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

properly and generally utilized as a funding vehicle for schools.

Based on these facts and circumstances, perhaps the most important source of revenues for Municipalities is State Turnback Funds. These funds provide for at least a minimum level of local services.

Municipal Aid has been frozen, even reduced periodically for well over a decade. Act 1041 of 2001 appropriated \$30,136,193 per year to municipalities. Act 642 of 2003 appropriated only \$27,506,526 per year to municipalities. Our budget request for the next biennium reflects the urgent need to recoup some of the real buying power lost to inflation over the years. Municipalities also need additional resources to deal with new and increasing challenges such as e-government (computerization of operations and citizenry interfaces), crime and law enforcement (especially drug related issues), employee retention (pay and benefit issues....municipalities covered by either APERS or LOPFI are seeing significant increases in employer costs almost yearly).

Our biennium request is based on our need to recover buying power and fund needed new or increasingly expensive municipal services. Our request for 2005-2007 is for a 10% annual increase over the appropriations contained in Act 642 of 2003. We respectfully submit our request as follows:

General Turnback FY2006 - \$30,257,178 FY2007 - \$33,282,895

The appropriation for Special Revenue to Cities is requested to remain at the FY2003-2005 levels of \$110,000,000 and \$120,000,000 respectively.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT AUDIT OF : COUNTY AND MUNICIPAL AID FOR THE YEAR ENDED JUNE 30, 2002

Findings

Recommendations

None

None

Publications

A.C.A 25-1-204

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

Department Appropriation / Program Summary

Historical Data								Agency Request and Executive Recommendation								
2003-2004 2004-2005 2004-2005							2	2005-	2006		2006-2007					
Appropriation / Program	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		
General Revenue4000010Special Revenue4000030	24,371,050 72,236,545		27,506,526 120,000,000	18.6 81.4		-	30,257,178 110,000,000		27,506,526 110,000,000		, -,		27,506,526 120,000,000			
		74.8				-	, ,	78.4		80.0	, -,	78.3	, ,	81.4		
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		

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

	ŀ	listorical Data	a	Agency Request and Executive Recommendation							
		2003-2004	2004-2005	2004-2005		2005-2006		2006-2007			
Commitment Item		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level Agency Exe		Executive	
Grants and Aid 510	0004	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 400	010	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 CitiesFunding Sources:MLM - Municipal Aid Fund

	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.

Appropriation / Program Summary

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

		Historical Dat	а	Agency Request and Executive Recommendation							
	2003-200	4 2004-2005	2004-2005		2005-2006		2006-2007				
Commitment Item	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive		
Grants and Aid 5100	04 72,236,5	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	72,236,5	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 4000	30 72,236,5	120,000,000		110,000,000	110,000,000	110,000,000	120,000,000	120,000,000	120,000,000		
Total Funding	72,236,5	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	72,236,5	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.