

MUNICIPAL AID

Enabling Laws

Act 265 of 2014
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-three 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 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 reached the saturation point, particularly with the state sales tax at 6.5% , an over 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 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 and smart 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 revenue stability 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.

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 \$16.23 since 2010 including an estimated amount for 2014 of \$16.00. 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 to an average of \$16.22 since calendar 2010. During the current biennium, one-half of the PTRF allocation (\$2 million) was added to the general turnback appropriation in anticipation of a reduction in the PTRF which did occur as expected during the 2014 fiscal year.

With the uncertainty of the PTRF and the potential of not receiving any funding from that source, we have estimated general turnback for calendar 2015 to be \$14.90, a reduction of 43% from the per capita amount of \$21.35 in 1986. Clearly, the long term per capita trend for turnback is downward and an increase in the total amount is justified to stabilize city revenues.

The Arkansas Municipal League respectfully requests that you: (1) move the 2014 amount received from the PTRF (\$2 million) to the current general turnback for an adjusted base of \$31,372,099 in order to assure the total amount received will equal the amount expected to be received in the 2014; and (2) increase this adjusted base for general turnback by 10%. We believe allocations of the requested amount would be a very wise expenditure of state general revenues and one which will assist cities and towns in providing the basic services that citizens of Arkansas utilize everyday.

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

FY 2016 \$34,509,000

FY 2017 \$34,509,000

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 2014

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	2013-2014		2014-2015		2014-2015		2015-2016						2016-2017					
	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	28,708,055	0	29,372,099	0	29,372,099	0	29,372,099	0	34,509,000	0	29,372,099	0	29,372,099	0	34,509,000	0	29,372,099	0
035 Special Revenue to Cities	119,394,666	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	4,000,000	0	2,000,000	0	4,000,000	0	2,000,000	0	2,000,000	0	4,000,000	0	2,000,000	0
Total	150,102,721	0	211,372,099	0	213,372,099	0	211,372,099	0	218,509,000	0	211,372,099	0	211,372,099	0	218,509,000	0	211,372,099	0

Funding Sources		%		%		%		%		%		%		%		%		%
General Revenue 4000010	28,708,055	19.1	29,372,099	13.9	29,372,099	13.9	34,509,000	15.8	29,372,099	13.9	29,372,099	13.9	34,509,000	15.8	29,372,099	13.9		
Special Revenue 4000030	119,394,666	79.5	180,000,000	85.2	180,000,000	85.2	180,000,000	82.4	180,000,000	85.2	180,000,000	85.2	180,000,000	82.4	180,000,000	85.2		
Trust Fund 4000050	2,000,000	1.3	2,000,000	0.9	2,000,000	0.9	4,000,000	1.8	2,000,000	0.9	2,000,000	0.9	4,000,000	1.8	2,000,000	0.9		
Total Funds	150,102,721	100.0	211,372,099	100.0	211,372,099	100.0	218,509,000	100.0	211,372,099	100.0	211,372,099	100.0	218,509,000	100.0	211,372,099	100.0		
Excess Appropriation/(Funding)	0		0		0		0		0		0		0		0			
Grand Total	150,102,721		211,372,099		211,372,099		218,509,000		211,372,099		211,372,099		218,509,000		211,372,099			

Agency Position Usage Report

FY2012 - 2013						FY2013 - 2014						FY2014 - 2015					
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 Base Level for General Revenue to Cities (034), which is \$29,372,099 for each year of the biennium.

The Municipal League of Arkansas' request includes an increase of \$5,136,901 in additional appropriation and General Revenue funding for both years of the 2015-2017 Biennium.

The Executive Recommendation provides for Base Level.

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		
		2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	2015-2016			2016-2017		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	28,708,055	29,372,099	29,372,099	29,372,099	34,509,000	29,372,099	29,372,099	34,509,000	29,372,099
Total		28,708,055	29,372,099	29,372,099	29,372,099	34,509,000	29,372,099	29,372,099	34,509,000	29,372,099
Funding Sources										
General Revenue	4000010	28,708,055	29,372,099		29,372,099	34,509,000	29,372,099	29,372,099	34,509,000	29,372,099
Total Funding		28,708,055	29,372,099		29,372,099	34,509,000	29,372,099	29,372,099	34,509,000	29,372,099
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		28,708,055	29,372,099		29,372,099	34,509,000	29,372,099	29,372,099	34,509,000	29,372,099

Change Level by Appropriation

Appropriation: 034 - General Revenue to Cities
Funding Sources: MLM - Municipal Aid Fund

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	29,372,099	0	29,372,099	100.0	29,372,099	0	29,372,099	100.0
C01	Existing Program	5,136,901	0	34,509,000	117.5	5,136,901	0	34,509,000	117.5

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	29,372,099	0	29,372,099	100.0	29,372,099	0	29,372,099	100.0
C01	Existing Program	0	0	29,372,099	100.0	0	0	29,372,099	100.0

**CARRY FORWARD OF ANY REMAINING FUND BALANCES
FROM FISCAL YEAR 2014 TO FISCAL YEAR 2015**

Agency: Municipal Aid, Treasurer of State

Program: General Revenue to Cities

Act #: 927 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:

Fund balance is a result of General Revenue receipts exceeding authorized distributions.

Actual Funding Carry Forward Amount \$ 4,451.47

Current status of carry forward funding:

Pursuant to the special language of Act 265 of 2014, Section 12, \$947.02 of the carry-forward was distributed August 6, 2014. The remaining balance of \$3,504.45 is for previously outlawed warrants that have not been processed through the Claims Commission.

Don Zimmerman

Director

08-19-2014

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 Base Level for Special Revenue to Cities (035) is \$180,000,000 each year of the biennium.

The Municipal League of Arkansas requests Base Level.

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		Historical Data			2015-2016			2016-2017		
		2013-2014 Actual	2014-2015 Budget	2014-2015 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	119,394,666	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		119,394,666	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	119,394,666	180,000,000		180,000,000	180,000,000	180,000,000	180,000,000	180,000,000	180,000,000
Total Funding		119,394,666	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		119,394,666	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 Base Level for Property Tax Relief - Cities (35X) is \$2,000,000 in appropriation and funding for each year of the biennium.

The Municipal League of Arkansas requests \$4,000,000 in appropriation and funding for each year of the biennium.

The Executive Recommendation provides for Base Level.

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	2013-2014	2014-2015	2014-2015	2015-2016			2016-2017		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	2,000,000	2,000,000	4,000,000	2,000,000	4,000,000	2,000,000	2,000,000	4,000,000	2,000,000
Total	2,000,000	2,000,000	4,000,000	2,000,000	4,000,000	2,000,000	2,000,000	4,000,000	2,000,000
Funding Sources									
Trust Fund 4000050	2,000,000	2,000,000		2,000,000	4,000,000	2,000,000	2,000,000	4,000,000	2,000,000
Total Funding	2,000,000	2,000,000		2,000,000	4,000,000	2,000,000	2,000,000	4,000,000	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	4,000,000	2,000,000	2,000,000	4,000,000	2,000,000

Change Level by Appropriation

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

Agency Request

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,000,000	0	2,000,000	100.0	2,000,000	0	2,000,000	100.0
C01	Existing Program	2,000,000	0	4,000,000	200.0	2,000,000	0	4,000,000	200.0

Executive Recommendation

Change Level		2015-2016	Pos	Cumulative	% of BL	2016-2017	Pos	Cumulative	% of BL
BL	Base Level	2,000,000	0	2,000,000	100.0	2,000,000	0	2,000,000	100.0
C01	Existing Program	0	0	2,000,000	100.0	0	0	2,000,000	100.0