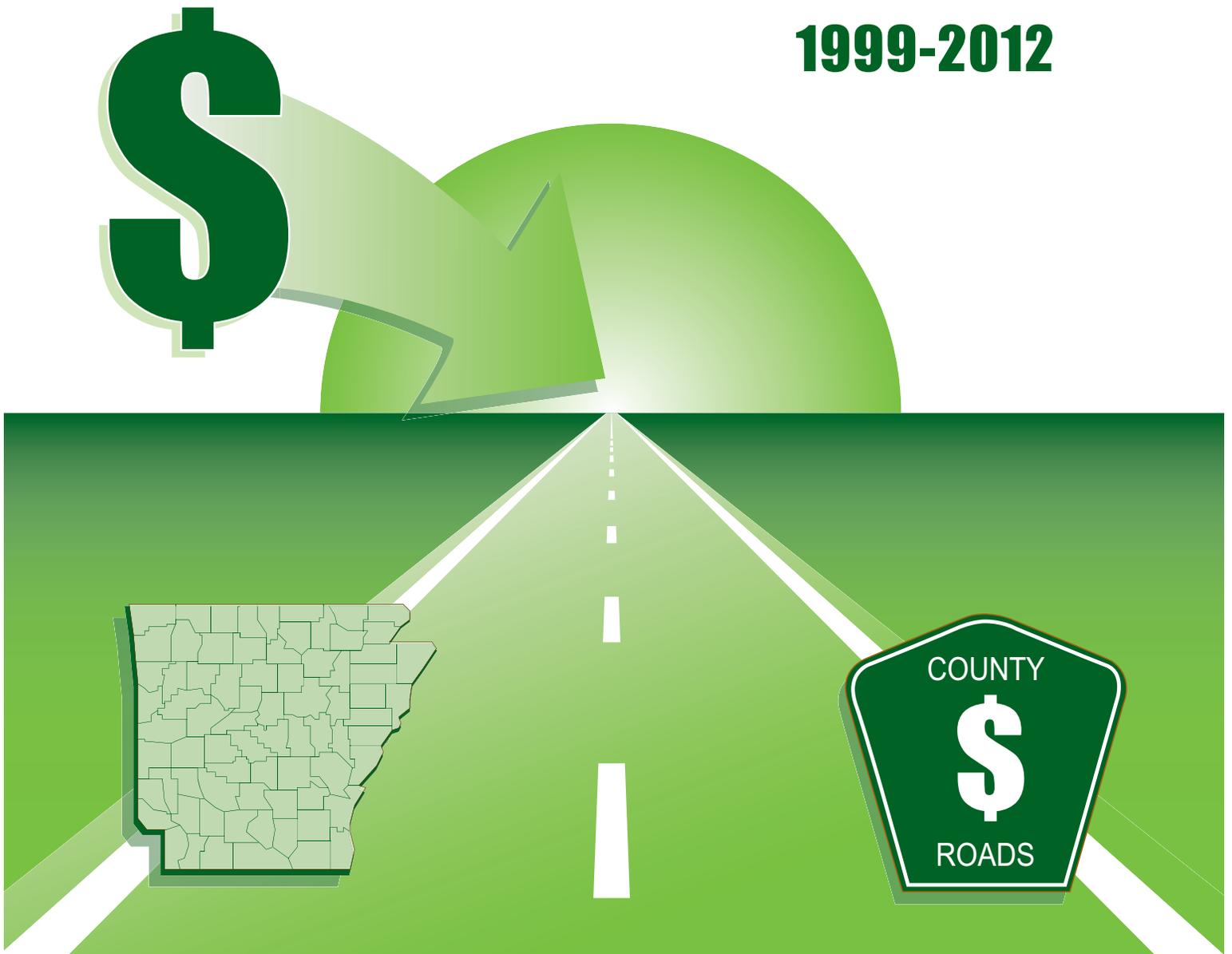


Spending Trends of
County Governments
in Arkansas

1999-2012



Spending Trends of County Governments in Arkansas, 1999-2012

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May 2015

This publication was updated and revised from the publication titled *Spending Trends of Arkansas County Governments: 1999 to 2009* by Miller, Karov and Gaughan, MP513, March 2013.

We appreciate the contributions of Chris Meux who designed the cover and Laura Goforth who did the design and layout of the publication.

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Highlights

Total county government expenditures in Arkansas increased from \$758 million in 1999 to just over \$1 billion in 2012, a 32% increase.

In 2012, Law Enforcement and Public Safety (one of the seven different expenditure categories used in this study) accounted for the greatest share of total county expenditures at 39%. This was followed by General and Other spending (28%) and expenditures on Highways and Streets (23%).

While many of the 75 Arkansas counties experienced a rise in spending during the 13-year period (1999-2012), some others saw spending decline. Furthermore, analysis of expenditures on a per capita basis, per \$1,000 of personal income, on a regional scale and based on economic dependence reveals great diversity among counties in their spending patterns.

When we compared non-metro counties to metro counties, we found that:

- Non-metro counties had greater total expenditures than metro counties in each of the 14 years.
- In terms of total county expenditures per capita, non-metro counties saw a far greater increase than metro counties from 1999 to 2012: 30% vs. 11%.
- In terms of total county expenditures per \$1,000 of personal income, non-metro counties had a greater increase than metro counties: 10% vs. 4%.

When we looked at non-metro counties as three distinct geographic regions and compared them with one another and with the Urban region (the metro counties), we saw that from 1999 to 2012:

- Of the four regions, the Highlands experienced the greatest increase in total county expenditures (38%).
- The Coastal Plains saw the greatest increase in per capita total county expenditures (35%).
- In terms of total county expenditures per \$1,000 of personal income, the Highlands region saw the greatest increase (15%).

When we compared counties in terms of their primary economic base, we found that:

- Services-dependent counties saw the greatest increase in total county expenditures (56%), while federal/state government-dependent counties saw the smallest increase (16%).
- Farming-dependent counties had the greatest increase in per capita total county expenditures (41%), while federal/state government-dependent counties had the smallest increase (11%).
- Manufacturing-dependent counties were the only economic dependency group to experience a decrease in total county expenditures per \$1,000 of personal income (-5%), while farming-dependent counties showed the greatest increase (25%).

Introduction

County governments provide mandated and nonmandated services which establish the infrastructure and support needed for local residents to live and work and for businesses to better compete in an increasingly global economy. Spending is constrained by the ability of county governments to generate revenue to pay for expenditures, as the Arkansas Constitution requires counties to balance their budgets.

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”**
- **“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.

One of these services is **highways and streets**, which was one of the three largest expenditure categories for Arkansas counties from 1999 to 2012. Other important but nonmandated services include:

- **transportation**
- **water, sewer and other utilities**
- **solid waste**
- **emergency services**
- **community and rural development**
- **agricultural assistance**

In this study, the authors examine trends in county government spending during the 13-year period from 1999 to 2012 and observe how

counties adjust to increasing or decreasing populations that put additional burden on taxpayers. We compare relative and absolute expenditures among counties, regions and economic dependence classifications to identify counties and groups of counties that are facing similar expenditure concerns.

To get a variety of perspectives, we group counties three different ways:

- By whether they are metropolitan or non-metropolitan
- By their geographic location
- By their primary economic activity

These methods of classification come from the U.S. Census Bureau, the Economic Research Service of the USDA and from the University of Arkansas Division of Agriculture’s *Rural Profile of Arkansas*. The *Rural Profile* divides the state into four categories – Coastal Plains, Delta, Highlands and Urban – based on geographic location and population.

In a state that sustains a variety of industries, the economic makeup varies greatly from one part of the state to another. The economic activity in one county may be drastically different from that of other counties. The ERS has six different economic dependency classifications based on a county’s primary source of income:

- Farming-dependent (1)
- Mining-dependent (2)
- Manufacturing-dependent (3)
- Federal/state government-dependent (4)
- Services-dependent (5)
- Nonspecialized (6)

All 75 Arkansas counties fall into five of these six classifications, the exception being the mining-dependent category (2).

Data Sources and Descriptions

A variety of information sources are utilized in this study. Data were collected from the Arkansas Division of Legislative Audit, the Bureau of Economic Analysis, the U.S. Department of Labor, the U.S. Census Bureau, the USDA's Economic Research Service and the University of Arkansas Cooperative Extension Service.

In this report, the authors show the changing trends in county government expenditures during

the 13-year period 1999-2012 and compare spending among counties and regions of the state. We use total expenditures, per capita expenditures and expenditures per \$1,000 of personal income as comparative expenditure indicators. In addition, we conduct a regional analysis as well as an evaluation of spending trends based on economic dependence. All dollar values are reported in 2012 constant (real) U.S. dollars unless otherwise indicated.¹

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

Trends in Total County Government Expenditures

Total Expenditures

Total county government spending increased 32% from 1999 to 2012², though the trend in spending varied greatly among counties. Total county government spending rose from \$758 million to just over \$1 billion (Figure 1) during this period.

Total expenditures rose sharply from 2000 to 2001 as a result of an ice storm which required increased spending to repair damages to local infrastructure. Many counties received disaster relief funds from the federal government to pay for some of the increased costs. Despite the resulting drop in spending in 2002, expenditures followed a general increasing trend until 2009. Total spending reached over \$1 billion in 2009 and only slightly fluctuated until 2012.

While total spending by Arkansas counties overall grew during the 13-year period, some counties experienced greater spending growth than did others, and spending in some counties declined.

Sixty-one counties (or 81% of all counties) saw an increase in total expenditures.

- Van Buren County's expenditures grew the most (264%).
- Faulkner was the only other county with an increase greater than 100% (106%).

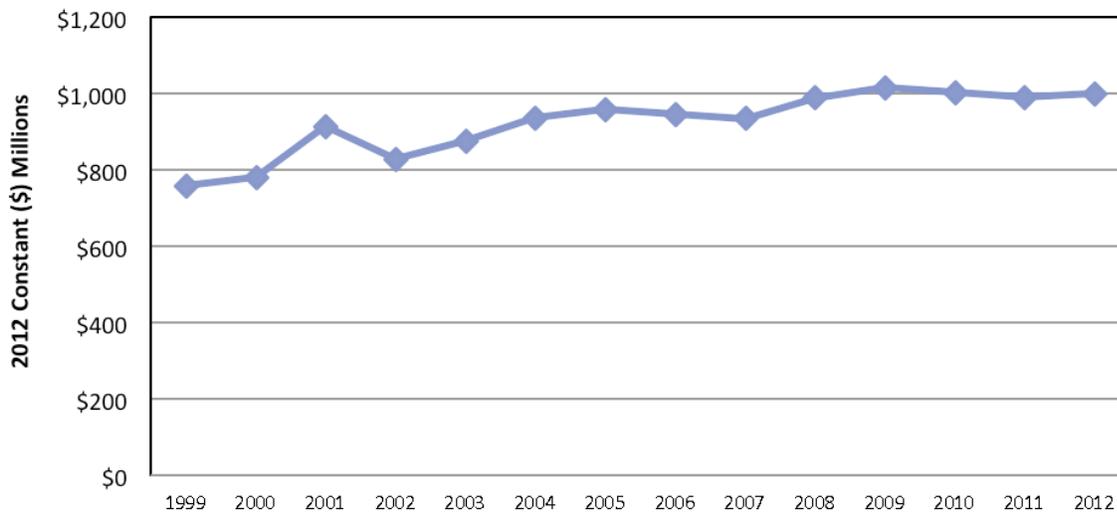
Fourteen counties (or 19% of all counties) experienced a decrease in total expenditures during the 13-year period.

- St. Francis County experienced the largest decline in spending (-20%).
- In the other 13 counties, the decline was less than 15% (Figure 2).

In 2012, 30 counties had total expenditures greater than \$10 million, while ten counties had total expenditures lower than \$5 million.

- Pulaski County had the greatest total expenditures among all 75 counties in 2012, \$110 million.

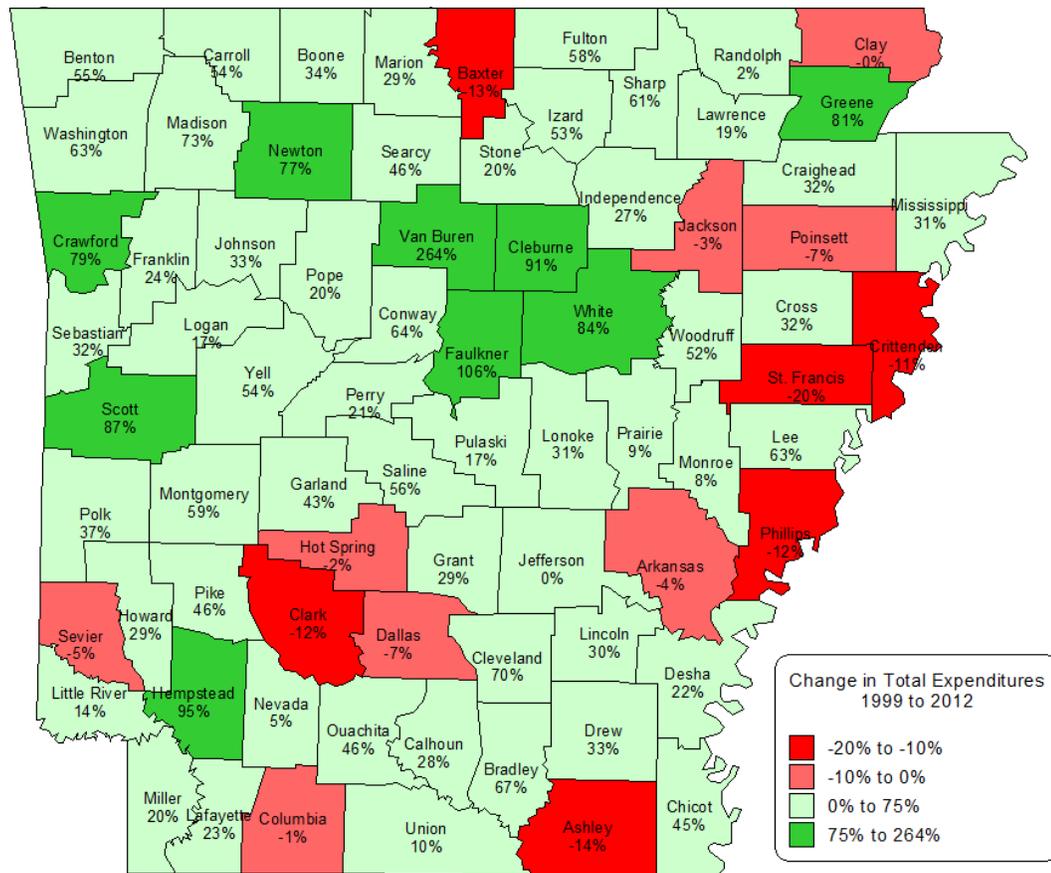
Figure 1. Total County Expenditures (1999-2012)



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

²At 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 for Scott County.

Figure 2: Change in Total County Expenditures (1999-2012)



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

- Woodruff County had the lowest total expenditures in the same year (\$3.7 million).

Benton, Clark, Hot Spring, Lonoke, Poinsett, Sevier, St. Francis and Crittenden.

- Sixty-five counties saw an increase in per capita expenditures. Three of these counties (Hempstead, Lee and Van Buren) saw increases greater than 100%.

Per Capita Expenditures

During the 13-year period, there was also an increase in total county government spending on a per capita basis: from \$286 in 1999 to \$339 in 2012, a 19% change (Figure 3). But the increase in spending varied among counties, and despite the overall upward trend, some counties experienced declines in per capita expenditures.

From 1999 to 2012:

- Changes in per capita spending ranged from a 19% decrease in Baxter County to an increase of 243% in Van Buren County.
- Ten counties (or 13% of all counties) showed a decline in per capita spending. These counties were Ashley, Baxter,

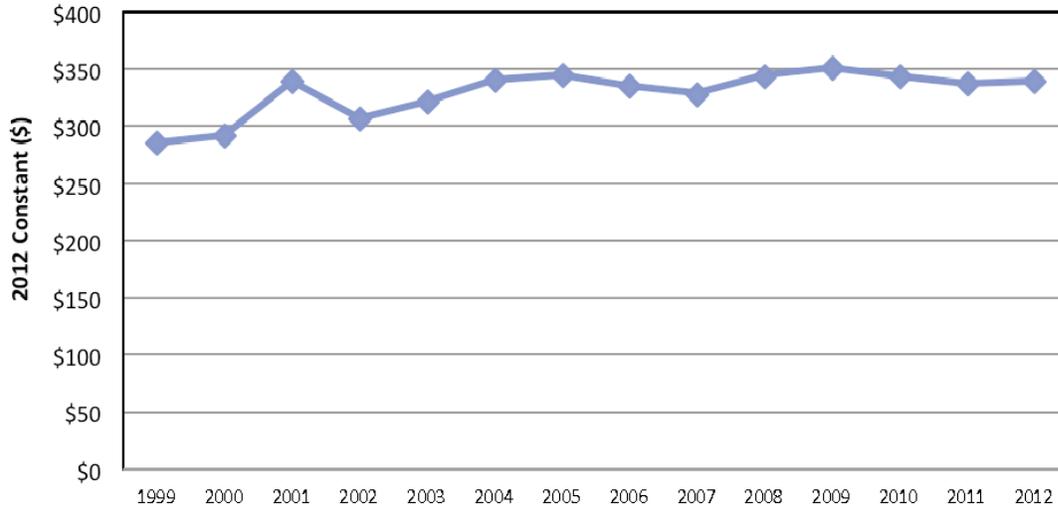
Expenditures Per \$1,000 of Personal Income

Total county expenditures per \$1,000 of personal income rose only 1% from 1999 to 2012, from \$9.50 to \$9.58 (Figure 4). Spending per \$1,000 of personal income fluctuated above and below \$10 from 1999 to 2012 and showed a steady decline from 2009 to 2012. As with total county expenditures and total county per capita expenditures, there was great variation among counties.

- The change ranged from a 28% decline in Baxter and Clark Counties to a 165% increase in Van Buren County.

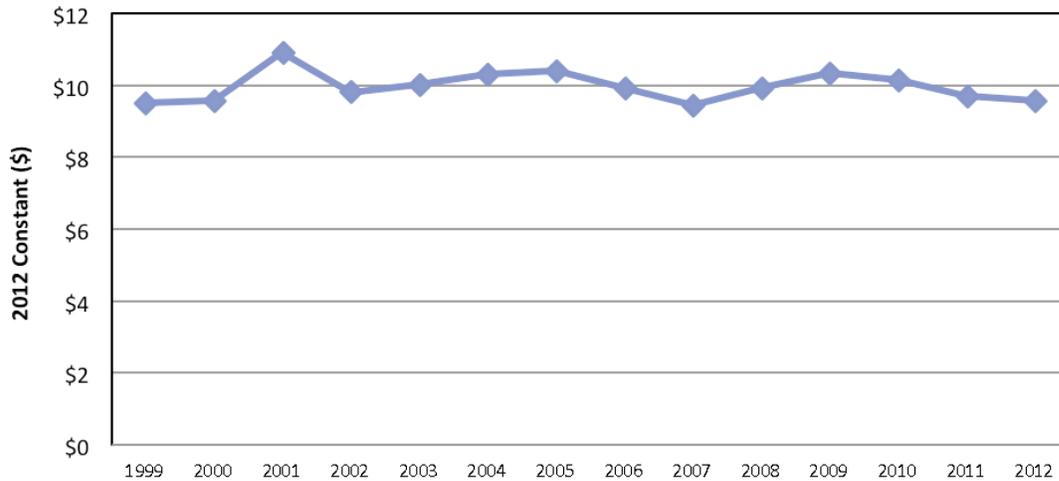
- Twenty-seven counties saw a decline in total expenditures per \$1,000 of personal income.
- In six of these counties (Baxter, Clark, Crittenden, Hot Spring, Poinsett and St. Francis), the decline was greater than 20%.
- On the other hand, 48 counties experienced an increase in total expenditures per \$1,000 of personal income.
- In two cases (Scott³ and Van Buren⁴), the increase was greater than 100%.

Figure 3: Per Capita Total County Expenditures (1999-2012)



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

Figure 4: Total County Expenditures Per \$1,000 of Personal Income (1999-2012)



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

³The large increase in spending per \$1,000 of personal income in Scott County can be attributed to the construction, operating and maintenance costs of the county jail built in 2008.

⁴The large increase in spending per \$1,000 of personal income in Van Buren County can be attributed to an increase in spending in most expenditure categories, but especially for the construction and renovations of the county hospital and for road construction and maintenance.

Comparison of Total County Government Expenditures by Category

While trends in overall expenditures are important for analysis, changes within specific spending categories can offer further insight into the financial situations counties face.

Since counties report expenditures in numerous categories which are sometimes inconsistent from year to year and among counties, we combined expenditures into seven categories to enable comparison over time and among counties.

The three major expenditure categories are:

- Law Enforcement and Public Safety
- Highways and Streets
- General and Other

Combined, these categories accounted for 89% of total expenditures in 2012 (Figure 5). Law Enforcement and Public Safety accounted for the largest share of total county expenditures, 39%, whereas General and Other and Highways and Streets spending accounted for 28% and 23% of total expenditures, respectively.

The four minor expenditure categories used in the study include:

- Health and Social Services
- Recreation and Culture
- Capital Outlay
- Debt Service

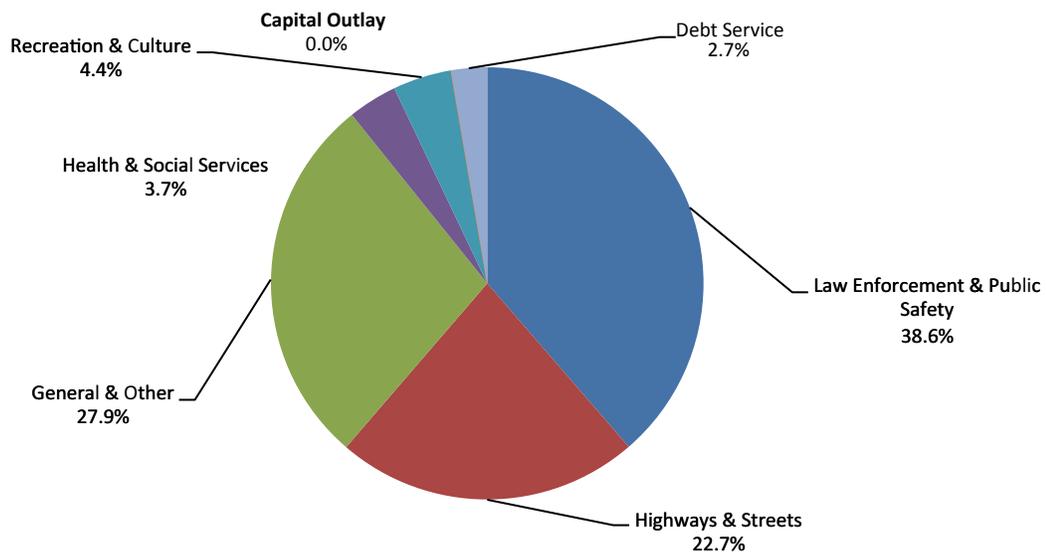
These categories jointly accounted for only 11% of total expenditures in 2012.

Total Expenditures

Law Enforcement and Public Safety was the highest expenditure category for Arkansas county governments in almost every year from 1999 to 2012 (Figure 6).

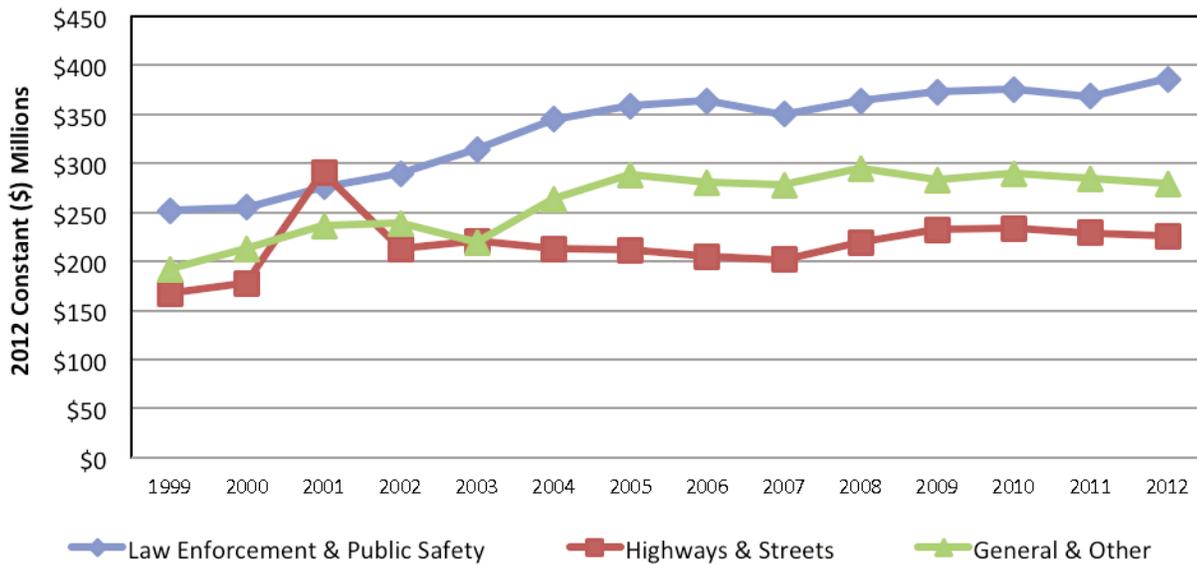
The one-year exception was 2001, when as a result of the aforementioned ice storm, spending on Highways and Streets peaked at \$291 million, edging out Law Enforcement and Public Safety, which accounted for \$277 million in total county expenditures that year.

Figure 5: Share of Total County Expenditures by Category (2012)



Source: Arkansas Legislative Audit.

Figure 6: Total County Expenditures for the Three Major Categories (1999-2012)



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

In addition to comparing expenditure categories to each other, it is important to understand changes that occur over time within each expenditure category. During the 13-year period, total county spending on Law Enforcement and Public Safety increased from \$253 million to \$387 million, a 53% increase.

- Newton County experienced the largest rise in Law Enforcement and Public Safety expenditures, from \$519,000 in 1999 to \$2 million in 2012, an increase of 279%⁵.
- Only Newton County saw an increase greater than 200%, and an additional 15 counties experienced increases greater than 100%.
- Only two counties, Desha and Hot Spring, saw decreases in Law Enforcement and Public Safety spending; for each, the drop was less than 1%.

Total county Highways and Streets expenditures increased from \$168 million to \$227 million, a 35% increase.

- The county with the largest increase in Highways and Streets expenditures was

Van Buren County, which saw an increase from \$1.3 million in 1999 to \$4.4 million in 2012, a 254% increase.

- Overall, 59 counties saw increases in this category; five of them experienced increases greater than 100%.
- The county with the largest decrease in Highways and Streets expenditures was Phillips County, which saw a 20% change: from \$2 million in 1999 to \$1.6 million in 2012.
- Overall, 16 counties saw decreases in this category; in seven of them, the drop was more than 10%.

Total county General and Other spending increased from \$192 million in 1999 to \$280 million in 2012, a 45% change.

- Yell County saw the greatest increase: 159%, from \$1 million to \$2.6 million.
- Overall, 66 counties saw increases in General and Other Spending; eight of these had increases greater than 100%.

⁵The large increase in Law Enforcement and Public Safety spending in Newton County can be attributed to the building of a new county jail.

- On the other hand, nine counties experienced decreases; in five of these (Clay, Crittenden, Phillips, St. Francis and Sevier), the drop was greater than 20%.
- Sevier County experienced the greatest decline in General and Other Spending: 33%, from \$3.7 million to \$2.5 million.

Among the four minor expenditure categories, the only decrease in total county spending during the 13-year period was a 100% drop in Capital Outlay expenditures, from \$82 million in 1999 to \$0 in 2012 (Figure 7). This is likely due to the use of bonds to raise revenue for capital projects instead of capital outlays.

- Health and Social Services spending increased the most among the four minor categories: 143%, from \$15 million in 1999 to \$37 million in 2012.
- Debt Service expenditures increased 40%.
- Recreation and Culture expenditures increased 50%.

Per Capita Expenditures

Total county per capita expenditures among the three major categories followed many of the same trends that total county expenditures followed. Law Enforcement and Public Safety accounted for the largest amount of money spent

over time, followed by General and Other and Highways and Streets (Figure 8).

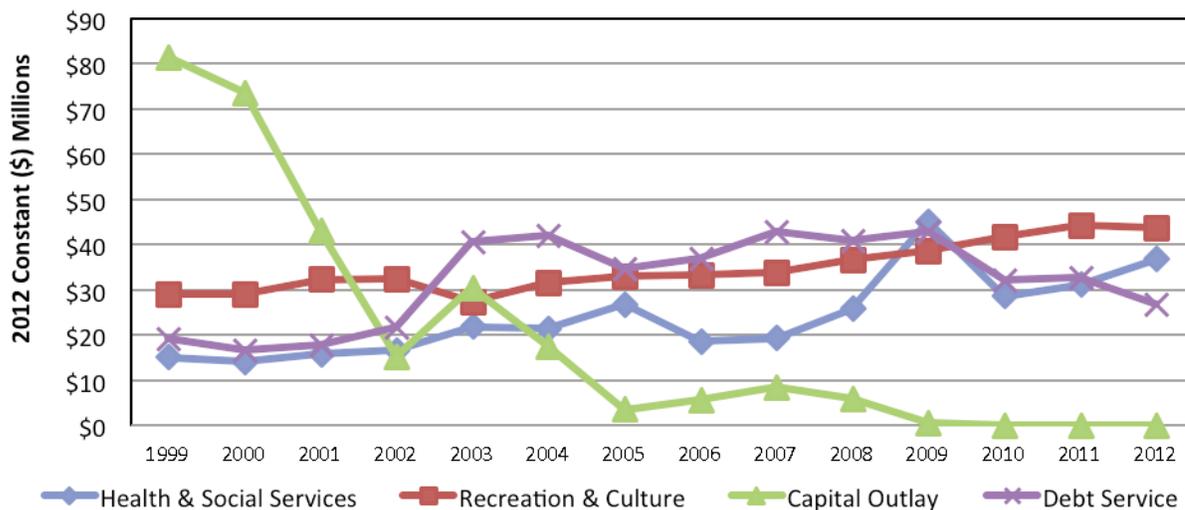
On a per capita basis, each of the major expenditure categories increased from 1999 to 2012, but at different rates. Total county per capita spending on Law Enforcement and Public Safety increased from \$95 to \$131, a 38% increase.

- The largest percentage increase in per capita Law Enforcement and Public Safety expenditures occurred in Newton County, which saw an increase of 297%, from \$61 to \$243.
- Overall, 74 counties experienced an increase in this category during the 13-year period.
- Of these counties, 13 saw per capita spending increases greater than 100%.
- Only Hot Spring County saw a decline, 10%, from \$92 to \$83.

Per capita total county spending on Highways and Streets increased 22% from \$63 in 1999 to \$77 in 2012, the lowest percentage increase among the three major categories.

- Lee County experienced the greatest positive change in Highways and Streets per capita expenditures, increasing from \$75 to \$258, a 244% increase.

Figure 7: Total County Expenditures for the Four Minor Categories (1999-2012)



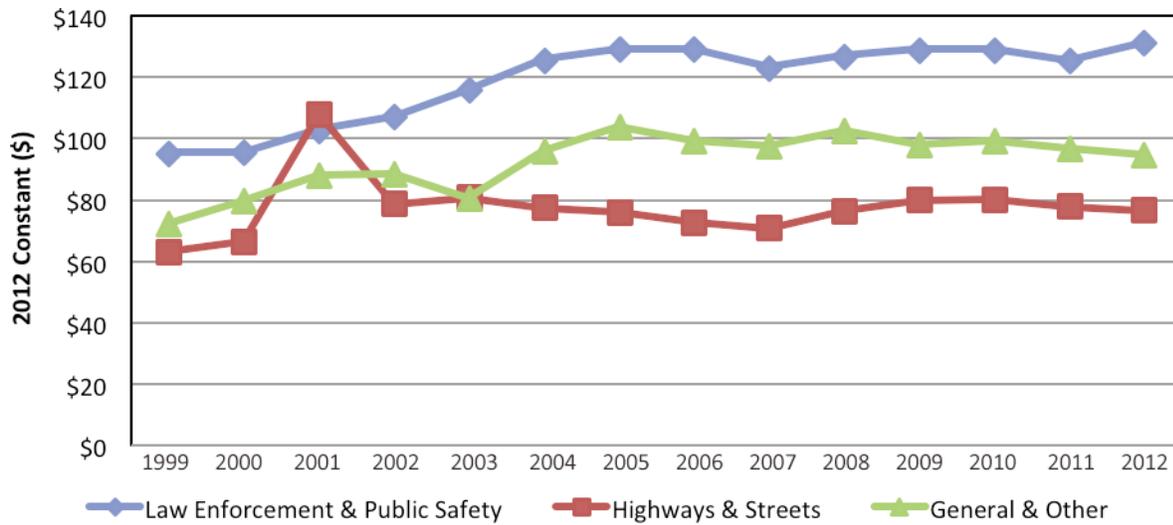
Sources: Arkansas Legislative Audit and U.S. Department of Labor.

- Overall, 65 counties saw increases in this category during the 13-year period.
- Of these counties, five saw per capita spending on Highways and Streets increase more than 100%.
- On the other hand, ten counties experienced a decrease in this category; in three of those counties, the drop was greater than 20%.
- Lonoke County saw the greatest decline (30%).

Per capita total county General and Other expenditures increased 31% from \$73 in 1999 to \$95 in 2012.

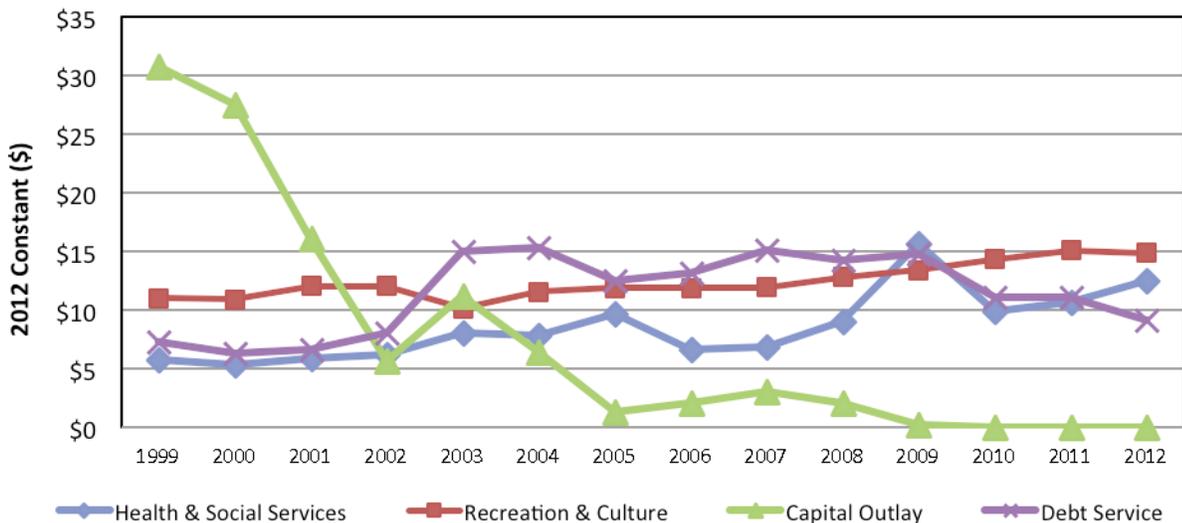
- Cleveland County experienced the greatest percentage increase during the 13-year period in this category, 152%, from \$73 to \$184.
- Overall, 67 counties experienced an increase. Four of these counties saw increases greater than 100%.

Figure 8: Per Capita Total County Expenditures for the Three Major Categories (1999-2012)



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

Figure 9: Per Capita Total County Expenditures for the Four Minor Categories (1999-2012)



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

- On the other hand, eight counties experienced declines in this category; in four cases, the declines were greater than 20%.
- Sevier County experienced the greatest decline, 38%, from \$234 to \$144.

Capital Outlay is the only one of the four minor categories in which total county per capita expenditures declined over the period of study (Figure 9). Spending per capita in this category fell from \$31 in 1999 to \$0 in 2012, a 100% decrease.

- Health and Social Services spending per capita rose 119%, from \$6 in 1999 to \$13 in 2012.
- Debt Service spending per capita increased 26%.
- Recreation and Culture total county spending per capita rose 35%.

Expenditures Per \$1,000 of Personal Income

Looking at the seven spending categories in terms of expenditures per \$1,000 of personal income reveals a considerable difference on several levels.

Total county expenditures per \$1,000 of personal income increased over the 13-year span for all of the three major categories.

In the Law Enforcement and Public Safety category, that increase was 17% from 1999 to 2012, as overall expenditures went from \$3.17 per \$1,000 of personal income to \$3.70. At the individual level:

- Newton County had the greatest percentage increase in this category during the period, 192%, from \$3 in 1999 to \$8.76 in 2012.
- Overall, 66 counties experienced an increase; in seven of these, spending on Law Enforcement and Public Safety per \$1,000 of personal income rose more than 100%.

- On the other hand, nine counties saw a decrease, with Hot Spring County having the greatest decline (22%).

Highways and Streets expenditures per \$1,000 of personal income increased 3%, from \$2.10 in 1999 to \$2.17 in 2012.

- Overall, 47 counties saw an increase in this category during the 13-year period; in three counties (Lee, Sharp and Van Buren), that increase was greater than 100%.
- Van Buren County experienced the greatest increase, 158%, from \$3.22 to \$8.30.
- On the other hand, 28 counties saw a decrease in spending on Highways and Streets during the 13-year period; three counties (Cross, Lonoke and Miller) saw expenditures per \$1,000 of personal income in this category fall more than 30%.
- Lonoke County had the greatest decline among the 75 counties, 37%.

General and Other expenditures per \$1,000 of personal income increased 11% from \$2.41 in 1999 to \$2.68 in 2012.

- Fifty-three counties experienced an increase in this category; in three counties (Cleveland, Madison and Yell), the increase was greater than 100%.
- Yell County had the greatest increase, 140%, from \$1.77 to \$4.26.
- On the other hand, 22 counties saw a decrease in General and Other expenditures per \$1,000 of personal income during the same 13-year period.
- Of the 22 counties that saw decreases, four (Clay, Crittenden, St. Francis and Fulton) had declines greater than 30%; Crittenden and Fulton saw the greatest declines at 38%.

In three of the four minor expenditure categories, county spending per \$1,000 of personal income rose from 1999 to 2012, while in the fourth category it fell sharply.

Capital Outlay expenditures per \$1,000 of personal income fell 100% from \$1.02 in 1999 to \$0 in 2012. No counties reported spending in this category from 2010 to 2012, and except for Sebastian County, no counties reported any spending in this category starting in 2006.

The greatest increase in expenditures per \$1,000 of personal income among all the minor categories was in Health and Social Services.

- The aggregate change from 1999 to 2012 was 86%, as expenditures increased from \$0.19 to \$0.35.
- The median change was 31%, while the maximum was over 100% (Van Buren County)⁶ and the minimum -79% (Craighead County).

From this distribution, it is obvious that there was a large difference among counties in the change in Health and Social Services expenditures per \$1,000 of personal income. Of the 75 Arkansas counties, 31 saw a decrease from 1999 to 2012, while 44 reported increases.

Changes in spending on Recreation and Culture per \$1,000 of personal income had even more variation among counties than Health and Social Services expenditures. While the overall change was 15%, the maximum was over 100%

(Baxter County), the minimum was -100% (Mississippi County) and the median change was 20%.

- Of the 73 counties that reported Recreation and Culture spending in 1999 (only Benton and Washington counties did not), 50 saw an increase in this category from 1999 to 2012, and 23 saw decreases.
- Seventeen counties saw increases greater than 100%, and three experienced declines greater than 50%.

Debt Service was another category where there was wide variation among counties in expenditures per \$1,000 of personal income over the 13-year period. The total change in Debt Service spending for all counties was only a 7% increase, from \$0.24 in 1999 to \$0.26 in 2012.

- Of the 56 counties that reported Debt Service spending in 1999, 33 saw increases and 23 saw decreases in spending per \$1,000 of personal income during the 13-year period.
- Greene County saw the greatest increase at over 100%, while nine counties (Poinsett, Crittenden, Desha, Johnson, Montgomery, Nevada, Pope, Pulaski and Sebastian) had declines of 100%.

⁶The large increase in Health and Social Services spending in Van Buren County can be attributed to additional construction and renovations for the county hospital.

Comparison of Total County Government Expenditures by Region

To gain even more insight into the changing landscape of expenditures in Arkansas, it is helpful to observe changes in different regions of the state. The 1999 Census designation of metro vs. non-metro counties gives a general breakdown for comparisons between urban and rural regions.

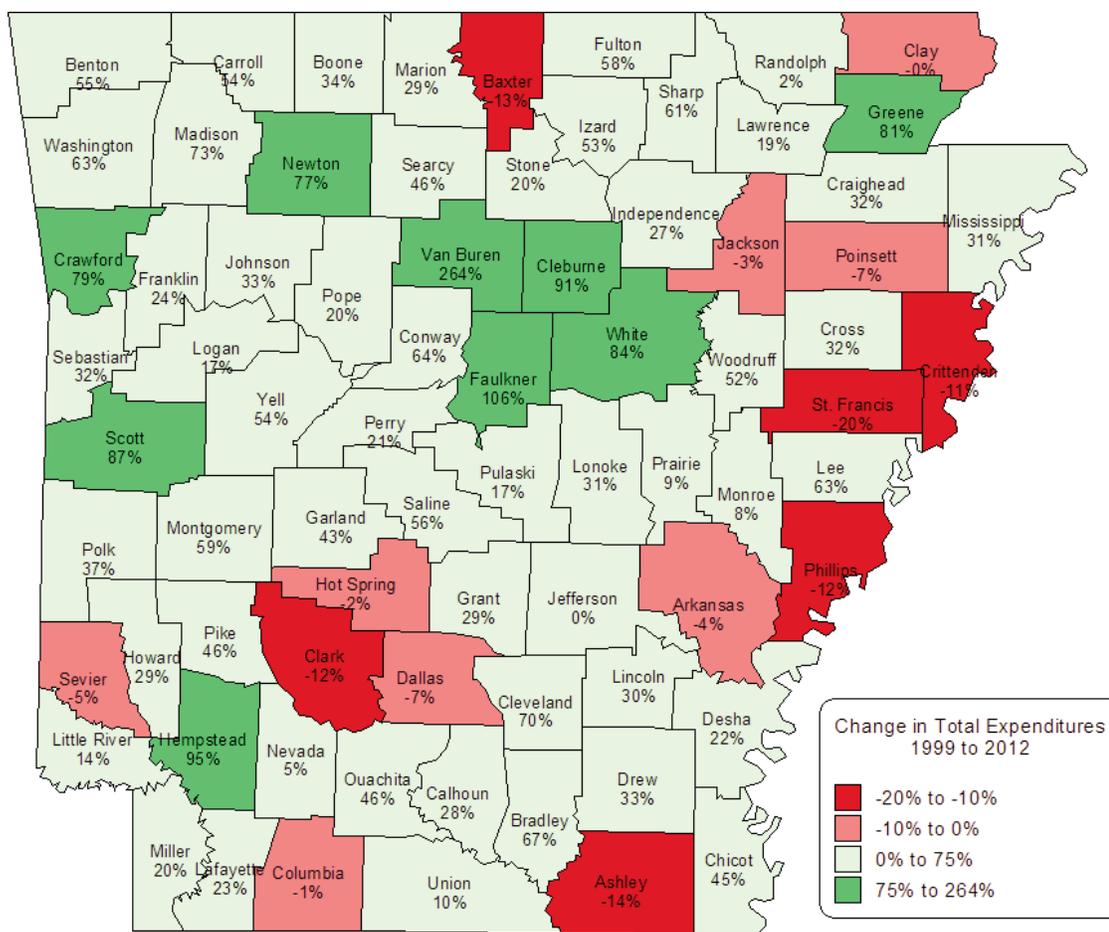
To draw even more detailed analysis, the rural counties can be divided into separate geographic categories of their own, classified as the Coastal Plains, Delta and Highlands.

Figures 10 and 11 illustrate the regional breakdowns.

Metro vs. Non-Metro Total Expenditures

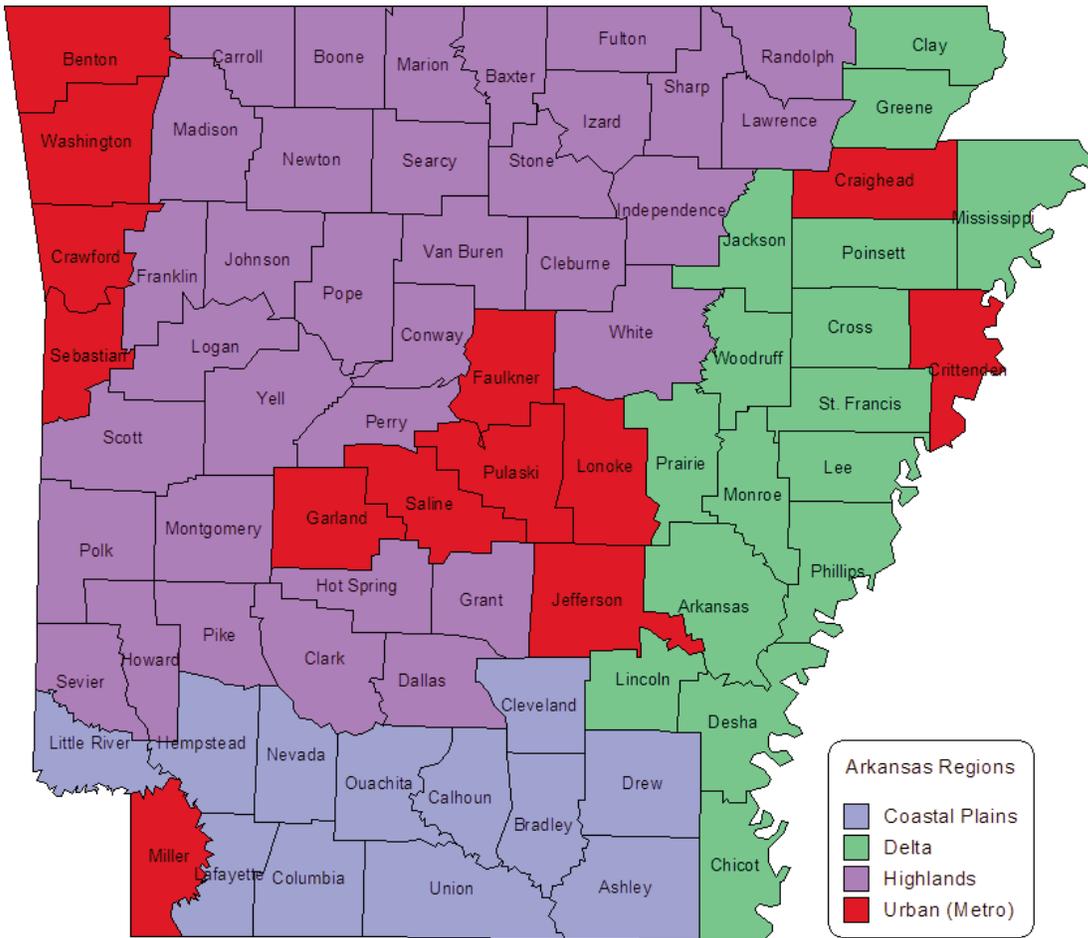
The map (Figure 10) makes it clear that Arkansas is still largely a rural state. Non-metro total expenditures were greater than metro total expenditures in each of the 14 years (Figure 12). The difference in total spending between the two categories was greatest in 2001 when spending in non-metro counties exceeded spending in metro counties by \$151 million.

Figure 10: Metro vs. Non-Metro Arkansas Counties



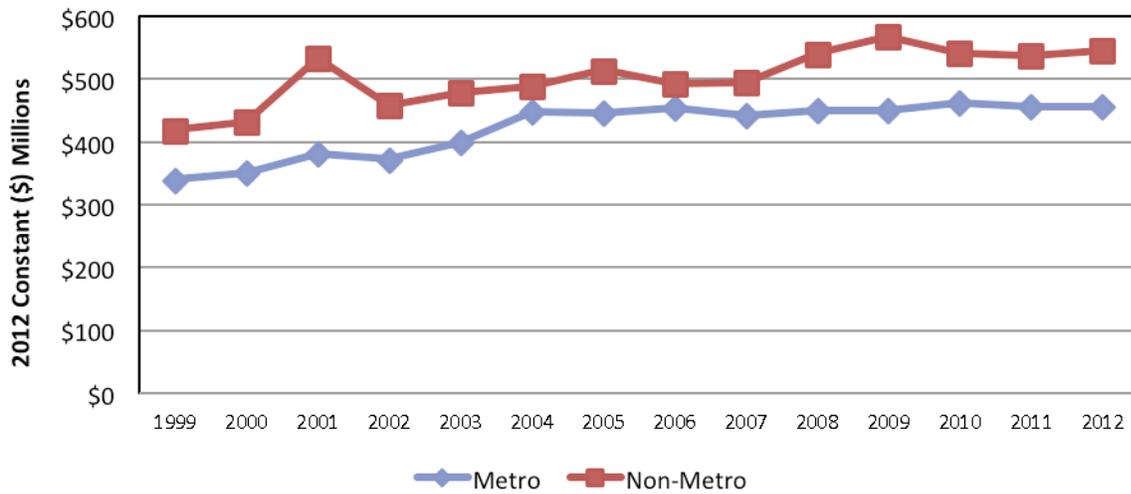
Source: U.S. Census Bureau.

Figure 11: Arkansas Regions



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

Figure 12: Total County Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

Although non-metro counties spent more than metro counties from 1999 to 2012, metro counties grew by a greater percentage than non-metro counties during this time. However, spending in metro counties remained relatively flat from 2004 to 2012, while spending in non-metro counties continued to increase during this period.

- Total metro expenditures increased from \$340 million in 1999 to \$456 million in 2012, a 34% change.
- Total non-metro expenditures increased from \$419 million in 1999 to \$545 in 2012, a 30% change.

Per Capita Expenditures

On a per capita basis, non-metro expenditures increased at a far greater rate than did metro expenditures during the 13-year period (Figure 13). Non-metro spending increased 30%, from \$332 per capita in 1999 to \$432 per capita in 2012, and saw a substantial increase from 2007 to 2009. Metro per capita spending, on the other hand, increased 11%, from \$244 in 1999 to \$270 in 2012. It is notable that per capita spending in metro counties declined from 2004 to 2012, while it increased in non-metro counties during this period.

In absolute terms, non-metro spending per capita was greater than metro spending per capita in each of the 14 years of the study. The difference between the two categories reached a high of \$172 in 2009.

Expenditures Per \$1,000 of Personal Income

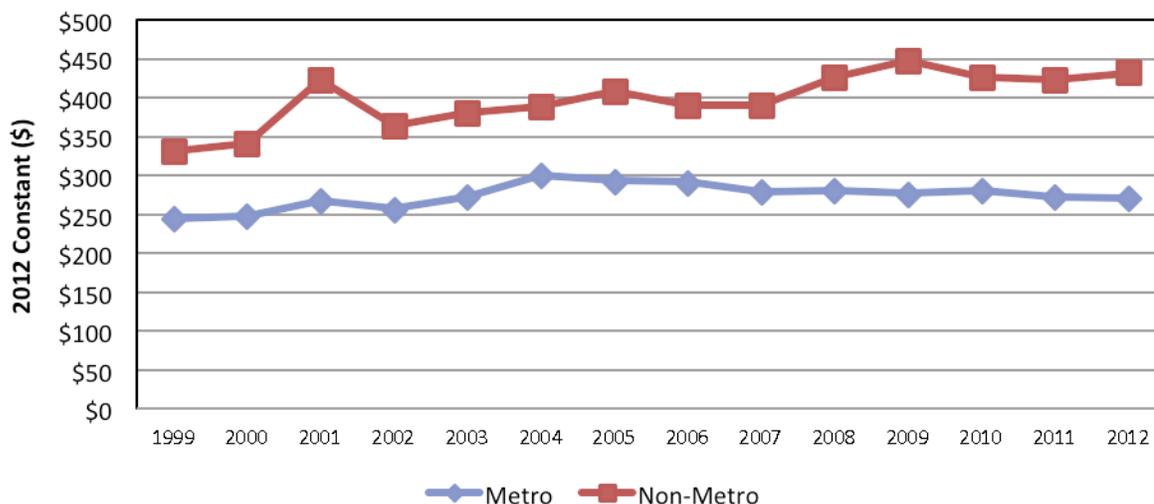
Metro and non-metro counties also showed differing trends in spending per \$1,000 of personal income (Figure 14). From 1999 to 2012, metro expenditures per \$1,000 of personal income decreased by 4%, from \$7.33 to \$7.03. Non-metro expenditures per \$1,000 of personal income, on the other hand, increased 10%, from \$12.50 in 1999 to \$13.75 in 2012.

Relative Importance of Expenditure Categories

In 2012:

- Law Enforcement and Public Safety expenditures accounted for the largest portion of spending for both metro and non-metro areas (Figure 15). However, in relative terms, metro counties spent more on Law Enforcement and Public Safety, as that category accounted for 46% of metro counties' total expenditures and only 32% of non-metro counties' total expenditures.

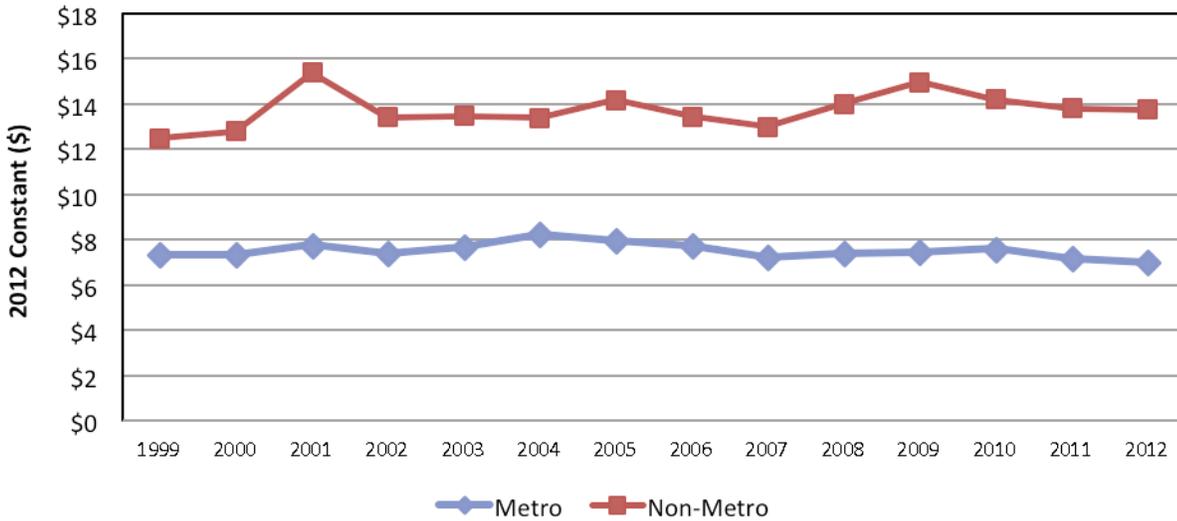
Figure 13: Per Capita Total County Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

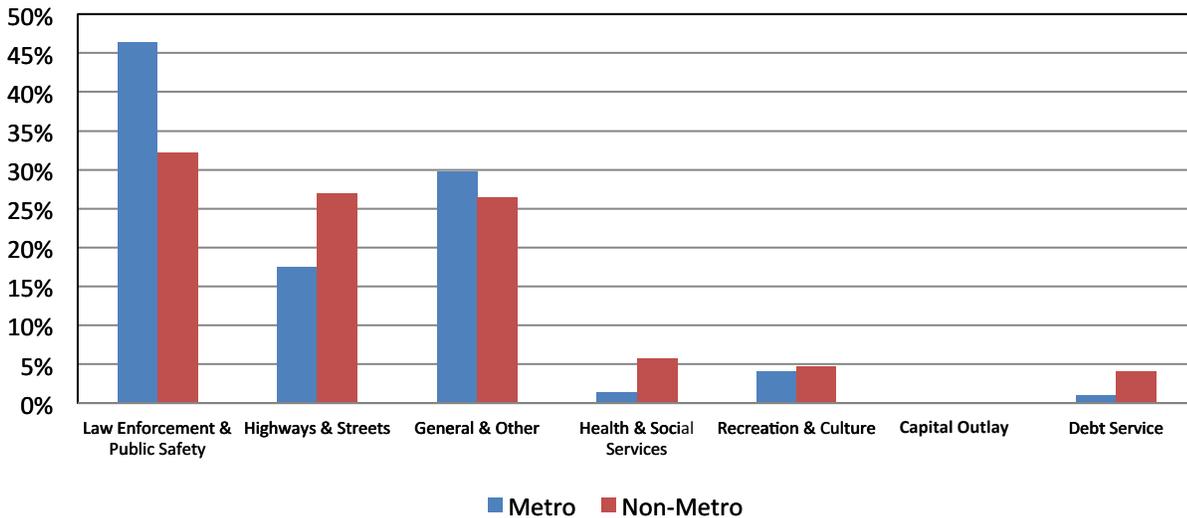
- Highways and Streets took the second largest portion of total expenditures for non-metro counties at 27% while General and Other accounted for the second largest portion for metro counties at 30%.
- Recreation and Culture expenditures accounted for 4% of total spending in metro areas and 5% in non-metro areas.
- Health and Social Services spending was 1% of total expenditures in metro areas and 6% in non-metro areas.
- Debt Service took 1% of total expenditures in metro areas and 4% in non-metro areas.
- Capital Outlay accounted for 0% of total expenditures in both metro and non-metro areas.

Figure 14: Total County Expenditures Per \$1,000 of Personal Income Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

Figure 15: Relative Importance of Expenditure Categories Sorted by Metro vs. Non-Metro Regions (2012)



Source: Arkansas Legislative Audit.

Regional Total Expenditures

Analyzing the expenditure data by region reveals substantial differences among certain parts of the state (Figure 16).

- While total expenditures for all counties increased 32%, the Highlands and Urban areas saw the greatest percentage increases.
- The Highlands increased 38%, from \$230 million in 1999 to \$317 million in 2012, while the Urban counties increased 34%, from \$340 million to \$456 million.
- During the same 13-year period, the Delta grew by 18%, from \$103 million to \$121 million, while the Coastal Plains saw an increase of 25%, from \$86 million to \$107 million.

In addition to having the greatest increases in spending, the Highlands and Urban regions also spent more in total when compared to the other regions. In 2012, the Urban and Highlands regions jointly accounted for 77% of total expenditures, while the Delta and Coastal Plains only accounted for 23%.

Per Capita Expenditures

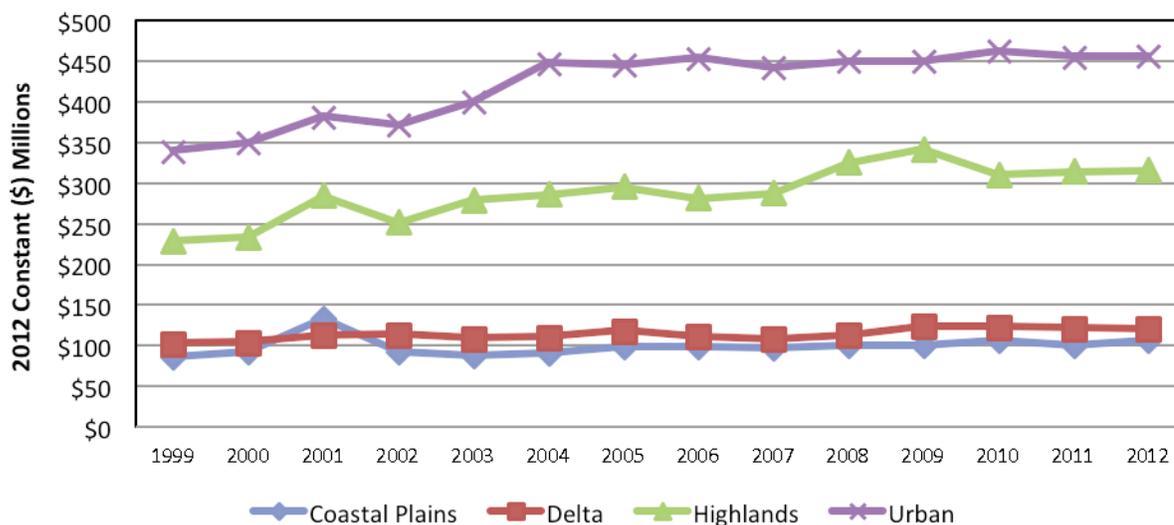
On a per capita basis, all four regions of the state experienced increases in total expenditures during the 13-year period (Figure 17).

- The Urban region saw the smallest increase of the four, 11%, from \$244 in 1999 to \$270 in 2012.
- The Highlands and the Delta regions both experienced percentage increases of 29%.
- The Coastal Plains saw the greatest percentage increase of the four regions, 35%, from \$381 in 1999 to \$516 in 2012.

Expenditures Per \$1,000 of Personal Income

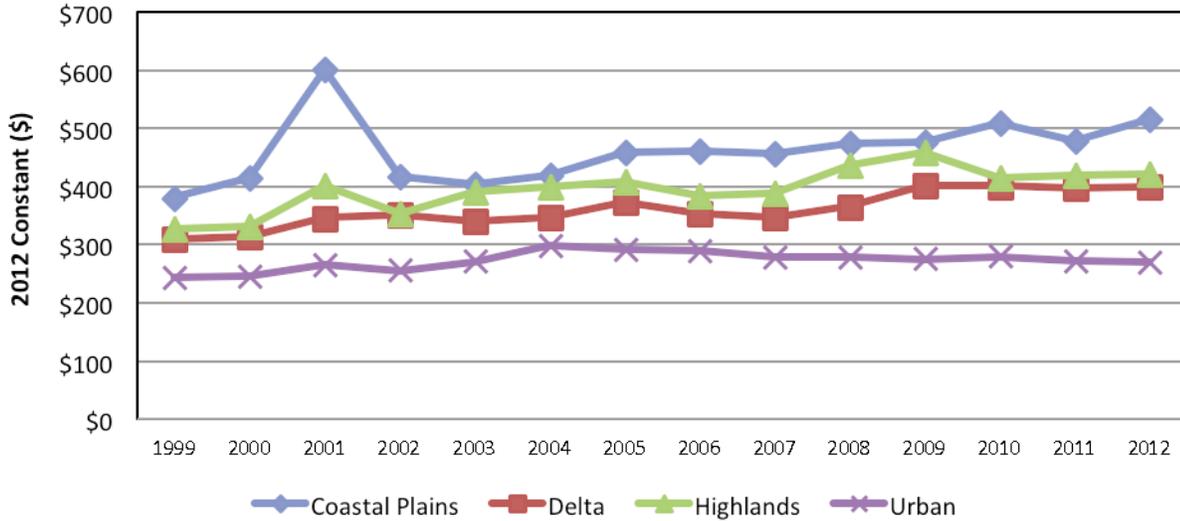
Total expenditures per \$1,000 of personal income increased in three of the four regions. The Highlands saw the greatest increase during the 13-year period, 15% from \$12.32 in 1999 to \$14.17 in 2012 (Figure 18). The Coastal Plains experienced an increase of 9%, and the Delta and Urban regions both experienced decreases, the Delta a decrease of less than 1% and the Urban region a decrease of 4%.

Figure 16: Total County Expenditures Sorted by Region (1999-2012)



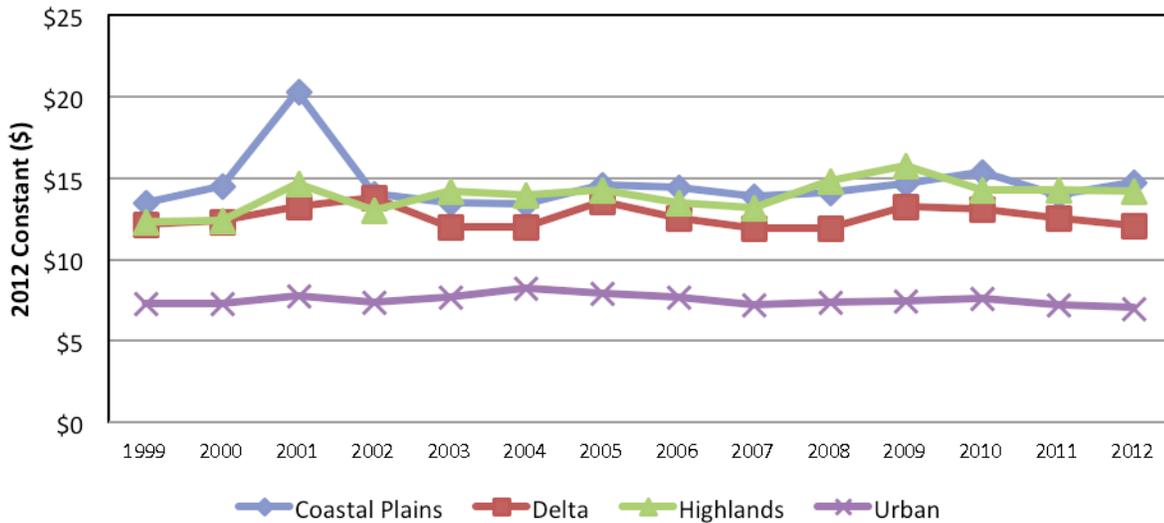
Sources: Arkansas Legislative Audit and U.S. Department of Labor.

Figure 17: Per Capita Total County Expenditures Sorted by Region (1999-2012)



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

Figure 18: Total County Expenditures Per \$1,000 of Personal Income Sorted by Region (1999-2012)



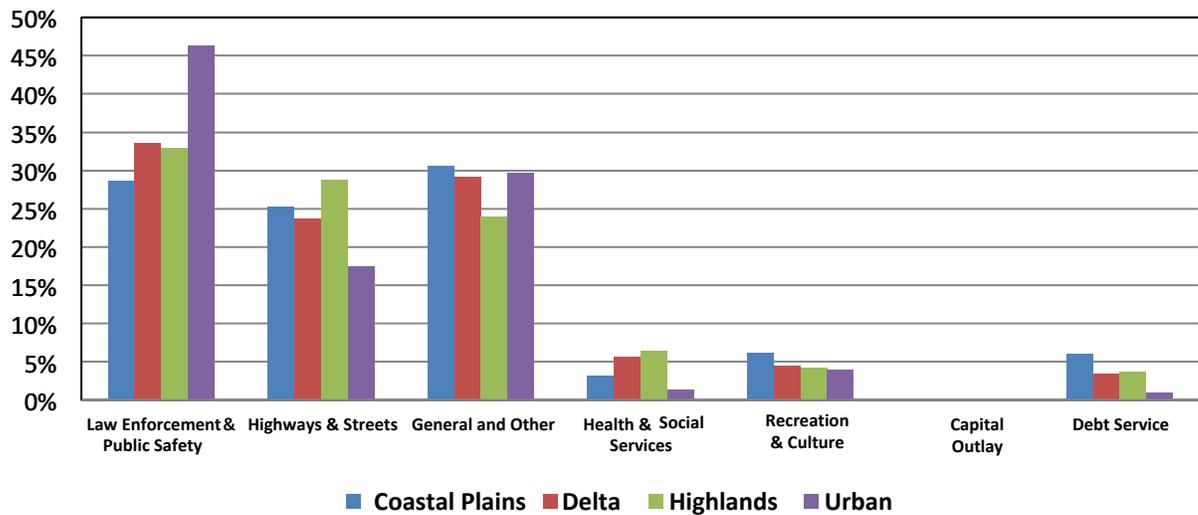
Sources: Arkansas Legislative Audit, U.S. Department of Labor and Bureau of Economic Analysis.

Relative Importance of Expenditure Categories

In 2012:

- As Figure 19 shows, Law Enforcement and Public Safety accounted for the largest share of total spending in three regions: 46% in the Urban counties, 34% in the Delta and 33% in the Highlands. In the Coastal Plains, Law Enforcement and Public Safety accounted for the second largest share of total expenditures at 29%.
- General and Other spending accounted for the largest share of total expenditures in the Coastal Plains at 31% and the second largest share in the Delta and Urban counties at 29% and 30%, respectively. General and Other accounted for

Figure 19: Relative Importance of Expenditure Categories Sorted by Region (2012)



Source: Arkansas Legislative Audit.

- the third largest share of total expenditures in the Highlands at 24%.
- Highways and Streets as a portion of county spending ranked third in the Coastal Plains, Delta and Urban counties which spent 25%, 24% and 18%, respectively. Highway and Street spending ranked second in the Highlands, which spent 29% in this category.
- Recreation and Culture spending accounted for 4% of total expenditures in the Highlands, Delta and Urban regions and 6% in the Coastal Plains.
- Health and Social Services spending was 6% of total spending in the Delta and Highlands. In the Coastal Plains, Health and Social Services spending accounted for only 3% of total spending and in the Urban region only 1%.
- Debt Service accounted for 6% of total expenditures in the Coastal Plains and 4% in the Highlands. Debt Service accounted for 3% of total expenditures in the Delta and 1% in the Urban counties.
- Capital Outlay was 0% of total spending in each region.

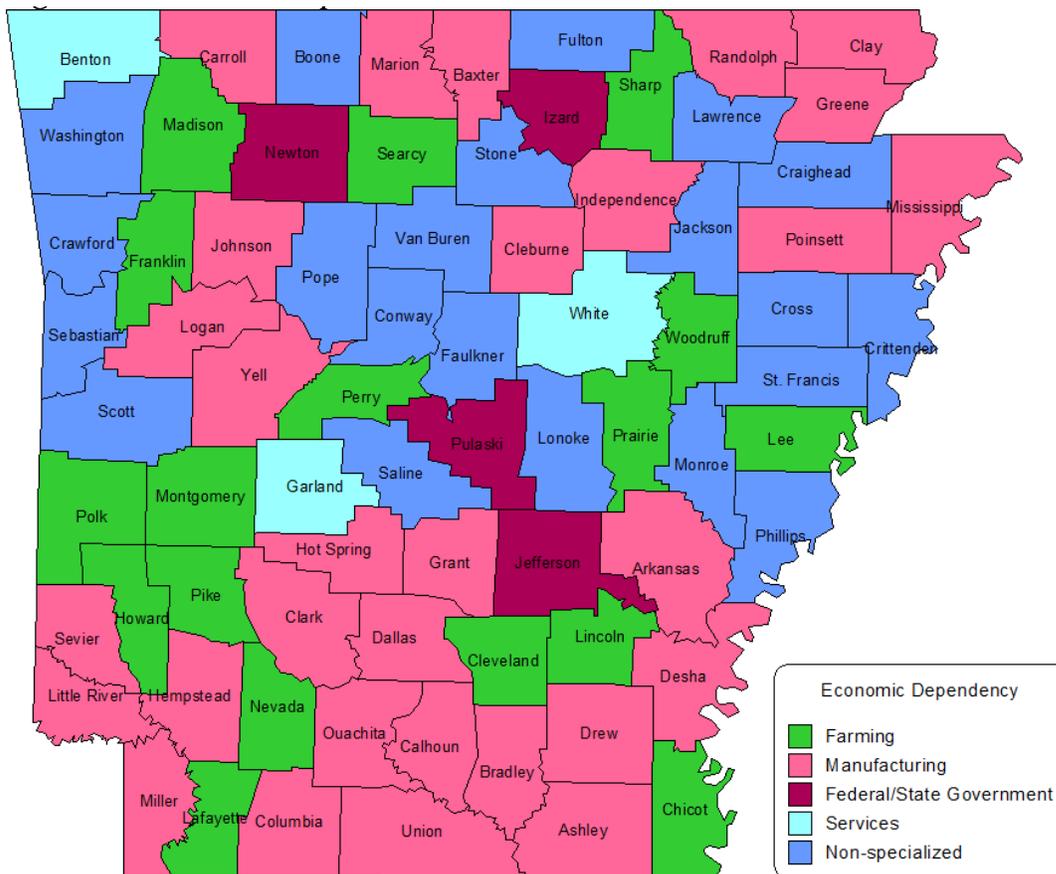
Comparison of Total County Government Expenditures by Economic Dependence

The Economic Research Service of the USDA provides economic dependence codes for all counties. According to the code, economic dependence is divided into six industries: farming-dependent (1); mining-dependent (2); manufacturing-dependent (3); federal/state government-dependent (4); services-dependent (5); and non-specialized (6). Figure 20 provides an economic dependence breakdown for all 75 Arkansas counties. As the map shows, there are no mining-dependent counties in Arkansas.

Changes in expenditures based on economic dependence show even more variation than changes in expenditures based on rural/urban regions.

- Services-dependent counties saw the greatest increase in total county expenditures from 1999 to 2012. Spending in these counties as a whole rose 56%, from \$73 million to \$114 million (Figure 21).
- Non-specialized counties saw a 44% increase in spending.
- Farming counties spent 36% more in 2012 than in 1999, manufacturing-dependent counties spent 23% more and federal/state government-dependent counties spent 16% more.

Figure 20: Economic Dependence Groups



Source: USDA Economic Research Service.

Per Capita Expenditures

On a per capita basis, farming-dependent counties experienced the greatest increase in total county expenditures among the state's five economic dependency groups: 41%, from \$348 in 1999 to \$490 in 2012 (Figure 22).

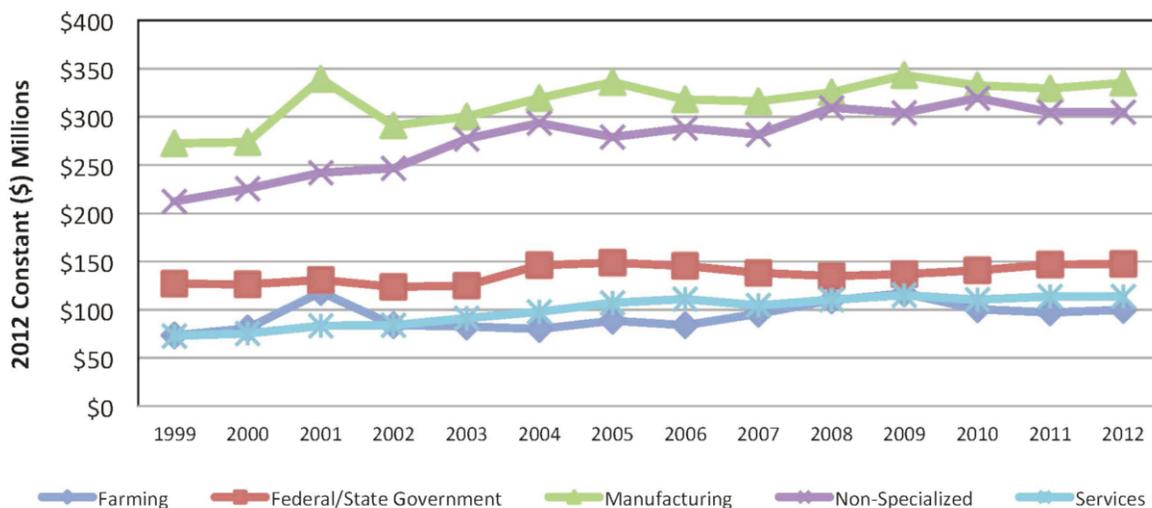
- Federal/state government-dependent counties saw the smallest increase in per

capita total spending, 11% from \$237 in 1999 to \$304 in 2012.

- Services-dependent counties experienced a 16% increase, non-specialized counties a 20% increase, and manufacturing-dependent counties a 21% increase.

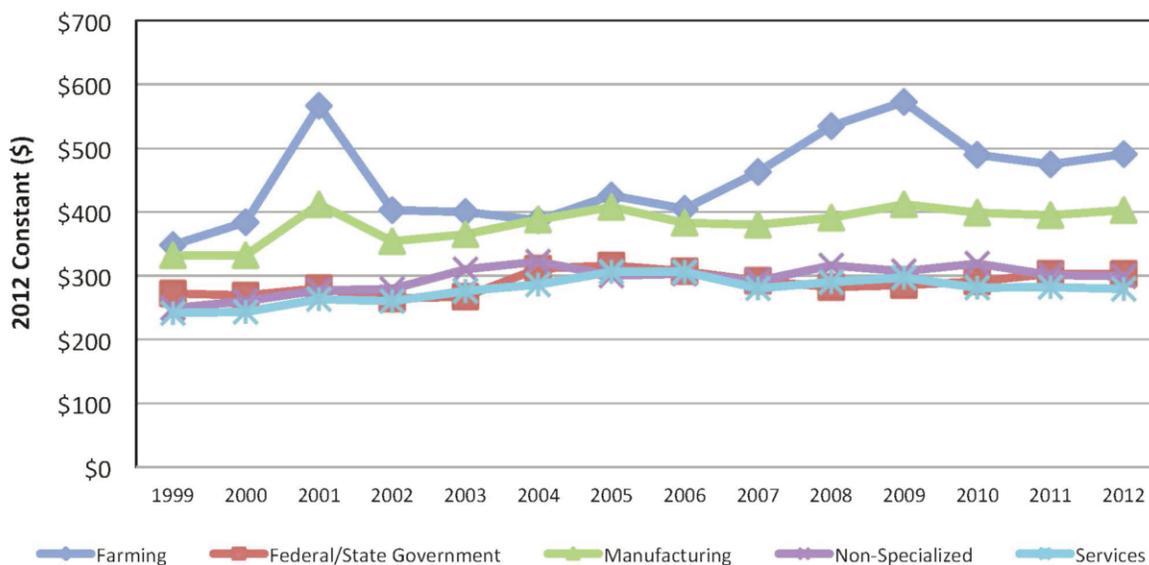
In absolute terms, farming-dependent counties also spent more per capita than any other economic dependency category in most

Figure 21: Total County Expenditures Sorted by Economic Dependence (1999-2012)



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

Figure 22: Per Capita Total County Expenditures Sorted by Economic Dependence (1999-2012)



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

years. In 2012, farming-dependent counties spent \$490 per capita, over \$200 more than per capita spending in services-dependent counties.

Expenditures Per \$1,000 of Personal Income

Farming-dependent counties experienced a considerably higher percentage growth in spending per \$1,000 of personal income from 1999 to 2012 than the other counties, increasing 25% from \$13.52 to \$16.93.

- Spending per \$1,000 of personal income rose by the same percentage of 1% in manufacturing, non-specialized and services-dependent counties.
- Federal/state government-dependent counties saw a 5% decrease in spending per \$1,000 in personal income, from \$7.37 in 1999 to \$7.03 in 2012.

In 2012, spending per \$1,000 of personal income was more than two times greater in farming-dependent counties than in federal/state government and services-dependent counties (Figure 23).

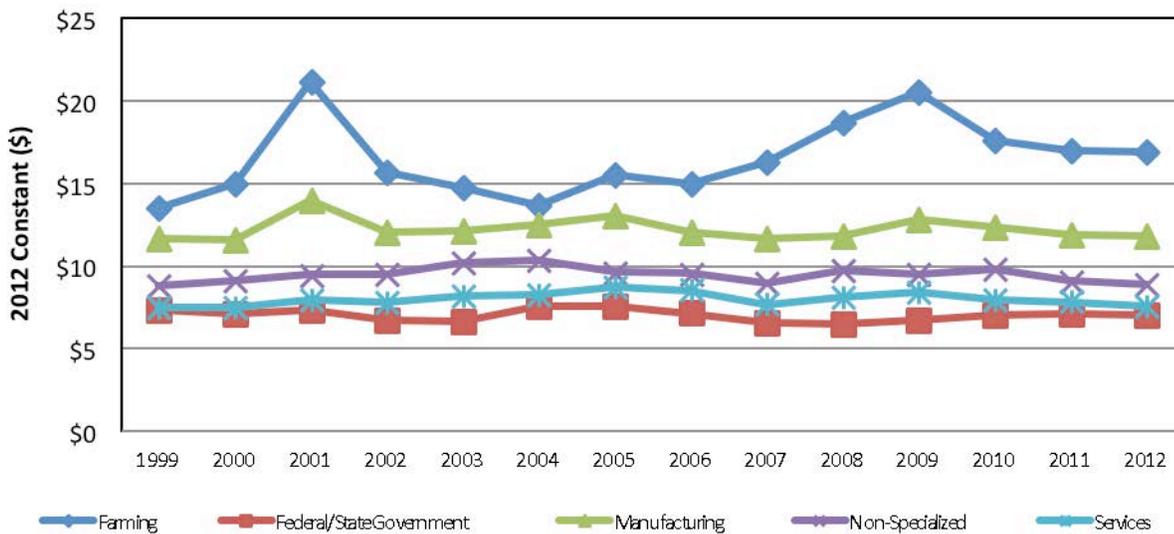
Relative Importance of Expenditure Categories

Figure 24 shows where the five economic dependency groups spent money in 2012:

Law Enforcement and Public Safety spending ranked first as a share of total expenditures in every economic dependency group except farming-dependent counties, where it ranked third. In federal/state government-dependent counties, Law Enforcement and Public Safety accounted for 46% of total expenditures, in services-dependent counties for 42%, in non-specialized counties for 41% and in manufacturing-dependent counties for 35%. In farming-dependent counties, it accounted for 27% of total expenditures.

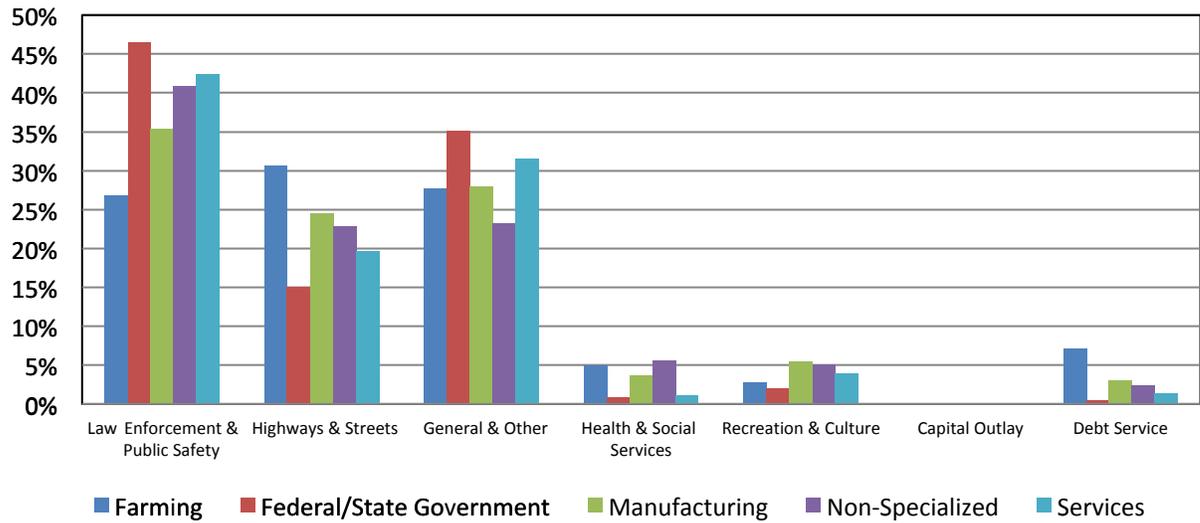
Only in farming-dependent counties did Highways and Streets account for the greatest share of total expenditures, 31%. Spending on Highways and Streets accounted for 24% of total expenditures in manufacturing-dependent counties, 23% in non-specialized, 20% in services-dependent counties and 15% in federal/state government-dependent counties.

Figure 23: Total County Expenditures Per \$1,000 of Personal Income Sorted by Economic Dependence (1999-2012)



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

Figure 24: Relative Importance of Expenditure Categories Sorted by Economic Dependence (2012)



Source: Arkansas Legislative Audit.

General and Other was the second-largest spending category in farming-dependent counties, accounting for 28% of their expenditures. General and Other spending also ranked second in federal/state government-dependent counties, which devoted a higher percentage to General and Other spending than any of the other four county groups did: 35%.

Recreation and Culture spending as a share of total expenditures ranged from 2% in federal/state government-dependent counties to 5% in manufacturing counties.

Health and Social Services as a share of total expenditures ranged from 1% in federal/state government-dependent counties to 6% in non-specialized counties.

Debt service as a share of total expenditures ranged from 0.5% in federal/state government-dependent counties to 7% in farming-dependent counties.

Capital Outlay accounted for 0% of total expenditures in each category.

Spending Patterns: A Changing Landscape

Law Enforcement and Public Safety has generally been the largest category of total expenditures among county governments in Arkansas from 1999 to 2012, exceeding all other categories in terms of total and per capita money spent except during 2001. In that year, in connection with the aforementioned ice storm, spending on Highways and Streets exceeded Law Enforcement and Public Safety spending.

Nevertheless, the overall trend was that Law Enforcement and Public Safety grew at a faster rate than did total overall expenditures.

- From 1999 to 2012, total county expenditures increased from \$758 million to \$1 billion, a change of 32%.
- During the same time, Law Enforcement and Public Safety expenditures for all counties grew from \$253 million to \$387 million, or an increase of 53%.
- Law Enforcement and Public Safety spending as a share of total county expenditures also increased over the 13-year period, from 33% in 1999 to 39% in 2012.

Analyzing metro vs. non-metro spending on Law Enforcement and Public Safety (Figure 25) reveals a changing landscape in spending patterns. Although total expenditures for this category from 1999 to 2012 increased at similar rates in metro and non-metro counties, the trends in per capita spending differed greatly.

- In metro counties, total Law Enforcement and Public Safety spending increased 49%, from \$142 million to \$211 million.
- In non-metro counties, it increased 59%, from \$111 million to \$175 million.

This non-metro increase in Law Enforcement and Public Safety spending can be explained by

the increases in each of the rural regions. The Highlands experienced a 67% rise in such spending between 1999 and 2012, while the Coastal Plains and Delta regions saw increases of 55% and 42%, respectively.

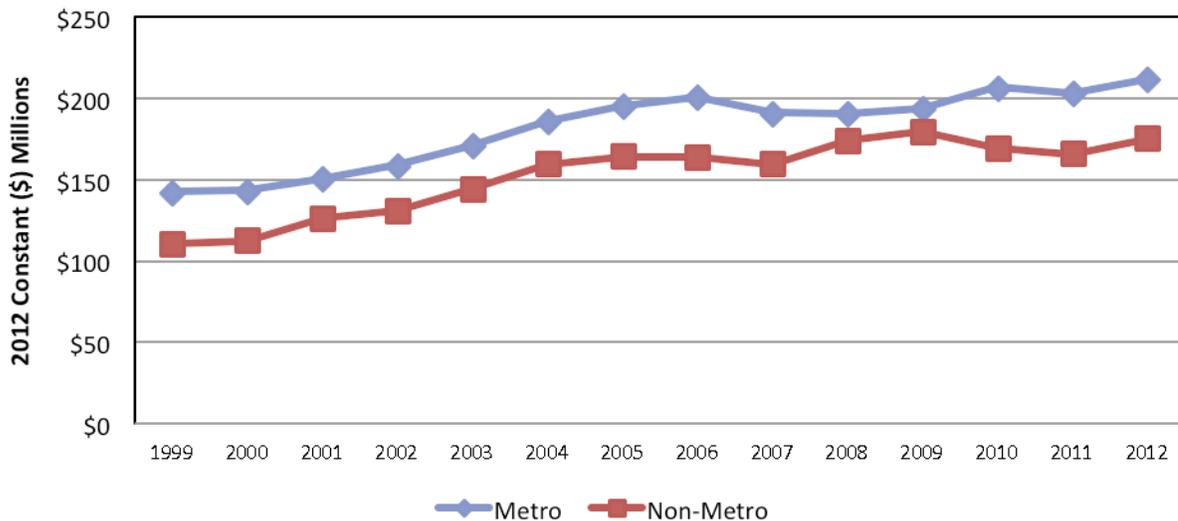
When considering population, a much different picture appears. In per capita terms (Figure 26), non-metro spending on Law Enforcement and Public Safety increased 58%, from \$88 in 1999 to \$139 in 2012. Spending in metro areas, on the other hand, increased only 22%, from \$102 per capita in 1999 to \$125 per capita in 2012, and did not change much at all from 2004 to 2012. This shows that although Law Enforcement and Public Safety spending is increasing in both metro and non-metro counties, the non-metro counties are experiencing a much faster increase in the cost per person.

The considerable increase in per capita spending in non-metro counties can be explained by the 69% increase in the Coastal Plains, the 57% increase in the Delta and the 56% increase in the Highlands.

Highways and Streets expenditures were a significant share of total spending among all Arkansas county governments from 1999 to 2012. But, whereas total spending on Law Enforcement and Public Safety increased at a rate of 53% during the 13-year period, expenditures for Highways and Streets increased only 35%.

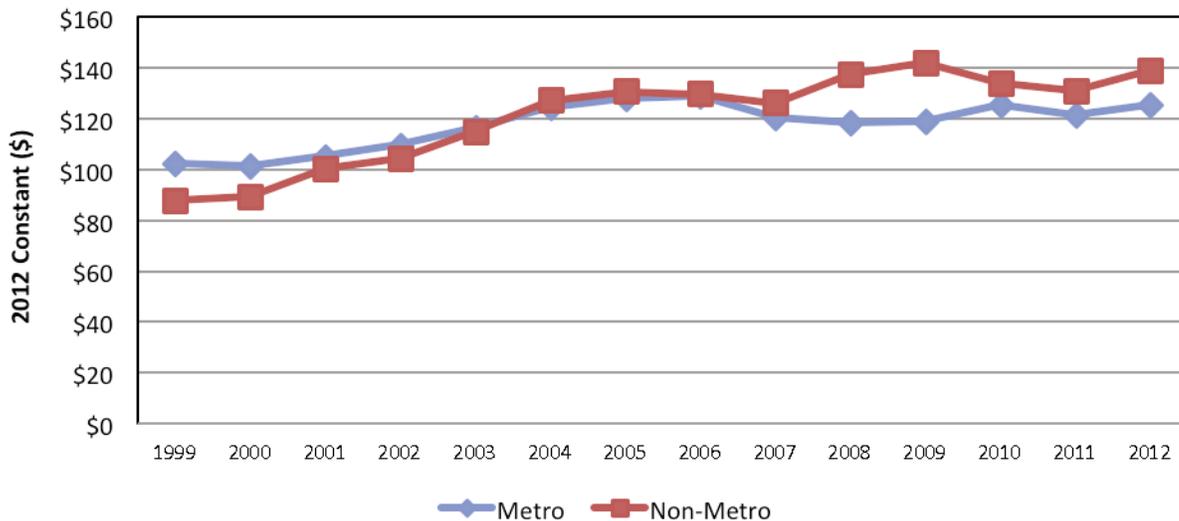
- Spending on Highways and Streets rose from \$168 million in 1999 to \$227 million in 2012.
- During that time, this category's relative share of total county government expenditures grew only slightly, from 22% to 23%.

Figure 25: Total County Law Enforcement and Public Safety Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

Figure 26: Per Capita Total County Law Enforcement and Public Safety Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

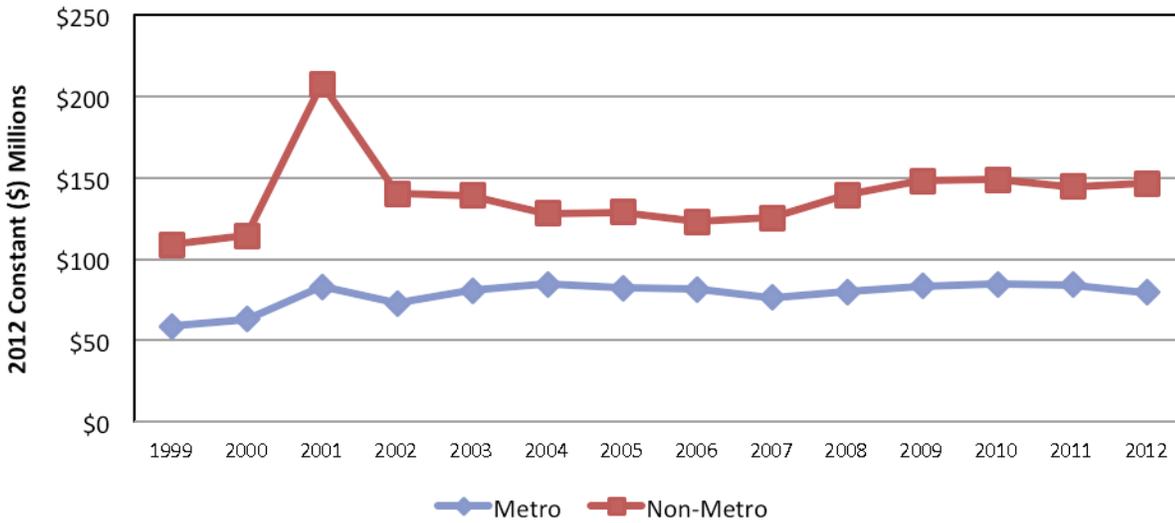
Metro and non-metro counties experienced similar increases in Highways and Streets expenditures (Figure 27).

- During the 13-year span, metro Highways and Streets expenditures grew 36% from \$59 million to \$80 million.

- At the same time, non-metro Highways and Streets expenditures grew 35% from \$109 million to \$147 million.

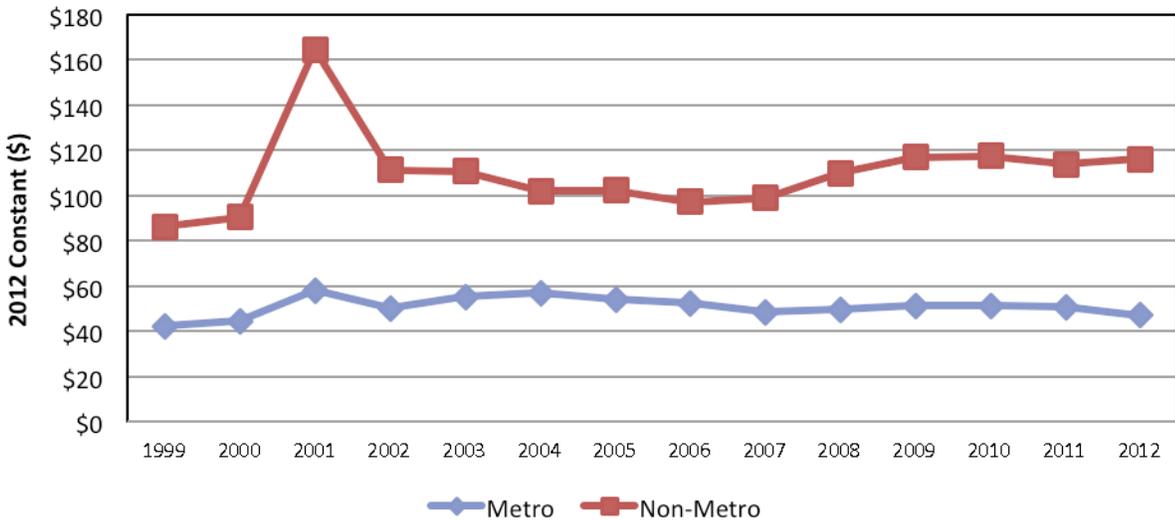
On a per capita basis however, non-metro counties experienced a 35% increase rise in expenditures for Highways and Streets from \$86 in 1999 to \$117 in 2012 while metro counties saw only a 12% increase from \$42 to \$47 (Figure 28).

Figure 27: Total County Highway and Street Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

Figure 28: Per Capita Total County Highway and Street Expenditures Sorted by Metro vs. Non-Metro Regions (1999-2012)



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

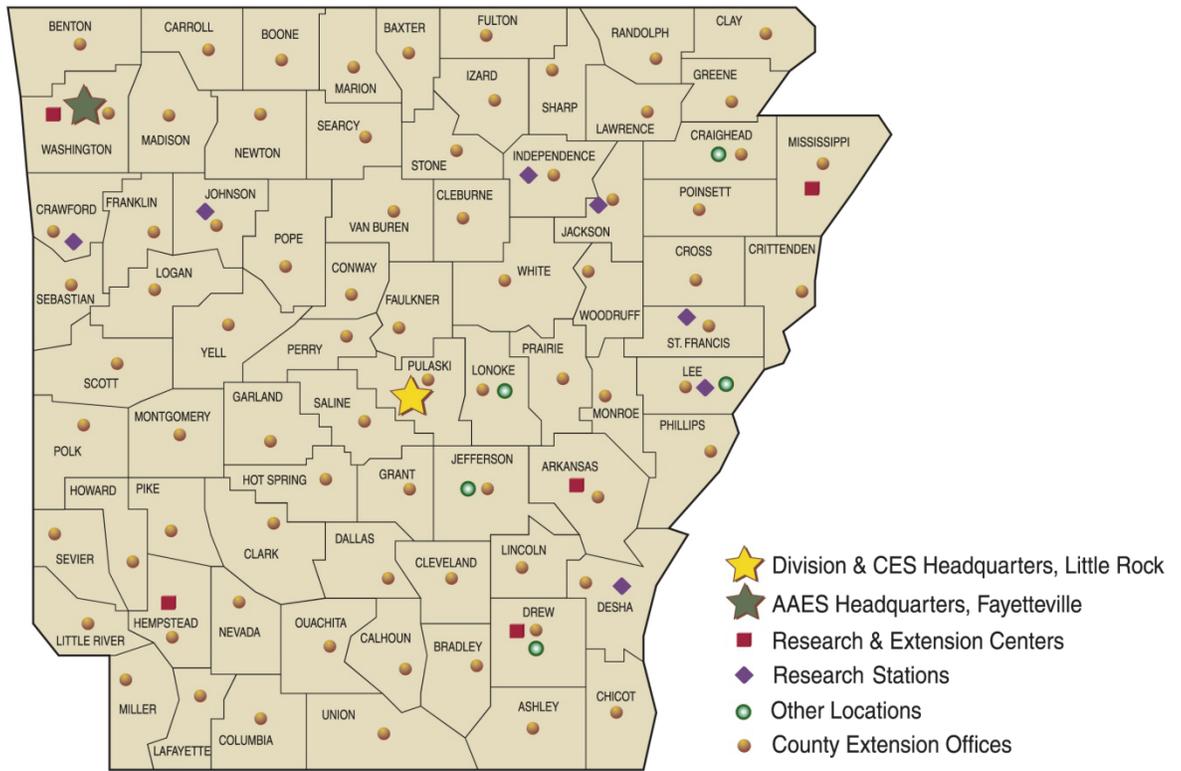
Summary

Although total county government spending grew by 32% from 1999 to 2012, there was considerable variation in spending growth among regions and counties in Arkansas. Changes in county government spending ranged from a decline of 20% in St. Francis County to an increase of 264% in Van Buren County. Six of the fourteen counties that experienced a decline in spending during this period were in the rural Delta region. County government spending grew only slightly in the Delta and Coastal Plains regions in contrast to considerable growth in the Metro and Highlands regions.

The three major categories of county government spending were Law Enforcement

and Public Safety, General and Other, and Highways and Streets, which accounted for 39%, 28% and 23% of spending, respectively, in 2012. While spending increased in all three major categories from 1999 to 2012, Law Enforcement and Public Safety increased as a share of total spending the most from 33% in 1999 to 39% in 2012. While metro counties spent a larger share of their budget on Law Enforcement and Public Safety, non-metro counties increased their spending in this category by 59% from 1999 to 2012 compared to an increase of 49% for metro counties. Conversely, non-metro counties spend a larger share of their budget on Highways and Streets, 27% compared to just 18% for metro counties.

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