State of Arkansas *As Engrossed: H2/6/13 H2/19/13 H2/27/13*
89th General Assembly
A Bill
Regular Session, 2013 HOUSE BILL 1041

By: Representatives Westerman, D. Altes, Bell, Biviano, J. Burris, Clemmer, Collins, Cozart, Davis, Dotson, C. Douglas, D. Douglas, Eubanks, Gillam, Gossage, Hammer, Harris, Hickerson, Hobbs, House, Hutchison, Kerr, Lea, Lowery, Mayberry, D. Meeks, Rice, Scott, Shepherd, Slinkard, *Alexander, Ballinger, Barnett, Bragg, Carnine, Dale, Deffenbaugh, Farrer, Fite, Jean, Linck, S. Malone, S. Meeks, Neal, Payton, Womack*
By: Senators D. Sanders, Files, Hester, Holland, Rapert*, J. English*

For An Act To Be Entitled

AN ACT TO IMPOSE A CAP ON GENERAL REVENUE EXPENDITURES FOR EACH FISCAL YEAR; TO LIMIT THE INCREASE IN GENERAL REVENUE EXPENDITURES FROM YEAR TO YEAR; TO CREATE A NEXUS BETWEEN THE AMOUNT OF GENERAL REVENUE EXPENDITURES AND THE GROWTH OF THE STATE *DISPOSABLE PERSONAL INCOME*; AND FOR OTHER PURPOSES.

Subtitle

TO LIMIT THE INCREASE IN GENERAL REVENUE EXPENDITURES FROM YEAR TO YEAR; AND TO CREATE A NEXUS BETWEEN THE AMOUNT OF GENERAL REVENUE EXPENDITURES AND THE GROWTH OF THE STATE DISPOSABLE PERSONAL INCOME.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 19-1-212 is amended to read as follows:

19-1-212. Duty to avoid deficit <u>— Limitation on *expenditures of net general revenue*</u>.

~~It shall be the duty and responsibility of the~~ <u>*(a) The*</u> Director of the Department of Finance and Administration ~~to~~ <u>shall</u>:

(1) Keep advised at all times as to the revenues and other income available for the operation, maintenance, and improvement of all state agencies;

(2) Exercise the powers conferred upon him or her by law to see that the state and all state agencies are maintained on a basis of accounting recommended by the Governmental Accounting Standards Board for governmental purposes;

(3) See that no obligation shall be incurred which shall not be payable when the obligation shall become due; and

(4) Exercise his or her powers to see that ~~the~~:

(A) The funds on hand and estimated to become available to each state agency ~~shall be~~ are sufficient to maintain the state and all ~~of its~~ state agencies on a sound financial basis without incurring a deficit~~.~~; and

(B)(i) The expenditures of net general revenue available for distribution for each fiscal year do not exceed the average rate of change of the total state disposable personal income.

(ii) The average rate of change of the total state disposable personal income that is applicable for a fiscal year shall be calculated by July 15 of the preceding fiscal year by:

(a) Dividing:

(1) The total state disposable personal income based on the most recent annual report from the United States Bureau of Economic Analysis for the immediately preceding calendar year; by

(2) The total state disposable personal income based on the bureau's estimates closest in time to five (5) calendar years before the report used in subdivision (4)(B)(ii)(a)(1) of this section; and

(b) Subtracting one (1) from the fifth root of the quotient obtained under subdivision (4)(B)(ii)(a) of this section.

(b) The director may authorize an expenditure that exceeds the limitation stated in subdivision (a)(4)(B) of this section if the:

(1) Expenditure is necessary because of an emergency;

(2) Governor approves the expenditure; and

(3) Legislative Council, or the Joint Budget Committee if the General Assembly is in session, reviews the expenditure.

(c) The limitation stated in subdivision (a)(4)(B) of this section does not apply to:

(1) General revenues transferred or credited to the General Improvement Fund or its successor fund or fund accounts; or

(2) One-time expenditures for the settlement of claims against the state or a state entity.

SECTION 2. EFFECTIVE DATE. This act is effective on and after July 1, 2014.

/s/Westerman