

DEPARTMENT OF RURAL SERVICES

Enabling Laws

Act 573 of 2007
A.C.A. § 15-6-105 et seq.

History and Organization

The Department of Rural Services (DRS), formerly known as the Office of Rural Advocacy, and the eleven member Arkansas Rural Development Commission (ARDC) were created by Act 302 of 1991, the Arkansas Rural Development Commission Act. The Agency was renamed the Department of Rural Services by Act 935 of 1999. Together, the Agency and the Commission strive to enhance the quality of life for rural Arkansans without sacrificing individual freedoms or responsibilities. The Agency and Commission accomplish this goal by providing rural Arkansans with the resources necessary to help themselves succeed in their community.

The Department of Rural Services serves as a single point of contact for local governments, state and federal agencies, and other public, private and nonprofit sector organizations. The DRS promotes cooperative and integrated efforts among the various entities that are designed to address our rural issues. The Agency attempts to streamline the bureaucratic process for smaller communities of less than 20,000 in population and make government more customer oriented.

The Department of Rural Services' Mission Statement is "To Enhance the Quality of Life in Rural Arkansas."

Vision Statement

We envision an agency that will:

- Serve as the official point of contact for information on rural issues to the Governor, Legislature, and the general public
- Serve the State as the central coordinating agency for rural development
- Serve the State as a source of funding for rural development through grant / community in-kind partnerships
- Develop a human resource network across the State to assist rural communities directly
- Serve as an advocate for the rural communities of Arkansas

Agency Scope

The Department of Rural Services and the Arkansas Rural Development Commission are charged with serving communities with a population of 20,000 or less. Of the 490 incorporated cities and towns in Arkansas, 470 (96%) have a population of 20,000 or less. However, when you speak of rural development, incorporated cities and towns are only a small part of the puzzle. The unincorporated rural areas make up the majority of our Agency's service area. The unincorporated rural areas are often the most needy of adequate fire protection, adequate water and sewer, adequate public facilities, and adequate roadways. The Agency serves these communities by providing matching grants and information on the resources available to assist rural communities.

Agency Function

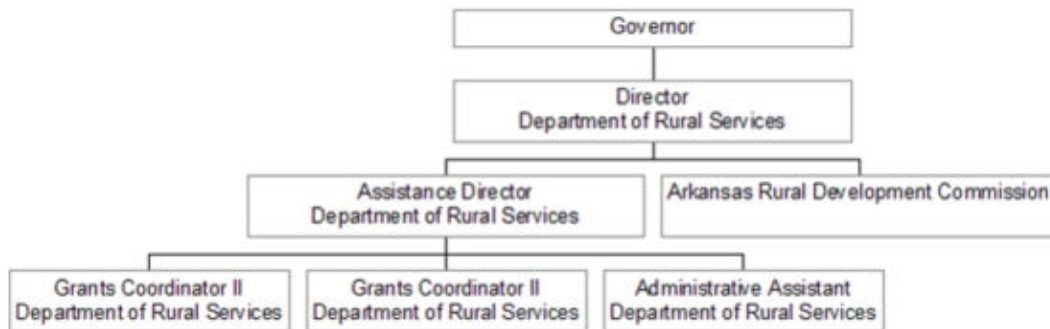
The function of the Department of Rural Services is:

- To serve as a single point of contact for rural communities needing assistance
- To provide rural communities with the assistance needed when possible
- To provide information about alternative sources for assistance when required assistance exceeds agency's means
- To gather information regarding the needs of rural citizens and communities and convey this information to the Governor and Legislature
- To serve the citizens of rural Arkansas as an advocate

Public Benefit Provided By Agency

Words alone are inadequate to describe the benefit our rural communities derive from the services of the Department of Rural Services. Today, due to assistance through the Rural Community Fire Protection Grant Program, the citizens of many rural communities can go to work assured that their homes are better protected because of improved fire communications, new fire safety equipment, new fire trucks, the addition of a sub-station or in many instances the construction of the community's first fire station. Due to assistance through the Rural Community Development Grant Program, the citizens of rural communities are planning events in their new or renovated community center or community park. They are gathering at the community ball field to watch their children play ball, or visiting the new community health clinic or the new community library. And through assistance from the County Fair Building Grant Program, rural county fairs are beginning construction of new concession stands and livestock barns in preparation for the fall fairs.

Most importantly, rural citizens, legislators, mayors, or county judges are able to call seeking assistance and will talk to a real person who will help them get the assistance they require.



Agency Commentary

To choose to reside in Arkansas is a choice to live in rural America. The Federal Government defines rural as a city, town or community with a population of 20,000 or less. Based on this definition, the State of Arkansas is over 95% rural. Even today, a choice to live in some of the more rural areas of Arkansas often means settling for poor drinking water, inadequate public facilities, inadequate or non-existent fire protection, and the absence of accessible local health care.

The Department of Rural Services (DRS) and the Arkansas Rural Development Commission (ARDC) are committed to preserving our way of life while seeking ways to combat these deficiencies. While there is no simple solution to eradicating these deficiencies, it is obvious that Federal and State aid alone will not be sufficient. Instead, some of the solutions must be generated from within our rural communities. To achieve this end, we must strengthen the ability of our citizens to participate in determining our futures. The people of rural Arkansas must be educated and provided the tools necessary to accomplish community goals and objectives. Establishing partnerships throughout the community has enabled DRS to host regional information forums on the services our agency provides. This is one step DRS has taken to reach our communities and leaders.

The philosophy developed by DRS and the ARDC is to establish partnerships with communities to assist them in achieving their goals. This philosophy is incorporated into the Agency's various grant programs through the requirement of a matching portion from the community. Unlike many grant programs which fund a project 100%, the DRS grant programs seek to motivate communities to organize and develop a system of teamwork to bring their projects to fruition. Communities are encouraged to use only the grant funds absolutely needed to complete the project and to return any unused funds.

BASE LEVEL

The Agency is requesting to continue its Base Level of \$940,328 in FY10 and \$946,482 in FY11 which includes the following:

GR Funded Appropriation

	<u>FY10</u>	<u>FY11</u>
Regular Salaries for 5 positions:	\$225,581	\$230,766
Personal Services Matching:	\$ 67,729	\$ 68,698
Operating Expenses:	\$ 67,704	\$ 67,704
Conference Fees & Travel	\$ 4,100	\$ 4,100
Rural Community Development Grants:	\$200,000	\$200,000
Rural Community Fire Protection Grants:	\$300,000	\$300,000
Rural County Fair Improvement Grants:	\$ 25,214	\$ 25,214

Cash Funded Appropriation

	<u>FY10</u>	<u>FY11</u>
Conference Expenses	\$ 50,000	\$ 50,000

CHANGE LEVEL

The Department is requesting additional appropriation and general revenue funding of \$482,786 each year of the biennium for the following:

	<u>FY10</u>	<u>FY11</u>
Operating Expenses	\$ 8,000	\$ 8,000
Rural Community Development Grants:	\$200,000	\$200,000
Rural Community Fire Protection Grants:	\$200,000	\$200,000
Rural County Fair Improvement Grants:	\$ 74,786	\$ 74,786
Total	<u>\$482,786</u>	<u>\$482,786</u>

The \$8,000 appropriation and funding increase in Operating Expenses is necessary to provide for increased operating costs including postage, printing, office supplies and food.

The \$474,786 appropriation increase in Grants is requested to restore the level of grant appropriation authorized for the 2007-09 biennium. The \$400,000 requested for Rural Community Development

Grants and Rural Community Fire Protection Grants was approved during the 2007-09 biennium for appropriation only. The Agency is requesting to restore this (previously unfunded) appropriation along with general revenue funding.

The \$74,786 requested for Rural County Fair Improvement Grants is requested to restore the level of grant appropriation authorized during the 2007-09 biennium. This request represents the following:

- \$17,483 was funded during the 2007-09 biennium, but was reduced from the FY09 Annual Budget (and consequently Base Level) because the agency had to reallocate this funding from the grant line item to cover salary and matching increases authorized in FY08 (including Merit Increases, Extraordinary Salary Increases and Labor Market increases approved by the Department of Finance and Administration Office of Personnel Management).
- \$57,303 was unfunded appropriation authorized during the 2007-09 biennium, which the agency is requesting to restore with general revenue funding for the 2009-11 biennium.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF RURAL SERVICES

FOR THE YEAR ENDED JUNE 30, 2007

Findings	Recommendations
Management failed to operate its petty cash fund in accordance with rules and regulations, as set forth in the Department of Finance and Administration (DFA) Financial Management Guide, including the failure to retain supporting documentation for purchases made with petty cash funds. Support documentation provides evidence of the appropriate business purpose of disbursements. The Agency received approval from DFA for a \$100 petty cash fund; however, the Agency increased the petty cash fund without DFA approval to \$600 for the years ended June 30, 2006 and 2007 and to \$1,000 for the year ended June 30, 2008. The business purpose of \$2,200 in petty cash fund disbursements for the three years cannot be determined.	Retain proper documentation in support of expenditures and maintain the petty cash fund in accordance with rules and regulations for imprest fund accounts as set forth in the DFA Financial Management Guide.

Employment Summary

	Male	Female	Total	%
White Employees	1	3	4	80 %
Black Employees	0	0	0	0 %
Other Racial Minorities	0	1	1	20 %
Total Minorities			1	20 %
Total Employees			5	100 %

Cash Fund Balance Description as of June 30, 2008

Fund Account	Balance	Type	Location
1110100	\$39,295	Checking	BancorpSouth

Statutory/Other Restrictions on use:

N/A

Statutory Provisions for Fees, Fines, Penalties:

N/A

Revenue Receipts Cycle:

Receipts are derived from the collection of conference registration fees and forum registration fees around the period events are held. Additional receipts are collected from corporate sponsors.

Fund Balance Utilization:

Collection of revenue is irregular throughout the year, centering primarily around hosted events. Revenues are not on day-to-day operations, but are reserved and expended on costs directly related to hosting conference forums.

Publications

A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Arkansas Rural Community Grant Program Guidelines and Application	Act 302 of 1991, Act 971 of 1995	N	N	6,000	To provide eligible rural communities with grant guidelines and procedures.
Arkansas Rural Development Conference Brochure	N/A	N	N	5,000	To promote the Annual Arkansas Rural Development Conference
Arkansas Rural Development Conference Program	N/A	N	N	1,000	To provide conference attendees with panel and event information.
County Fair Building Grant Program Guidelines and Application	Act 370 of 1999	N	N	1,000	To provide eligible rural communities with grant guidelines and procedures.
Rural Services Block Grant Guidelines and Application	Act 1412 of 1999	N	N	500	To provide eligible rural communities with grants guidelines and procedures.
The Rural Advocate	Act 302 of 1991	N	N	12,000	To provide information to rural communities in compliance with Act 302 of 1991 establishing the agency as the one contact for rural communities of less than 20,000 in population.

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2007-2008		2008-2009		2008-2009		2009-2010						2010-2011					
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
234 Rural Services-State Operations	880,631	5	877,439	5	1,334,856	5	890,328	5	1,373,114	5	1,365,114	5	896,482	5	1,379,268	5	1,371,268	5
B15 Rural Services - Conference	41,983	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0	50,000	0
Total	922,614	5	927,439	5	1,384,856	5	940,328	5	1,423,114	5	1,415,114	5	946,482	5	1,429,268	5	1,421,268	5

Funding Sources		%		%		%		%		%		%		%		%		%	
Fund Balance	4000005	31,706	3.3	39,295	4.1			39,295	4.0	39,295	2.7	39,295	4.0	39,295	4.0	39,295	2.7	39,295	4.0
General Revenue	4000010	863,085	89.7	877,439	90.8			890,328	90.9	1,373,114	93.9	890,328	90.9	896,482	90.9	1,379,268	93.9	896,482	90.9
Cash Fund	4000045	49,572	5.2	50,000	5.2			50,000	5.1	50,000	3.4	50,000	5.1	50,000	5.1	50,000	3.4	50,000	5.1
Merit Adjustment Fund	4000055	17,546	1.8	0	0.0			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total Funds		961,909	100.0	966,734	100.0			979,623	100.0	1,462,409	100.0	979,623	100.0	985,777	100.0	1,468,563	100.0	985,777	100.0
Excess Appropriation/(Funding)		(39,295)		(39,295)				(39,295)		(39,295)		435,491		(39,295)		(39,295)		435,491	
Grand Total		922,614		927,439				940,328		1,423,114		1,415,114		946,482		1,429,268		1,421,268	

Agency Position Usage Report

FY2006 - 2007						FY2007 - 2008						FY2008 - 2009					
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	
5	5	0	5	0	0.00 %	5	5	0	5	0	0.00 %	5	5	0	5	0	0.00 %

Analysis of Budget Request

Appropriation: 234 - Rural Services-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

The Arkansas Department of Rural Services serves as a single point of contact for all organizations and individuals with a desire to enhance the quality of life for rural citizens. Working under the guidance of the Arkansas Rural Development Commission (ARDC), the Agency assists citizens of rural Arkansas by providing rural grant programs and information sharing and educational opportunities through regional forums and the annual Arkansas Rural Development Conference. This appropriation provides for the operations of the agency and is funded by general revenue.

Base Level salaries for classified positions reflect the recommendations of the Pay Plan Study and unclassified positions reflect similar adjustments in line item salaries. A 2.3% Cost of Living Allowance is reflected in the second year of the biennium. Personal Services Matching includes a \$75 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$425.

Base Level includes appropriation and general revenue funding of \$890,328 in FY2010 and \$896,482 in FY2011.

The Agency requests additional appropriation and general revenue funding in the amount of \$482,786 each year of the biennium for the following:

Operating Expenses

Increase of \$8,000 each year to cover increased costs related to postage, printing, office supplies and food. This request will provide for additional administrative costs the agency incurred due to the addition of 31 new general improvement grant appropriations authorized during the 2007-2009 biennium.

Rural Community Development Grants

Increase of \$200,000 each year to provide for an increase in the number of Community Development grant requests received from rural communities and to cover increased costs for construction and renovation. This line item provides matching grants to rural communities to use for renovations, new construction or additions to publicly owned buildings, parks and recreational facilities.

Rural Fire Protection Grants

Increase of \$200,000 each year to provide for an increase in the number of Fire Protection grant requests received from rural communities and to cover increased costs for construction, renovation and equipment. This line item provides matching grants to rural communities for renovations, new construction or additions to fire facilities, for purchasing fire protection equipment and vehicles and for rehabilitating/retrofitting newly acquired equipment and vehicles.

County Fair Improvement Grants

Increase of \$74,786 each year of the biennium to meet rising labor and material costs. This line item provides incentive matching grants to assist rural county fairs with the construction and improvement of buildings or for the purchase of items shown to directly improve the building or the services that the county fair association may provide.

The Executive Recommendation provides for unfunded appropriation of \$474,786 each year for the following:

- \$200,000 for Rural Community Development Grants
- \$200,000 for Rural Fire Protection Grants
- \$74,786 for County Fair Improvement Grants

Appropriation Summary

Appropriation: 234 - Rural Services-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2009-2010			2010-2011		
		2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	211,131	218,625	201,291	225,581	225,581	225,581	230,766	230,766	230,766
#Positions		5	5	5	5	5	5	5	5	5
Personal Services Matching	5010003	63,673	61,796	61,761	67,729	67,729	67,729	68,698	68,698	68,698
Operating Expenses	5020002	62,478	67,704	67,704	67,704	75,704	67,704	67,704	75,704	67,704
Conference & Travel Expenses	5050009	652	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	200,000	200,000	400,000	200,000	400,000	400,000	200,000	400,000	400,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Rural Fire Protection Grants	5900046	300,000	300,000	500,000	300,000	500,000	500,000	300,000	500,000	500,000
County Fair Imprv Grants	5900048	42,697	25,214	100,000	25,214	100,000	100,000	25,214	100,000	100,000
Total		880,631	877,439	1,334,856	890,328	1,373,114	1,365,114	896,482	1,379,268	1,371,268

Funding Sources										
General Revenue	4000010	863,085	877,439		890,328	1,373,114	890,328	896,482	1,379,268	896,482
Merit Adjustment Fund	4000055	17,546	0		0	0	0	0	0	0
Total Funding		880,631	877,439		890,328	1,373,114	890,328	896,482	1,379,268	896,482
Excess Appropriation/(Funding)		0	0		0	0	474,786	0	0	474,786
Grand Total		880,631	877,439		890,328	1,373,114	1,365,114	896,482	1,379,268	1,371,268

The FY2008 Actual amount and the FY2009 Budget amount in Regular Salaries and Personal Services Matching exceeds the Authorized amount due to salary and matching rate adjustments approved during the 2007-09 biennium.

Change Level by Appropriation

Appropriation: 234 - Rural Services-State Operations

Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	890,328	5	890,328	100.0	896,482	5	896,482	100.0
C01	Existing Program	482,786	0	1,373,114	154.2	482,786	0	1,379,268	153.9

Executive Recommendation

Change Level		2009-2010	Pos	Cumulative	% of BL	2010-2011	Pos	Cumulative	% of BL
BL	Base Level	890,328	5	890,328	100.0	896,482	5	896,482	100.0
C01	Existing Program	474,786	0	1,365,114	153.3	474,786	0	1,371,268	153.0

Justification

C01	Operating Expenses: \$8,000 requested for appropriation and funding for increased costs related to postage, printing, office supplies and food. Community Development Grants: \$200,000 requested for both appropriation and funding to restore the level of appropriation to what was authorized in the previous biennium. Fire Protection Grants: 200,000 requested for both appropriation and funding to restore the level of appropriation to what was authorized in the previous biennium. County Fair Improvement Grants: \$74,786 requested with both appropriation and funding to restore the level of appropriation to what was authorized in the previous biennium.
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Analysis of Budget Request

Appropriation: B15 - Rural Services - Conference

Funding Sources: 111 - Department of Rural Services - Cash

This appropriation provides for an annual conference and several one-day seminars for local governments. The annual conference attendance numbers range from 400-650 each year with topics of discussion including finance, community marketing strategies, infrastructure and crime. Income is derived from fees charged to participants and donations received through corporate sponsorship.

The Agency Base Level Request includes appropriation in the amount of \$50,000 each year of the biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: B15 - Rural Services - Conference
Funding Sources: 111 - Department of Rural Services - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2007-2008 Actual	2008-2009 Budget	2008-2009 Authorized	2009-2010			2010-2011		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Conference Expenses 5900046	41,983	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total	41,983	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Funding Sources									
Fund Balance 4000005	31,706	39,295		39,295	39,295	39,295	39,295	39,295	39,295
Cash Fund 4000045	49,572	50,000		50,000	50,000	50,000	50,000	50,000	50,000
Total Funding	81,278	89,295		89,295	89,295	89,295	89,295	89,295	89,295
Excess Appropriation/(Funding)	(39,295)	(39,295)		(39,295)	(39,295)	(39,295)	(39,295)	(39,295)	(39,295)
Grand Total	41,983	50,000		50,000	50,000	50,000	50,000	50,000	50,000