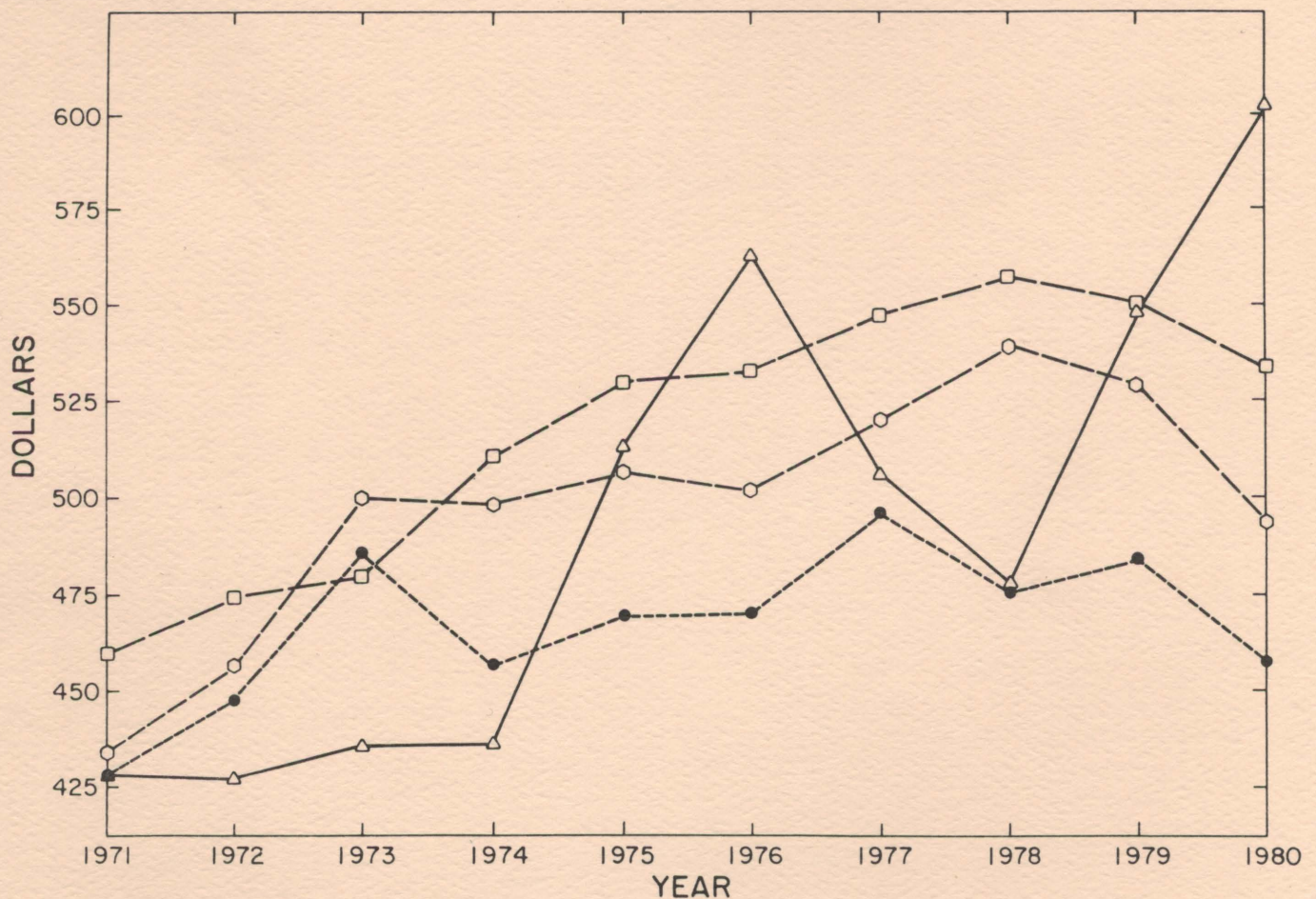


# LOCAL GOVERNMENT REVENUES AND EXPENDITURES IN THE CUMBERLAND PLATEAU, PLANNING DISTRICT 1971-1980: A TREND ANALYSIS



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LOCAL GOVERNMENT REVENUES AND EXPENDITURES  
IN THE CUMBERLAND PLATEAU, PLANNING  
DISTRICT 1971-1980:  
A TREND ANALYSIS

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## Introduction

Revenues and expenditures of local governments are often subjects of heated political debate. Nationally, local government expenditures rose steadily from 1954 to 1974 and have since slowly tapered off (Shannon, ACIR). By 1981 a complex set of national economic forces had resulted in a decline in federal and state support for local government activities. The New Federalism of the Reagan Administration aims to turn more responsibility back to the local governments. As they gear up for this challenge, local governments must reexamine their sources of tax revenues and their expenditure patterns.

Local government revenues in Virginia are derived from state, federal, and local sources. The principal local sources of tax revenues are personal property and real property taxes, sales, business, machinery and tools taxes, excise taxes, and special use taxes such as the mineral severance tax. Accordingly, any changes in the level or mix of local taxes tends to redistribute the tax burden among citizens.

Most citizens and many local government officials have a difficult time determining how the revenues and expenditures of their local governments change over time. Prices are constantly changing throughout the economy, contributing to general increases in the aggregate price level (inflation). Therefore, it is very important that citizens be able to evaluate the changes in local government revenues and expenditures over time in real dollars, or actual dollars after adjusting or taking out the changes due to inflation.

This report provides a description of recent trends in local revenues and expenditures for the counties of the Cumberland Plateau

Planning District: Buchanan, Dickenson, Russell, and Tazewell. The analysis does not attempt to present a rigorous exposition of the causes underlying the observed changes in revenues and expenditures. Each county has a complex local economy with unique dynamic forces working to shape the economic opportunities of the district and to provide the foundation for the quality of life desired by its citizens. Therefore, we will identify the overall trends and provide a general discussion on some of the more obvious economic relationships. We leave to the citizens and public officials of the district, the task of explaining the causes of and rationale for the trends.

## Analysis of Revenue and Expenditure Trends for the Cumberland Plateau Planning District

Each county in the planning district will be analyzed separately with its revenue and expenditure categories compared to the district average. The revenue categories analyzed are: total revenue; revenue by federal, state, or local source; and local revenue from property and sales taxes.

Each county's revenue trends for the periods of 1971-80 will be compared with the district average for that same category. The expenditure items include: total school expenditures; and governmental non-school expenditures. All revenue and expenditure categories will be compared with the district averages. Also, total revenue per capita and total expenditures per capita for each county will be compared to the district average.

### Background Information on the District

The Cumberland Plateau Planning District taken as a whole has been one of the most rapidly growing districts of the state in terms of both income and population. Over the 1973-78 period, its per capita income growth was 6.2 percent, more than all but one of the state's 22 planning districts. The 6.3 percent growth rate of P.D. 16 (RADCO) was slightly ahead of the Cumberland Plateau P.D.C. area.

Population growth was equally impressive. Over the same period (1973-78), the Cumberland Plateau P.D.C. had a population growth of 11.8 percent. Only three other districts exceeded this rate: P.D. 7 (Lord Fairfax), with a 12.3 percent rate; P.D. 9 (Rappahannock-Rapidan), with a 12.9 percent rate; and P.D. 16 (RADCO), with a 28.7 percent rate.

Transfer payments made up a major portion of the income base of the district. As a percent of total personal income, transfer payments represented 18.04 percent. Only P.D. 17 (Northern Neck) with 22.9 percent and P.D. 22 (Accomack-Northampton) with 18.4 percent, depended more heavily on transfer payments.

According to the Virginia Department of Industrial Development, nineteen manufacturing plants reported locating in the District over the 1970-79 period. There were 12 reported plant expansions. If manufacturing employment is added to mining and agriculture to approximate the basic employment in the district, then for every job created in this basic sector, another 1.76 jobs were created in supporting businesses and services.

#### I. Buchanan County Analysis

Figure 1 provides a measure of the trends in both total revenues and expenditures for the period of 1971-1980. Both revenue and expenditure figures are presented in actual dollar amounts and in constant 1980 dollars (Table 1). That is, the expenditure and revenue figures are presented in actual dollar amounts and in adjusted dollar amounts inflated, or corrected for inflation. The consumer price index was used as the inflator. This enables the reader to compare all dollar figures over the time period 1971-80 as though they were of equal value in terms of 1980 dollars. The distorted view of the trends created by inflation has been taken out.

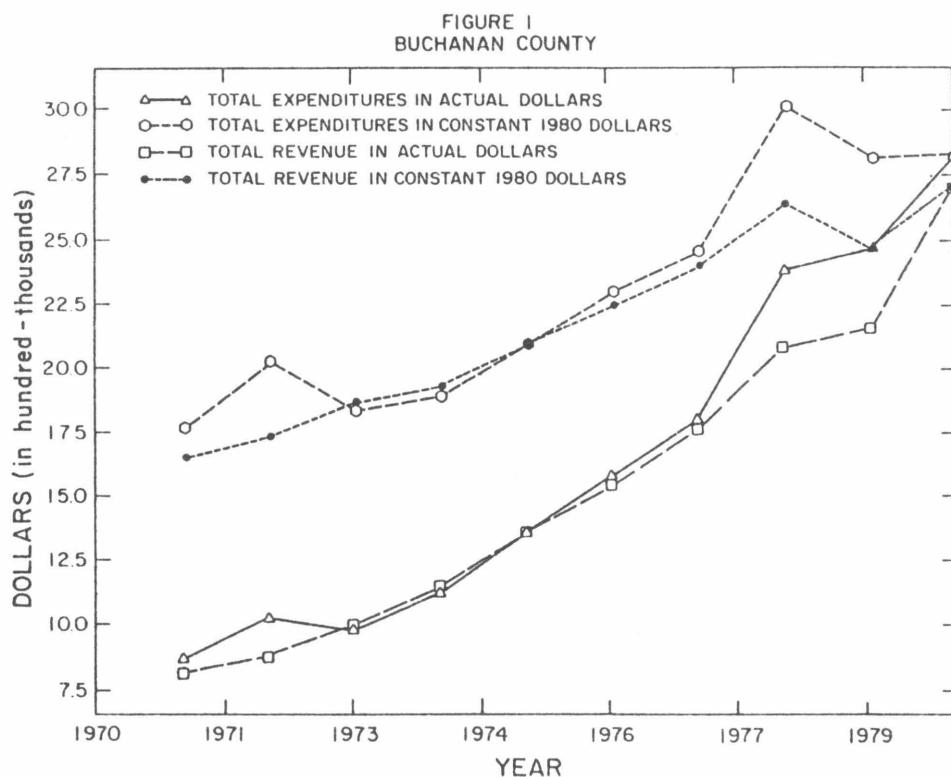


Table 1

Buchanan County Revenues and Expenditures  
in Actual and Adjusted Dollars, 1971-1980

Actual Dollar Amounts			Adjusted Dollar Amounts*		
Year	Total Revenues	Total Expenditures	Year	Total Revenues	Total Expenditures
1971	810512	8687860	1971	1647669	17661551
1972	8747288	10231449	1972	17226628	20266454
1973	9988981	9827661	1973	18680393	18378709
1974	11472255	11244920	1974	19310100	18927449
1975	13598260	13594178	1975	20964437	20958144
1976	15447353	15811633	1976	22485167	23015413
1977	17658529	18081755	1977	24049151	24625542
1978	20873767	23880934	1978	26465849	30278636
1979	21659633	24733830	1979	24759126	28273241
1980	27400678	28419225	1980	27400678	28419225

\*Adjusted by the consumer price index.

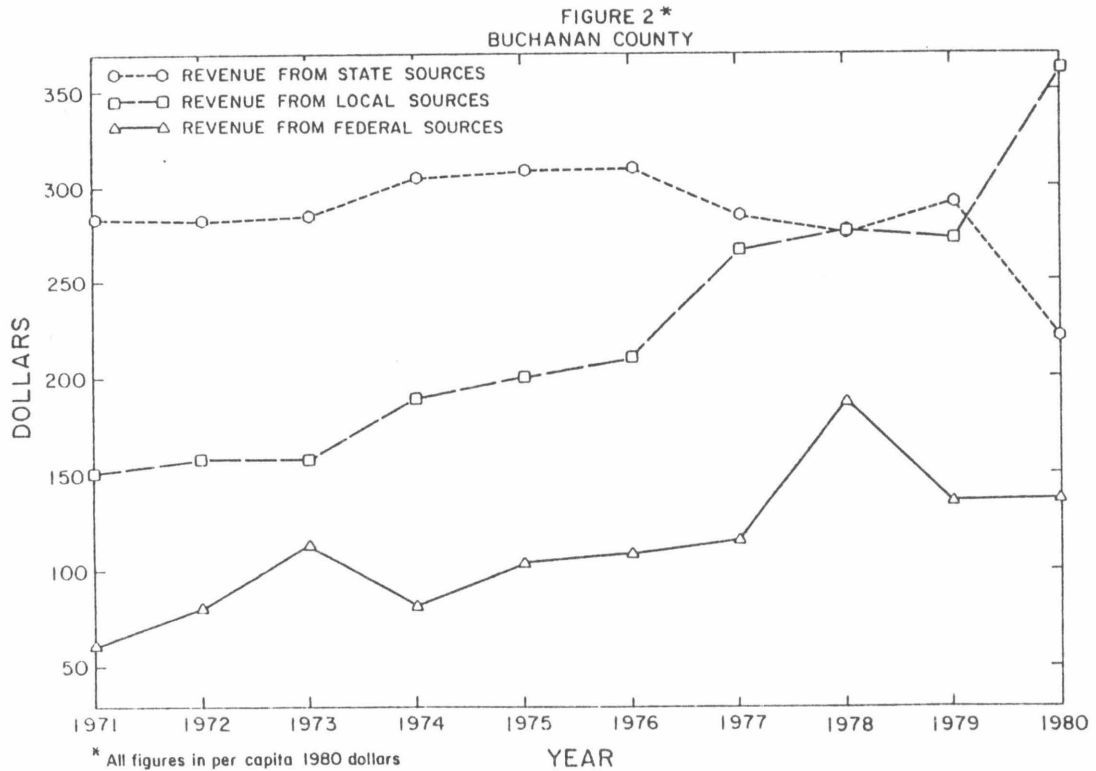


This inflated price level is illustrated in the expenditure and revenue figures presented in the graph in the upper portion of Figure 1. In Figures 2 through 5, dollar figures are presented only in constant 1980 dollars to avoid any misconceptions that might arise because of the changes of the price level over this time period. Therefore, any changes that can be seen in the trends are due to factors other than inflation. Also, all graphs after Figure 1 are based on per capita measures. That is, revenue and expenditure categories for each year are divided by county population for the same year.

Note that population estimates are based on projections with the exception of the 1980 figure which is from the national census. Therefore, some of the changes in trends could be due to inaccurate population projections. We will attempt to interpret the population projections to determine when errors in their estimation are entering into the analysis.

**Figure 2** depicts revenue trends from federal, state, and local sources over the 1971-80 period. Federal revenues per capita climbed more or less steadily over the 1971-78 time period as measured in constant dollars. Federal revenue dropped significantly into the 1979 period and leveled off, though it remained well above the low periods of 1971 and 1974.

State revenues remained more or less constant over the 1971-78 time period. Then after a slight increase between 1978 and 1979 the state revenues to Buchanan County dropped sharply. Note that there is a one year lag between the sharp drop in federal revenue and the drop in

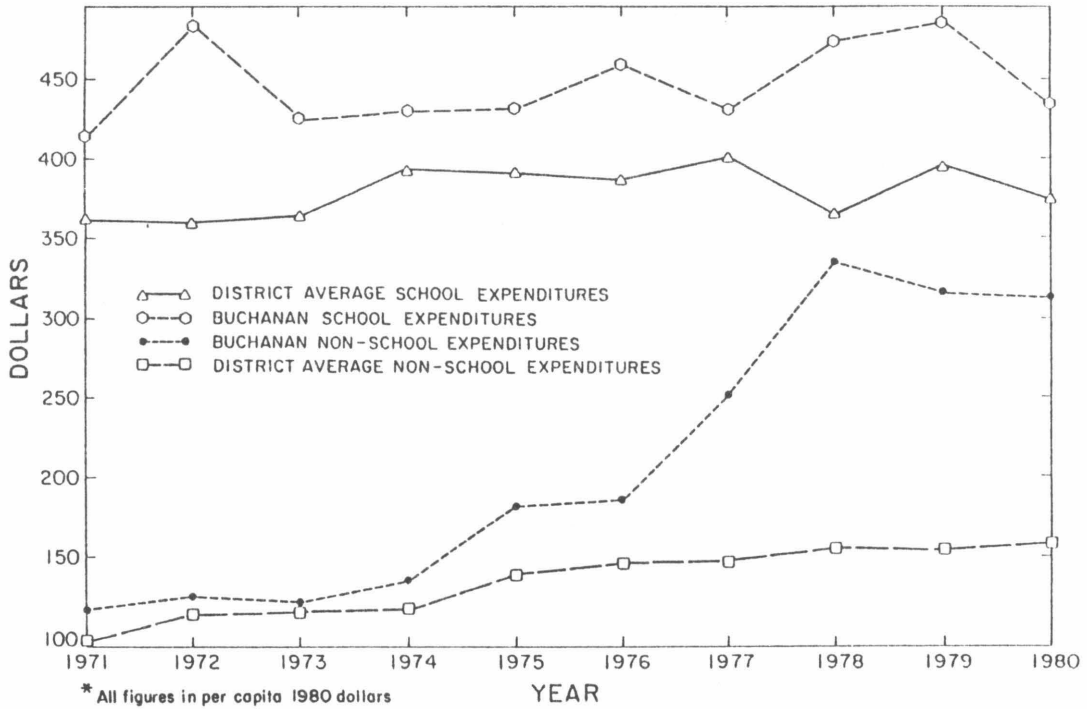


state revenue. When considering the entire 1971 to 1980 period, state revenue has shown a marked decline per capita for Buchanan County.

Local revenues followed a trend similar to the federal trend over the 1971-78 period, but have risen at a somewhat more rapid rate overall. After a small decline between 1978 and 1979, local revenue shot upward sharply to 1980.

Figure 3 compares school and non-school expenditures for Buchanan County and provides comparisons with the district averages. Notice that Buchanan County expenditures are significantly higher than the district averages for both school expenditures and general governmental non-school expenditures. County school expenditures per capita dropped sharply between 1979 and 1980, after increasing over the decade. Since Figure 1

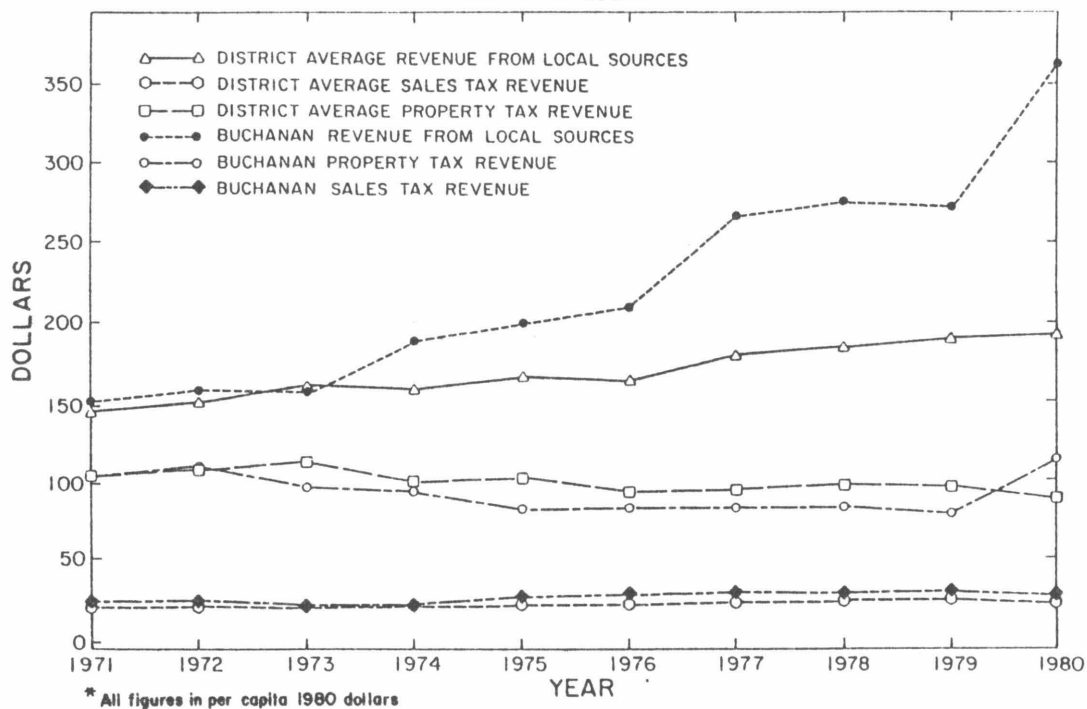
FIGURE 3\*  
BUCHANAN COUNTY



shows a rapid increase in total revenues, it appears that the sharp upturn in local revenue shown in Figure 2 was an attempt by the county to offset the sharp decline in federal and state revenues. Figure 3 reveals that local revenue growth did not offset the sharp declines in federal and state revenue sources at least as far as expenditures on education are concerned.

Figure 4 provides information on local revenues derived from property and sales taxes. As the graph reveals, sales tax revenues were slightly higher for Buchanan County than for the district over the time period 1971-80. Per capita property tax revenues increased sharply in the 1979-80 time period for the first time in the decade while local revenues generally increased sharply. Clearly, other revenue sources in

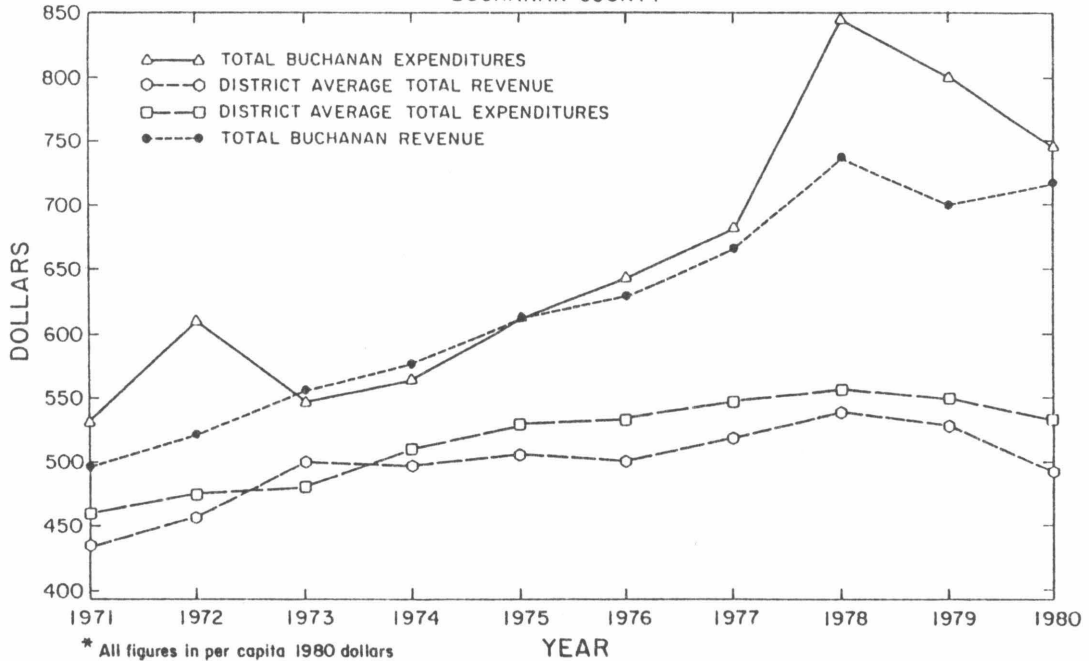
FIGURE 4\*  
BUCHANAN COUNTY



Buchanan County such as business taxes, machinery and tools taxes, and, most importantly, severance taxes from coal, have provided revenue sources sufficient to offset declines in other revenue sources. Note that there was a steady decline in property tax revenue per capita over most of the period for both the county and district.

In Figure 5, the top 2 lines are measures of county per capita expenditures and revenues and the bottom 2 lines are the district average per capita expenditures and revenues. Clearly, Buchanan County revenues and expenditures per capita are significantly above the average of the other three counties in the planning districts. The sharp increase in per capita revenues and expenditures over the decade reveal that the total trends depicted in Figure 1 have not masked any decline in per

FIGURE 5\*  
BUCHANAN COUNTY

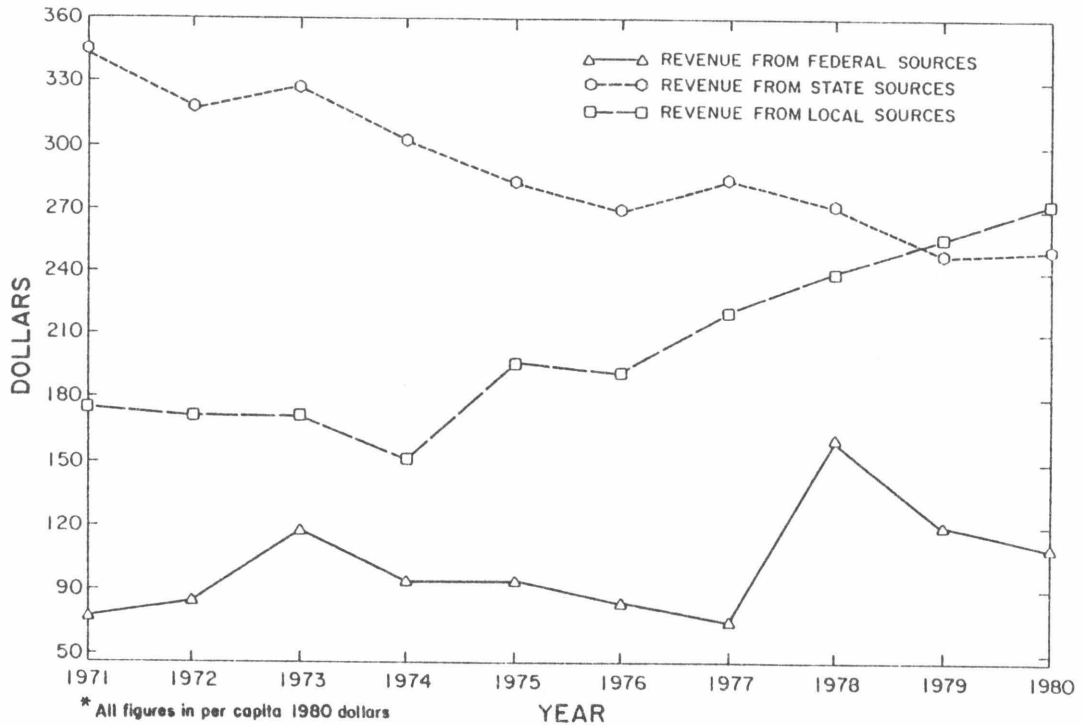


capita revenues and expenditures. In fact, Figure 5 shows that the trend in constant dollars for both revenues and expenditures has risen sharply on a per capita basis for the county.

## II. Dickenson County Analysis

The sharply contrasting trends among counties in the district become quickly evident. In contrast to Buchanan County, per capita federal revenues provided to Dickenson County (Figure 6) have grown only very slightly over the decade. More specifically, per capita federal revenues steadily declined from 1973 to 1977, jumped from \$80 up to about \$160 in 1978, and have since sharply declined.

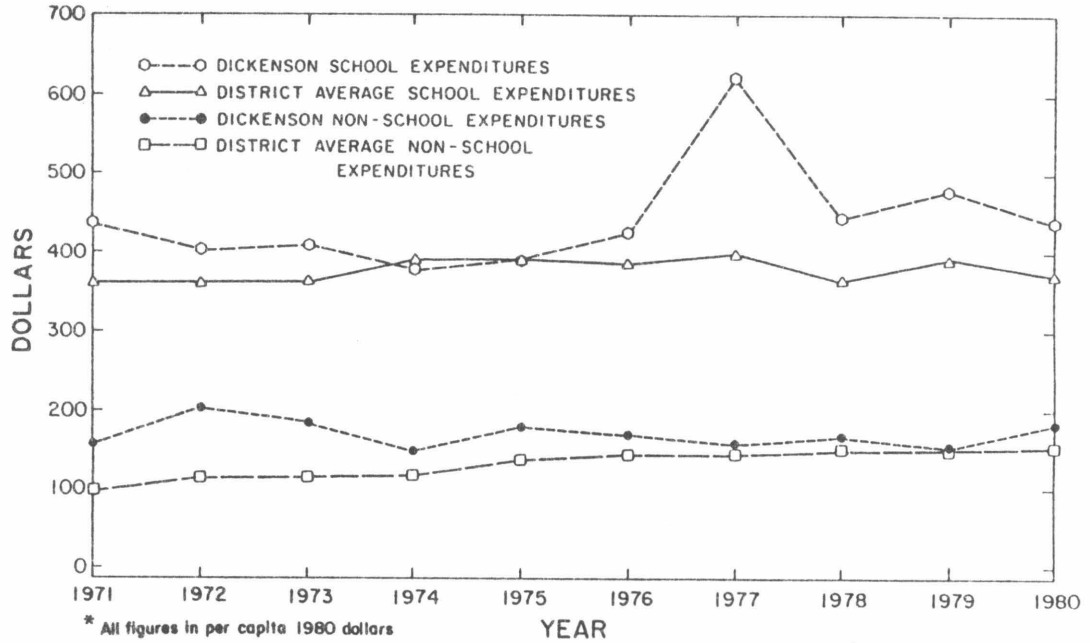
FIGURE 6 \*  
DICKENSON COUNTY



State revenues per capita have steadily declined over the decade while local revenues per capita have steadily increased. The pressures created by erratic federal revenues and declining state revenues have left Dickenson County citizens with limited choices. In order for local services to be provided on a consistent basis, local revenues have had to grow.

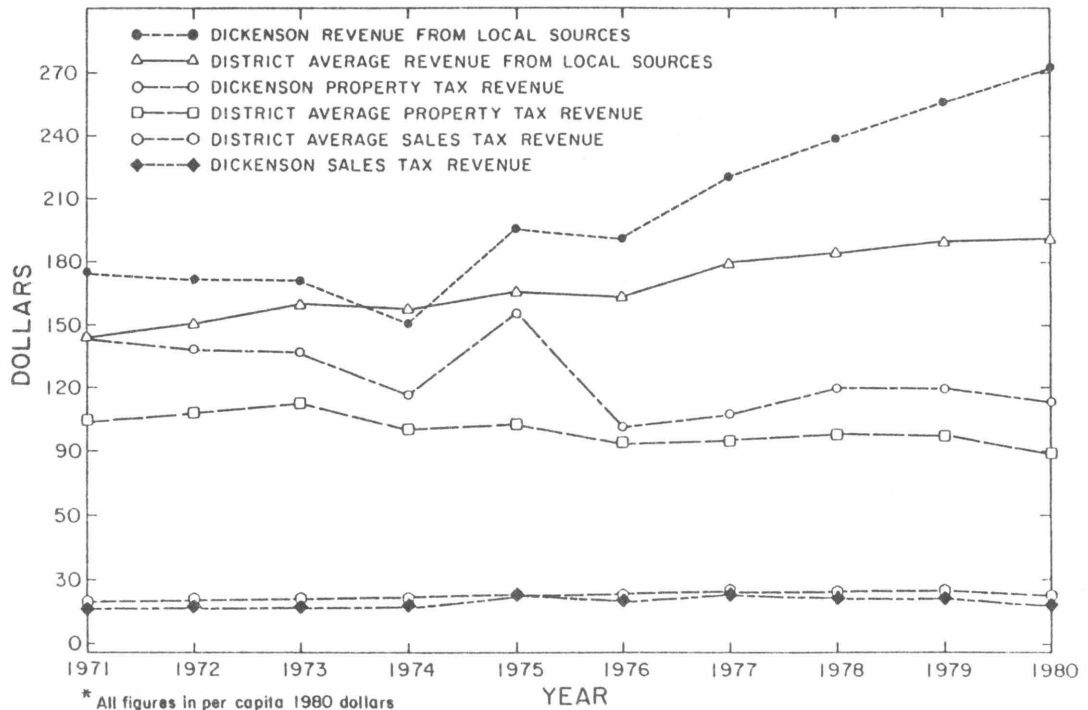
Figure 7 reflects the spending patterns of Dickenson County for school and non-school services, and compares each to the district average. In the early part of the decade, Dickenson County school expenditures decreased slightly until dipping below the district average in 1974. The county then started an upward trend and has stayed well above the district average since 1975. In constant dollar terms, school expenditures per capita have increased while non-school expenditures have been more or less steady and slightly above the district average.

FIGURE 7\*  
DICKENSON COUNTY



The trends in tax revenues from local sources in Dickenson are presented in Figure 8. As in Buchanan County, property tax revenues per capita have actually declined in Dickenson County over the decade 1971-80 when the effects of inflation are removed. Sales tax revenues have shown a slight increase, but have been slightly below the district average for most of the decade.

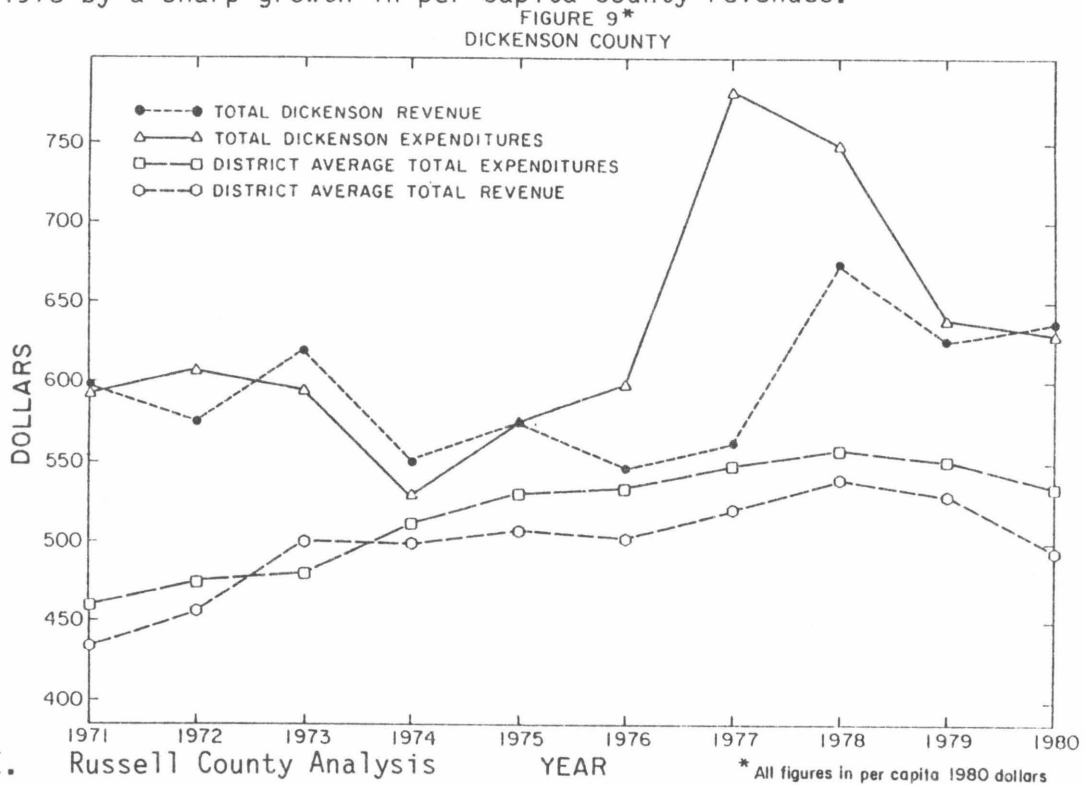
FIGURE 8\*  
DICKENSON COUNTY





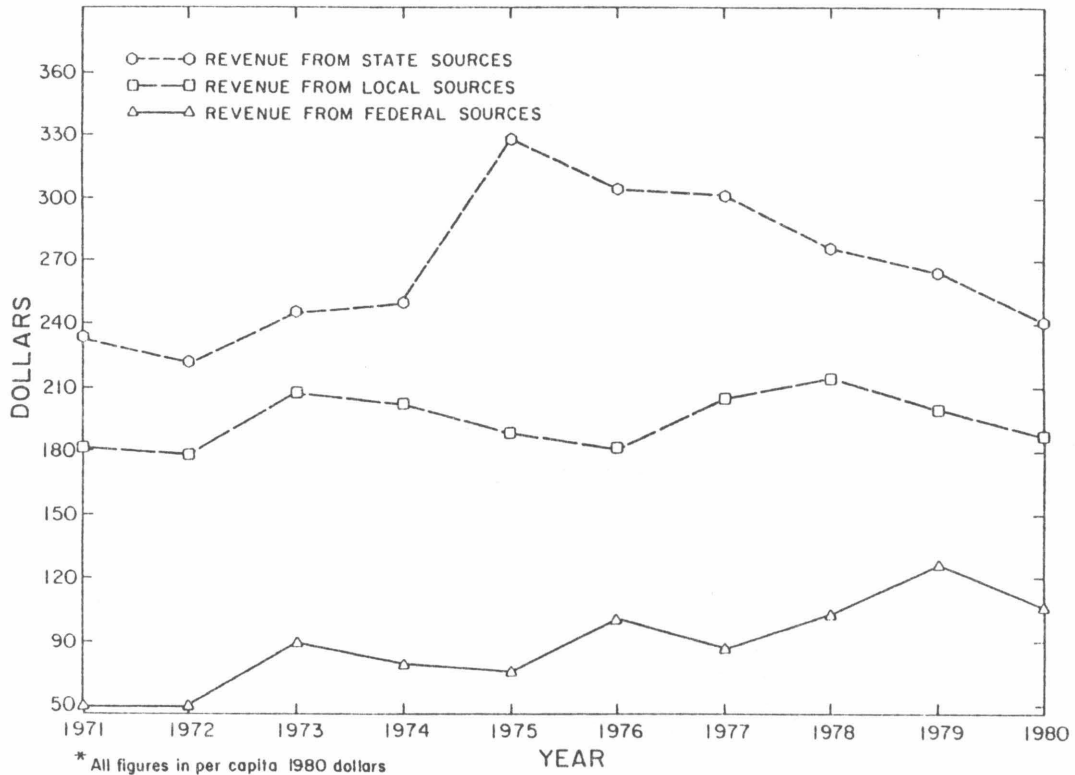
Local revenues from all sources have steadily grown in Dickenson County, and at a more rapid rate than the district average. Some of this is attributable to the real property tax revenue that has remained above the district average.

Per capita revenues and expenditures for Dickenson County are compared with the district averages in Figure 9. The county figures have grown slightly over the decade while remaining above the average district figures. County expenditures jumped sharply in 1977, and were followed in 1978 by a sharp growth in per capita county revenues.



Similar to Dickenson County, Russell County's per capita federal revenues in constant dollars (Figure 10) have increased from about \$60 per person in 1971 to roughly \$110 per person in 1980. State revenues, in contrast, increased sharply over the first half of the decade, but have since declined steadily. The 1980 per capita revenues from the

FIGURE 10\*  
RUSSELL COUNTY

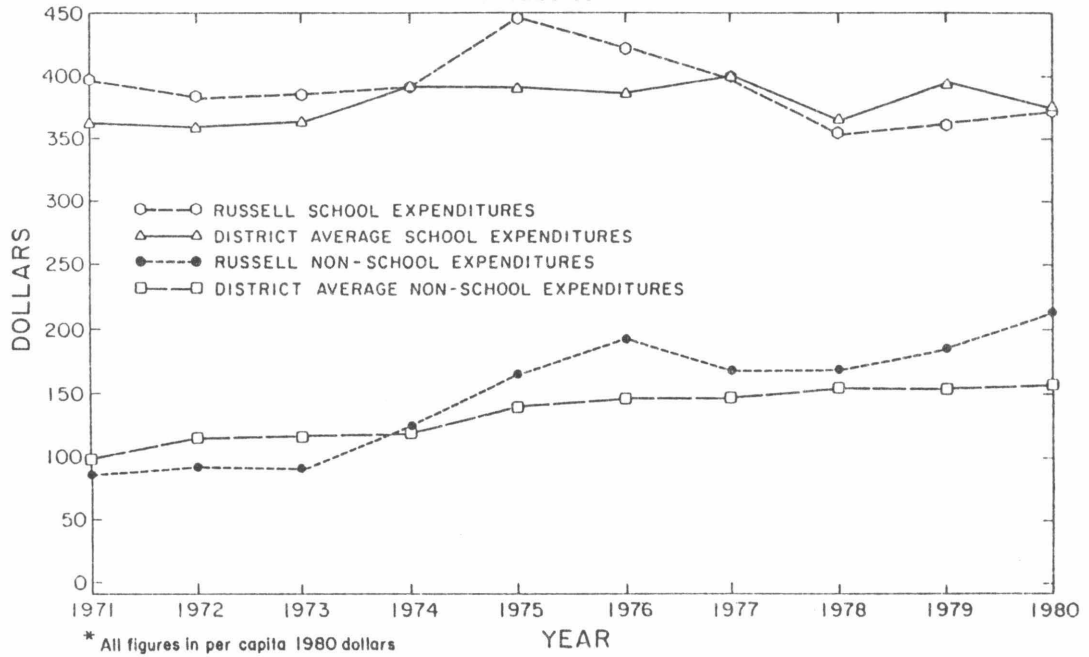


state are only a few dollars above the 1971 figure. Per capita revenue from local sources has remained more or less constant, rising slightly in the 1972-1973 period, falling from 1973-76 as the national economy faltered, increasing during the 1976-78 period, and again declining after 1978.

School expenditures per capita fluctuated a little over the decade as Figure 11 reveals, but remained at about the same rate. This simply indicates that the average citizen of Russell County is paying approximately the same in real dollars for schools today (1980) as he/she was paying in 1971. School expenditures per capita increased in 1975 and then steadily dropped to a low point for the decade in 1978. They increased slightly between 1978-80.

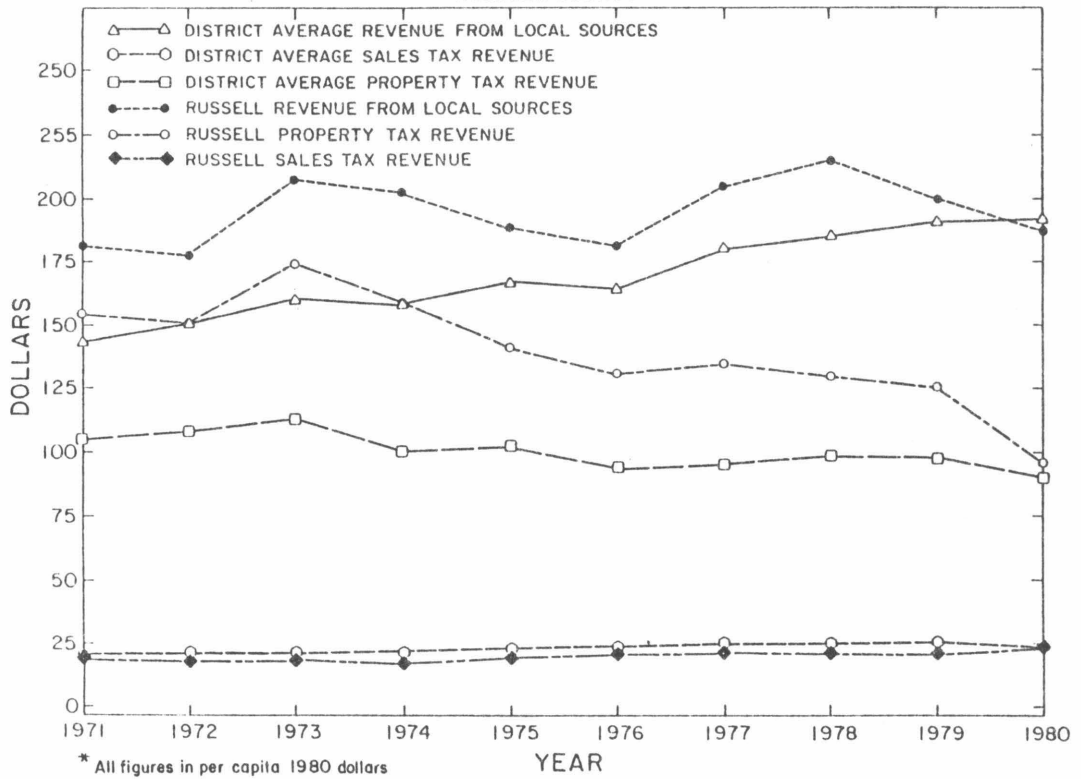
Total non-school expenditures for Russell County have steadily increased over the decade, and have remained above the average county ex-

FIGURE 11\*  
RUSSELL COUNTY



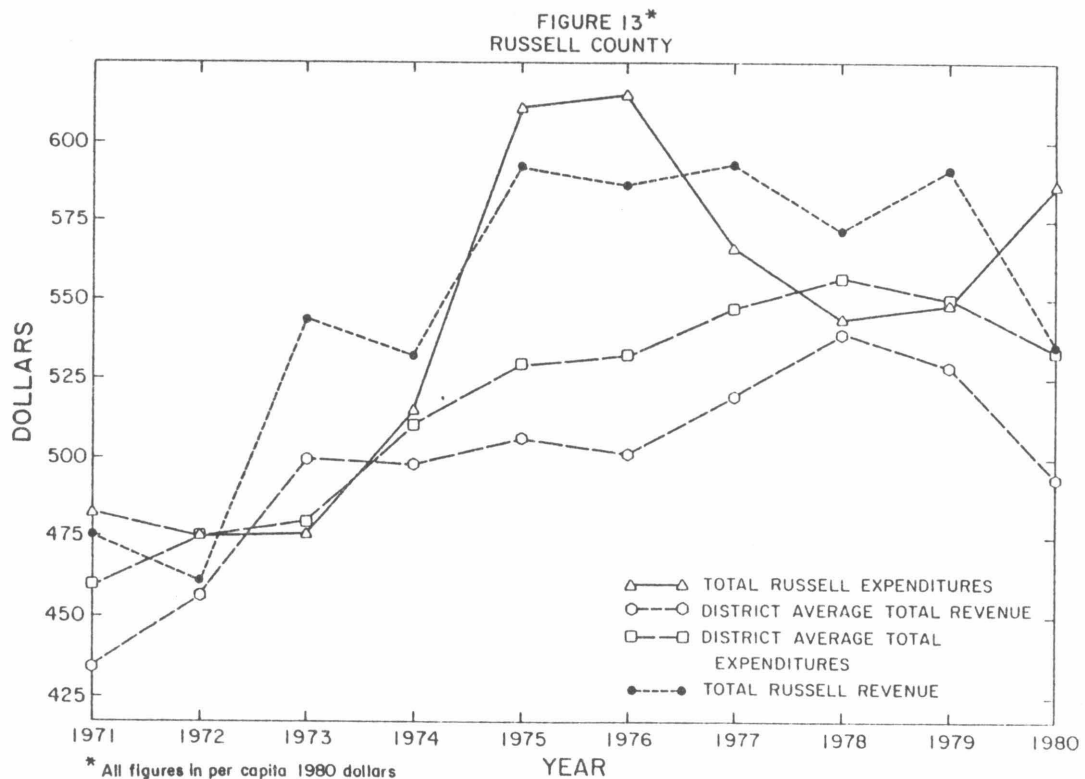
penditures for the district since 1974 (Figure 12).

FIGURE 12\*  
RUSSELL COUNTY



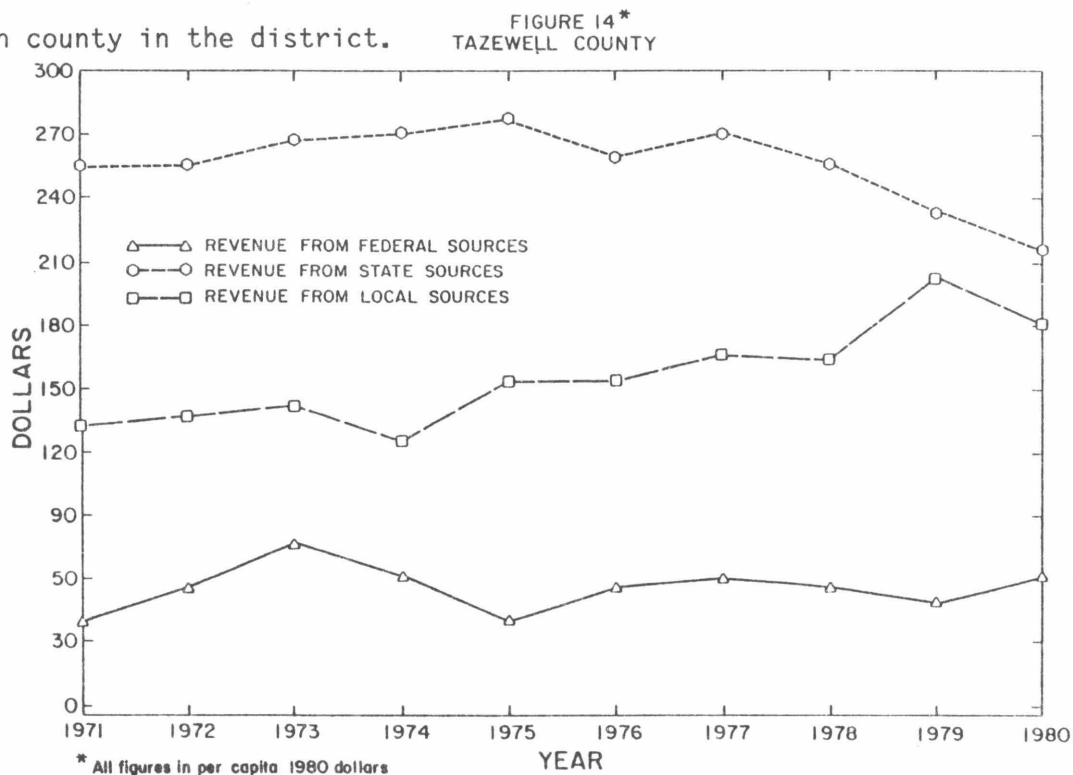
Local revenues per capita in Russell County, as shown in Figure 12, were above the district average until 1980 when they dipped slightly below it. They have grown slightly over the decade. Per capita property tax revenues have declined steadily, approaching the district average figure in 1980. Sales tax revenues were fairly constant during the decade but slightly below the district average.

Figure 13 reveals both the revenue and the expenditure trends for Russell County and the average county trends for the district. Both revenues and expenditures per capita have grown over the decade. While per capita county revenues have risen and stayed above the district average, the per capita expenditure trends show a sharply fluctuating pattern for the county that criss-crosses the district average. It is likely that lumpy, capital outlays have helped produce this local expenditure pattern, particularly the sharp increase in 1975 which was sustained in 1976 and then steadily declined through 1978.



#### IV. Tazewell County Analysis

Per capita revenue from local sources has grown steadily for most of the 1971-80 period, as shown in **Figure 14**. State revenue has declined while federal revenue has increased slightly. This pattern has held true for each county in the district.



In contrast to Russell County, school expenditures per capita have increased over the decade in Tazewell County (**Figure 15**). Total local non-school expenditures have increased slightly, but have remained below the district average.

Tazewell's local per capita revenues have remained below the district average for every year except 1979, while increasing steadily over the decade (**Figure 16**). Although per capita revenue derived from the property tax increased slightly each year between 1975 and 1979, the trend for the decade showed a decline. Local sales taxes, in contrast, grew slightly in the county and remained above the district average.

FIGURE 15\*  
TAZEVELL COUNTY

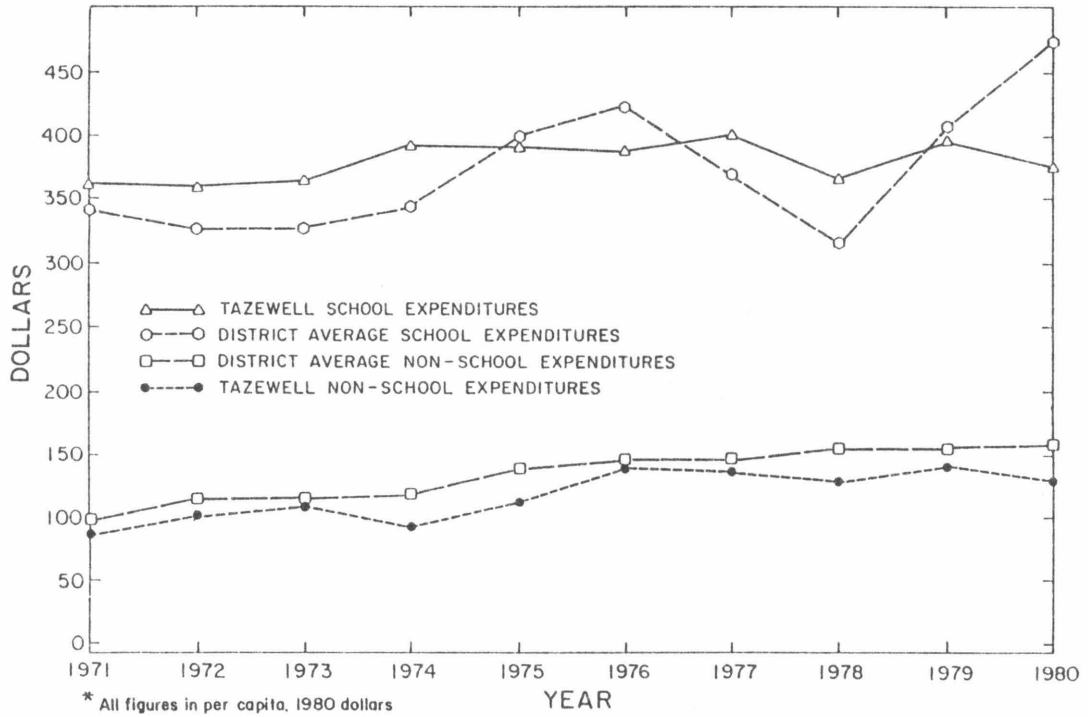


FIGURE 16\*  
TAZEVELL COUNTY

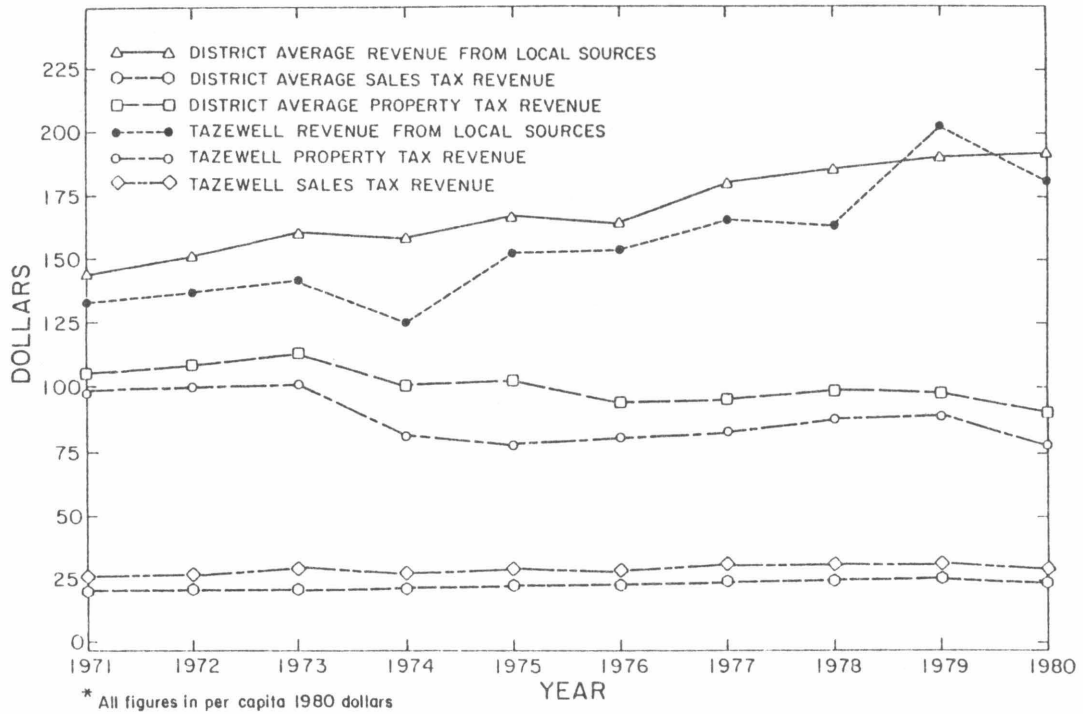


Figure 17 reflects the erratic per capita county expenditures for the decade, most likely reflecting major capital outlays in the 1975-76 period and again in the 1979-80 period. The trend for the decade was a sharp increase. County revenues per capita remained below the district average for the entire decade and showed a slight growth rate. Revenues per capita, however, have shown a downward trend over the 1977-80 period.

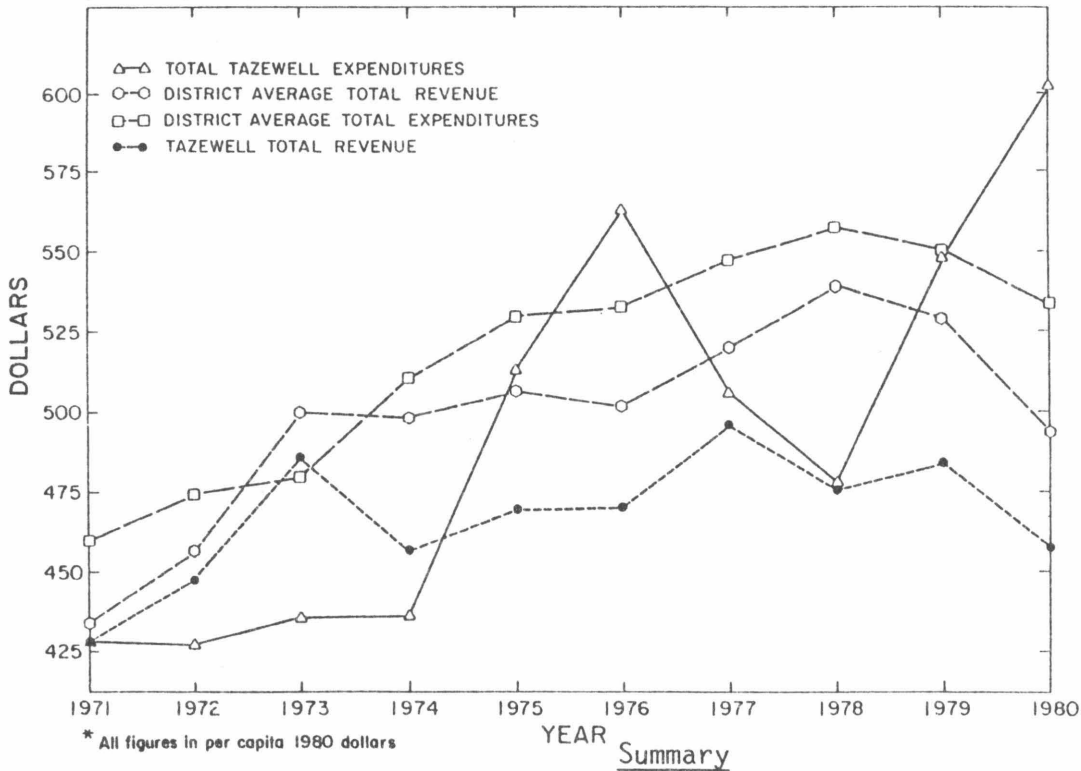


FIGURE 17\*  
TAZEWELL COUNTY

Summary

Our intent in this report is to present a set of basic trends for revenues and expenditures for each county in the Cumberland Plateau Planning District. Revenue analysis of this nature is but one of many ways local governments can begin the task of determining their fiscal past in order to plan their fiscal future. The trends presented provide a benchmark with which the counties of the Cumberland Plateau P.D.C. can assess their revenue and expenditure pattern in constant dollars, avoiding the confusion produced by inflation. The graphs developed compare each

county with the planning district averages, but the graphs for each county provide a basis for comparison of each county with the others in the district.

Reviewing the trends among counties presents some insight into the planning district's commonalities. The revenue by source graphs show little uniformity for revenue from either federal or state sources, but illustrate what appears to be a trend of increasing revenue from local sources. While Russell County's local revenues remained stable over the decade, the other three counties experienced increases in revenue from local sources over the period.

The school and non-school graphs also reveal district-wide trends. While Tazewell County ended the decade with two years of increasing expenditures, total school expenditures essentially remained stable in all four counties. Non-school expenditures, on the other hand, show an increasing trend except for Dickenson County where non-school expenditures remained fairly constant. This implies that increases in local revenues over the decade have not been used to increase real dollar expenditures for education, but rather for non-school expenditures.

The local revenue by source graphs show strong similarity across the district. Total local revenue, as mentioned above, increased in three counties and remained stable in Russell County. Revenue from property tax, however, generally declined over the district, except for Buchanan County, where it was constant over the decade. Sales tax revenues in all four counties were stable over the decade. It appears that the coal severance tax is driving up total local revenue in all



these counties and is being used to replace property taxes in three of the counties: Dickenson, Russell, and Tazewell.

Viewing the total revenue and expenditure patterns for the four counties over the decade does not reveal any strong common trends. Familiarity with the counties should, however, enable local citizens and officials to identify local revenue and expenditure trends and to explain some of the variation among them.

Community leaders and county officials in the planning district have worked together and shared information in the context of their association with the Cumberland Plateau Planning District Commission. We anticipate, therefore, that county officials will be able to assess their position vis-a-vis their neighbors' with some degree of expertise and a high level of understanding. We hope that this information leads to more well-informed decisions on the part of local decision makers and community leaders.

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