

Harry Thomason is one of the most successful producers in American television, producing such hits as "Designing Women," "Evening Shade" and "Hearts Afire." Born in Hampton, Arkansas, Mr. Thomason is a graduate of Southern Arkansas University. He launched his television career by producing the award-winning TV movie, "A Shining Season," followed by the highly acclaimed miniseries, "The Blue and The Gray." In 1989, he and his wife Linda, formed Meetar Productions, deriving the company name from the combination of Missouri and Arkansas, their home states. Harry Thomason has been recognized with numerous industry awards, including Emmy Awards and Director's Guild Award nominations.

William R. Tolliver became chairman and chief executive officer of Waco Corporation in October 1980, six years after it acquired Continental Carbon Company of Conoco, Inc., for which he had worked since 1955. He is a University of Arkansas at Fayetteville graduate with a degree in economics and a graduate of the Stanford University Graduate School Executive Program. He and his wife, Jo Ella, live in Washington Township, New Jersey.

W. Barger Tygart is vice chairman of J.C. Penney Company, Inc., in Dallas, Texas. He joined J.C. Penney in 1960 as a trainee in the Little Rock area. He is chairman of the board of The Fashion Association and a member of the board of directors of the Educational Foundation for Fashion Industries. Some of his civic activities include the Executive Committee and Community Advisory Board of the University of North Texas, Public Broadcasting, the National Advisory Board of American Studies Institute at Harding University, and a member of the College's Advisory Board at the University of Arkansas. He received the "Retailer of the Year Award" and was the American Apparel Awards 1992 Apparel Industry Hall of Fame Honoree. He was honored with the "National Humanitarian Award" from the National Conference of Christians and Jews and was 1994 Dallas "Father of the Year."

Donald J. Tyson received his education at Kemper Military Academy and the University of Arkansas at Fayetteville. He is senior chairman of the board of Tyson Foods, Inc., Springdale, Arkansas, a leading producer and marketer of pre-cooked and convenience poultry and other foods. Tyson Foods is the number one producer of chickens and live swine in the United States. Tyson Foods has 72 plants in 20 states that employ 60,000 people who process 1.5 billion chickens annually.

Patricia W. Upton is president and chief executive officer of Aromatique, Inc., a multi-faceted corporation headquartered in Heber Springs, Arkansas. Patti has combined her love of fashion and art with her talent for business to create an innovative industry known as decorative fragrance and a bath line for men and women. Aromatique was founded in 1982 and has grown into a multi-million-dollar international enterprise. Patti's background in fashion and design enhance her personal creativity and eye for the unusual as she develops Aromatique's product lines. A former "Miss University of Arkansas", she also attended Stephens College in Missouri. Patti serves on the Southwestern Bell Corporation's Board of Directors. She has been recognized as one of the Top 10 Women in Arkansas by Arkansas Business, by 1997 Tennessee Society of Entrepreneurs, 1996 Arkansas of the Year, Easter Seals Society, and has received many other awards for her accomplishments.
J. Virgil Waggoner, a native of Judsonia, Arkansas, is now retired as president (owner) of JWV Investments, Ltd after being co-founder, president and chief executive officer of Sterling Chemicals, Houston, Texas. Mr. Waggoner was with Monsanto Company for 30 years and negotiated the purchase of their Texas City petro-chemicals plant to form Sterling Chemicals in August 1986. Sterling was sold and privatized in August 1996. He serves on numerous national and local boards, including the Good Samaritan Foundation and the advisory council of the College of National Sciences at the University of Texas at Austin. Most recently, he was selected to the board of directors of Orbis International, the world's only flying (DC-10) eye hospital to restore sight in developing countries. A graduate of Ouachita University, he completed his master's degree at the University of Texas.

Helen Robson Walton, civic leader and wife of the late Samuel Moore Walton, founder of Wal-Mart, graduated with a Bachelor of Science degree in finance from the University of Oklahoma, Norman. She has provided her advice and counsel to numerous community, church and educational institutions and serves as president of the Walton Family Foundation. In Arkansas, she served as chairperson of the Parks and Recreation Commission and founding officer of the Arkansas Committee of the National Museum of Women in the Arts. She is active on the board of trustees of the University of the Ozarks, the Board of Visitors of the University of Oklahoma and advisory board of Fulbright College of Arts and Sciences at the University of Arkansas at Fayetteville. She serves on the Executive Committee of the Presbyterian Church (USA) Foundation.

Frederick D. Watkins began his insurance career with Aetna Insurance Company, Hartford, Connecticut in 1937 and was named president in 1966. He became executive vice president of Connecticut General Corporation, the parent organization, in 1979 and retired in 1980. From 1979 to 1994, he was chairman of the board of Terra Nova Insurance Company, Ltd., a London-based international reinsurance underwriter. A native of Little Rock, Watkins is a graduate of the University of Pennsylvania's Wharton School.

Elizabeth Peck Williams is a theatrical producer. She co-produced with Roger Horchow, the Gershwin Musical, "Crazy For You," which won the 1992 Tony Award and the 1993 Olivier Award for Best Musical. Ms. Williams' additional Broadway credits include, "The Secret Garden," "Into The Woods" and "The Gospel at Colonus." In Los Angeles, she co-produced "Love Letters." Ms. Williams has helped finance the West End Broadway, national touring productions and Australian companies of "Les Miserables" and "The Phantom Of The Opera," the West End production of "Follies" and the West End Broadway productions of "Miss Saigon" in association with Fifth Avenue Productions. Ms. Williams holds a doctorate in art history and archeology from Columbia University.

Kennons Wilson, founder of Holiday Inns, Inc., is also founder and chairman of the board of Kennons Wilson Companies. Mr. Wilson opened his first motel in Memphis, Tennessee, in 1952. His formula of standardized rooms, quality control, reasonable prices and family accommodations located near major travel arteries has made the Holiday Inn chain the world's largest motor-hotel system. Approximately 1,700 inns are in operation in 55 countries and territories. Wilson, an Ouachita, Arkansas native, stepped down as chairman in 1979. Since retiring, he has built the world's largest and most successful time-share development, Orange Lake Country Club, near Disney World.

Dr. Farris W. Vannock is a private investor. A native of Concord, Clay County, Arkansas, Mr. Womack holds a doctorate of education from the University of Arkansas at Fayetteville. During his career, he has worked in a number of fields, including education and government. Among the positions he has held are executive vice president, University of Arkansas; director, Arkansas Department of Finance and Administration; and controller for the state of North Carolina. He is also a prolific writer, contributing numerous articles to scholarly publications across the country. He is married to the former Ann Brandon of Portland.
1998 National Advisory Board

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Dallas, Texas

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Financial Consultant  
FINOVA Group, Inc.  
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Resides: Hot Springs, Arkansas

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Dillard Department Stores  
Little Rock, Arkansas

George W. Edwards, Jr.  
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Bridgeport, Connecticut  
El Paso Electric Co.  
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TransUnion Corporation  
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F.E. Garrison  
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Chief Executive Officer  
American Freightways Corporation  
Harrison, Arkansas

Dr. Mary L. Good  
Managing Member  
Venture Capital Investors, LCC  
Little Rock, Arkansas

McKesson  
"TCBY"  
The Country's Best Yogurt.

Halliburton Company

Dillad's

ClubCorp

Trans Union

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American Freightways
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Principal
Long-Term Capital Management
Greenwich, Connecticut

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Chairman Emeritus of Executive Committee (FCC)
Retired Chairman of the Board
Murphy Oil Corporation
El Dorado, Arkansas

Richard L. O’Sheilds
Chairman and Chief Executive Officer (Retired)
PanEnergy Corp. merged with Duke Power Co. and became Duke Energy Corporation
Houston, Texas
Resides: Colorado Springs, Colorado

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Director (Retired)
Louisiana Land and Exploration Company
New Orleans, Louisiana

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Donald W. Reynolds Foundation
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President (Retired), Board of Trustees and Executive Committee Member
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Alexandria, Virginia
Resides: Fall Church, Virginia

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Director, National Steel Corporation
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Resides: Tryon, North Carolina

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