

# MUNICIPAL AID

## Enabling Laws

Act 1384 of 2005  
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 (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-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 have authorized 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 pretty well reached the saturation point, particularly with the state sales tax having gone to 6%, a 100% increase since the local sales tax authority was originally granted.

Utility franchise fees, once a stable, reliable and growing source of municipal revenue has begun to flatten or decline due primarily to the reduction of revenue in the telecommunications area due to increased usage of cell 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 revenues for municipalities is municipal aid or state turnback funds. These funds provide a minimum level of local needs of municipalities and are used primarily in the area of public safety, helping to provide local sanitation services, and assisting in funding other infrastructure needs of a municipality such as water, sewer, streets and local parks.

Municipal Aid has been basically frozen for over two decades. Municipalities were receiving approximately \$21.35 per capita in 1986 for general turnback, whereas, in the current year the projection is for \$15.50 per capita to be received. Applying the U.S. Department of Labor's Bureau of Labor Statistics Consumer Price Index to the amount verified in 1986 would necessitate an appropriation sufficient to fund \$39.45 per person for local services in the first year of the biennium and \$40.67 per person in the second year of the biennium based upon the current municipal population of 1,679,931. We believe that an expenditure of approximately \$40 a person for basic local services such as police protection, fire protection, sanitation, streets and parks is a very wise expenditure of state general revenues and one which will assist the cities and towns in providing the basic services the citizens of Arkansas utilize everyday.

We respectfully submit our general revenue budget request of the following amount:

- FY2008 \$66,273,000
- FY2009 \$68,323,000

**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
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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
034 General Revenue to Cities	24,300,666	0	27,506,526	0	27,506,526	0	66,273,000	0	27,506,526	0	68,323,000	0	27,506,526	0
035 Special Revenue to Cities	73,072,982	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0	120,000,000	0
Total	97,373,648	0	147,506,526	0	147,506,526	0	186,273,000	0	147,506,526	0	188,323,000	0	147,506,526	0

  

Funding Sources		%		%		%		%		%		%	
General Revenue	4000010	24,300,666	25.0	27,506,526	18.6	66,273,000	35.6	27,506,526	18.6	68,323,000	36.3	27,506,526	18.6
Special Revenue	4000030	73,072,982	75.0	120,000,000	81.4	120,000,000	64.4	120,000,000	81.4	120,000,000	63.7	120,000,000	81.4
Total Funds		97,373,648	100.0	147,506,526	100.0	186,273,000	100.0	147,506,526	100.0	188,323,000	100.0	147,506,526	100.0
Excess Appropriation/(Funding)		0		0		0		0		0		0	
Grand Total		97,373,648		147,506,526		186,273,000		147,506,526		188,323,000		147,506,526	

Special Language authorizes carry forward of appropriation and funding for both Municipal Aid appropriations.

The amount of appropriation carried forward for FY07 in General Revenue to Cities (034) was \$3,205,860.

The amount of appropriation carried forward for FY07 in Special Revenue to Cities (035) was \$36,927,018.

**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			Total	Total	Total	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

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 Base Level for General Revenue to Cities (034) is \$27,506,526 each year of the biennium. The Municipal League of Arkansas is requesting an increase over Base Level of \$38,766,474 for FY08 and \$40,816,474 for FY09 based upon the current municipal population of 1,679,931. The average net general revenue distribution for Municipal Aid over the last 20 years is approximately \$29.9 million. The Municipal League maintains that based upon the 1986 per capita rate of \$21.35 and by applying the U.S. Department of Labor's Bureau of Labor Statistics Consumer Price Index to those dollars for the last 20 years, the per capita rate would be \$39.45 for FY08 and \$40.67 for FY09, resulting in the total request of \$66,273,000 for FY08 and \$68,323,000 for FY09.

The Municipal League of Arkansas is also requesting that Special Revenue to Cities (035) be continued at the Base Level amount of \$120,000,000 each year of the biennium.

The Executive Recommendation provides for Base Level for General Revenue 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 to Cities at the current level of appropriation.

**Appropriation Summary**

**Appropriation:** 034 General Revenue to Cities  
**Funding Sources:** MLM - Municipal 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	24,300,666	27,506,526	27,506,526	27,506,526	66,273,000	27,506,526	27,506,526	68,323,000	27,506,526
<b>Total</b>	<b>24,300,666</b>	<b>27,506,526</b>	<b>27,506,526</b>	<b>27,506,526</b>	<b>66,273,000</b>	<b>27,506,526</b>	<b>27,506,526</b>	<b>68,323,000</b>	<b>27,506,526</b>
<b>Funding Sources</b>									
General Revenue 4000010	24,300,666	27,506,526		27,506,526	66,273,000	27,506,526	27,506,526	68,323,000	27,506,526
<b>Total Funding</b>	<b>24,300,666</b>	<b>27,506,526</b>		<b>27,506,526</b>	<b>66,273,000</b>	<b>27,506,526</b>	<b>27,506,526</b>	<b>68,323,000</b>	<b>27,506,526</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>24,300,666</b>	<b>27,506,526</b>		<b>27,506,526</b>	<b>66,273,000</b>	<b>27,506,526</b>	<b>27,506,526</b>	<b>68,323,000</b>	<b>27,506,526</b>

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY07 was \$3,205,860.

## Change Level by Appropriation

**Appropriation:** 034-General Revenue to Cities

**Funding Sources:** MLM - Municipal Aid Fund

### Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	27,506,526	0	27,506,526	100.0	27,506,526	0	27,506,526	100.0
C01	Existing Program	38,766,474	0	66,273,000	240.9	40,816,474	0	68,323,000	248.3

### Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	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 Municipal Aid has been basically frozen for over two decades. Municipalities were receiving approximately \$21.35 per capita in 1986 for general turnback, whereas, in the current year the projection is for \$15.50 per capita to be received. Applying the U.S. Department of Labor's Bureau of Labor Statistics Consumer Price Index to the amount verified in 1986 would necessitate an appropriation sufficient to fund \$39.45 per person for local services for FY08 and \$40.67 per person for FY09 based upon a current municipal population of 1,679,931. It is our belief that an expenditure of approximately \$40 a person for basic local services such as police protection, fire protection, sanitation, streets and parks is a very wise expenditure of state general revenues and one which will assist the cities and towns in providing the basic services the citizens of Arkansas utilize everyday.

**Appropriation Summary**

**Appropriation:** 035 Special Revenue to Cities  
**Funding Sources:** MLM - Municipal 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	73,072,982	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
<b>Total</b>	<b>73,072,982</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>
<b>Funding Sources</b>									
Special Revenue 4000030	73,072,982	120,000,000		120,000,000	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
<b>Total Funding</b>	<b>73,072,982</b>	<b>120,000,000</b>		<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>73,072,982</b>	<b>120,000,000</b>		<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>	<b>120,000,000</b>

Special Language authorizes carry forward of appropriation and funds. The amount of appropriation carried forward for FY07 was \$36,927,018.