

# Highlights of Spending Trends of County Governments in Arkansas, 1999-2012<sup>1</sup>

Wayne Miller  
Professor - Community  
and Economic  
Development

Abby Davidson  
Research Assistant -  
Community and  
Economic Development

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

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

While these are the only services required by law, a variety of other services are typically funded by county governments. Some of these non-mandated services are critical for local residents and businesses (e.g., highways and streets, transportation, water, sewer and other utilities, solid waste, emergency services, community and rural development and agricultural assistance).

In the full report, the authors examine trends in county government spending during the 13-year period, 1999-2012. They also observe how counties adjust to increasing or decreasing populations which put an additional burden on taxpayers. Expenditures are compared among

counties in a) absolute terms, b) on a per capita basis and c) as shares per \$1,000 of personal income. Spending comparisons are made between Metro and Non-Metro counties, rural regions of the state and economic dependency classifications. This fact sheet highlights some of the findings.

## Trends in County Government Spending

- While total county government spending increased by 32 percent<sup>2</sup> from 1999 to 2012, spending changes among counties ranged from an increase of 264 percent to a decline of 20 percent (Figure 1).
  - o Thirteen of the fourteen counties with a decline in spending were in the rural regions of the state.
  - o Spending in Metro counties increased at a slightly higher percentage (34 percent) compared to Non-Metro counties (30 percent).
  - o Of the rural regions, the Highlands saw the greatest increase in total spending at 38 percent. Spending in the Coastal Plains and Delta regions grew by 25 percent and 18 percent, respectively.
  - o Services-dependent counties saw the greatest increase in total spending of any economic dependence grouping, increasing 56 percent compared to an increase of only 16 percent in government-dependent counties.

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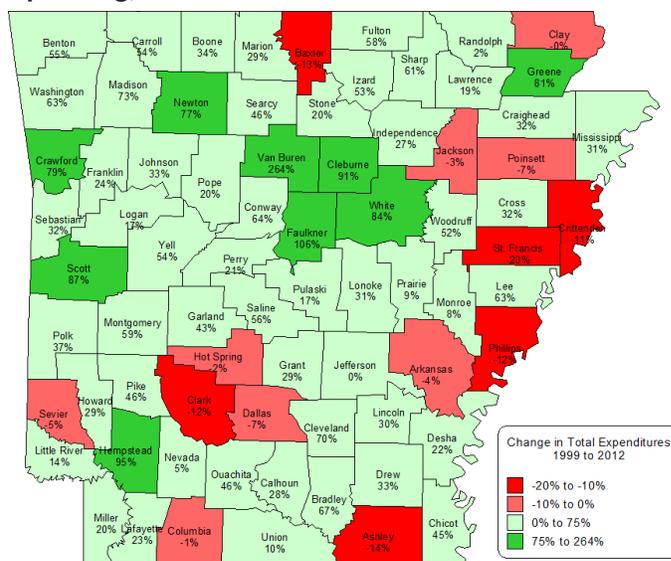
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<sup>1</sup>The full report, MP513, *Spending Trends of County Governments in Arkansas, 1999-2012*, is available online at <http://www.uaex.edu/business-communities/government-policy/local-government-finance.aspx>.

<sup>2</sup>All dollar values are reported in 2012 constant (real) dollars unless otherwise specified. The South Urban (SU) consumer price index (CPI) was used to adjust revenues for inflation.

- On a per capita basis, total spending increased 19 percent, from \$286 per person in 1999 to \$339 in 2012.
  - Per capita spending was higher in Non-Metro counties (\$432) compared to Metro counties (\$270) in 2012.
  - Per capita spending also increased by a greater percentage in Non-Metro counties during the 13-year period, 30 percent compared to only 11 percent in Metro counties.
  - Of the rural regions, the Coastal Plains experienced the largest growth in per capita spending, 35 percent compared to 29 percent in both the Delta and Highlands.
  - Of the economic dependence categories, farming-dependent counties experienced the highest growth in per capita spending, 41 percent compared to only 11 percent for government-dependent counties.
- Total county spending per \$1,000 of personal income increased by 1 percent during the study period, from \$9.50 in 1999 to \$9.58 in 2012.

**Figure 1. Change in Total County Government Spending, 1999-2012**

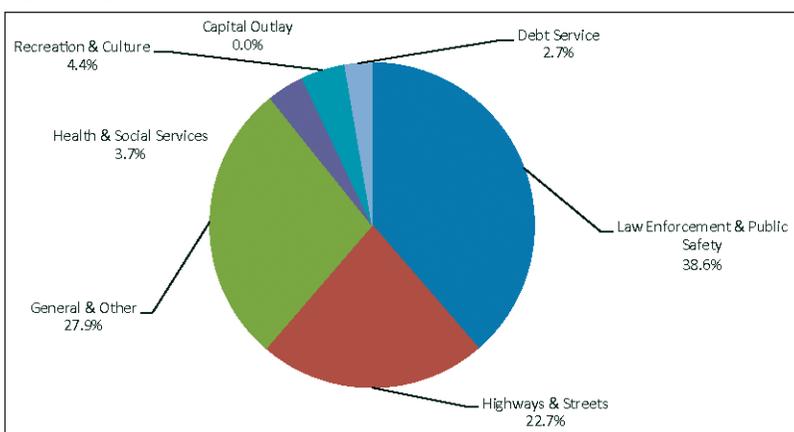


Sources: Arkansas Legislative Audit and U.S. Department of Labor.

## County Government Spending by Category

- County governments as a whole spent the largest share of their budget in 2012 on Law Enforcement and Public Safety at 39 percent, compared to 28 percent for General and Other and 23 percent for Highway and Streets (Figure 2).
  - Law Enforcement and Public Safety spending accounted for the largest portion of total spending in both Metro and Non-Metro areas in 2012.
  - However, Metro counties spent a larger share of their budget on Law Enforcement and Public Safety, 46 percent compared to 32 percent in Non-Metro counties.
  - Law Enforcement and Public Safety spending accounted for the largest share of total spending in two of the three rural regions in 2012, 34 percent in the Delta and 33 percent in the Highlands. It accounted for the second-largest share of total spending in the Coastal Plains at 29 percent.
- The increase in spending for Law Enforcement and Public Safety from 1999 to 2012 was greater than for any other major budget category.
  - Law Enforcement and Public Safety spending increased 53 percent, from \$253 million to \$387 million.
  - Spending for this category increased 59 percent in Non-Metro areas and 49 percent in Metro counties.

**Figure 2. Share of County Government Spending in Arkansas, by Category (2012)**



Source: Arkansas Legislative Audit.

- The increase in spending for Law Enforcement and Public Safety varied greatly among rural regions of the state, ranging from 42 percent in the Delta to approximately 67 percent in the Highlands.
- Total county General and Other spending increased 45 percent, from \$192 million in 1999 to \$280 million in 2012.
- During the same time span, total county Highway and Street spending increased 35 percent, from \$168 million to \$227 million.

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WAYNE MILLER is professor - community and economic development in Little Rock, and ABBY DAVIDSON is research assistant - community and economic development in Fayetteville. They are employees of the University of Arkansas Division of Agriculture.

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