

MUNICIPAL AID

Enabling Laws

Acts 773 & 1268 of 2007
A.C.A. §19-5-601

History and Organization

Established by A.C.A. §19-5-601, the Municipal Aid Fund consists of:

- General revenues provided under the Revenue Stabilization Law;
- Special revenues including:
 - Arkansas Highway Revenue Distribution Law - A.C.A. §27-70-201 et seq.
 - Special revenues specified in A.C.A. §19-6-301 subdivision (135)

All distributions of general and special revenues are to be made within ten (10) days after the close of each calendar month to the respective cities of the first and second class and incorporated towns on the basis of population according to the most recent federal decennial or special census. The amount to be apportioned to each city or incorporated town is to be in the proportion that each population bears to the total population of all such cities and incorporated towns.

Of the moneys received by the respective cities and incorporated towns, the general revenues shall be used for general purposes of municipal government, and the special revenues derived from highway revenues shall be used as provided by the Arkansas Highway Revenue Distribution Law, A.C.A. §27-70-201 et seq.

The biennial budget request for the Municipal Aid Fund is prepared and submitted by the Arkansas Municipal League.

Agency Commentary

Revenue to fund municipal operations comes primarily from three (3) sources: Local Sales Tax, Utility Franchise Fees and State Turnback Funds. Local sales taxes are subject to voter approval and have been used by numerous municipalities over the last twenty-seven years to sustain local services, particularly after the loss of federal revenue sharing which occurred in the mid-80s. The legislature was very wise to have authorized this authority which has enabled cities and towns to take care of their basic needs, primarily the protection of public health and safety. In some municipalities the use of local sales taxes as a funding vehicle has pretty well reached the saturation point, particularly with the state sales tax having gone to 6%, a 100% increase since the local sales tax authority was originally granted.

Utility franchise fees, once a stable, reliable and growing source of municipal revenue have begun to decline due primarily to the reduction of revenue in the telecommunications area due to increased usage of cell phones. Property taxes are available but are limited constitutionally for municipalities and are more properly and generally used as a funding vehicle for schools.

Based on these facts and circumstances the most important source of revenues for municipalities is

municipal aid, i.e. state turnback funds. These funds provide a minimum level of revenue for local needs of municipalities and the funds are used primarily in the area of public safety. In addition they are used for public health purposes and for local infrastructure needs.

Municipal Aid was basically frozen for over two decades until the last biennium, when additional and much needed funding was allocated from the Property Tax Relief Trust Fund (\$4 million) and from the state surplus (General Revenue Allotment Reserve Transfer of \$12 million per Act 1100 of 2007). This increased municipal aid to \$21.86 per capita in FY08 and \$17 projected for FY09. Municipalities were receiving approximately \$21.35 per capita in 1986 for general turnback. The Executive Committee of the Arkansas Municipal League has respectfully requested an increase the underlying general turnback by 10%, and to again request equal appropriation/funding from the state surplus, which we will officially request through the Capital Projects/General Improvement budget process. The street appropriation for 15% of highway revenues should remain the same and hopefully those revenues will reverse the recent decline and return to the amounts of previous years. We believe allocations of the requested amounts would be a very wise expenditure of state general revenues and one which will assist the cities and towns in providing the basic services the citizens of Arkansas utilize every day.

We respectfully submit our budget request for the following amounts, which include our request for a 10% increase in general revenue and the continuation of funds from the Property Tax Relief Fund:

FY 2010	\$34,257,000
FY 2011	\$37,283,000

Thank you for your consideration of our request.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 MUNICIPAL AID

FOR THE YEAR ENDED JUNE 30, 2007

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 Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2007-2008		2008-2009		2008-2009		2009-2010						2010-2011					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
034 General Revenue to Cities	24,323,780	0	27,506,526	0	27,506,526	0	27,506,526	0	30,257,000	0	27,506,526	0	27,506,526	0	33,283,000	0	27,506,526	0
035 Special Revenue to Cities	75,187,908	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0
35X Property Tax Relief-Cities	4,000,000	0	4,000,000	0	4,000,000	0	4,000,000	0	4,000,000	0	0	0	4,000,000	0	4,000,000	0	0	0
Total	103,511,688	0	151,506,526	0	151,506,526	0	151,506,526	0	154,257,000	0	147,506,526	0	151,506,526	0	157,283,000	0	147,506,526	0

Funding Sources		%		%		%		%		%		%		%		%
General Revenue 4000010	24,323,780	23.5	27,506,526	18.2	27,506,526	18.2	30,257,000	19.6	27,506,526	18.6	27,506,526	18.2	33,283,000	21.2	27,506,526	18.6
Special Revenue 4000030	79,187,908	76.5	124,000,000	81.8	124,000,000	81.8	124,000,000	80.4	120,000,000	81.4	124,000,000	81.8	124,000,000	78.8	120,000,000	81.4
Total Funds	103,511,688	100.0	151,506,526	100.0	151,506,526	100.0	154,257,000	100.0	147,506,526	100.0	151,506,526	100.0	157,283,000	100.0	147,506,526	100.0
Excess Appropriation/(Funding)	0		0		0		0		0		0		0		0	
Grand Total	103,511,688		151,506,526		151,506,526		154,257,000		147,506,526		151,506,526		157,283,000		147,506,526	

Special Language authorizes carry forward of appropriation and funds for General Revenue to Cities (034) and Special Revenue to Cities (035) appropriations.

The amount of appropriation carried forward for FY09 in General Revenue to Cities (034) was \$3,182,746.

The amount of appropriation carried forward for FY09 in Special Revenue to Cities (035) was \$44,812,092.

Property Tax Relief - Cities (35X) was provided as a one-time appropriation of \$4 million each year of the biennium authorized by Act 1268 of 2007, contingent upon available surplus funding. The Executive Recommendation is to discontinue this appropriation.

Agency Position Usage Report

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %	0	0	0	0	0	0.00 %

Analysis of Budget Request

Appropriation: 034 - General Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Two appropriations, General Revenue to Cities (034) and Special Revenue to Cities (035), provide spending authority for the Treasurer's Office to distribute general and special revenues designated for the cities.

The Base Level for General Revenue to Cities (034) is \$27,506,526 each year of the biennium.

The Municipal League of Arkansas is requesting an increase over Base Level for its general revenue appropriation (034) of \$2,750,474 for FY10 and \$5,776,474 for FY11. This request reflects a 10% increase each year (compounded in the 2nd year) of the biennium.

The Municipal League of Arkansas is also requesting that Special Revenue to Cities (035) be continued at the Base Level amounts of \$120,000,000 for each year of the biennium.

The Executive Recommendation provides for Base Level for General Revenue to Cities of \$27,506,526 each year of the biennium. Additional funds of \$4 million was provided on a one-time basis each year of the previous biennium from the Property Tax Relief Trust Fund along with a one-time General Revenue Allotment Reserve transfer of \$12 million. The Executive Recommendation also provides for Agency Request to continue Special Revenue to Cities at the current level of appropriation.

Appropriation Summary

Appropriation: 034 - General Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	24,323,780	27,506,526	27,506,526	27,506,526	30,257,000	27,506,526	27,506,526	33,283,000	27,506,526
Total		24,323,780	27,506,526	27,506,526	27,506,526	30,257,000	27,506,526	27,506,526	33,283,000	27,506,526
Funding Sources										
General Revenue	4000010	24,323,780	27,506,526		27,506,526	30,257,000	27,506,526	27,506,526	33,283,000	27,506,526
Total Funding		24,323,780	27,506,526		27,506,526	30,257,000	27,506,526	27,506,526	33,283,000	27,506,526
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		24,323,780	27,506,526		27,506,526	30,257,000	27,506,526	27,506,526	33,283,000	27,506,526

Special Language provides for carry forward of appropriation and funding. The carry forward amount for FY09 was \$3,182,746.

Change Level by Appropriation

Appropriation: 034 - General Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	27,506,526	0	27,506,526	100.0	27,506,526	0	27,506,526	100.0
C01	Existing Program	2,750,474	0	30,257,000	110.0	5,776,474	0	33,283,000	121.0

Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	27,506,526	0	27,506,526	100.0	27,506,526	0	27,506,526	100.0
C01	Existing Program	0	0	27,506,526	100.0	0	0	27,506,526	100.0

Justification

C01	Municipal Aid was basically frozen for over two decades until the last biennium, when additional and much needed funding was allocated from the Property Tax Relief Trust Fund (\$4 million) and the General Improvement Fund (\$12 million). This increased municipal aid to \$21.86 per capita in FY08 and \$17 projected for FY09. Municipalities were receiving approximately \$21.35 per capita in 1986 for general turnback. The Executive Committee of the Arkansas Municipal League has respectfully requested an increase the underlying general turnback by 10%, and to again request equal appropriation/funding from the General Improvement Fund, which we will officially request through the Capital Projects budget process. The street appropriation for 15% of highway revenues should remain the same and hopefully those revenues will reverse the recent decline and return to the amounts of previous years. We believe allocations of the requested amounts would be a very wise expenditure of state general revenues and one which will assist the cities and towns in providing the basic services the citizens of Arkansas utilize everyday.
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Appropriation Summary

Appropriation: 035 - Special Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			2010-2011		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			Base Level	Agency	Executive
Grants and Aid	5100004	75,187,908	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Total		75,187,908	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Funding Sources										
Special Revenue	4000030	75,187,908	120,000,000		120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Total Funding		75,187,908	120,000,000		120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		75,187,908	120,000,000		120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000

Special Language provides for carry forward of appropriation and funding. The carry forward amount for FY09 was \$44,812,092.

Analysis of Budget Request

Appropriation: 35X - Property Tax Relief-Cities

Funding Sources: TPR - Property Tax Relief Trust Fund

Amendment 79 to the Arkansas Constitution proposed limiting the increase in the assessed value of a taxpayer's real property after a countywide reappraisal and a required property tax credit of at least three hundred dollars (\$300) on homestead property. This amendment was adopted at the November 2000 general election and became effective January 1, 2001.

This appropriation provides spending authority for the Treasurer's Office to distribute special revenue to counties based upon a property tax reduction. Act 1268 of 2007 provided a one-time distribution of \$4 million each year of the biennium for the cities, contingent upon available surplus funding.

The Municipal League of Arkansas requests the continuation of Base Level of \$4,000,000 for this appropriation each year of the biennium.

The Executive Recommendation provides for discontinuing this appropriation. The \$4 million distribution each year of the previous biennium as authorized by Act 1268 of 2007 was intended to provide temporary assistance to the cities from the Property Tax Relief Fund.

Appropriation Summary

Appropriation: 35X - Property Tax Relief-Cities

Funding Sources: TPR - Property Tax Relief Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	0	4,000,000	4,000,000	0
Total	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	0	4,000,000	4,000,000	0
Funding Sources									
Special Revenue 4000030	4,000,000	4,000,000		4,000,000	4,000,000	0	4,000,000	4,000,000	0
Total Funding	4,000,000	4,000,000		4,000,000	4,000,000	0	4,000,000	4,000,000	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	4,000,000	4,000,000		4,000,000	4,000,000	0	4,000,000	4,000,000	0

Property Tax Relief - Cities (35X) was provided as a one-time appropriation of \$4 million each year of the biennium authorized by Act 1268 of 2007, contingent upon available surplus funding.

The Executive Recommendation is to discontinue this appropriation.

Change Level by Appropriation

Appropriation: 35X - Property Tax Relief-Cities
Funding Sources: TPR - Property Tax Relief Trust Fund

Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0

Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0
C19	Executive Changes	(4,000,000)	0	0	0.0	(4,000,000)	0	0	0.0

Justification

C19	The \$4 million distribution each year of the previous biennium as authorized by Act 1268 of 2007 was intended to provide temporary assistance to the cities from the Property Tax Relief Fund due to a projected surplus. Therefore, this appropriation amount is not recommended.
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