A million here, a million there…

Other Peoples’ Money:

State Budgeting and Fiscal Policies

Let’s Got to the Web

www.dfa.**arkansas**.gov/offices/**budget**/Documents/**budget**\_**facts**.doc

**FISCAL YEAR 2011**

**GENERAL REVENUE FUNDS**

DISTRIBUTION

**$4,747.5 (Millions)**

Did you know 87¢ of every general revenue tax dollar is

spent on education, health, and human services?

**Budgeting Definitions**

Fiscal: Having to do with money

Budget: A spending plan

Revenue: Money coming in to the government from ALL sources (not just taxes)

Expenditures: Money going out

Appropriation: Legal authority to spend money

Funding Source: Designated source for money to come from – General revenue or special funds

Allocation: to distribute among funds or priority levels

To spend money you need:

Authorization (an appropriation)

Funds (revenue)

You must have BOTH

* A check book with checks but no cash on deposit will get you in trouble
* Cash in the bank, but a lost ATM card still means no pizza

Balanced Budget

Revenues equal expenditures

State Constitutions (unlike some levels we know…) require balanced budgets in every state except Vermont

How do you know how much revenue there will be?

* The Dark Art of Revenue Estimating
* Consensus Estimates

What to do if Revenue and Expenditures Don’t Match:

* Increase Revenue:
* Raise tax rate
* Expand tax base
* Decrease Expenditures
* Cut programs
* Increase efficiency
* Bond or borrow

Unbalanced Budget

Deficit: More spending than available revenues

Debt: Long term result of borrowing to cover deficits

Bonded Indebtedness: Intentional program to incur debt over long periods of time

Surplus: More revenue than spending

Rainy Day Fund

Genesis 41:28“It is just as I said to Pharaoh: God has shown Pharaoh what he is about to do. 29Seven years of great abundance are coming throughout the land of Egypt, 30but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten, and the famine will ravage the land. 31The abundance in the land will not be remembered, because the famine that follows it will be so severe. 32The reason the dream was given to Pharaoh in two forms is that the matter has been firmly decided by God, and God will do it soon. 33“And now let Pharaoh look for a discerning and wise man and put him in charge of the land of Egypt. 34Let Pharaoh appoint commissioners over the land to take a fifth of the harvest of Egypt during the seven years of abundance. 35They should collect all the food of these good years that are coming and store up the grain under the authority of Pharaoh, to be kept in the cities for food. 36This food should be held in reserve for the country, to be used during the seven years of famine that will come upon Egypt, so that the country may not be ruined by the famine.”

The Fiscal Rollercoaster

Point, Counter-Point

FY 2006

FY 2008

FY 2009

FY 2010

Revenue Stabilization Act

Allocation to categories A, B or C

Biennial Budget

One of Four

Arkansas was one of only four states

To end Fiscal Year 2010 “right side up”

(Also Alaska, Montana, and South Dakota)

The Budget Process/Budget Cycle

Agency Request

Governor's Recommended Budget - Executive Budget - Governor's Package

Legislative Appropriation

Review for Governor’s Veto

Line Item Veto (43 governors)

Release plan

Some strings attached, some restrictions may apply…

contingent appropriations

proviso language

Budget Terminology

Operating expenditures

Salaries and Benefits

Benefits

Part-time Personnel

Expenses

Non-recurring expenditures

Capital Outlay

Infrastructure

Capital Improvement Funds, Facilities Funds, Infrastructure Funds - bonding

Types of Revenue/Funding Sources

General Revenue

Trust Funds/Special Funds/Dedicated Funds

Intergovernmental (Federal Funds)

* Pass through funds

The Growing Trends:

* Dedicated Funds
* User Fees

The Growth Sector: Intergovernmental

All Revenue Sources (Arkansas)
FISCAL YEAR 2011

REVENUE FROM ALL SOURCES

All revenue categories are reported on the modified accrual basis of accounting, except enterprise, which is reported on the full accrual basis. **$18,942.9 (Millions)**

Big Picture Budgeting Approaches

incremental budgeting

zero based budgeting

program planning budgeting system

Most budgets are a mix:

Priority lists from ZBB

Program objectives from PPB

Base + Adjustments from incrementalism

War Stories

“Splitting the Difference”

“What have YOU done with MY Money?”

How to build a “multi-use academic and athletic facility”

Readings:

Chapter 8 in Saffell

Chapter 10 in GIA