

# **2017 REGULAR SESSION BUDGET SUMMARY**



# Arkansas Budget - Revenue Sources/Expenditures

**Net General Revenue Expended by Agencies and Institutions** -**\$5.1 billion** or 21.56% of the state expenditures.

These are taxes levied on the general population with no restrictions on usage by law. Some examples are sales tax, income tax, insurance premium tax, racing taxes and taxes on alcoholic beverages.

In addition there was \$4.3 million allocated for the Rainy Day Set Aside within the General Improvement Fund and a year ending general revenue surplus of \$177.4 million.

**Special Revenue** -**\$561.5 million** or 2.36% of the total state expenditures are made up of fees and taxes levied on users of services. These funds are earmarked to support specified programs and cannot be used for anything else. Some examples are gasoline tax, hunting and fishing licenses and various regulatory fees all of which are required to be in the State Treasury.

**Federal Revenue** -**\$7.4 billion** or 31.22% of the total state expenditures are monies from the Federal Government either as a reimbursement or a grant for programs under Federal rules and regulations. Some examples are Medicaid, interstate highways and Disability Determination for Social Security Administration.

**Cash Revenues** -**\$2.7 billion** or 11.45% of the total state expenditures are funds authorized by law to be deposited in banks instead of State Treasury or in the State Treasury under cash fund program managed by State Treasurer. Some examples are Higher Education tuitions, fees and ticket sales, Workforce Services unemployment taxes and various occupational boards and commissions fees and fines.

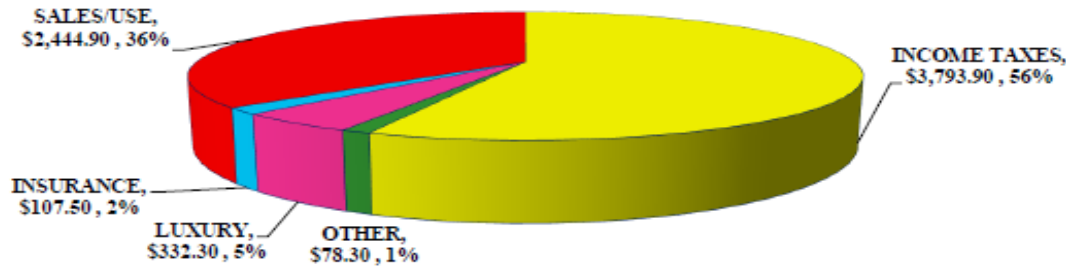
**Trust and Other** -**\$7.7 billion** or 32.18% of the total state expenditures are funds generated from various entities for which the state is the trustee and held for safekeeping or a variety of sources usually for reimbursement for services provided to public or state agencies. Some examples are retirement system trust funds and Information Systems service charges and fees.



**Fiscal  
Year  
2018**

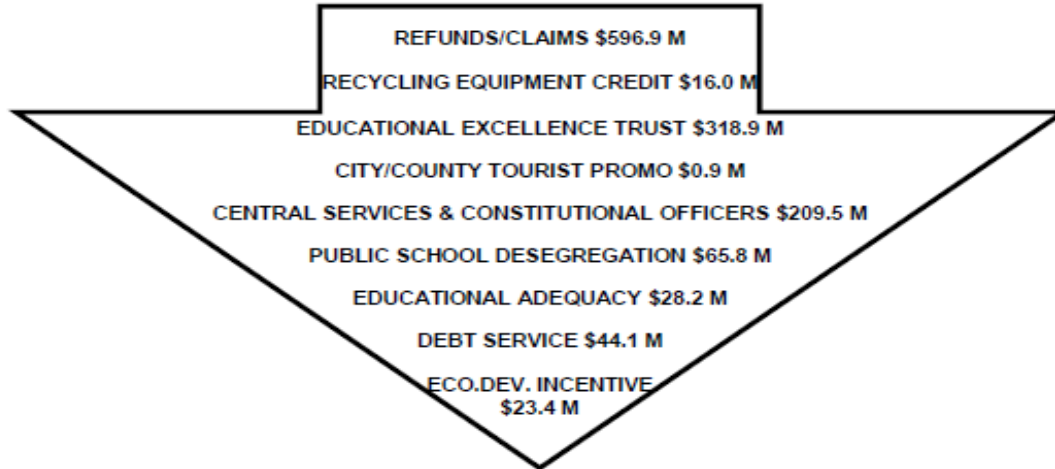
**ESTIMATED GROSS GENERAL REVENUES (05/02/17)**

**\$6,756.9 Million**



Sales and Income Taxes account for over 90% of General Revenue Collections

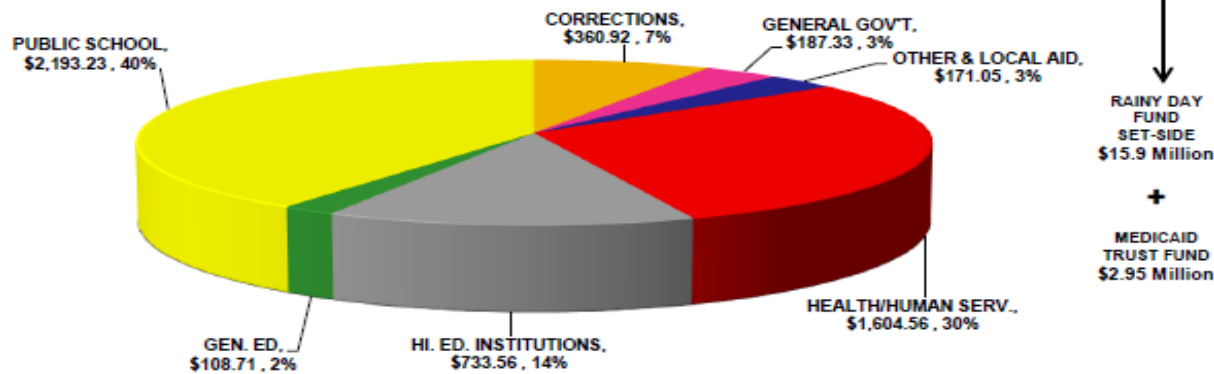
**LESS**



“Off the Top” Deductions of General Revenue Collections before funds are distributed to State Agencies and Institutions

**DISTRIBUTION OF FY2018 “NET AVAILABLE” GENERAL REVENUES<sup>1</sup>**

**\$5,453.2 Million**



Approximately 93% Net General Revenue is 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 Dept.

1. Distribution to State Agencies, Institutions, Rainy Day, Medicaid Trust Fund: \$5,453.2 (“A” Includes \$15.9M Rainy Day, \$2.95M Medicaid Trust Fund + 87.26% of “B”)



# DISTRIBUTION OF GENERAL REVENUE THROUGH REVENUE STABILIZATION ACT 1083 & 1127 OF 2017

Condensed  
Schedule  
For FY2018

FUND ACCOUNTS	FY17 FORECAST	Fiscal Year 2018			CHANGE LEVEL	
		"A"	"B"	TOTAL	\$	%
General Education	\$2,151,529,810	\$2,153,934,175	\$3,000,000	\$2,156,934,175	\$5,404,365	0.3%
State Library	4,641,919	4,641,919	1,000,000	5,641,919	1,000,000	21.5%
Career Education	31,964,455	31,964,455	0	31,964,455	0	0.0%
<b>PUBLIC SCHOOL FUND</b>	<b>\$2,188,136,184</b>	<b>\$2,190,540,549</b>	<b>\$4,000,000</b>	<b>\$2,194,540,549</b>	<b>\$6,404,365</b>	<b>0.3%</b>
Dept. of Education	\$16,162,434	\$16,162,434	\$0	\$16,162,434	\$0	0.0%
Educational Facilities Partnership	41,828,951	31,828,951	10,000,000	41,828,951	0	0.0%
Academic Facilities & Transportation	2,509,256	2,509,256	0	2,509,256	0	0.0%
Educational Television	5,293,237	5,278,441	0	5,278,441	(14,796)	-0.3%
School for the Blind	7,016,941	7,016,941	0	7,016,941	0	0.0%
School for the Deaf	10,142,113	10,142,113	0	10,142,113	0	0.0%
State Library	3,591,373	3,514,711	0	3,514,711	(76,662)	-2.1%
Dept. of Career Education	4,790,510	4,290,510	500,000	4,790,510	0	0.0%
Rehabilitation Services	13,126,651	12,897,526	0	12,897,526	(229,125)	-1.7%
<b>Subtotal - General Education</b>	<b>\$104,461,466</b>	<b>\$93,640,883</b>	<b>\$10,500,000</b>	<b>\$104,140,883</b>	<b>(\$320,583)</b>	<b>-0.3%</b>
<b>Subtotal - Technical Institutes</b>	<b>\$8,021,486</b>	<b>\$8,003,966</b>	<b>\$0</b>	<b>\$8,003,966</b>	<b>(\$17,520)</b>	<b>-0.2%</b>
<b>TOTAL GENERAL ED. FUND</b>	<b>\$112,482,952</b>	<b>\$101,644,849</b>	<b>\$10,500,000</b>	<b>\$112,144,849</b>	<b>(\$338,103)</b>	<b>-0.3%</b>
<b>TOTAL HUMAN SERVICES</b>	<b>\$1,445,193,167</b>	<b>\$1,460,447,825</b>	<b>\$97,561,944</b>	<b>\$1,558,009,769</b>	<b>\$112,816,602</b>	<b>7.8%</b>
Dept. of Ark. Heritage	\$8,436,851	\$7,720,579	\$500,000	\$8,220,579	(\$216,272)	-2.6%
Department of Agriculture	17,300,203	16,298,621	1,000,000	\$17,298,621	(1,582)	0.0%
Dept. of Labor	3,227,555	3,227,555	0	3,227,555	0	0.0%
Dept. of Higher Education	5,399,182	11,399,182	0	11,399,182	6,000,000	111.1%
Dept. of H.E.-Grants	40,017,466	40,017,466	0	40,017,466	0	0.0%
Dept. of Economic Development	12,170,432	10,942,266	500,000	11,442,266	(728,166)	-6.0%
Dept. of Correction	340,723,785	346,058,201	5,334,417	351,392,618	10,668,833	3.1%
Dept. of Community Correction	78,610,629	83,191,977	4,581,348	87,773,325	9,162,696	11.7%
State Military Department	9,427,702	9,310,105	0	9,310,105	(117,597)	-1.2%
Dept. of Parks & Tourism	21,407,308	18,407,308	3,000,000	21,407,308	0	0.0%
Dept. of Environmental Quality	4,252,178	3,122,616	1,000,000	4,122,616	(129,562)	-3.0%
Miscellaneous Agencies	\$60,616,822	\$61,829,367	1,528,765	63,358,132	2,741,310	4.5%
<b>TOTAL STATE GENERAL GOV'T</b>	<b>\$601,590,113</b>	<b>\$611,525,243</b>	<b>\$17,444,530</b>	<b>\$628,969,773</b>	<b>\$27,379,660</b>	<b>4.6%</b>
County Aid	\$21,428,616	\$21,428,616	\$0	\$21,428,616	\$0	0.0%
County Jail Reimbursement	16,453,607	14,263,607	0	14,263,607	(2,190,000)	-13.3%
Crime Information Center	3,759,593	3,759,593	0	3,759,593	0	0.0%
Child Support Enforcement	12,984,053	12,984,053	0	12,984,053	0	0.0%
Dept. of Health	78,896,794	77,146,794	2,000,000	79,146,794	250,000	0.3%
Merit Adjustment Fund*	5,200,000	16,000,000	0	16,000,000	10,800,000	207.7%
Motor Vehicle Acquisition	0	3,000,000	0	3,000,000	3,000,000	0.0%
Municipal Aid	29,372,099	29,372,099	0	29,372,099	0	0.0%
State Police	66,375,577	66,375,577	0	66,375,577	0	0.0%
Dept. of Workforce Services-TANF	3,864,840	3,864,840	0	3,864,840	0	0.0%
<b>TOTAL OTHER FUNDS</b>	<b>\$238,335,179</b>	<b>\$248,195,179</b>	<b>\$2,000,000</b>	<b>\$250,195,179</b>	<b>\$11,860,000</b>	<b>5.0%</b>
<b>TOTAL INSTITUTIONS OF H. E.</b>	<b>\$733,562,405</b>	<b>\$733,562,405</b>	<b>\$0</b>	<b>\$733,562,405</b>	<b>0</b>	<b>0.0%</b>
Rainy Day Funds	\$13,800,000	\$15,877,476	\$0	\$15,877,476	2,077,476	0.0%
Medicaid Trust Fund	\$0	\$2,954,500	\$0	\$2,954,500	2,954,500	0.0%
<b>GRAND TOTAL</b>	<b>\$5,333,100,000</b>	<b>\$5,364,748,026</b>	<b>\$131,506,474</b>	<b>\$5,496,254,500</b>	<b>\$163,154,500</b>	<b>3.1%</b>



# Rainy Day Fund – ACT 1084 & 1123 of 2017

The General Assembly did not allocate funding for the General Improvement Fund. Surplus Funds were instead allocated to the Rainy Day Fund as reflected in this schedule.

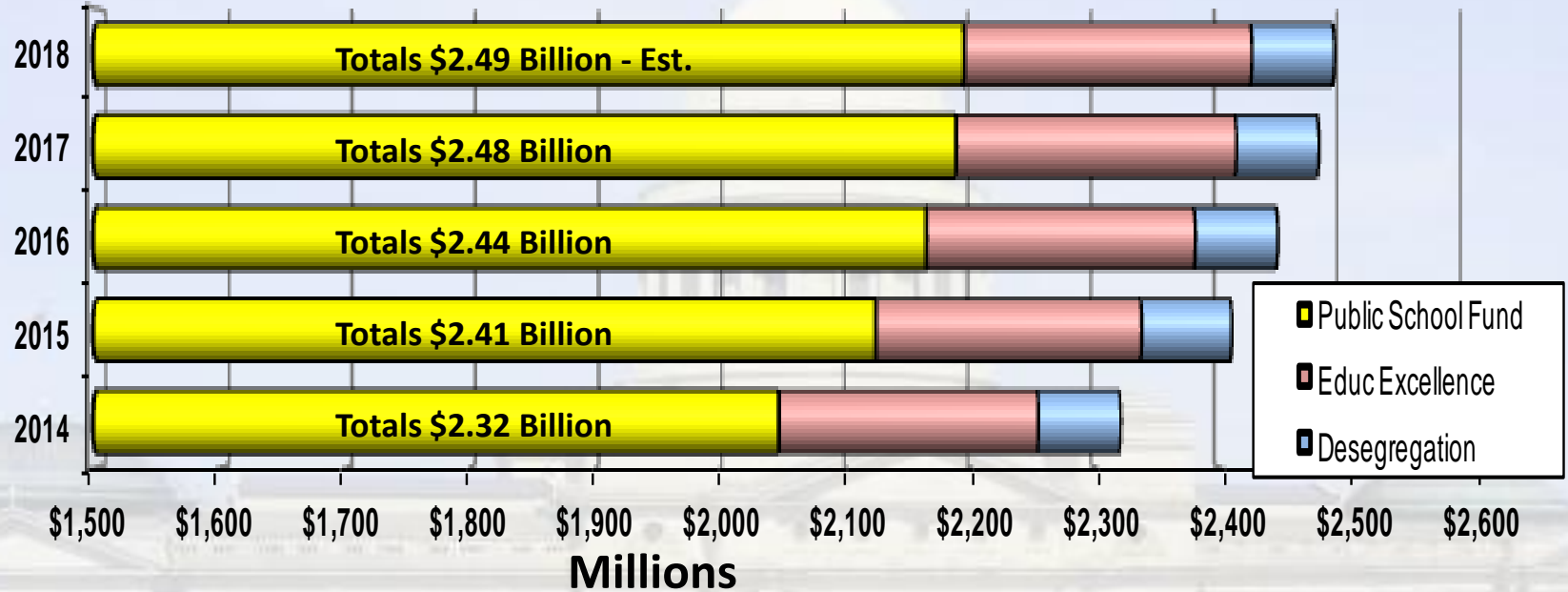
<u>INCOME - ONE TIME SURPLUS SOURCE</u>	<u>Income</u>
Unobligated Balance (Surplus) in 90th Session General Improvement Fund	\$14,194,758
FY2016 General Revenue Surplus - General Revenue collected over the RSA Distributed	\$177,413,001
FY2017 General Revenue Surplus	\$0
Recouped General Revenue From FY2016 - General Revenue allocated to Agencies that are not spent.	\$5,845,301
Recouped General Revenues From FY2017 (Estimate)	\$5,000,000
Old Projects Recoupment (Estimate)	\$2,000,000
90th Session Rainy Day Set Aside in the General Improvement Fund Estimated Balances	\$35,000,000
<b>TOTAL ESTIMATED ONE TIME FUNDS AVAILABLE</b>	<b>\$239,453,060</b>
<u>EXPENDITURE FROM ONE TIME FUNDS FOR FY2017</u>	<u>Less</u>
ACT 403 of 2017 - DHS - Division of Children & Family Services supplement appropriation for Fiscal Year 2017 (current year) to support the Foster Care Program.	\$14,000,000
<b><u>ESTIMATED ONE TIME BIENNIAL EXPENDITURES - FY18/FY19</u></b>	
Department of Correction Lease Payments	\$10,500,000
Funding for Medicaid (\$70 Million Estimated for FY2018 and \$20 Million for FY2019)	\$90,000,000
Education Facilities Biennial Funding for School District Improvements	\$60,000,000
Quick Action Closing Fund	\$30,000,000
Economic Development Commission Accelerator Program	\$2,000,000
Highway Department Transfer for State Match of Federal Funding	\$20,000,000
<b>TOTAL ESTIMATED EXPENDITURES OF ONE TIME FUNDS</b>	<b>\$226,500,000</b>
<b>ESTIMATED BALANCE REMAINING IN THE RAINY DAY FUND</b>	<b>\$12,953,060</b>

Balances remaining in the Rainy Day Fund from the income sources listed here are capped at \$20 million dollars. Any surplus from these sources remain as “surplus” until appropriated by the General Assembly.



# EDUCATION / PUBLIC SCHOOL FUND

Revenue for General Education - K-12, State Library grants and Career Education technical and adult programs.



•**The Public School Fund** (General Revenue) does not include funding from the Educational Adequacy Fund which is transferred to the Public School Fund as needed. A total of \$4.9 Billion has been made available from the Adequacy Fund between FY2004 and FY2016 and \$1 Billion is estimated to be available for FY2017 and FY2018.

•**The Educational Excellence Trust Fund** set a benchmark of 14.14%, which is applied against actual sales and use tax collections of the previous fiscal year. Under this formula in FY2018 over \$321 million will be distributed to Public Schools and Higher Education Institutions, of which \$216.1 million is distributed to Public Schools.

•**Public School Desegregation.** In 1989, the state agreed to settle a lawsuit with the Pulaski County school districts. The first expenditure occurred in FY1989 and the State will spend over \$1.53 billion on Desegregation Settlement expenses through FY2018. In November 2013, the parties joined a new Proposed Settlement Agreement, in which **the state will make its final Desegregation payment in FY2018.**



# Institutions of Higher Education - State Funding

## MAJOR STATE FUNDING SOURCES (Does not Include Tuition and Fees)

FISCAL YEAR 2017 Estimated				FISCAL YEAR 2018 Estimated				
GENERAL REVENUE	EDUC EXC TRUST FUND	WORK FORCE 2000 FUND	TOTAL	GENERAL REVENUE	EDUC EXC TRUST FUND	WORK FORCE 2000 FUND	TOTAL	
<b>TOTAL ALL - INSTITUTIONS</b>	\$733,562,405	\$63,300,874	\$24,747,060	<b>\$821,610,339</b>	\$733,562,405	\$64,969,408	\$24,747,060	<b>\$823,278,873</b>

**Revenue Stabilization Allocations** of General Revenue for Fiscal Year 2018 is allocated at the same level as estimated to be distributed in FY2017. For both FY2017 and FY2018, 100% of the General Revenue allocation is in Category A and is currently fully funded under the current Official General Revenue Forecast.

**Educational Excellence Trust** funding is 14.14% of Previous Year's Sales and Use Tax Collections.

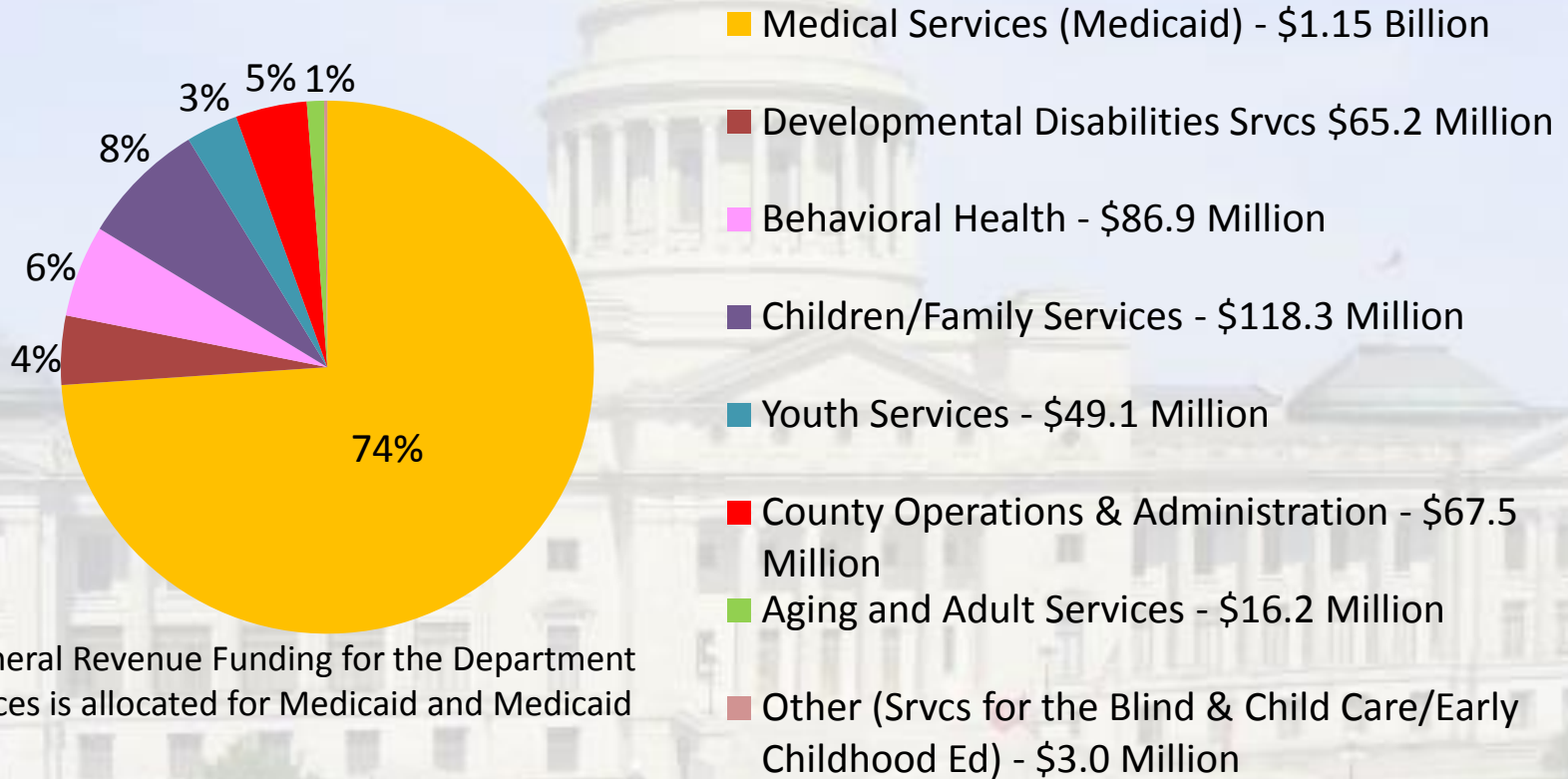
**Workforce 2000** funding is 6.78% of Previous Year's Corporate Income Tax Collections and is capped at the Fiscal Year 2014 level of \$24.7 million for distributions to Institutions of Higher Education.



# DEPARTMENT OF HUMAN SERVICES - GENERAL REVENUE - FY2018

**Total \$1.56 Billion**

**This is 28% of the total State General Revenue Budget**



Over 74% of General Revenue Funding for the Department of Human Services is allocated for Medicaid and Medicaid Administration.

All other Divisions total 26% of the General Revenue Allocated.

This chart reflects only *state general revenue dollars*.



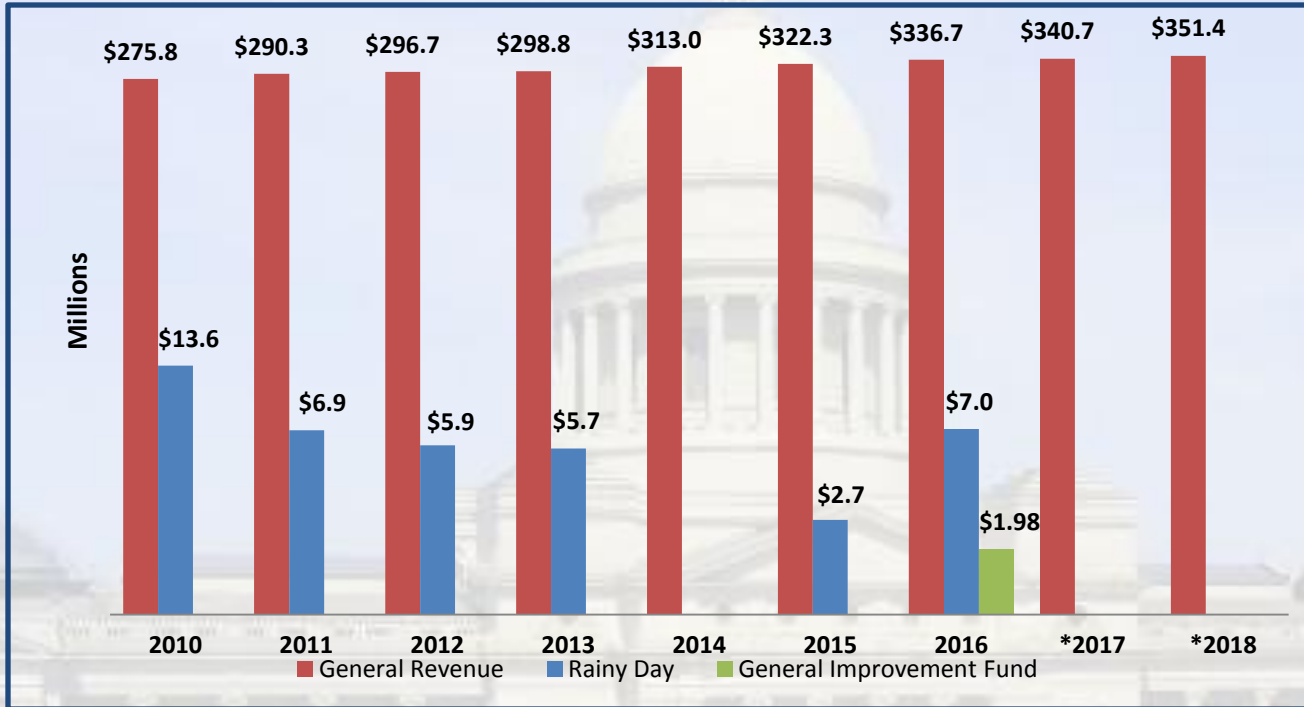


# DEPARTMENT OF HUMAN SERVICES - GENERAL REVENUE - FY2018

- **Medical Services - DHS Medicaid Grants and Aid and the Division of Medical Services which administers Medicaid**, is 74% of the Human Services general revenue cost at 1.15 billion. This is an increase of \$75.5 million dollars over last Fiscal Year.
  - This does not include \$90 million in one-time funding made available for Medicaid for the 2017-19 biennium or an additional \$2.9 million directed to the Medicaid Trust Fund to replace the decreases in the Soda Tax enacted by the General Assembly. Of the \$90 million dollars to supplement Medicaid, \$70 million is projected for FY2018 and \$20 million is projected for FY2019.
- **Developmental Disabilities Services (DDS)** is allocated \$65.2 million dollars in general revenue, for services provided at the local level through community providers as well as the human development centers located in Conway, Warren, Arkadelphia, Jonesboro, and Booneville.
- **Behavioral Health** is allocated \$86.9 million dollars in general revenues which includes the costs of the State Hospital in Little Rock and Benton, “pass through” funds to community mental health centers and includes \$5 million dollars for crisis stabilization centers.
- **Children and Family Service** is allocated \$118.3 million dollars which is an increase of \$26 million dollars over last year for Foster Care Services.
- **Youth Services** is allocated \$49.1 million dollars which includes services for the Juvenile Detention Facilities.
- **Aging and Adult Services** includes a \$1 million dollar to restore funding for Senior Citizen Centers to the same level prior to a reduction that took place Fiscal Year 2016.



# DEPARTMENT OF CORRECTION



State Fiscal Years (\*FY2017 & \*FY2018-Estimated Funding)

- The general revenue support for the Department has increased from \$340.7 million in FY2017 to \$351.4 million in FY2018. This increase in FY2018 replaces the use of one-time General Improvement Funding, one-time Rainy Day Funds and provides for increases in the medical services contract.
- County Jail Reimbursements funded from General Revenue decreased from \$16.5 million in FY2017 to \$14.3 million in FY2018 due to fewer required beds. The County Jail Reimbursement rate remains at \$30 dollars a day.
- Since Fiscal Year 2010, approximately \$42 million has been released from the Rainy Day Set Aside for additional support for the Department of Correction.



# Agencies & Institutions Transferred/Consolidated/Name Change

**Act 897 of 2017:** Transfers the State Child Abuse and Neglect Prevention Board to DHS-Children and Family Services with a type 3 transfer.

**Act 913 of 2017:** Created the Director's Office in DHS and the DHS Administrative Services, Community Service /Nonprofit Support and Office of Chief Council divisions are eliminated and consolidated into the Directors Office.

**Act 824 of 2017:** Transfers the Student Loan Authority to the Development Finance Authority with a type 2 transfer.

**Act 788 of 2017:** Transfers the Cemetery Board, Burial Association Board and Embalmers and Funeral Directors Board to the Insurance Department with a type 3 transfer.

**Act 707 of 2017:** Changes the name of the Arkansas State Highway and Transportation Department to the Arkansas Department of Transportation.

**Act 565 of 2017:** Transfers the State Board of Private Career Education to the Higher Ed Dept with a type 2 transfer.

**Act 271 of 2017:** Transfers the Energy Office from the Economic Development Commission to the Department of Environmental Quality with a type 2 transfer.

**Act 270 of 2017:** Transfers the Office of Health Information Technology to the Health Dept. with a type 2 transfer.

**Act 269 of 2017:** War Memorial Stadium Commission is transferred to Parks and Tourism with a type 2 transfer.

**Act 179 of 2017:** (Special Language Sections 5 through 10) Rich Mountain Community College name changed to University of Arkansas Community College at Rich Mountain.

**Act 178 of 2017:** (Special Language Sections 5 through 8) Pulaski Technical College name is changed to University of Arkansas – Pulaski Technical College .

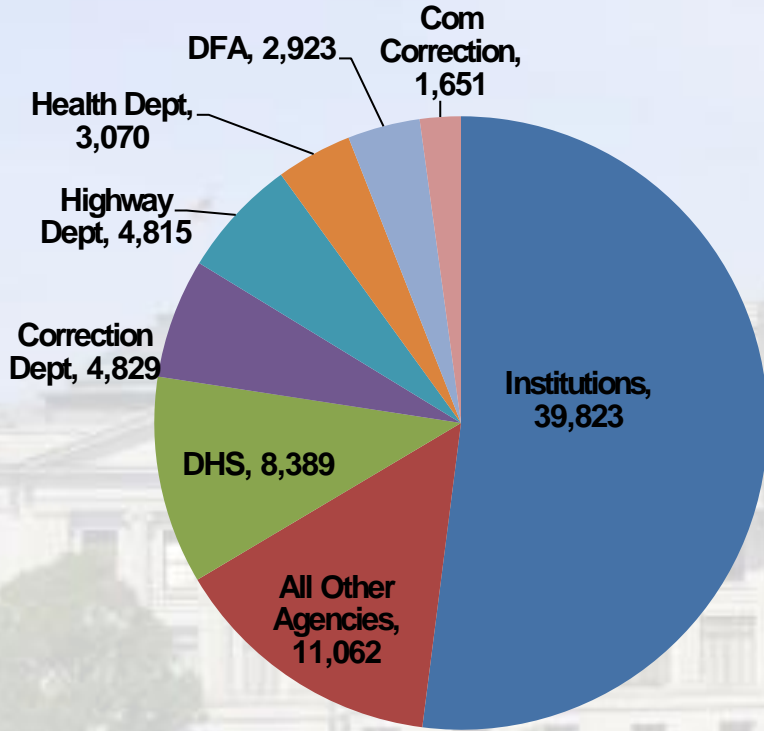
**Type 2 Transfer:** Does not abolish the entity, but transfers the statutory authority, powers, duties, functions, records, personnel, board members, property, appropriations, funds, allocations, budgeting, purchasing, rulemaking, regulation, licensing, standard setting, rate setting, issuing orders, findings & adjudications.

**Type 3 Transfer:** Abolishes the entity in its entirety and transfers all of the entities functions.

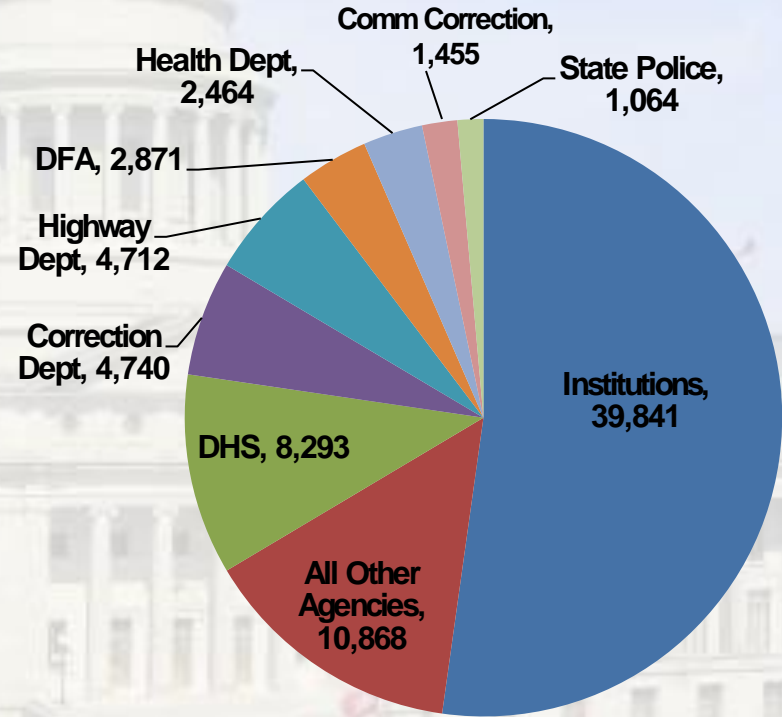


# AUTHORIZED POSITIONS

**FY2017 Authorized Positions = 77,642**



**FY2018 Authorized Positions = 76,308**



Fiscal Year 2017 Total Authorized Positions is 77,642. Institutions of Higher Education authorized positions made up 51% or 39,823 of that total. Fiscal Year 2018 Total Authorized Positions is 76,308 - Institutions of Higher Education authorized positions made up 52% or 39,841.

This is a total decrease of 1,334 positions. Of that State Agencies had a total decrease of 1,352 and Institutions had an increase of 18 authorized positions in FY18 compared to FY17.



# **Act 365 of 2017: State Agencies Uniform Classification and Compensation Act**

This Act replaces the existing pay grade schedule for State Agency employees by implementing four new Pay Grade structures effective July 1, 2017. The four new pay plan schedules are:

1. General Salaries – Grades GS 1 starting salary at \$22,000 through GS15 starting salary at \$96,960. This schedule will apply to over 24,000 state employees. State jobs requiring a college degree start at a GS6 with a minimum salary of \$36,155.
2. Senior Executive – Grades SE1 starting salary is \$108,110 through SE5 starting salary at \$167,096. This plan mirrors the federal pay practice for state agency executives.
3. Information Technology – Grades IT1 starting at \$33,403 through IT12 starting at \$111,504. This schedule will apply to over 690 state employees classified in Information Technology positions.
4. Medical Professional – Grades MP1 starting salary at \$63,830 through MP10 starting salary at \$175,620. This schedule will apply to over 922 state employees and will cover nurses, physicians, pharmacists and medical specialists.

Implementation of the new pay grade structure will include a 1% salary increase for all state agency employees. If the 1% increase does not bring the employee to the minimum salary of the new grade, they will be adjusted to the minimum.

\$22 million dollars in new general revenue support has been provide for the implementation of the new pay grades. This pay plan does not apply to Institutions who now have a separate Uniform Classification and Compensation Act. The Extra Help limitation of total hours an extra help employee can work was increased from 1,000 to 1,500 annually.

Agency Directors may be paid up to 50% over the maximum salary of the grade and 10% of an agency's employees up to 25% over the maximum of the grade contingent on the approval of the Arkansas Legislative Council.

Agency Directors have the authority to provide increased entry rates up to 15% over the entry salary of the grade for new employees as well as provide 10% increases once a biennium to existing employees. All adjustments will be reported to DFA and Arkansas Legislative Council.



# Act 599 of 2017: Institutions of Higher Education Uniform Classification and Compensation Act

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This pay grade system applies only to state employees at Institutions of Higher Education and is effective July 1, 2017.

The Department of Higher Education is charged with reviewing and approving authority for all positions and classifications for all the Institutions.

This retains the previous Career Service and Professional & Executive Pay Plan structure.

1. The Career Service Pay Plan – C101 starting at \$15,080 through C130 starting at \$60,810.
2. The Professional and Executive Pay Plan – N901 starting at \$65,000 through N922 starting at \$180,524.

This includes up to a 2% salary increase for classified employees at Institutions of Higher Education. However the amount of increase may differ from institution to institution. Also, an institution may provide more than a 2% increase if approved by the Department of Higher Education and reviewed by the Arkansas Legislative Council.

Provides a Central Growth Pool of 400 positions for unanticipated needs if approved by the Department of Higher Education and reviewed by Arkansas Legislative Council.

The Merit Increase system for Institutions of Higher Education remains unchanged with percentages based on employee performance evaluations. It also allows institutions to continue to provide Merit as a lump sum payment or a base salary increase.

The Department of Higher Education will be responsible for establishing a Performance Evaluation structure for all Institutions of Higher Education.

