REVENUE TRENDS
of County Governments in Arkansas

1999-2015
Revenue Trends of County Governments in Arkansas: 1999-2015

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Highlights

Although total county government revenue in Arkansas increased over the 16-year period from 1999 to 2015, there was large variation in growth among counties, and some counties generated less revenue in 2015 than in 1999. There were also major differences among counties in revenue sources, the amount of revenue generated per person and per $1,000 of personal income, and based on urban versus rural, regional and economic dependency classifications. Additionally, there has been a shift toward greater reliance on sales taxes and less reliance on intergovernmental transfers from state and federal governments. A decline of economic activity and resulting population loss make it increasingly difficult for many counties to generate sufficient revenue to continue providing and improving needed services. Other counties continue to grow rapidly and must expand services and infrastructure to keep pace with growing demand for public goods and services.

Some of the major findings of this report include:

- Total county government revenue in Arkansas grew by 39% between 1999 and 2015, from $803.6 million to $1.1 billion. While there was high variability among counties, revenue declined in five counties, down from 12 immediately following the Great Recession in 2012.
- Per capita county revenue grew 24% statewide, from $303 in 1999 to $376 in 2015, although again there was considerable variation among counties.
- Revenue collected per $1,000 of personal income grew 0.3% statewide during the 16-year period. Low growth was influenced by growing personal income, which increased at about the same rate as total county government revenue.
- Sales tax revenue accounted for the largest share, $269.5 million or 24%, of total county government revenue statewide in 2015, making it the largest source of county revenue statewide for the first time.
- County government sales tax revenue grew 73% from 1999 to 2015, while property tax and intergovernmental revenue grew 40% and 21%, respectively.
  - During this period, reliance on sales tax revenue grew, while the share of total revenue from intergovernmental revenue decreased. The share of total property tax revenue did not change.
- Total revenue increased more in metro (urban) counties (45%) than rural counties (34%); however, growth of per capita total revenue was greater for rural counties (36%) than urban counties (16%).
- Total revenue also increased for all four socioeconomic regions of Arkansas from 1999 to 2015. Growth was greatest in the Urban and Highlands regions, 45% and 42% respectively, compared with a 26% increase in the Coastal Plains and a 24% increase in the Delta.
  - All three rural regions had larger increases in revenue collected per person than the Urban region. Per capita revenue increased 41% in the Coastal Plains, 40% in the Delta and 34% in the Highlands, compared to only 16% in the Urban region.
  - Total revenue per $1,000 of personal income increased in all three rural regions, with the largest growth occurring in the Highlands and Coastal Plains (16% each). A 6% decrease was observed in the Urban region.
- Total revenue grew in all economic dependency categories from 1999 to 2015.
  - The most growth, 83% in recreation-dependent counties, is nearly six times the growth of total revenue in government-dependent counties (14%).
  - Farming-dependent counties have the lowest average total revenue ($6.5 million), while recreation dependent counties had the highest per capita revenue ($595) in 2015.
Introduction

County governments are mandated to provide law enforcement protection, collect and record property tax, manage court and public records and administer justice through the courts. They also provide many non-mandated services, which may include agricultural, community development, emergency, human, solid waste, transportation and utility services. To pay for these services, counties receive funds from local, state and federal sources. Local sources include revenue from property tax, sales and use tax, user fees, fines and commissions.¹

Since the Arkansas Constitution requires that county governments balance their budgets, it is imperative that counties receive enough revenue to pay for the increasing costs of services – including those mandated and non-mandated services demanded by a global economy.

Balancing the county budget is increasingly challenging because:

- Some regions of the state have seen declines in population and economic activity in recent years. A smaller tax base makes it more difficult for counties to generate local revenue.
- Other regions are growing rapidly. In those regions, counties must expand services and make investments in infrastructure to 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 16-year period from 1999 to 2015. We also compare revenue trends among counties and regions using three points of comparison:

- Total revenue
- Per capita revenue
- Revenue per $1,000 of personal income²

¹For brevity, this report refers to Arkansas’ sales and use tax as “sales tax.”

²All dollar values are reported in constant 2015 U.S. dollars unless otherwise indicated. The South Urban Consumer Price Index (CPI) was used to adjust revenues for inflation. The revenues were then indexed to 2015 dollars so that 2015 nominal and real dollars are equal.
County Government Revenue Trends

Total county government revenue in Arkansas grew 39% between 1999 and 2015, from $803.6 million to $1.1 billion. The median change (35%) masks large variations among counties, from a decline of 14% in Ashley County to a high of 161% in Van Buren County (Figure 1). Revenue declined in 5 of 75 Arkansas counties, and all were rural. Ashley County in the Coastal Plains was the only county outside of the Delta with a decline in revenue during this period. Revenue spiked in 2001 due to ice storms throughout much of the state, which resulted in an influx of federal funds for infrastructure repairs. For more about this anomaly, see Appendix I, Note 1.

Figure 1. Change in Total County Government Revenue, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics
Per capita county revenue grew 24% statewide, from $303 in 1999 to $376 in 2015. This statewide growth conceals the wide variability among counties (Figure 2). Per capita revenue declined in three counties – Sevier, Lonoke and St. Francis – with the largest decline in Sevier County (8%) and the most growth in Van Buren County (150%). In 2015, per capita revenue collected ranged from a low of $244 in Lonoke County to a high of $1,076 in Calhoun County.

Despite high variability among counties, total county government revenue per $1,000 of personal income exhibited little growth (0.3%) statewide from 1999 to 2015. Benton County’s revenue per $1,000 of personal income declined the most (34%) while Van Buren County’s increased the most (102%). Benton and Van Buren counties also had the lowest and highest revenue based on income, $4 and $34, respectively.
Revenue Sources

The numerous categories used by counties to report revenue can be inconsistent from year to year and among counties. For better comparison, each county’s revenue was combined into seven categories. The statewide share of county government revenue from each category in 2015 is shown in Figure 3.

For the first time since counties were given the ability to levy a local sales tax (1983), the sales tax generated the most revenue for counties in Arkansas in 2015. Sales tax revenue, which accounted for 24% of revenue, edged property tax revenue (23%) and intergovernmental revenue (22%).

Counties varied greatly in their reliance on different sources of revenue. Although the sales tax generated most revenue for county governments statewide, two counties did not have a sales tax. Drew County received nearly half (47%) of its revenue from this source. The share of revenue generated by the property tax ranged from 5% in Scott County to 42% in Benton County. The share of revenue from state and federal intergovernmental transfers ranged from a low of 11% in Garland County to a high of 55% in Newton County in 2015.

Of the minor revenue sources, officers, jail and 911 fees generated 10% of total revenue, exceeding general and other revenue (9%) for the only time during the 16-year study period.

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Source: Legislative Audit Reports, Arkansas Legislative Audit

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3See Appendix I, Note 2.
Commissions and taxes apportioned and fines, forfeitures and franchise taxes accounted for about 7% and 5% of total revenue.

Although the officers, jail and 911 fees category accounted for the largest share of total revenue of all minor category sources at 10%, it contributed as little as 4% in Hempstead County to as much as 27% in Pope County.

Garland County received the largest share of revenue from the “other revenue” category (20%), while Cross County received the smallest share (2%).

Commissions and taxes apportioned supplied 10% of Lee County’s revenue, but only 4% of Independence County’s.

Although fines, forfeitures and franchise taxes comprised 5% of total county revenue in Arkansas, it accounted for as little as 2% in Desha County and as much as 14% in St. Francis County.

**Trends in Revenue by Source**

Even though counties differ in their reliance on types of revenue, several overall trends in revenue sources are observed. Figure 4 illustrates trends of total revenue for the three major sources of county revenue between 1999 and 2015. Notably, sales tax revenue grew the most during the 16-year study period, from $155.4 million to $269.5 million or 73%. Property tax revenue also grew considerably (40%), from $184.4 million to $258.2 million. Although intergovernmental revenue grew 21%, from $207 million to $249.7 million, the 5.2% decrease between 2014 and 2015 was the largest single-year decrease since 2001 to 2002. Intergovernmental revenue spiked to a 16-year high of $285.3 million in 2001 because of the ice storms and decreased precipitously (19.1%) to $229.8 million the next year.

Trends observed in total county government revenue per capita, shown in Figure 5, were similar to the overall trends of total revenue.

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**Figure 4. Major Sources of County Government Revenue, 1999-2015**

![Graph showing trends in major sources of county government revenue, 1999-2015.]

**Sources:** Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics
However, the per capita measures grew at slower rates because of strong (12%) population growth statewide between 1999 and 2015. Per capita sales tax revenue grew the most (54%), followed by property tax (25%) and intergovernmental revenue (14%):

- Sales tax revenue per capita grew from a low of $59 to a high of $91.
- Per capita property tax revenue was $70 in 1999 and $87 in 2015.
- Intergovernmental revenue per person increased $6, from $78 to $84.

Of the minor category revenue sources, officers, jail and 911 fees increased the most statewide, from $64.2 million to $114.2 million (78%) between 1999 and 2015 (Figure 6).
Revenue from commissions and taxes apportioned and fines, forfeitures and franchise taxes also exhibited steady, yet more moderate, growth.

- Commissions and taxes apportioned increased from $61.7 million to $77.6 million or 26%.
- Fines, forfeitures and franchise taxes grew only 14%, from $45.9 million to $52.2 million.

While “other revenue” also grew 14% overall, there were wide fluctuations in the growth/decline of this revenue source over time and among counties during the 16-year study period. The variability in other revenue is likely a result of bond sales, which can change significantly from year to year.

As with the major revenue sources, the per capita measures for minor category revenues were similar to the overall measures but increased at a slower rate due to population growth (Figure 7).

- Per capita officers, jail and 911 fees increased 37%, from $24 in 1999 to $38 in 2015.
- Other revenue grew about 2% from $32 to $33.
- Commissions and taxes apportioned were $23 in 1999 and $26 in 2014, an increase of 12%.

Figure 7. Minor Sources of County Government Revenue Per Capita, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau
Relative Contribution of Revenue Sources

Further comparison of the seven different revenue sources in terms of their relative contribution to total county revenue reveals an increasing dependence on local sources (Figure 8).

Local sources accounted for 74% of total county government revenue in 1999 compared to 78% in 2015. The relative importance of intergovernmental revenue to total revenue declined in 38 Arkansas counties, leading to a decline statewide during the study period. In contrast, the share of revenue generated by the sales tax and from officers, jail and 911 fees increased from 1999 to 2015. Sales tax revenue grew from 19% to 24% of county government revenue and revenue from officers, jail and 911 fees grew from 8% to 10% during this 16-year period. Only the relative importance of property tax revenue was unchanged, as it accounted for 23% of total revenue in 1999 and 2015. The share of revenue from the other three minor revenue sources declined slightly from 1999 to 2015.

Figure 8. Comparison of the Relative Importance of County Government Revenue Sources in 1999 and 2015

Source: Legislative Audit Reports, Arkansas Legislative Audit

Due to rounding, percentages may not sum to 100% and bars with the same value may appear unequal.
County Revenue Trends Compared: Three Perspectives

Counties’ ability to generate revenue is impacted by a number of factors, such as businesses, population and socioeconomic status of residents in the county. To analyze the differences among counties and regions that encompass different factors, we categorize Arkansas’ 75 counties in three different ways:5

A. We use the 1999 U.S. Census Bureau’s classifications for metro and non-metro areas as a proxy for the urban and rural counties of the state.

B. We divide the state into four familiar geographic regions: the Coastal Plains, Delta, Highlands and Urban regions.

C. We classify counties based on their economic dependence as defined by the USDA Economic Research Service’s County Typology Codes. Each county falls into one of the following categories: farming-dependent, mining-dependent, manufacturing-dependent, state/federal government-dependent, recreation-dependent and non-specialized.

Metro Versus Non-Metro Trends, 1999 to 2015

While non-metro counties reported higher total revenue over the 16-year period of this study than the metro counties, metro counties in the state experienced more growth in total revenue – 45% compared to 34% in non-metro counties (Figure 9). In Arkansas’ 13 metro counties, total revenue increased from $365.6 million in 1999 to $529.7 million in 2015. Total revenue in the 62 non-metro counties in Arkansas grew from $438 million to $588.2 million.

In contrast, growth of per capita total revenue was greater in non-metro counties than metro counties (Figure 10). From 1999 to 2015, non-metro county government revenue grew from $348 per person to $474 per person, or 36%. During the same period, per capita revenue grew only 16% in metro counties, from $263 to $305.

Figure 9. Total County Government Revenue, Metro v. Non-Metro Counties, 1999-2015

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

5Every county must fall into one group of each classification scheme. See Appendix I, Note 3 for a more complete explanation of each scheme.
Total county revenue per $1,000 of personal income in non-metro counties grew from $12.86 in 1999 to $14.84 in 2015 (Figure 11). In contrast to the 15% growth in non-metro counties, total revenue per $1,000 of personal income in Arkansas’ metro counties decreased 6%, from $7.59 to $7.14.
There were also considerable differences in major revenue sources on a per capita basis for metro and non-metro counties. Non-metro counties collect more sales tax revenue and intergovernmental transfers per person than metro counties, whereas metro counties collect more property tax revenue per person. Sales tax revenue per capita grew the most for both metro and non-metro counties (Figure 12). Despite a leveling-off of growth during and following the Great Recession, between 2008 and 2011, sales tax revenue per person increased 73% from $74 to $128 over the entire 16-year period. Growth of per capita sales tax revenue in metro counties (42%) was weakened by a period of extended decline in sales tax revenue per person, which dropped from $65 in 2005 to $47 in 2011. Since 2011, sales tax revenue per capita has rebounded in metro counties but remains below the 2005 high at $64.

Figure 12. Per Capita County Government Sales Tax Revenue, Metro v. Non-Metro Counties, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau

There were also significant changes to per capita property tax (Figure 13) and intergovernmental (Figure 14) revenue during the study period:

- Per capita property tax revenue grew in metro and non-metro counties. Per capita property tax revenue in non-metro counties grew 32% from $63 to $83. Metro counties maintained higher per capita property tax revenue than non-metro counties in every year, despite experiencing less growth, 18%, or an increase from $76 to $90.
- Per capita intergovernmental declined 6% in metro counties, from $54 to $51, but increased 35% in non-metro counties, from $105 to $130.
Figure 13. Per Capita County Government Property Tax Revenue, Metro v. Non-Metro Counties, 1999-2015

Figure 14. Per Capita County Government Intergovernmental Revenue, Metro v. Non-Metro Counties, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau
Relative Contribution of Revenue Sources in Metro versus Non-Metro Counties

There were also key differences in the extent to which metro and non-metro counties relied on various sources of revenue (Figure 15). In 2015, non-metro counties relied more on intergovernmental and sales tax revenue than metro counties.

- Non-metro counties received 27% of total revenue from both sales tax and intergovernmental revenue. Metro counties received only 21% and 17%, respectively, from these sources.

- Property tax revenue was the largest revenue source for metro counties, contributing 29% of their total revenue. Non-metro counties received only 17% of revenue from property tax.

- Every minor source of revenue contributed more to total revenue in metro counties than in non-metro counties.

Regional Trends, 1999 to 2015

Total County Government Revenue

All four regions experienced increases in total county revenue from 1999 to 2015 (Figure 16). In addition, growth was greatest in the regions of the state with the highest total revenue throughout the 16-year study period. Total revenue rose 45% and 42% in the Urban and Highlands regions, respectively, compared to growth of only 26% in the Coastal Plains and 24% in the Delta.

On a per capita basis, however, all three rural regions of the state experienced more than double the growth of the Urban region (Figure 17). Per capita revenue grew 41% in the Coastal Plains, from $406 to $570. Total revenue per person grew slightly less (40%) in the Delta region, from $324 to $454. In the Highlands, per capita revenue increased from $340 to $455 or 34%. The Urban region’s per capita revenue was $263 in 1999 and $305 in 2015.

Figure 15. Relative Importance of County Government Revenue Sources, Metro v. Non-Metro Counties, 2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit

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6Due to rounding, percentages may not sum to 100%.
resulting in growth of about 16%. The large increases in county government revenue collected per person in the three rural regions is in part due to declining population in many rural areas of the state.

Like the per capita measures, which were impacted by population change, growth of income greatly affected total revenue per $1,000 of personal income at the regional level. In the Urban region, total revenue grew 45%, but only

Figure 16. Total County Government Revenue by Region, 1999-2015

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

Figure 17. Total County Government Revenue Per Capita by Region, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau
6% when measured per $1,000 of personal income. Seven of 13 Urban region counties experienced growing total revenue and decreasing total revenue per $1,000 of personal income (Figure 18). This phenomenon is also reflected in changes of total revenue per $1,000 of personal income in each rural region between 1999 and 2015:

- Total revenue per $1,000 of personal income grew 16% in the Coastal Plains and Highlands, far less than the growth of total revenue experienced by these regions (26% and 42%, respectively).
- In the Delta, total revenue per $1,000 of personal income grew slightly less (14%) whereas total revenue in the region grew 24% overall.
- Total revenue per $1,000 of personal income was $16.25 in the Coastal Plains in 2015, more than the Highlands ($14.63), Delta ($14.29) and Urban ($7.14) regions.

**Figure 18. Total County Government Revenue Per $1,000 of Personal Income by Region, 1999-2015**

![Graph showing revenue per $1,000 of personal income by region from 1999 to 2015.](image)

**Sources:** Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Regional Economic Accounts, Bureau of Economic Analysis

**Per Capita County Government Revenue by Source**

Figures 19, 20 and 21 compare the same four regions in terms of the three major sources of revenue on a per capita basis. Several trends are observed during the period 1999 to 2015. Intergovernmental revenue per capita decreased 6% in the Urban region, from $54 to $51, but increased in each of the rural regions. The most growth was observed in the Coastal Plains (38%) as state and federal transfer grew from $103 to $142. Intergovernmental revenue per capita also increased significantly in the Highlands (36%) and Delta (32%), from $111 to $131 and from $93 to $120, respectively.

Growth of property tax revenue per capita was uniform across the rural regions. From 1999 to 2001, property tax revenue per person decreased in each region, and then trended upward from 2001 to 2015. Overall, per capita property tax revenue increased:

- 36% in the Coastal Plains region, from $67 to $91
- 32% in the Highlands region, from $60 to $79
- 30% in the Delta region, from $66 to $86
- 18% in the Urban region, from $76 to $79
**Figure 19. Per Capita County Government Intergovernmental Revenue by Region, 1999-2015**

![Graph showing per capita county government intergovernmental revenue by region from 1999 to 2015.](image)

**Sources:** Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau

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**Figure 20. Per Capita County Government Property Tax Revenue by Region, 1999-2015**

![Graph showing per capita county government property tax revenue by region from 1999 to 2015.](image)

**Sources:** Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Population Estimates, U.S. Census Bureau
Per capita sales tax revenue also increased in every region during the 16-year study period. The largest increase, 85%, was observed in the Highlands, where sales tax revenue per person grew from $63 to $116. Sales tax revenue per capita grew 84% in the Delta, from $64 to $118. While the Coastal Plains had the highest sales tax revenue per person in 2015, it experienced far less growth than the other rural regions. Sales tax revenue per capita in the region grew from $122 to $184 or 54%. The Urban region had the lowest sales tax revenue per capita during each year between 1999 and 2015, and experienced the least growth (42%). Sales tax revenue in Arkansas’ Urban counties was $45 in 1999 and $64 in 2015.

**Revenue Per $1,000 of Personal Income by Source**

There was less variation among regions for revenue received per $1,000 of personal income. Growth of intergovernmental revenue per $1,000 of personal income ranged from 2% to 13% in the rural regions of the state. Based on income, only the Urban region received less intergovernmental in 2015 than in 1999, experiencing a 24% decrease during the 16-year period.

- Intergovernmental revenue per $1,000 of personal income was $4.21 in the Highlands, $4.04 in the Coastal Plains, $3.78 in the Delta and $1.18 in the Urban region in 2015.

Property tax revenue per $1,000 of personal income increased moderately in every rural region of the state but decreased slightly in Arkansas’ Urban counties (Figure 22).

- Overall, changes ranged from a 4% decrease in the Urban region to a 14% increase in the Highlands. In 2015, property tax revenue per $1,000 of personal income was $2.70 in the Delta, $2.61 in the Coastal Plains, $2.54 in the Highlands and $2.09 in the Urban region.

Of the major revenue sources, only sales tax revenue per $1,000 of personal income increased in every region of the state, with growth ranging from a low of 15% in the Urban region to a high of 60% in the Highlands region (Figure 23).

- The Coastal Plains region received $5.26 of sales tax revenue for every $1,000 of personal income in 2015, more than the Delta and Highlands ($3.72 each) and Urban ($1.49) regions.
Figure 22. Property Tax Revenue Per $1,000 of Personal Income by Region, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Regional Economic Accounts, Bureau of Economic Analysis

Figure 23. Sales Tax Revenue Per $1,000 of Personal Income by Region, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Regional Economic Accounts, Bureau of Economic Analysis
**Relative Contribution of Revenue Sources by Region**

There were stark differences in the relative importance of different revenue sources to each region of the state in 2015 (Figure 24).

- Property tax revenue accounted for the largest share of total revenue (29%) in the Urban region of the state, while no rural region received more than 19% (Delta) of total revenue from property tax. Seventeen (17) percent of the Highlands’ revenue came from property tax while the Coastal Plains generated 16% of revenue from this source.

- The share of total revenue from intergovernmental revenue was greatest in the Highlands, where about 29% of total revenue came from state and federal transfers. The Delta region (26%) and Coastal Plains (25%) also received large portions of total revenue from this source. Only 17% of revenue in the Urban region came from intergovernmental revenue.

- Coastal Plains counties generated the largest share of total revenue from sales tax (32%). The shares in the remaining regions were considerably less at 26% in the Delta, 25% in the Highlands and 21% in the Urban region.

![Figure 24. Relative Importance of County Government Revenue Sources by Economic Dependence, 2015](image)

**Source:** Legislative Audit Reports, Arkansas Legislative Audit

**Economic Dependence: A Third Perspective on Revenue, 1999 to 2015**

In Arkansas, approximately one-half of the 75 counties (38) are classified as non-specialized and another 23% (17) are classified as manufacturing-dependent. The remaining 20 counties in the state fall into state/federal government-dependent (9 counties), farming-dependent (6 counties), recreation-dependent (3 counties) and mining-dependent (2 counties).

While total revenue increased for every dependency group between 1999 and 2015 (Figure 25), there were significant differences. At $24.8 million and $23.2 million, respectively, recreation- and state/federal government-dependent counties had considerably higher average total revenue than other dependency groupings. For instance, farming-dependent counties, which are exclusively rural, had the lowest average total revenue ($6.5 million) of all groupings. Between 1999 and 2015, the most growth of total revenue occurred in
recreation-dependent counties, where total revenue increased 83% during the 16-year period. Counties classified as non-specialized had the second largest growth (48%), followed by farming- (42%), manufacturing- (40%), mining- (23%) and state/federal government- (14%) dependent counties. On a per capita basis, total revenue increased most rapidly in recreation- and farming-dependent counties, 67% and 61% respectively (Figure 26). Growth was much lower for other dependency groups. In mining- and manufacturing-dependent counties growth was about half of that in the previous two categories at 37% and 33%, respectively.
Per capita revenue grew nearly twice as fast in non-specialized counties (20%) compared to state/federal government-dependent counties (12%).

The three dependency categories with the largest per capita growth also had substantially higher per capita revenue in 2015. Farming-, recreation- and mining-dependent counties had average per capita revenue of $579, $561 and $536, respectively. This compares to $446, $347 and $333 for manufacturing-, state/federal government- and non-specialized categories.

In terms of total revenue per $1,000 of personal income (Figure 27), the greatest increase, 48%, occurred in recreation-dependent counties, followed by farming-dependent (32%), manufacturing-dependent (19%) and mining-dependent (10%). State/federal government-dependent (-3%) and non-specialized (-9%) counties were the only groups to experience a decline from 1999 to 2015. In 2015, farming-dependent counties had the highest revenue per $1,000 of personal income at $18.76 and state/federal government-dependent counties the lowest ($8.52).

Using a per capita measure to compare reliance on different revenue sources between dependency groups, several trends between 1999 and 2015 are revealed. First, as Figure 28 shows, per capita intergovernmental revenue increased in five of six economic dependencies:

- The highest growth (55%) occurred in farming-dependent counties, followed by mining-dependent (50%), recreation-dependent (43%), manufacturing-dependent (20%) and non-specialized (10%) counties. State/federal government-dependent counties were the only dependency group with a decline in per capita intergovernmental revenue, which decreased 24%.
- In 2015, farming-dependent counties had the highest per capita intergovernmental revenue at $219, while state/federal government-dependent counties had the lowest at $63.

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; County Typology Codes, USDA Economic Research Service; Regional Economic Accounts, Bureau of Economic Analysis
Second, changes in property tax revenue per capita were positive for each dependency (Figure 29).

- Growth was highest in mining-dependent counties (68%), followed by recreation-dependent (59%), non-specialized (38%), farming-dependent (33%), manufacturing-dependent (18%), and government-dependent (6%) counties.
- Mining-dependent counties also had the highest property tax revenue per person ($106) in 2015. Recreation-dependent counties had the lowest per capita property tax revenue at $66.

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; County Typology Codes, USDA Economic Research Service; Population Estimates, U.S. Census Bureau
Third, as illustrated by Figure 30, per capita sales tax revenue increased for each dependency from 1999 to 2015:

- Farming- and recreation-dependent counties grew 200% and 162%, respectively, while manufacturing-dependent counties grew 101%. Growth was far lower in state/federal government-dependent (37%), non-specialized (30%) and mining-dependent (29%) counties.

- Recreation-dependent counties had the highest per capita sales tax revenue, $216, in 2015, while state/federal government-dependent counties had the lowest ($65).

**Relative Contribution of Revenue Sources by Economic Dependence**

There were also differences among the six economic dependencies in the degree to which each relied on revenue from key sources in 2015 (Figure 31). Intergovernmental revenue as a share of total revenue ranged from a high of 38% in farming-dependent counties to a low of 17% in recreation-dependent counties. In contrast, sales tax revenue accounted for 38% of total revenue in recreation-dependent counties but only 19% in state/federal government-dependent counties. Property tax revenue contributed 29% of total revenue to state/federal government-dependent counties, while farming-dependent counties generated only 16% of total revenue from property tax revenue.

Of minor revenue sources, officers, jail and 911 fees ranged from a 12% share of total revenue in the government-dependent counties to a low of 5% in recreation-dependent counties. Other revenue, however, was 17% of total revenue in recreation-dependent counties and only 7% of total revenue in non-specialized counties.
Summary

Although total county government revenue grew 39% from 1999 to 2015, there was considerable variation in revenue growth among regions and counties in Arkansas. Changes in county government revenue ranged from a decline of 14% in Ashley County to an increase of 161% in Van Buren County. Five counties received less revenue in 2015 than in 1999, and all but one (Ashley County in the Coastal Plains) was located in the Delta. Nonetheless, total revenue grew between 24% and 45% in every region of the state.

In 2015, the three major sources of county government revenue – sales tax, property tax and intergovernmental revenue – accounted for 24%, 23% and 22% of total revenue, respectively. While revenue from all three major sources increased between 1999 and 2015, sales tax revenue increased the most (73%). Non-metro counties were more dependent than metro counties on intergovernmental and sales tax revenue in 2015. In contrast, metro counties were more dependent on property tax revenue.
Appendix I – Notes

Note 1. 2001 Ice Storm

The spike in revenue seen in 2001 resulted from that year’s ice, which resulted in a significant increase in funds transferred to counties from the federal government. Arkansas counties’ total intergovernmental revenue reached a high of $285.8 million in 2001, about $81.2 million (40%) more than the previous year. The Highlands and Coastal Plains Regions were hardest hit by the ice storm and had the highest per capita revenue that year, reaching $175 and $154, respectively, as compared to only $114 and $107 in 2000. The Delta was less affected by the ice storm and averaged only $106 of intergovernmental revenue per person in 2001.

Note 2. Data Sources

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 are released annually by Arkansas Legislative Audit. Sales tax rates for 2012 and 2014 are from the Arkansas Department of Finance and Administration. Population estimates for 1999 to 2014 were provided by the U.S. Census Bureau. To adjust dollar values for inflation, the South Urban Consumer Price Index (CPI) from the U.S. Department of Labor’s Bureau of Labor Statistics was used.

County government revenue data released by the Arkansas Legislative Audit were inconsistent in reporting format among counties over time. There were also other problems with the data. This analysis shows major trends and differences among regions. The data should not be used as precise accounting information.

All revenues were included in one of the following seven revenue categories:

- intergovernmental revenue,
- sales tax,
- property tax,
- officers, jail and 911 fees,
- commissions and taxes apportioned,
- fines, forfeitures and franchise taxes, and
- other revenue.

Most intergovernmental revenue comes from various state government sources, including state general turnback; highway revenue turnback; state aid road funds; severance taxes collected by the state; forest reserves; proceeds from the sale of forfeited land, sale or lease of public property; and community block grants. This revenue category was the largest relative contributor of total revenue for Arkansas counties during the majority of the study period.

Counties have the authority to use revenue from countywide sales and use taxes (referred to as sales taxes for brevity in this publication) to support all purposes of county government if approved by voters.

Property taxes are paid by commercial and industrial establishments, utilities and farms, and owners of real and personal property. The amount of property tax paid is based on a percentage (the millage rate) of the assessed value of total property, which includes both real and personal property. Property tax is a major source of revenue for roads, hospitals, libraries and public safety. The tax is
collected locally by government officials and is distributed to local school districts and city and county governments. Millage rates can be increased by a vote of local constituents up to a maximum millage allowed, as legislated by the state.

Officers, jail and 911 fees are those 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 fee may also be levied by counties for emergency telephone service if approved by voters.

Commissions and taxes apportioned are generated as a percentage of the amount of funds handled by the county officer.

Fines, forfeitures and franchise taxes are implemented and used according to state law and county regulations.

Table 1 includes some of the contributions to the other revenue category.

<table>
<thead>
<tr>
<th>Table 1. Other Revenue</th>
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</thead>
<tbody>
<tr>
<td>● Vehicle license fees</td>
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<tr>
<td>● Marriage license fees</td>
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<tr>
<td>● Liquor license fees</td>
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<tr>
<td>● Beer license fees</td>
</tr>
<tr>
<td>● Mixed drink tax</td>
</tr>
<tr>
<td>● Private club tax</td>
</tr>
<tr>
<td>● Privilege fee for public exhibitions</td>
</tr>
<tr>
<td>● Income tax</td>
</tr>
<tr>
<td>● Interest income</td>
</tr>
<tr>
<td>● Proceeds from the lease or sale of public property</td>
</tr>
<tr>
<td>● Bond proceeds</td>
</tr>
<tr>
<td>● Sanitation fees</td>
</tr>
</tbody>
</table>

**Note 3. County Classification Schemes**

Three classification schemes are used to determine if revenue differences can be associated with different demographic, economic or social-cultural conditions. By categorizing counties according to different schemes, a deeper level of understanding can be provided to form public policy and its subsequent implementation. The three comparison schemes are 1) Metropolitan/Non-Metropolitan, 2) Arkansas Social and Economic Regions and 3) Economic Dependency.

**Metropolitan/Non-Metropolitan**

The county-based metropolitan and non-metropolitan definitions were used to differentiate between urban and rural counties in Arkansas. Sixty-two of Arkansas’ 75 counties are classified as non-metropolitan using the 1999 Census designations. In 2014, about 1.2 million (42%) of Arkansans lived in a non-metropolitan county. Populations residing in counties with large cities are classified as metropolitan, and those counties are grouped into a category termed “urban.” We use
the 1999 designation of non metropolitan and metropolitan rather than the 2013 Core Based Statistical Area because our concern is primarily with differences and similarities across regions in the state, and we believe the dichotomous approach provides a clearer picture as to the rural and urban character of the regions.

**Arkansas Social and Economic Regions**

While dichotomous rural/urban differences provide valuable insight, the rural regions of the state are also heterogeneous. To determine if there are differences in revenue generation among Arkansas regions, a classification scheme was identified to differentiate between rural and urban in addition to different rural areas of the state. This approach combines non metropolitan counties that have similar economic activity, history, physical setting, settlement patterns and culture, facilitating comparison of the rural areas with the metropolitan counties in the state. The three rural regions are the Coastal Plains, Delta and Highlands. The Highlands includes 35, more than any other region, while the Delta includes 16 counties and the Coastal Plains includes 12 counties. A map of these regions is included in Appendix II (Map 9).

**Economic Dependency**

We use the 2015 County Typology Codes developed by the U.S. Department of Agriculture Economic Research Service (ERS) to compare county revenues among the state’s counties with different economic characteristics. Counties with similar economic characteristics were classified using the following six categories:7

- Farming-dependent
- Mining-dependent
- Manufacturing-dependent
- Federal/state government-dependent
- Services-dependent
- Non-specialized

To be considered economically dependent on an industry a minimum earnings threshold must be met by the county. Each economic dependence category is mutually exclusive; therefore, no one county is considered as being economically dependent on more than one economic sector. Thirty-eight (38) counties in Arkansas fall within the non-specialized category, more than any other category. In addition, Arkansas has 17 counties categorized as manufacturing dependent, nine (9) federal/state government dependent, six (6) farming dependent, three (3) recreation dependent and two (2) mining dependent.

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7 The 2015 County Typology Codes include different dependency classifications than the 2004 County Typology Codes. In 2004, counties could fall into one of six categories: farming, mining, manufacturing, federal/state government, services and non-specialized. While recreation was added to the 2015 classifications and services was removed, recreation does not “replace” services. Counties that were classified as services dependent in 2004 do not automatically fall within the recreation category in 2015.
Appendix II – County Government Revenue Maps

Map 1: Change in Revenue Per $1,000 of Personal Income, 1999-2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; South Urban CPI, Bureau of Labor Statistics; Regional Economic Accounts, U.S. Bureau of Economic Analysis
Map 2: Intergovernmental Revenue (millions of dollars), 2015

Source: Legislative Audit Reports, Arkansas Legislative Audit
Map 3: Per Capita Intergovernmental Revenue, 2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; Population Estimates, U.S. Census Bureau
Map 4: Property Tax Revenue, 2015

Source: Legislative Audit Reports, Arkansas Legislative Audit
Map 5: Per Capita Property Tax Revenue, 2015

Source: Legislative Audit Reports, Arkansas Legislative Audit; Population Estimates, U.S. Census Bureau
Map 6: Sales Tax Revenue, 2015

Source: Legislative Audit Reports, Arkansas Legislative Audit
Map 7: Per Capita Sales Tax Revenue, 2015

Sources: Legislative Audit Reports, Arkansas Legislative Audit; Population Estimates, U.S. Census Bureau
Map 8: Economic Dependence

Source: County Typology Codes, USDA Economic Research Service (2015)
Map 9: Arkansas Socioeconomic Regions