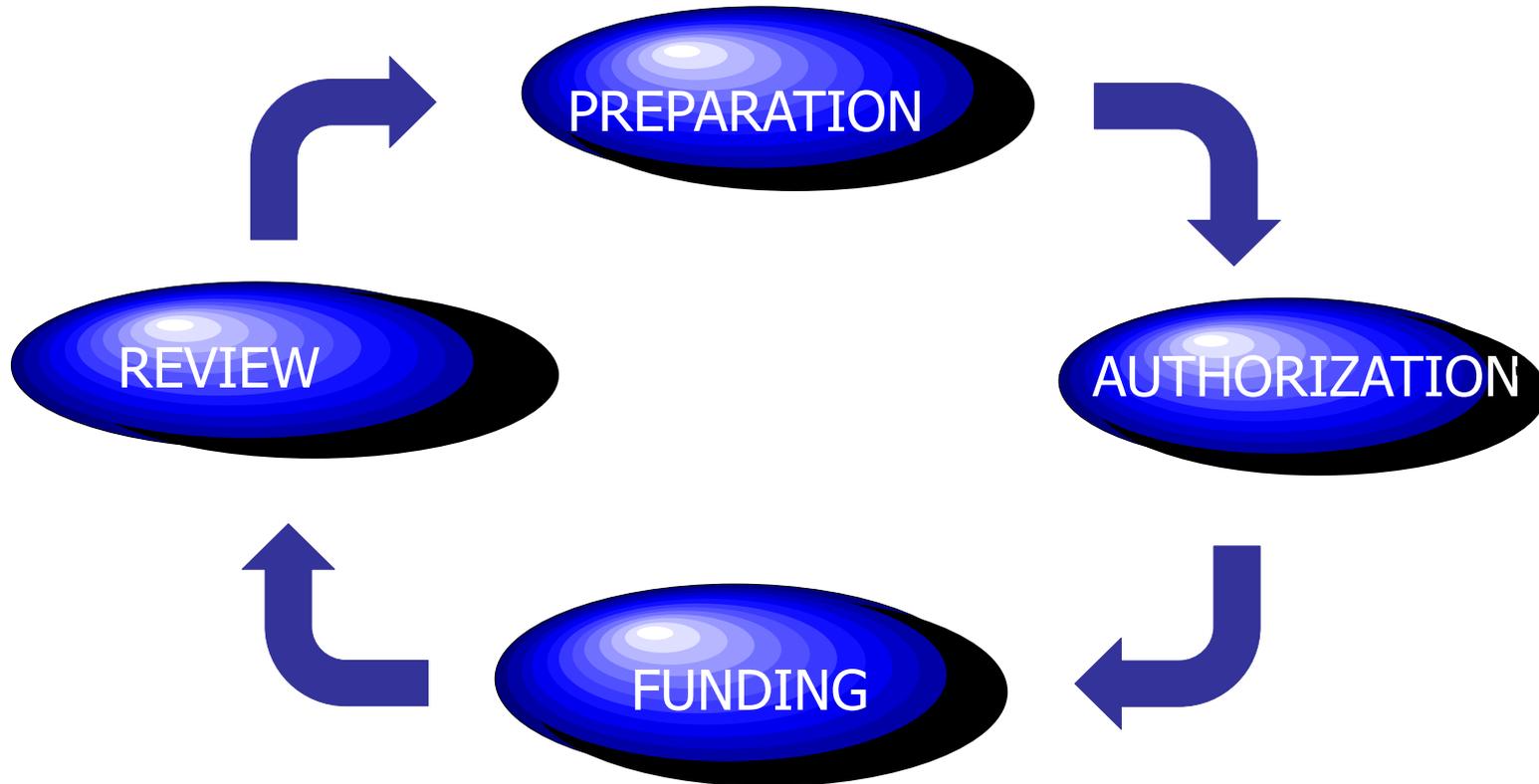


Arkansas Budget and Appropriation Process



*Fiscal Services Division
1 Capitol Mall, 5th Floor*

The Budget Process





The Budget Process revolves around the State Fiscal Year which begins July 1 and ends June 30.

The Preparation Phase - Budget Calendars:



The Preparation Phase

Roles In Budget Preparation



Regular Session Budget Calendar

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Budget Requests Prepared	□												
Executive Review		□	□	□	□								
ALC/JBC Hearings					□	□	□						
Official Revenue Forecast						○							
Session Convenes								▽					
Joint Budget Meetings								□	□	□	□		
Legislature Adjourns											▽		
Operating Budgets												□	□

FISCAL SESSIONS - Budget Calendar

Have different starting dates depending on when elections are held

Pre-fiscal session budget hearings: Budget hearings tentative dates are all day 9am to 4:30pm, with a break for lunch, on Tuesdays, Wednesdays and Thursdays in the first two weeks of March.

Pre-filing: Pre-filing begins the second Monday of January of each year of a fiscal session of the General Assembly which is held in a year in which the preferential primary election is held in May (this is the 2022 Fiscal Session) and the second Monday of March of each year of a fiscal session of the General Assembly which is held in a year in which the preferential primary election is held in March (this is the 2020 Fiscal Session).

Convening of fiscal session:

The General Assembly shall meet in a fiscal session at 12:00 noon on the on the second Monday in February in the years in which the preferential primary election is held in May (this is the 2022 Fiscal Session) and on the second Wednesday in April in the years in which the preferential primary election is held in March (this is the 2020 Fiscal Session). This rule is derived from Arkansas Constitution, Article 5, § 5, which permits the General Assembly to establish the dates of a Fiscal Session.

Deadline for filing Identical Resolution for non-appropriation bills: Joint Rules state that identical resolutions may not be filed later than the first day of each fiscal session. A two-third (2/3) vote is required by the General Assembly.

Deadline for filing appropriation bills: Joint Rules state: The deadline for filing appropriation bills is no later than the fifteenth (15th) day of the fiscal session. In order to extend the deadline, a two-third (2/3) vote is required by the General Assembly. Deadline for filing General Legislation or non-appropriation bills that have been approved with the passage of Identical Resolutions.

Length of fiscal session:

Arkansas Constitution, Article 5, § 17 states that the fiscal session shall not exceed thirty calendar days in duration.

* The fiscal session may be extended one-time not to exceed fifteen calendar days by a vote of three-fourths (3/4) of the General Assembly.



Executive Roles in Budget Preparation Phase



The Executive:

- Set Policy for Agency Requests
- Review Agencies Requests and make an Executive Recommendation
- Forecast State Revenue
- Recommend Balanced Budget
- Recommend Revenues as Needed



Legislature

Roles in Budget Preparation Phase

ALC/JBC MEMBERS

Regular Session (odd numbered years)



JBC MEMBERS

Fiscal Session (even numbered years)



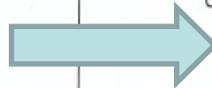
ALC/JBC or JBC:

- Consider Agency Requests & Governor's Recommendation
- Recommend Budgets to General Assembly
- Recommend Authorized Positions, Titles & Grades
- Recommend Special Language
- Have Bills Prepared for Introduction

PREPARATION

Budget Hearings

Page 1 of 4
Budget Forms
Submitted by the
Executive branch
(DFA-Office of
Budget) to the
ALC/JBC
Committee during
Budget Hearings



PREPARED FOR THE ARKANSAS LEGISLATIVE COUNCIL
BY THE DEPARTMENT OF FINANCE & ADMINISTRATION
OFFICE OF BUDGET

COMPARING APPROPRIATIONS AND OPERATIONS
FOR THE
2017 - 2019 BIENNIUM
WITH REQUESTS FOR THE
2019 - 2021 BIENNIUM

SUMMARY BUDGET INFORMATION

Agency Name

1

PREPARATION

Budget Hearings

Department Appropriation Summary

Summary of All the
Agency's Appropriations

Total of Each
Appropriation

Appropriation	Historical Data				Agency Request and Executive Recommendation												
	2017-2018		2018-2019		2018-2019		2019-2020						2020-2021				
	Actual	Pos	Budget	Pos	Authorized	Pos	Pos	Agency	Pos	Executive	Pos	Pos	Agency	Pos	Executive	Pos	
2HF Treasury Cash	\$263,000	0	\$13,000	0	\$65,000	0	0	\$65,000	0	\$65,000	0	0	\$65,000	0	\$65,000	0	
43 Health Initiative	\$1,345,467	6	\$1,639,587	6	\$1,667,000	6	6	\$1,740,605	7	\$1,591,028	6	6	\$1,740,605	7	\$1,591,028	6	
475 Health Operations	\$205,789	3	\$202,066	3	\$206,811	3	3	\$203,941	3	\$203,941	3	3	\$203,941	3	\$203,941	3	
Total	\$1,814,256	9	\$1,854,653	9	\$1,938,812	9	9	\$2,009,546	10	\$1,864,563	9	9	\$2,009,546	10	\$1,864,563	9	

Funding Sources		%		%		%	%	%	%	%	%	%				
Fund Balance	400000	\$2,520	0.1	\$17,901	1.0		0.5	\$9,901	0.5	\$9,901	0.5	0.0	\$0	0.0	\$0	0.0
General Revenue	400000	\$205,789	11.2	\$202,066	10.8		11.0	\$203,941	10.6	\$1,941	11.0	11.0	\$203,941	10.7	\$203,941	11.0
Cash Fund	400005	\$278,381	15.2	\$5,000	0.3		0.0	\$0	0.0	\$0	0.0	0.0	\$0	0.0	\$0	0.0
Tobacco Settlement	400095	\$1,345,467	73.4	\$1,639,587	87.9		88.5	\$1,704,184	88.9	\$1,642,123	88.5	89.0	\$1,704,184	89.3	\$1,642,123	89.0
Total Funds		\$1,832,157	100.0%	\$1,864,554	100.0%		100.0%	\$1,918,026	100.0%	\$1,856,025	100.0%	100.0%	\$1,908,877	100.0%	\$1,846,816	100.0%
Excess Appropriation/(Funding)		(\$17,901)		(\$9,901)				\$55,099		\$55,099			\$65,000		\$65,000	
Grand Total		\$1,814,256		\$1,854,653				\$1,973,125		\$1,911,124			\$1,973,877		\$1,911,816	

Funding or
Revenue Source

463 - FY2016 Budget amount exceeds the Authorized amount due to salary adjustments during the 2015-2017 biennium (\$902,002 was recouped).
463 - Tobacco Settlement fund balances are recouped at the end of the biennium and redistributed in the same proportion as the original distribution.

TOP: How much the Agency Actually Spent in the last completed fiscal year.

BOTTOM: How much Revenue & the Revenue Source

TOP: How much the Agency Budgeted or plans to Spend for current year.

BOTTOM: How much Revenue Agency Anticipates

How much the Appropriation or Spending Authority Agency has for current year.

AR & ER for FY2020

AR & ER for FY2021

TOP: What the **Agency Requested (AR)** in Appropriation or Spending Authority for next two years and what the **Executive Recommended (ER)** (top).

BOTTOM: How much revenue is anticipated



Analysis of Budget Request

Appropriation: 573 - Health Initiative

Funding Sources: SNE - State Needs Program Account

The Tobacco Settlement Funded Health Initiative is one of the programs established by Initiated Act 1 of 2000. This Initiative was established and is administered by the Agency to provide screening, monitoring, and treatment of hypertension, stroke, and other disorders.

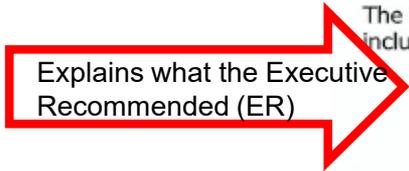
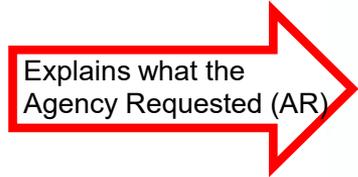
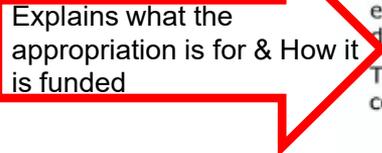
The Agency's total Change Level request includes additional appropriation in the amount of \$73,604 in each year of the biennium and is comprised of the following:

- An increase of one (1) position, with corresponding increases of \$42,261 in Regular Salaries and \$1,343 in Personal Services Matching, for an additional Administrative Specialist II, who will assist the agency in handling an increasing administrative load.
- An increase in Operating Expenses appropriation of \$28,000 in each year of the biennium for normal operations including postage and shipping, rent and wireless phone service. An increase is requested in network service expenses to the Department of Information Systems (DIS) for service calls and website rates based on service. The Agency is implementing a radio and television campaign which will cause the need for an increase in advertising. Also included is an increase in rent, rent of office equipment, office supplies and travel related expenses.
- The Agency requests an increase in Conference and Travel Expenses appropriation of \$2,000 each year of the biennium due to increases in conference and seminar expenses and the attendance of more skill building conferences.
- Finally, the Agency requests reallocation of \$5,000 from Operating Expenses to Conference and Travel Expenses to properly reclassify Conference and Seminar Fees.

The Agency has requested no Capital Outlay for the biennium and had no one-time requests for Operating Expenses in the last biennium.

The Executive Recommendation provides for a total reduction of (\$71,379) from the current Authorized Level in both years of the biennium including the following:

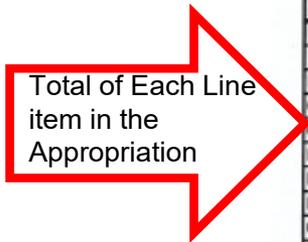
- Reductions of (\$4,594) in Regular Salaries and (\$16,399) in Personal Service Matching.
- A reduction of (\$16,399) in Personal Service Matching from the Authorized Level to better align with the prior year actual expenditures.
- As requested, a reallocation of \$5,000 from Operating Expenses to Conference and Travel.
- A reduction in Operating Expenses of (\$6,421) versus the current Authorized Level.
- A reduction of (\$48,559) in Professional Fees from the Authorized Level to better align with the prior year actual expenditures.





Appropriation Summary

Appropriation: 573 - Health Initiative
Funding Sources: SNE - State Needs



Total of Each Line
item in the
Appropriation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			
	2017-2018 Actual	2018-2019 Budget	2018-2019 Authorized	2019-2020		2020-2021	
				Agency	Executive	Agency	Executive
Regular Salaries 5010000	\$176,666	\$199,128	\$203,722	\$245,983	\$199,128	\$245,983	\$199,128
# Positions	6	6	6	7	6	7	6
Personal Services Matching 5010003	\$74,471	\$80,117	\$96,516	\$97,859	\$80,117	\$98,011	\$80,117
Operating Expenses 5020002	\$290,104	\$333,229	\$339,650	\$362,650	\$328,229	\$362,650	\$328,229
Conference & Travel Expenses 5050009	\$15,378	\$20,000	\$20,000	\$27,000	\$25,000	\$27,000	\$25,000
Professional Fees 5060010	\$367,564	\$448,559	\$448,559	\$448,559	\$400,000	\$448,559	\$400,000
Data Processing 5090012	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Promotional Items 5090028	\$1,526	\$0	\$0	\$0	\$0	\$0	\$0
Capital Outlay 5120011	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Screen/Monitor/Treat & Outreach 5900046	\$419,758	\$558,554	\$558,554	\$558,554	\$558,554	\$558,554	\$558,554
Total	\$1,345,467	\$1,639,587	\$1,667,001	\$1,740,605	\$1,591,028	\$1,740,605	\$1,591,028
Funding Sources							
Tobacco Settlement 4000495	\$1,345,467	\$1,639,587		\$1,740,605	\$1,591,028	\$1,740,605	\$1,591,028
Total Funding	\$1,345,467	\$1,639,587		\$1,740,605	\$1,591,028	\$1,740,605	\$1,591,028
Excess Appropriation/(Funding)	\$0	\$0		\$0	\$0	\$0	\$0
Grand Total	\$1,345,467	\$1,639,587		\$1,740,605	\$1,591,028	\$1,740,605	\$1,591,028



Funding and
Revenue Source

TOP: Actual Expenditures.

BOTTOM: Actual Funding

For last completed Fiscal Year

TOP: Budget or Planned Expenditures

BOTTOM: Anticipated Funding

For current Fiscal Year

AR & ER for FY2020 AR & ER for FY2021

TOP: By Individual Line Item - What the **Agency Requested (AR)** in Appropriation or Spending Authority for next two years and then what the **Executive Recommended (ER)**.

BOTTOM: How much revenue is anticipated



Budget Request Commitment Items

- Regular Salaries
- Operating Expenses
- Capital Outlay
- Professional Fees



Budget Hearings = Appropriation Bills

- Appropriation bills for each State Agency and Institution of Higher Education are drafted as approved in Budget Hearings.
- Arkansas Legislative Council & Joint Budget Committee (ALC/JBC) conducts budget hearings for Regular Session and Joint Budget Committee (JBC) conducts budget hearings for Fiscal Session.
- The Appropriation bills will have:
 - Numbers of Positions as recommended (in a report) by the Personnel Subcommittee and adopted by the full committee.
 - Special Language as recommended (in a report) by the Special Language Subcommittee and adopted by the full committee
 - Appropriation levels or spending authority as adopted by the full committee.

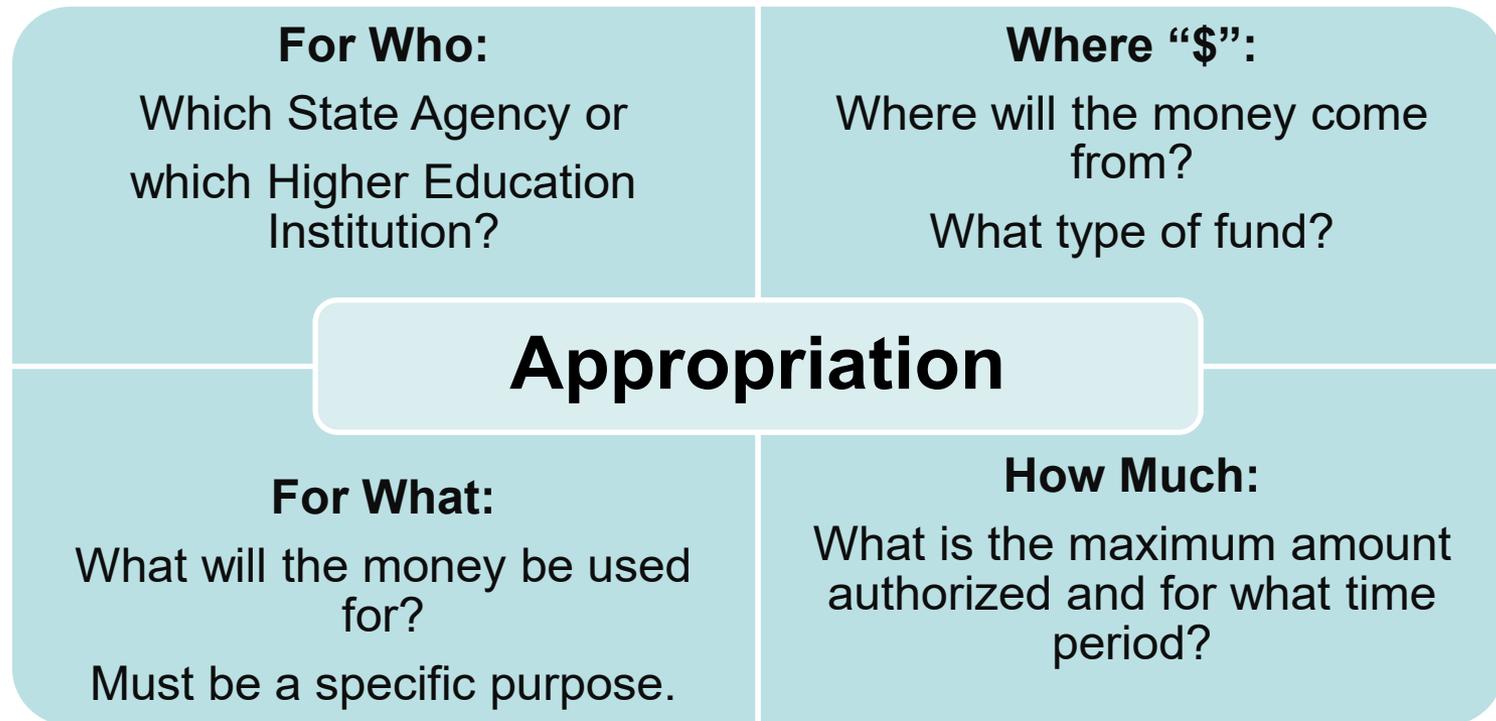


APPROPRIATION

AN APPROPRIATION GIVES THE AGENCY THE AUTHORITY TO SPEND MONEY IF AND WHEN IT BECOMES AVAILABLE.

The Authorization Phase

Elements of an Appropriation



Appropriation Section in Bill

Funded From Where/Source

Who

For What Purpose

Total Amount Spending Authorized

7 ¶

8 → SECTION 3. APPROPRIATION. There is hereby appropriated, to the

9 Arkansas Towing and Recovery Board, to be payable from the cash fund

10 deposited in the State Treasury as determined by the Chief Fiscal Officer of

11 the State, for personal services and operating expenses of the Arkansas

12 Towing and Recovery Board for the fiscal year ending June 30, 2019, the

13 following: ¶

14 ¶

ITEM.....	FISCAL YEAR¶
15 [2018-2019¶
16 .NO.....	2018-2019¶
17 (01) REGULAR SALARIES.....	\$159,929¶
18 (02) PERSONAL SERVICES MATCHING.....	65,101¶
19 (03) <u>MAINT.</u> & GEN. OPERATION¶	
20 (A) <u>OPER.</u> EXPENSE.....	60,628¶
21 (B) CONF. & TRAVEL.....	0¶
22 (C) PROF. FEES.....	7,200¶
23 (D) CAP. OUTLAY.....	0¶
24 (E) DATA PROC.....	0¶
25 TOTAL AMOUNT APPROPRIATED.....	<u>\$292,858¶</u>

26 ¶

Regular Salary Section in Appropriation Bill

SECTION 1. REGULAR SALARIES - OPERATIONS. There is hereby established for the Arkansas Towing and Recovery Board for the 2018-2019 fiscal year, the following maximum number of regular employees.

For Who

Authorized Title

Grade or Authorized Salary Range

Item	Class	Title	Maximum No. of Employees	Maximum Annual Salary Rate Fiscal Year 2018-2019
(1)	X147C	AR TOWING & RECOVERY BOARD DIRECTOR	1	GRADE GS07
(2)	C073C	ADMINISTRATIVE SPECIALIST I	1	GRADE GS03
(3)	X170C	AR TOWING & RECOVERY BOARD INVESTIGATOR	2	GRADE GS03
(4)	C087C	ADMINISTRATIVE SPECIALIST I	1	GRADE GS02
MAX. NO. OF EMPLOYEES			5	

Total Number of Positions Authorized

- Source of funding for positions (General Revenue, Dedicated Source, etc.) is determined by the associated appropriation.
- The associated appropriation also authorizes the total amount that may be spent on salaries and matching costs (retirement, social security, etc.) in the "Regular Salary" & "Personal Services Matching" commitment items.
- Class Code are assigned to each job "Title".
- Each "Title" has an associate job description (outlining job duties, minimum hire requirements, etc.) and an assigned "Grade" (beginning salary and maximum salary range)

Standard Appropriation Bill for State Agencies Positions & Operating Expenses



1 State of Arkansas
 2 91st General Assembly
 3 **A Bill**
 4 DRAFT JLC/JLC
 5 Third Extraordinary Session, 2018
 6 HOUSE BILL

Session →

Sponsor →

Title →

Subtitle →

Regular Salary Section →

By: Joint Budget Committee

For An Act To Be Entitled

AN ACT TO MAKE AN APPROPRIATION FOR PERSONAL SERVICES
 AND OPERATING EXPENSES FOR THE ARKANSAS TOWING AND
 RECOVERY BOARD FOR THE FISCAL YEAR ENDING JUNE 30,
 2019; AND FOR OTHER PURPOSES.

Subtitle

AN ACT FOR THE ARKANSAS TOWING AND
 RECOVERY BOARD APPROPRIATION FOR THE
 2018-2019 FISCAL YEAR.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. REGULAR SALARIES. There is hereby established for the
 Arkansas Towing and Recovery Board for the 2018-2019 fiscal year, the
 following maximum number of regular employees.

Item No.	Class Code	Title	Maximum No. of Employees	Maximum Annual Salary Rate Fiscal Year 2018-2019
(1)	X147C	AR TOWING & RECOVERY BOARD DIRECTOR	1	GRADE GS07
(2)	C073C	ADMINISTRATIVE SPECIALIST II	1	GRADE GS03
(3)	X170C	AR TOWING & RECOVERY BD INVESTIGATOR	2	GRADE GS03
(4)	C087C	ADMINISTRATIVE SPECIALIST I	1	GRADE GS02
		MAX. NO. OF EMPLOYEES	5	

SECTION 2. EXTRA HELP. There is hereby authorized, for the Arkansas

1 Towing and Recovery Board for the 2018-2019 fiscal year, the following
 2 maximum number of part-time or temporary employees, to be known as "Extra
 3 Help", payable from funds appropriated herein for such purposes: one (1)
 4 temporary or part-time employees, when needed, at rates of pay not to exceed
 5 those provided in the Uniform Classification and Compensation Act, or its
 6 successor, or this act for the appropriate classification.

Extra Help Section →

SECTION 3. APPROPRIATION. There is hereby appropriated, to the
 Arkansas Towing and Recovery Board, to be payable from the cash fund
 deposited in the State Treasury as determined by the Chief Fiscal Officer of
 the State, for personal services and operating expenses of the Arkansas
 Towing and Recovery Board for the fiscal year ending June 30, 2019, the
 following:

Appropriation Section →

ITEM NO.	FISCAL YEAR 2018-2019
(01) REGULAR SALARIES	\$159,929
(02) PERSONAL SERVICES MATCHING	65,101
(03) MAINT. & GEN. OPERATION	
(A) OPER. EXPENSE	60,628
(B) CONF. & TRAVEL	0
(C) PROF. FEES	7,200
(D) CAP. OUTLAY	0
(E) DATA PROC.	0
TOTAL AMOUNT APPROPRIATED	<u>\$292,858</u>

SECTION 4. SPECIAL LANGUAGE. NOT TO BE INCORPORATED INTO THE ARKANSAS
 CODE NOR PUBLISHED SEPARATELY AS SPECIAL, LOCAL AND TEMPORARY LAW. OFFICE
 LOCATION. The Arkansas Towing and Recovery Board shall maintain an office
 location in Little Rock staffed with one or more employees of the State of
 Arkansas who are authorized and deputized to perform and execute any and all
 administrative services or responsibilities of the Arkansas Towing and
 Recovery Board and shall maintain the regular business office hours of the
 government of the State of Arkansas.

Special Language Section →

The provisions of this section shall be in effect only from July 1,
~~2016~~ 2017 through June 30, ~~2017~~ 2018.

Types of Appropriation Bills



- **Regular Appropriation**
 - 1-year period
 - Effective July 1
- **Supplemental Appropriation**
 - Effective before July 1 & usually immediately
 - Usually adds to an existing authority
 - State Funds usually come from an Accumulated Surplus



- **Construction**
 - State Funds usually from General Improvement Fund (Surplus & Interest Earnings)
- **Reappropriations**
 - Allows the Agency to spend the balance of an appropriation provided by another General Assembly.
 - Not new authority to spend
 - Usually for old construction projects

Authorization Phase – Constitutional Restrictions



- 1 Year Limit on Appropriations.
- Single Subject.
- General Appropriation Bill must "embrace nothing but appropriations for the ordinary expenses of the executive, legislative and judicial departments of the state" & **be passed first.**
- Appropriations must be in dollars and cents.
- Appropriations require 3/4ths vote to pass.

During Legislative Session

Joint Budget Committee



The Joint Budget Committee:

- Consider ALC/JBC Recommendations – During Regular Session
- Consider JBC Recommendations – During Fiscal Session
- Consider Governor's Revisions and New Programs
- Consider Member-Sponsored Bills
- Recommend Fiscal Bills and Pay Levels to General Assembly
- Prepare Revenue Stabilization Amendment
- Can Prepare a General Improvement Fund Bill or Rainy Day Bill

Funding for Appropriation Bills



Now that there is Appropriation or Spending Authority where does the money or funding come from?

FUNDING

SPENDING IS LIMITED BY THE
AVAILABLE APPROPRIATION OR THE
AVAILABLE MONEY - WHICHEVER IS
LESS!

Appropriation \neq Funding

Methods of Funding Available

To Fund Appropriation Bills that Authorize Expenditures for State Programs/Services

General Revenue & Revenue Stabilization Act (RSA)

- Tax Collections
- Distributed through the Revenue Stabilization Act (RSA)

Dedicated Source

- Special Revenue
- Federal Funds
- Cash Funds
- Trust Funds



Source/Method
to fund
Programs,
Agencies &
Institutions

One Time Funding

- Surplus
- Recouped General Revenue



GENERAL REVENUES

- Funds received by the State from fees and taxes levied on the general population of the state.
- The proceeds are not designated to be used for a particular purpose but are allocated every year by acts of the General Assembly.
- Interest earnings are retained in the State Treasury.
- 3% to 4% deducted for administrative service charge
- Legislature distributes funds each year through Revenue Stabilization Law for operating budgets
- Recovered fund balances usually authorized for supplemental, rainy day and construction fund (exceptions are Education and Higher Education Institutions)

Same Examples: Sales tax, Income tax, Insurance premium tax, Racing taxes, Alcoholic beverages



What your Arkansas tax dollar pays for



44 ¢
 Education
 Kindergarten through 12th Grade



27 ¢
 Department
 of Human
 Services and
 Health
 Department



14 ¢
 Higher
 Education
 Institutions



8 ¢
 Correction
 Dept. and
 Community
 Correction
 Dept.



7 ¢
 General
 Gov't
 & Local
 Aid



Excludes "off the top" deductions such as refunds, claims, debt services, constitutional offices, etc.

FLOW OF GENERAL REVENUE

INCOME or TAX COLLECTIONS:

Sales and Income Taxes account for over 92% of Gross General Revenue Collections



“OFF THE TOP” DEDUCTIONS

Deductions required by law such as claims against the State and tax refunds are distributed before funds are made available to State Agencies and Institutions



DISTRIBUTION OF GENERAL REVENUE THROUGH RSA

Revenue is Distributed to Agencies & Institutions up to the amount Forecast as allocated in the Revenue Stabilization Act (RSA).

Approximately 93% Net General Revenue are distributed to the “BIG SIX”, which consists of Education-Public School Fund, DHS, Higher Education Institutions, Dept. of Correction, Dept of Community Correction and the Health Department

General Revenue Funding

RSA

ACT 311 of 1945

**The Revenue
Stabilization Act
or RSA**



RSA history starts in 1945 when all taxes were earmarked and dedicated for specific purposes. As a result, some services became “over funded” while others were “short”. The funding available to a program was not directly tied to the importance or priority that the state placed on it, but rather to the performance of the tax levied to support the program. Governor Ben Laney proposed and the legislature enacted Act 311 of 1945 to change that situation through a proposal that is unique: the Revenue Stabilization Act.

REVENUE STABILIZATION ACT (RSA) HISTORY



RSA

"Arkansas' Present System of Tax Allocation and distribution is as archaic as the old tasseled surrey - - complex, confusing, inefficient. The system itself is a burden on the taxpayers." - Governor Ben Laney, 1945

"...I propose as our next step that our archaic and hydra-headed system of over one hundred state funds be forever eliminated," - Governor Ben Laney, 1945

In 1945 Governor Ben Laney felt that the current budget system had evolved into one that put a straight jacket on the Governor and the Legislature when trying to provide financing for programs in changing times.

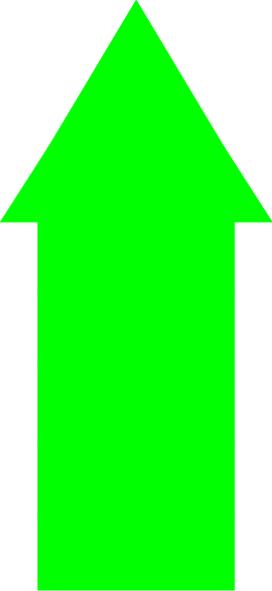
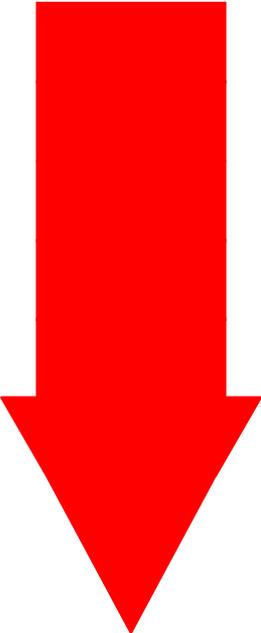
His solution was to simplify and consolidate while insuring that the state lived within its means.

The new system would stabilize revenues so that agencies would receive funds based upon state-wide priorities and not specific tax performances. The state needed to pay off its debt, give school teacher raises and provide the money for services that the war years had put on the back burner. He called it the Revenue Stabilization Law.

What RSA Did



RSA

- 
- »Removed the dedication from major broad-based taxes
 - »Provided a fund distribution from a pool to various operating funds
 - »Allowed the legislature to set their funding priorities every year
 - »Prevented deficit spending
 - »Helped to reduced funding instability by programs that relied on one source of funding (earmarks) due to changing economic conditions
 - »Provided agencies even cash flow
- 
- »Permitted the approval (through spending authority) of a program without providing funds to implement it, possibly raising unrealistic expectations
 - »Allowed the Governor to manipulate financing and timing of legislative enacted initiatives
 - »Permitted agencies and the Governor to determine programmatic priorities within funds and disregard legislative intent
 - »The legislature does not specify which programs are in which priority. The Governor and his agency directors decide priorities within the funds.



What is Category A, B and C in RSA?

The Revenue Stabilization Law deals only with distributing GENERAL REVENUES and it distributes money as we get it.

You can look at our funding system as “Contingency Budgeting” because the amount of general revenues an agency will receive depends upon the amount of tax dollars actually collected.

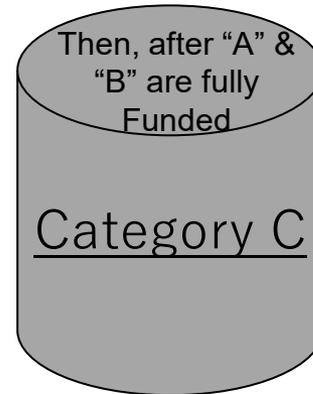
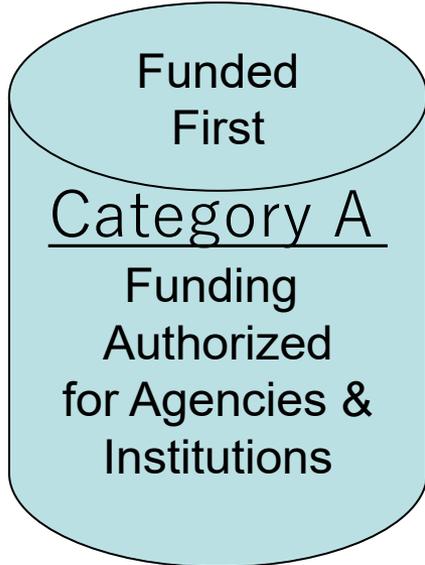
The legislature enacts amendments to the Revenue Stabilization Law every year. The allocations contain the legislature’s priorities and are designated “A”, “B”, and “C”. “A” must be funded before “B,” which must be funded before “C,” etc. There may be several categories after “A” or there may only be one.

A revenue estimate of $A + 50\%$ of B means that there will be enough to finance all the “A” category and $1/2$ or 50% of the “B” category.

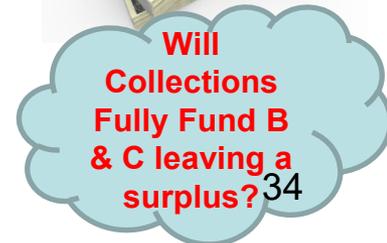
General Revenue Funding



State Tax
Collections or
General Revenue
(GR)



Surplus??



Revenue Stabilization Law

Flow of Revenue

RSA

State Agencies & Institutions Allocations (Amount of Funding) Authorized by Category/Priority by the General Assembly

The Steps



The Legislature, with consultation with the Governor:

- Determines the Maximum General Revenue support to be distributed over the next year
- Determines the maximum amount each general revenue fund is to receive from general revenues for the next year
- Determines the number of priority categories (A,B,B-1,C...)
- Sets the minimum level of support required for each general fund and designate it as "A"
- Sets the next level of support for each fund and designates it as the next priority (A-1 or B)
- Continues the steps until the maximum level is reached



The Legislature Determines How Many Allocations or Categories to Have Each Year:

A

Category A is often funding to continue current level of services:

- Public Schools, St. Library and Career Ed.
- Human Services.
- Higher Education Institutions.
- Correction Department and Community Correction.
- Workforce Education, Local Aid, State Police, Health Dept., County Jail Reimbursement and others.
- General State Government.
- Rainy Day Fund.

B

Allocation B may be priority increases recommended:
Same Examples have been increases for:

- General Education and Technical Institutes
- Human Services Department
- County Jail Reimbursement
- General Government (Department of Correction and Higher Education Grants)

B-1 or C

RSA may include B-1 or C
Allocations for those increases with a lower priority than A or B.

RSA PRIORITIES



The legislature does not specify which programs are in which priority.

The Governor and his agency directors decide priorities within the funds.

Dedicated Source of Funding

SPECIAL REVENUES

- Taxes and fees in the State Treasury which are designated or earmarked by law to be used for a particular purpose.
- The State Treasury retains most of the interest earnings
- 1 1/2 to 2% or 3% to 4% deducted for administrative service charge
- Agencies retain all balances
- Examples: Gasoline tax, Hunting & fishing licenses, Various regulatory fees or fines which are required to be in the State Treasury

FEDERAL REVENUES

- Monies in the State Treasury received from the U.S. government either as project grants-in-aid or as reimbursement for eligible expenses.
- The Federal government retains any interest earnings
- No deduction for administrative service charge
- Fund balances retained by agencies for federal program
- Examples: Medicaid Match, Highways Match, Emergency Services Match, Disability Determination



Dedicated Source of Funding

TRUST FUND REVENUES

- Funds in the State Treasury that are received by the State in which the State is a trustee and is acting in a fiduciary capacity.
- Trust funds retain their interest earnings. No deduction for administrative service charge
- Balance retained

Examples: Retirement Systems, Nursing Home Closures, Private Career Schools Closures, Landfill Closures

CASH FUND REVENUES

- Funds received by the State which are not required by law to be deposited into the State Treasury.
- Cash funds retain their interest earnings. Balance retained
- Examples: Higher Education tuition, fees & ticket sales, Workforce Services unemployment taxes, University Hospital fees and billings, Various occupational boards and commissions fines or fees, Donations



FUNDING - HOW WILL THE SURPLUS BE ALLOCATED

Each Regular Session it is determined by the General Assembly what will be funded for the coming biennium with one-time or surplus funds.

Source of One-Time or Surplus Revenue

- Recovered Fund Balances
- General Revenue Collections not Distributed
- Unspent Development & Enhancement Fund (DEF)
- Unspent Rainy Day Funds

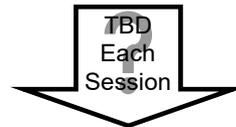


State of Arkansas
91st General Assembly
Regular Session, 2017

Act 1123 of the Regular Session

Senate Bill 552

AN ACT TO DEFINE WHAT MONEYS AND
HOW THOSE MONEYS ARE TO BE MADE
AVAILABLE IN THE RAINY DAY FUND ...



Rainy Day Fund or Development and Enhancement Fund or a Newly Created Fund may authorize surplus to be used at the discretion of the Governor to fund appropriations as needed (when approved or reviewed by the General Assembly?)

May have Priority or “Set Aside” Project(s) funded (first?) as identified in this funding bill

(Supplement bills may also be funded with surplus funds to address any unanticipated needs – Supplemental bills are for the year were are in during the session – most other session bills are for the coming year)



Between Legislative Sessions



CHAFFIN v. ARK. GAME & FISH COMMISSION (1988)

"...since the practice of review and advice violates the separation of powers doctrine, [it] is unconstitutional."

Legislative Council Subcommittees

That Influence Budgets & Appropriations

(Page 1 of 3)



PEER:

- Budget Adjustments
- Misc. Federal Grants
- Interagency Contracts

Legislative Council Subcommittees

That Influence Budgets & Appropriations
(Continued Page 2 of 3)

RULES & REGULATIONS

- Various Agency Rules & Regulations



PERSONNEL

- Special Entry Rates
- Personnel Policy Changes
- Pay Plan



Legislative Council Subcommittees

That Influence Budgets & Appropriations
(Continued Page 3 of 3)

REVIEW

- Contracts
 - Methods of Finance
 - Discretionary Grants
-

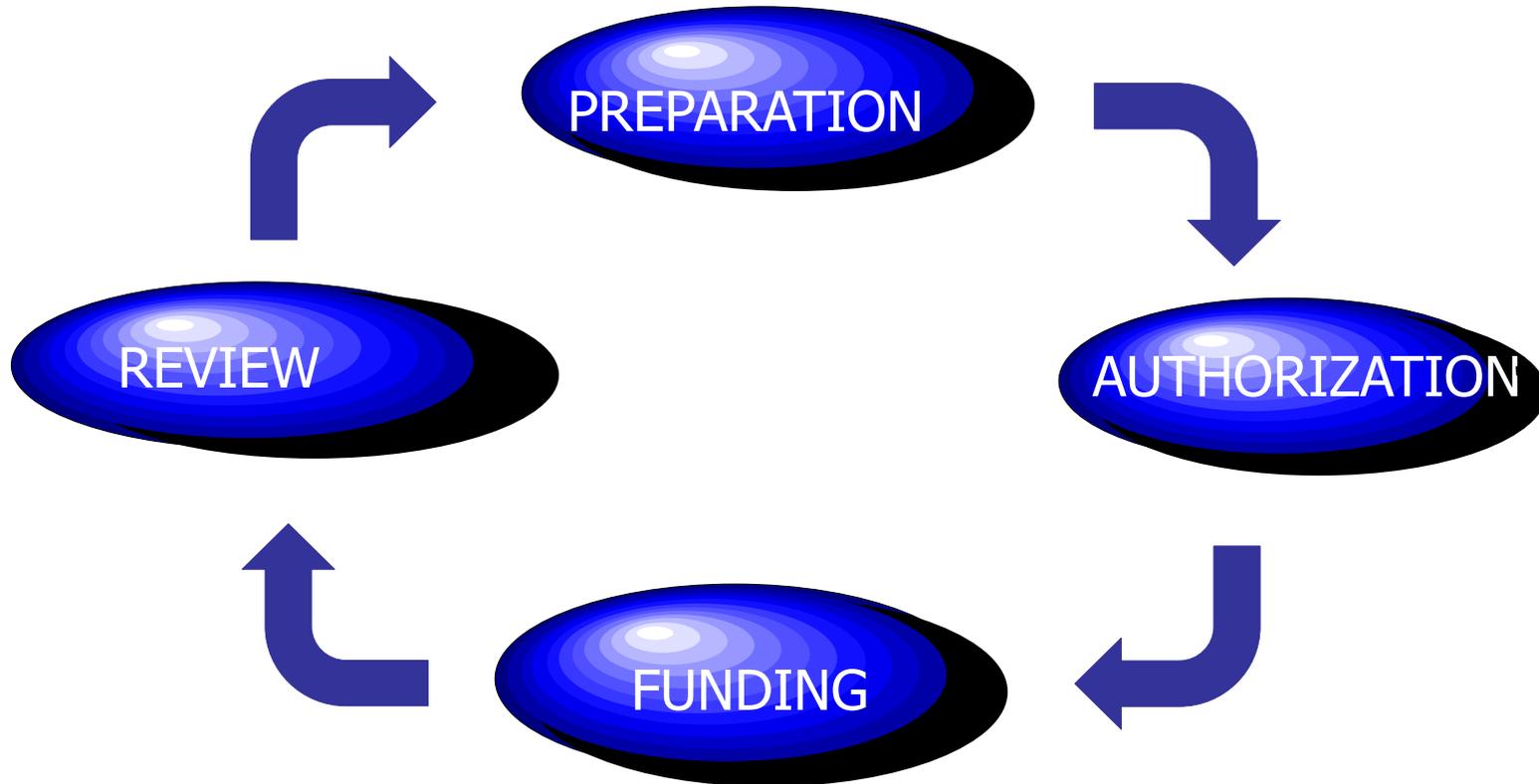


CLAIMS REVIEW

- Approved Claims Against the State
- Appealed Claims



The Budget Process Begins for the Next Fiscal Year



Legislative Process Summary Pages

The next 5 pages provide a high level summary of the Budget Hearings and Legislative Session which overlap the different Phases in the overall Budget Process.

Legislative Process Summary

Legislative Sessions

- Regular Sessions are in January every odd number year 2017, 2019 etc.
- Fiscal Session are held every even numbered years in February.

Regular Session

Budget Hearings for Regular Sessions start in the preceding October

- Example: 2017 Regular Session budget hearings start October 2016.
- Regular Session Budget Hearings are held by Arkansas Legislative Council and the Joint Budget Committee (ALC/JBC).
- All State Agencies and Institutions submit their request for the next two years.
- ALC/JBC often assigns subcommittees to review specific items or requests by Agencies and Institutions.
 - The Personnel Subcommittee examines position, titles, grades, number of position and other related personnel items.
 - The Special Language Subcommittee Examines substantive or temporary non codified language.

Regular Session starts the second Monday in January

Legislative Process Summary

Fiscal Session

First Fiscal Session was held in 2010 and take place every even numbered year.

Fiscal Sessions are limited to Budget items or appropriation bills unless substantive legislation is authorized by the General Assembly with Identical Resolution passed by both chambers on the First Day of the Fiscal Session.

Fiscal Sessions are limited to 30 days unless extended by the General Assembly up to a maximum of 15 additional days (45 days is the maximum allowed).

JBC conducts the Pre Fiscal Session Budget Hearings

JBC meets and conducts business during the Fiscal Sessions the same as during a Regular Session.

Legislative Process Summary

After the Budget hearings and during both the Regular and Fiscal session the members of the Joint Budget Committee meet to:

- Evaluate and consider the ALC/JBC recommendations, made during budget hearing, before recommending the bills to the general assembly.
- Consider any Governor's proposed changes and new initiatives.
- Consider individual member sponsored bills.
- Recommend various fiscal law changes and state employee pay level legislation to the general assembly.
- Recommend an amendment to the Revenue Stabilization Law to determine General Revenue spending.
- Recommend what if anything to do with surplus or one-time moneys that have become available. Use for Improvements, state infrastructure needs, unanticipated needs, federal match, city and county government needs, rainy day fund, long term reserve fund, etc.

Legislative Process Summary

Joint Budget Committee (JBC) meets during the session:

- JBC meets each week during the session at the call of the Chairs
 - Usually Tuesday through Thursday from 9 am to 10 am in Big Mac A
- All appropriation bills, which grant each Agency and Institution spending authority, are initially referred to JBC
- JBC may modify, hold or recommend the agency or institution bill to the House and Senate Chamber for enactment.
 - Once passed out of JBC they are placed on the House and Senate Budget Calendars.
- JBC often assigns subcommittees to more closely examine parts of the appropriation bills prior to taking action the bill. Examples:
 - The Personnel Subcommittee examines position, titles, grades, number of position and other related personnel items referred to it by JBC.
 - The Special Language Subcommittee Examines substantive or temporary non codified language in appropriation bills in bills referred to it by JBC.

How an Appropriation Bill can become an Act



- 1. Budget Hearings** Arkansas Legislative Council/Joint Budget Committee (ALC/JBC) for a Regular Session or Joint Budget Committee (JBC) for a Fiscal Session conducts Budget Hearings to determine how appropriation bills will be drafted for Agencies & Institutions.

Legislative Session Starts

- 2.** Appropriation bills are introduced in House or Senate then referred to the Joint Budget Committee.

3. Joint Budget Committee

The bill may be referred to a subcommittee prior to receiving a vote. Bills or amendments with new positions or new special language are usually referred to a JBC Subcommittee prior to full committee vote on a motion.

Possible JBC Motions:

"AMENDMENT ADOPTED"

The amendment is placed on House or Senate Budget Calendar to be voted on. If adopted the bill is engrossed **and referred back to JBC**. It may be amended multiple times.



"DO PASS"

Bill Receives "Do Pass" in JBC...



"DO PASS AS AMENDED"

First the Amendment is placed on House or Senate Budget Calendar. Once Amendment is adopted the bill is then engrossed, the bill is then ready...



-
- *4.** The bill is placed on a **House or Senate Budget Calendar** to be voted on in House/Senate. If the bill passes (3/4 vote required) it is transmitted to the other chamber.

-
- *5.** If the bill on the Budget Calendar passes the second chamber (3/4 vote required) it is delivered to the Governor.

-
- 6.** The Governor may sign bill into law, wait for the bill to become an Act without his or her signature or veto the bill or line item. If the Governor vetoes the bill or line item, the General Assembly may vote to override the veto, with a majority vote in both chambers.

* Bills may be re-referred to JBC from the House or Senate.

Thank you!

**If we can be of any assistance to you please contact the
Bureau of Legislative Research - Fiscal Services Division
1 Capitol Mall, 5th Floor.**