

BOARD OF FINANCE

Enabling Laws

Act 172 of 2003
Act 173 of 2003
A.C.A. §19-3-101

History and Organization

Members of the State Board of Finance consist of the Governor, Treasurer of State, Auditor of State, Bank Commissioner and Director of the Department of Finance and Administration. The Governor acts as the Board Chair with the Treasurer acting as the secretary, executive officer and disbursing agent for the Board. Meetings of the Board shall be held upon the call of the Governor, or by any three (3) or more members.

Agency Commentary

The Treasurer of State has submitted Base Level budget requests for the following appropriations on behalf of the Board:

	FY2005-06	FY2006-07
Investments-Purchase of Securities (1CV)	\$ 600,000,000	\$ 600,000,000
Operations-Manage/Invest Tobacco (287)	\$ 195,999	\$ 197,700
Investment-Premiums/Discounts (2BM)	\$ 600,000	\$ 600,000
Investments-Principal/Int/Agent Fee (2BN)	\$ 3,000,000	\$ 3,000,000

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
BOARD OF FINANCE
FOR THE YEAR ENDED JUNE 30, 2003

Findings

Recommendations

The Division of Legislative Audit does not perform an audit for the Agency.

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
N/A	N/A	N	N	0	N/A

Department Appropriation / Program Summary

Appropriation / Program	Historical Data						Agency Request and Executive Recommendation							
	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
1CV Investmnts-Purch of Securities	0	0	600,000,000	0	600,000,000	0	600,000,000	0	0	0	600,000,000	0	0	0
287 Operations-Manage Tobacco	0	0	193,432	2	218,117	2	195,999	2	0	0	197,700	2	0	0
2BM Investments-Premiums/Discounts	0	0	600,000	0	600,000	0	600,000	0	0	0	600,000	0	0	0
2BN Invest-Principal/Interest/Agnt Fee	375,562	0	3,000,000	0	3,000,000	0	3,000,000	0	0	0	3,000,000	0	0	0
Total	375,562	0	603,793,432	2	603,818,117	2	603,795,999	2	0	0	603,797,700	2	0	0

Funding Sources		%		%		%		%		%		%	
Trust Fund 4000050	375,562	100.0	603,193,432	99.9		603,195,999	99.9	0	0.0	603,197,700	99.9	0	0.0
Investments 4000315	0	0.0	600,000	0.1		600,000	0.1	0	0.0	600,000	0.1	0	0.0
Total Funds	375,562	100.0	603,793,432	100.0		603,795,999	100.0	0	0.0	603,797,700	100.0	0	0.0
Excess Appropriation/(Funding)	0		0			0		0		0		0	
Grand Total	375,562		603,793,432			603,795,999		0		603,797,700		0	

No Executive Recommendation is made for appropriations 1CV, 2BM or 2BN.

Appropriation / Program Summary

Appropriation / Program: 1CV Investmnts-Purch of Securities
Funding Sources: XXX - Investments

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2004-2005 Authorized	2005-2006			2006-2007		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Purchase of Securities 5900046	0	600,000,000	600,000,000	600,000,000	600,000,000	0	600,000,000	600,000,000	0
Total	0	600,000,000	600,000,000	600,000,000	600,000,000	0	600,000,000	600,000,000	0
Funding Sources									
Trust Fund 4000050	0	600,000,000		600,000,000	600,000,000	0	600,000,000	600,000,000	0
Total Funding	0	600,000,000		600,000,000	600,000,000	0	600,000,000	600,000,000	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	600,000,000		600,000,000	600,000,000	0	600,000,000	600,000,000	0

Analysis of Budget Request

Appropriation / Program: 287 - Operations-Manage Tobacco

Funding Sources: TSA - Arkansas Healthy Century Trust

The Tobacco Settlement Proceeds Act (Initiated Act 1 of 2000) established funds and accounts for the deposit, investment and management of the State's portion of the Master Settlement Agreement with certain tobacco manufacturers. This legislation authorized the State Board of Finance to perform the following duties with respect to the Tobacco Settlement:

- Receive all authorized disbursements from the Master Settlement Agreement Escrow account for immediate deposit into the Tobacco Settlement Cash Holding Fund;
- Manage and invest all amounts held in the various funds and program accounts created by the Tobacco Settlement Proceeds Act in compliance with prudent investor standards and State Board of Finance investment policy;
- Employ professionals to assist in properly managing and investing the Arkansas Healthy Century Trust Fund and use investment earnings from the Arkansas Healthy Century Trust Fund to compensate those professionals and pay the reasonable costs and expenses of the State Board of Finance in administering the funds and program accounts created under the Tobacco Settlement Proceeds Act.

Base Level request of \$190,999 for FY06 and \$192,700 for FY07 includes graduated salary increases of 3% to 1.5% each year over FY05 salary levels, along with related Personal Services Matching costs for two (2) Base Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

The State Board of Finance is requesting a change over base level for Capital Outlay in the amount of \$5,000 each of the biennium should it become necessary to purchase furniture and equipment for the Board.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 287 Operations-Manage Tobacco
Funding Sources: TSA - Arkansas Healthy Century Trust

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	0	52,117	69,434	53,680	53,680	0	55,290	55,290	0
#Positions	0	2	2	2	2	0	2	2	0
Personal Services Matching 5010003	0	10,815	18,183	11,819	11,819	0	11,910	11,910	0
Operating Expenses 5020002	0	25,000	25,000	25,000	25,000	0	25,000	25,000	0
Travel-Conference Fees 5050009	0	500	500	500	500	0	500	500	0
Professional Fees and Services 5060010	0	100,000	100,000	100,000	100,000	0	100,000	100,000	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	5,000	5,000	0	5,000	0	0	5,000	0
Total	0	193,432	218,117	190,999	195,999	0	192,700	197,700	0
Funding Sources									
Trust Fund 4000050	0	193,432		190,999	195,999	0	192,700	197,700	0
Total Funding	0	193,432		190,999	195,999	0	192,700	197,700	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	193,432		190,999	195,999	0	192,700	197,700	0

Change Level by Appropriation

Appropriation / Program: 287-Operations-Manage Tobacco

Funding Sources: TSA - Arkansas Healthy Century Trust

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	190,999	2	190,999	100.0	192,700	2	192,700	100.0
C01	Existing Program	5,000	0	195,999	102.6	5,000	0	197,700	102.5

Justification

C01	Restoration of Capital Outlay is requested at the 2003-2005 authorized levels in the event staff is hired and office space becomes necessary. The Office of State Treasurer currently provides staff support for management and investment of the Tobacco Settlement proceeds.
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Appropriation / Program Summary

Appropriation / Program: 2BM Investments-Premiums/Discounts
Funding Sources: TAS - Securities Reserve

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Premium & Discounts 5900046	0	600,000	600,000	600,000	600,000	0	600,000	600,000	0
Total	0	600,000	600,000	600,000	600,000	0	600,000	600,000	0
Funding Sources									
Investments 4000315	0	600,000		600,000	600,000	0	600,000	600,000	0
Total Funding	0	600,000		600,000	600,000	0	600,000	600,000	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	600,000		600,000	600,000	0	600,000	600,000	0

Appropriation / Program Summary

Appropriation / Program: 2BN Invest-Principal/Interest/Agnt Fees
Funding Sources: TAS - Securities Reserve

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Principal/Interest/Agent Fees 5900046	375,562	3,000,000	3,000,000	3,000,000	3,000,000	0	3,000,000	3,000,000	0
Total	375,562	3,000,000	3,000,000	3,000,000	3,000,000	0	3,000,000	3,000,000	0
Funding Sources									
Trust Fund 4000050	375,562	3,000,000		3,000,000	3,000,000	0	3,000,000	3,000,000	0
Total Funding	375,562	3,000,000		3,000,000	3,000,000	0	3,000,000	3,000,000	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	375,562	3,000,000		3,000,000	3,000,000	0	3,000,000	3,000,000	0