

MUNICIPAL AID

Enabling Laws

Act 166 of 2016
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 thirty-five 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 provide

this authority which has enabled cities and towns to take care of many of their needs, such as economic development, infrastructure and the protection of public health and safety.

In some municipalities, the use of local sales taxes as a funding vehicle has reached the voter's saturation point, particularly with almost all counties levying sales taxes and the state sales tax at 6.5%, more than double its 3% level when the local sales tax authority was originally granted. Utility franchise fees, once a stable, reliable and growing source of municipal revenue, have significantly declined in many cases due to the volatility of energy prices and to the reduction of revenue in the telecommunications area related to increased usage of cell phones rather than land line phones. Property taxes are available, but are limited constitutionally for municipalities and are more properly and generally used as a funding vehicle for counties and schools. Based on these facts, coupled with wise and understanding legislators, the most consistent source of revenue for municipalities has been municipal aid, i.e., state turnback funds. These funds provide a minimum level of revenue for local needs of municipalities and the funds are extremely important.

After receiving \$21.35 per capita for general municipal aid in 1986, the amount declined during the following two decades and averaged \$17.07 in the calendar years 2001-2010 and now being down to an estimated \$15.60 per capita for 2016. These numbers would have been even lower but for one-time or temporary sources added by the General Assembly in the past 10 years. In the 2005-2007 biennium, a much needed one-time funding was allocated from the state surplus (\$12 million) and received in October 2007. In the 2007-2009 biennium, an annual allocation (\$4 million) from the Property Tax Relief Trust Fund (PTRF) was added and then continued through the current biennium. Also, in the 2009-2011 biennium, an allocation was made from the state surplus (\$2.5 million), with 75% received in October 2009 and the balance received in October 2010. This increased municipal aid produced a per capita amount in calendar 2009 of \$18.13 (with the surplus amount), but declined in calendar 2010 to a per capita amount of \$16.70 following revenue related adjustments made in the State budget during the 2010 fiscal year. After the impact of the 2010 census, the per capita turnback amount declined further due to population growth in the cities and towns.

We are estimating general turnback for calendar 2016 to be \$15.60, a reduction of over 25% from the per capita amount of \$21.35 in 1986. Clearly, the long term per capita trend for turnback has been downward. The Arkansas Municipal League respectfully requests that you continue funding at the current level and strongly believe this to be a very wise expenditure of state general revenues and one which will greatly assist cities and towns in providing the basic services that citizens of Arkansas utilize every day.

We respectfully submit our budget request of the following amounts which excludes any amount of funds from the PTRF:

FY 2018	\$29,372,099
FY 2019	\$29,372,099

The street turnback (special revenue) appropriation which is funded by receiving a 15% allocation of revenues through the highway distribution law should remain at \$180 million.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT

AUDIT OF :
MUNICIPAL AID

Findings

Recommendations

The Division of Legislative Audit does not perform an audit for this agency.

State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016

None

Publications

A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
N/A	N/A	N	N	0	N/A	0	0.00

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018						2018-2019					
	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	27,564,303	0	29,372,099	0	29,372,099	0	29,372,099	0	29,372,099	0	29,372,099	0	29,372,099	0	29,372,099	0	29,372,099	0
035 Special Revenue to Cities	124,072,742	0	180,000,000	0	180,000,000	0	180,000,000	0	180,000,000	0	180,000,000	0	180,000,000	0	180,000,000	0	180,000,000	0
35X Property Tax Relief-Cities	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0
Total	153,637,045	0	211,372,099	0														

Funding Sources		%		%		%		%		%		%		%		%		%
General Revenue 4000010	27,564,303	17.9	29,372,099	13.9			29,372,099	13.9	29,372,099	13.9	29,372,099	13.9	29,372,099	13.9	29,372,099	13.9	29,372,099	13.9
Special Revenue 4000030	124,072,742	80.8	180,000,000	85.2			180,000,000	85.2	180,000,000	85.2	180,000,000	85.2	180,000,000	85.2	180,000,000	85.2	180,000,000	85.2
Trust Fund 4000050	2,000,000	1.3	2,000,000	0.9			2,000,000	0.9	2,000,000	0.9	2,000,000	0.9	2,000,000	0.9	2,000,000	0.9	2,000,000	0.9
Total Funds	153,637,045	100.0	211,372,099	100.0			211,372,099	100.0										
Excess Appropriation/(Funding)	0		0				0		0		0		0		0		0	
Grand Total	153,637,045		211,372,099				211,372,099		211,372,099		211,372,099		211,372,099		211,372,099		211,372,099	

Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
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

This appropriation provides spending authority for the Treasurer's Office to distribute general revenues designated for the cities.

The Municipal League of Arkansas requests Base Level for General Revenue to Cities of \$29,372,099 each year of the biennium.

The Executive Recommendation provides for the Municipal League of Arkansas' request.

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			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	27,564,303	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099
Total		27,564,303	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099
Funding Sources										
General Revenue	4000010	27,564,303	29,372,099		29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099
Total Funding		27,564,303	29,372,099		29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		27,564,303	29,372,099		29,372,099	29,372,099	29,372,099	29,372,099	29,372,099	29,372,099

**CARRY FORWARD OF ANY REMAINING FUND BALANCES
FROM FISCAL YEAR 2016 TO FISCAL YEAR 2017**

Agency: Municipal Aid, Treasurer of State

Program: General Revenue to Cities

Act #: 527 Section(s) #: 1 & 12

Estimated Carry Forward Amount \$ 0.00 Funding Source: General Revenue

Accounting Information:

Business Area: 0076 Funds Center: 034 Fund: MLM Functional Area: CNST

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:

No carry forward expected.

Actual Funding Carry Forward Amount \$ 0.00

Current status of carry forward funding:

All funds were distributed in FY16.

Don Zimmerman

Director

08-10-2016

Date

Analysis of Budget Request

Appropriation: 035 - Special Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

This appropriation provides spending authority for the Treasurer's Office to distribute special revenues designated for the cities.

The Municipal League of Arkansas requests Base Level for Special Revenue to Cities of \$180,000,000 each year of the biennium.

The Executive Recommendation provides for the Municipal League of Arkansas' request.

Appropriation Summary

Appropriation: 035 - Special Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	124,072,742	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
Total	124,072,742	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
Funding Sources									
Special Revenue 4000030	124,072,742	180,000,000		180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
Total Funding	124,072,742	180,000,000		180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	124,072,742	180,000,000		180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000

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. Beginning with Act 265 of 2014, cities received a distribution of \$2 million each year, contingent upon available funding.

The Municipal League of Arkansas requests Base Level for Property Tax Relief - Cities of \$2,000,000 in appropriation and funding for each year of the biennium.

The Executive Recommendation provides for the Municipal League of Arkansas' request.

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	Historical Data			2017-2018			2018-2019		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Funding Sources									
Trust Fund 4000050	2,000,000	2,000,000		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Funding	2,000,000	2,000,000		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	2,000,000	2,000,000		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000