REVENUE TRENDS
of County Governments in Arkansas

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Revenue Trends of Arkansas County Governments: 2000-2017

By

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Highlights

Although total county government revenue increased over the 17-year period from 2000 to 2017, there was a large variation in growth between counties. Counties also differed considerably in terms of the revenue generated per person, revenue per $1,000 in personal income, and the relative dependence on different sources of revenue. Regional and economic categorizations help to isolate these differences for comparison among counties. County financial patterns were found to differ based on their rural or urban status, geographic region, and economic dependency.

Counties continue to increase their reliance on local revenue from property and sales taxes and have seen a decrease in the share of revenue coming from state and federal governments. For some counties, declining economic activity and population make it increasingly difficult to generate sufficient revenue to pay for needed services. For other counties, rapid expansion requires increased services and infrastructure investments to keep up with growing demands.

Some of the major findings include:

- **Total revenue** for all counties in Arkansas is trending up and has grown 39% (from $846 million to $1,174 million) since 2000. However, 8 of 75 counties have experienced a decline in revenues during this time.
- **Per capita revenue** for all counties increased by 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%).
- **Sales tax, property tax, and intergovernmental revenue** generated approximately 70% of total county revenue in 2017. Intergovernmental revenue increased 23%, property tax revenue increased 43%, and sales tax revenue increased 68% from 2000-2017.
- **Rural** counties consistently reported higher per capita revenue and per capita revenue growth compared to **urban** counties from 2000-2017 (37% versus 16% respectively). However, urban counties saw a greater increase in total revenue (45% versus 34%). Total county revenues per $1,000 of personal income increased 15% in rural counties and decreased 11% in urban counties. Rural counties relied on sales tax revenue more than any other revenue source, while urban counties relied most on property tax revenue.
- Revenue trends vary considerably among the **geographic regions**; however, all four regions saw an increase in total county revenue from 2000-2017. All three rural geographic regions saw their total revenue per $1,000 of personal income increase over the study period, whereas it declined in the urban region. The Coastal Plains, Delta and Highlands had similar revenue growth per capita from 2000 to 2017 (38%, 38% and 36% respectively), and all were considerably higher than the urban region (16%). The Coastal Plains had the highest revenue per $1,000 of personal income in 2017.
- **Economic Dependency Classification**: The greatest percentage increases in total county government revenue occurred in the nonspecialized (46%), recreation-dependent (44%) and manufacturing-dependent (42%) counties. Farming-dependent, mining-dependent, and government-dependent counties had substantially smaller percentage increases in revenue growth during this period, at 23%, 23% and 21% respectively.

Introduction

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 law enforcement, management of court and public records and administration of justice through the courts. They also provide many nonmandated services, which may include agricultural, community development, emergency, recycling, solid waste, transportation and utility services. Funding for these services comes from multiple sources. Counties receive funds locally through the property tax and local sales and use taxes as well as from user fees, fines and commissions. Counties also receive funds from external sources in the form of state and federal intergovernmental transfers.

The Arkansas Constitution requires county governments to balance their budgets; therefore, counties face the constant challenge of collecting enough revenue to pay for the increasing costs of services – including those newly mandated and nonmandated services demanded by a global economy. A healthy county budget collects adequate revenue to meet changing expenditure needs. 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. These counties also face challenges related to economies of scale that make it difficult to provide the same level of services to fewer people.

Some other counties in Arkansas are growing rapidly. In those areas, counties must expand services and make investments in infrastructure to anticipate future changes and keep up with growing demand.

In this report, the authors highlight changing trends in county government revenue and in the sources of that revenue during the 17-year period 2000-2017. We also compare revenue trends among counties and regions using three points of comparison: total revenue, per capita revenue, and revenue per $1,000 of personal income. The dollar values are reported in 2017 constant (real) U.S. dollars, unless otherwise indicated, to permit comparisons over time.

Data Notes

A variety of data sources were used in this publication. County revenue figures came from the annual General Purpose Financial Statements for each county government that were released by the Legislative Joint Auditing Committee of Arkansas' Division of Legislative Audit. Population estimates for 2000-2017 were provided by the U.S. Census Bureau. CPI indices used to adjust for inflation were provided by the U.S. Department of Labor's Bureau of Labor Statistics.

County government revenue data released by the Division of Legislative Audit were inconsistent in the reporting format among counties and over time. There were also other problems with the data, which the authors attempted to correct by contacting the counties directly and by estimating missing data using trend analysis. This analysis shows major trends and differences among regions. The data should not be used as precise accounting information.

Section One: Overall Revenue Trends in County Government

Total Revenue

In this section we discuss the overall trends in County Government Revenue, different sources of revenue that fund local county governments and how those revenue sources are changing over time.

County revenue trends

The total revenue collected from all sources by all counties in Arkansas is trending up and has grown 39% (from $846 million to $1,174 million) since 2000 (Figure 1). This growth reflects a growing Arkansas economy, but there is more to the story. Many counties in Arkansas are losing revenue, while others are gaining. Some of these differences may be due to county fiscal decisions, the changing economic base, a change in intergovernmental transfers or changes in the ability to generate revenue from local sources. In the following pages we break down this information by county and revenue source to help you understand the changes happening in your area compared to statewide averages.

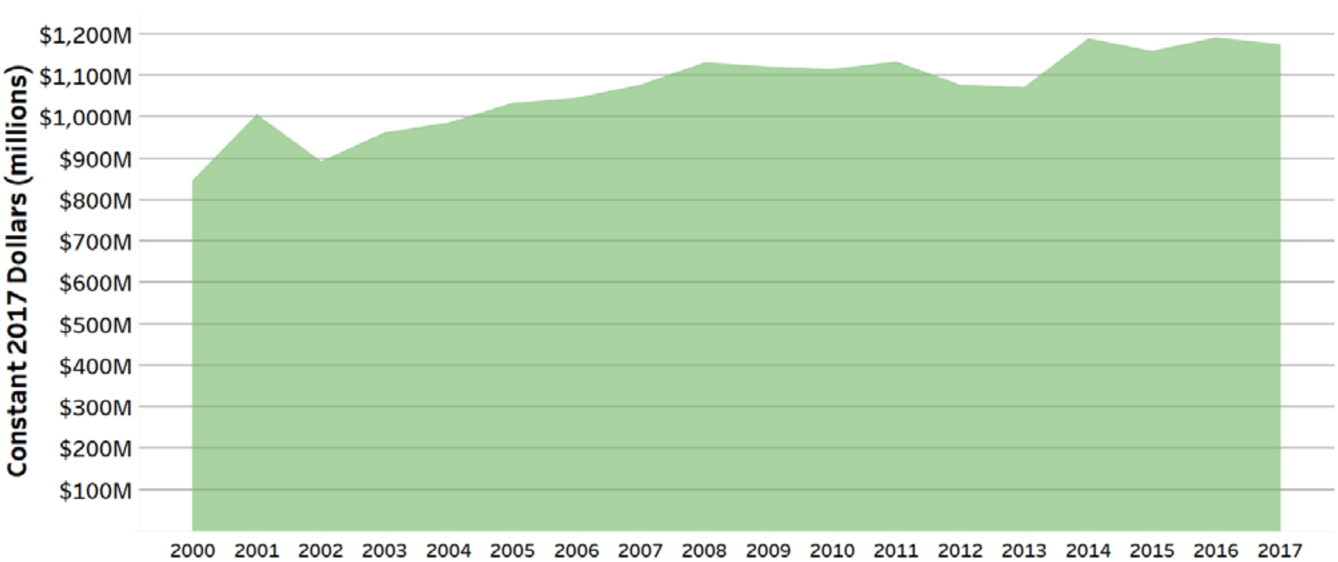
Figure 2 illustrates county-level percent changes in total revenue from 2000 to 2017. The largest decrease was 26% in Montgomery County and the most growth occurred in Marion County (187%). The median percent change was 32%.

County revenue change over time

Figure 2 shows a comparison between two years, 2000 and 2017. County budgets vary, sometimes dramatically, from year to year. For example, some counties received a major influx of intergovernmental revenue in 2001, which was assistance for damages caused by an ice storm that occurred in 2000. This is an exception to normal growth trends. This type of major influx in the base year makes later comparison years look small, even if growth is strong. To understand the full story behind your county's budget, it is important to consider the overall trend during this timeframe. This information is available by accessing the University of Arkansas System Division of Agriculture Cooperative Extension Service County Government Finance PowerPoints at https://uaex.uada.edu/govfinance or by contacting wmiller@uada.edu.

Increasing revenue can be due to recent chang-es in business activity or population that bring in additional dollars from sources like sales and

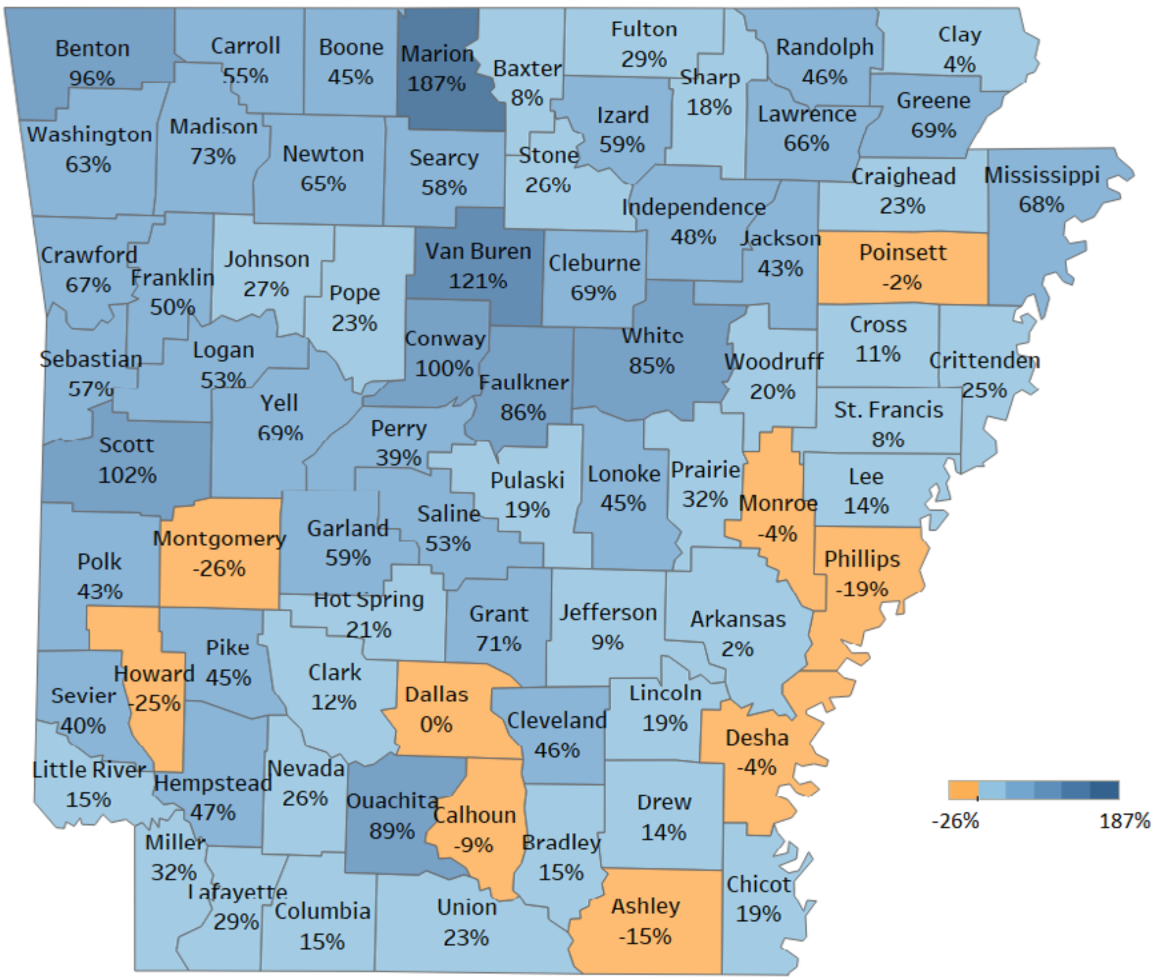
Figure 1. County Government Revenue is Trending up (2000-2017)



Source: *Arkansas Legislative Audit*

property taxes. Growing business activity and an increasing population also mean increasing costs for the county government to provide and maintain services for their county residents. Also, a county that received large sums from bond revenue in 2017 would show an abnormally large increase in revenue from 2000, which would not reflect the longterm trend. If population growth outpaces revenue growth to provide needed services, counties could be in financial trouble. Therefore, when looking at overall revenue growth it is always important to also consider per capita changes in revenue.

Figure 2. Percent Change in Total Revenue (2000-2017)



Source: Arkansas Legislative Audit

Per Capita Revenue

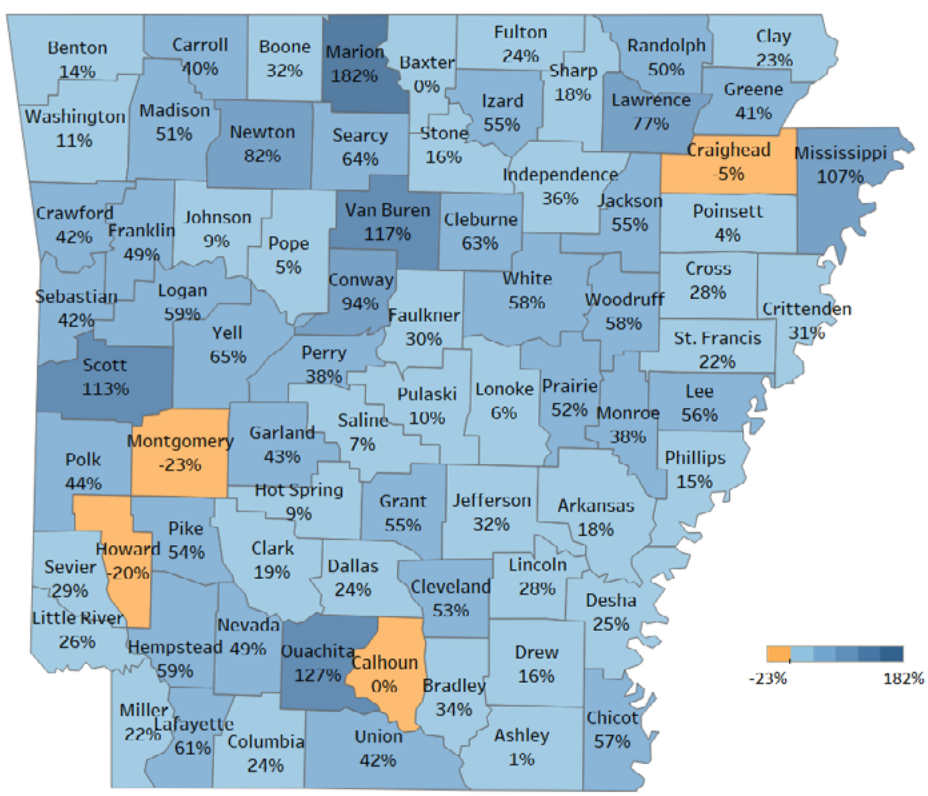
The map shown in Figure 3 illustrates county-level percent changes in total per capita revenue from 2000 to 2017. The largest decrease was 23% in Montgomery County, and the most growth occurred in Marion County (182%). The median percent change was 36%.

The change in per capita revenue may indicate how well revenue is keeping up with population growth. However, per capita values also show that it may cost more per person to provide needed services when population declines. While total revenue trends are important to cover the increasing cost of services, per capita measurements allow counties to compare themselves with similar and dissimilar counties to determine their ability to generate revenue per person. The inability to generate much revenue per capita may indicate county budget stress. Total per capita revenue for all counties increased by 24% from 2000-2017 (from $316 to $391).

The Northwest corner of Arkansas has some of the largest increases in total revenue, but much smaller increases in per-capita revenue growth. Because Northwest Arkansas is a high-growth area of the state, its total revenue growth is partially from more businesses and people paying property and sales taxes. Counties in that region are seeing their budgets increase, but they also must provide additional services to accommodate population growth.

In the Delta region of Arkansas, several counties with negative total revenue growth (Desha, Phillips, Monroe counties (in Figure 2) have positive per capita revenue growth as shown in Figure 3. These counties may be losing revenue because of declining businesses and populations but need to generate more revenue per person to sustain spending for vital services.

Figure 3. Per-Capita Total Revenue Growth (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Section Two: County Government Revenues by Source

Defining Major and Minor Revenue Sources

The numerous categories counties use to report revenue can be inconsistent from year to year and among counties. For better comparison we combined revenue into seven categories as described below, with three major and four minor categories.

MAJOR SOURCES OF REVENUE:

- **Intergovernmental Revenue:** Counties receive funding (intergovernmental revenue) from both the state and federal governments. The funding that the Arkansas government provides to counties comes from various sources, including state general turnback; highway revenue turnback; state aid road funds; severance taxes collected by the state; forest reserves; proceeds from sale of forfeited land, sales or lease of public property; and community block grants. Federal government funding to counties include payments in lieu of taxes (PILT), disaster assistance and other special project funding.
- **Property Tax Revenue:** Property taxes are paid by commercial and industrial establishments, utilities and carriers, farms and individuals owning real and personal property. The amount of property tax paid is based on a percentage (millage rate) of the assessed value of total property, which includes both real and personal property.
- **Sales Tax Revenue:** Counties have the authority to use revenue from countywide sales and use taxes to support all county government activities, if approved by voters.

MINOR SOURCES OF REVENUE:

- **Other Revenue:** The "Other Revenue" category captures smaller and miscellaneous revenue sources such as the following.

  Vehicle license fees
  Marriage license fees
  Liquor license fees

  Other Revenue (cont.)
  Beer license fees
  Mixed drink tax
  Private club tax
  Privilege fee for public exhibitions
  Income tax
  Interest income
  Sanitation fees
  Bond proceeds
  Proceeds from the lease or sale of public property

- **Officers', 911 and Jail Fees Revenue:** This category includes fees for the county and probate clerk, circuit and chancery court clerk, and sheriff. During the study period, some of this revenue came from charges for housing prisoners of other municipalities or government entities. Reliance upon the latter portion of the fee, however, has changed for some counties as a result of a decision by the federal government to stop housing prisoners in county jails. A service charge may also be levied by counties for emergency telephone service if approved by voters.
- **Commissions and Taxes Apportioned Revenue:** This revenue is generated as a percentage of the amount of funds handled by the county officer.
- **Fines, Forfeitures and Franchise Tax Revenue:** This remains the smallest share of total revenue. This revenue is implemented and used according to state law and county regulations.

[1] Payments in Lieu of Taxes" (PILT) are federal payments to local governments that help offset losses in property taxes due to the existence of nontaxable federal lands within their boundaries.

[2] Except agriculture and forest lands, which are assessed on use value.

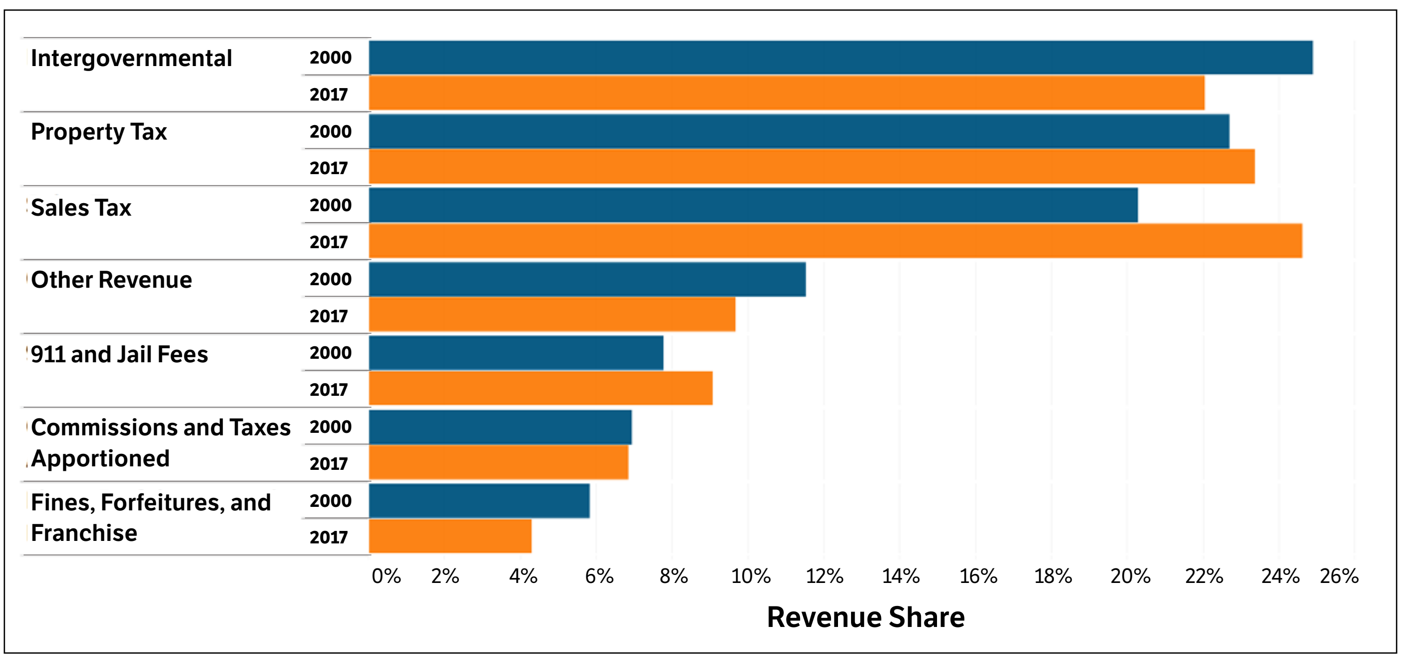
Relative Importance of Revenue Sources

Arkansas counties generate revenue in many ways as described on the following pages. It is helpful to consider the share of revenue that comes from different sources to determine the dependence on different sources. The share of revenue coming from a specific source can be thought of as the relative importance of that revenue source for the county. As a revenue category grows as a share of total revenue, counties become more dependent on that category. From 2000 to 2017, counties became more reliant on the sales tax and less reliant on intergovernmental revenue. The share of revenue from the Property Tax and Officers', 911 and Jail Fees increased slightly. All other categories decreased or stayed approximately the same.

The revenue categories that continue to generate the largest share of revenue for Arkansas Counties are sales tax, property tax and intergovernmental. These three revenue sources generated approximately 70 percent of total revenue in 2017. However, there is considerable variation among counties in their reliance on these and the remaining smaller categories. Some counties, for instance, have higher county-wide sales taxes and rely heavily on that source, while other counties do not have their own sales tax.

Figure 4 shows the share of revenue that comes from each source, and how the distribution of these sources has changed over time. Each bar represents the percent of total revenue coming from a specific revenue source. The blue bars represent the year 2000, the orange bars represent the year 2017.

Figure 4. Share of Revenue by Source (2000 and 2017)



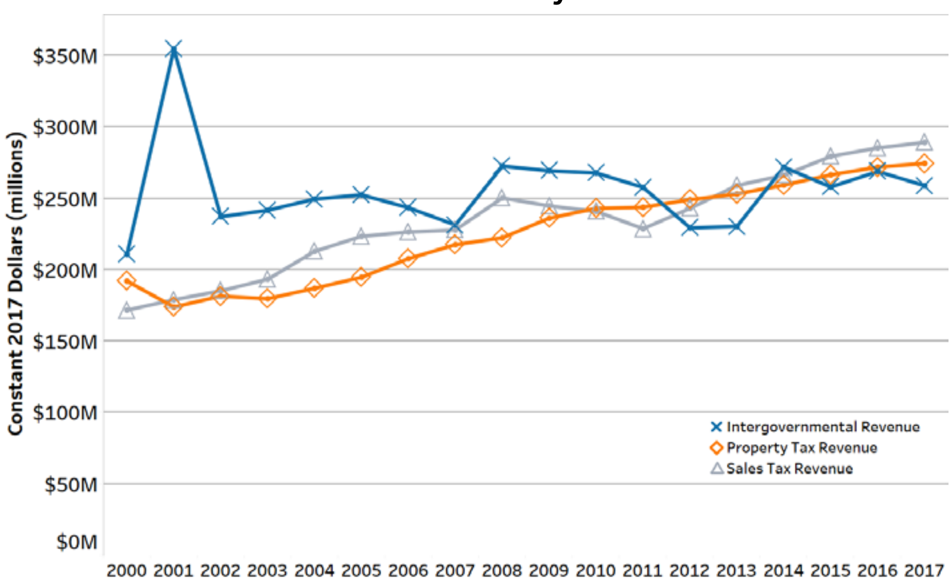
Source: *Arkansas Legislative Audit*

Major Category Revenue Trends

Even though counties differ in their reliance on types of revenue, several overall trends in revenue sources can be traced. Figure 5 and Table 1 illustrate how the major county revenue categories have changed in recent years.

- **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. The spike in revenue in 2001 was for aid for natural disasters that occurred the year before. This category remains an important, although less predicatable, portion of county revenue. 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% during this time period. This is one of the most stable and predictable sources of tax revenue.
- **Sales Tax Revenue:** Sales tax revenue saw the largest revenue growth of the three major sources, increasing by 68% from 2000 to 2017. This growth is influenced by changes in retail trade and county sales tax rates.

Figure 5. Total Revenue for the Three Major Sources of County Revenue



Source: *Arkansas Legislative Audit*

Table 1. Major Category Revenue Detail

	Total Revenue 2000	Total Revenue 2017	Total Revenue % Change	Per Capita Revenue 2000	Per Capita Revenue 2017	Per Capita Revenue % Change
Intergovernmental Revenue	$210,729,781	$258,855,593	23%	$79	$86	9%
Property Tax Revenue	$191,990,453	$274,403,285	43%	$72	$91	26%
Sales Tax Revenue	$171,623,345	$289,062,829	68%	$64	$96	50%

Source: *Arkansas Legislative Audit*

Minor Category Revenue Trends

Figure 6 and Table 2 illustrate how the minor county revenue categories have changed in recent years.

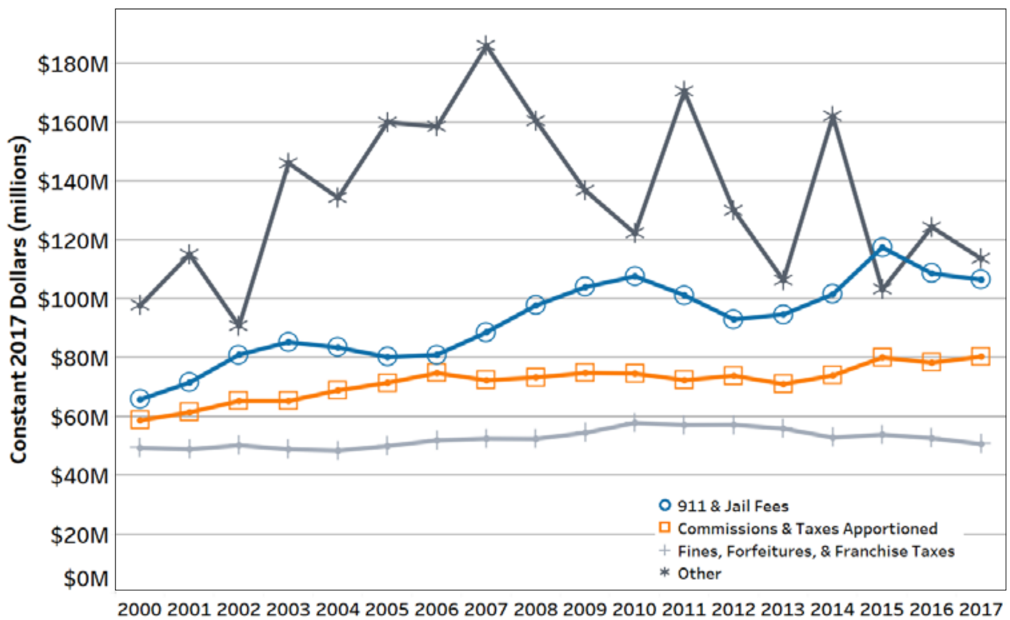
Other Revenue: "Other Revenue" sources are the most volatile of the minor revenue category. This is partly by nature of being a catchall for smaller and miscellaneous items. Bond revenue, which is included in this category, often shows up as a very large, single-year revenue collection and contributes to the volatility of this category.

Officers', 911 and Jail Fees Revenue: Revenue from Officers', 911 and Jail Fees Revenue increased considerably (62%) from 2000 to 2017. This suggests that counties have an increasing reliance on this type of revenue stream.

Commissions and Taxes Apportioned Revenue: This revenue category grew at a steady but moderate pace from 2000 to 2017, increasing by 37% during that time.

Fines, Forfeitures and Franchise Tax Revenue: This revenue category remained relatively flat from 2000 to 2017, increasing by just 3% during that time. This suggests that most counties do not depend heavily on this revenue source, and the share of reliance is shifting to other categories.

Figure 6. Total Revenue for the Four Minor Sources of County Revenue



Source: *Arkansas Legislative Audit*

Table 2. Minor Category Revenue Detail

	Total Revenue	Total Revenue 2017	Total Revenue % Change	Per Capita Revenue 2000	Per Capita Revenue 2017	Per Capita Revenue % Change
Other Revenue	$97,693,734	$113,653,215	16%	$36	$38	4%
Officers', 911 and Jail Fees Revenue	$65,818,314	$106,486,239	62%	$25	$35	44%
Commissions and Taxes Apportioned Revenue	$58,728,491	$80,420,681	37%	$22	$27	22%
Fines, Forfeitures and Franchise Tax Revenue	$49,374,999	$50,690,339	3%	$18	$17	-8%

Source: *Arkansas Legislative Audit*

SPOTLIGHT: Revenue Per Capita In Columbia County

County populations vary, therefore it is helpful to use per capita revenues instead of revenue totals when comparing revenue across counties. For example, in Columbia County, per capita sales tax revenues are $190 (Table 3). This means that on average, residents in this county pay $190 a year in county sales taxes. This is well above the average and median for all counties in Arkansas. This indicates that Columbia County is more reliant on revenue from sales and use tax and may be more impacted by changes in the retail economy.

Table 3. Per Capita Revenue by Category (2017)

	Range of Per Capita Revenue	Revenue Per capita for all Counties	County Median	Example: Columbia County	My County
Intergovernmental Revenue	$38 - $510	$86	$134	$121	
Property Tax Revenue	$17 - $192	$91	$86	$116	
Sales Tax Revenue	$0 - $313	$96	$127	$190	
Total Tax Revenue	$242 - $1,002	$391	$511	$528	

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Which revenues does your county rely on most per capita?
You can find per capita revenue information for your county at https://uaex.uada.edu/govfinance.

Section Three: Three Perspectives for County Revenue Trends

Because of the variation in demographic, geographic and economic qualities of communities across Arkansas, it is helpful to group counties into similar categories for comparison. The classification schemes are used to determine if revenue differences can be associated with different demographic, economic or social-cultural conditions. We categorize Arkansas' 75 counties based on three different components:

Urban and Rural: The 1999 Census designation of metropolitan versus non-metropolitan areas is used as a proxy for urban versus rural counties in the state. Populations residing in counties with large cities are classified as metropolitan, and those counties are grouped into a category that we call "urban." Those counties without a large city are classified as non-metropolitan which we refer to as "rural." This category considers rural areas broadly, despite considerable economic differences in rural Arkansas. The next category, "Geographic Regions" allows for more specific comparison of rural regions.

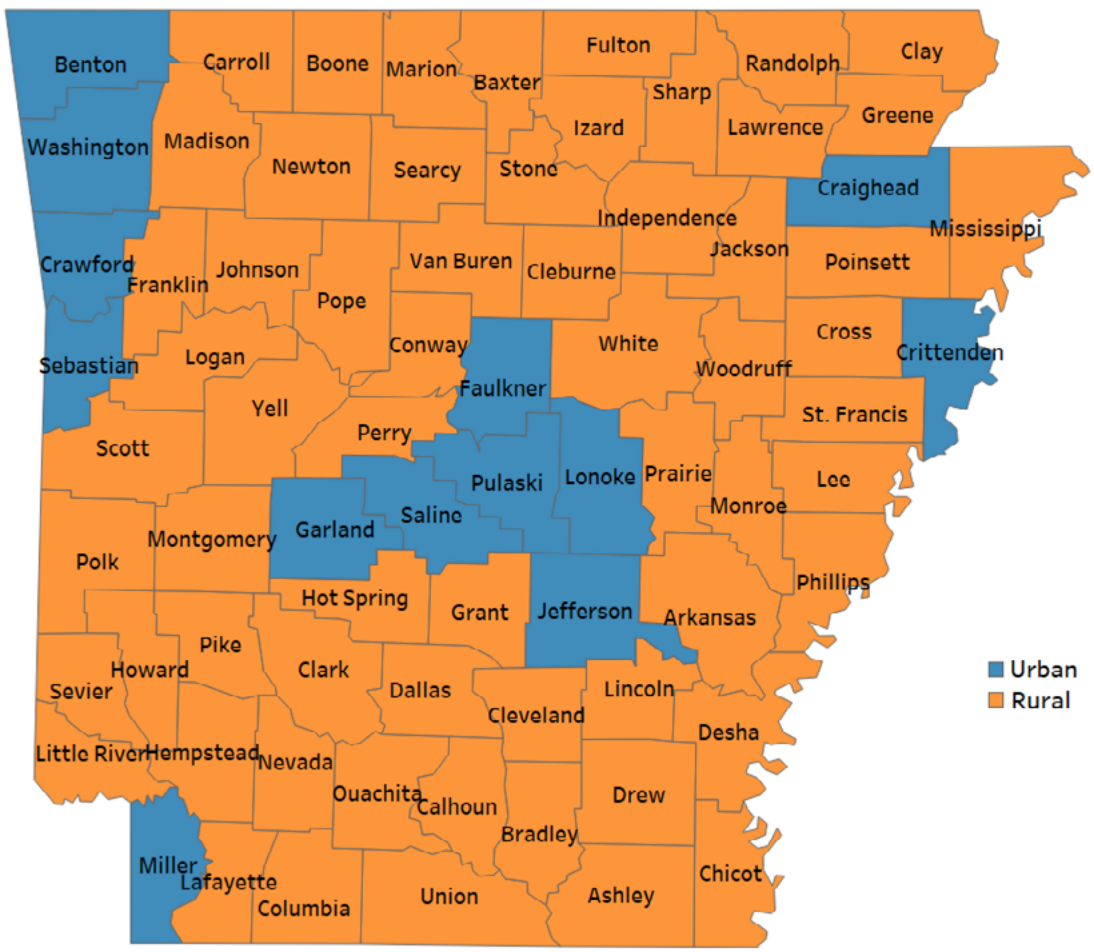
Geographic Regions: We divided the state into one "Urban region" and divided the rural category into three geographic regions: The Delta, Highlands, and Coastal Plains. These four regions are used to make more detailed comparisons among rural and urban regions.

Economic Dependency: Counties are classified based on their economic dependency as defined by typology codes developed by the USDA Economic Research Service: manufacturing-dependent, farming-dependent, services-dependent, government-dependent and non-specialized. To be considered economically dependent on an industry, a minimum earnings threshold must be met by that industry in the county.

Perspective #1: Urban and Rural

Urban counties tend to have higher average personal incomes, denser populations and different economic environments. For more meaningful comparisons, it is helpful to look at revenue trends broken down by urban and rural areas. There are 62 counties that are considered rural in Arkansas and 13 that are considered urban (Figure 7).

Figure 7. Map of Urban and Rural Counties



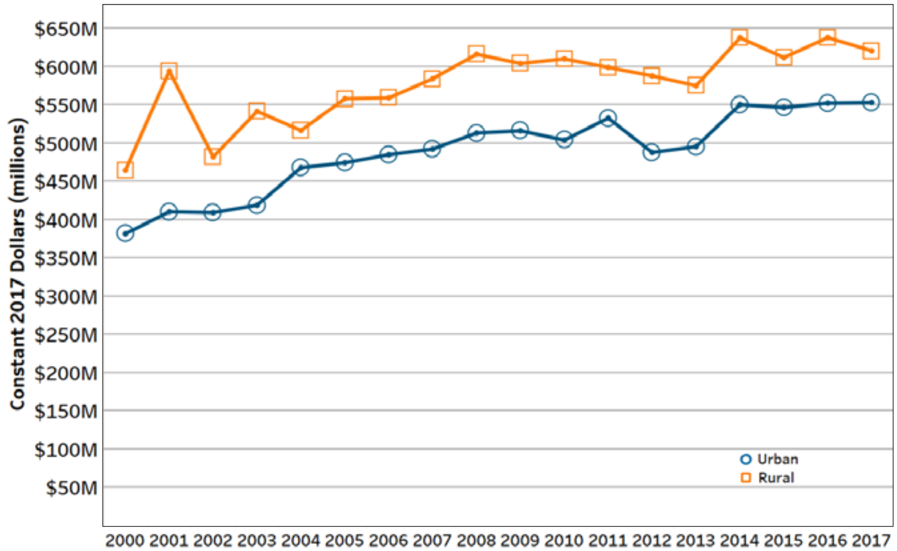
Key Takeaways:

- Total revenue is increasing for both urban and rural counties.
- Rural counties relied on sales tax revenue more than any other revenue source, while sales tax revenue was the second greatest revenue source for urban counties.
- Urban counties relied on property tax revenue more than any other revenue source, while it was the third greatest source of revenue for rural counties.
- Rural counties consistently reported higher per capita revenue during this period. Per capita revenue also increased at a much faster rate in rural counties compared to urban counties during this 17-year period, 37% versus 16% respectively.

Total Revenue – Urban and Rural

Total revenue increased from 2000 to 2017 for both urban and rural counties in Arkansas (Figure 8). Although rural areas tend to have higher total revenues, counties in urban areas saw faster total revenue growth. Rural counties total revenue increased by 34% from 2000-2017, while total revenue in urban areas increased 45%.

Figure 8. Total Revenue of Urban and Rural Counties (2000-2017)



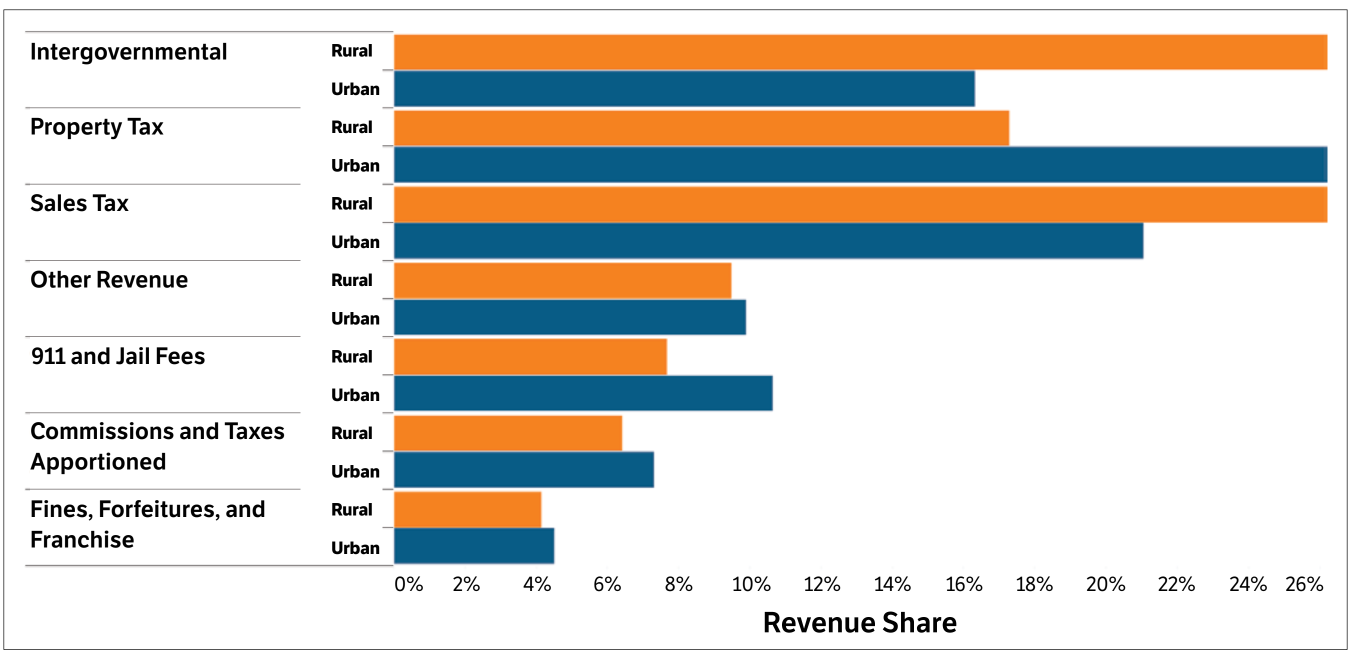
Source: *Arkansas Legislative Audit*

Relative Importance of Revenue Sources – Urban and Rural

We also found key differences between urban and rural counties in the extent to which they relied on various sources of revenue (Figure 9). In 2017:

- Rural counties relied on sales tax and intergovernmental revenue more than other sources of revenue. Sales tax revenue was the second greatest source of revenue for urban counties.
- Urban counties relied on property tax revenue more than any other revenue source, while it was the third greatest source of revenue for rural counties.

Figure 9. Relative Importance of Revenue Sources by Urban and Rural Counties

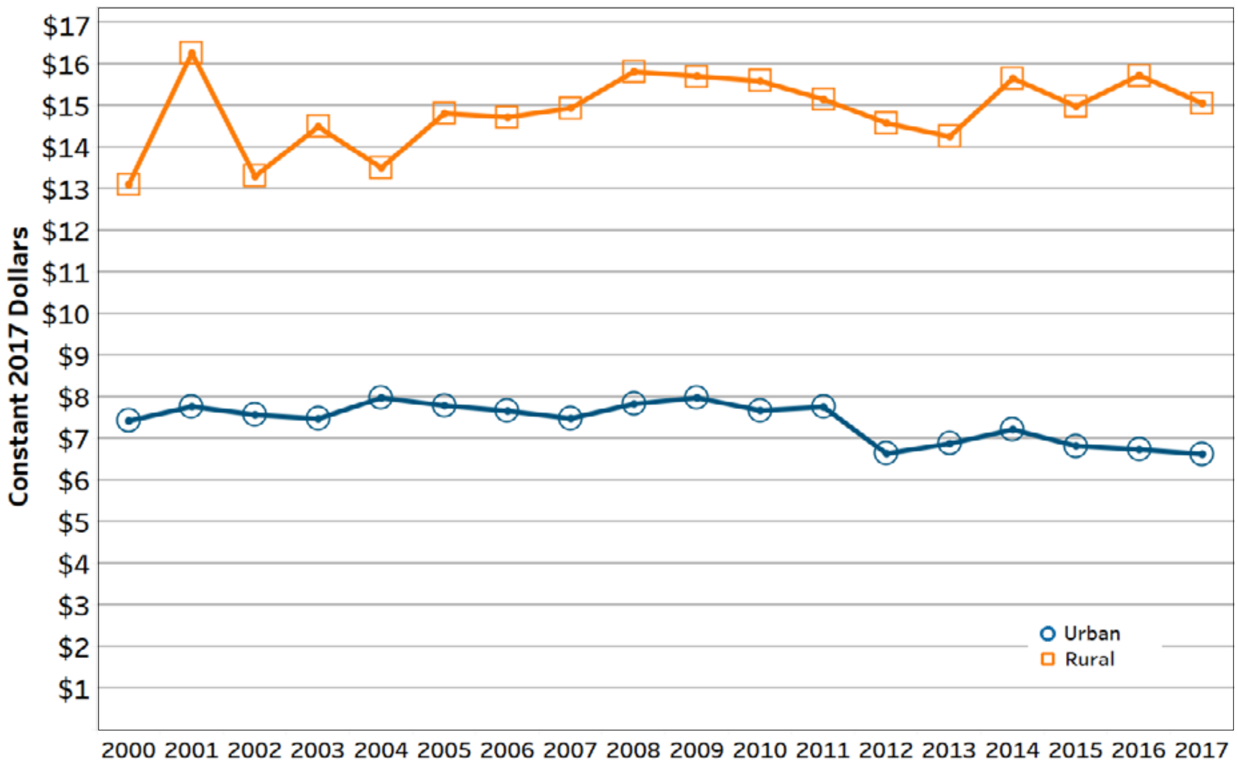


Source: *Arkansas Legislative Audit*

Revenue per $1,000 in Personal Income – Urban and Rural

Revenue per $1,000 of personal income allows us to compare counties with different populations and income levels. This is particularly important when comparing urban and rural areas, which tend to have different median wages and population densities. Rural counties had higher levels of revenue per $1,000 of personal income compared to urban areas (Figure 10). For rural counties, this figure increased 15% from 2000 to 2017. During that time, urban counties saw revenue per $1,000 of personal income decrease 11%.

Figure 10. Revenue per $1,000 of Personal Income of Urban and Rural Counties (2000-2017)



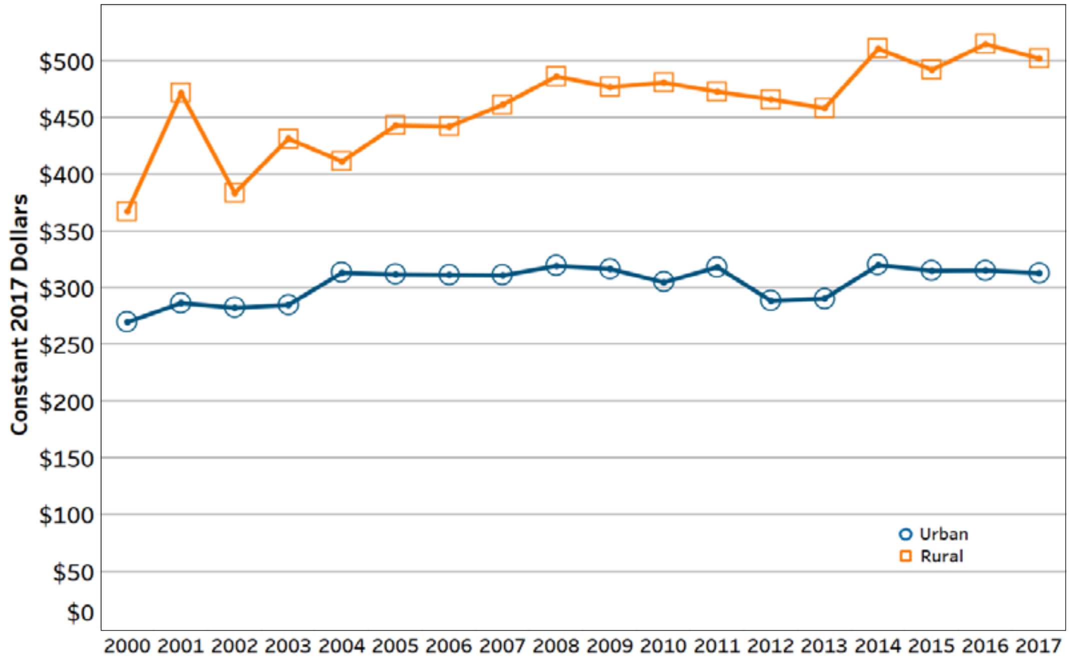
Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Per Capita Revenue Sources – Urban and Rural

Rural counties consistently reported higher per capita revenue during this period. This means that the county revenue generated per person in a rural part of the state is, on average, considerably higher than the revenue generated per person in a denser urban area. Per capita revenue also increased at a much faster rate in rural counties compared to urban counties during this 17-year period, 37% versus 16% respectively. This suggests an increasing need to generate more revenue per person in rural areas to maintain critical infrastructure and services for county residents and businesses.

The graphs on the following page (Figures 11, 12, and 13) detail how the three major sources of revenue differ between urban and rural counties, when accounting for population.

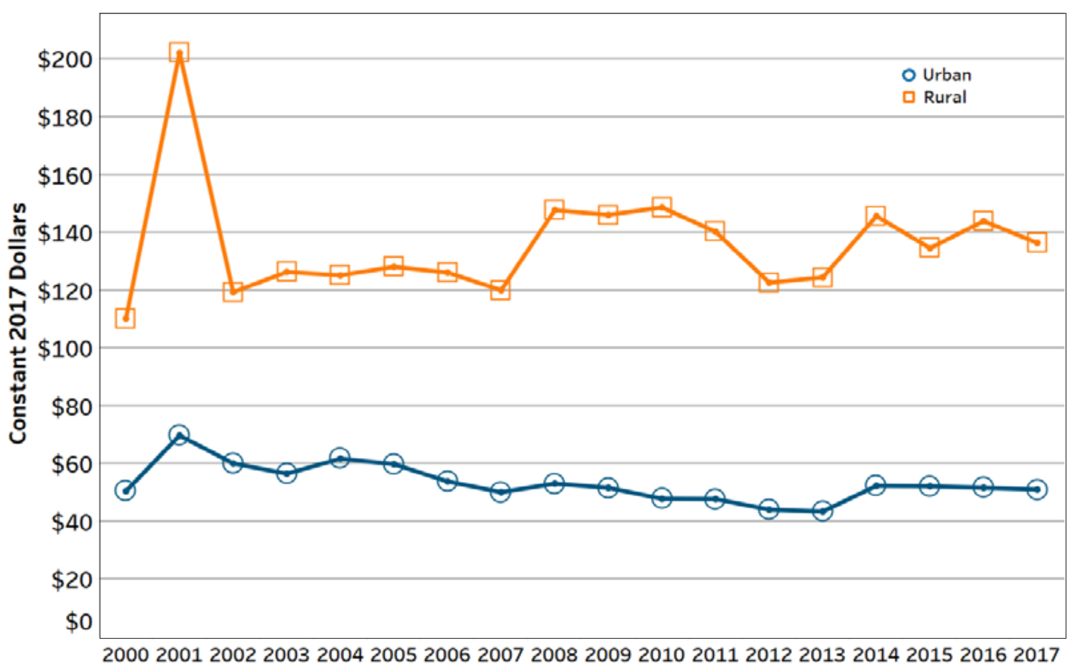
Figure 11. Per Capita Total Revenue by Urban and Rural Counties



Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Intergovernmental revenue per capita was more than two and one-half times higher in rural counties compared to urban counties in 2017 (Figure 12). This is in part due to the vast areas of federal lands in rural areas, which receive payments in lieu of taxes from the federal government. It is also due in part to the state funding formulas for transfers of funds to counties. From 2000 to 2017, per capita revenue from intergovernmental transfers grew 24% for rural counties and plateaued for urban counties, growing only 1%.

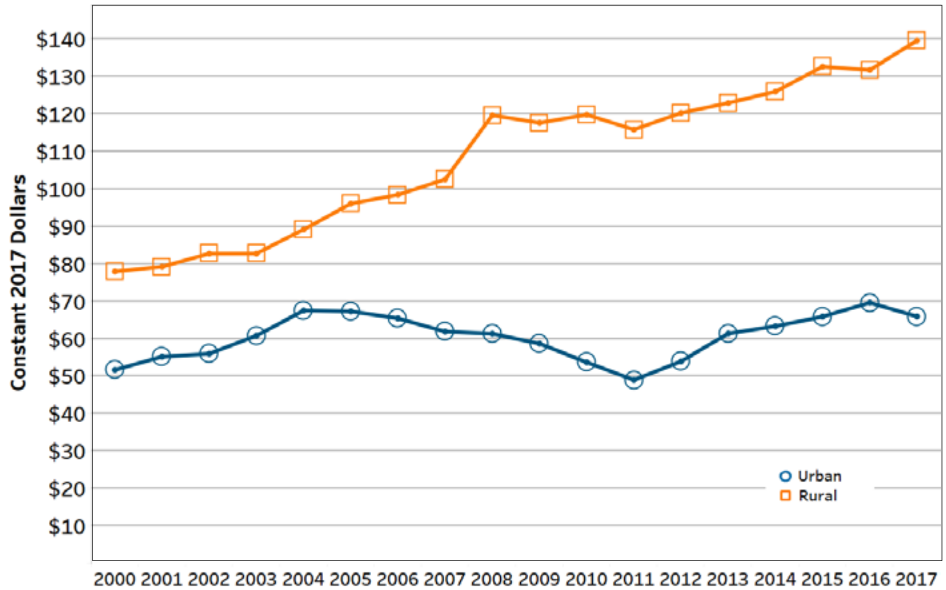
Figure 12. Per Capita Intergovernmental Revenue by Urban and Rural Counties



Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Rural counties also had more than two times the per capita revenue coming from sales tax compared to urban counties, and the gap is growing. Much of this is due to higher sales tax rates in rural counties. The average county sales tax rate in rural counties was 1.7% in 2017 compared to 1.2% in urban counties. Many rural counties have been increasing their county sales tax rate to capture more revenue from a declining or stagnant local tax base. The average sales tax rate in rural counties in 2000 was only 1.1%.

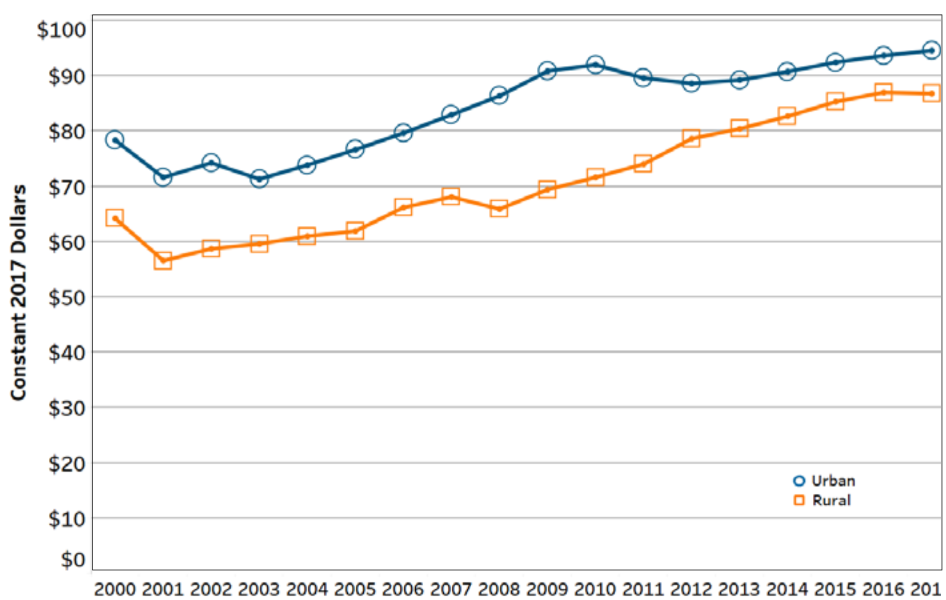
Figure 13. Per Capita Sales Tax Revenue by Urban and Rural Counties



Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Per capita property tax revenue has been consistently higher in urban areas (Figure 14). From 2000 to 2017, per capita revenue from property taxes grew by 21% in urban counties and 36% in rural counties. Although the county millage (property tax rate) was slightly higher in rural compared to urban areas of the state in 2017 — 7.8 and 7.4 mills respectively — the urban areas had a much larger property tax base from which to generate revenue.

Figure 14. Per Capita Property Tax Revenue by Urban and Rural Counties

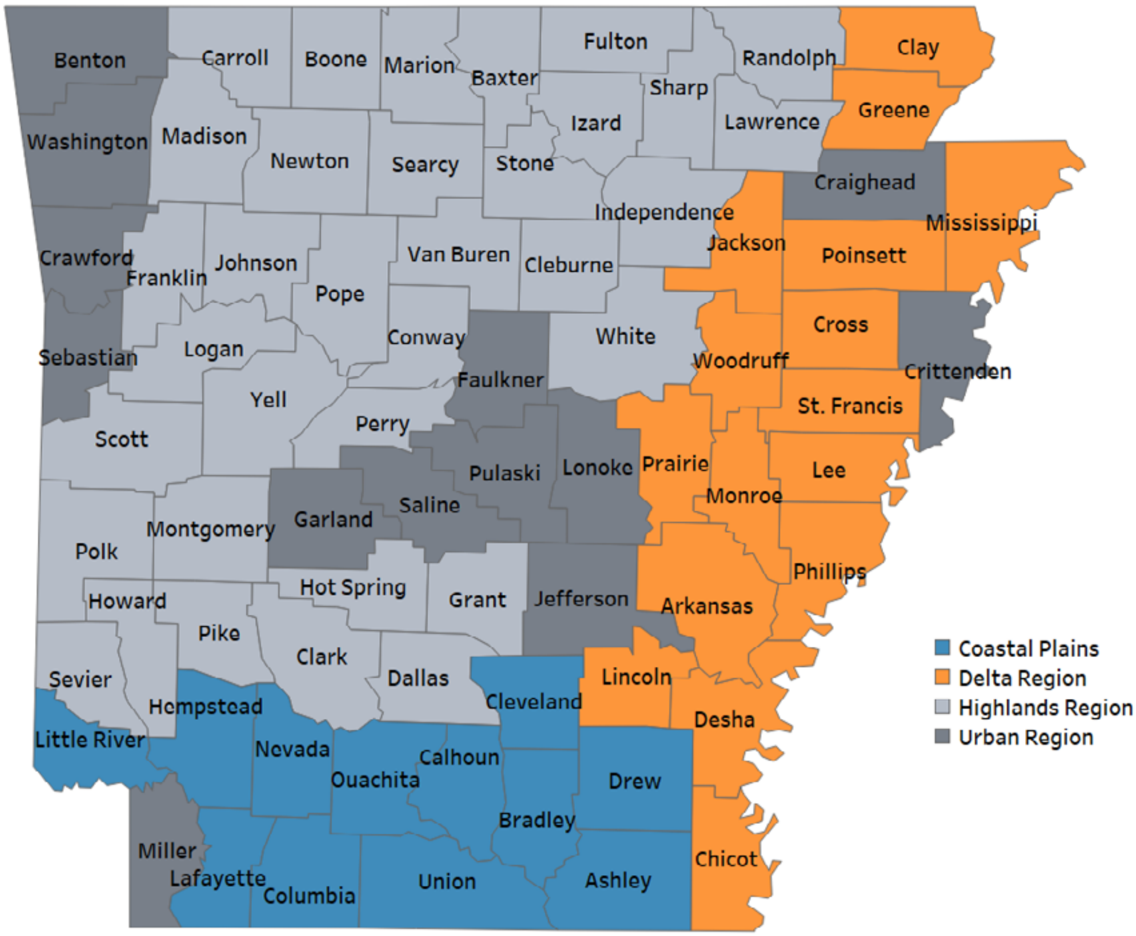


Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Perspective #2: Geographic Regions

We divided the state into one "Urban region" and divided the rural category into three geographic regions: The Delta, Highlands, and Coastal Plains (Figure 15). Separating the rural category into three distinct regions allows more detailed comparisons among rural areas of the state.

Figure 15. Map of Counties by Geographic Region



Key Takeaways:

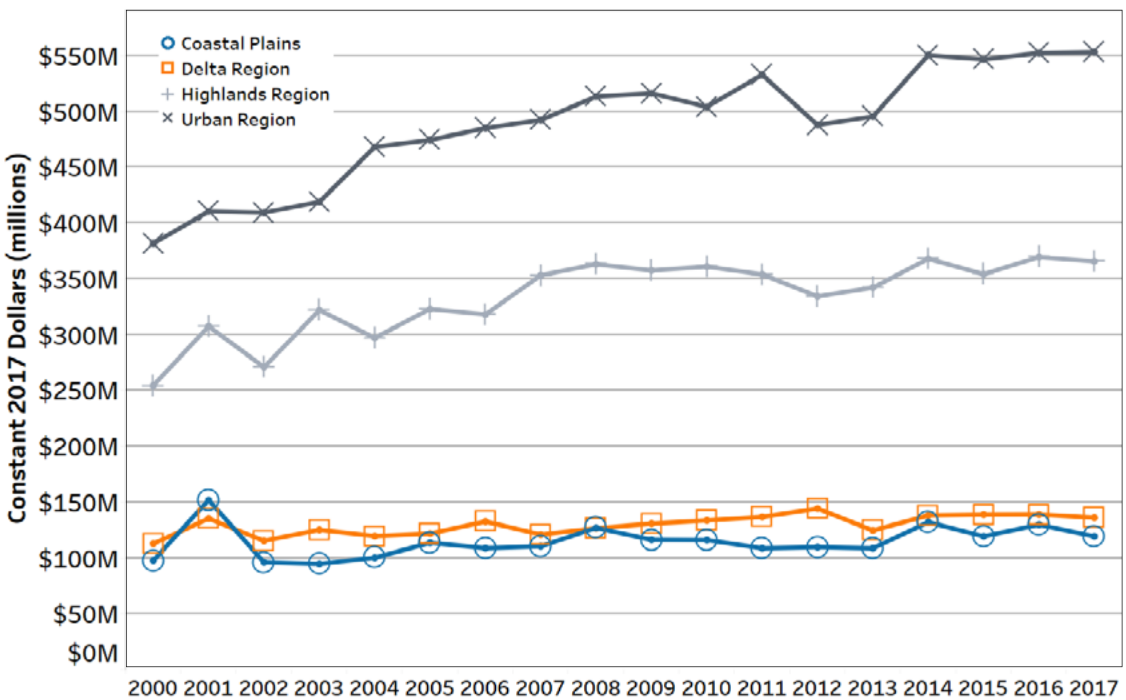
- The Coastal Plains region generated the most revenue per person over the study period. Similarly, the Coastal Plains region has the largest revenue per $1,000 of personal income.
- The Coastal Plains region saw the largest growth in intergovernmental revenue per capita (46%) from 2000 to 2017 although there were increases in all four regions.
- Property tax revenue per capita also increased in all four regions. The largest growth was in the Delta, where per capita property tax revenue increased by 51%.
- Revenue per capita from sales and use tax increased in all four regions from 2000 to 2017. The fastest growth was in the Highlands region, which grew 103% during that time.

Total Revenue – Geographic Regions

Revenue trends vary considerably among these regions; however, all four regions saw an increase in total county revenue from 2000-2017 (Figure 16 and Table 4). The Urban and Highlands regions had the highest total revenue growth rates of 45% and 44% respectively over that time frame. However, since 2008 the Highlands region's growth has plateaued. Although total revenue grew slightly in both the Delta and Coastal Plains regions, their total revenue remained relatively flat during this 17-year period, except for a large increase in 2001 as a result of federal disaster assistance.

Among the three rural regions (Highlands, Coastal Plains, and Delta), per capita revenue growth was similar and substantially higher than in the urban region.

Figure 16. Total Revenue for Arkansas Regions (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Table 4. Revenue by Region (2000 and 2017)

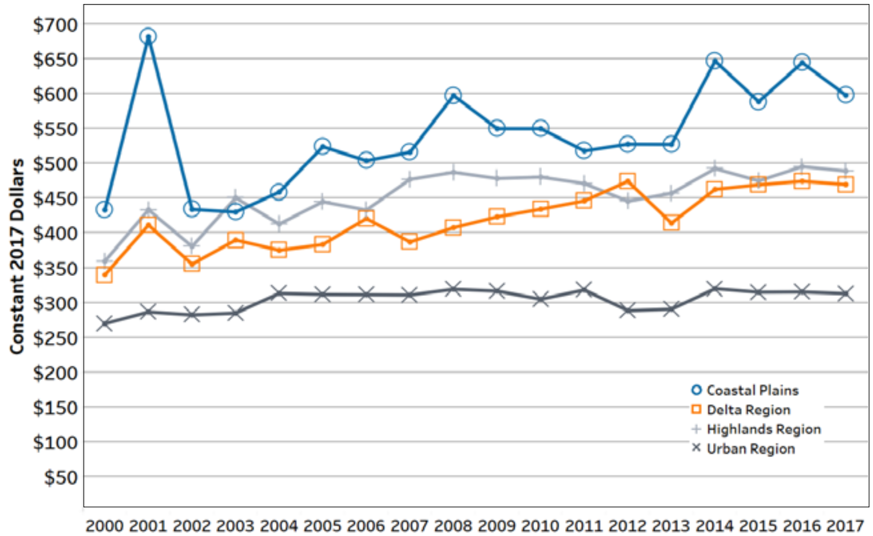
	Total Revenue 2000	Total Revenue 2017	Total Revenue % Change	Per Capita Revenue 2000	Per Capita Revenue 2017	Per Capita Revenue % Change
Urban Region	$381,535,212	$552,980,077	45%	$270	$313	16%
Highlands Region	$254,259,877	$365,545,997	44%	$359	$489	36%
Coastal Plains Region	$97,524,837	$119,173,932	22%	$433	$598	38%
Delta Region	$112,639,182	$135,872,175	21%	$340	$470	38%

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Per Capita Revenue – Geographic Regions

To account for regional differences in wages and salaries, we measure total revenue by every $1,000 in personal income. The three rural regions had similar revenue per $1,000 of personal income, and all were substantially higher than the urban region (Figure 18). The Coastal Plains had the highest revenue per $1,000 in 2017. All three Rural regions saw their total revenue per $1,000 of personal income increase over the study period, whereas it declined in the urban region. The urban region had the lowest revenue per $1,000 in personal income for the study period, and it decreased from $7.42 to $6.62 during that time.

Figure 17. Per Capita Total Revenue for Arkansas Regions (2000-2017)

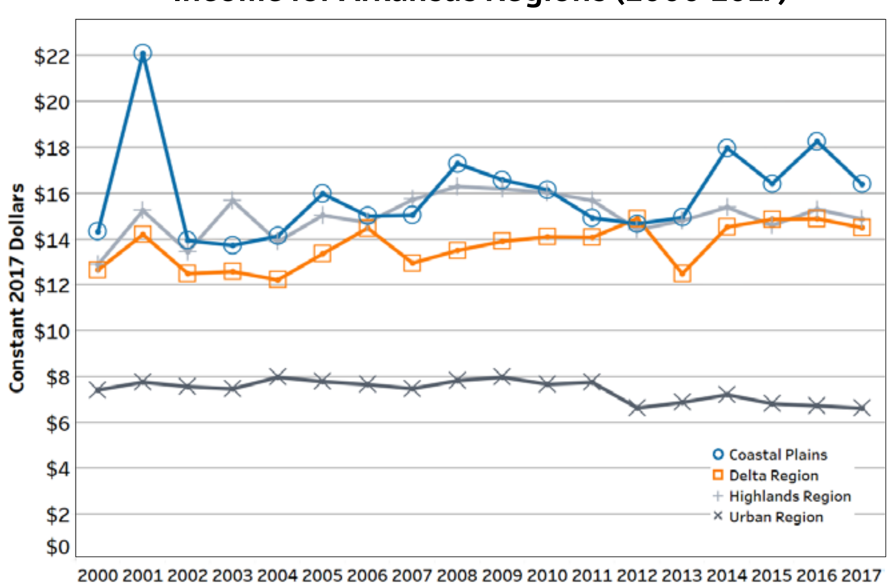


Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Revenue per $1,000 in Personal Income – Geographic Regions

To account for regional differences in wages and salaries, we measure total revenue by every $1,000 in personal income. The three rural regions had similar revenue per $1,000 of personal income, and all were substantially higher than the urban region (Figure 18). The Coastal Plains had the highest revenue per $1,000 in 2017. All three Rural regions saw their total revenue per $1,000 of personal income increase over the study period, whereas it declined in the urban region. The urban region had the lowest revenue per $1,000 in personal income for the study period, and it decreased from $7.42 to $6.62 during that time.

Figure 18. Total Revenue per $1,000 of Personal Income for Arkansas Regions (2000-2017)

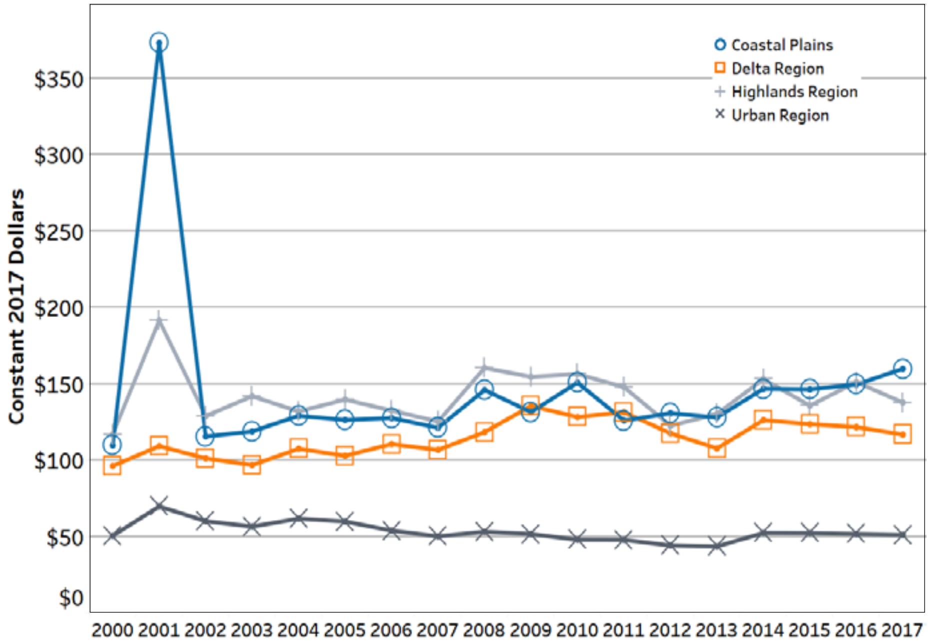


Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Intergovernmental Revenue Per Capita

Using a per capita measure, we see several trends during the period 2000-2017. First, intergovernmental revenue per capita increased slightly in all four regions (Figure 19). The smallest increase was in the urban region, which also had the smallest total revenue per capita. The Coastal Plains region saw the largest growth in intergovernmental revenue per capita from 2000 to 2017, suggesting increased funding from state and federal sources. Table 5 compares per capita revenue in the same four regions in terms of the major sources of revenue.

Figure 19. Per Capita Intergovernmental Revenue for Arkansas Regions (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Table 5. Per Capita Revenue by Region (2000 and 2017)

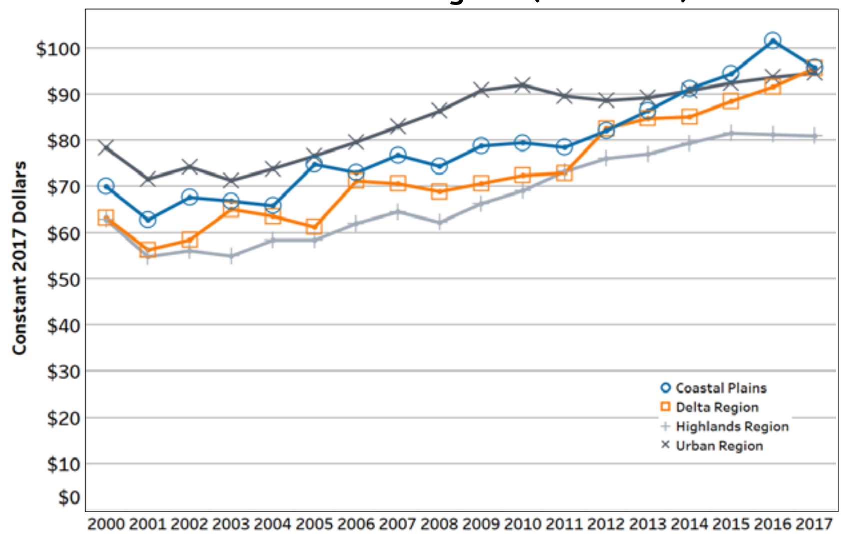
	Per Capita Revenue 2000	Per Capita Revenue 2017	% Change
Intergovernmental			
Coastal Plains	$110	$160	46%
Delta	$96	$117	21%
Highlands	$117	$138	18%
Urban	$51	$51	1%
Property Tax			
Coastal Plains	$70	$96	37%
Delta	$63	$106	51%
Highlands	$63	$81	29%
Urban	$78	$94	21%
Sales Tax			
Coastal Plains	$130	$190	46%
Delta	$73	$131	80%
Highlands	$64	$130	103%
Urban	$52	$66	27%

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Property Tax Revenue Per Capita

Property tax revenue per capita also increased in all four regions despite a small decrease in 2001. The largest growth was in the Delta, where per capita property tax revenue increased 51% (Figure 20).

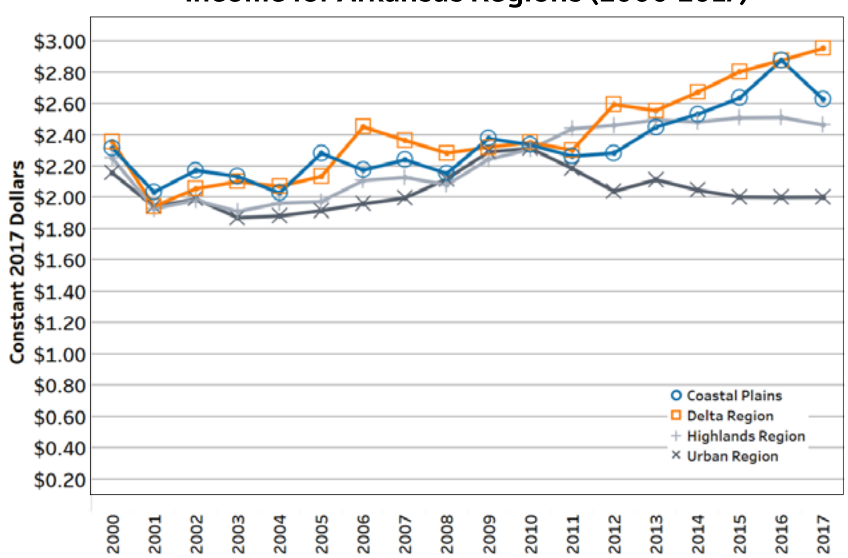
Figure 20. Per Capita Property Tax Revenue for Arkansas Regions (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Per capita property tax revenue shows the average revenue generated per person, so areas with large populations can be compared to areas with smaller populations. Similarly, revenue per $1,000 in personal income allows comparison between low-income and wealthier areas, which would otherwise show much higher revenues. In Figure 21 we see that the urban region, despite having per capita property tax revenues at or near the top for 2000-2017, drops below the other regions when accounting for personal income after 2010. All three rural regions saw an increase in property tax revenue per $1,000 of personal income. Only the urban region decreased over the study period.

Figure 21. Property Tax Revenue per $1,000 in Personal Income for Arkansas Regions (2000-2017)

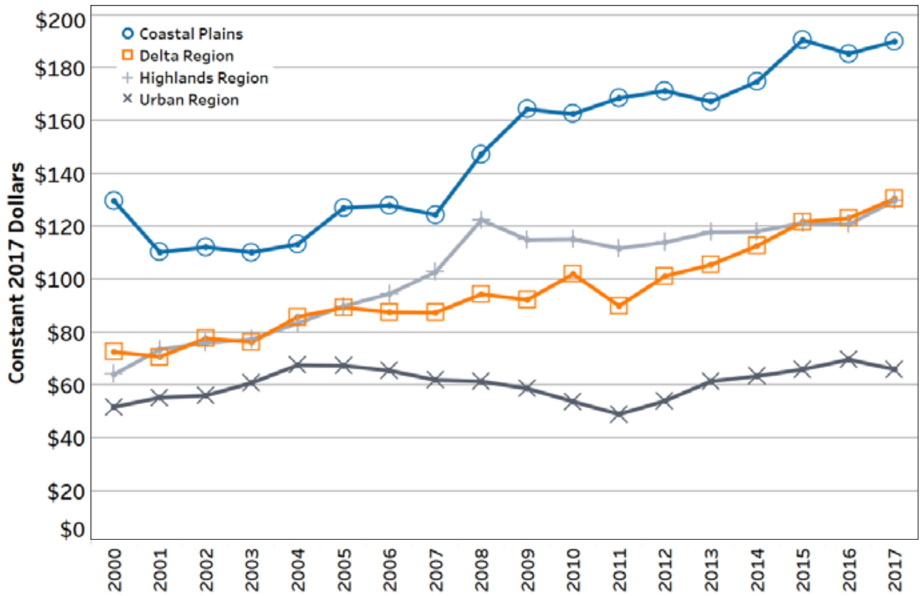


Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Sales and Use Tax Revenue Per Capita

Revenue per capita from sales and use tax increased in all four regions from 2000 to 2017 (Figure 22). The fastest growth was in the Highlands region, which grew 103%.

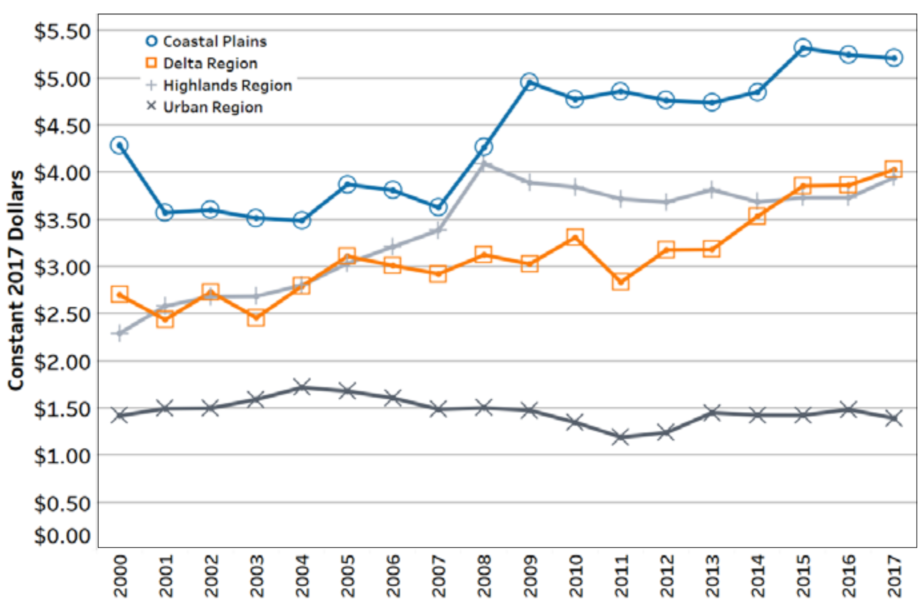
Figure 22. Per Capita Sales Tax Revenue for Arkansas Regions (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

All three rural regions experienced an increase in sales and use tax revenue per $1,000 of personal income (Figure 23). Only the urban region decreased slightly (-2%). The trends for the revenue by personal income measure are similar to the revenue per capita measure in Figure 22. Again, the fastest growth was in the Highlands region, which grew by 72% from 2000 to 2017.

Figure 23. Sales Tax Revenue per $1,000 in Personal Income for Arkansas Regions (2000-2017)

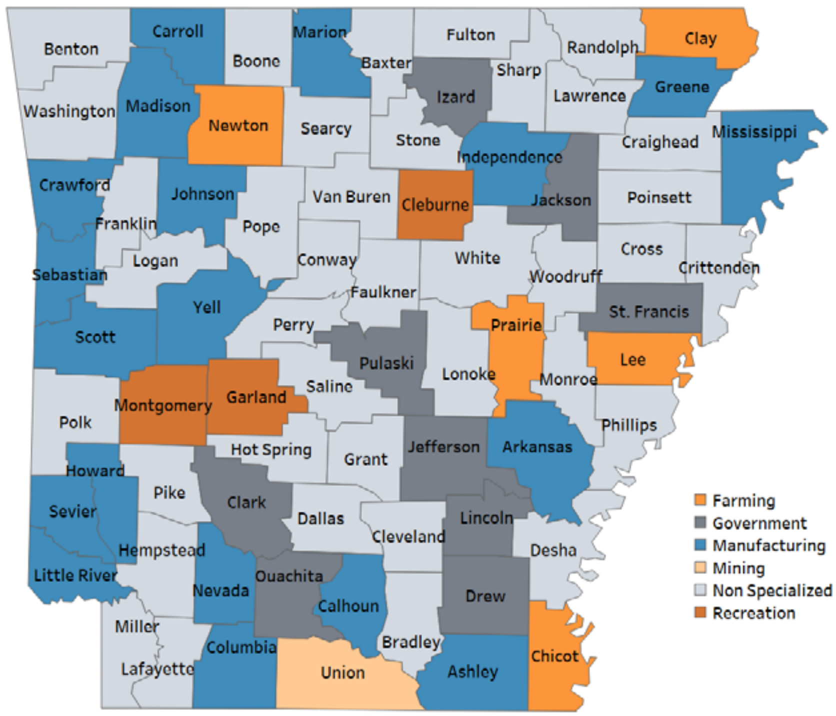


Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Perspective #3: Economic Dependency

Most counties (66 out of 75) have economies that are classified as either non-specialized (38), manufacturing-dependent (19), or government-dependent (9). Five counties are farming-dependent and three are recreation-dependent. One county is classified as mining-dependent (Figure 24).

Figure 24. Counties by Economic Dependency



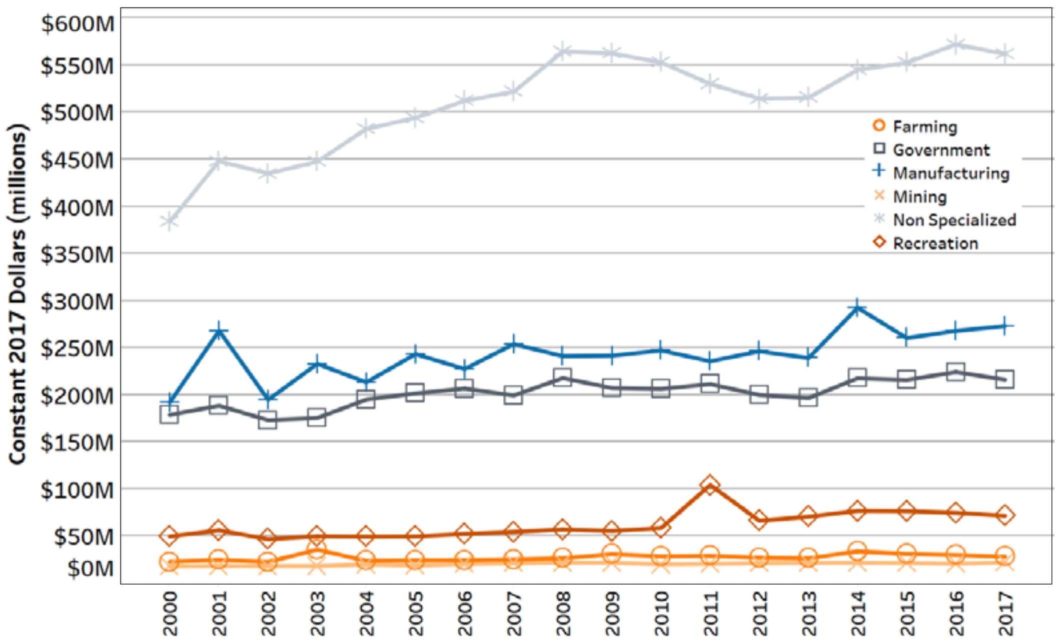
Key Takeaways:

- All areas of economic dependency have seen revenue growth over the 2000-2017 time period. Nonspecialized counties have seen the highest rate of growth, and the slowest growth rate occurred in government-dependent counties.
- **Government-dependent** counties rely most heavily on property tax revenue. These counties may be in areas with higher property assessments and may be more able to generate revenue this way.
- **Manufacturing counties** rely mostly on sales tax revenue. Among the three top economic dependency categories, manufacturing counties rely the least on revenues from property taxes. This is due in part to the low per capita assessed value of property and higher than average sales tax rates in these counties. Another possibility is that these counties provide some property tax rebates to attract manufacturing firms.
- **Non-specialized counties** rely most on property tax revenue, although revenue from sales taxes and intergovernmental transfers have nearly as much weight.
- **Farming-dependent** counties rely considerably more on intergovernmental transfers than other revenue sources. This may be due to intergovernmental transfers related to farming subsidies.
- **Mining-dependent** counties rely most on sales tax, with intergovernmental transfers as a close second.
- **Recreation-dependent** counties rely mostly on sales tax, which may be due to the importance of retail and tourism trade in these areas.

Total Revenue- Economic Dependency

All types of economic dependency saw county government revenue growth over the 2000-2017 time period (Figure 25 and Table 6). Non-specialized counties, those with a more diversified economic base, saw the highest rate of growth, followed closely by recreation and manufacturing-dependent counties. The slowest growth rate occurred in government-dependent counties. Note that county government revenue growth in economic dependency category does not necessarily reflect growth of that industry.

Figure 25. Total Revenue for all Arkansas Counties by Economic Dependency (2000-2017)



Source: *Arkansas Legislative Audit*

Table 6. Total Revenue for all Arkansas Counties by Economic Dependency (2000-2017)

Economic Dependency:	2000	2017	%Change
Non-specialized (38)	$384,023,885	$561,905,960	46%
Manufacturing (19)	$192,173,825	$273,163,788	42%
Government (9)	$178,742,533	$216,081,378	21%
Recreation (3)	$49,833,331	$71,723,658	44%
Farming (5)	$22,986,722	$28,321,437	23%
Mining (1)	$18,198,812	$22,375,960	23%

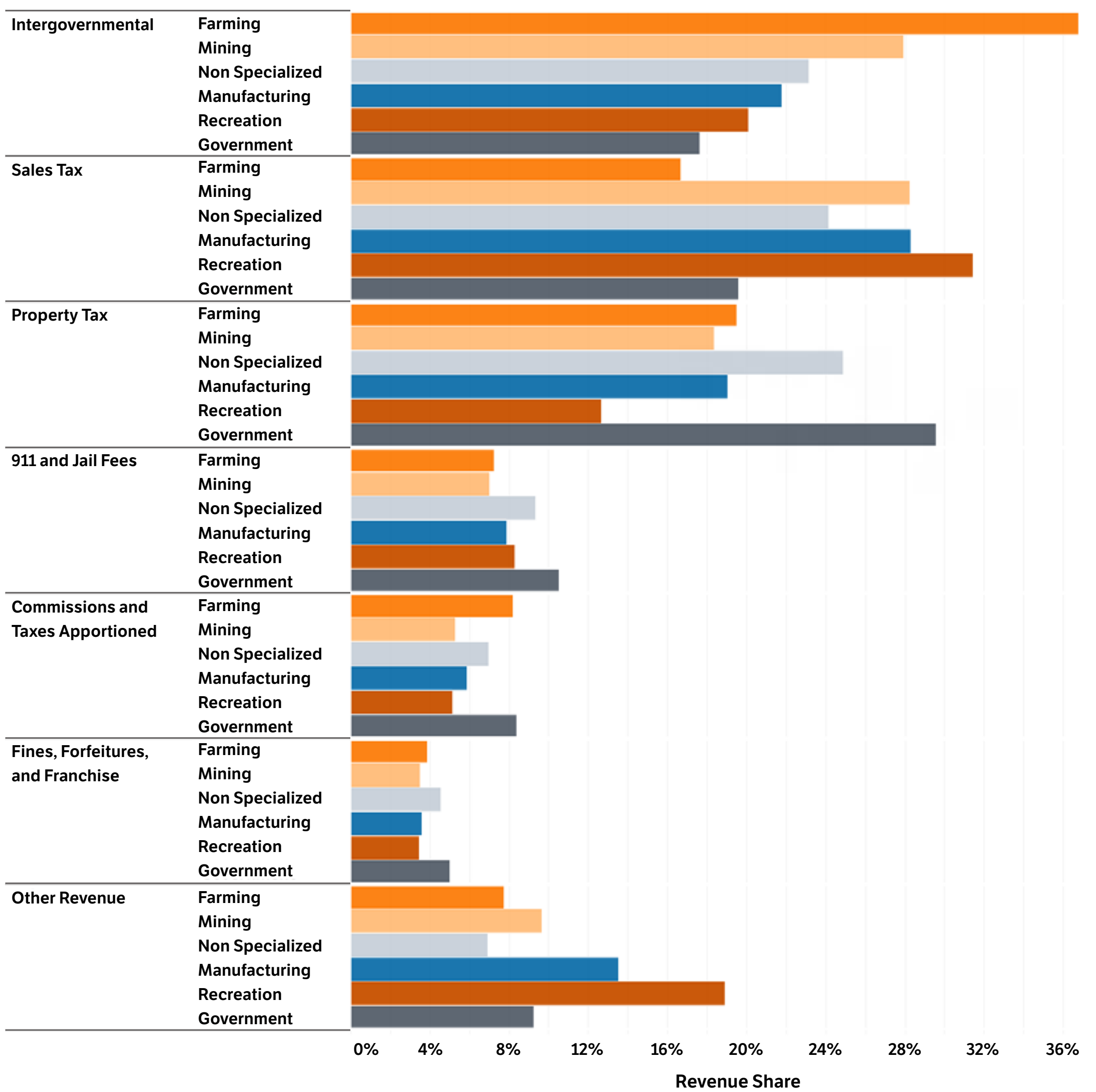
Source: *Arkansas Legislative Audit*

Relative Importance of Revenue Sources – Economic Dependency

Economic dependency groups varied in their reliance on different revenue sources (Figure 26).

- Government-dependent counties relied most heavily on property tax revenue and were less dependent on intergovernmental revenue than counties in other economic dependency categories.
- Manufacturing counties relied most on sales tax revenue and less on property tax revenue than counties in other economic-dependent categories.
- Non-specialized counties relied most heavily on property tax revenue, although revenue from sales taxes and intergovernmental transfers generated nearly the same revenue.
- Farming-dependent counties rely considerably more on intergovernmental transfers than other revenue sources. This may be due to intergovernmental transfers related to farming subsidies.
- Mining-dependent counties rely on sales tax, with intergovernmental transfers as a close second.
- Recreation-dependent counties rely most on sales tax, which may be due to the importance of retail and tourism trade in these areas.

Figure 26. Relative Importance of Revenue Sources by Economic Dependency Categories

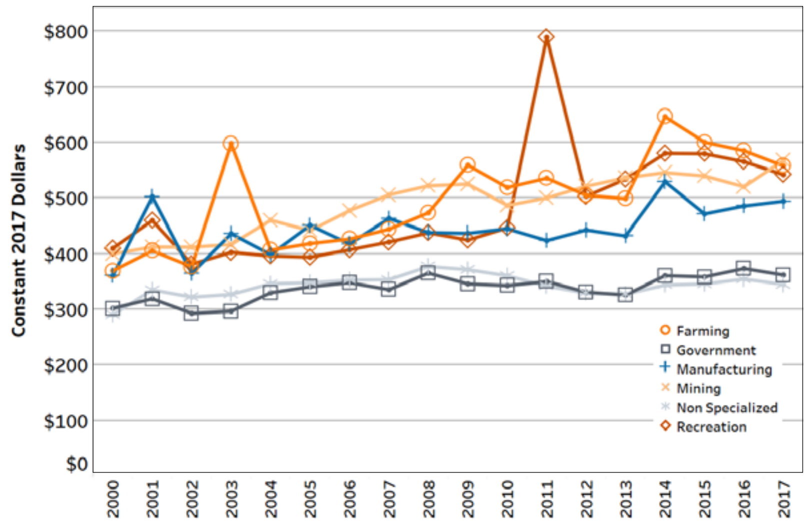


Source: *Arkansas Legislative Audit*

Revenue per $1,000 in Personal Income – Economic Dependency

When accounting for personal income, 5 of 6 economic dependency categories displayed growth in county government revenue from 2000-2017 (Figure 27). Only in the non-specialized category did county government revenue decrease slightly during this time. Farming had the highest revenue per $1,000 of personal income for most years in the study period while the government and non-specialized categories generated the least revenue per $1,000 of personal income.

Figure 27. Revenue per $1,000 of Personal Income for all Arkansas Counties by Economic Dependency (2000-2017)

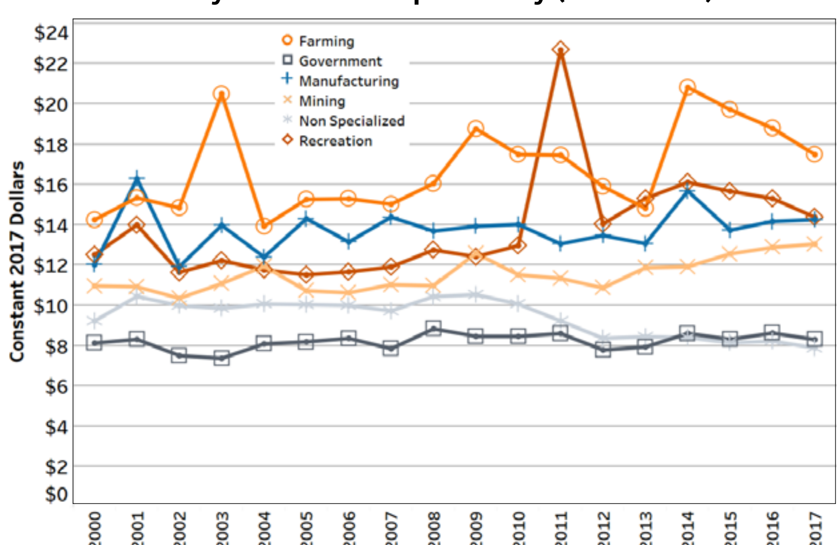


Source: *Arkansas Legislative Audit and U.S. Bureau of Economic Analysis*

Per Capita Revenue– Economic Dependency

Figure 28 shows that when revenue is divided by population, the county government revenue trends of the different economic dependency categories are similar. Counties in the non-specialized category, despite having the highest total revenue, generated less revenue per person from 2000 to 2017 than the other dependency categories, except for the government category. County government revenue per person grew in all economic categories from 2000-2017.

Figure 28. Per Capita Revenue for all Arkansas Counties by Economic Dependency (2000-2017)



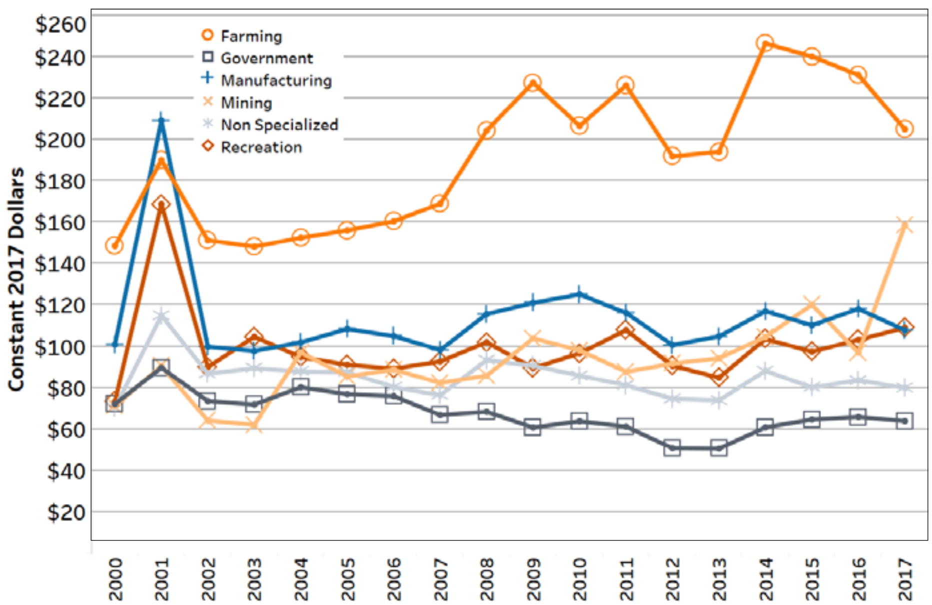
Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Per Capita Revenue by Revenue Type

Separating per capita total revenue into the three major revenue sources reveals several trends (Figure 29 and Table 7).

- Intergovernmental revenue per capita was substantially higher in farming-dependent counties.
- After 2010, the government and non-specialized categories had the lowest per capita intergovernmental revenue.
- All six economic dependencies saw an increase in per capita intergovernmental revenues.
- Five of 6 categories showed growth in per capita intergovernmental revenue. Only the government category decreased from 2000-2017.

Figure 29. Per Capita Intergovernmental Revenue by Economic Dependency (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

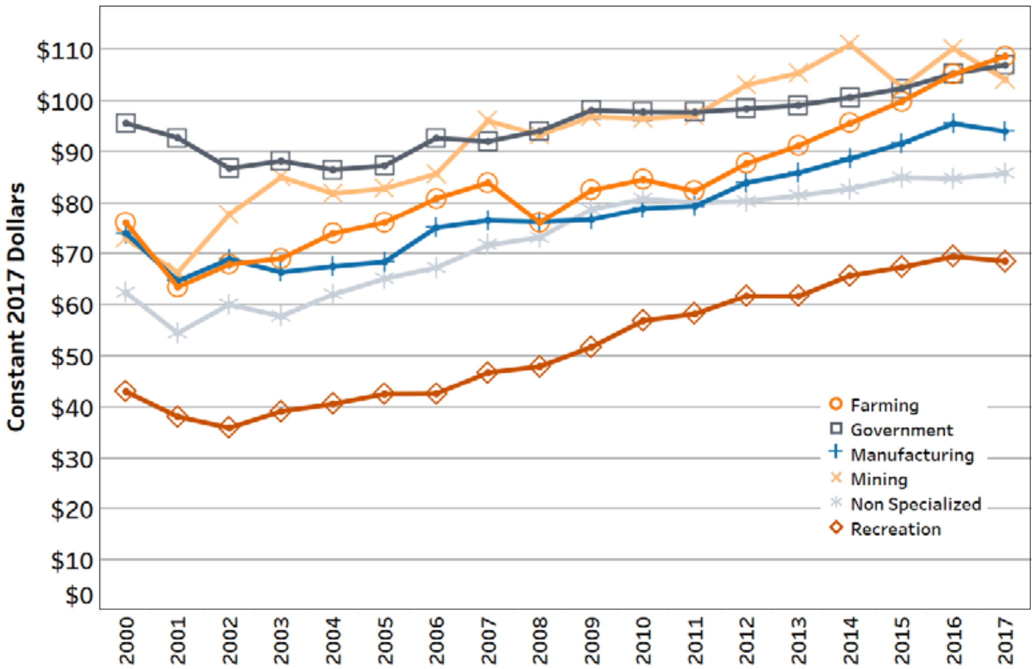
Table 7. Per Capita Intergovernmental Revenue by Economic Dependency (2000-2017)

Economic Dependency	2000	2017	% Change
Farming	$149	$205	38%
Government	$72	$64	-12%
Manufacturing	$101	$108	7%
Mining	$71	$158	123%
Non-specialized	$70	$80	14%
Recreation	$73	$109	49%

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

As Figure 30 and Table 8 illustrate, all six economic dependency groups saw an increase in per capita property tax revenue, although the rate of increase varied. Recreation-dependent counties had the lowest per capita property tax revenue for the years 2000-2017, although this category also had the highest growth (60%).

Figure 30. Per Capita Property Tax Revenue by Economic Dependency (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

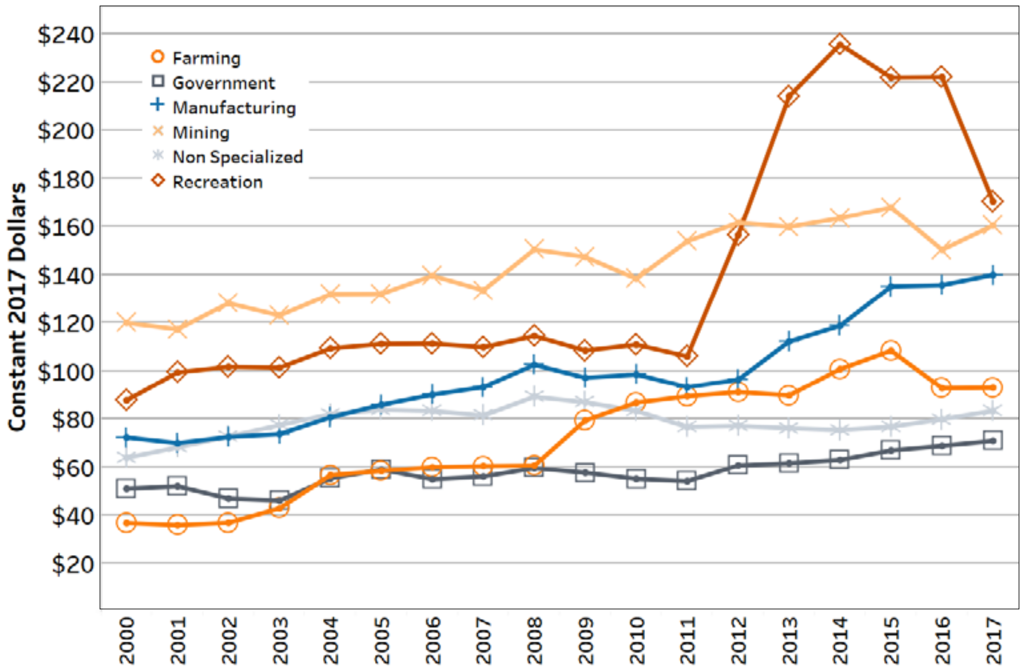
Table 8. Per Capita Property Tax Revenue by Economic Dependency (2000-2017)

Economic Dependency	2000	2017	% Change
Farming	$76	$109	43%
Government	$96	$107	12%
Manufacturing	$74	$94	27%
Mining	$73	$104	43%
Non-specialized	$62	$86	37%
Recreation	$43	$69	60%

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

As Figure 31 and Table 9 show, all six economic dependencies saw per capita sales and use tax revenues increase. Growth in per capita sales tax revenue was particularly strong overall. Four of the six dependency categories showed stronger per capita revenue growth from sales tax than from either property tax or intergovernmental revenue. Only mining and non-specialized counties did not. The largest growth (153%) occurred in the farming-dependent counties.

Figure 31. Per Capita Sales Tax Revenue by Economic Dependency (2000-2017)



Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Table 9. Per Capita Sales Tax Revenue by Economic Dependency (2000-2017)

Economic Dependency	2000	2017	% Change
Farming	$37	$93	153%
Government	$51	$71	39%
Manufacturing	$72	$140	93%
Mining	$120	$160	34%
Non-specialized	$64	$83	31%
Recreation	$88	$170	94%

Source: *Arkansas Legislative Audit and U.S. Census Bureau*

Summary

Total county government revenue grew by 39% (from $846 million to $1,174 million) from 2000-2017, although there was considerable variation in revenue growth among counties in Arkansas. Change in total revenue for the study period ranged from a decline of 26% in Montgomery County to an increase of 187% in Marion County. The growth in county government revenue varied between rural and urban areas of the state, geographic regions, and economic dependencies.

Sales tax, property tax, and intergovernmental revenue were the three largest generators of county government revenue, accounting for approximately 70 percent of total revenue in 2017. Despite a slight decline during the Great Recession, county government sales tax revenue grew the most, increasing 68% between 2000 and 2017. During this same period property tax revenue grew 43% and intergovernmental transfers grew only 23%.

Rural counties generated a larger share of their county government revenue from the sales tax and intergovernmental revenue than did the urban counties, which relied more heavily on the property tax.

Rural counties consistently reported higher per capita revenue and per capita revenue growth compared to urban counties. This is especially true of per capita sales tax revenue, which grew over 75% in rural counties versus approximately 30% in urban counties during this 17-year period. Also, the per capita revenue generated from the sales tax was more than twice as high in rural areas versus urban areas in 2017. Higher per capita revenue and growth in per capita revenue in rural areas was in part due to the declining population in rural areas of the state, which requires counties to obtain more revenue per person to maintain local infrastructure and services. The Coastal Plains, Delta and Highlands had similar revenue growth per capita from 2000 to 2017 and all were considerably higher than per capita revenue growth in the Urban region.

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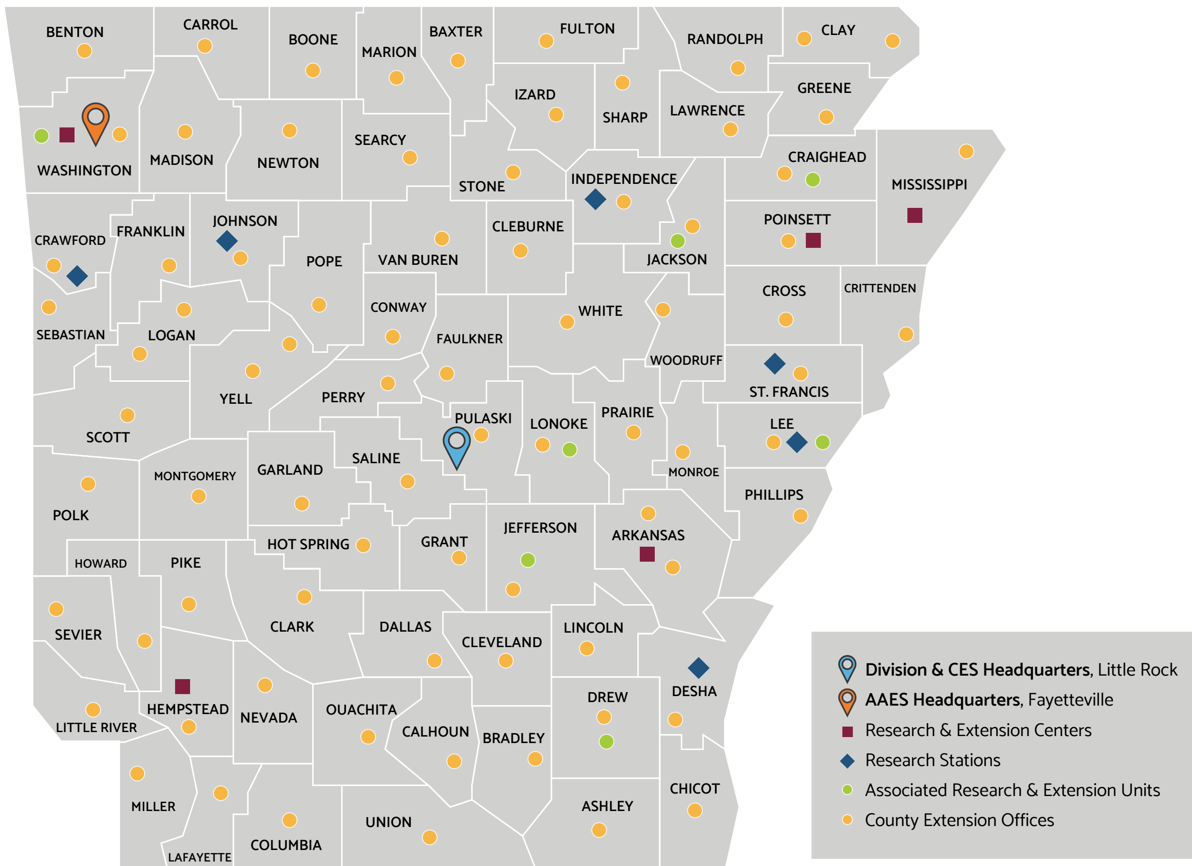

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