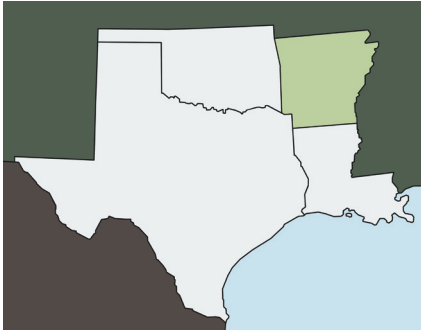


ARKANSAS Budget Report Card



ARKANSAS RAISED ITS BUDGET transparency grade to an average of C for fiscal 2017 through 2019, losing its position as the only state to receive a D average in the category for 2016–18. The move reflected the state’s adoption of tax expenditure reports in 2018 and 2019. Seven other states also received Cs for transparency in the latest three-year period.

Arkansas lost ground in the budget maneuvers category, however, dropping to an average of B from an A in the previous period. The decline reflected a transfer in 2019 of \$21.9 million from the rainy day fund to the Arkansas Department of Transportation so the agency would have sufficient matching funds to obtain \$200 million in federal highway money. Using rainy day fund assets outside a fiscal crisis or natural disaster may present future challenges for the state as it lacks policies for replacing withdrawals—one of the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. This lack of a rule for replenishing the rainy day fund contributed to Arkansas’s receiving a C average in the reserve funds category. The state also lacks policies that link rainy day fund goals to historical revenue volatility.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care, the state earned an average of C. Its pension plans were 81 percent funded as of 2018, about 11 percentage points above the total for all states. But Arkansas has set aside no funding for future OPEB obligations, instead meeting them on a pay-as-you-go basis.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	B	C	C	C
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	C	D-	A	B
US AVERAGE	B	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.


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ARKANSAS Budget Report Card

BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	D	D	D
	Consensus Revenue Forecasts	X	X	X
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	X	X	X
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE D		3-YEAR TREND —		

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	B	A	B
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	X	✓	X
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	C	C	C
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	76%	81%	81%
3-YEAR AVERAGE C		3-YEAR TREND —		

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	C	C	C
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	X	X	X
	Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —		

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	D	C	C
	Consolidated Budget Website	X	X	X
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	X	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗		

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2018 data also used for 2019.

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