Highlights of Revenue Trends of County Governments in Arkansas, 2000–2017[1]

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Overview

Services provided by county governments in Arkansas are an important part of daily life. County governments are mandated to provide certain services to their communities, including public safety and law enforcement, management of court and public records and administration of justice through the courts. They also provide many non-mandated services, which may include agricultural, community development, emergency medical, recycling, solid waste, transportation and utility services.

To pay for these services, counties generate revenue from multiple local and external sources. Counties generate funds locally through the property tax and local sales and use taxes as well as from user fees, fines and commissions. External funding is received from the state and federal governments in the form of intergovernmental transfers.

The Arkansas Constitution requires county governments to balance their budget; therefore, counties face the constant challenge of collecting enough revenue to pay for the increasing costs of services, including those newly mandated and non-mandated services demanded by a global economy. During times of budgetary stress, budget cuts may affect the ability of county governments to provide needed services and infrastructure. Balancing the county budget is increasingly challenging because:

- Counties that experience declining population and economic activity have increasingly limited ability to generate revenue from local sources.
- Some other counties in Arkansas are growing rapidly. In those areas, counties must expand services and invest in infrastructure to anticipate future changes and keep up with growing demand.

In the full report, the authors identify changing trends in county government revenue and in the sources of that revenue over a 17-year period from 2000 to 2017. They also provide a comparison of revenue trends among different regions of the state. This fact sheet highlights some of their key findings.

Although total county government revenue increased statewide during the study period, there was large variation in growth among counties, and revenue declined in some counties (Figure 1). There were also major differences in revenue sources and the amount of revenue generated per person and per $1,000 of person-

[1] The full report, MP512, Revenue Trends of County Governments in Arkansas, 2000-2017, is available online at https://uaex.uada.edu/govfinance

al income among counties. In addition, differences were observed between urban and rural counties and between rural regions of the state. There was also a shift toward greater reliance on sales tax revenue and less reliance on revenue from state and federal government transfers (Figure 2).

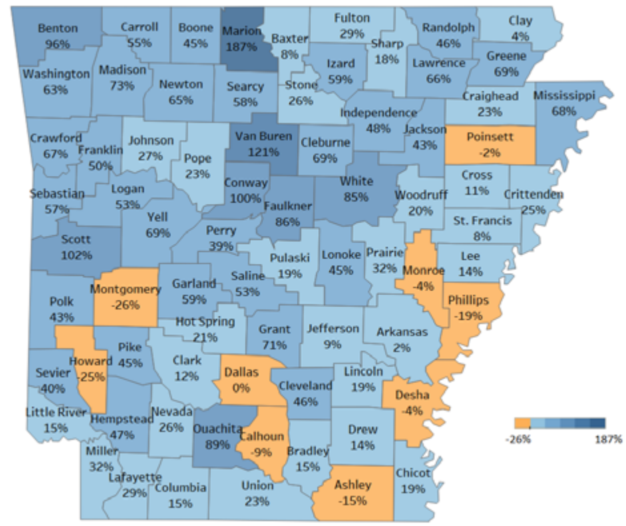
Total Revenue[1]

- Total county government revenue in Arkansas grew 39%, from \$846 million in 2000 to \$1,174 million in 2017. However, since the beginning of the Great Recession in 2008 to 2017, statewide county government revenue grew only 4% and one-third (25) of Arkansas' 75 counties experienced a decline in revenue during this time.
- Statewide per capita revenue increased 24% from 2000-2017 (from \$316 to \$391), although there was considerable variation among counties. The largest decrease was 23% in Montgomery County, and the most growth occurred in Marion County (182%), resulting from the sale of bonds in 2017 for the construction of a new jail.

Sources of Revenue

- Sales Tax, Property Tax, and Intergovernmental Revenue generated approximately 70% of total county revenue in 2017.
- Intergovernmental Revenue: There is more variation from year to year in total revenue dollars from intergovernmental revenue compared to the other two major sources of revenue - property tax and sales tax. Intergovernmental revenue increased 23% from 2000 to 2017 despite decreasing as a share of total county revenue.
- Property Tax Revenue: Revenue generated from property taxes grew steadily from 2000 to 2017, increasing by 43%. This is one of the most stable and predictable sources of tax revenue.
- Sales Tax Revenue: Sales tax revenue accounted for the largest share of county government revenue in 2017 and saw the largest revenue growth of the three major sources, increasing by 68% from 2000 to 2017. This growth is influenced by a growing population, expansion of the sales tax base and increasing county sales tax rates.

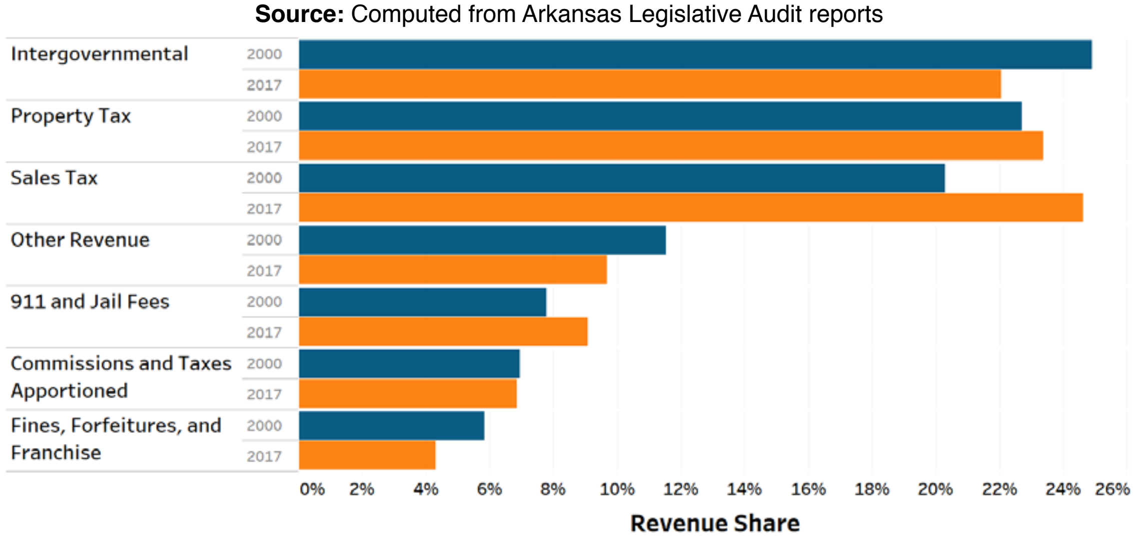
Figure 1. Percent Change in Total County Government Revenue (2000-2017)[2]



Source: Computed from Arkansas Legislative Audit reports

Figure 2. Share of Revenue by Source (2000 and 2017)

Source: Computed from Arkansas Legislative Audit reports



[1]All dollar values and percent change figures are reported using 2017 constant (real) dollars to adjust for inflation.

[2]Percent change computed after adjusting for inflation using the South Urban CPI.

Rural vs. Urban Counties

There are considerable differences in sources and growth of revenue between the 62 rural and 13 urban counties in Arkansas. Some of these differences are:

- Since the beginning of the Great Recession in 2008 to 2017, revenue growth in rural counties averaged 2% compared to 6.5% in urban counties.

- Rural counties receive a much larger share of their revenue from the county sales tax and intergovernmental revenue, whereas urban counties receive the largest share of their revenue from the property tax.

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FSCPED8-PD-9-20R