



Instructions for Preparation of the
ANNUAL OPERATIONS PLAN
For Institutions of Higher Education
Fiscal Year 2019

Asa Hutchinson

Governor, State of Arkansas

Duncan Baird

Administrator, Office of Budget

Department of Finance and Administration

1509 West 7th Street, Room 402
Little Rock, Arkansas 72201
501-682-1941

dfa.arkansas.gov/offices/budget

TABLE OF CONTENTS

Overview of Annual Operation Plans.....	3
Laws Requiring Special Attention	4
General Instructions.....	7
Preparation of Quarterly Allotments	8
Annual Operations Plan Checklist.....	9
Instructions for Completing the Annual Funds Center Worksheet	10
Carry Forward of Any Remaining Fund Balances from Fiscal Year 2018 to Fiscal Year 2019	12
Appendix	14
Definitions.....	14

OVERVIEW OF ANNUAL OPERATION PLANS

All Institutions of Higher Education must submit an annual fiscal program by **May 7, 2018**, supported by the required Annual Funds Center Worksheet and President/Chancellor approval letter to the Department of Finance and Administration, Office of Budget. The approved program will be uploaded to the Arkansas Administrative Statewide Information System (AASIS).

For those institutions funded through the Educational Excellence Trust Fund, distribution of funds may change after the initial budgets are established effective July 1, 2018, pursuant to A.C.A. §6-5-301. Institutions should spend funds cautiously until final funding levels are determined.

For those institutions funded through the Tobacco Settlement Trust Fund, distribution of funds may change after the initial budgets are established effective July 1, 2018, pursuant to A.C.A. §19-12-101. Institutions should spend funds cautiously until final funding levels are determined.

For those institutions receiving funds from the Work Force 2000 Development Fund, distribution from this source will not be included on the initial budgets established for fiscal year 2019. Annual Work Force 2000 Development Fund transfers of both appropriation and funding will be processed after July 1, 2018 when final funding levels as based on certified fiscal year 2018 collections are determined as provided under A.C.A. §26-51-205.

For those agencies funded from the Miscellaneous Agencies Fund, the budget analyst will provide the funding level for the 2019 Annual Fiscal Program as soon as possible after the issuance of the Official Forecast of general revenue available for distribution to agencies.

LAWS REQUIRING SPECIAL ATTENTION

- Act 599 of 2017 amended A.C.A. §21-5-1401, **to create** the Higher Education Uniform Classification and Compensation Act of the State of Arkansas. This act established the classification of all positions for state institutions of higher education as well as provided a compensation plan for the setting of salaries and salary increases.

The act also created an institution merit increase pay system as provided under A.C.A. §21-5-1001 et seq. for employees of all state institutions. Upon satisfaction of performance evaluation-based criteria developed by institutions in accordance with rules and policies developed by the Department of Higher Education, eligible employees can receive a lump-sum merit bonus up to 4.5%. Further information will be provided on this process by the Department of Higher Education.
- A.C.A. §25-16-903 through A.C.A. §25-16-905, as amended, provides authorization and restrictions regarding stipends and expense reimbursements for members of boards and commissions. In accordance with the United States Internal Revenue Code (IRC), 2001-Code-Vol, Sec 3401 and Treasury Regulations §31.3401(c)-1(a) and §1.1402(c)-2(b), persons receiving stipends shall be considered as a state employee for issuance of W-2 forms. Board members are authorized to receive stipend payments per day for each meeting, examination, evaluation or inspection attended or for any day while performing any proper business of the board. The board must vote during its first regularly scheduled meeting of each calendar year to authorize payment to its members.
- A.C.A. §21-12-502 requires notification by agencies to the Legislative Council and to the Department of Finance and Administration - Office of Personnel Management of plans to implement layoffs of state employees due to privatization of programs.
- A.C.A. §21-4-501 allows for the payment of accrued sick leave for retiring employees. While it is difficult to budget for this unknown event, institutions are cautioned about the fiscal impact of this legislation.
- A.C.A. §19-4-2201 requires Legislative Council or Joint Budget Committee review of certain discretionary grants awarded by state institutions.
- A.C.A. §6-80-106 provides that each state supported institution of higher education shall not exceed its unrestricted educational and general tuition and mandatory fee income spending for academic and performance scholarships by more than twenty percent (20%). All expenditures for academic and performance scholarships exceeding twenty percent (20%) of unrestricted educational and general tuition and mandatory fee income in a fiscal year shall be deducted from the state funding recommendations as determined by the appropriate funding formula model for the fiscal year in the following biennium.
- A.C.A. §24-2-701(C)(3) allows the Board of Trustees of the Arkansas Public Employees Retirement System to establish employer contributions each year. **The state employee retirement rate has been set at 15.32% for fiscal year 2019.**

- A.C.A. § 24-4-402(b) and (c), requires employers in the Arkansas Public Employees' Retirement System to make contributions for **both active and retired members** who have returned to work.
- A.C.A. §24-2-701 (C)(1C) allows the Board of Trustees of the Arkansas Teacher Retirement System to establish employer contributions each year. **The state employee retirement rate has been set at 14% for fiscal year 2019.**
- A.C.A. §6-62-105 allows private borrowing from a private financial institution by a state supported institution of higher education under certain circumstances.
- A.C.A. §6-62-309(c) authorizes the board of trustees of each institution of higher education to reallocate resources if necessary for the purposes of preventing a default on its indebtedness. Prior approval of the Legislative Council or Joint Budget Committee is required.
- A.C.A. §6-53-302(d) specifies qualifications for appointments to the local Board of Trustees of Technical Colleges.
- A.C.A. §6-61-231, as amended creates a system for fully transferable credit hours from degrees in Associate of Arts, Associate of Science, and Associate of Arts in Teaching among public institutions of higher education.
- A.C.A. §22-5-809(c)(1) provides that funds received by the Commissioner of State Lands as fees or royalties from lands held or owned in the name of a state institution of higher education shall be deposited in the State Treasury and transferred by warrant to the institution of higher education for deposit in the institution's cash fund account established outside the State Treasury.
- A.C.A. §6-63-316 requires each state supported institution of higher education to submit a report to the Arkansas Higher Education Coordinating Board by July 1 of each year providing specific data for each administrator earning a salary of \$100,000 or more.
- A.C.A. §19-11-105 prohibits state agencies, institutions of higher education, boards, etc. from contracting with businesses that employ illegal immigrants.
- A.C.A. §19-11-203(14) revises the definition of "exempt commodities and services" to no longer exempt contracts by institutions of higher education for personal and consulting services and contracts with students.
- A.C.A. §6-61-234 modifies the funding formula for State Supported Institutions of Higher Education to a productivity-based model.
- A.C.A. §6-63-305 establishes new or additional provisional positions for applicable institutions of higher education funded from sources other than general revenue.
- A.C.A. §6-60-701, as amended provides an additional sub-chapter to be known as the Comprehensive Arkansas Higher Education Annual Report to consolidate all current legislatively required reports pertaining to higher education submitted by the Department of Higher Education and Colleges & Universities into one annual comprehensive report.
- A.C.A. §6-17-2206 provides bonuses, contingent upon the appropriation & availability of funding, for highly qualified paraprofessionals who obtain associate degrees or complete sixty hours of coursework at an institution of higher education.
- A.C.A. §6-61-525 provides for housing allowances for presidents or chancellors of community colleges and technical colleges in lieu of college housing upon approval of each respective board of trustees.
- A.C.A. §19-4-906(a) authorizes the maximum number of passenger motor vehicles for state agencies and institutions of higher education.

- A.C.A. §6-82-601 provides tuition waivers at any state supported institution of higher education for children of disabled veterans if recipients meet eligibility criteria established by the Department of Higher Education.
- Section 20 of Act 197 of 2018 (Arkansas Department of Higher Education (ADHE annual appropriations act)) provides authority for an institution of higher education to seek disaster assistance through ADHE in the event all or a significant portion of campus operations are interrupted due to the occurrence of an emergency/disaster event.
- Section 21 of Act 197 of 2018 authorizes the president or chancellor of an institution of higher education, upon determination that a reallocation of resources for purposes of reorganization or consolidation of administrative functions within the institution is necessary, to transfer positions, appropriations, and related funds between campuses, divisions, branches and other budgetary units of the institution. No more than two (2) individual transaction transfer requests shall be submitted by an institution during any fiscal year and shall be further limited to no more than five percent (5%) of the total appropriation, funding, or positions. Prior approval of the Legislative Council or Joint Budget Committee is required. Transfers, consolidations, or reorganizations which involve academic programs shall be reviewed by the Department of Higher Education prior to submission to Legislative Council or the Joint Budget Committee.
- Section 29 of Act 197 of 2018 states that any post-secondary institution that receives state scholarship funds administered by ADHE shall be subject to audit/review of such funds by the Division of Legislative Audit, upon approval of the Legislative Joint Audit Committee.
- Section 30 of Act 197 of 2018 requires all post-secondary institutions of higher education to provide to ADHE a copy of the Integrated Post-Secondary Education Data System (IPEDS) within three weeks following the IPEDS due date. IPEDS shall be subject to audit by ADHE.
- Section 31 of Act 197 of 2018 requires that new funding through the Revenue Stabilization Act determined by the Department of Higher Education to have been for salary increases shall be used exclusively for salary increases by the institutions of higher education for each fiscal year.
- Section 35 of Act 197 of 2018 requires that all institutions of higher education submit reports to ADHE no later than July 1 detailing all appropriation transfer requests from the Cash and General Revenue funded Contingency commitment items & other commitment item establishment requests as applicable.
- Section 37 of Act 197 of 2018 requires any institution of higher education having its main or satellite campus within a twenty-five mile radius of any other main campus of an institution of higher education to enter into a written agreement with that four-year institution which must address duplication of services between the institutions.
- Act 599 of 2017 establishes a Higher Education Central pool of four hundred (400) positions for universities and colleges of higher education.

GENERAL INSTRUCTIONS

All institutions will utilize the Planning Budgeting and Administrative System (PBAS) to prepare their Annual Fiscal Program. PBAS is an automated system designed to enable institutions to develop a budget according to the General Accounting and Budgetary Procedures Law. Each institution will be provided with Microsoft® Excel worksheets for all authorized Funds Centers. Institutions will complete the Funds Center Worksheets and return them to the Office of Budget for processing. Please review carefully the data entered in order to ensure that allocated budget levels do not exceed available funding levels.

The Office of Budget requires an original letter signed by the President/Chancellor of the Institution of Higher Education indicating knowledge and approval of the final annual fiscal program.

Institutions may contact the budget analyst to obtain paper copies of reports. A final copy routed to the Office of Budget, with other required documents, signifies completion of the annual fiscal program. The Office of Budget will review and approve final forms and forward the necessary documentation to the Office of Accounting.

The final annual fiscal program will be uploaded to the Arkansas Administrative Statewide Information System (AASIS) for fiscal year 2019 where it will be integrated into the AASIS data for each institution.

PREPARATION OF QUARTERLY ALLOTMENTS

The Office of Budget will advise each Institution of its General Revenue funding level, including a preliminary forecast of funds to be received from the Educational Excellence Trust Fund (EETF) and the Tobacco Settlement Trust Fund. A revised forecast for both funds will be provided early in the fiscal year. Any budget adjustments may be made at this time. Work Force 2000 Development monies will not be budgeted initially. Once collections for FY18 have been certified, an FY19 Work Force 2000 forecast will be made available and transfers of funds and appropriations will take place accordingly. The institution determines the amount of any Special or Other Revenues to be received for the 2018-2019 fiscal year and prepares quarterly allotments that correspond to availability of funding. Quarterly Allotments must be based on the financial requirements for the institution's spending for the fiscal year and may not exceed available funding or authorized appropriation.

ALL CASH APPROPRIATION LINE ITEMS ARE BUDGETED IN THE FIRST QUARTER OF THE FISCAL YEAR.

REQUIRED DOCUMENTS:

The following original forms must be submitted with the annual fiscal program:

- President/Chancellor approval letter. A letter signed by the President or Chancellor indicating knowledge and approval of the final annual fiscal program
- Annual Funds Center Worksheets

PLEASE NOTE: When preparing the fiscal year 2019 annual fiscal program, attention should be paid to the Governor's Executive Order 98-04 as well as A.C.A. §21-1-401 through §21-1-408 requiring state agencies and institutions to publicly disclose when they do business with statewide constitutional officers, legislators, state employees or their immediate family members. The Department of Finance & Administration - Office of Internal Audit (682-0370) may be contacted for further information on the implementation of this Executive Order.

ANNUAL OPERATIONS PLAN CHECKLIST

IMPORTANT DATES

- April 24, 2018 Annual Operations Plan Packets distributed to institutions
- May 7, 2018 Final annual fiscal program due to Office of Budget
- July 1, 2018 Start of fiscal year 2019

INSTRUCTIONS FOR COMPLETING THE ANNUAL FUNDS CENTER WORKSHEET

Each institution will be provided with Microsoft® Excel worksheets for all authorized Funds Centers. The Funds Center Worksheets are based on the authorized appropriation amounts for an Institution. The institutions are required to complete the worksheets for each of the funds center and return the final worksheets to the Office of Budget with the annual fiscal program. (Institutions do not have online access to PBAS and must coordinate their budget development through the Office of Budget.)

QUARTERLY ALLOTMENT: The budget by commitment item needed to meet quarterly requirements. The purchase of capital items should be budgeted for the quarter following the greatest revenue collection. Capital purchases supported by General Revenue should be budgeted in the fourth quarter.

Institutions will enter the desired budget amount for each commitment item by quarter. The entered budget amounts must be within available funding limitations and the total budget for any line item must be equal to or less than the authorized amount.

In accordance with Section 32 of Act 692 of 2017, applicable institutions shall report by July 1 to the Department of Higher Education any amounts transferred from the Contingency Commitment Item (513:00:18) to other spending commitment items for both the General Revenue and Cash funded appropriations.

The sum of the quarterly allotments by line item, plus the blocked amount will equal the total commitment item authorized amount as found in the appropriation Act.

Cash appropriations have been budgeted in the first quarter on the Microsoft® Excel worksheets provided by the Office of Budget. Each institution should verify the information and return the worksheets to the Office of Budget.

BLOCKED: The blocked amount will automatically be calculated by line item (commitment item). This is the amount of appropriation not budgeted for fiscal year 2019.

The Office of Budget requires a letter signed by the President/Chancellor of the Institution of Higher Education indicating knowledge and approval of the final annual fiscal program.

**ARKANSAS PLANNING BUDGETING & ADMINISTRATIVE SYSTEM
FUNDS CENTER WORKSHEET**

Business Area 0100
Functional Area UNIV
Fiscal Year 2019
Act 267 of 2017

Func Area	Funds Center	Fund	Commitment Item	C. I. Title	Authorized Appro	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	Blocked
UNIV	309	CQA0000	5010000	Regular Salaries	\$13,400,000	\$3,350,000	\$3,350,000	\$3,350,000	\$3,350,000	\$13,400,000	\$0
UNIV	309	CQA0000	5010001	Extra Help	\$50,000	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000	\$30,000
UNIV	309	CQA0000	5010003	Pers. Serv. Matching	\$1,642,285	\$550,000	\$527,066	\$527,066	\$38,153	\$1,642,285	\$0
UNIV	309	CQA0000	5020002	Operating Expenses	\$1,134,618	\$400,000	\$500,000	\$150,000	\$84,618	\$1,134,618	\$0
UNIV	309	CQA0000	5120011	Capital Outlay	\$470,745	\$300,000	\$75,000	\$75,000	\$20,745	\$470,745	\$0
UNIV	309	CQA0000	5130018	Contingency	\$4,695,183	\$0	\$0	\$0	\$0	\$0	\$4,695,183
UNIV	309	CQA0000	5130027	Funded Depreciation	\$118,238	\$50,000	\$50,000	\$18,238		\$118,238	\$0
UNIV	309	CQA0000	5900046	HE Undergraduate Research Prgm	\$150,000	\$60,000	\$75,000	\$15,000		\$150,000	\$0
Totals:					\$21,661,069	\$4,715,000	\$4,582,066	\$4,140,304	\$3,498,516	\$16,935,886	\$4,725,183
UNIV	A74	2090000	5010000	Regular Salaries	\$52,800,000	\$52,800,000				\$52,800,000	\$0
UNIV	A74	2090000	5010001	Extra Help	\$2,805,000	\$2,805,000				\$2,805,000	\$0
UNIV	A74	2090000	5010003	Pers. Serv. Matching	\$12,705,000	\$12,705,000				\$12,705,000	\$0
UNIV	A74	2090000	5010006	Overtime	\$412,500	\$412,500				\$412,500	\$0
UNIV	A74	2090000	5020002	Operating Expenses	\$24,090,000	\$24,090,000				\$24,090,000	\$0
UNIV	A74	2090000	5050009	Conf Fees & Travel	\$1,402,500	\$1,402,500				\$1,402,500	\$0
UNIV	A74	2090000	5060010	Professional Fees & Sers	\$2,392,500	\$2,392,500				\$2,392,500	\$0
UNIV	A74	2090000	5090005	Capital Improvements	\$12,045,000	\$12,045,000				\$12,045,000	\$0
UNIV	A74	2090000	5090012	Data Processing	\$1,155,000	\$1,155,000				\$1,155,000	\$0
UNIV	A74	2090000	5110020	Fund Transfers/Refunds/Investments	\$28,875,000	\$28,875,000				\$28,875,000	\$0
UNIV	A74	2090000	5120011	Capital Outlay	\$6,930,000	\$6,930,000				\$6,930,000	\$0
UNIV	A74	2090000	5120019	Debt Service	\$8,250,000	\$8,250,000				\$8,250,000	\$0
UNIV	A74	2090000	5130018	Contingency	\$34,650,000	\$0				\$0	\$34,650,000
Totals:					\$188,512,500	\$153,862,500	\$0	\$0	\$0	\$153,862,500	\$34,650,000

4/18/2017 1:46 PM

CARRY FORWARD OF ANY REMAINING FUND BALANCES FROM FISCAL YEAR 2018 TO FISCAL YEAR 2019

Amendment 86 to the Arkansas Constitution provides that no appropriation authorized by the General Assembly can be for a period longer than one year. Agencies that are authorized to carry forward general revenue funding through special language may carry forward remaining fund balances under the following conditions:

“(1) Prior to June 30, 2018 the Agency shall by written statement set forth its reason(s) for the need to carry forward said funding to the Department of Finance and Administration Office of Budget;

(2) The Department of Finance and Administration Office of Budget shall report to the Arkansas Legislative Council all amounts carried forward by the September Arkansas Legislative Council or Joint Budget Committee meeting which report shall include the name of the Agency, Board, Commission or Institution and the amount of the funding carried forward, the program name or line item, the funding source of that appropriation and a copy of the written request set forth in (1) above;

(3) Each Agency, Board, Commission or Institution shall provide a written report to the Arkansas Legislative Council or Joint Budget Committee containing all information set forth in item (2) above, along with a written statement as to the current status of the project, contract, purpose etc. for which the carry forward was originally requested no later than thirty (30) days prior to the time the Agency, Board, Commission or Institution presents its budget request to the Arkansas Legislative Council/Joint Budget Committee; and

(4) Thereupon, the Department of Finance and Administration shall include all information obtained in item (3) above in the biennial budget manuals and/or a statement of non-compliance by the Agency, Board, Commission or Institution.”

The Carry Forward of Any Remaining Fund Balances form (example attached) has been automated in PBAS. Agencies should enter the estimated amount they anticipate to carry forward from FY18 to FY19 as well as provide justification for the carry forward of any remaining fund balance for a program or a specific line item within a program. Agencies that do not have system access to PBAS will coordinate entry of this data with the budget analyst assigned to assist the agency. Agencies must print the report from PBAS, sign, date and submit it with the Annual Operations Plan.

**CARRY FORWARD OF ANY REMAINING FUND BALANCES
FROM FISCAL YEAR 2018 TO FISCAL YEAR 2019**

Agency: Higher Education, Department of

Program: Chiropractic Aid

Act #: 247 of 2017 Section(s) #: 9 & 27

Estimated Carry Forward Amount \$ 144,000.00 Funding Source General Revenue

Accounting Information:

Business Area: 0700 Funds Center: 140 Fund: HEG Functional Area EDUC

Current law requires a written statement be submitted to the DFA Office of Budget stating the reason(s) to carry forward funding for a program or a specific line item within a program remaining on June 30th of a fiscal year.

Justification for carry forward of fund balance:

Due to the fact that these grants are provided to new students annually as well as to those existing medical education students already in the pipeline, carry forward of funds is requested to assure that continuity of educational services are fully maintained.

Actual Funding Carry Forward Amount \$ -

Current status of carry forward funding:

Director

Date

3/4/2017

APPENDIX

DEFINITIONS

- **ANNUAL OPERATIONS PLAN:** A program prepared by an agency containing the proposed expenditures and anticipated resources for the ensuing fiscal year as required by A.C.A. §19-4-607.
- **FUNDS CENTER:** An appropriation granted by the General Assembly to make expenditures and incur obligations, **IF FUNDS ARE AVAILABLE**, for specific purposes.
- **BLOCKED:** The portion of an appropriation, which cannot be budgeted by an agency due to insufficient revenue or other budgetary restraints. Also referred to as deferment.