

Highlights of State and Federal Revenue Received by County Governments in Arkansas, 1999-2014¹

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Overview

Intergovernmental revenue from state and federal governments is vitally important to county governments in Arkansas. In fact, it was the largest source of revenue for 42 of Arkansas' 75 counties in 2014. Counties that depend heavily on intergovernmental transfers are greatly affected by changes in the level of funding. Without revenue from state and federal governments, some counties would be forced to raise tax rates to extremely high levels or eliminate services.

This fact sheet highlights some of the findings of the study of state and federal government transfers to county governments in Arkansas. The study identifies revenue trends over a 15-year period (1999-2014) and compares intergovernmental transfers across counties based on two classification schemes:

- 1) Metro (urban) versus non-metro (rural)
- 2) Regions: Urban and three rural regions – Coastal Plains, Delta and Highlands

Total Intergovernmental Revenue

Total intergovernmental revenue fluctuates from year to year due to the allocation of major project funding and the amount of disaster assistance provided. However, more important than the year-to-year fluctuations is the difference in the amount and reliance on intergovernmental revenue among counties.

- Despite a steady decline from 2008 to 2012, total intergovernmental revenue still grew 27% overall, from \$207.3 million in 1999 to \$263.9 million in 2014.²
- Total intergovernmental revenue was greatest in 2001 (\$285.8 million), when an ice storm damaged local infrastructure, resulting in increased federal aid for many counties in Arkansas.
- Only 10 counties in Arkansas saw total intergovernmental revenue decrease between 1999 and 2014, with the largest growth in Saline County (231%) and the largest decline (50%) in Pulaski County.

Federal Intergovernmental Revenue

Counties may receive federal transfers from revenue generated by federal forest resources and the sale or lease of public domain lands in the county, as well as for special projects and disaster relief. While intergovernmental transfers from the federal government are typically less than those received from the state, they still comprise a significant portion of a county's total revenue. The reasons for major federal transfers vary and are unpredictable, which makes it difficult to forecast future federal transfers.

- In contrast to state intergovernmental revenue, federal transfers to county governments fluctuate greatly from year-to-year and among counties. Between 1999 and 2014, intergovernmental revenue

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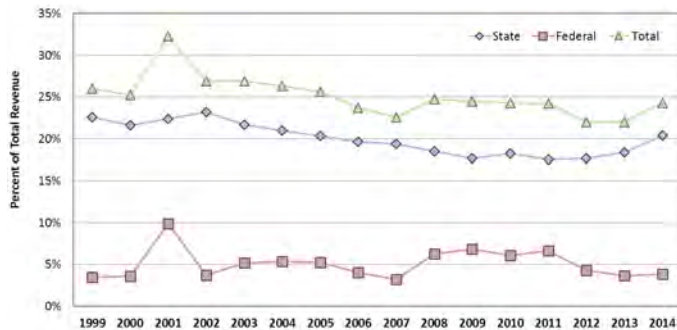
¹The full report, MP516, *State and Federal Revenue Received by County Governments in Arkansas, 1999-2014*, is available online at <http://www.uaex.edu/business-communities/government-policy/local-government-finance.aspx>

²All dollar values are reported in 2014 constant (real) dollars unless otherwise specified. The South Urban (SU) consumer price index (CPI) was used to adjust revenues for inflation.

from federal sources accounted for 13% to 31% of total intergovernmental transfers to Arkansas counties.

- Total federal transfers received by counties in Arkansas grew 53% during the 15-year period, from \$27.5 million in 1999 to \$42.1 million in 2014. The share of total county government revenue from federal intergovernmental transfers increased slightly, from 3% in 1999 to 4% in 2014 (Figure 1).

Figure 1. Share of Total County Government Revenue Received From State and Federal Governments, 1999-2014



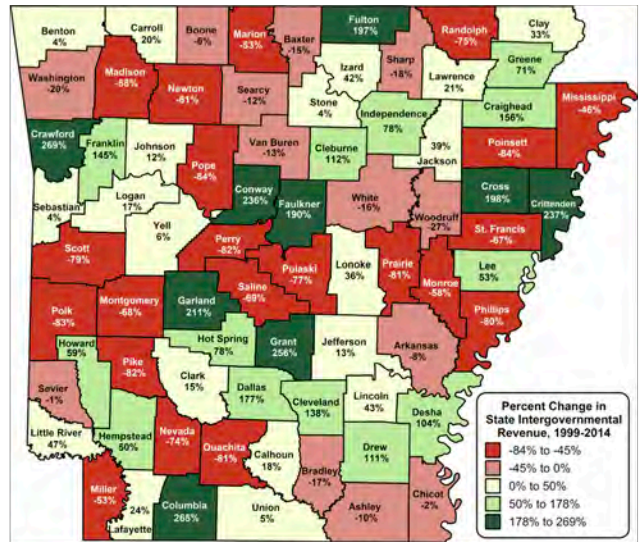
Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics

State Intergovernmental Revenue

State transfers to county governments come from several sources: state general turnback, highways revenue turnback, state aid to road funds, severance taxes collected by the state, forest reserves and proceeds from the sale of forfeited land, sale or lease of public property and community block grants.

- State transfers to county governments increased 23% between 1999 and 2014, from \$179.8 million to \$221.8 million. This growth masks a period of decline during and following the Great Recession, when state transfers to county governments declined to \$179.1 million in 2012 (the lowest point since 2000). There was also wide variation in growth of state transfers to county governments, ranging from a decline of 84% in Pope County to an increase of 269% in Crawford County (Figure 2).
- Per capita state intergovernmental revenue also increased overall (14%), from \$78 in 1999 to \$89 in 2014. The overall trend in per capita state intergovernmental revenue also masks a long-term downward trend between 2001 and 2012, when it decreased from \$74 to \$61 or 21%.
- Counties received a smaller share of their total revenue from the state in 2014 as compared to 1999. State transfers as a share of total county government revenue declined from 22% to 20% during this 15-year period.

Figure 2. Percent Change in State Intergovernmental Revenue Received by County Governments, 1999-2014



Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics

Metro and Non-Metro Comparisons

- Total intergovernmental revenue in metro counties grew 16%, from \$75.2 million in 1999 to \$87.3 million in 2014. Non-metro counties saw greater growth (34%) during the same period, when their intergovernmental revenue increased from \$131.2 million to \$176.6 million.
- On a per capita basis, total intergovernmental revenue decreased 6% in metro counties between 1999 and 2014, from \$54 to \$51. In contrast, non-metro counties experienced 35% growth as per capita intergovernmental revenue increased from \$105 to \$142.
- State intergovernmental revenue grew slightly more in non-metro (77%) than metro (73%) counties, while per capita state intergovernmental revenue grew nearly twice as much in non-metro (78%) than metro (40%) counties. Per capita state intergovernmental revenue was \$116 in non-metro counties and only \$45 in metro counties in 2014.

Regional Comparisons

- While per capita **total** intergovernmental revenue was largest in the Highlands (\$149) in 2014, Coastal Plains counties received the most **state** intergovernmental revenue per capita at \$137.
- The Coastal Plains also saw the most growth (105%) in per capita state intergovernmental revenue between 1999 and 2014, significantly more than in the Delta (77%), Highlands (72%) and urban (40%) counties.

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