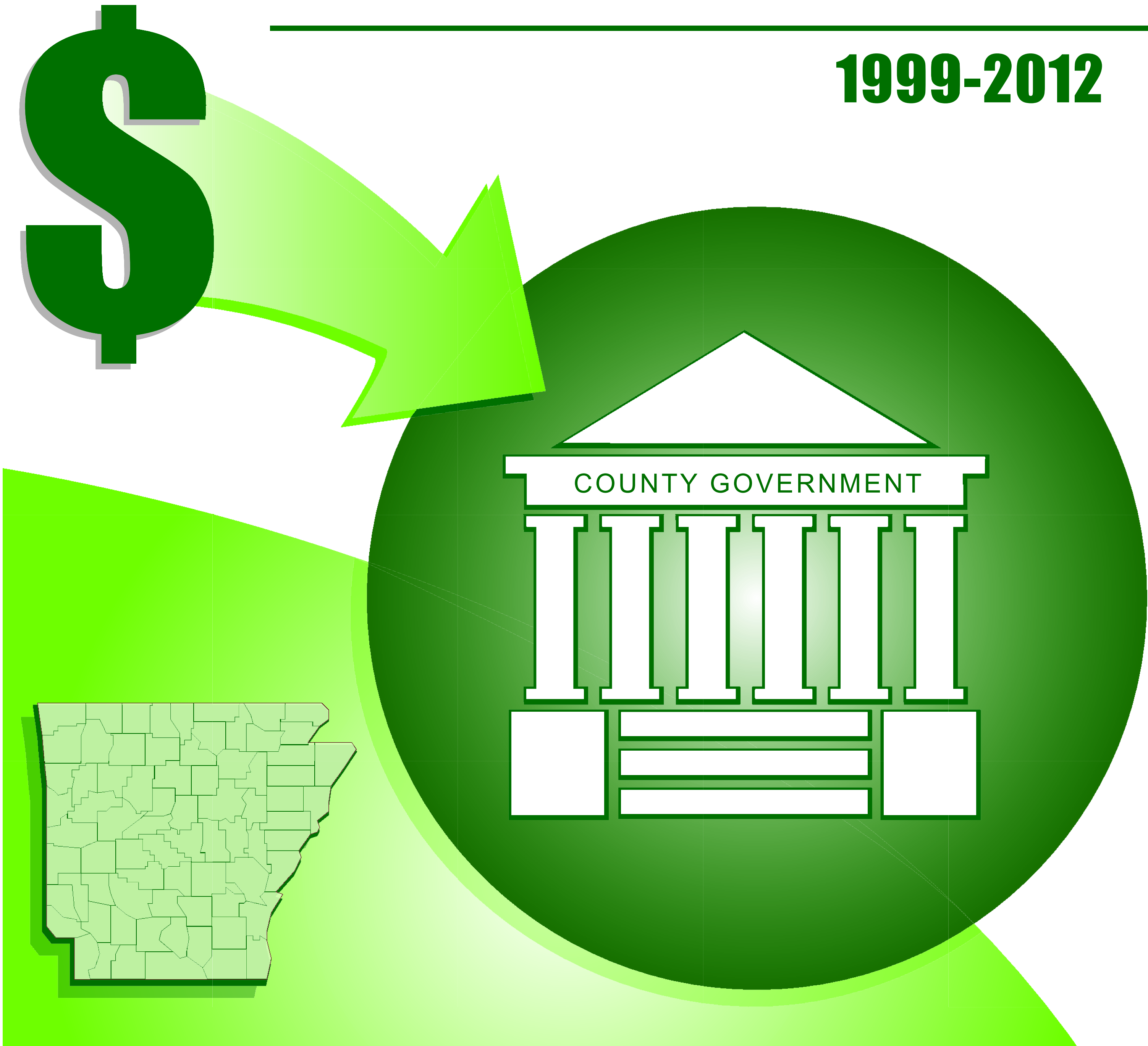
MP512

Revenue Trends of Arkansas County Governments

1999-2012



DIVISION OF AGRICULTURE
RESEARCH & EXTENSION
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Revenue Trends of Arkansas County Governments: 1999–2012

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Highlights

Although total county government revenue increased over the 13-year period from 1999 to 2012, there was a large variation in growth and several counties saw their revenue decline. There were also major differences in revenue sources and the amount of revenue generated per person and per $1,000 of personal income among counties and based on urban versus rural, regional and economic dependency classifications. There has also been a shift to greater reliance on local revenue from the property and sales taxes and less reliance on intergovernmental transfers from state and federal governments. The loss of economic activity and population in some counties makes it increasingly difficult to generate sufficient revenue to pay for needed services. Other counties are growing rapidly and must expand services and make infrastructure investments to keep up with growing demands.

Some of the major findings include:

- Although **total county government revenue** in Arkansas grew by 27% from 1999 to 2012, from $780 million to $993 million, some counties experienced declines in revenue.
    - Twelve of the 75 counties saw their total revenue decline, and seven of these counties are in the rural Delta region.
- **Per capita county revenue** increased by approximately 15% during this period, although again there was considerable variation among counties.
    - Ten counties saw their revenue collected per person decline, four of which are in the rural Delta region.
- **Revenue collected per $1,000 of personal income** was about 3% less in 2012 as compared to 1999, and over one-third of counties (32) collected less revenue as a share of personal income.
- The **property tax** generated the largest share of total revenue in 2012 (24%).
- **Sales and use tax revenue** increased 52% from 1999 to 2012, while property tax and intergovernmental revenues increased by 31% and 8%, respectively. During this period, reliance on sales and use tax revenue and property tax revenue as shares of total county revenue increased, and the reliance on intergovernmental revenue decreased.
- **Metro counties** saw a greater increase in total revenue (29% versus 26%), while **non-metro countie**s had a larger increase in per capita revenue (26% versus 7%). Total county revenues per $1,000 of personal income increased 6% in non-metro counties and decreased 8% in metro counties.
- All four **socioeconomic regions** saw increases in total county revenue from 1999 to 2012. The Highlands and Urban regions saw total revenue rise 35% and 29%, respectively, compared with a 16% increase for the Coastal Plains and a 14% increase for the Delta.
    - All three rural regions had larger increases in revenue collected per person than the Urban region. Per capita revenue increased by 37% in the Highlands, 31% in the Coastal Plains and 29% in the Delta, compared to only 20% in the Urban region.
    - All four regions saw their total revenue per $1,000 of personal income increase, with the Highlands having the greatest increase of 21%.

- All **economic dependency categories** saw total revenue increase from 1999 to 2012.
    - The farming- and manufacturing-dependent counties tend to be less populated rural counties with considerably less average county revenue as compared to federal/state government- and services-dependent counties.
    - The greatest percentage increases in total revenue occurred in the servicesdependent (61%) and non-specialized counties (37%). Farming-dependent counties experienced a 26% rise in total revenue; manufacturing-dependent counties, 23%; and federal/state government-dependent counties, only 4%.

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 nonmandated 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 the property tax and sales and use tax as well as from user fees, fines and commissions.

Since the Arkansas Constitution requires county governments to balance their budgets, it is imperative that counties receive enough revenue to pay for the increasing costs of services – including those newly mandated and nonmandated 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 causes counties in those regions to be less able 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 13-year period 1999-2012. 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 income

The dollar values are reported in 2012 constant (real) U.S. dollars unless otherwise indicated.[1]

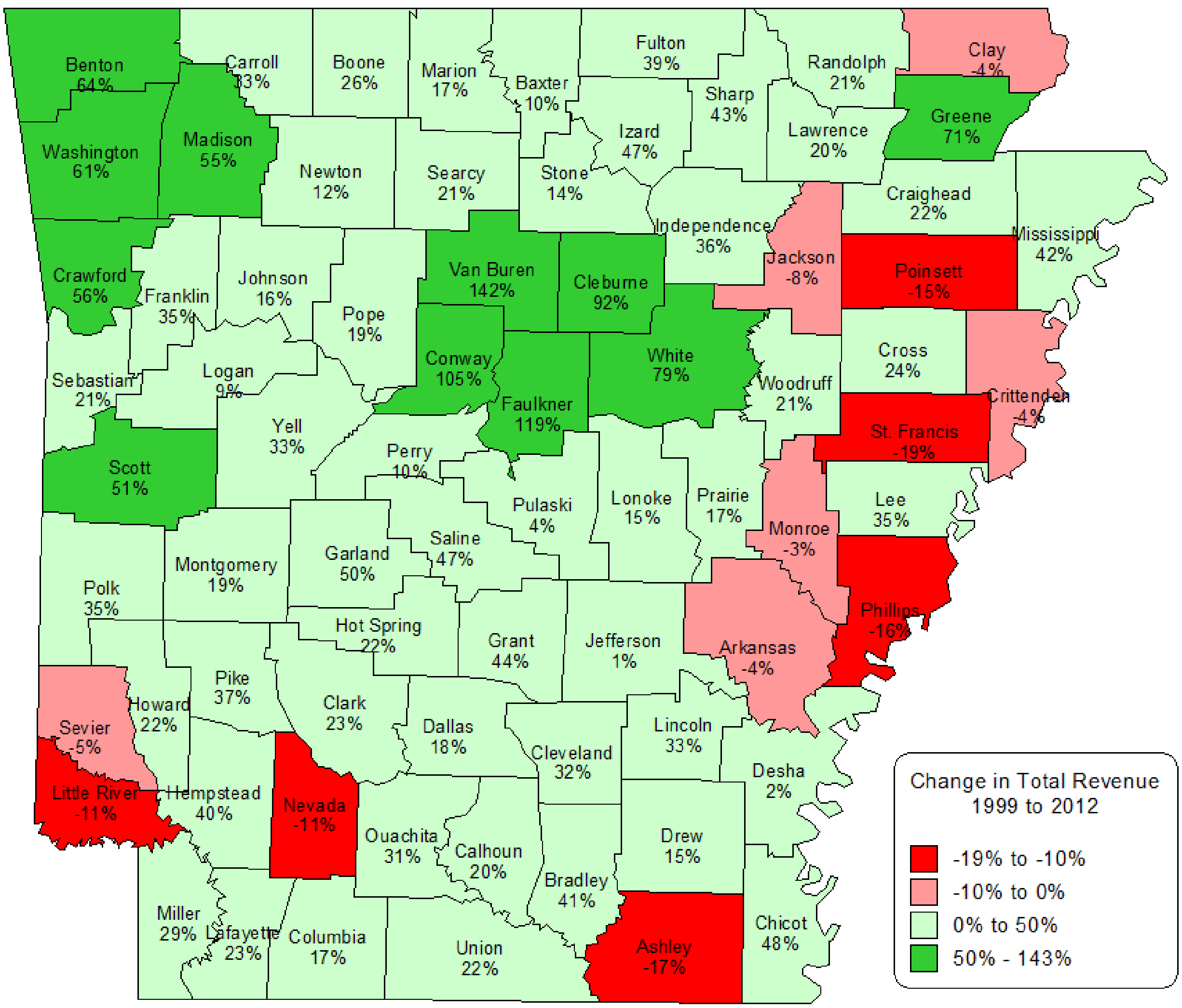
[1]The South Urban (SU) consumer price index (CPI) was used to adjust revenues for inflation. The revenues were then indexed to 2012 dollars so that 2012 nominal and real dollars were equal.

County Government Revenue Trends Overall

Total **county government revenue** in Arkansas grew by 27% from 1999 to 2012,[2] from $780 million to $993 million. The median change among counties (22%) masked a range from a decline of 19% (for St. Francis County) to an increase of 142% (for Van Buren County[3]).

Twelve of the 75 counties in the state saw their total revenue decline (Figure 1). A large jump in total county revenue in 2001 was due to an influx of federal funds in response to that year's ice storm. For more about this, see Note 1.

Figure 1. Change in Total Revenue (1999–2012)



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

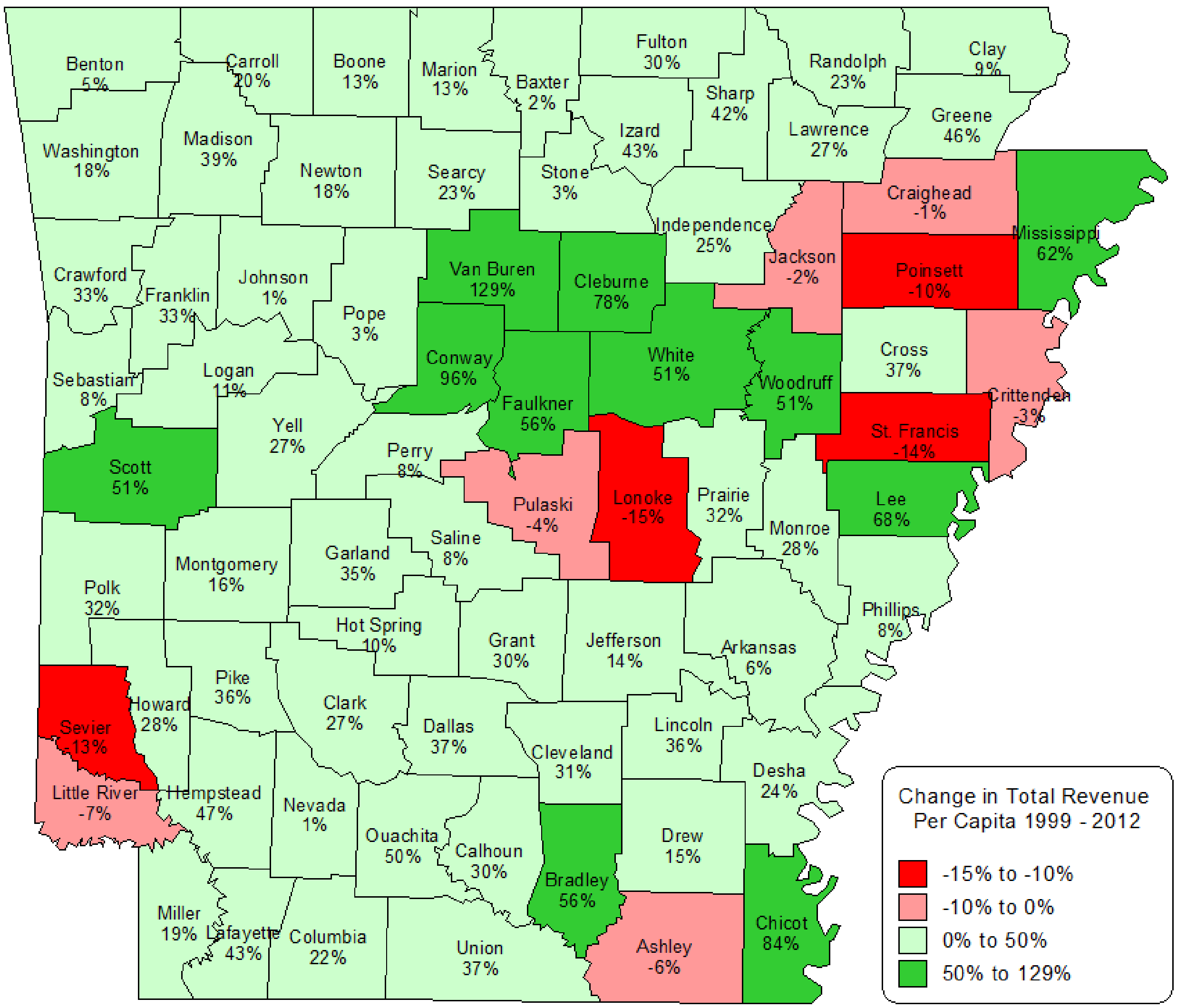
[2] At the time of this publication, the 2012 legislative audit report for Scott County had not been released; therefore, 2011 values were used as proxy values for 2012 in the case of Scott County.

[3] The large increase in total revenue in Van Buren County can be attributed to an increase in property tax revenue due to natural gas extraction and to an increase in the county sales tax rate from 1% to 2% during this period.

Total **per capita county revenue** increased by 15% from 1999 ($294) to 2012 ($337). The median change (25%) disguised a range from a decline of 15% in Lonoke County to an increase of 129% in Van Buren County (Figure 2). From 1999 to 2012, ten of the 75 counties saw a decline in revenue collected per capita. In 2012 revenue collected **per capita** among counties ranged from $218 in Lonoke County to $821 in Calhoun County, with a median of $423.

Meanwhile, the $9.50 **per $1,000 of personal income** collected by Arkansas counties in 2012 was approximately 3% lower than the 1999 figure of $9.77.

Figure 2. **Change in Per Capita Revenue (1999–2012)**



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

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. (See Note 2.)

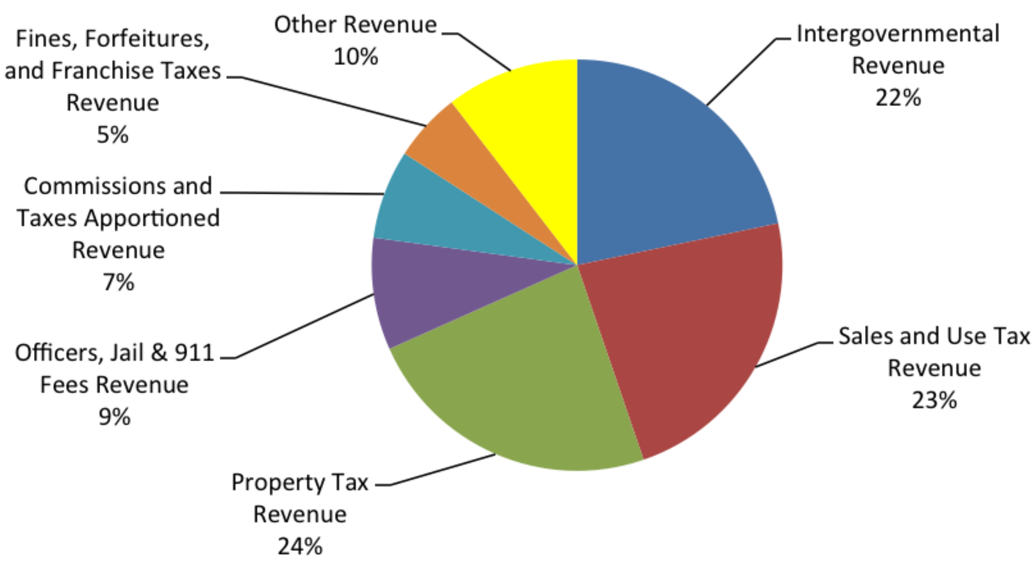
Figure 3 shows that in 2012:

- The largest share of total county revenue for all 75 counties combined came from **property tax revenue**, which accounted for 24% of total revenue in 2012.
- The next largest source of revenue was the **sales and use tax** (23%).
- **Intergovernmental transfers** accounted for the third largest share of total revenue at 22% in 2012.

Counties can vary widely in their reliance on different sources of revenue. We found that in 2012:

- **Property tax** accounted for 24% of county revenue overall, but reliance on the property tax ranged from 44% in Saline County to just 5% in Crittenden County. The median was 18%.
- While the **sales and use tax** generated 23% of total county revenue,[4] individual county percentages ranged from 49% in Hempstead and Drew counties to 0% in Monroe and Saline counties, as neither county had a sales tax in 2012. The median was 22%.
- Although 22% of county revenue overall came from **intergovernmental transfers**, reliance on this source ranged from 59% in Newton County to just 10% in Pulaski County. The median was 25%.

Figure 3. Relative Contribution of Different Revenue Sources (2012)



Source: Arkansas Legislative Audit

[4] Audit reports from the Arkansas Division of Legislative Audit for Dallas County for the six-year period 2007-2012 do not show any sales and use tax revenue, even though Dallas County had a sales tax in place during this period. We, therefore, used the sales and use tax revenue reported for Dallas County by the Arkansas Department of Finance and Administration in the Local Tax Distribution Reports for the years 2007-2012.

- While **officers', jail and 911 fees** provided only 9% of county revenue overall, Dallas County relied on this source for 26% of its income. In contrast, Newton County received only about 2% of its revenue from this source.

- **Commissions and taxes apportioned**, which represented 7% of total county revenue, accounted for approximately 12% of Little River County's revenue but only about 3% of revenue in Independence County.

- **Fines, forfeitures and franchise taxes**, which made up 5% of county revenues overall, supplied 15% of Crittenden County's revenue but only 2% of Dallas County's revenue.

- Although the "**other revenue**" category made up about 10% of county revenue overall, Independence County relied on this category for 29% of its revenue. For Cross County, this category made up just about 2% of total revenue.

Trends in Revenue by Source

Even though counties differ in their reliance on types of revenue, several overall trends in revenue sources can be traced. Figures 4 and 5 illustrate trends in the three major sources of county revenue. Note that from 1999 to 2012:

- **Intergovernmental revenue** rose 8% from $201 million to $216 million, and per capita revenue decreased 3% from $76 to $73 per person. Revenue per $1,000 of personal income declined 18%, falling from $2.52 to $2.07.

- **Property tax revenue** increased 31% from $179 million in 1999 to $234 million in 2012. Fifty-two Arkansas counties (69% of all counties) received more property tax revenue in 2012 as compared to 1999. Per capita revenue rose 18% from $67 in 1999 to $79 in 2012, and revenue per $1,000 of personal income remained at $2.24 in 1999 and in 2012.

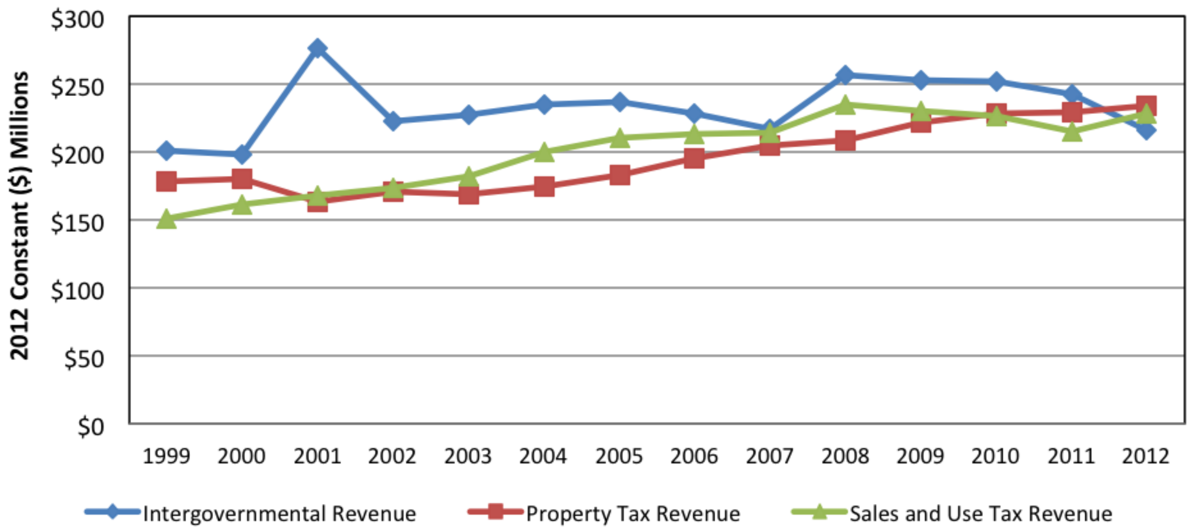
- **Sales and use tax revenue** increased 52% from $151 million to $229 million. Fifty-eight of the 75 counties (77% of all counties) generated more revenue from the sales tax in 2012 than they did in 1999. This includes the five counties that had no sales tax revenue in 1999 (Carroll, Grant, Izard, Scott and Yell). Per capita revenue rose 36% from $57 to $77 per person, and revenue per $1,000 of personal income increased 16% from $1.89 to $2.19.

- Reliance on **property** and **sales and use taxes** as shares of total revenue increased, while reliance on intergovernmental transfers decreased.

    - **Property tax** revenue accounted for 23% of total county revenue in 1999 and 24% in 2012. Property tax revenue as a share of total county revenue increased in 34 of 75 counties.

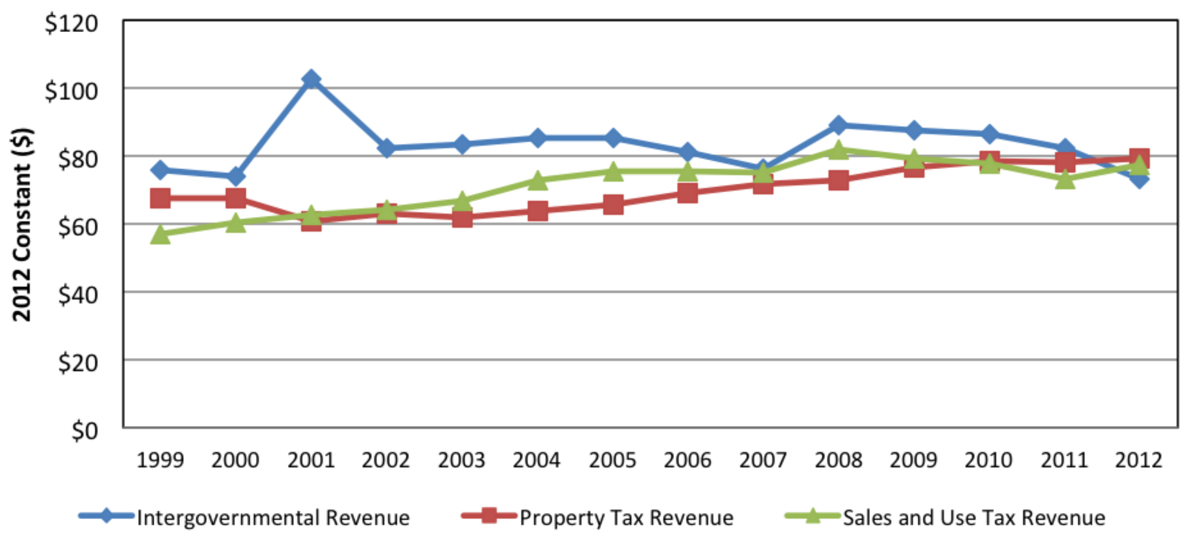
    - **Sales and use tax** revenue accounted for 19% of total county revenue in 1999 and 23% in 2012. Forty-five counties generated a larger share of their total revenue from the sales and use tax in 2012 than they had in 1999; in 27 counties, the sales and use tax as a **share of total county revenue** grew by at least ten percentage points during this period. However, in 29 counties, the sales tax constituted a smaller share of total revenue in 2012 than in 1999, and four counties saw the sales and use tax as a **share of revenue** shrink by ten or more percentage points.

Figure 4. **Total Revenue for the Three Major Sources of County Revenue (1999–2012)**



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

Figure 5. **Per Capita Revenue for the Three Major Sources of County Revenue (1999–2012)**



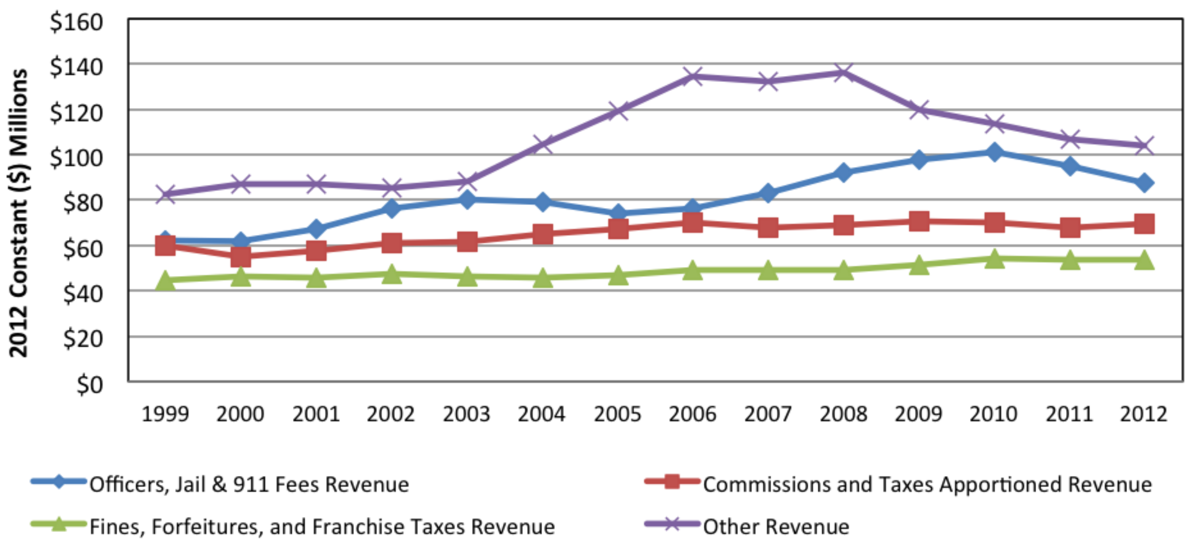
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Figures 6 and 7 illustrate trends in the four minor sources of county revenues. Notice that from 1999 to 2012:

- **Officers', jail and 911 fees** increased 41% from $62 million to $88 million. On a per capita basis, this category increased 26% from $23 to $30.
- **Commissions and taxes apportioned** grew about 16% from $60 million in 1999 to $69 million in 2012. On a per capita basis, this category increased 4% from $23 to $24.

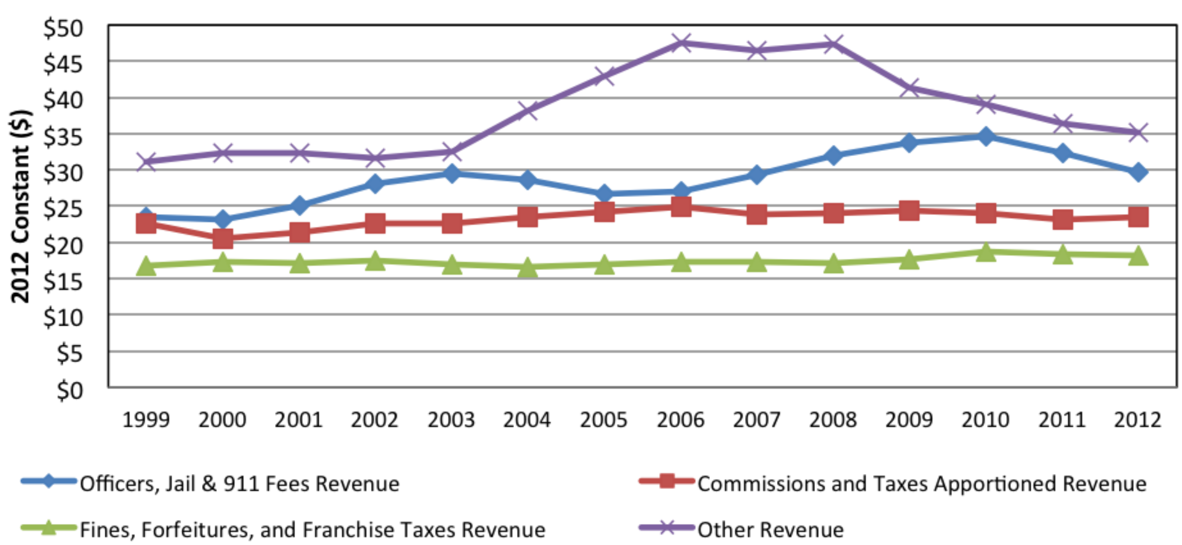
- **Fines, forfeitures and franchise taxes**, the smallest revenue source, grew approximately 21% from $45 million to $54 million. On a per capita basis, this category increased 9% from $17 to $18.
- Finally, the catch-all category, "**other revenue**," increased about 26% from $83 million to $104 million. On a per capita basis, this category increased 13% from $31 to $35.

Figure 6. **Total Revenue for the Four Minor Sources of County Revenue (1999–2012)**



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

Figure 7. **Per Capita Revenue for the Four Minor Sources of County Revenue (1999–2012)**



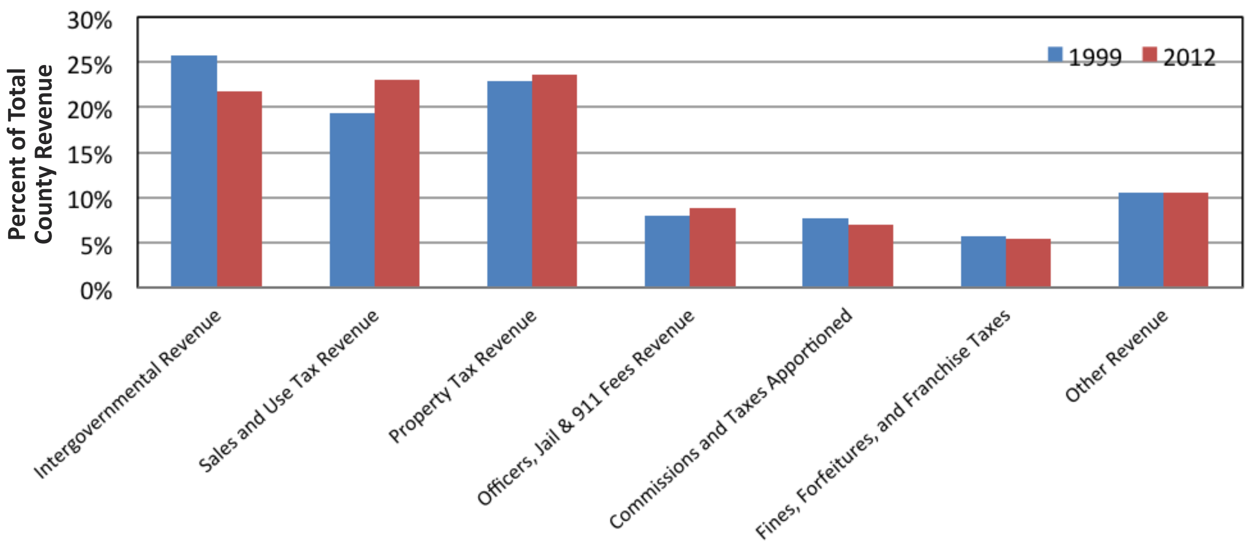
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Relative Contribution of Revenue Sources

Further comparison of the seven different revenue sources in terms of their relative contribution to total county revenue (Figure 8) reveals that from 1999 to 2012:

- **Intergovernmental transfers**, a major source of revenue for county governments, became a smaller share of total revenue.
- **Property taxes, sales and use taxes** and **officers', jail and 911 fees** each became a larger share of total revenue.
- Finally, **commissions and taxes apportioned; fines, forfeitures and franchise taxes; and other revenue** each became slightly smaller shares of total revenue.

Figure 8. Comparison of the Relative Importance of Revenue Sources (1999 and 2012)



Source: Arkansas Legislative Audit

County Revenue Trends Compared: Three Perspectives

It is beneficial for comparison's sake to place counties into categories. To get different perspectives, we categorized Arkansas' 75 counties in three different ways:

A. We used the 1999 Census designation of **metro** versus **non-metro** areas as a proxy for urban versus rural counties in the state.

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

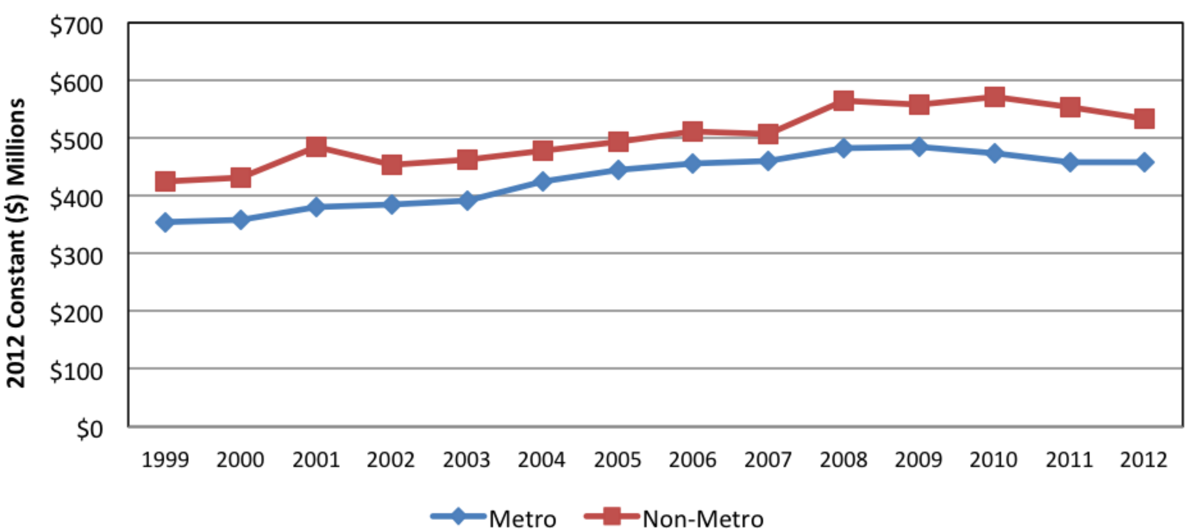
C. We classified counties based on their economic dependency as defined by the typology codes developed by the USDA Economic Research Service: **manufacturing-dependent**, **farming-dependent**, **services-dependent**, **federal/state government-dependent** and **non-specialized**.

For a fuller explanation of these three comparison schemes, see Note 3.

Metro Versus Non-Metro Trends From 1999 to 2012

Non-metro counties as a group reported higher **total revenues** over the 13-year period of this study than did metro counties (Figure 9). However, metro counties saw a greater *increase* in total revenues – 29% compared to 26% in non-metro counties. Metro revenues increased from $355 million to $459 million, and non-metro revenues increased from $425 million to $535 million.

Figure 9. Total Revenue for All Arkansas Counties Sorted by Metro vs. Non-Metro (1999-2012)



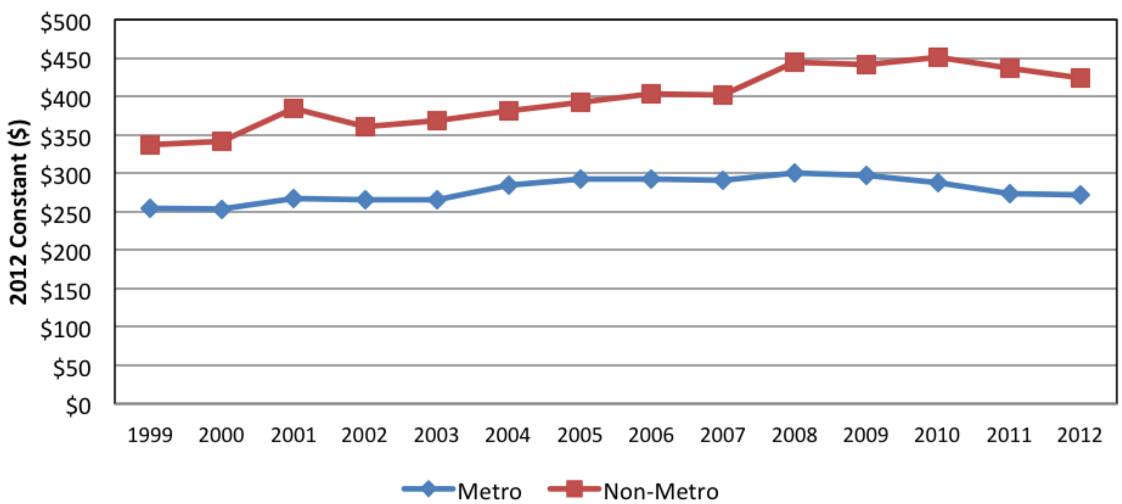
Sources: Arkansas Legislative Audit and U.S. Department of Labor

On a **per capita basis**, non-metro counties had the larger increase in revenues from $337 to $424 per person, a 26% increase. Metro counties' per capita revenues increased from $255 to $272 per person, a 7% increase (Figure 10).

In terms of **total county revenue per $1,000 of personal income**, non-metro counties increased by 6% while metro counties decreased by 8% (Figure 11).

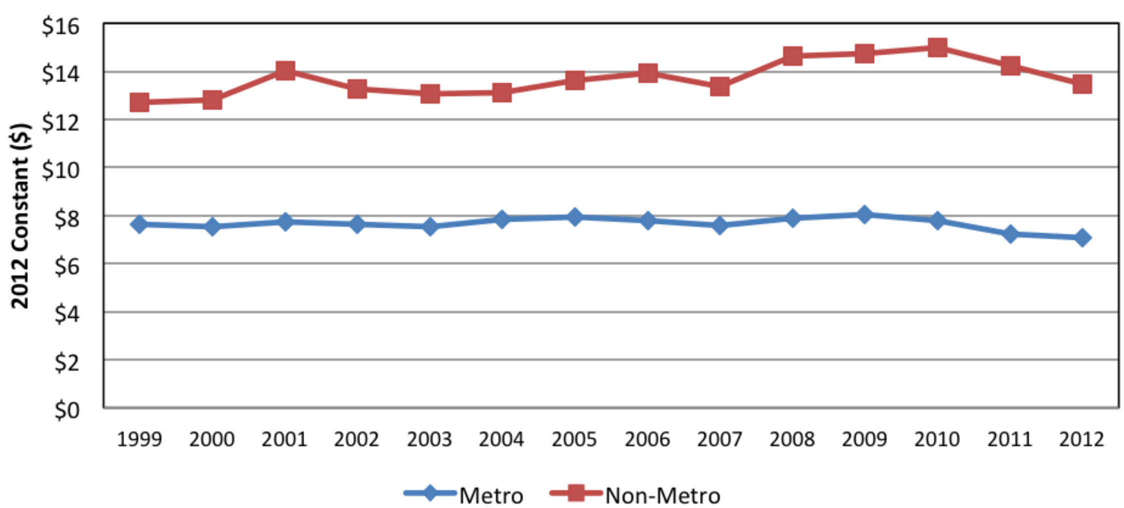
In 2012 non-metro counties had considerably higher per capita revenue, $424 as compared to only $272 for metro counties. Non-metro counties also collected more revenue per $1,000 of personal income, $13.48 in 2012 compared to $7.07 for metro counties.

Figure 10. Per Capita Revenue for All Arkansas Counties Sorted by Metro vs. Non-Metro (1999–2012)



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

Figure 11. Total Revenue Per $1,000 of Personal Income for All Arkansas Counties Sorted by Metro vs. Non-Metro (1999–2012)

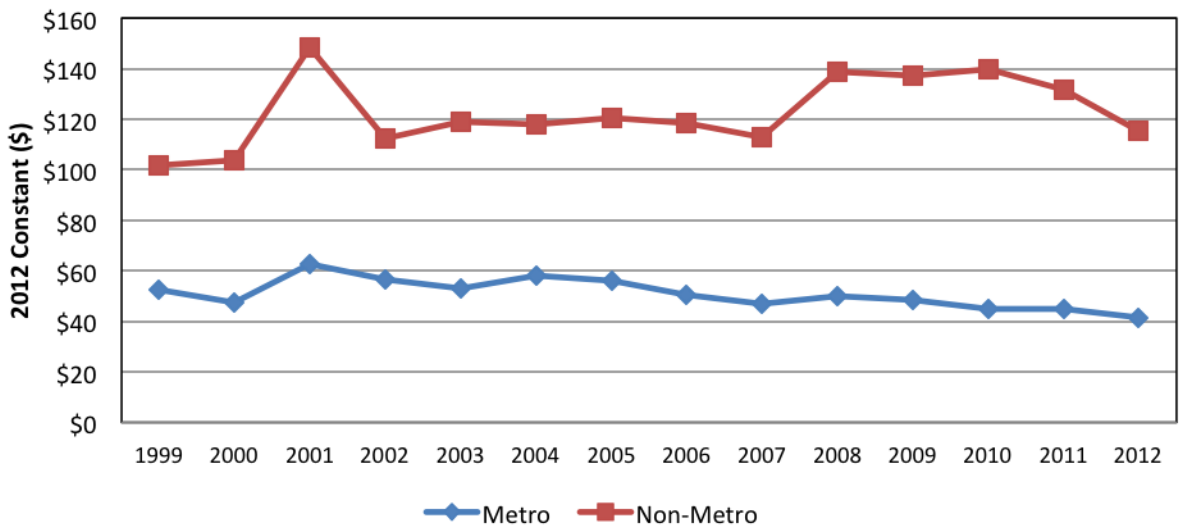


Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Comparing these same two county groups in terms of their main sources of revenue, we find considerable differences over the 13-year period. Figures 12, 13 and 14 show that as a whole:

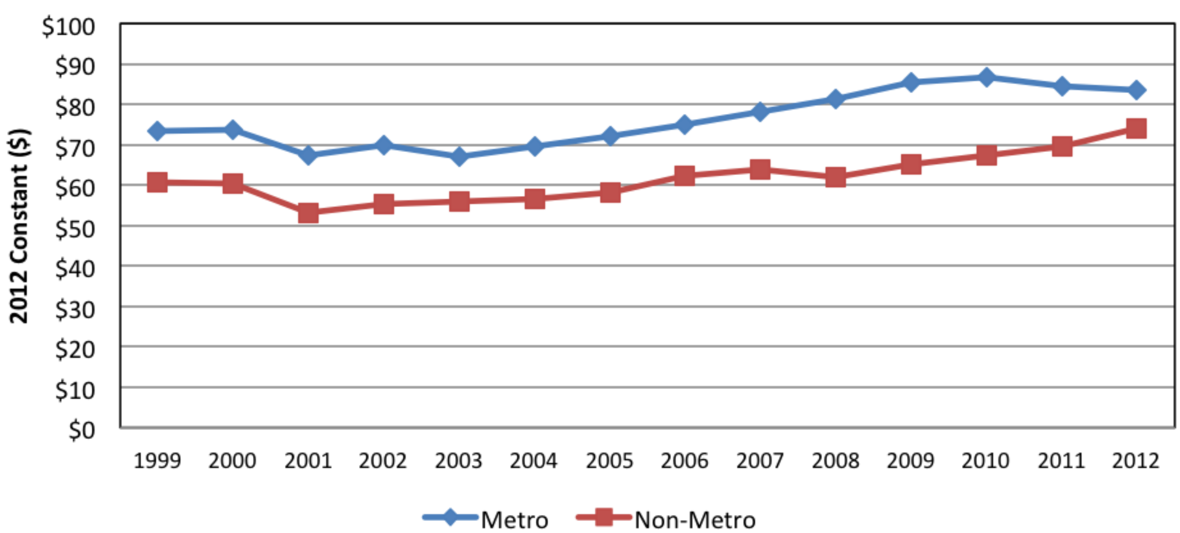
- Metro counties saw a 21% drop in **per capita intergovernmental revenue**, while non-metro counties experienced a 14% increase. In 2012 metro counties had per capita intergovernmental revenue of $42 per person compared with $116 per person for non-metro counties.
- Non-metro counties saw a greater increase in **per capita property tax revenue** – 22% compared with 14% for metro counties. In 2012 metro and non-metro counties had per capita property tax revenue of $83 and $74, respectively.

Figure 12. **Per Capita Intergovernmental Revenue Sorted by Metro vs. Non-Metro (1999–2012)**



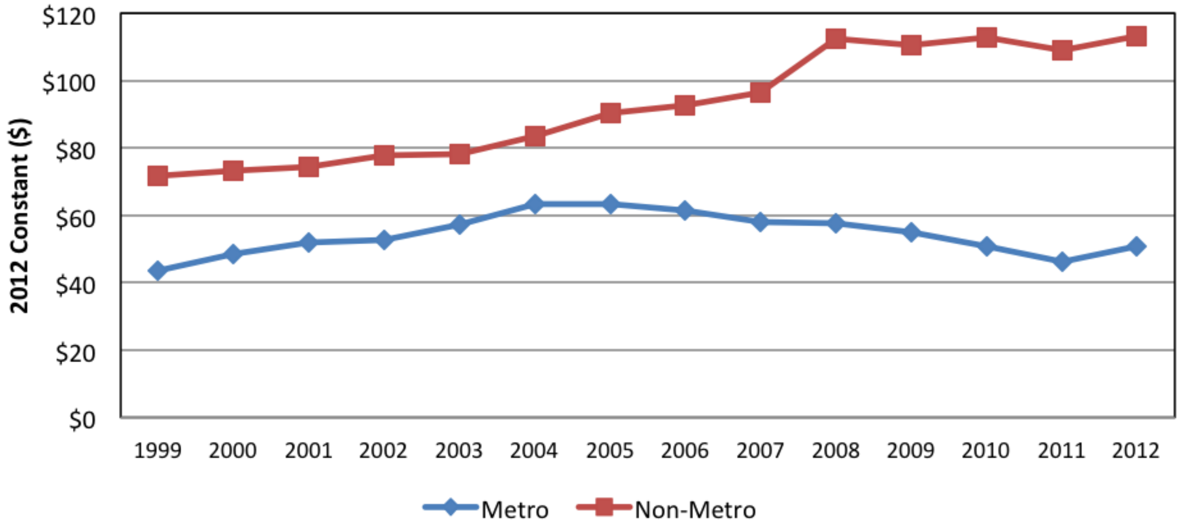
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Figure 13. **Per Capita Property Tax Revenue Sorted by Metro vs. Non-Metro (1999–2012)**



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

Figure 14. **Per Capita Sales Tax Revenue Sorted by Metro vs. Non-Metro (1999–2012)**



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

- Metro counties saw a smaller increase in **per capita sales tax revenue** – 17% compared with 58% for non-metro counties. Additionally, per capita sales tax revenue in metro counties decreased steadily from 2004 to 2012, while revenue in non-metro counties continued to increase. In 2012 metro and non-metro counties had per capita sales tax revenue of $51 and $113, respectively.

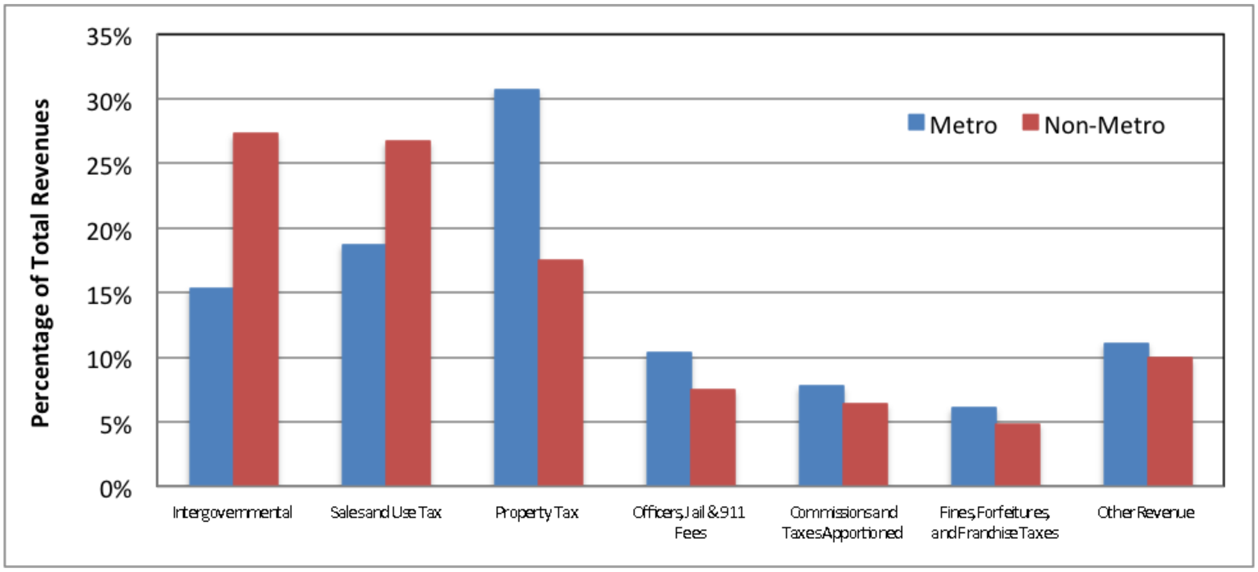
Relative Contribution of Revenue Sources in Metro Versus Non-Metro Counties

We also found key differences between metro and non-metro counties in the extent which they relied on various sources of revenue (Figure 15).

In 2012:

- Non-metro counties relied on intergovernmental revenue more than any other revenue source, while it was the third greatest source of revenue for metro counties.
- Metro counties relied on property tax revenue more than any other revenue source, while it was the third greatest source of revenue for non-metro counties.

Figure 15. **Relative Importance of Revenue Sources Sorted by Metro vs. Non-Metro (2012)**

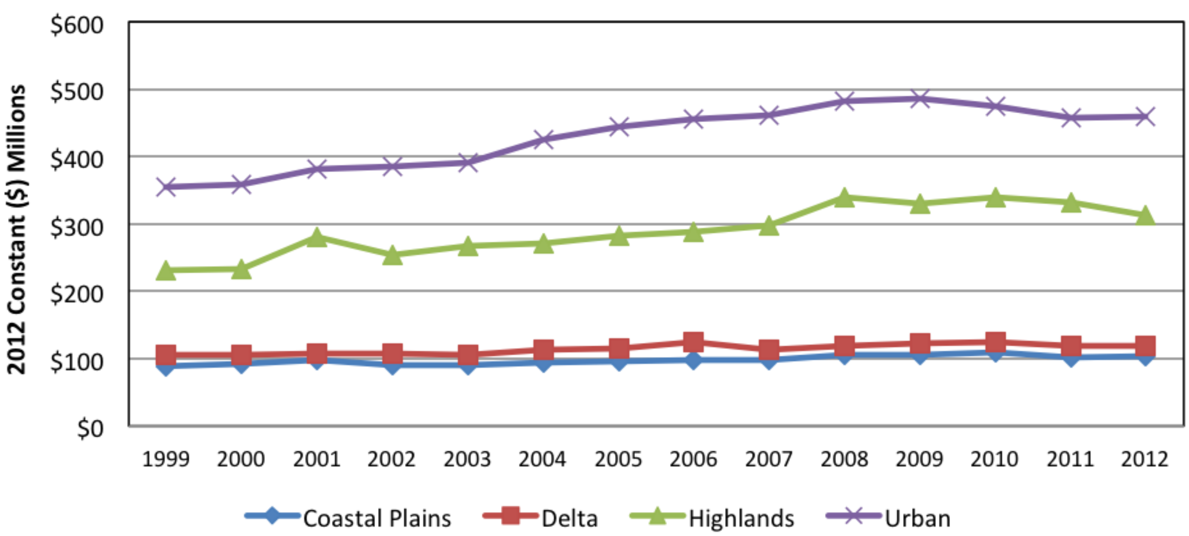


Source: Arkansas Legislative Audit

Regional Trends From 1999 to 2012

All four regions saw increases in **total county revenues** from 1999 to 2012 (Figure 16). Regions with the greatest total revenues were also the ones that saw the biggest increases during this 13-year period. The Highlands and Urban regions saw total revenues rise 35% and 29%, respectively, compared with a 16% increase for the Coastal Plains and a 14% increase for the Delta.

Figure 16. **Total Revenue for Arkansas Regions (1999–2012)**



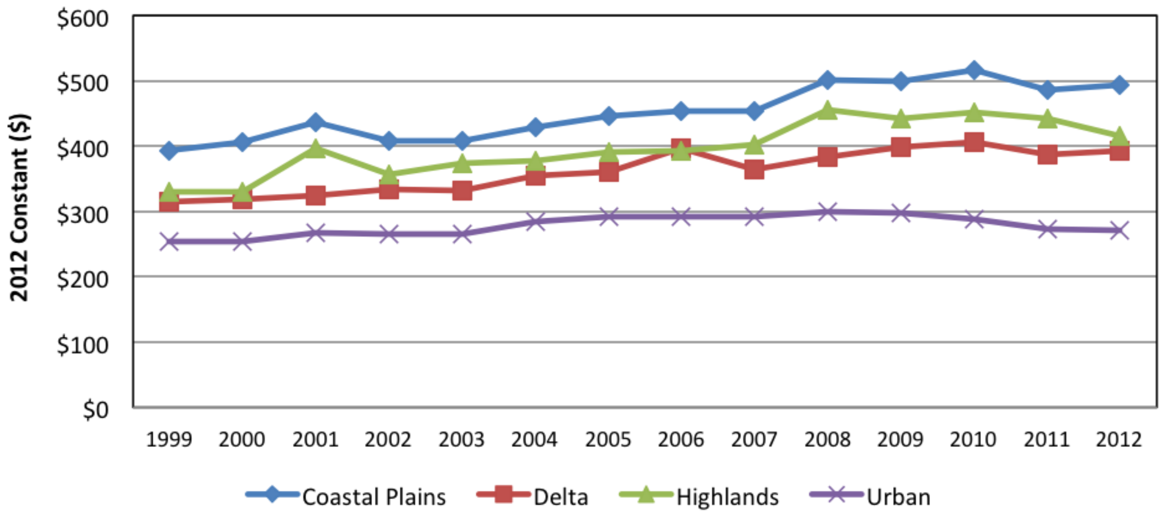
Sources: Arkansas Legislative Audit and U.S. Department of Labor

However, on a **per capita basis**, the three rural regions had larger increases than the Urban region (Figure 17). The Highlands and Coastal Plains saw the largest increases at 26%. The Highlands increased from $330 in 1999 to $416 in 2012, while the Coastal Plains increased from $393 in 1999 to $494 in 2012. The Delta saw a slightly smaller increase of 25% from $315 per person in 1999 to $393 in 2012. The Urban region had the smallest growth of only 7% from $255 to $272 per person during the same period.

Only two of the four regions saw their **total revenue per $1,000 of personal income** increase over the 13-year period (Figure 18).

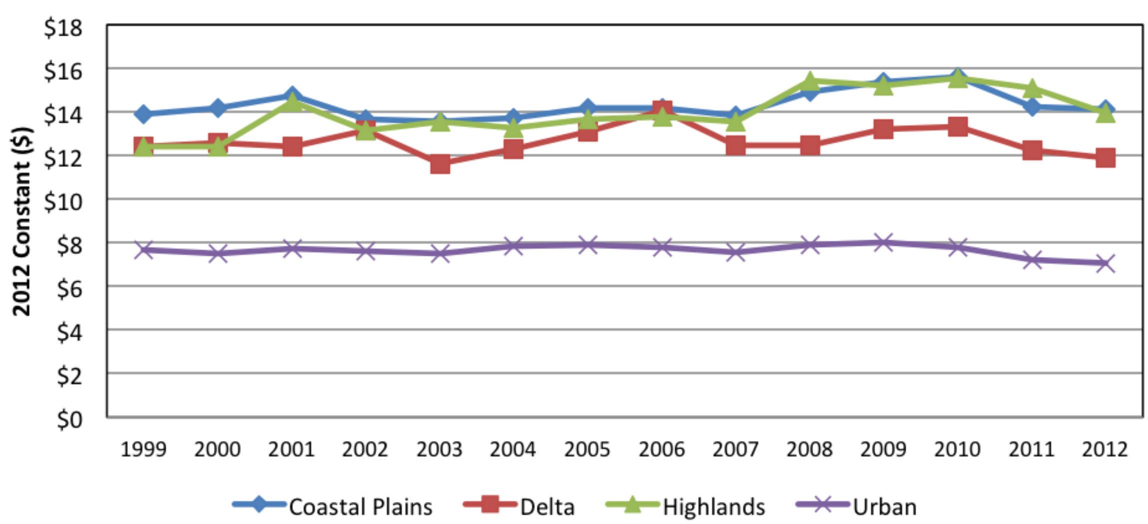
- The Highlands experienced the greatest increase in revenue per $1,000 of personal income at 13%, and the Coastal Plains experienced an increase of 1%.
- The Delta experienced a decrease of 4% and the Urban counties a decrease of 8%.

Figure 17. **Per Capita Total Revenue for Arkansas Regions (1999–2012)**



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

Figure 18. **Total Revenue Per $1,000 of Personal Income for Arkansas Regions (1999–2012)**



Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Figures 19, 20 and 21 compare the same four regions in terms of their main sources of revenue. Using a per capita measure, we see several trends during the period 1999-2012.

First, **intergovernmental revenue per capita** increased in three of the four regions.

- Only the Urban region, with the lowest average of $42 per person in 2012, saw a decline, at 21%.
- The Highlands had per capita intergovernmental revenue in 2012 of $115 and saw only 8% growth.
- The Delta and Coastal Plains, which had per capita revenues of $111 and $123, saw the most growth at 23% each.

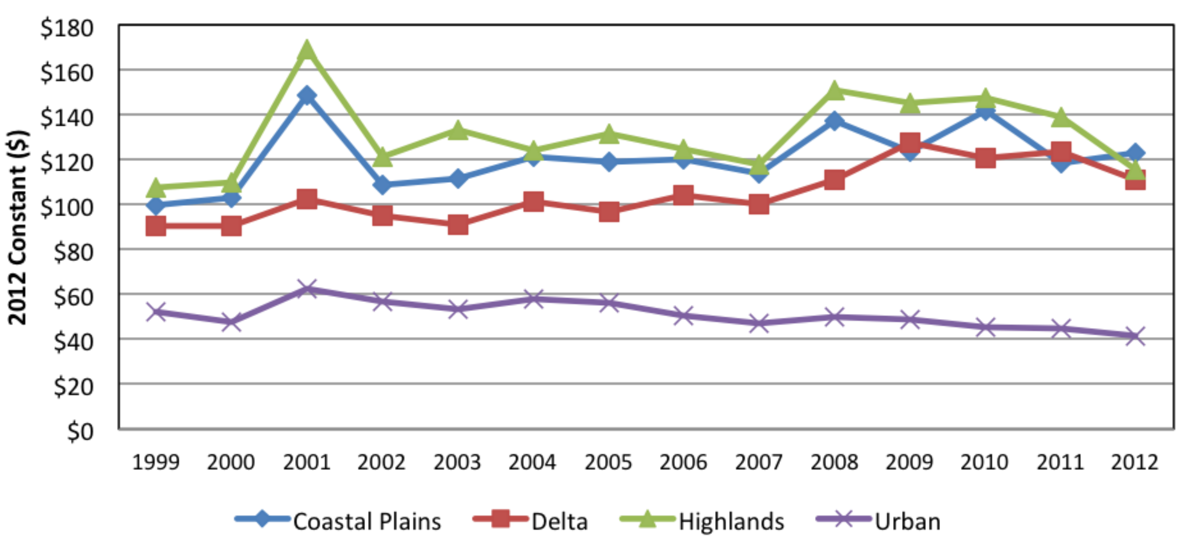
Second, **property tax revenue per capita** increased in all four regions, despite a considerable decrease in 2001.

- The Urban region had the smallest increase (14%) and the highest per capita property tax revenue in 2012, $83.
- The Highlands had the highest increase (23%) and the lowest in 2012 of $71 per person.
- The Delta and Coastal Plains experienced increases of 22% and 19%, respectively.

Third, **sales and use tax revenue** increased in all four regions from 1999 to 2012.

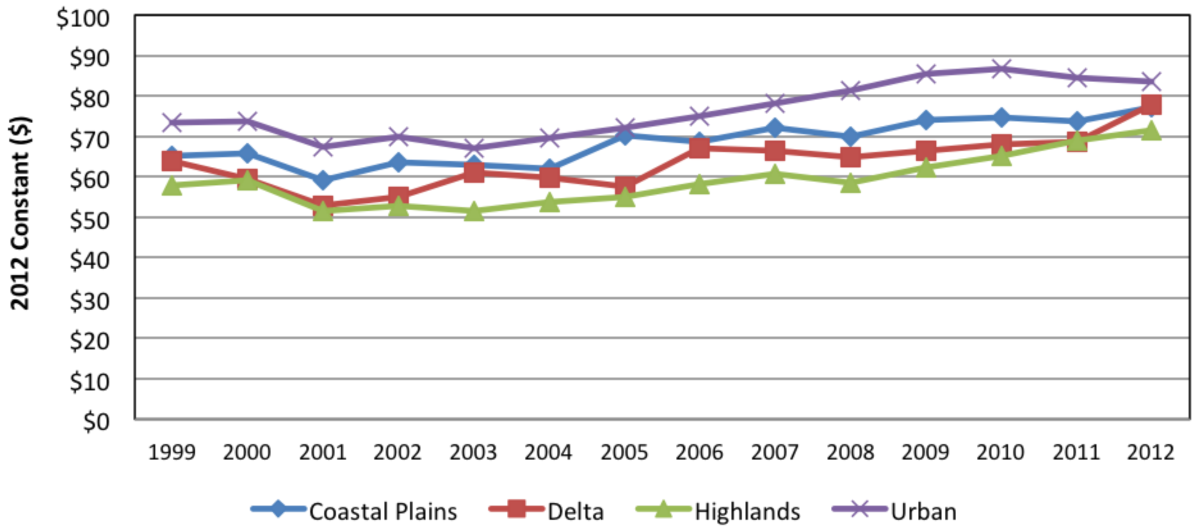
- The Highlands experienced the greatest change with a 76% increase, followed by the Delta (53%), the Coastal Plains (36%) and the Urban region (17%). In 2012 the sales tax revenue per person ranged from $51 in the Urban region to $161 in the Coastal Plains. The Highlands and Delta had sales tax revenue per person of $107 and $95, respectively.

Figure 19. **Per Capita Intergovernmental Revenue for Arkansas Regions (1999–2012)**



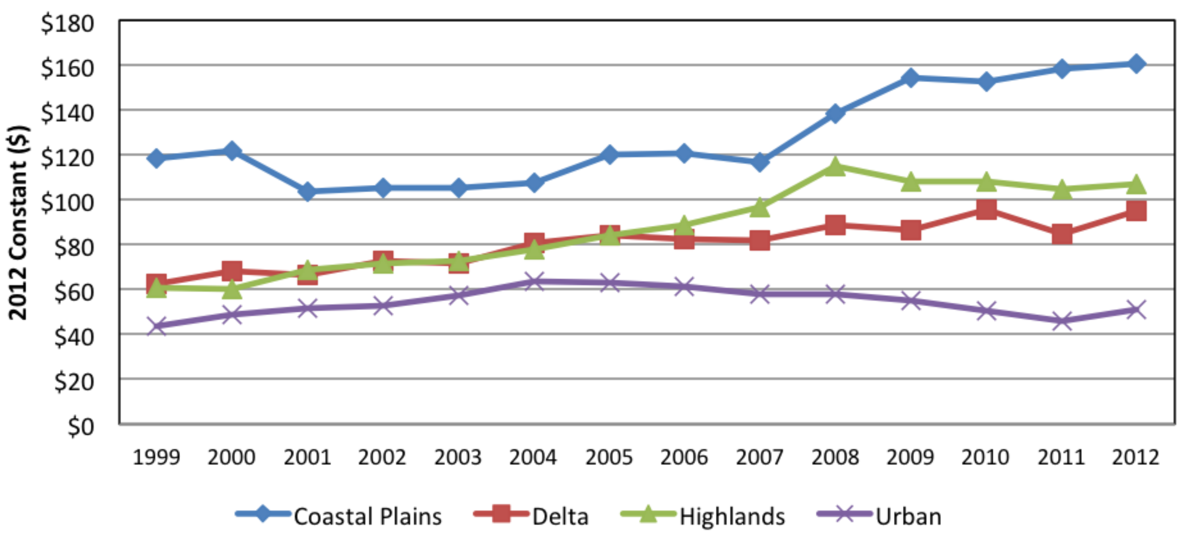
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Figure 20. Per Capita Property Tax Revenue for Arkansas Regions (1999–2012)



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

Figure 21. Per Capita Sales Tax Revenue for Arkansas Regions (1999–2012)



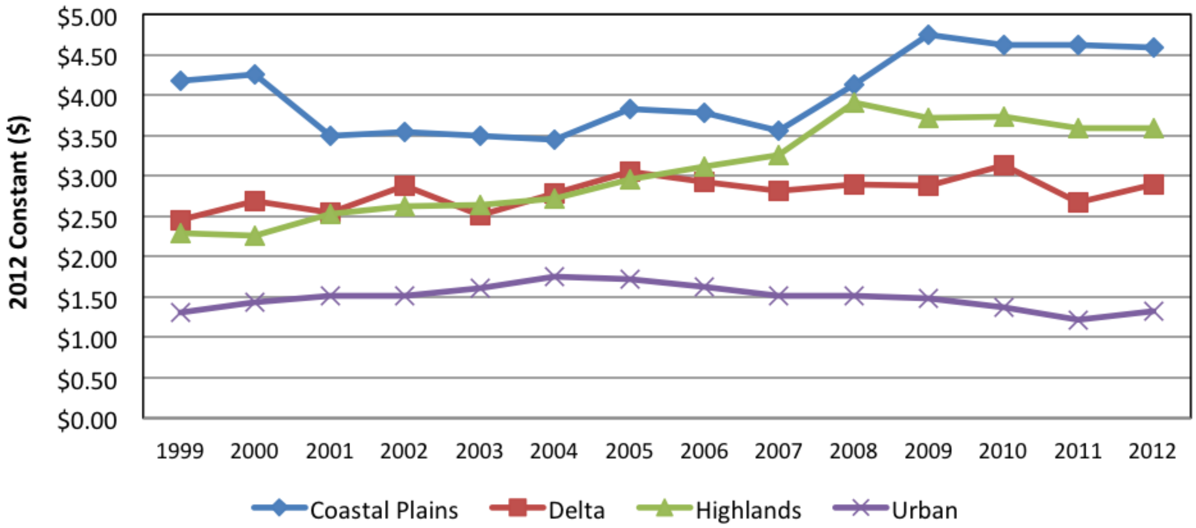
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Other notable differences in the four regions:

- All four regions experienced an increase in **sales and use tax revenue per $1,000 of personal income** (Figure 22). The Highlands saw an increase of 57%, followed by the Delta (18%), the Coastal Plains (10%) and the Urban region (1%).
- However, in 2012 (as in 1999), the Coastal Plains had the highest sales and use tax revenue per $1,000 of personal income, $4.59. The Highlands ranked second at $3.59, followed by the Delta ($2.89) and the Urban region ($1.32).

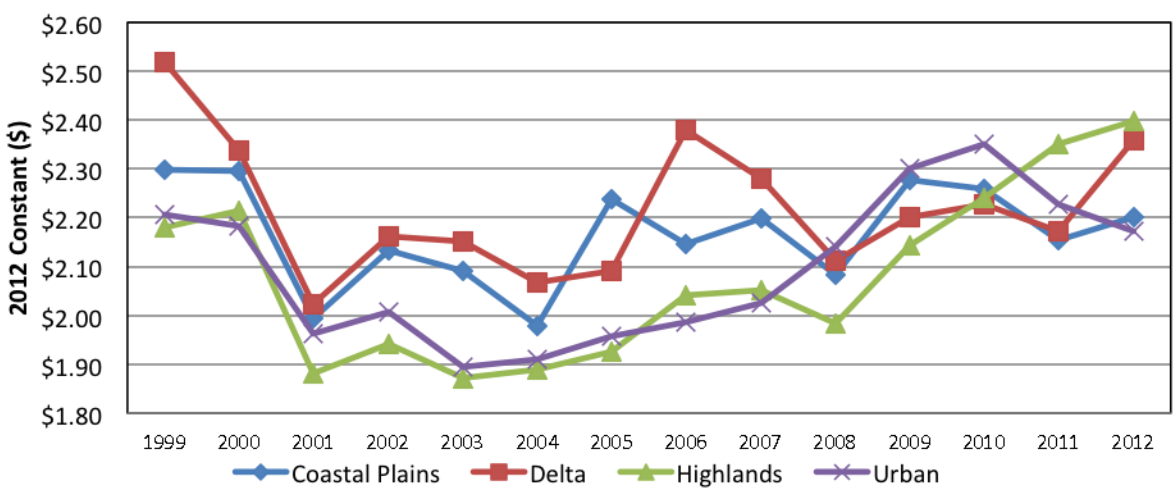
- The Urban region, Delta and Coastal Plains all saw a decline in **property tax revenue per $1,000 of personal income**, approximately 2%, 4% and 6% respectively. In contrast the Highlands saw an increase of 10% (Figure 23).

Figure 22. Sales Tax Revenue Per $1,000 of Personal Income for Arkansas Regions (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Figure 23. Property Tax Revenue Per $1,000 of Personal Income for Arkansas Regions (1999–2012)



Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Economic Dependence: A Third Perspective on Revenue From 1999 to 2012

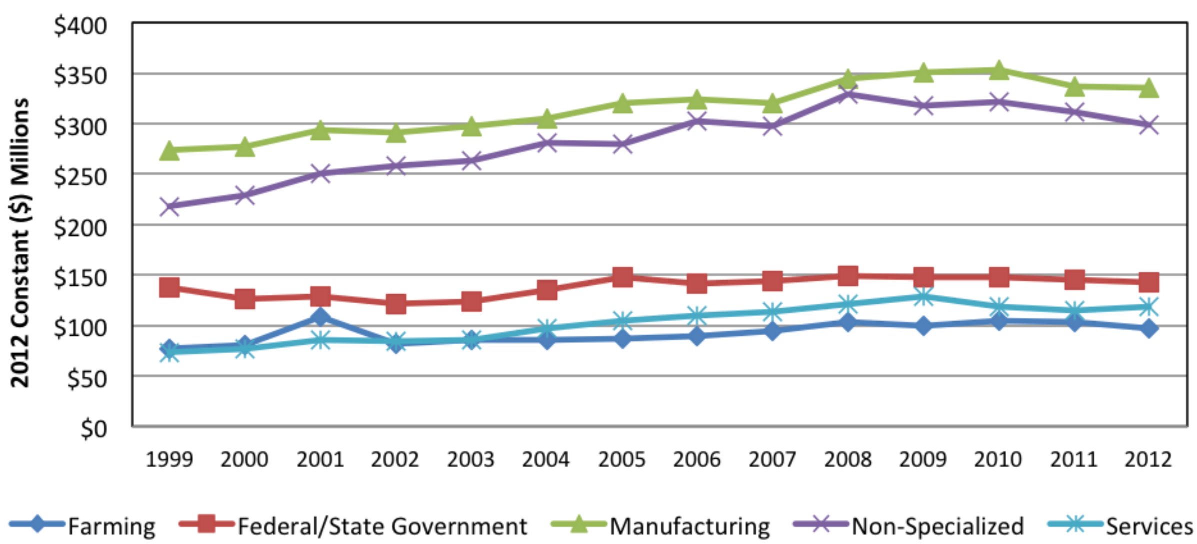
Dividing counties into economic dependency groups reveals some key differences. Most of the counties (91%) are classified as either manufacturing-dependent (40%), non-specialized (28%) or farming-dependent (23%) counties. Only four counties are classified as government-dependent and three as services-dependent. While all five "dependencies" saw total revenues increase from 1999 to 2012 (Figure 24), there were key differences.

- The farming- and manufacturing-dependent counties tend to be less populated rural counties with considerably less average county revenues as compared to government-dependent and services-dependent counties.
- The greatest percentage increases in total revenue occurred in the services-dependent and non-specialized counties. Services-dependent counties experienced a 61% rise, while non-specialized counties saw a 37% rise. Farming-dependent counties saw total revenues increase 26%, manufacturing-dependent counties 23% and federal/state government-dependent counties only 4%.

On a **per capita** basis, the farming counties had the largest increase in revenues, 31% from $366 per person to $479. This was followed by the manufacturing-dependent, services-dependent and non-specialized counties that had increases of 21%, 20% and 14%, respectively. Finally, federal/state government-dependent counties had the smallest increase at less than 1% from $294 per person to $295 (Figure 25).

In 2012 farming- and manufacturing-dependent counties had the highest average **per capita** revenue of $479 and $403, respectively. The services-dependent counties had the lowest average per capita revenue of $291.

Figure 24. Total Revenue for All Arkansas Counties Sorted by Economic Dependence (1999–2012)

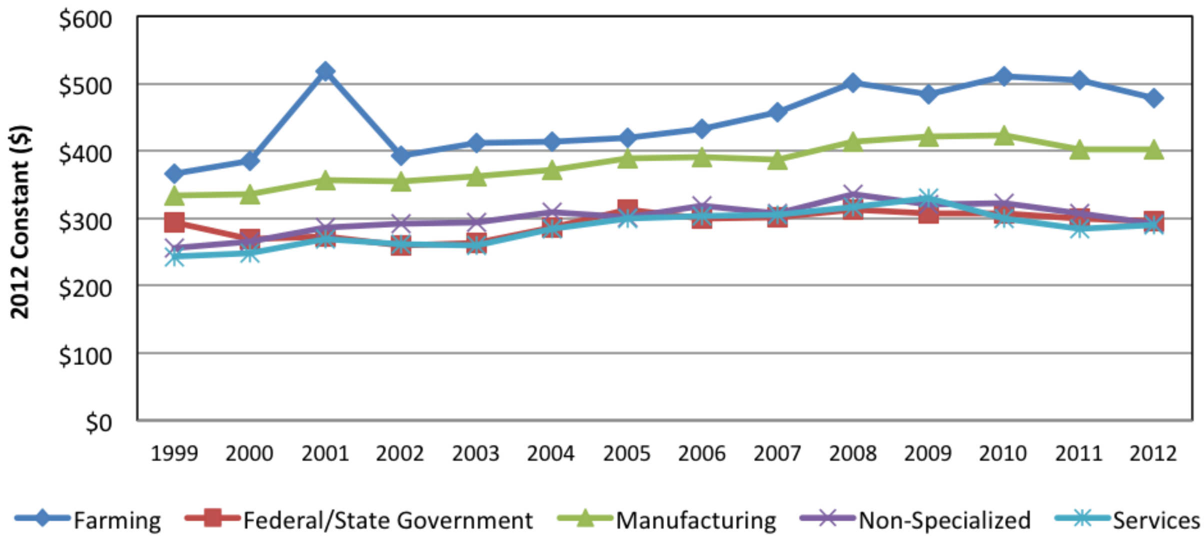


Sources: Arkansas Legislative Audit and U.S. Department of Labor

In terms of **total revenue per $1,000 of personal income**, the greatest increase, 16%, occurred in the farming-dependent counties, followed by services-dependent counties (4%) and manufacturing-dependent counties (1%) (Figure 26). Non-specialized and government-dependent counties both experienced decreases in total revenue per $1,000 of personal income: -4% and 14%, respectively.

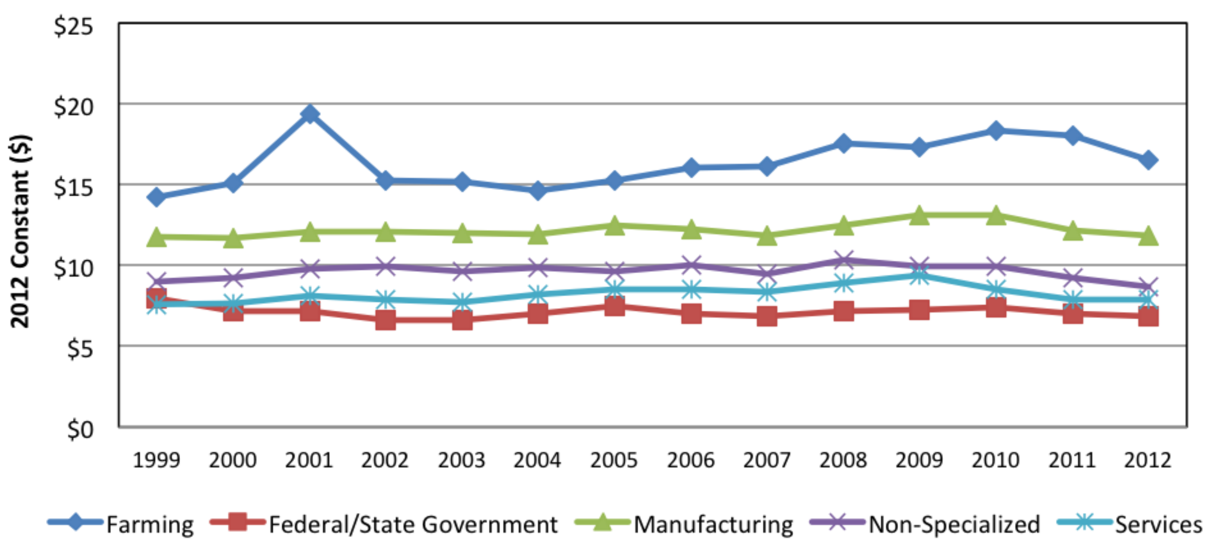
In 2012 the farming-dependent counties had the highest revenue per $1,000 of personal income ($16.53) and federal/state government-dependent counties the lowest ($6.84).

Figure 25. **Per Capita Revenue for All Arkansas Counties Sorted by Economic Dependence (1999–2012)**



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

Figure 26. **Total Revenue Per $1,000 of Personal Income for All Arkansas Counties Sorted by Economic Dependence (1999–2012)**



Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Using a **per capita** measure to compare reliance on different revenue sources reveals several trends from 1999-2012.

First, as Figure 27 shows, four of the five economic dependencies saw an increase in **per capita intergovernmental revenues**:

- Services counties experienced the highest growth (20%) in revenue from this source, which was followed by manufacturing-dependent (15%), farming-dependent (9%) and non-specialized (9%) counties. Federal/state government-dependent was the only category to experience a decrease (-50%).
- In 2012, farming-dependent counties had the highest per capita intergovernmental revenue of $164, while federal/state government-dependent counties had the lowest at $40.

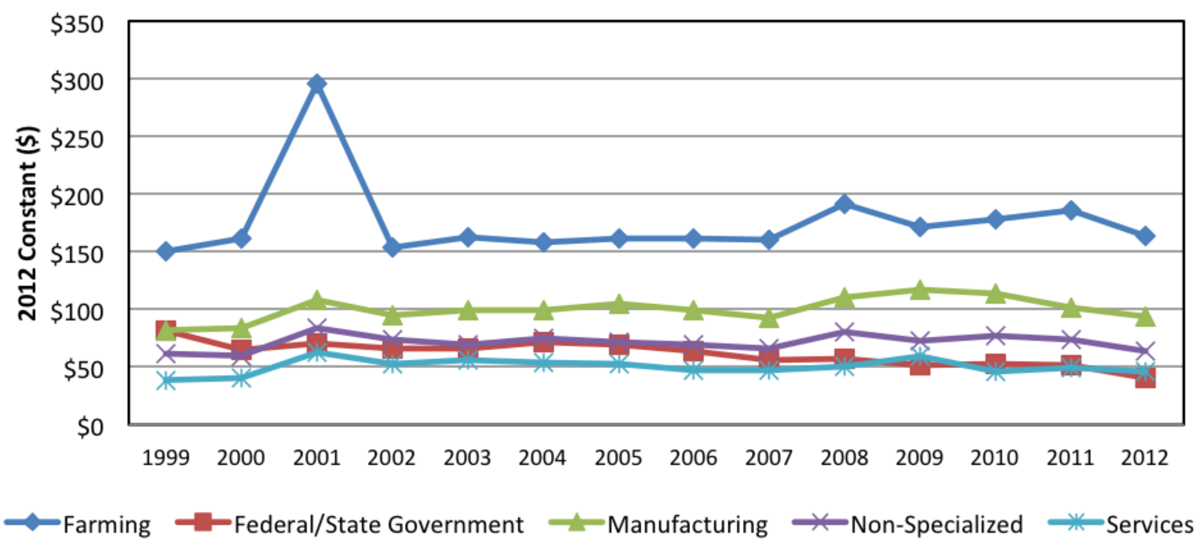
Second, as Figure 28 illustrates, four out of five economic dependency groups saw an increase in **per capita property tax revenue, although the rate of increase varied greatly**:

- Services-dependent counties experienced the largest increase at 71%, followed by non-specialized (23%), farming (19%) and manufacturing-dependent (17%). Federal/state government-dependent counties experienced a decrease of 1%.
- However, in absolute terms, federal/state government-dependent counties had the highest per capita property tax revenues in 2012 ($102 per person) and farming-dependent counties had the lowest ($66 per person).

Third, as Figure 29 shows, though all five economic dependencies saw **per capita sales and use tax revenues** increase, the largest growth (126%) occurred in the farming-dependent counties.

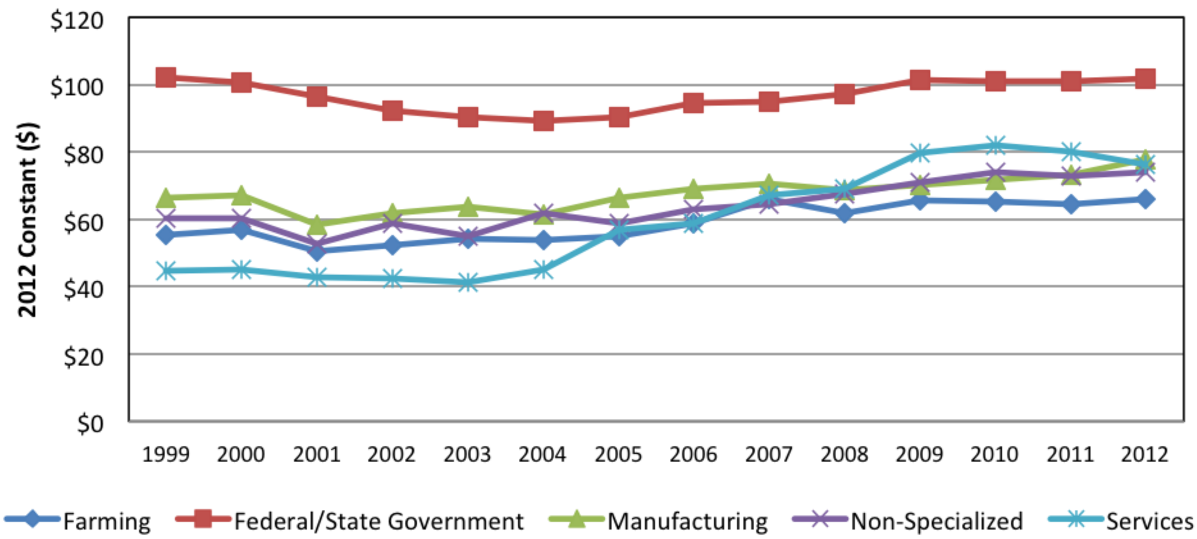
- Federal/state government-dependent counties had the lowest percentage growth (13%).
- In 2012 farming-dependent counties had the highest average per capita sales and use tax revenues ($118 per person) and federal/state government-dependent counties had the lowest ($39 per person).

Figure 27. Per Capita Intergovernmental Revenue Sorted by Economic Dependence (1999–2012)



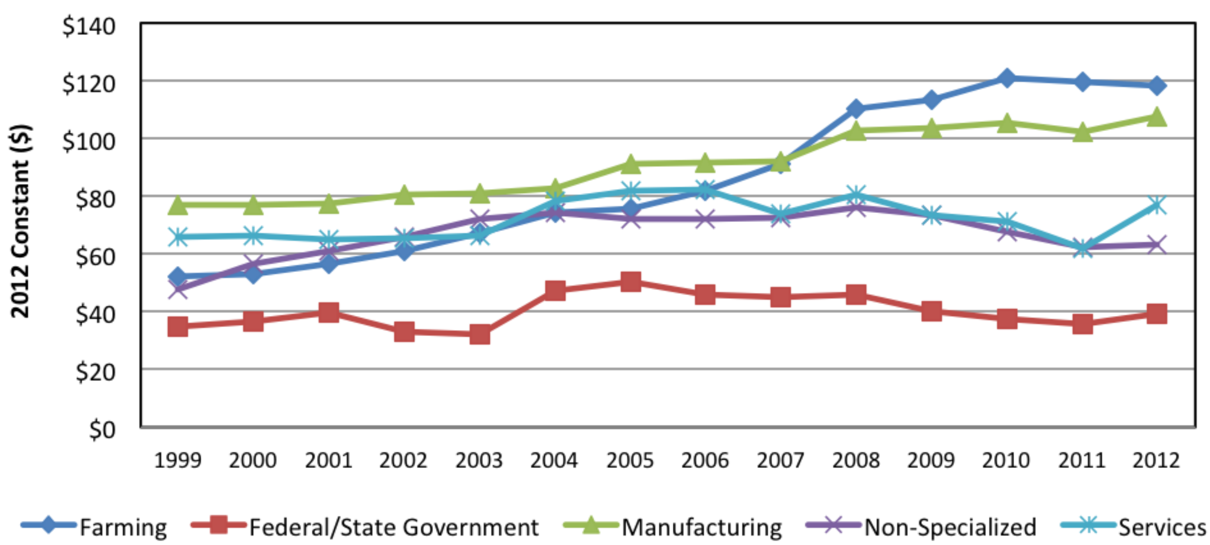
Sources: Arkansas Legislative Audit, U.S. Census Bureau and U.S. Department of Labor

Figure 28. Per Capita Property Tax Revenue Sorted by Economic Dependence (1999–2012)



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

Figure 29. Per Capita Sales Tax Revenue Sorted by Economic Dependence (1999–2012)



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

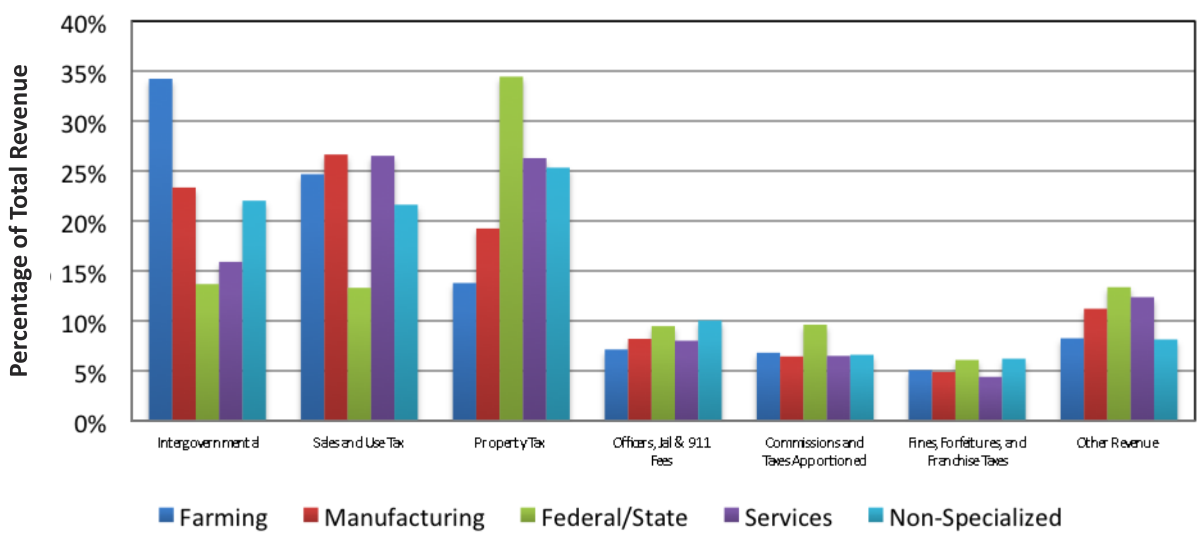
Relative Contribution of Revenue Sources by Economic Dependence

We also found differences among the five economic dependencies in the degree to which they relied on revenue from key sources (Figure 30).

In 2012:

- Reliance on **intergovernmental revenue** as a percentage of total revenues ranged from 34% for farming-dependent counties to just 14% for federal/state government-dependent counties.
- For federal/state government-dependent counties, **sales and use tax revenue** made up just 13% of total revenues, while this revenue source accounted for 27% of total revenues for manufacturing- and services-dependent counties.
- Reliance on **property tax revenue** ranged from 34% for federal/state government-dependent counties to 14% for farming-dependent counties.
- Reliance on **officers', jail and 911 fees** ranged from 10% for non-specialized counties to 7% for farming-dependent counties.
- Reliance on "**other sources of revenue**" varied from 8% for farming-dependent and non-specialized counties to 13% for federal/state government-dependent counties.

Figure 30. The Relative Importance of Revenue Sources by Economic Dependency (2012)



Source: Arkansas Legislative Audit

Summary

Although total county government revenue grew by 27% from 1999 to 2012, there was considerable variation in revenue growth among regions and counties in Arkansas. Changes in county government revenue ranged from a decline of 19% in St. Francis County to an increase of 142% in Van Buren County. Seven of the twelve counties that experienced a decline in revenue during this period were in the rural Delta region. County government revenue grew only slightly in the Delta and Coastal Plains regions in contrast to considerable growth in the Metro and Highlands regions.

In 2012 the three major sources of county government revenue were property tax, sales and use tax and intergovernmental, which provided 24%, 23% and 22% of revenue, respectively. While revenue increased from all three major sources from 1999 to 2012, sales tax revenue increased the most and became the second largest major source of county government revenue. Non-metro counties are more dependent on intergovernmental transfers and sales and use tax revenue than metro counties; whereas, metro counties obtained the largest share of their revenue from the property tax.

Appendix I – Notes

Note 1. A huge jump in total county revenues in 2001 was due to that year's ice storm, which resulted in a significant increase in funds transferred into counties from the federal government. Arkansas counties' total intergovernmental revenue hit a high of nearly $277 million that year, an increase of nearly $79 million from the previous year. The Highlands and the Coastal Plains regions were the hardest hit by the ice storm and had the highest per capita intergovernmental revenue that year, reaching $169 and $149 in 2001, respectively, as compared to only $110 and $103 in 2000. The Delta was less affected by the ice storm and averaged only $103 per person in intergovernmental revenue in 2001.

Note 2. 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 1999-2012 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. 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 and use taxes
- property taxes
- officers', jail and 911 fees
- commissions and taxes apportioned
- fines, forfeitures and franchise taxes
- other revenue

Most **intergovernmental transfer 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 sale of forfeited land, sales or lease of public property; and community block grants. This revenue category was the largest relative contributor of total revenue for Arkansas counties for the majority of the study period.

Counties have the authority to use revenue from county-wide **sales and use taxes** to support all purposes of county government if approved by voters.

Property taxes are paid for by commercial and industrial establishments, by utilities and farms and by owners of real and personal property. The amount of property tax paid is based on a percentage (the percentage being the millage rate) of the assessed value of total property, which includes both real and personal property. Particularly, the 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 charge 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 1. Other Revenue

- Vehicle license fees
- Marriage license fee
- Liquor license fees
- Beer license fees
- Mixed drink tax
- Private club tax
- Privilege fee for public exhibitions
- Income tax
- Interest income
- Proceeds from the lease or sale of public property
- Bond proceeds
- Sanitation fees

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 in order to form public policy and its subsequent implementation. The three comparison schemes are **Metropolitan/Non-Metropolitan, Arkansas Social and Economic Regions** and **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 2012, 43% of Arkansans lived in a nonmetropolitan 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 Census designation of non-metropolitan and metropolitan rather than the 2003 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

In addition to the rural/urban differences, the rural areas of Arkansas are heterogeneous. To determine if there are differences in revenue generation among Arkansas regions, a classification scheme was identified to differentiate between rural and urban and different rural areas of the state. This approach combines non-metropolitan counties that have similar economic activity, history, physical setting, settlement patterns and culture and facilitates comparison with the metropolitan counties. The three rural regions of Arkansas are the **Coastal Plains**, the **Delta** and the **Highlands**. The Highlands include 35 counties, the Delta 16 and the Coastal Plains 12. (See map on back cover of this publication.)

Economic Dependency

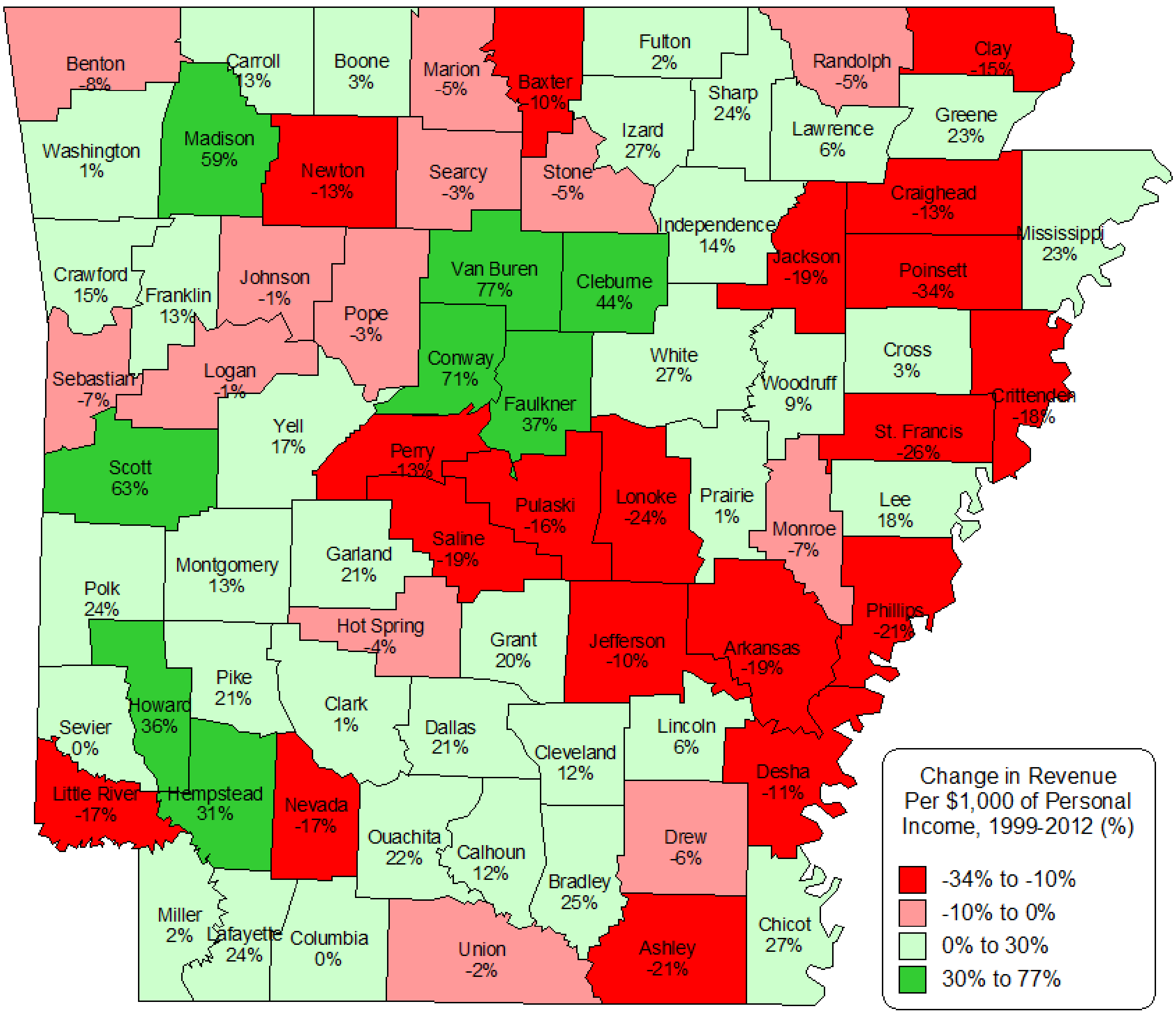
We use the County Typology Codes developed by the USDA Economic Research Service (ERS) to compare county revenues among the state's counties with different economic characteristics. Counties with similar economic characteristics were classified using the following six categories:

- 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. While Arkansas does not have any mining-dependent counties, it does have counties which fall into the farming (17), manufacturing (30), federal/state government (4), services (3) and non-specialized (21) categories.

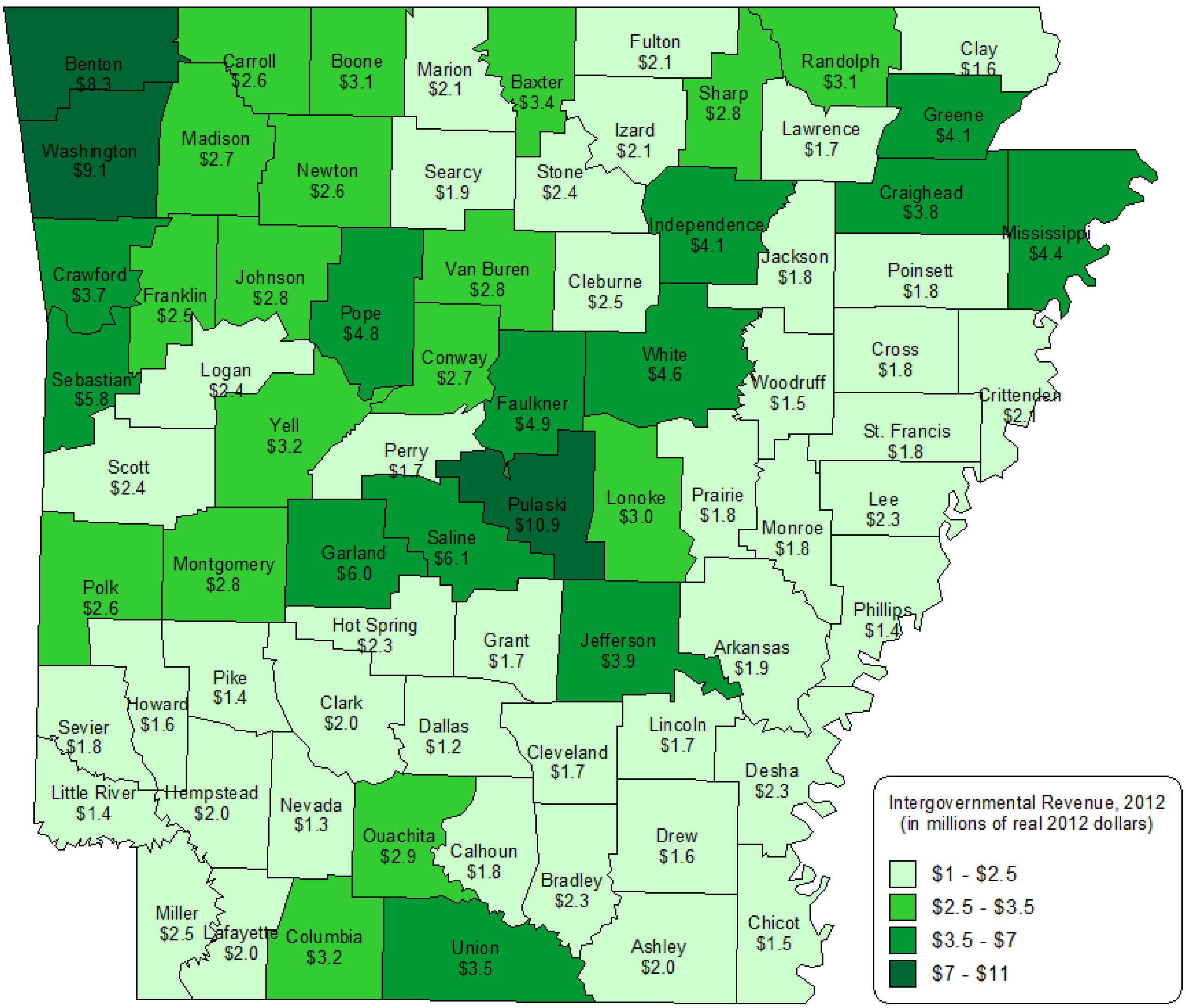
Appendix II – County Government Revenue Maps

Map 1. Change in Revenue Per $1,000 of Personal Income (1999–2012)



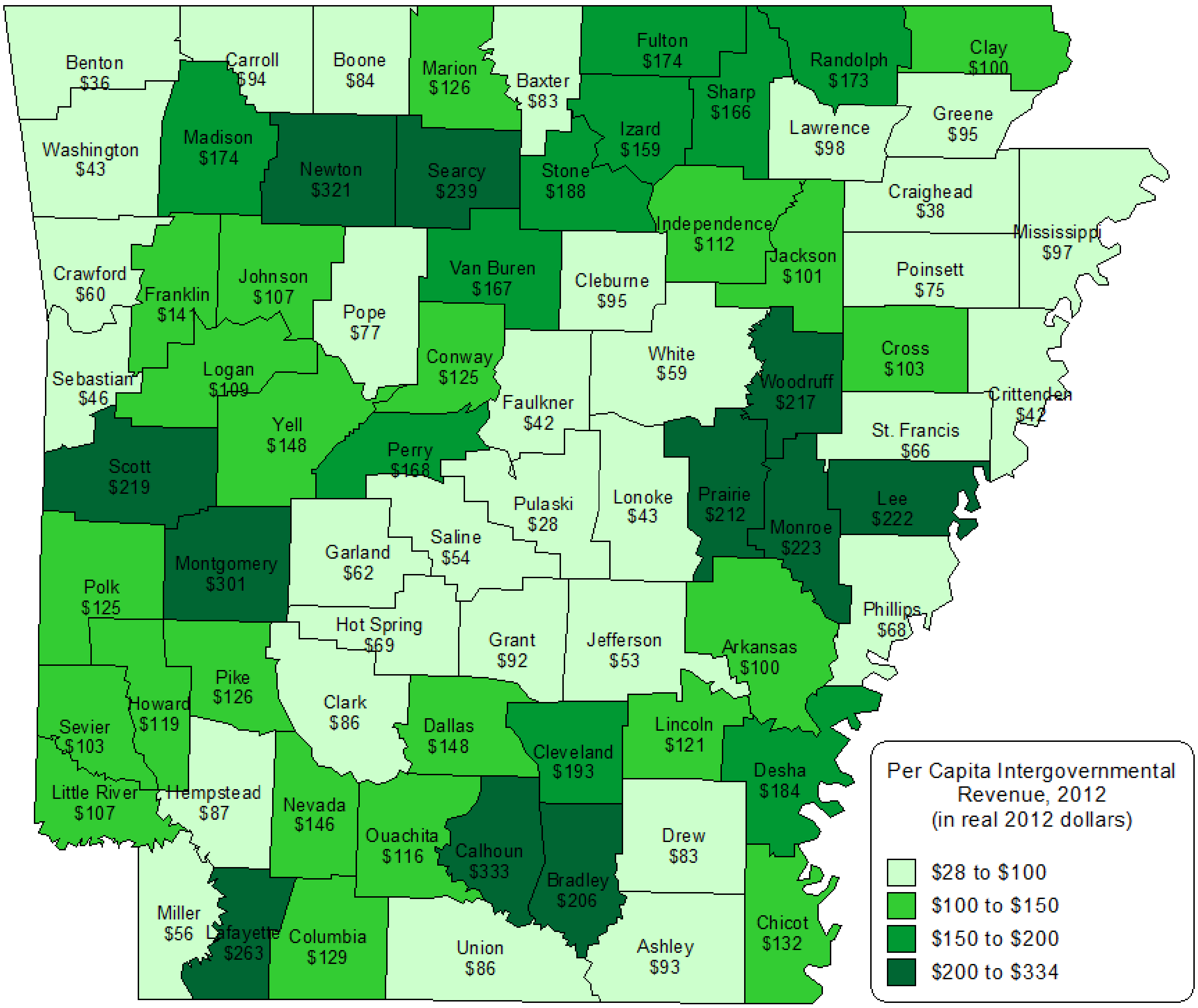
Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis

Map 2. Intergovernmental Revenue (2012)



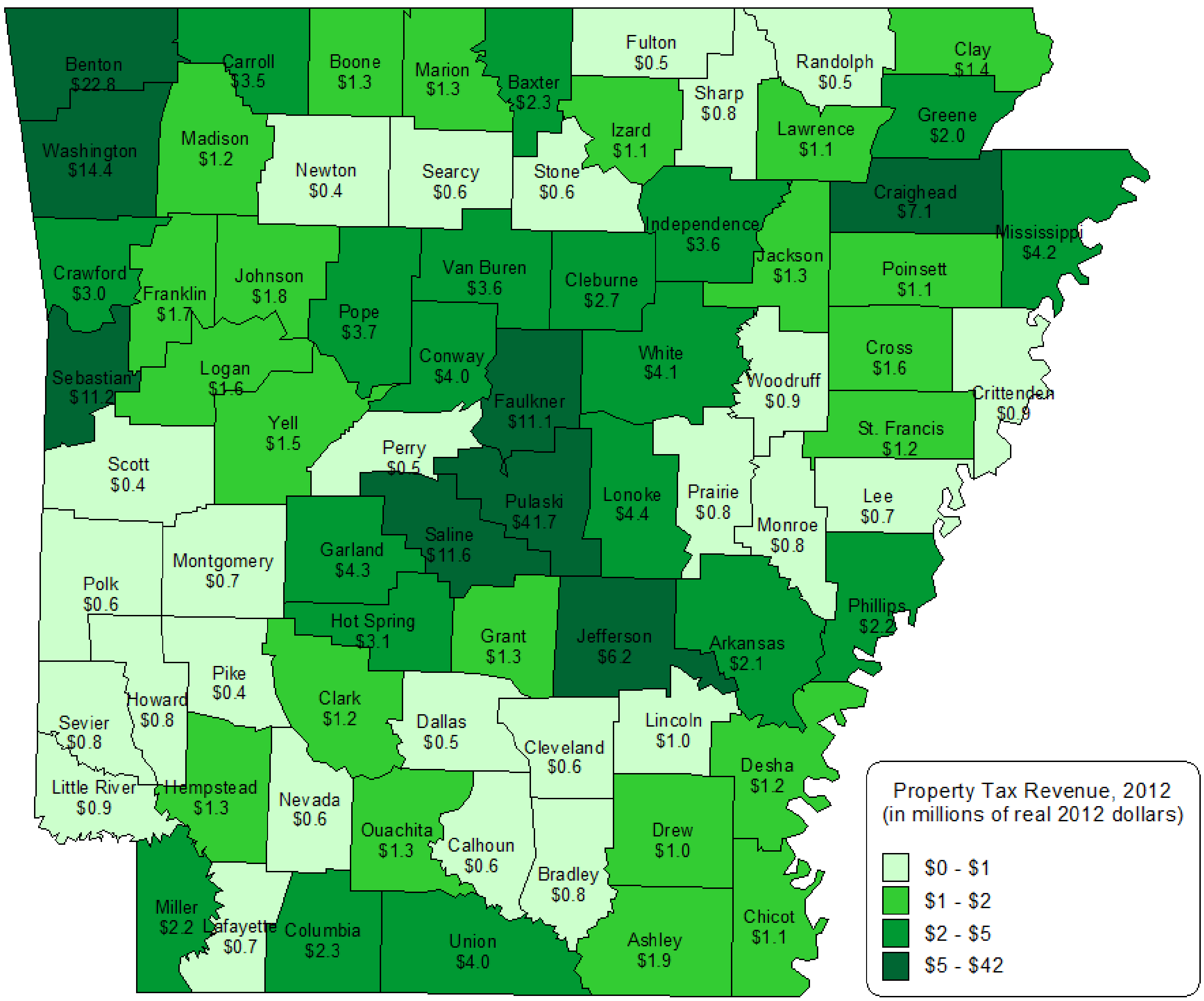
Source: Arkansas Legislative Audit

Map 3. Per Capita Intergovernmental Revenue (2012)



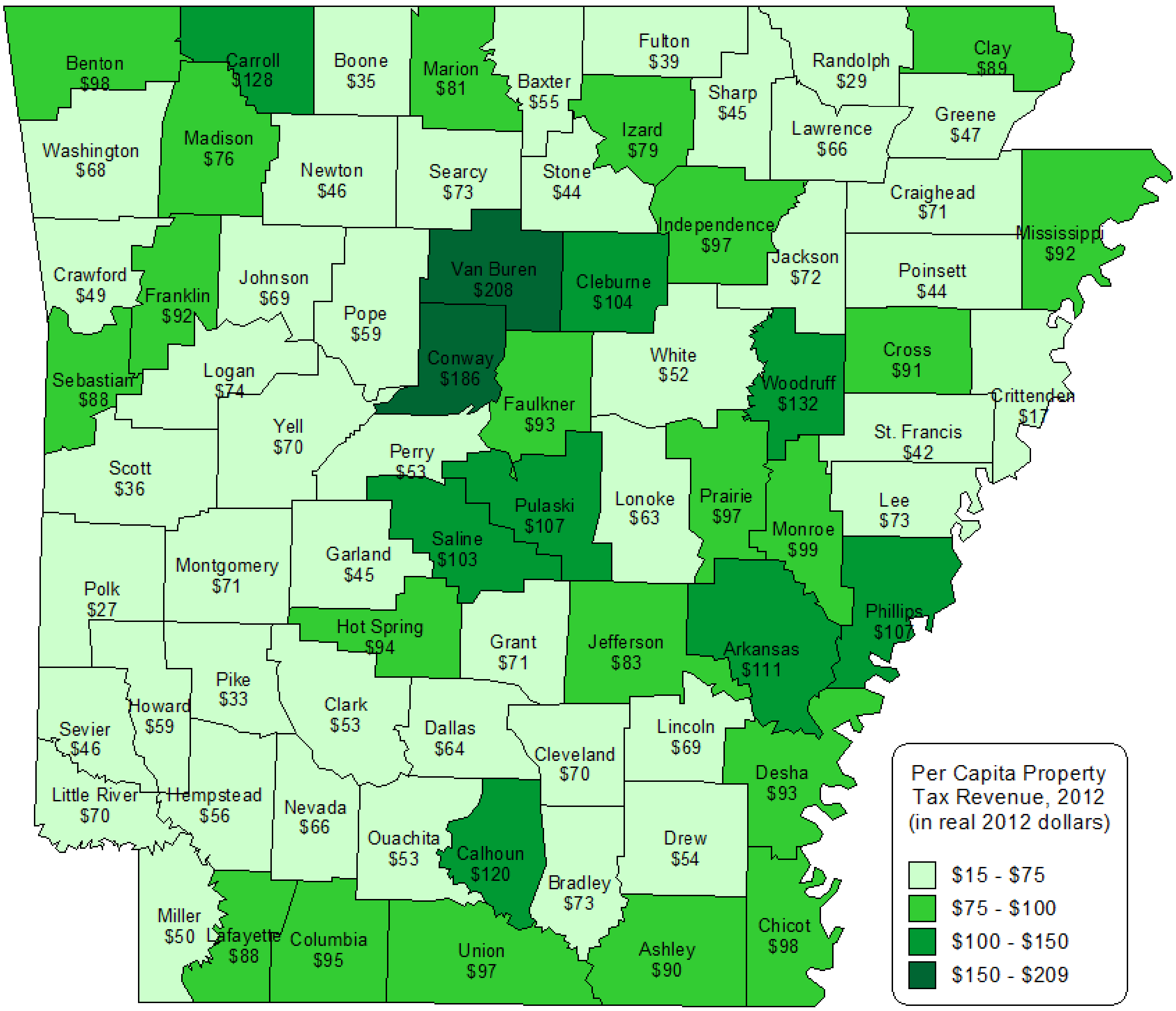
Sources: Arkansas Legislative Audit and U.S. Census Bureau

Map 4. Property Tax Revenue (2012)



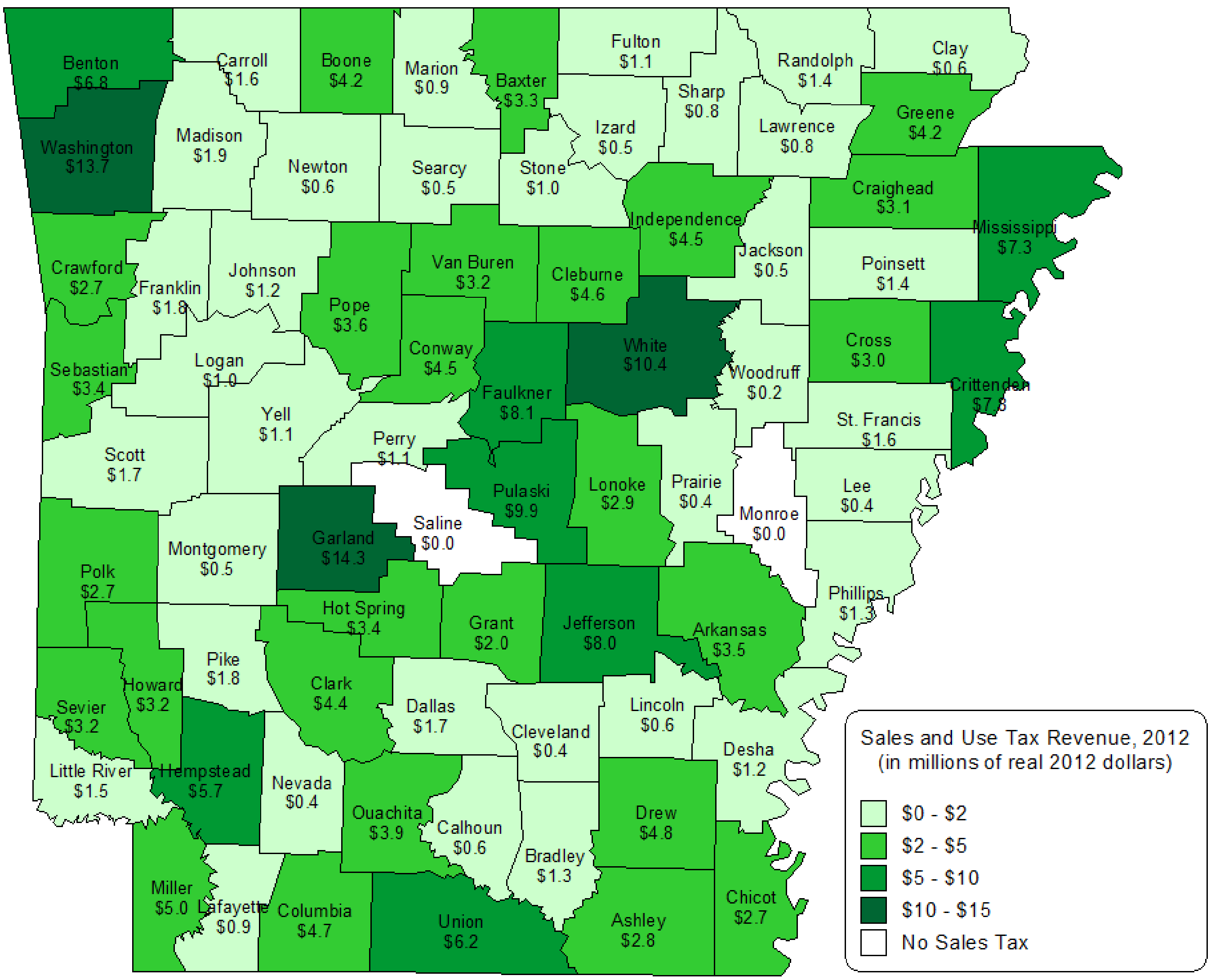
Source: Arkansas Legislative Audit

Map 5. Per Capita Property Tax Revenue (2012)



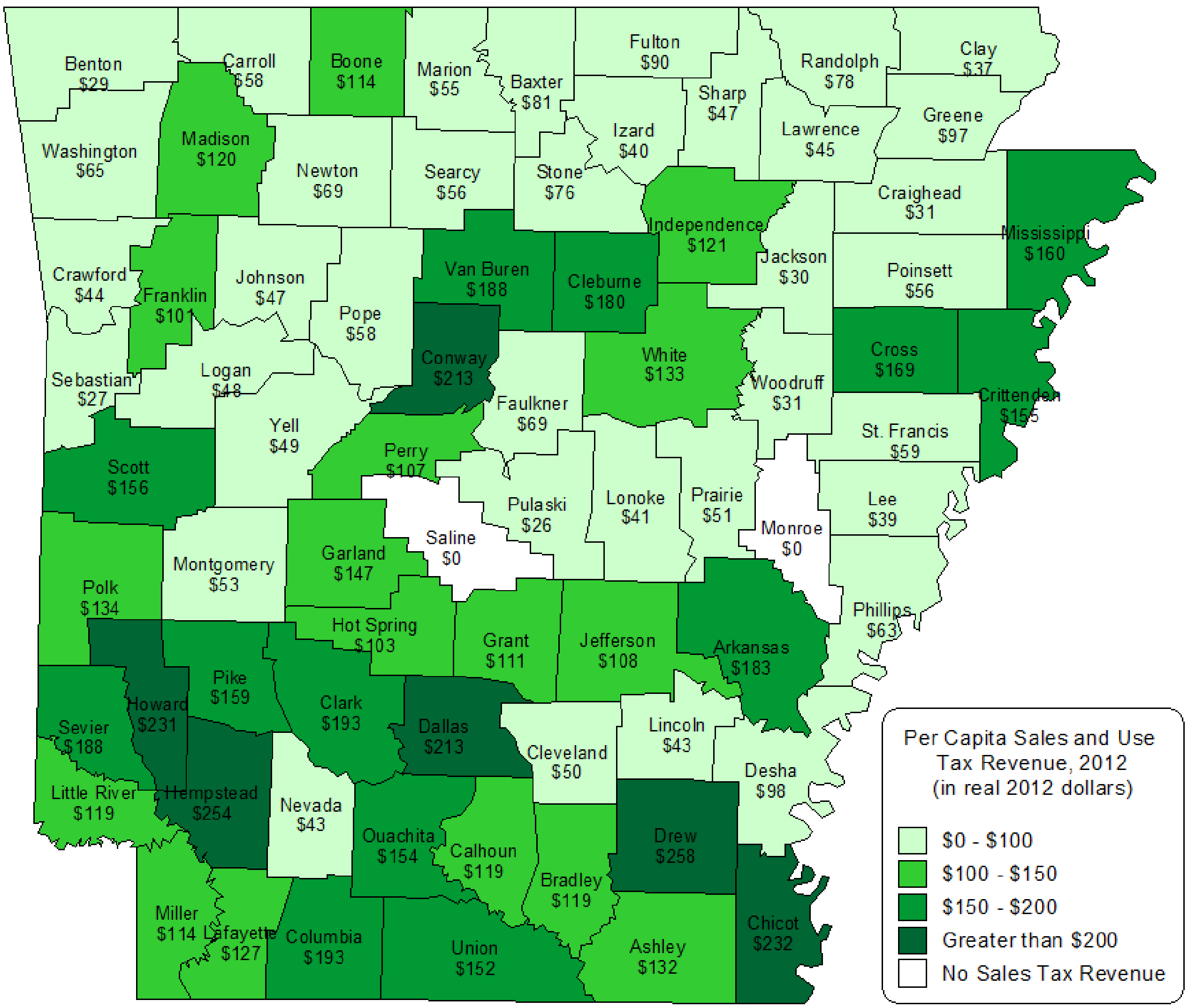
Sources: Arkansas Legislative Audit and U.S. Census Bureau

Map 6. Sales and Use Tax Revenue (2012)



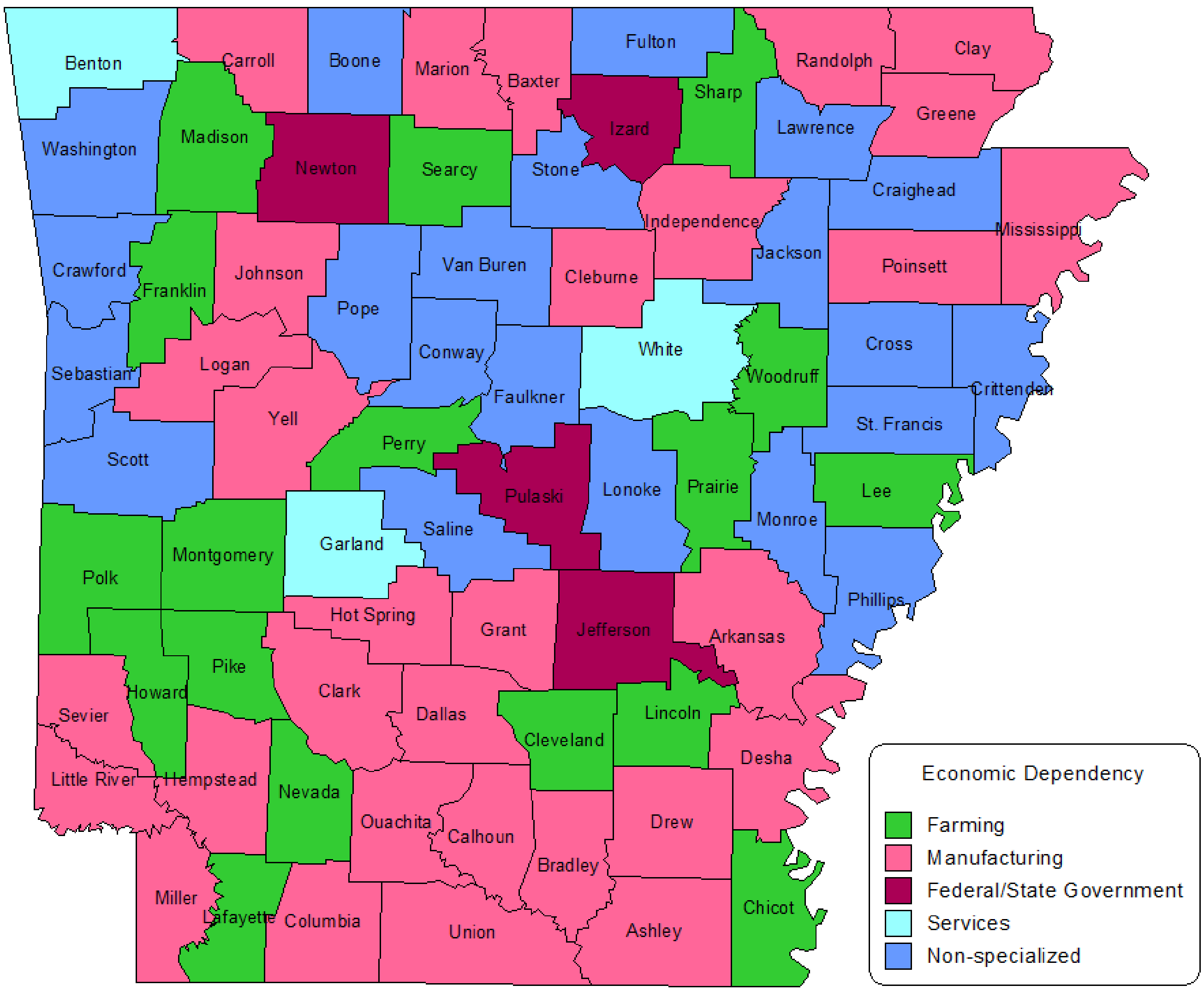
Source: Arkansas Legislative Audit

Map 7. Per Capita Sales and Use Tax Revenue (2012)



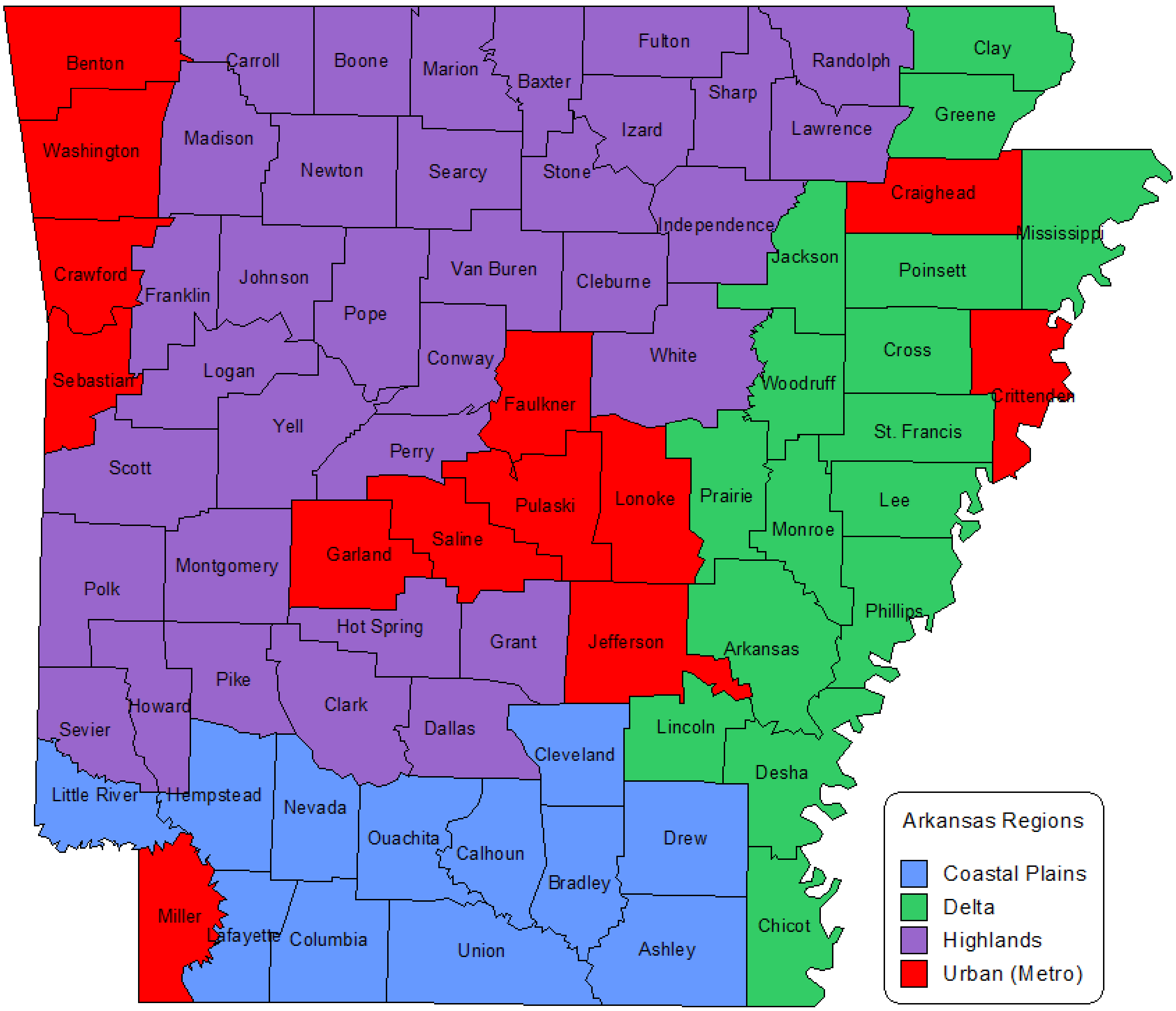
Sources: Arkansas Legislative Audit and U.S. Census Bureau

Map 8. Economic Dependency



Source: USDA Economic Research Service

Map 9. Arkansas Regions



Source: Cooperative Extension Service (*Rural Profile of Arkansas*)

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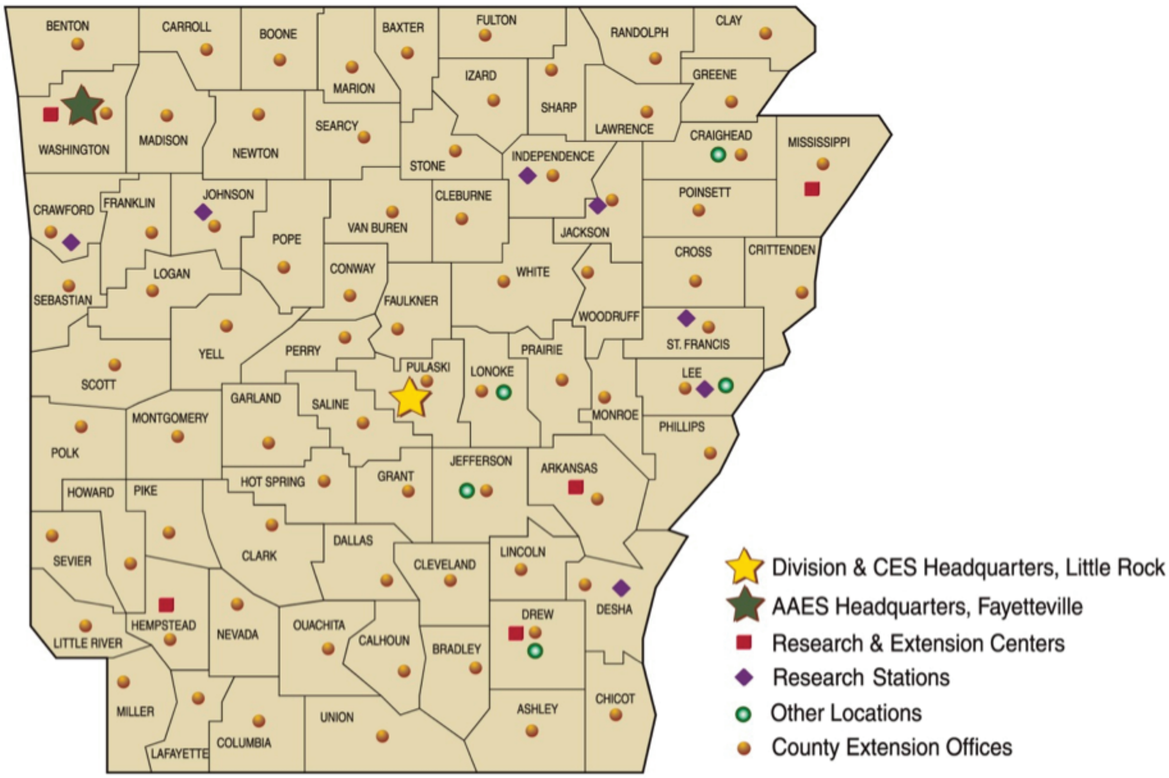

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