

The \$2 Trillion-dollar CARES Act has provided emergency support to millions of Americans unemployed because of the coronavirus pandemic. But for cities and counties, which aren't eligible for the same type of benefits, tax revenue losses from shuttered businesses has had a big impact. KUAR's Daniel Breen reports on how municipalities in Arkansas are maintaining essential services with less money coming in.

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When the coronavirus pandemic first reached Arkansas in mid-March, Alma Mayor Jerry Martin took action.

“When I thought about it, it would be best for our employees to go ahead and furlough now while they could take advantage of the unemployment setup the way that it was, than to wait until September, October and us be at a place where it looked like we were going to have a hard time making payroll and paying bills.”

Martin put a freeze on unnecessary spending and furloughed six employees, all in an effort to lessen the impact of an expected loss in revenue, and an increase in COVID-related expenses. While his employees could get federal assistance beyond traditional unemployment benefits, Martin says the city itself could not.

“We didn't get the payroll protection that private industry did, there was some other money for the private industry that we didn't qualify for.”

For Alma, a city of roughly 6-thousand near Fort Smith, the biggest loss of revenue came from closing the courts, which Martin says cost the city about \$77,000. But according to Chris Villines, the executive director of the Association of Arkansas Counties, that's just a fraction of the COVID-19 pandemic's impact on local governments in the state.

“We estimated up to \$150 million in lost revenues and additional expenses to local government. I think that's the high end based on what we're seeing now, the

returned to some normalcy in the economy, I hope that that's going to be a significant overestimate of what we need."

Counties typically function as an extension of state government, handling things like marriage licenses, elections and road maintenance. Because of that, counties get some money back from the state, in the form of monthly payments from fuel taxes and from the state's general revenues. But by and large, counties in Arkansas rely on property and sales tax collections as their major sources of revenue.

Villines says each county is different, with some relying more heavily on one tax revenue stream than the other.

"Look at Garland County. Not only are they focused more on sales tax than property tax, but they're also a tourist community. I expect places like that are going to get hit a little bit harder than, say, a Saline County which is almost solely based on property tax revenue for county government."

But while the closure of businesses due to the pandemic would likely result in a loss of sales tax revenue for counties, some officials say that hasn't been the case. Garland County Treasurer Tim Stockdale says sales and use tax collections are slightly up from this time last year, and that the only noticeable impact on the county's finances was the brief closure of the Oaklawn Racing Casino Resort.

"But it doesn't matter for us because we didn't count on that, that was extra income for us so it doesn't hurt us even though it dropped to zero, because we just appropriated a small amount of that."

Some cities that are also more reliant on tourism as an economic driver report a similar experience. Jackie Sikes directs the chamber of commerce in Fairfield Bay, a lakeside resort community about 80 miles north of Little Rock. She says, while her city did have furloughs and budget cuts, the state's reopening hit at exactly the right time.

"Economically, yeah we were hit, but I don't think it was as bad as it could have been. People are still afraid to travel long distances and so we've had an influx of

people coming here to the Bay from just Arkansas, but we're seeing weeklong influx of people because people are still not back to work all of them."

Sikes says service-related businesses, particularly home improvement, have fared well during the pandemic as a result of more people being home. While her city is reaping the benefits of businesses being open again, the state's business restrictions could have another unintended consequence.

"Our conference center had several conferences that were canceled that are being moved to the fall and the winter months, so that'll be a big thing for our community if we had an influx of people attending conferences here in the Bay, when typically our winter months are very slow here."

More rural parts of the state, like Lee County in eastern Arkansas, have also been spared from the effects of a drop in sales tax collections. Lee County Treasurer Mark Smith says his county keeps expenses low since they're used to not having a large surplus even in non-COVID times.

"We don't have a big mall, we don't have a Gap, you know, we don't have stuff like that. Our sales tax the last two months, we're actually up a little bit on sales tax; about \$5,000 higher than what I was expecting each of the last two months."

And Saline County Comptroller Angie Drummond says her county, which is less reliant on sales tax revenue, has seen property tax collections go up by \$800,000 since last year.

"We are a growing county and so really our assessment drives that growth too, so I don't know how much of it's related to the growth in assessment versus the effects of COVID."

But while businesses are open again and the state has revised its budget forecast to less-dire figures, some cities are still left footing the bill for certain expenses. Jerry Martin, the mayor of Alma, says the Treasury Department said his city could not use any of the \$1-and-a-quarter billion dollars Arkansas received from the CARES Act to help cover lost revenue. He said that's simply because there was some

money still left in the city's budget because of the cost-cutting measures he took early in the pandemic.

“The way they had that set up, you penalize the cities that were really trying to do the right thing here. It was kind of one of those things, the analogy I used, you're tying our hands, now you're tying our feet and now you're adding rocks to it.”

Martin says his city can manage the economic stress it has already seen, but with coronavirus cases still steadily rising in Arkansas, he's hoping more help will be available if the state faces another COVID-related shutdown.

“You don't want other cities and other states and other counties trying to use this as a bailout of a system that was already broken and sinking. We weren't. Let us use what we need to make sure that our cities can get through the end of the year and set up for next year, because all the talk is about getting through this year, but we've got to start thinking about next year too.”

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