Highlights of Expenditure Trends of County Governments in Arkansas, 2000-2017

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Overview

County governments provide needed infrastructure and services for residents and businesses to better compete in a global economy. Because the Arkansas Constitution requires that counties maintain balanced budgets, spending is constrained by the ability of county governments to generate revenue to pay for expenditures. Along with the requirement of a balanced budget comes a list of services that all 75 counties are mandated to provide, including:

- justice through courts
- law enforcement protection and custody of persons accused or convicted of crimes
- real and personal property tax administration
- court and public records administration

While these are the only services required by law, a variety of other services are typically funded by county governments. Many of these non-mandated services are critical for residents and businesses (e.g., highways and streets, transportation, water, sewer and other utilities, solid waste, emergency services, community and rural development and agricultural assistance). In the full report, the authors examine trends in county government spending for the years 2000-2017. They also observe how counties adjust to increasing or decreasing populations, which may place an additional burden on taxpayers. Expenditures are compared among counties in a) absolute terms, b) on a per capita basis and c) as shares per $1,000 of personal income. Spending comparisons are made between metro and non-metro counties and among rural regions of the state and economic dependency classifications. This fact sheet highlights key findings.

Trends in County Government Spending

While total county government expenditures increased 37 percent from 2000 to 2017, spending changes among counties ranged from an increase of 185 percent in Drew County to a decrease of 33 percent in Howard County (Figure 1).

- Thirteen counties, mostly in east and southern Arkansas, experienced declines in total county government expenditures. Twelve of the 13 counties experiencing declines were in rural counties.
- Spending in urban counties grew at a faster rate (45 percent) than in rural counties (31 percent).
- Of rural regions in Arkansas, the Highlands saw the greatest growth in spending, at 39 percent. Spending grew 35 percent in the Coastal Plains and 21 percent in the Delta.
- Recreation-dependent counties saw the greatest increase in total spending (67 percent) of any economic dependency group between 2000 and 2017.

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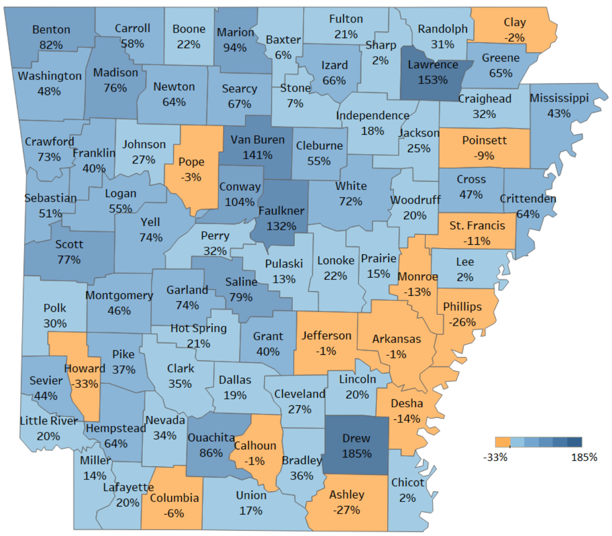
Figure 1. Percent Change in Total County Expenditures (2000-2017)



Source: Computed from Financial and Compliance Reports, Arkansas Legislative Audit

On a per capita basis, total spending increased 22 percent, from $311 in 2000 to $380 in 2017. Per capita spending was higher and increased more rapidly in rural, compared to urban, counties from 2000 to 2017.

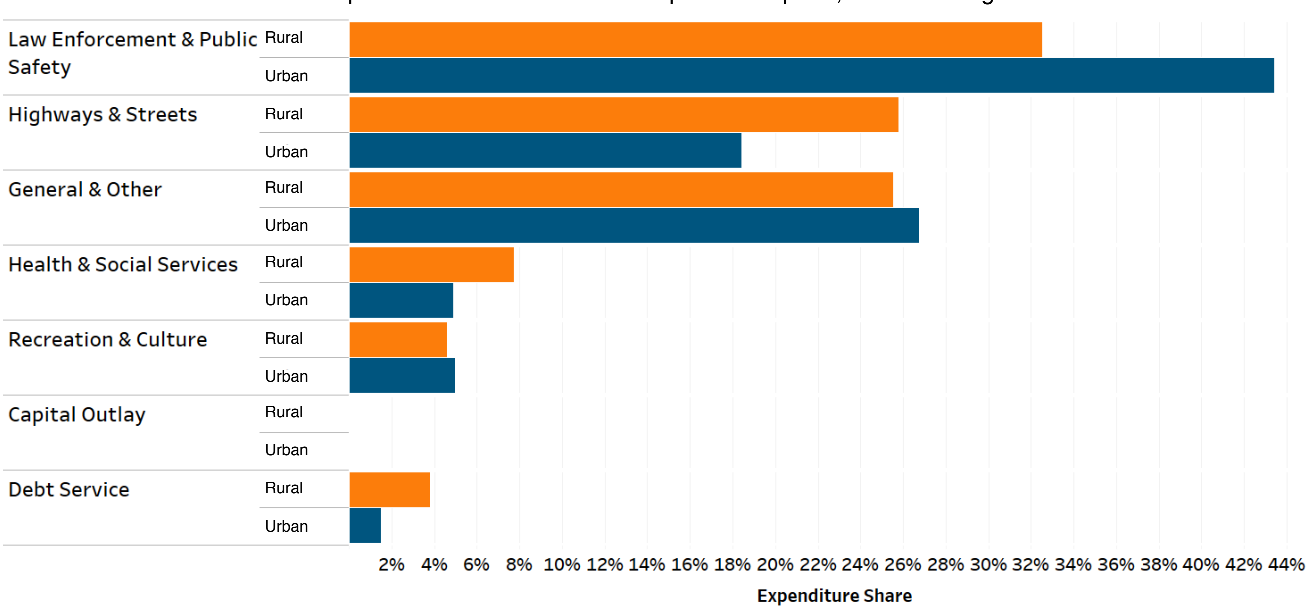
- Per capita spending was higher in rural counties ($489) than in urban counties ($305) in 2017.
- Per capita total spending in rural countries grew at a faster rate compared to urban counties, increasing 34 percent, from $364 in 2000 to $489 in 2017.
- Per capita total spending in urban counties increased 16 percent, from $263 in 2000 to $305 in 2017.
- Of the rural regions in Arkansas, the Coastal Plains experienced the largest growth in per capita spending, growing 52 percent compared to 31 percent in the Highlands, 28 percent in the Delta and 16 percent in the Urban region.
- Recreation-dependent counties experienced the highest growth in per capita expenditures, increasing 53 percent during the study period, with a peak of $724 per capita in 2014. The next fastest growing groups were farming (37 percent), mining (35 percent), manufacturing (26 percent) and government-dependent counties (23 percent).
- During the 17-year study period there was a slight decrease in total expenditures per $1,000 in personal income, from $9.58 in 2000 to $9.16 in 2017.

County Government Spending by Category

The three major expenditure categories (law enforcement and public safety, highways and streets, and general and other) accounted for 86 percent of county government spending statewide in 2017.

- The largest share of total spending statewide (38 percent) was for law enforcement and public safety. This was also true for both urban (43 percent) and rural (33 percent) counties (Figure 2).
- The general and other spending category accounted for the second most spending in most years of the 17-year study period (26 percent in 2017), however, it grew less than the other major category expenditures (31 percent).

Figure 2. Relative Importance of Expenditure Categories sorted by Urban vs. Rural regions (2017)
Source: Computed from Financial and Compliance Reports, Arkansas Legislative Audit



- Statewide, county governments spent 22 percent of total expenditures on highways and streets in 2017. However, rural counties spent a larger share of their budgets (26 percent) than urban counties (18 percent) for the construction and maintenance of county roads.
- In 2017, the Urban, Highlands and Delta regions all spent a larger share on law enforcement and public safety than on any other individual category.

County government spending on law enforcement and public safety grew at a faster rate compared to growth in total spending. The increase in law enforcement and public safety spending from 2000-2017 was also greater than for any other major budget category.

- Law enforcement and public safety spending increased 58 percent, from $272 million to $430 million.
- During the 17-year study period, law enforcement and public safety spending only decreased in five counties (Dallas, Desha, Lee, Phillips and Jefferson), and increased by 100 percent or more in 19 counties.
- During the study period, spending on highways and streets increased 34 percent, including a substantial increase from 2013-2015, largely due to increased revenue for county roads from the temporary 0.5 percent statewide sales tax passed in 2012.

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FSCPED9-PD-10-20R