

MUNICIPAL AID

Enabling Laws

Act 642 of 2003
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, § 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 plus years, to replace Federal Revenue Sharing which was eliminated about the same time the Legislature wisely authorized local sales taxes. In some municipalities, the use of Local Sales Taxes as a funding vehicle has reached a saturation point and the recent action of the Legislature to increase the state sales tax percentage has worsened this situation.

Utility Franchise Fees, once a stable, reliable and growing source of municipal revenue, now fluctuates due to periodic customer rate refunds and flat or declining utility billings, brought on in part due to equipment technology improvements.

Property Tax is an available source of revenues, but is severely limited constitutionally and is more

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
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Department Appropriation / Program Summary

Historical Data						Agency Request and Executive Recommendation								
Appropriation / Program	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
034 General Revenue to Cities	24,371,050	0	27,506,526	0	27,506,526	0	30,257,178	0	27,506,526	0	33,282,895	0	27,506,526	0
035 Special Revenue to Cities	72,236,545	0	120,000,000	0	120,000,000	0	110,000,000	0	110,000,000	0	120,000,000	0	120,000,000	0
Total	96,607,595	0	147,506,526	0	147,506,526	0	140,257,178	0	137,506,526	0	153,282,895	0	147,506,526	0

Funding Sources			%		%		%		%		%		%		
General Revenue	4000010	24,371,050	25.2	27,506,526	18.6			30,257,178	21.6	27,506,526	20.0	33,282,895	21.7	27,506,526	18.6
Special Revenue	4000030	72,236,545	74.8	120,000,000	81.4			110,000,000	78.4	110,000,000	80.0	120,000,000	78.3	120,000,000	81.4
Total Funds		96,607,595	100.0	147,506,526	100.0			140,257,178	100.0	137,506,526	100.0	153,282,895	100.0	147,506,526	100.0
Excess Appropriation/(Funding)		0		0				0		0		0		0	
Grand Total		96,607,595		147,506,526				140,257,178		137,506,526		153,282,895		147,506,526	

Analysis of Budget Request

Appropriation / Program: 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 Municipal League of Arkansas is requesting a 10% increase in General Revenue Turnback (034) over the 2003-2005 authorized level each year of the biennium bringing the total request to \$30,257,178 in FY06 and \$33,282,895 in FY07. The increase is requested to recover buying power and assist municipalities in transitioning into the computer age through the use of e-government. The additional resources are also needed to address employee retention and law enforcement challenges, especially drug related issues.

The Municipal League of Arkansas is also requesting that Special Revenue to Cities (035) be continued at the 2003-05 authorized levels of \$110,000,000 for FY06 and \$120,000,000 for FY07.

The Executive Recommendation provides for Base Level for General Revenue Turnback to Cities in the amount of \$27,506,526 for each year of the biennium. The Executive Recommendation also provides for Agency Request to continue Special Revenue received by the cities at the current level of appropriation.

Appropriation / Program Summary

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

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
Grants and Aid 5100004	24,371,050	27,506,526	27,506,526	27,506,526	30,257,178	27,506,526	27,506,526	33,282,895	27,506,526
Total	24,371,050	27,506,526	27,506,526	27,506,526	30,257,178	27,506,526	27,506,526	33,282,895	27,506,526
Funding Sources									
General Revenue 4000010	24,371,050	27,506,526		27,506,526	30,257,178	27,506,526	27,506,526	33,282,895	27,506,526
Total Funding	24,371,050	27,506,526		27,506,526	30,257,178	27,506,526	27,506,526	33,282,895	27,506,526
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	24,371,050	27,506,526		27,506,526	30,257,178	27,506,526	27,506,526	33,282,895	27,506,526

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY05 was \$3,135,476.

Change Level by Appropriation

Appropriation / Program: 034-General Revenue to Cities

Funding Sources: MLM - Municipal Aid Fund

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	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	2,750,652	0	30,257,178	110.0	5,776,369	0	33,282,895	121.0

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	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	Additional appropriation and funding is requested each year of the biennium based upon the need to recover buying power and support new or increasingly expensive municipal services such as e-government, crime and law enforcement (drug related issues) and employee retention.
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Appropriation / Program Summary

Appropriation / Program: 035 Special Revenue to Cities
Funding Sources: MLM - Municipal Aid Fund

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
Grants and Aid 5100004	72,236,545	120,000,000	120,000,000	110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000
Total	72,236,545	120,000,000	120,000,000	110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000
Funding Sources									
Special Revenue 4000030	72,236,545	120,000,000		110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000
Total Funding	72,236,545	120,000,000		110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	72,236,545	120,000,000		110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY05 was \$37,763,455.