



STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

November 10, 2020

Senator Cecile Bledsoe, Co-Chair
Representative Jeff Wardlaw, Co-Chair
Arkansas Legislative Council
Arkansas General Assembly
State Capitol Little Rock, AR 72201

Dear Co-Chairs:

Eight months ago, I came before this committee to present a budget for the coming fiscal year, not knowing that the COVID-19 pandemic was about to hit. Since that time, we have cut more than half a billion in spending and focused on the core priorities of education, public safety, and healthcare.

While we continue to fight the pandemic, today's budget will fully fund state operations and will continue the priorities and momentum of my administration. It will fund productivity within our institutions of higher education, meet the recommendations of the legislative educational adequacy committee, and see the largest increase in public school funding in more than a decade.

This budget also continues my administration's commitment to lower the tax burden on working Arkansans. It allows us to not just absorb cuts adopted in prior years, but also sets aside \$50 million for low and middle income tax relief. This includes a plan to reduce sales taxes on vehicles priced less than \$10,000 and introduces a new measure, one that offers a lower income tax rate to new Arkansans, and will assist in recruiting workforce to our state.

Additionally, this budget presents a plan for the use of \$240.9 million which we have accumulated in surplus funds. This includes funding to continue our investment in statewide broadband and educational facilities.

It also includes an investment in the future of our state. When I took office, the balance in the Long-Term Reserve was zero. Today, the balance is \$185 million. With my budget today, I will be presenting a plan that will see that balance rise to at least \$420 million by the end of the biennium.

This budget provides continued funding for our crisis stabilization units and our public safety needs, from the crime lab to state police vehicles.

Finally, as a result of our work together to transform state government, the budget identifies \$26.5 million in reductions to state agencies. This is the result of reducing the number of state employees through attrition (858 in FY 2020) and the increased efficiencies from shared resources.

Sincerely,

A handwritten signature in black ink, appearing to read "Asa Hutchinson". The signature is written in a cursive style with a large, sweeping flourish at the end.

Asa Hutchinson

**STATE GENERAL REVENUE
2021 - 2023 Executive Recommendations**

FUND ACCOUNTS	FY21 FORECAST	Fiscal Year 2022				Fiscal Year 2023			
		BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY21	BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY22
Div. of Elementary and Secondary Education	2,187,669,810	2,187,708,897	29,745,792	2,217,454,689	1.4%	2,187,718,268	99,358,239	2,287,076,507	3.1%
State Library	5,359,823	5,359,823	282,096	5,641,919	5.3%	5,359,823	282,096	5,641,919	0.0%
Career and Technical Education ₂	30,366,357	30,368,452	500,000	30,868,452	1.7%	30,368,621	500,000	30,868,621	0.0%
PUBLIC SCHOOL FUND	2,223,395,990	2,223,437,172	30,527,888	2,253,965,060	1.4%	2,223,446,712	100,140,335	2,323,587,047	3.1%
GENERAL EDUCATION FUND									
Div. of Elementary and Secondary Education	15,529,092	16,331,868	817,321	17,149,189	10.4%	16,379,120	817,321	17,196,441	0.3%
Div. of Elementary and Secondary Education - Succeed Scholarship	0	0	3,300,000	3,300,000	100.0%	0	3,300,000	3,300,000	0.0%
Educational Facilities Partnership	41,828,951	41,828,951	0	41,828,951	0.0%	41,828,951	28,500,000	70,328,951	68.1%
Div. of Academic Facilities & Transportation	2,491,050	2,527,107	131,198	2,658,305	6.7%	2,531,297	131,198	2,662,495	0.2%
Educational Television	5,202,689	5,382,727	77,231	5,459,958	4.9%	5,393,951	78,930	5,472,881	0.2%
School for the Blind	6,885,722	7,118,142	585,430	7,703,572	11.9%	7,136,122	585,430	7,721,552	0.2%
School for the Deaf	10,006,090	10,350,845	720,136	11,070,981	10.6%	10,372,183	720,136	11,092,319	0.2%
State Library	3,435,963	3,514,904	180,840	3,695,744	7.6%	3,515,890	180,840	3,696,730	0.0%
Div. of Career and Technical Education	9,500	9,500	0	9,500	0.0%	9,500	0	9,500	0.0%
Rehabilitation Services	11,354,786	11,596,466	0	11,596,466	2.1%	11,641,802	0	11,641,802	0.4%
Subtotal - General Education	96,743,846	98,660,510	5,812,156	104,472,666	8.0%	98,808,816	34,313,855	133,122,671	27.4%
Technical Institutes:									
Northwest TI	2,999,927	3,059,189	0	3,059,189	2.0%	3,066,434	0	3,066,434	0.2%
Riverside VTS	2,240,714	2,312,769	117,932	2,430,701	8.5%	2,317,086	117,932	2,435,018	0.2%
Subtotal - Technical Institutes	5,240,641	5,371,958	117,932	5,489,890	4.8%	5,383,520	117,932	5,501,452	0.2%
TOTAL GENERAL ED. FUND	101,984,487	104,032,468	5,930,088	109,962,556	7.8%	104,192,336	34,431,787	138,624,123	26.1%
HUMAN SERVICES FUND									
DHS-Administration	22,601,484	23,733,915	0	23,733,915	5.0%	23,778,727	0	23,778,727	0.2%
Children & Family Services	118,956,010	119,946,575	0	119,946,575	0.8%	119,997,824	0	119,997,824	0.0%
Child Care/Early Childhood Ed.	2,009,177	2,167,125	0	2,167,125	7.9%	2,173,405	0	2,173,405	0.3%
Youth Services	48,799,561	48,897,465	0	48,897,465	0.2%	48,903,006	0	48,903,006	0.0%
Devel. Disab. Services	63,650,743	65,234,278	0	65,234,278	2.5%	65,306,674	0	65,306,674	0.1%
Medical Services	2,220,986	2,325,764	0	2,325,764	4.7%	2,333,276	0	2,333,276	0.3%
DHS-Grants	1,313,215,466	1,313,215,466	75,252,977	1,388,468,443	5.7%	1,313,215,466	125,966,432	1,439,181,898	3.7%
Behavioral Health	93,993,600	95,165,518	0	95,165,518	1.2%	95,232,260	0	95,232,260	0.1%
Provider Services and Quality Assurance	5,118,262	5,312,733	0	5,312,733	3.8%	5,321,846	0	5,321,846	0.2%
County Operations	45,797,548	47,383,974	0	47,383,974	3.5%	47,470,649	0	47,470,649	0.2%
TOTAL HUMAN SERVICES	1,716,362,837	1,723,382,813	75,252,977	1,798,635,790	4.8%	1,723,733,133	125,966,432	1,849,699,565	2.8%
STATE GENERAL GOV'T FUND									
Div. of Ark. Heritage	7,141,636	7,324,050	0	7,324,050	2.6%	7,327,148	0	7,327,148	0.0%
Department of Agriculture	16,837,301	17,391,324	886,174	18,277,498	8.6%	17,406,921	886,174	18,293,095	0.1%
Dept. of Labor and Licensing	3,068,060	3,127,575	650,000	3,777,575	23.1%	3,127,575	650,000	3,777,575	0.0%
Div. of Higher Education	11,006,173	11,064,808	579,272	11,644,080	5.8%	11,066,536	579,272	11,645,808	0.0%
Institution Productivity Funding ₃	0	0	0	0	0.0%	0	11,260,828	11,260,828	100.0%
Higher Education Grants	38,016,592	38,018,752	2,000,873	40,019,625	5.3%	38,018,752	2,000,873	40,019,625	0.0%
Economic Development Commission	14,076,611	14,552,810	740,874	15,293,684	8.6%	14,555,029	6,540,874	21,095,903	37.9%
Div. of Correction	360,991,738	369,401,401	5,657,595	375,058,996	3.9%	369,577,554	9,378,462	378,956,016	1.0%
Div. of Community Correction	91,439,530	94,320,088	2,579,801	96,899,889	6.0%	94,397,166	2,756,341	97,153,507	0.3%
Dept. of the Military	6,385,424	7,064,903	681,018	7,745,921	21.3%	7,069,321	679,051	7,748,372	0.0%
Parks & Tourism	19,748,929	20,614,754	0	20,614,754	4.4%	20,630,801	0	20,630,801	0.1%
Div. of Environmental Quality	3,767,151	3,847,006	198,271	4,045,277	7.4%	3,848,855	198,271	4,047,126	0.0%
Miscellaneous Agencies ₄	61,582,393	67,230,530	3,813,374	71,043,904	15.4%	63,122,604	3,811,931	66,934,535	-5.8%
TOTAL STATE GENERAL GOV'T	634,061,538	653,958,001	17,787,252	671,745,253	5.9%	650,148,262	38,742,077	688,890,339	2.6%

2021 - 2023 Executive Recommendations

FUND ACCOUNTS	FY21 FORECAST	Fiscal Year 2022				Fiscal Year 2023			
		BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY21	BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY22
OTHER FUNDS									
County Aid	20,357,186	20,357,186	1,071,430	21,428,616	5.3%	20,357,186	1,071,430	21,428,616	0.0%
County Jail Reimbursement	18,397,647	18,397,647	968,297	19,365,944	5.3%	18,397,647	968,297	19,365,944	0.0%
Crime Information System ₄	3,571,614	3,541,309	(1,000,000)	2,541,309	-28.8%	3,543,658	(1,000,000)	2,543,658	0.1%
Child Support Enforcement	12,334,851	12,619,632	0	12,619,632	2.3%	12,631,574	0	12,631,574	0.1%
Dept. of Health	78,751,022	80,387,021	2,096,840	82,483,861	4.7%	80,496,222	2,096,840	82,593,062	0.1%
Performance Fund	0	0	3,629,362	3,629,362	100.0%	0	16,000,000	16,000,000	340.8%
Motor Vehicle Acquisition	0	0	0	0	0.0%	0	0	0	0.0%
Municipal Aid	27,903,494	27,903,494	1,468,605	29,372,099	5.3%	27,903,494	1,468,605	29,372,099	0.0%
Div. of Arkansas State Police	62,366,357	66,537,701	3,282,440	69,820,141	12.0%	66,601,474	3,282,440	69,883,914	0.1%
Div. of Workforce Services-TANF	3,671,598	3,682,210	0	3,682,210	0.3%	3,685,419	0	3,685,419	0.1%
Div. of Workforce Services-Adult Education	899,680	918,273	0	918,273	2.1%	918,996	0	918,996	0.1%
Services for the Blind	1,867,855	1,897,471	0	1,897,471	1.6%	1,900,926	0	1,900,926	0.2%
Skills Development Fund	3,580,309	3,585,793	0	3,585,793	0.2%	3,586,921	0	3,586,921	0.0%
TOTAL OTHER FUNDS	233,701,610	239,827,737	11,516,974	251,344,711	7.5%	240,023,517	23,887,612	263,911,129	5.0%
INSTITUTIONS OF HIGHER EDUCATION - Four Year Institutions:									
<i>See Footnote related to Productivity Funding.</i>									
Arkansas State University	56,712,052	56,712,052	4,463,585	61,175,637	7.9%	56,712,052	2,984,845	59,696,897	-2.4%
Arkansas Tech University	31,718,000	31,718,000	2,029,067	33,747,067	6.4%	31,718,000	1,669,368	33,387,368	-1.1%
Henderson State University	18,079,415	18,079,415	1,243,486	19,322,901	6.9%	18,079,415	951,548	19,030,963	-1.5%
Southern Arkansas University	16,320,222	15,437,518	1,456,934	16,894,452	3.5%	15,437,518	858,959	16,296,477	-3.5%
UA-Fayetteville	116,687,604	116,687,604	9,716,928	126,404,532	8.3%	116,687,604	6,141,453	122,829,057	-2.8%
UA - System	3,305,500	3,305,500	173,974	3,479,474	5.3%	3,305,500	173,974	3,479,474	0.0%
UA - Archeological Survey	2,250,810	2,250,810	118,464	2,369,274	5.3%	2,250,810	118,464	2,369,274	0.0%
UA - Agriculture	62,510,131	62,510,131	3,290,007	65,800,138	5.3%	62,510,131	3,290,007	65,800,138	0.0%
UA - Clinton School	2,220,051	2,220,051	116,845	2,336,896	5.3%	2,220,051	116,845	2,336,896	0.0%
UA - Criminal Justice Institute	2,145,702	2,145,702	112,932	2,258,634	5.3%	2,145,702	112,932	2,258,634	0.0%
UA - AR Sch.Math, Science, & Arts	1,076,396	1,076,396	56,652	1,133,048	5.3%	1,076,396	56,652	1,133,048	0.0%
U of A - Ft. Smith	19,329,841	19,329,841	1,302,984	20,632,825	6.7%	19,329,841	1,017,360	20,347,201	-1.4%
UA-Little Rock	57,494,393	57,494,393	3,201,950	60,696,343	5.6%	57,494,393	3,026,021	60,520,411	-0.3%
UA-Medical Sciences	83,612,237	83,612,237	4,400,644	88,012,881	5.3%	83,612,237	4,400,644	88,012,881	0.0%
UAMS - Child Abuse/Rape/Domestic Violence	710,820	710,820	37,412	748,232	5.3%	710,820	37,412	748,232	0.0%
UAMS - Pediatrics/Psychiatric Research	1,885,845	1,885,845	99,255	1,985,100	5.3%	1,885,845	99,255	1,985,100	0.0%
UAMS - Child Safety Center	696,881	696,881	36,678	733,559	5.3%	696,881	36,678	733,559	0.0%
UAMS - Indigent Care	5,166,423	5,166,423	271,917	5,438,340	5.3%	5,166,423	271,917	5,438,340	0.0%
UA-Monticello	15,174,764	15,174,764	1,149,718	16,324,482	7.6%	15,174,764	798,672	15,973,436	-2.2%
UA-Pine Bluff	24,901,490	24,901,490	1,639,063	26,540,553	6.6%	24,901,490	1,310,605	26,212,095	-1.2%
University of Central Arkansas	52,490,524	52,490,524	3,694,367	56,184,891	7.0%	52,490,524	2,762,659	55,253,183	-1.7%
Subtotal - 4 Year Institutions	574,489,095	573,606,397	38,612,862	612,219,259	6.6%	573,606,397	30,236,270	603,842,667	-1.4%
INSTITUTIONS OF HIGHER EDUCATION - Two Year Institutions:									
Arkansas Northeastern College	8,263,505	8,226,185	653,321	8,879,506	7.5%	8,226,185	434,921	8,661,106	-2.5%
Arkansas State University - Beebe	11,163,297	11,163,297	361,752	11,525,049	3.2%	11,163,297	587,542	11,750,839	2.0%
Arkansas State Univ.-Mt. Home	3,499,574	3,499,574	3,610,087	7,110,661	3.2%	3,499,574	184,188	3,683,762	2.0%
Arkansas State Univ. - Newport	6,458,124	5,925,957	834,418	6,760,375	4.7%	5,925,957	339,901	6,265,858	-7.3%
Cossatot C C of the UA	3,302,237	3,302,237	288,809	3,591,046	8.7%	3,302,237	173,802	3,476,039	-3.2%
East Arkansas Cmty. College	7,832,089	7,832,089	660,109	8,492,198	8.4%	7,832,089	412,215	8,244,304	-2.9%
Arkansas State Univ. - Mid-South	3,840,264	3,822,290	274,957	4,097,247	6.7%	3,822,290	202,119	4,024,409	-1.8%
ASU - Mid-South - ADTEC	1,450,650	1,450,650	76,350	1,527,000	5.3%	1,450,650	76,350	1,527,000	0.0%
National Park College	8,380,599	8,380,599	615,043	8,995,642	7.3%	8,380,599	441,084	8,821,683	-1.9%
North Arkansas College	7,416,724	7,416,724	234,212	7,650,936	3.2%	7,416,724	390,354	7,807,078	2.0%
NorthWest Arkansas Cmty. College	11,564,140	10,385,422	1,571,815	11,957,237	3.4%	10,385,422	608,639	10,994,061	-8.1%
Phillips Cmty. College of the UA	8,539,259	8,539,259	741,307	9,280,566	8.7%	8,539,259	449,435	8,988,694	-3.1%

2021 - 2023 Executive Recommendations

FUND ACCOUNTS	FY21 FORECAST	Fiscal Year 2022				Fiscal Year 2023			
		BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY21	BASE LEVEL ₁	Executive Recommendation	TOTAL	OVER FY22
U of A - Rich Mountain	3,383,343	3,064,504	418,259	3,482,763	2.9%	3,064,504	178,071	3,242,575	-6.9%
Southern Ark. University - Tech	5,292,367	5,292,367	494,353	5,786,720	9.3%	5,292,367	278,546	5,570,913	-3.7%
SAU-Tech-Envir. Control Center	356,284	356,284	18,752	375,036	5.3%	356,284	18,752	375,036	0.0%
SAU-Tech-Fire Training Academy	1,596,896	1,596,896	84,047	1,680,943	5.3%	1,596,896	84,047	1,680,943	0.0%
South Arkansas Cmty. College	5,731,301	5,731,301	336,748	6,068,049	5.9%	5,731,301	301,647	6,032,948	-0.6%
U of A - Cmty. College at Batesville	3,923,626	3,923,626	268,649	4,192,275	6.8%	3,923,626	206,507	4,130,133	-1.5%
U of A - Cmty. College at Hope-Texarkana	4,739,641	4,445,127	572,367	5,017,494	5.9%	4,445,127	249,455	4,694,582	-6.4%
U of A - Cmty. College at Morrilton	5,099,641	4,815,231	533,348	5,348,579	4.9%	4,815,231	268,402	5,083,633	-5.0%
Subtotal - 2 Year Institutions	111,833,561	109,169,619	9,149,129	118,318,748	5.8%	109,169,619	5,885,977	115,055,596	-2.8%
INSTITUTIONS OF HIGHER EDUCATION - Technical Colleges									
Black River	5,663,516	5,663,516	178,848	5,842,364	3.2%	5,663,516	298,080	5,961,596	2.0%
ASU - Three Rivers	3,297,333	3,297,333	110,185	3,407,518	3.3%	3,297,333	173,544	3,470,877	1.9%
Ozarka	2,896,343	2,896,343	361,274	3,257,617	12.5%	2,896,343	152,439	3,048,782	-6.4%
U of A - Pulaski Tech	14,023,209	14,023,209	442,839	14,466,048	3.2%	14,023,209	738,064	14,761,273	2.0%
Southeast Arkansas College	5,221,887	5,221,887	164,902	5,386,789	3.2%	5,221,887	274,836	5,496,723	2.0%
Subtotal - Technical Colleges	31,102,288	31,102,288	1,258,048	32,360,336	4.0%	31,102,288	1,636,963	32,739,251	1.2%
TOTAL INST'S OF H. E.	717,424,944	713,878,304	49,020,039	762,898,343	6.3%	713,878,304	37,759,210	751,637,514	-1.5%
Restricted Reserve	60,368,593	0	0	0	0.0%	0	0	0	0.0%
Total Request	5,687,300,000	5,658,516,495	190,035,218	5,848,551,713	2.8%	5,655,422,264	360,927,453	6,016,349,717	2.9%
OFFICIAL FORECAST 11.10.20	5,687,300,000			5,859,400,000				6,144,500,000	
Add: Fund Transfer from the General Revenue Allotment Reserve Fund				25,000,000					
TAX REFORM									
Less: Used Motor Vehicle Sales Tax/3.5% Rate < \$10,000				(6,548,287)				(13,096,574)	
Less: 4.9% Income Tax Plan for New Residents				(1,550,000)				(4,650,000)	
Less: Income Tax Table Cliff Adjustment				(2,750,000)				(5,500,000)	
Less: Individual Income Tax Change				(25,000,000)				(50,000,000)	
ADJUSTED REVENUE AVAILABLE				5,848,551,713				6,071,253,426	
Transfer to the Long Term Reserve Fund								54,903,709	
Surplus/(Deficit)									

1. Base Level includes adjustments for the FY20 and FY21 Performance Pay, 2021-2023 Retirement Rate Contribution Rates, calculated 2021-2023 Career Service Payments, and the \$360 annual increase in EBD Contribution.
2. The Executive Recommendation for Public School Fund - Career and Technical Education in the amount of \$500,000 is for the Adult Education Basic and General Education Program.
3. Executive Recommendations for formula institutions reflect restoration of Category D funding and the Productivity Funding Distribution for FY22. FY23 allocations for formula institutions reflect the calculated base level distribution and restoration of Category D funding. Any amount above the FY23 allocations for formula institutions is provided in the Institution Productivity Funding line.
4. The Executive Recommendation reflects a reallocation of \$1,000,000 from the Crime Information System line to the Misc. Agencies line for the Department of Public Safety - Crime Laboratory.

One-time Funding Schedule 2021 – 2023 Biennium

<u>Estimated Available Funds</u>	
Unobligated Balance Carryforward	\$201,719,705
FY20 General Revenue Reclaimed	\$39,188,451.05
FY20 Prior Year Adjustment	\$42,529.57
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Total Estimated Funds for 2021-2023 Biennium	\$240,950,686
<u>Less Mandatory/Debt Obligations:</u>	
Dept of Correction – Lease Payments	\$6,010,750
<u>Less Executive Recommendations:</u>	
Transfer to Long Term Reserve	\$100,000,000
Transfer to General Revenue to Offset Tax Reduction	\$25,000,000
Transfer to Department of Education for Academic Facilities	\$28,500,000
Transfer to Department of Commerce for Rural Broadband	\$30,000,000
Transfer to Department of Public Safety for State Police Vehicles	\$3,000,000
Transfer to Department of Commerce for Economic Programs	\$5,800,000
Transfer to Rainy Day Fund	\$25,000,000
Transfer Medicaid Trust Fund	\$4,108,119
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Total Executive Recommendations and Transfers	\$227,418,869
Remaining Funding to Distribute	\$13,531,817