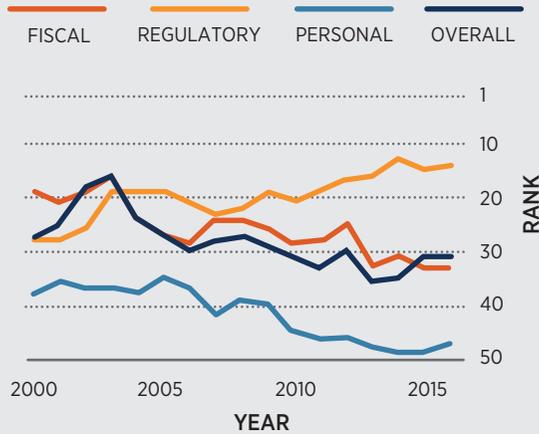


ARKANSAS

2016 RANK
31st



POLICY RECOMMENDATIONS

- Fiscal:** Cut the state sales and use tax, which is high. Let local governments vary property taxes to meet local needs and desires, reducing state aid for education and other purposes.
- Regulatory:** Roll back occupational licensing. Some occupations that could be deregulated include sanitarians, title abstractors, interpreters, dietitians and nutritionists, pharmacy technicians, veterinary technologists, opticians, athletic trainers, occupational therapist assistants, massage therapists, private detectives, security guards, landscaping contractors, tree trimmers (locally), funeral apprentices, collection agents, 911 dispatchers, tree injectors, construction contractors, security alarm installers, well drillers, mobile home installers, and boiler operators.
- Personal:** Enact a generous tax credit for contributions to private scholarships for K-12 education.



Population, 2017
3,004,279

Net Migration Rate
3.1%



State Taxes, Percent of Personal Income, FY 2017
7.51%

Local Taxes, Percent of Personal Income, FY 2015
2.10%

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Real Per Capita Personal Income, 2016, in 2009 \$
\$41,371

Real Personal Income Growth, CAGR, 2000-15
3.1%

ANALYSIS

Arkansas has been mediocre on economic freedom since 2000, although it has improved relative to other states on regulatory policy while declining on fiscal policy. It has ranked consistently worse than most states on personal freedom, declining substantially relative to others since 2005 and receiving very little bump from the Supreme Court's legalization of same-sex marriage in 2015.

Arkansas's tax burden is about average, but the state is highly fiscally centralized. State taxes are way above the national average, and local taxes are way below. Debt is low, but government employment at 13.7 percent of private employment is high (though declining consistently since 2010).

Arkansas does well on land-use despite its unreformed eminent domain laws. It has above-average labor-market freedom, although it began regular minimum-wage increases in 2014 because of a popular initiative; minimum wage stands at \$8.50 as of 2018. The state has a problem with cronyism, especially on entry and price controls. The extent of occupational licensing is more than a standard deviation worse than the national average. Hospital construction requires a certificate of need, the state has an anti-price-gouging law, and there is also a general law

against "unfair pricing" or sales below cost. However, Arkansas does better than most other southern states, and indeed better than the national average, on its civil liability regime. The state has also started to deregulate telecommunications and cable.

Arkansas is one of the worst states in the country on criminal justice policies. Its crime-adjusted incarceration rate is more than a standard deviation worse than the national average, and its drug enforcement rate has moved in the wrong direction. It also suspends driver's licenses for those with drug offenses unrelated to driving. On the other hand, it does a bit worse on gun rights than one might expect from a conservative state, with heavy training requirements. However, it did expand where concealed-carry permit holders could carry in 2017. Marijuana laws are largely unreformed, although voters did pass a medical marijuana initiative in 2016. However, the implementation of that initiative has been delayed into 2018. Arkansas does not deviate much from the average on many personal freedom policies. School choice remains an opportunity for improvement, given the state's fiscal centralization (so there's not much choice among public schools), its generally conservative ideological orientation, and its minority student populations.