

Highlights of State and Federal Revenue Received by County Governments in Arkansas, 1999-2012¹

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Overview

Intergovernmental revenue from the state and federal governments is vitally important to Arkansas county governments. In fact, it was the largest source of revenue for nearly half (35) of the county governments in the state in 2012. Those counties that depend heavily on intergovernmental transfers are greatly affected by changes in the level of funding. Without revenue from the state and federal governments, some counties would have to either raise tax rates to extremely high levels or eliminate services.

This fact sheet highlights some of the findings of the study of state and federal government transfers to county governments in Arkansas. The study identifies these revenue trends over a 13-year period (1999-2012) and compares intergovernmental transfers across counties based on two classification schemes:

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

Total Intergovernmental Revenue

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

- Despite a steady decline from 2008 to 2012, total county intergovernmental revenue increased overall

from 1999 to 2012 by 8% from \$201 million to nearly \$216 million.² However, the high was actually reached in 2001 when county governments received nearly \$277 million due to increased disaster assistance resulting from an ice storm that damaged local infrastructure.

- Twenty-one counties experienced a decline in intergovernmental revenue between 1999 and 2012, and only one county experienced an increase greater than 100%.

Federal Intergovernmental Revenue

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

- In contrast to state revenue, federal transfers to county governments fluctuate greatly from year to year and among counties, depending on the special projects funded and the level of disaster assistance provided. Federal transfers comprised between 13% and 31% of total county intergovernmental transfers during the 13-year study period.
- Total funds received from the federal government increased 60% during this period, from \$27 million

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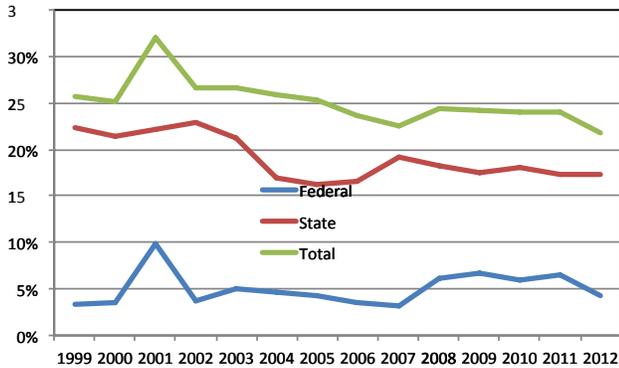
¹The full report (MP516) is available online at <http://www.uaex.edu/business-communities/government-policy/local-government-finance.aspx>.

²All 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.

in 1999 to \$43 million in 2012 with a peak of nearly \$85 million in 2001.

- Federal transfers as a share of total revenue also increased slightly during this period, from 3% in 1999 to 4% in 2012 with a high of 10% in 2001 (Figure 1).

Figure 1. Share of Total County Government Revenue From State and Federal Governments, 1999-2012



Source: Arkansas Legislative Audit

State Intergovernmental Revenue

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

- State transfers to county governments decreased 1% from 1999 to 2012 (from \$174 million to \$173 million). Thirty-eight counties received less from state intergovernmental transfers in 2012 than in 1999, and 11 counties lost 20% or more of their state revenue during this period. Conversely, 37 counties received more state funds in 2012 than in 1999, ranging from increases of less than 1% to more than 74% (Figure 2).
- The decline in state funding per capita was more substantial than the decline in total, dropping 11% from 1999 to 2012. Thirty-nine counties had increasing and 36 counties had declining per capita state revenues.
- The primary source driving the overall decrease in state intergovernmental revenue was special revenue, which dropped from \$113 million in 1999 to \$102 million in 2012, a decrease of 10%. However, the change in state general revenue offset this decrease slightly, increasing 7% from \$49 million in 1999 to \$53 in 2012.
- Counties overall received a smaller share of their total revenue from the state in 2012 as compared to 1999. State transfers as a share of total county government revenue declined from 22% to 17% during this 13-year period.

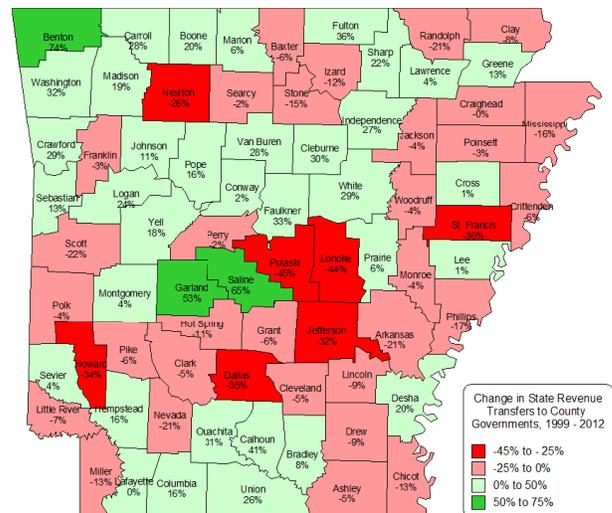
Metro and Non-Metro Differences

- Non-metro counties saw a 2% increase in state intergovernmental revenues from 1999 to 2012, while metro counties saw a decline of 4% during the same period.
- When calculated per person, state intergovernmental revenues declined during this period by 21% in metro counties (from \$44 in 1999 to \$34 in 2012) and increased by 1% in non-metro counties (from \$90 in 1999 to \$91 in 2012).
- As a share of total revenue, state funding accounted for a smaller share in 2012 compared to 1999 in both rural and urban counties.
- In 2012, metro counties relied on state transfers for 13% of their total funding, while non-metro counties received 22% of their total funding from the state in the same year.

Regional Differences

- The differences in state intergovernmental revenue among the rural regions of the state were observed when comparing per capita revenue. Only the Coastal Plains and Delta regions saw increases in per capita state intergovernmental revenue from 1999 to 2012, while it declined in the Highlands and Urban areas. The increase in the Coastal Plains region was greatest (18%), followed by the Delta (1%). The Highlands saw a decrease of 3% and the Urban region 21%.
- The rural regions all received considerably more per capita revenue from state transfers than urban counties for the entire study period, remaining above \$80 per person, while the urban area dropped from \$44 in 1999 to \$34 in 2012.

Figure 2. Change in State Intergovernmental Revenue Received by County Governments, 1999-2012



Sources: Arkansas Legislative Audit and U.S. Department of Labor (CPI Index).

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