



Choices and Decisions:

The Free Enterprise Forum Local Government
Spending Index (LGSI)

Local Government Spending in the Greater Charlottesville Region

1990-2014

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Preface – Choices and Decisions, The Free Enterprise Forum Local Government Spending Index, 1990-2013

The Free Enterprise Forum, as a part of its mission to inform, analyze and promote dialog, is pleased to present the fourth iteration of this comprehensive report and analysis.

The attached reports cover Albemarle, Fluvanna, Greene, Louisa, Nelson Counties and the City of Charlottesville. The analysis seeks to develop and track over time a metric to capture the spending trend in each locality and determine if this trend can be correlated to other trends occurring within the locality.

The Free Enterprise Forum Local Government Spending Index (**LGSI**) is modeled after the economic methodology used to calculate the Consumer Price Index. The base number (100) for each locality is calculated by adding the inflation adjusted per capita spending (operating budget only) for the first two years of the study (1990 & 1991) and dividing by two. This methodology creates an objective measure of local spending adjusted for the particular needs of each locality.

The LGSI focuses exclusively on the operating budget of each municipality. The calculation excludes capital expenditures, thus avoiding having single-year spikes in capital spending skew the results or interpretation of the data.

The data used to develop the LGSI was mined from the Commonwealth of Virginia's Auditor of Public Accounts (APA) *Comparative Report on Local Government Revenue and Expenditures* which presents data as submitted by the localities.

According to the APA:

“All Virginia counties, cities, towns with a population of 3,500 or more, and towns operating a separate school division are required to submit comparative data to the Auditor of Public Accounts annually. The data presented represents the local government operations for the general government and enterprise activities.”

The Free Enterprise Forum *Choices and Decisions* report highlights spending trends across the region and how these spending trends may or may not relate to other trends occurring in the locality. For example, Greene County with population growth of 90.52% has the lowest 2014 LGSI under 127 while Albemarle's 2014 LGSI is over twenty points higher at 148.85 with a population growth of 52.13%.

Of equal interest are the recent LGSI trends that do not exactly mirror the cumulative results. After a region wide high water mark in the late 2000s, we started to see all the localities' LGSIs revert backwards reflective of recession induced spending cuts. As of 2014, not one locality studied has yet returned to their LGSI peak.

LGSI Historical data (1990-2014) shows that since 1990 Albemarle LGSI has increased the most (+48.8) followed by Louisa (+42), Nelson (+40.02), Charlottesville (+33.28), Fluvanna (+29.41) and Greene (+26.97). Interestingly, in fourth place Charlottesville led the 2012 LGSI report pack with an increase of (+56.29).

Many of the influences traditionally thought to impact local government spending are enumerated in the attached report including population growth, school enrollment growth and population density. The LGSI uses locality's self-reported spending and verified population data to generate an inflation adjusted index comparing per capita expenditures.

The Free Enterprise Forum is a privately funded public policy organization focused on local government issues in the Charlottesville region. The geographic scope of this study mirrors those areas in which the Free Enterprise Forum operates.

The goal of the *Choices and Decisions* report is to promote dialog and discussion regarding the financial impacts of government choices and decisions. The Free Enterprise Forum hopes that this data and analysis will spark additional public interest in local government activity.

Well informed citizens make well informed decisions.

I. General Trends in Local Government Spending: 1990 - 2014

By establishing the Local Government Spending Index (LGSi) tied directly to the specific localities previous spending, we have created an individualized metric that can be used to identify the spending differences between localities. In all cases, after adjusting for price inflation, spending has markedly increased over the study period. However, the amount of increase differs markedly across jurisdictions.

The Free Enterprise Forum recognizes that over the time period under study, certain additional programs have been forced upon localities by State and Federal government often without equal income to support these programs. However, such so called “unfunded mandates” have been imposed equally on all localities. The analysis presented herein is not concerned with the extent to which these mandates, or any other program or expenditure, come with, or without, revenue sources. Rather, the Free Enterprise Forum’s revenue blind LGSi is designed to track differences in local spending since the 1990-91 base period.

Figure 1

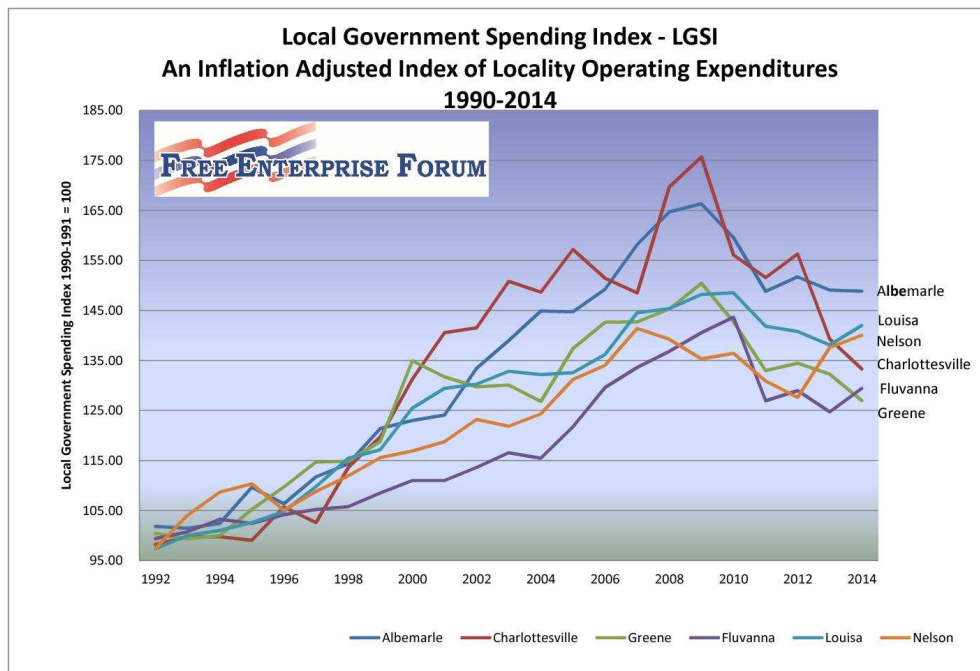
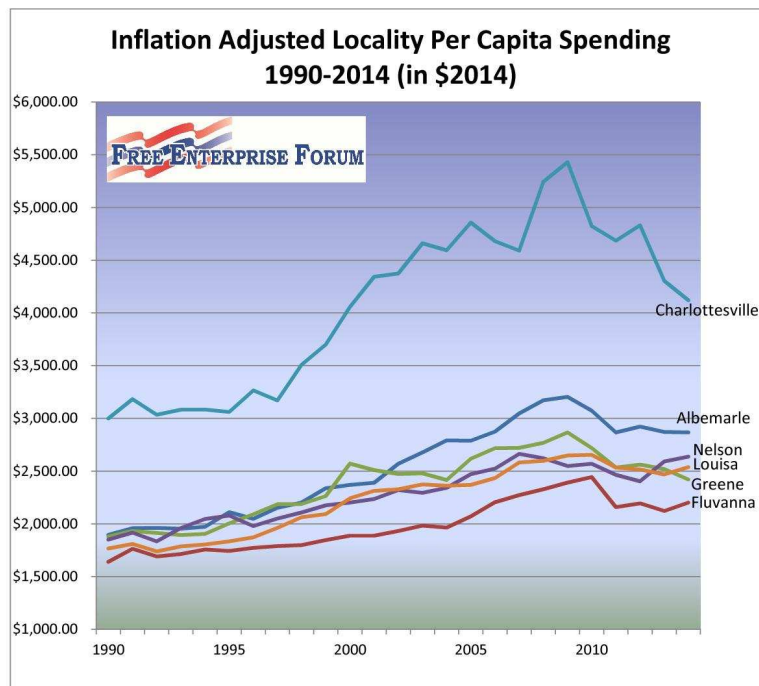


Figure 1 demonstrates the variable nature of local government spending with Greene County reporting a 2014 LGSi of 126.97 compared to 148.85 for Albemarle County. It is obvious from this chart that over the time period in question, the different governmental

entities in the Greater Charlottesville Region have made very different choices and decisions about government spending.

Another objective metric in tracking local government spending is per capita spending. Figure 2 shows Charlottesville has been the leader in per capita spending during the complete study period (1990-2014). It is interesting that today, no locality is spending as much per capita as Charlottesville was in 1990 (in inflation adjusted dollars). Albemarle is the closest at \$2,867.31. This likely speaks to the level of services citizens expect from government in a city as compared to a county. Albemarle, with plans for increasing density in their development areas might be wise to see how citizen expectations (and operating expenditures) may track with such densification.

Figure 2



On a statewide basis, Falls Church is #1 in per capita spending at \$5,692.71. Charlottesville is the 6th highest City in Virginia regarding per capita spending. As far as Virginia's 95 counties go, Arlington County with a per capita spending of \$4,738.57 is #1 in Virginia; Albemarle is #16, Nelson follows at #32, Louisa #46, Greene #55 and Fluvanna #84.

Each and every locality has its own set of differing needs. As K-12 education makes up the lion's share of most locality budgets, the following charts track population growth, school population growth as well as operating budget expenditures.

II. Albemarle County

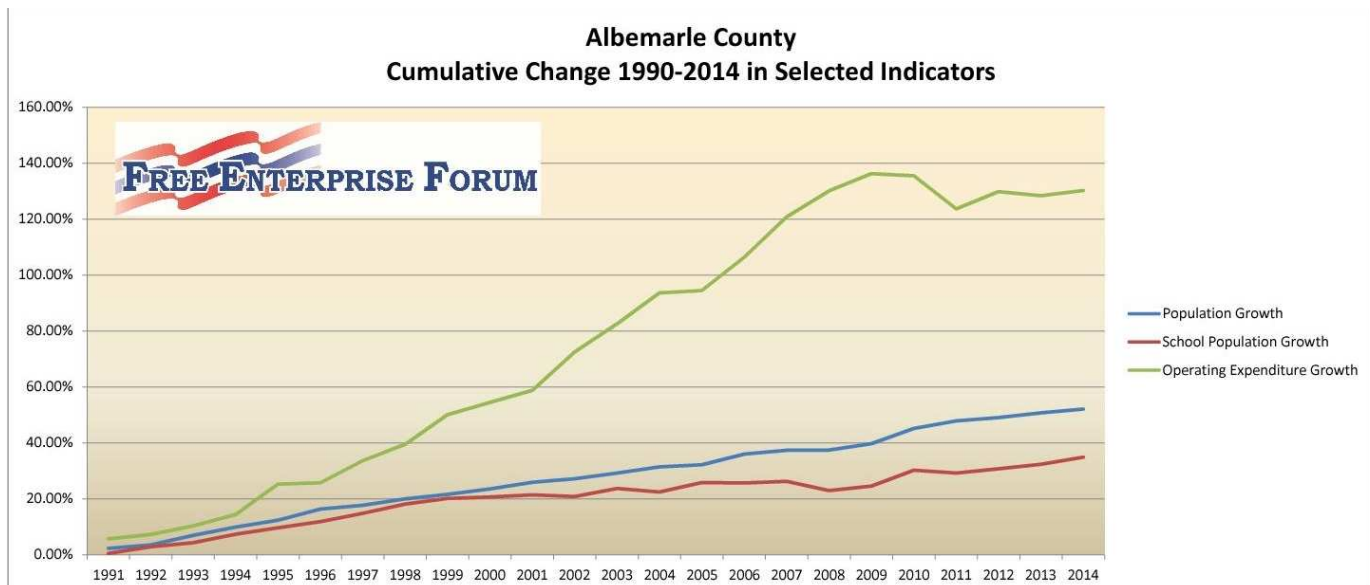
Albemarle County, with a land mass of 722.61 square mile, experienced an average rate of increase in inflation-adjusted operating expenditures of 4.49% in the study period from 1990 – 2012. In 2014, Albemarle County had an estimated population of 103,707 and operating expenditures of \$297.4 million, resulting in per capita spending of \$2,867.31.



Adjusted for inflation, Albemarle County’s total spending increased by over 130% during the study period while population and school enrollment increased by 52.13% and 34.86% respectively. Inflation adjusted per capita spending increased 51.33% since 1990. While spending has been relatively flat recently, Albemarle’s per capita spending has dropped each of the last two years.

The 2009 Local Government Spending Index (LGSI) in Albemarle County was 166.33. Since 2009, Albemarle’s LGSI has dropped to 148.85 but remains the highest in the study group.

Figure 3



III. City of Charlottesville

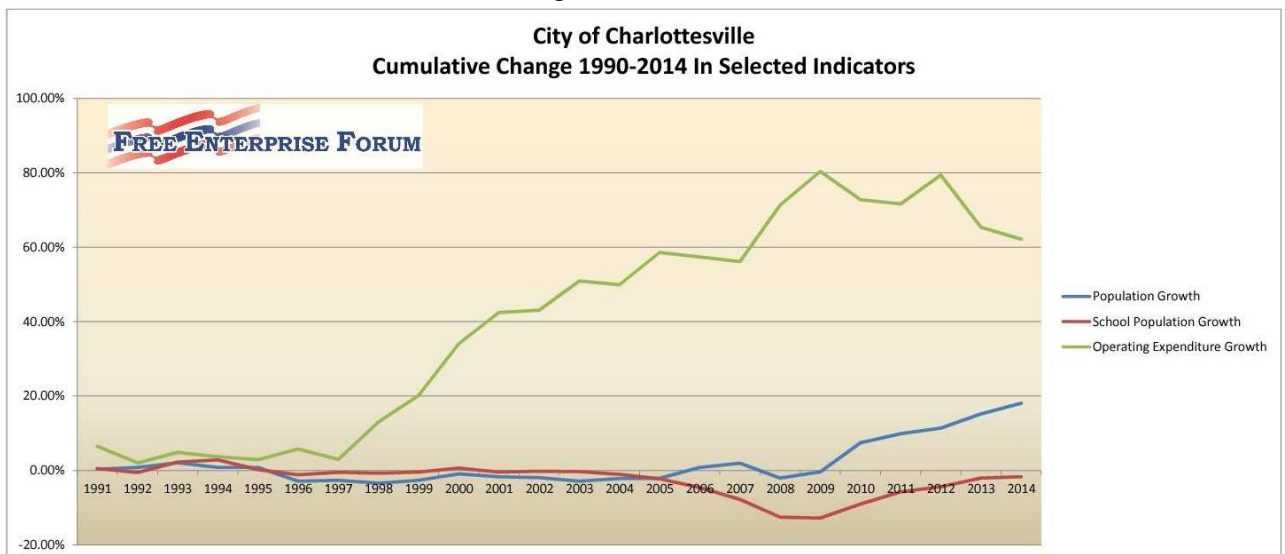
The City of Charlottesville is the smallest locality studied in terms of land area, 10.26 miles, but it is also the locality with the highest population density, at 4,393 persons per square mile in 2014. The City's high density equates to additional levels of service expected from local government. For example, the City operates (through its operating account) a gas utility as an enterprise. Some of the volatility in spending in later years of the study may therefore be tied to the increase (and subsequent decrease) in natural gas prices.



Charlottesville had by far the highest per capita spending of any locality in the study \$4,119.32 in FY 2014. Interestingly this was down from an inflation adjusted \$5,429.98 in 2009.

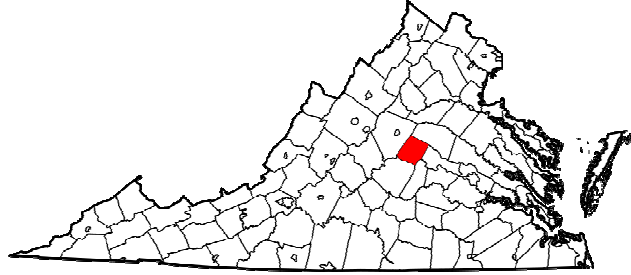
During the study period (1990-2014), Charlottesville's population increased by 18.06% the second smallest increase of any locality studied. In addition, Charlottesville experienced a cumulative decline in school enrollment of -1.67%. In contrast to the population and school enrollment trends, inflation-adjusted operating expenditures during the study period increased 62.18%. The 2014 LGSI in Charlottesville was 133.28 their lowest LGSI since FY2000.

Figure 4



IV. Fluvanna County

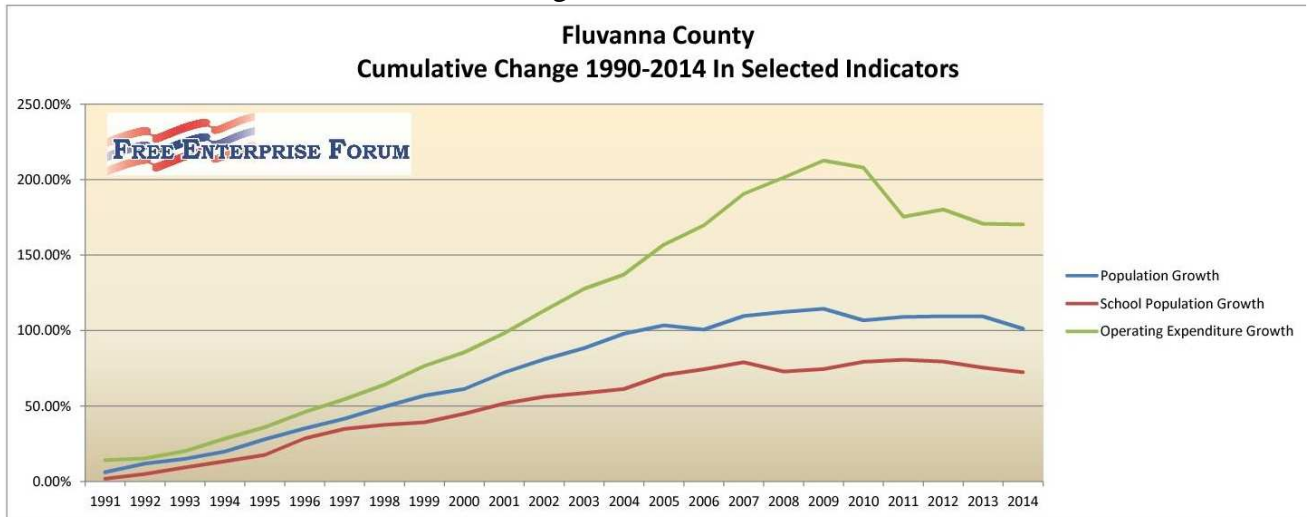
Fluvanna County has a land area of 287.37 square miles. During the study period (1990-2014), Fluvanna more than doubled in population (101.3%). Correspondingly, school enrollment in Fluvanna County increased almost 72.39%. The rate of population increase was the highest in the region. Fluvanna was second to Greene in terms of school enrollment growth.



The rate of increase in inflation-adjusted per capita spending between 1990 and 2014 was 34.23%, the third lowest of the study group. In 1990, Fluvanna County's inflation-adjusted per capita spending was \$1,640.04. In 2014, inflation-adjusted per capita spending was \$2,201.50 the lowest of any locality studied.

During the study period, the Fluvanna experienced the highest rate of growth in inflation adjusted spending in the region (142.68%). However, the rapid population growth (which is often blamed for increased operating spending) mitigates this spending increase on the LGSI calculation, with the result being that Fluvanna County had the second lowest LGSI (129.41 in 2014) in the region.

Figure 5



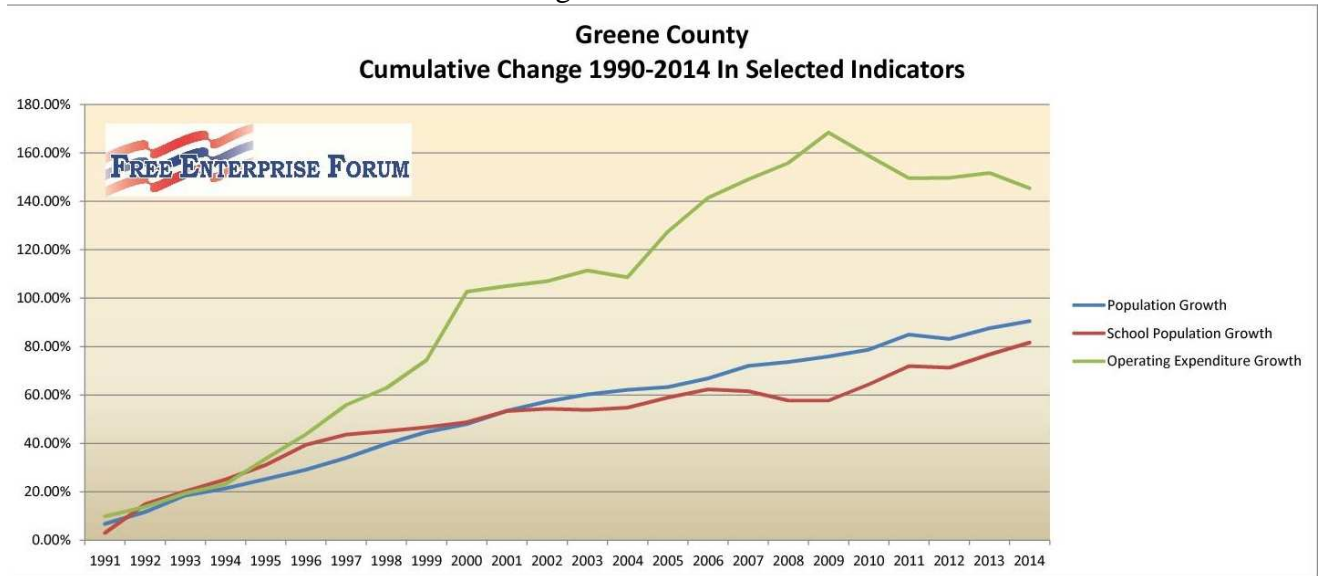
V. Greene County

Other than The City of Charlottesville, Greene County is the smallest locality (geographically) included in this study. With 156.58 square miles of land area and 19,618 residents, Greene County has a population density of 125 persons per square mile. During the study period (1990-2014), Greene County experienced the second highest population increase of 90.52% (behind Fluvanna) and the highest school enrollment increase of 81.69%.



On a per capita basis the increase in inflation adjusted operating expenditures since 1990 was 28.81%. Comparatively, Greene County's LGSI of 126.97 in 2014 is the lowest of any locality studied. Since 2010, Greene's LGSI has dropped 14.25 points but it has increased 5 points since FY2013.

Figure 6



VI. Louisa County

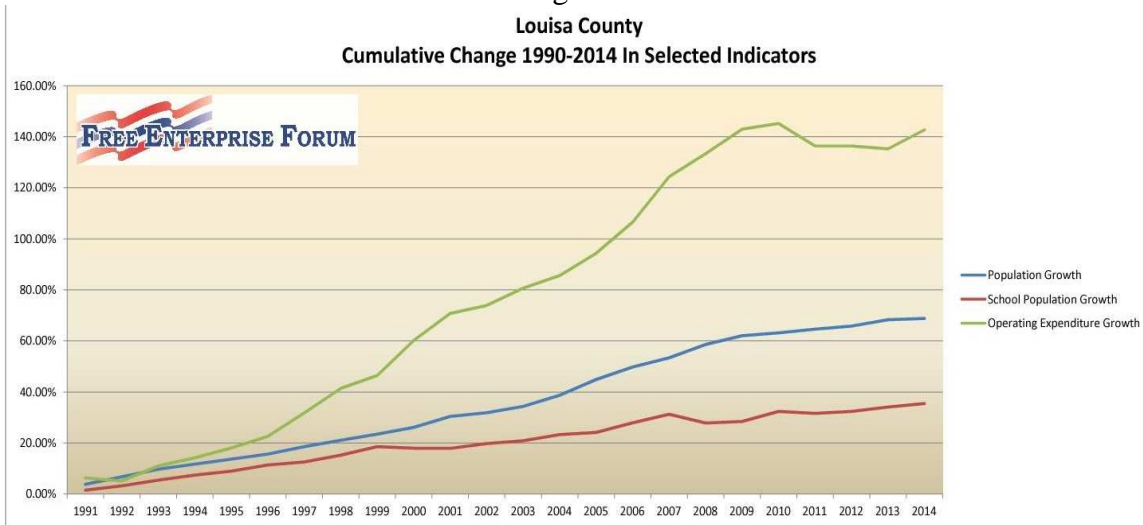
Louisa County has a land area of nearly 500 square miles and a population density of 69 people per square mile. During the study period (1990-2014), Louisa County experienced population growth of 68.84% and growth in school enrollment of 35.50%.



Inflation adjusted operating expenditures in Louisa County increased 143% between 1990 and 2014. Per capita spending in Louisa County in 2014 is \$2,537.49, compared to \$1,765.43 (in 2012\$) at the start of the study period. Louisa County's 2014 LGSI is 142, placing it as the second highest of all localities studied. Interestingly, in the 2010 LGSI Louisa County was the second lowest LGSI.

The disparity between population growth and school enrollment growth seem to positively impact Louisa's LGSI. This is an area worthy of additional scrutiny.

Figure 7
Louisa County
Cumulative Change 1990-2014 In Selected Indicators



VII. Nelson County

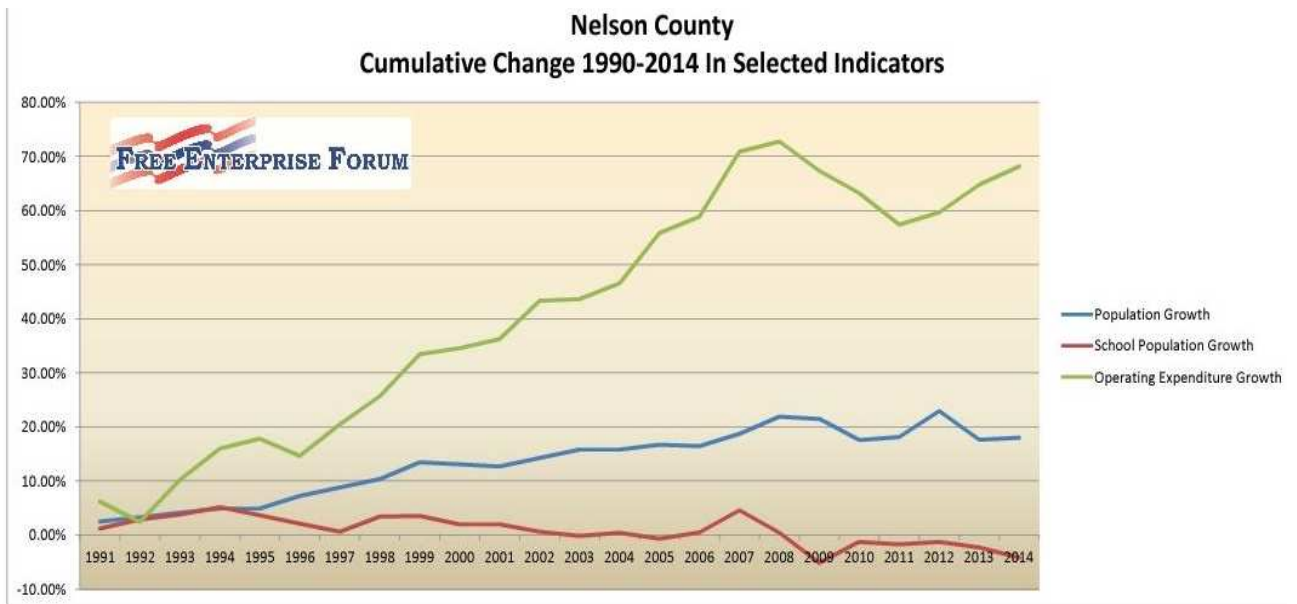
With a 2014 population estimated at 15,704 (a drop of 4 since 2008), Nelson County is the smallest locality in terms of population included in this study. It is also the least densely populated, with a population density of nearly 32 persons per square mile. During the study period (1990-2014), population increased at a rate of 17.97% and school enrollment dropped by 4.21%. It is important to note the small enrollment size (~2,000 students) magnifies normal fluctuations in class size.



Inflation adjusted per capita operating spending increased from \$1,850.23 (in 2014\$) in 1990 to \$2,637.11 in 2014, an increase of 42.53%.

Nelson County had the third highest LGSI in the 2014 study at 140.02. It is important to recognize that much of the growth in Nelson County has been in the Wintergreen Resort area. Resort homeowners tend to have lower incidence of school aged children, thus helping to explain why school enrollment growth does not mirror population growth.

Figure 8



VIII. Conclusions

As an evaluation tool the Free Enterprise Forum Local Government Spending Index (LGSI) provides a locality specific metric to objectively measure relative changes in the spending of local governments. At the start of this study, it was hypothesized that inflation adjusted spending would largely track changes in population and school enrollment. For the most part it does; but further study is warranted regarding the equal increases in spending in those localities with declining school enrollments.

It was also theorized that growth in inflation-adjusted per capita spending among the localities would be similar because of the high percentage of programs mandated by the state and operated by the localities. Over the years, we have heard anecdotally of special local educational offerings that may attract a population cohort that may then result in increased mandates and spending. More research in this area is needed before such causality can be established.

Furthermore, while this analysis is source revenue blind, further study may be warranted to examine the different revenue streams for the localities and the spending requirements, if any, which accompany these sources.



It was also anticipated that school enrollment growth would track population growth. While it does, in every instance the percentage growth in school enrollment was smaller than the growth in population. This may be reflective of larger demographic trends being seen on a national basis. As demographic forces change the demands on local governments, additional study may be needed in this area.

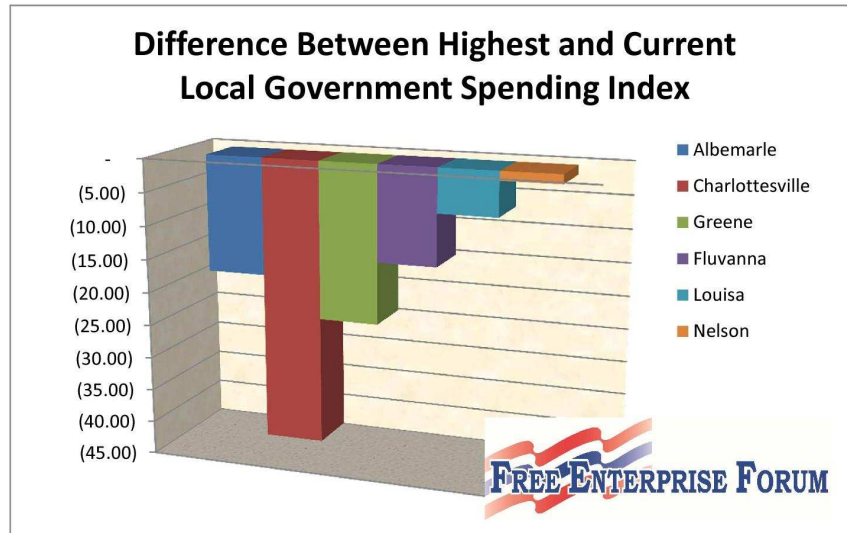
In contrast, the analysis clearly indicates wide variation in per-capita spending decisions made by the localities. Many have significantly changed course since the recession impacted tax revenues. While the City of Charlottesville remains the highest per capita spender in the study group, their inflation adjusted per capita spending has dropped by 24% since 2009. Albemarle County has seen their inflation adjusted per capita spending drop by 10.5% since 2009.

While it has been theorized that the more dense localities have greater government service demands; conversely a lack of revenue generated significant operating spending decreases. Further study is warranted to understand the differences citizen expectations and spending patterns across different economic realities.

An examination of the last four years of LGSI data is particularly illuminating. While no locality has returned to its LGSI highs of 2009 (2010 for Fluvanna and Louisa), Nelson is

the closest with only a 1.38 differential between 2009 and 2014. The majority of the study localities have dropped between 14 and 23 points in their LGSI.

Figure 9



The City of Charlottesville is an outlier dropping 42.41 points. This 24% drop is difficult to explain without additional research. As the drop occurred in FY2010 and FY2013 when gas prices were also dropping, that may be a contributing factor. Changes in the manner the city self-reported their data may also have contributed to this change.

In conclusion, The Free Enterprise Forum Local Government Spending Index provides citizens an objective locality specific metric to be used to compare spending between municipalities. As mentioned in the preface, this analysis seeks to promote discussion and debate.

Armed with an objective metric such as the LGSI, additional study can be done to determine the relative value what citizens are getting for their money. In the end, it is up to the citizens to determine whether they are getting their money's worth.

About the author:

Neil Williamson serves as President and Executive Director of The Free Enterprise Forum, a privately funded public policy organization in Charlottesville, Virginia. The Free Enterprise Forum is dedicated to fostering communication on a variety of growth, land, and resource management and economic development issues.



As managing editor of The Free Enterprise Forum blog and *Forum Watch*, the Free Enterprise Forum's monthly e-mail publication, Williamson often challenges local governments, businesses and citizens to expand their vision and consider the unintended consequences of their actions. Often quoted as a voice in favor of economic freedom, Williamson is a regular commentator on several local media outlets regarding local economic vitality, growth and development issues.

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