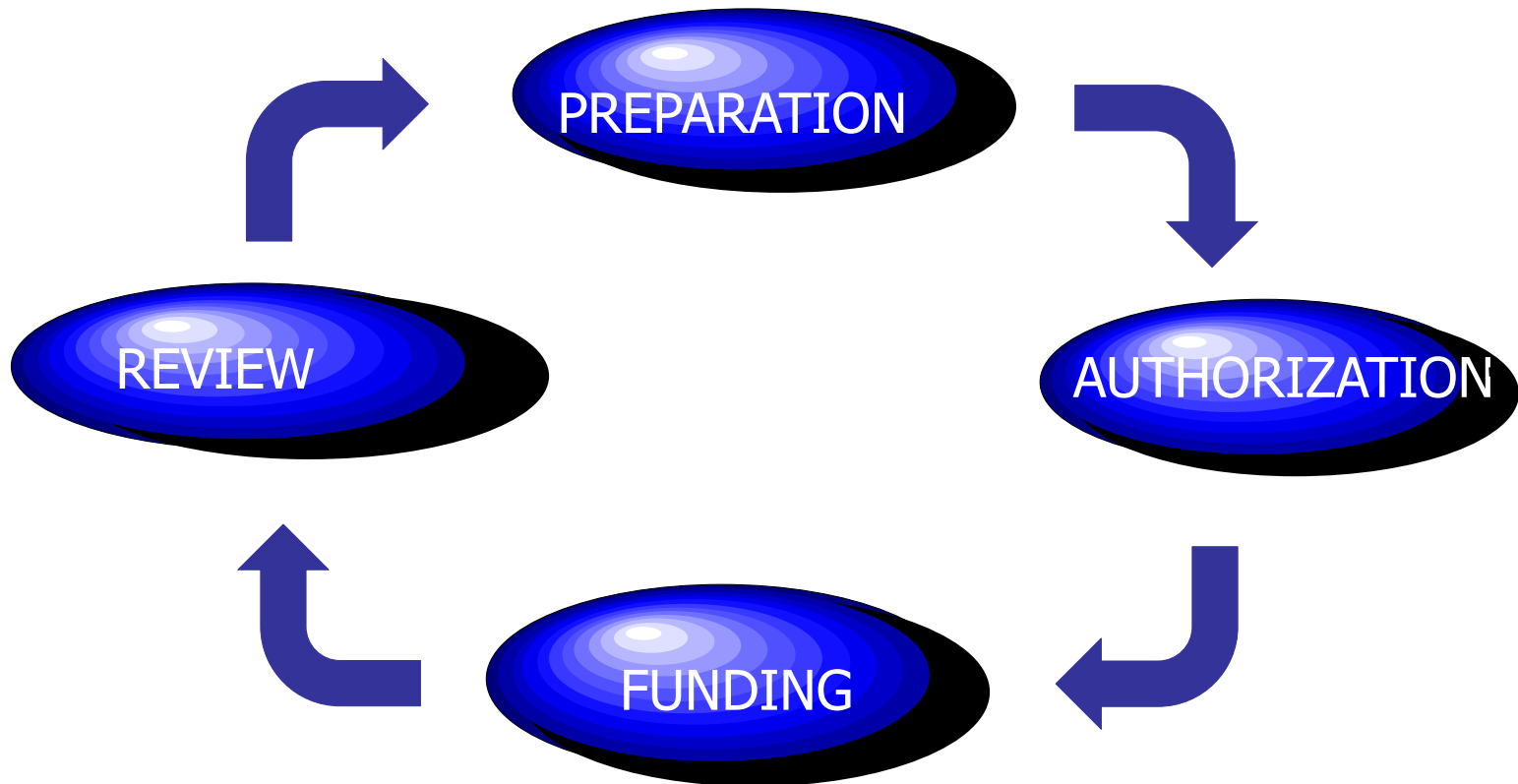


# Arkansas Budget and Appropriation Process



*Fiscal Services Division  
1 Capitol Mall, 5<sup>th</sup> 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:**

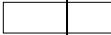









# The Preparation Phase

## Roles In Budget Preparation



# Regular Session Budget Calendar

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

# 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

Budget Hearings

### 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



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**

Page 1

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

## Department Appropriation Summary

Summary of All the  
Agency's Appropriations

Total of Each  
Appropriation

Historical Data						Agency Request and Executive Recommendation											
		2017-2018		2018-2019		2019-2019		2019-2020				2020-2021					
Appropriation		Actual	Pos	Budget	Pos	Authorized	Pos	Pos	Agency	Pos	Executive	Pos	Pos	Agency	Pos	Executive	Pos
2MF 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	\$9,500	0.5	\$9,991	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	\$1,740,605	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	\$1,642,223	88.5	89.0	\$1,704,184	89.3	\$1,642,223	89.0
Total Funds		\$1,832,157	100.0%	\$1,864,554	100.0%			100.0%	\$1,918,026	100.0%	\$1,856,225	100.0%	100.0%	\$1,908,877	100.0%	\$1,846,916	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		\$1,911,324			\$1,973,877		\$1,911,916	

Funding or  
Revenue Source

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

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.

Individual Appropriation narrative  
for summary on next page

PREPARATION

Budget Hearings

### **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.

AGENCY NAME & NUMBER  
AGENCY DIRECTOR

Page 7

Explains what the  
appropriation is for & How it  
is funded

Explains what the  
Agency Requested (AR)

Explains what the Executive  
Recommended (ER)

PREPARATION

Budget Hearings

## Appropriation Summary

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

Summary of Individual  
Appropriation

Total of Each Line  
item in the  
Appropriation

Funding and  
Revenue Source

		Historical Data			Agency Request and Executive Recommendation			
		2017-2018	2018-2019	2018-2019	2019-2020		2020-2021	
Commitment Item		Actual	Budget	Authorized	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

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

AGENCY NAME & NUMBER  
AGENCY DIRECTOR



# **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.

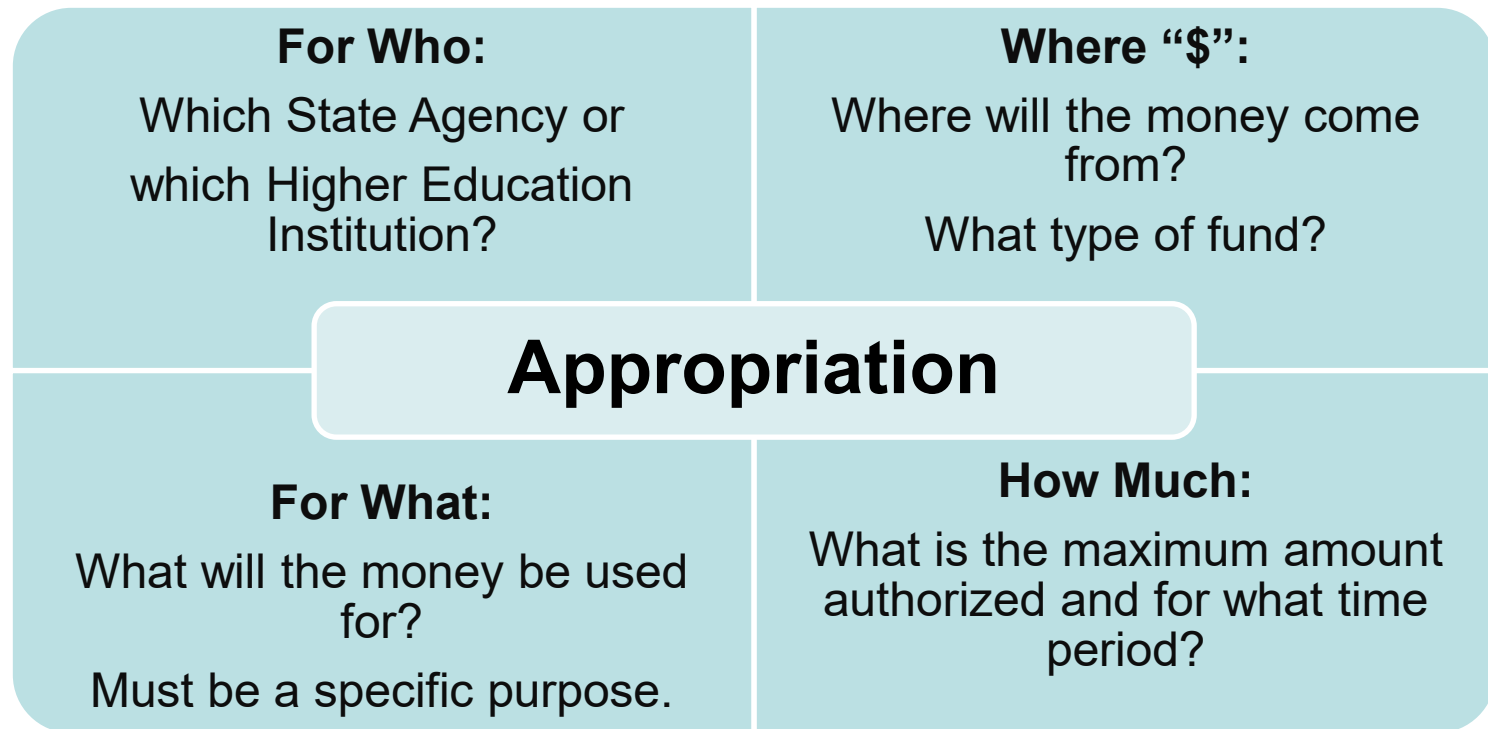


# APPROPRIATION

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

Who

Funded From Where/Source

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 ¶  
15 [ITEM.....FISCAL YEAR¶  
16 ·NO.....2018-2019¶  
17 (01) ·REGULAR ·SALARIES.....\$159,929¶  
18 (02) ·PERSONAL ·SERVICES ·MATCHING.....65,101¶  
19 (03) ·MAINT. ·& ·GEN. ·OPERATION¶  
20 ..... (A) OPER. ·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.....\$292,858¶  
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		Maximum	Maximum Annual
Item Class		No. of		Salary Rate	
No.	Code Title	Empl oyees		Fi scal Year	
				2018-2019	
(1)	X147C AR TOW NG & RECOVERY BOARD DI RECTOR	1		GRADE GS07	
(2)	C073C ADM NI STRATI VE SPECI ALI ST II	1		GRADE GS03	
(3)	X170C AR TOW NG & RECOVERY BD I NVESTI GATOR	2		GRADE GS03	
(4)	C087C ADM NI STRATI VE SPECI ALI ST I	1		GRADE GS02	
MAX. NO. OF EMPLOYEES		5			

Grade or  
Authorized  
Salary Range

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

Appropriation Bill

1 State of Arkansas  
2 91st General Assembly  
3 Third Extraordinary Session, 2018

A Bill

DRAFT JLC/JLC  
HOUSE BILL

4  
5 By: Joint Budget Committee

## For An Act To Be Entitled

8 AN ACT TO MAKE AN APPROPRIATION FOR PERSONAL SERVICES  
9 AND OPERATING EXPENSES FOR THE ARKANSAS TOWING AND  
10 RECOVERY BOARD FOR THE FISCAL YEAR ENDING JUNE 30,  
11 2019; AND FOR OTHER PURPOSES.

## Subtitle

14 AN ACT FOR THE ARKANSAS TOWING AND  
15 RECOVERY BOARD APPROPRIATION FOR THE  
16 2018-2019 FISCAL YEAR.

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

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

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

35  
36 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.

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:

ITEM	FISCAL YEAR
NO.	2018-2019
17 (01) REGULAR SALARIES	\$159,929
18 (02) PERSONAL SERVICES MATCHING	65,101
19 (03) MAINT. & GEN. OPERATION	
20 (A) OPER. 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>

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

35 The provisions of this section shall be in effect only from July 1,  
36 ~~2016~~ 2017 through June 30, ~~2017~~ 2018.

Extra Help  
Section

Appropriation  
Section

Special  
Language  
Section

# 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



FUNDING

# 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 12<sup>th</sup> 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

Funding.

*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

**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

---



"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

---

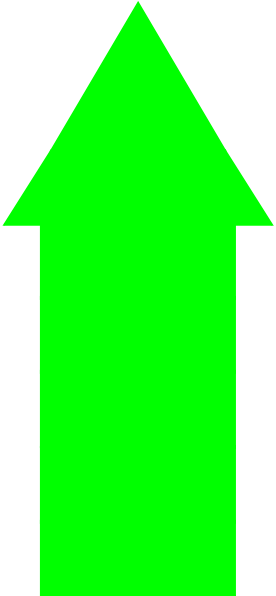

In 1945 Governor Ben Laney felt that the current budget system had evolved into one that put a straight jacket on the Governor and the Legislature when trying to provide financing for programs in changing times.

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



- 
- 
- »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.

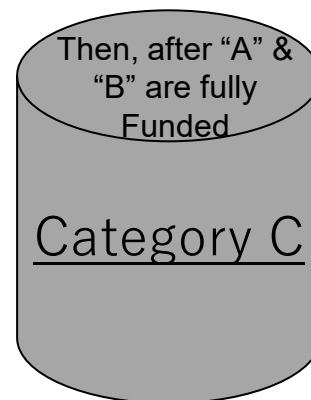
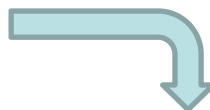
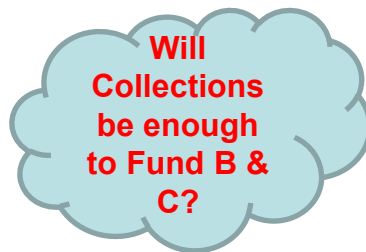
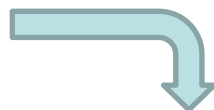
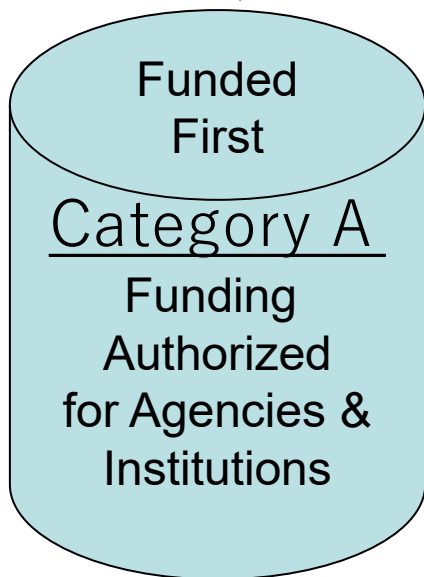
The legislature enacts amendments to the Revenue Stabilization Law every year. The allocations contain the legislature’s priorities and are designated “A”, “B”, and “C”. “A” must be funded before “B,” which must be funded before “C,” etc. There may be several categories after “A” or there may only be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

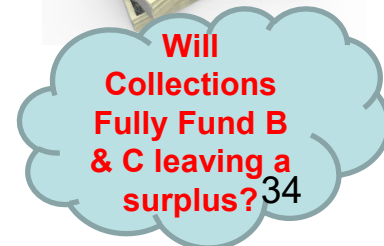
## General Revenue Funding



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

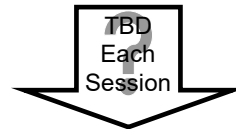


State of Arkansas  
91<sup>st</sup> General Assembly  
Regular Session, 2017

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
- 

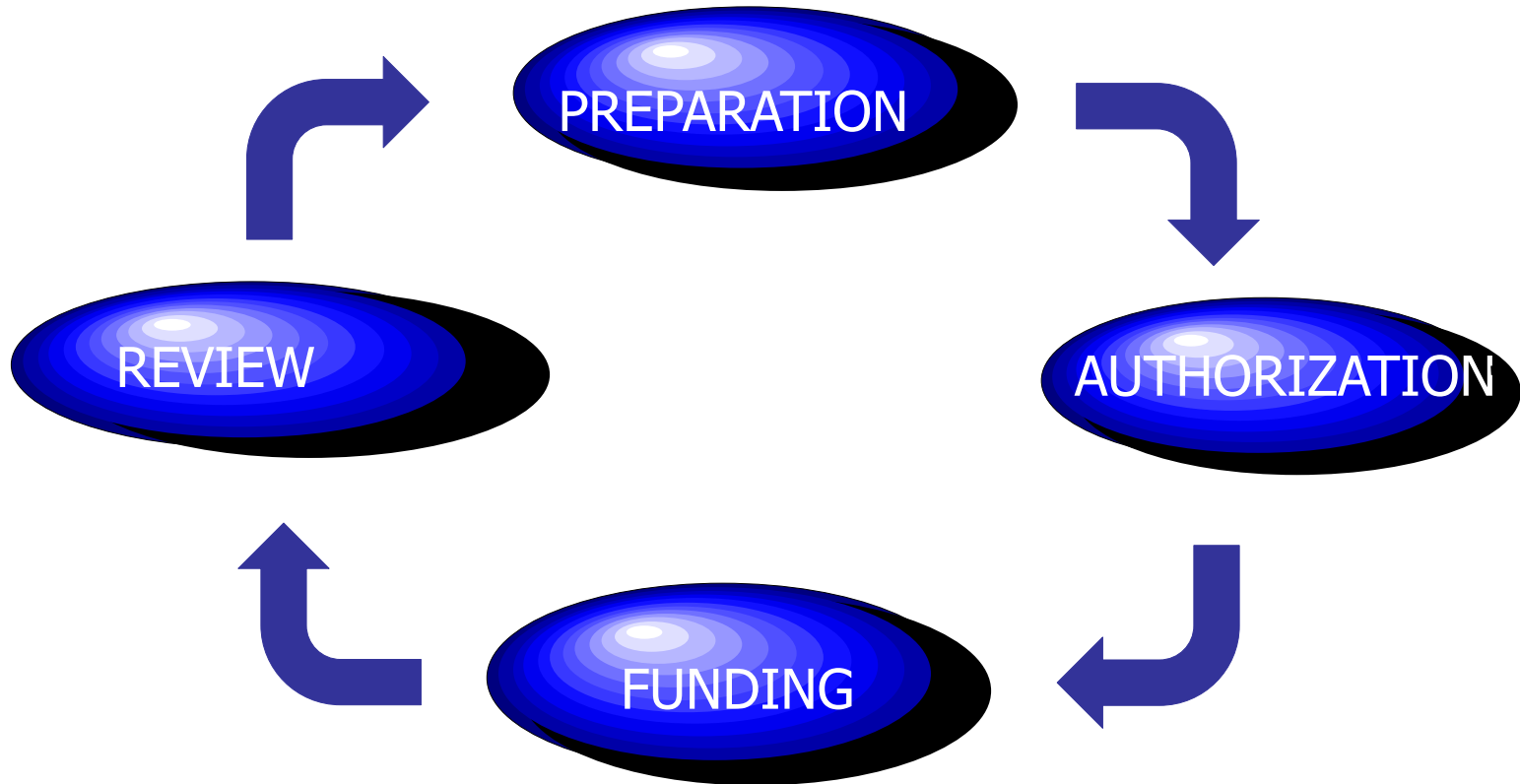


## **CLAIMS REVIEW**

- 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:

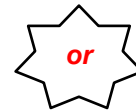
##### **"AMENDMENT ADOPTED"**

The amendment is place 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, 5<sup>th</sup> Floor.**