

COUNTY AID

Enabling Laws

Act 1384 of 2005
A.C.A. §19-5-602

History and Organization

Established by A.C.A. §19-5-602, the County 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 subdivisions (74) and (117)
 - 34% of those special revenues as specified in subdivision (20) of A.C.A. §19-6-301
 - 25% of all severance taxes other than those imposed upon saw timber and timber products as set out in subdivision (18) of A.C.A. §19-6-301 of the Revenue Classification Law

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 counties.

General Revenue is distributed with seventy-five percent (75%) divided equally among the seventy-five (75) counties of the State and twenty-five percent (25%) distributed on the basis of population according to the most recent federal decennial or special census, with each county to receive the proportion that its population bears to the total population of the State. The funds are received by the County Treasurer and are to be credited to the County General Fund to be used for general county purposes, unless otherwise appropriated by the Quorum Court.

The biennial budget request for the County Aid Fund is prepared and submitted by the Director of the Arkansas Association of Counties.

Agency Commentary

Counties in Arkansas are a constitutionally created political subdivision of the State. Every citizen lives in a county and receives part of his or her government services from the county. A.C.A. §14-14-802 provides that county government shall provide the following necessary services for its citizens:

- a) the administration of justice through several courts of record of the county;
- b) law enforcement protection services and the custody of persons accused or convicted of crimes;
- c) real and personal property tax administration, including assessments, collection and custody of tax proceeds;
- d) court and public records management, as provided by law, including registration, recording and custody of public records; and

- e) all other services prescribed by State law for performance by each of the several elected county officers or departments of county government.

In order to assist counties with ever-increasing costs of providing services, the State began some funding as far back as 1964 and in 1973 by Act 750 of the General Assembly created the County Aid Fund (turnback). Since that time, turnback dollars have gradually increased but the percentage of state general revenue has declined; for example, in 1980, counties and cities received 4.4% of the State's total revenue. Today, that percentage for counties is less than 1/2 of one percent. Furthermore, of the \$19,741,546 appropriated for 2006, the counties received only \$10,720,034 because of deductions by the State. In addition to state turnback, the counties have only two other major sources of revenue - property taxes constitutionally limited to five mills general and three mills road levied annually by the Quorum Courts and sales tax with requires a vote of the people and is collected only as a percentage of the first \$2,500 of the purchase price, i.e. one percent (or 1/2 percent) of \$2,500 equals \$25, the maximum that can be collected on a single transaction.

Counties have not had an increase in turnback since 1993, and in fact, suffered a substantial cut, \$1,810,767 per year beginning with the FY2001-2002 appropriation for a total of approximately \$10,800,00 over six years. This loss combined with overall increases in the costs of providing services has created a severe hardship on many of our counties, particularly the smaller ones. We have faced such large increases in the cost of health insurance that many counties can no longer pay the full premiums, but must, instead require employees to share the cost. As a result, many employees have had to drop family coverage because they simply could not afford it. Additionally, the retirement contribution has increased to 12.54% of payroll. Fuel prices, as we all know, are out the roof, which impacts the ability of the sheriff's department to adequately patrol the county, as well as provide backup to a patrol deputy in an emergency. It also curtails much county road maintenance and construction. Employees in all departments including jail staff are being laid off simply because there is no month to pay them. And finally and unavoidably, the cost of simply doing the day-to-day business of the county continues to increase. As a result of the lack of funding, tax paying citizens who look to the public employees for law enforcement, emergency response, local court systems, records, and many other necessities provided in the county courthouses, could find that some of the services to which they are accustomed may no longer be available when they, the citizens, need them.

Because counties are strictly limited by the State, both statutorily and constitutionally, in their authority to raise revenue, and because costs of state-mandated services continue to rise at a fast pace, Arkansas counties are rapidly reaching a severe crisis situation where some of them simply may not be able to continue even the basic services historically provided by counties.

Consequently, we request that county aid be funded for the 2008/09 biennium as follows:

2007/08 \$25,628,109 *
 \$10,800,000 to restore aforementioned cuts
 \$36,428,109

2008/09 \$26,060,390 *
 \$ 781,812 3% inflation factor
 \$26,842,202

*These figures are the result of a compound COLA applied to the 2001 appropriation which was not fully funded.

We further request that these amounts be fully funded and placed in Category A of the Revenue Stabilization Act. We believe this is a fair request, particularly in light of the cuts in both appropriations and funding in the recent years.

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

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	2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
073 General Revenue to Counties	12,381,982	0	19,741,546	0	19,741,546	0	36,428,109	0	19,741,546	0	26,842,202	0	19,741,546	0
074 Special Revenue to Counties	78,970,964	0	160,000,000	0	160,000,000	0	160,000,000	0	160,000,000	0	160,000,000	0	160,000,000	0
190 Mineral Lease	203,488	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0
1CW Military Land Sale	82,296	0	1,417,704	0	0	0	1,500,000	0	1,500,000	0	0	0	0	0
1CX Military Land Taxing Unit Dist.	137,160	0	2,362,840	0	0	0	2,500,000	0	2,500,000	0	0	0	0	0
738 Real Prop Tax Reduction-Counties	185,399,224	0	225,000,000	0	225,000,000	0	225,000,000	0	225,000,000	0	225,000,000	0	225,000,000	0
Total	277,175,114	0	428,522,090	0	424,741,546	0	445,428,109	0	428,741,546	0	431,842,202	0	424,741,546	0

Funding Sources		%		%		%		%		%		%			
General Revenue	4000010	12,355,344	4.5	19,741,546	4.6			36,428,109	8.2	19,741,546	4.6	26,842,202	6.2	19,741,546	4.6
Federal Revenue	4000020	422,944	0.2	23,780,544	5.5			24,000,000	5.4	24,000,000	5.6	20,000,000	4.6	20,000,000	4.7
Special Revenue	4000030	264,370,188	95.4	385,000,000	89.9			385,000,000	86.4	385,000,000	89.8	385,000,000	89.2	385,000,000	90.7
Transfers to Agencies	4000695	26,638	0.0	0	0.0			0	0.0	0	0.0	0	0.0	0	0.0
Total Funds		277,175,114	100.0	428,522,090	100.0			445,428,109	100.0	428,741,546	100.0	431,842,202	100.0	424,741,546	100.0
Excess Appropriation/(Funding)		0		0				0		0		0		0	
Grand Total		277,175,114		428,522,090				445,428,109		428,741,546		431,842,202		424,741,546	

Military Land Sale (1CW) and Military Land Taxing Unit Dist. (1CX) are biennial appropriations authorized for \$1,500,000 and \$2,500,000 respectively. FY07 Budgeted amount has been adjusted to reflect the carry forward balance of appropriation between fiscal years.

Special Language authorizes carry forward of appropriation and funding for all County Aid appropriations.

Transfer to Agencies represents transfers to Arkansas Code Revision Commission pursuant to Section 7 of Act 1786 of 2005 for code books to Circuit Judges (\$21,348) and Prosecuting Attorneys (\$5,290).

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
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: 073 - General Revenue to Counties

Funding Sources: MLC - County Aid Fund

The following appropriations provide spending authority for the Treasurer's Office to distribute general, special and federal funds to counties:

- General Revenue to Counties (073)
- Special Revenue to Counties (074)
- Unanticipated Special Revenue - Mineral Lease (190)
- Military Land Sale (1CW)
- Military Land Taxing Unit Distribution (1CX)

The Association of Arkansas Counties is requesting an increase of \$16,686,563 for FY08 and \$7,100,656 for FY09 in General Revenue to Counties (073) over the Base Level amount of \$19,741,546. The additional increase for FY08 is requested to restore appropriation and funding levels that have been held relatively flat over the last three biennia. Increases in the cost of health insurance, retirement and fuel are making it difficult for the smaller counties to continue basic services.

The continuation of Base Level is requested for the following appropriations for the distribution of funds received from the federal government for mineral and oil leases:

Mineral Lease (190)	FY06 - \$20,000,000	FY07 - \$20,000,000
Military Land Sale (1CW)	FY06 - \$1,500,000	FY07 - Carry Forward
Military Land Taxing Unit (1CX)	FY06 - \$2,500,000	FY07 - Carry Forward

The continuation of Base Level is requested for Special Revenue to Counties (074) of \$160,000,000 each year of the biennium.

The Executive Recommendation provides for Base Level for General Revenue to Counties of \$19,741,546 each year of the biennium. Continued state support to offset a portion of all county expenses for statewide primary elections, expenses for court reporters and administrative assistants, as well as significant amounts for the public defender and deputy prosecuting attorney systems, precludes the ability to increase aid to counties at this time. The Executive Recommendation also provides for Agency Request to continue Special and Federal Revenues received by the counties at the current appropriated levels.

Appropriation Summary

Appropriation: 073 General Revenue to Counties
Funding Sources: MLC - County Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	12,381,982	19,741,546	19,741,546	19,741,546	36,428,109	19,741,546	19,741,546	26,842,202	19,741,546
Total	12,381,982	19,741,546	19,741,546	19,741,546	36,428,109	19,741,546	19,741,546	26,842,202	19,741,546

Funding Sources									
General Revenue 4000010	12,355,344	19,741,546		19,741,546	36,428,109	19,741,546	19,741,546	26,842,202	19,741,546
Transfers to Agencies 4000695	26,638	0		0	0	0	0	0	0
Total Funding	12,381,982	19,741,546		19,741,546	36,428,109	19,741,546	19,741,546	26,842,202	19,741,546
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	12,381,982	19,741,546		19,741,546	36,428,109	19,741,546	19,741,546	26,842,202	19,741,546

Actual Expenditures have been adjusted to reflect the appropriation transfer to Bureau of Legislative Research for Arkansas Code Revision Commission pursuant to Act 1786 of 2005, Section 7 for code books to Circuit Judges (\$21,348) and Prosecuting Attorneys (\$5,290). Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY07 was \$7,359,564.

Change Level by Appropriation

Appropriation: 073-General Revenue to Counties

Funding Sources: MLC - County Aid Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	19,741,546	0	19,741,546	100.0	19,741,546	0	19,741,546	100.0
C01	Existing Program	16,686,563	0	36,428,109	184.5	7,100,656	0	26,842,202	135.9

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	19,741,546	0	19,741,546	100.0	19,741,546	0	19,741,546	100.0
C01	Existing Program	0	0	19,741,546	100.0	0	0	19,741,546	100.0

Justification

C01 Counties have not had an increase in turnback since 1993. No increase in general revenue combined with overall increases in the costs of providing services has created a severe hardship on many counties, particularly the smaller ones. The cost of health insurance has increased to the point that some counties can no longer pay the full premiums and instead must require employees to share the cost, resulting in the loss of health care insurance for those employees who have had to drop family coverage due to the cost. Increasing fuel costs directly impact the ability of the County Sheriff's Departments to adequately patrol the county or provide backup to a patrol deputy in an emergency. Counties are strictly limited by the State, both statutorily and constitutionally, in their authority to raise revenue. With the cost of state-mandated services continuing to rise, Arkansas counties are rapidly reaching a severe crisis situation where some of them may not be able to continue even the basic services historically provided by the counties.

Appropriation Summary

Appropriation: 074 Special Revenue to Counties
Funding Sources: MLC - County Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	78,970,964	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Total	78,970,964	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Funding Sources									
Special Revenue 4000030	78,970,964	160,000,000		160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Total Funding	78,970,964	160,000,000		160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	78,970,964	160,000,000		160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000

Special Language authorizes carry forward of appropriation and funds. FY06 Authorized was \$140,000,000. The amount of appropriation carried forward for FY07 was \$61,029,036.

Appropriation Summary

Appropriation: 190 Mineral Lease
Funding Sources: MLC - County Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	203,488	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total	203,488	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Funding Sources									
Federal Revenue 4000020	203,488	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total Funding	203,488	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	203,488	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY07 was \$19,796,512.

Appropriation Summary

Appropriation: 1CW Military Land Sale
Funding Sources: MLC - County Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	82,296	1,417,704	0	1,500,000	1,500,000	1,500,000	0	0	0
Total	82,296	1,417,704	0	1,500,000	1,500,000	1,500,000	0	0	0
Funding Sources									
Federal Revenue 4000020	82,296	1,417,704		1,500,000	1,500,000	1,500,000	0	0	0
Total Funding	82,296	1,417,704		1,500,000	1,500,000	1,500,000	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	82,296	1,417,704		1,500,000	1,500,000	1,500,000	0	0	0

This is a biennial appropriation authorized for \$1,500,000. FY07 Budgeted amount has been adjusted to reflect the carry forward balance of appropriation between fiscal years of \$1,417,704.

Appropriation Summary

Appropriation: 1CX Military Land Taxing Unit Dist.
Funding Sources: MLC - County Aid Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	137,160	2,362,840	0	2,500,000	2,500,000	2,500,000	0	0	0
Total	137,160	2,362,840	0	2,500,000	2,500,000	2,500,000	0	0	0
Funding Sources									
Federal Revenue 4000020	137,160	2,362,840		2,500,000	2,500,000	2,500,000	0	0	0
Total Funding	137,160	2,362,840		2,500,000	2,500,000	2,500,000	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	137,160	2,362,840		2,500,000	2,500,000	2,500,000	0	0	0

This is a biennial appropriation authorized for \$2,500,000. FY07 Budgeted amount has been adjusted to reflect the carry forward balance of appropriation between fiscal years of \$2,362,840.

Analysis of Budget Request

Appropriation: 738 - Real Prop Tax Reduction-Counties

Funding Sources: TPR - Property Tax Relief Trust

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.

The Association of Arkansas Counties requests the continuation of Base Level of \$225,000,000 for this appropriation each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 738 Real Prop Tax Reduction-Counties
Funding Sources: TPR - Property Tax Relief Trust

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	185,399,224	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000
Total	185,399,224	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000
Funding Sources									
Special Revenue 4000030	185,399,224	225,000,000		225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000
Total Funding	185,399,224	225,000,000		225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	185,399,224	225,000,000		225,000,000	225,000,000	225,000,000	225,000,000	225,000,000	225,000,000

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY07 was \$39,600,776.