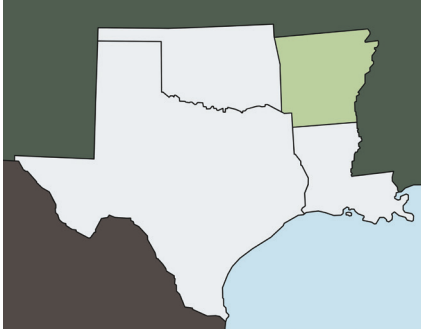# ARKANSAS Budget Report Card

ARKANSAS STANDS APART from most states in its poor grades for budget transparency in fiscal 2015 through 2019. Its category average of D, the second-lowest mark, reflects its position as the only state that fails to present budgetary material on a consolidated website. The shortcoming deprives legislators, residents, and other interested parties of the clear display of budgetary information needed to guide decision-making. The transparency grade was tempered slightly by Arkansas's effort to report on tax expenditures beginning in 2018, when it first provided information about business incentives and credits. The next year, a new state law required biennial reporting of the costs of any income or sales and use tax exemptions, discounts, credits, and deductions.

Another category in which Arkansas is nearly alone is reserve funds, because it lacks policies for replenishing its rainy day account after drawdowns. Only Kansas has the same shortcoming. This deficiency limited Arkansas's average grade for reserve funds to a C. It is also one of only six states to have had less than $200 million in its rainy day account in 2019, and the Long Term Reserve Fund was empty in 2015 and 2016.

Like twenty-six other states, Arkansas failed to make actuarially determined annual contributions for other postemployment benefits (OPEB), mostly health care. As a result, although its public worker pensions were funded at 80 percent in 2019, 9 percentage points above the total for all states, Arkansas averaged a C in legacy costs.

The state's sole top A average was in budget maneuvers. While it shifted rainy day fund assets into its highway fund in 2019—a one-time action designed to help the account get federal matching dollars—the maneuver was not large enough to diminish its average.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arkansas	D	A	C	C	D
Louisiana	B	C	D	A	B
Oklahoma	B	B	A	A	B
Texas	C	B	D-	A	B
US AVERAGE	C	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: Preparing for the Storm* at VolckerAlliance.org.

ARKANSAS Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	X	X	X	X	X					
Multiyear Revenue Forecasts	X	X	X	X	X					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	A	A	B	A	B					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●		●	
Revenue and Cost Shifting	✓	✓	X	✓	X			●		●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	X	X	X	X	X					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	82%	74%	77%	81%	80%					
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓					
Reserve Funds Replenishment Policy	X	X	X	X	X	●	●	●	●	●
Reserves Tied to Revenue Volatility	X	X	X	X	X					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	C	C					
Consolidated Budget Website	X	X	X	X	X					
Provides Debt Tables	✓	✓	✓	✓	✓					
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X				●	●
Discloses Tax Expenditures	X	X	X	✓	✓	●	●	●		
5-YEAR AVERAGE D										

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.