



Choices and Decisions:

The Free Enterprise Forum
Local Government Spending Index (LGSI)

**A 20 Year Comparative Look at Local Government Spending in the Greater
Charlottesville Region**

2002-2022

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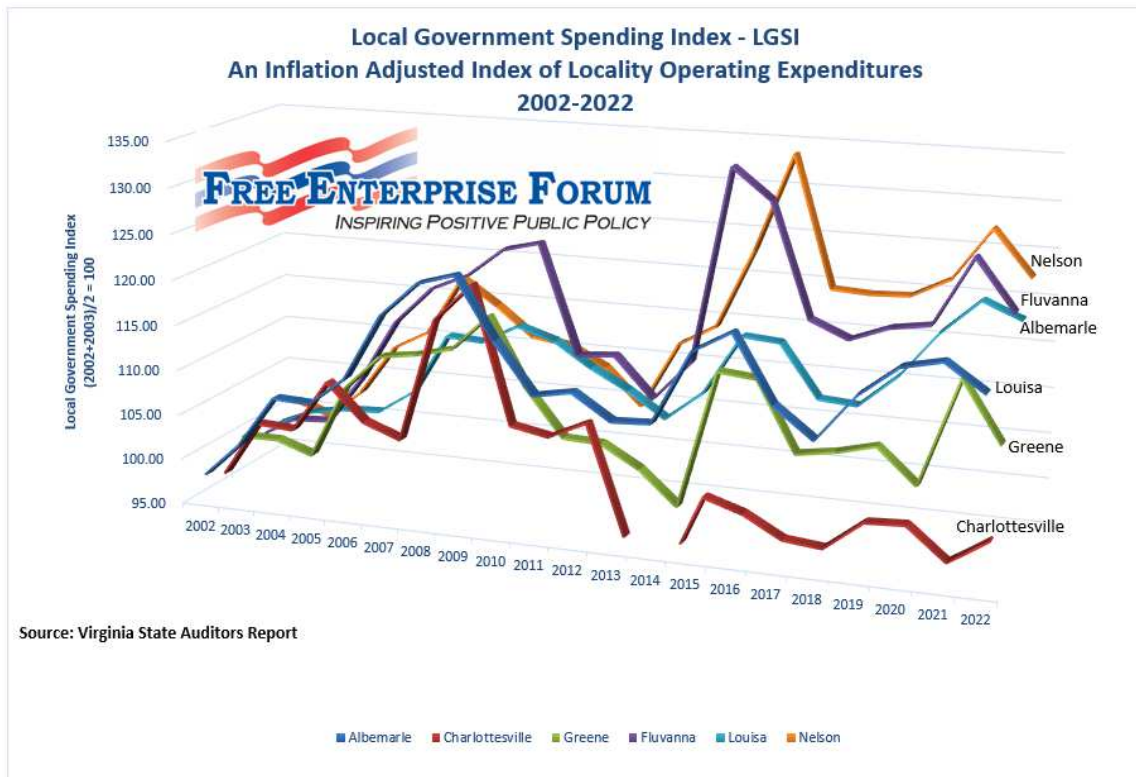
Preface – Choices and Decisions, The Free Enterprise Forum Local Government Spending Index, 2002-2022

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

The attached reports cover Albemarle, Fluvanna, Greene, Louisa, and Nelson Counties as well as the City of Charlottesville. The analysis seeks to develop and track over time an objective 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 statistical 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 and debt service only) for the first two years of the study (2002 & 2003) and dividing it by two. This methodology creates an objective measure of local spending adjusted for the 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 may 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, The City of Charlottesville has the highest per capita spending (\$5,385.30) and a cumulative population growth of 29.16% has the lowest 2022 LGSI under 100 points while Nelson County with a significantly lower per capita spending (\$3,392.21) has only 1.46% cumulative increase in cumulative population growth has the highest 2022 LGSI with more than 122 points.

LGSI Historical data (2002-2022) shows a variety of spending patterns in the region. Today, no locality is at their spending apex LGSI as compared with the 2002/2003 base metric. Nelson is 10 points below its 2016 peak of 133.60 LGSI points.

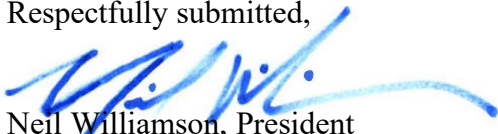
Many of the influences traditionally thought to impact local government spending are enumerated in the attached report including population growth, school enrollment growth and population density. The LGSI uses self-reported spending and verified population data to generate an inflation adjusted index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

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.

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.

Well informed citizens make well informed decisions.

Respectfully submitted,

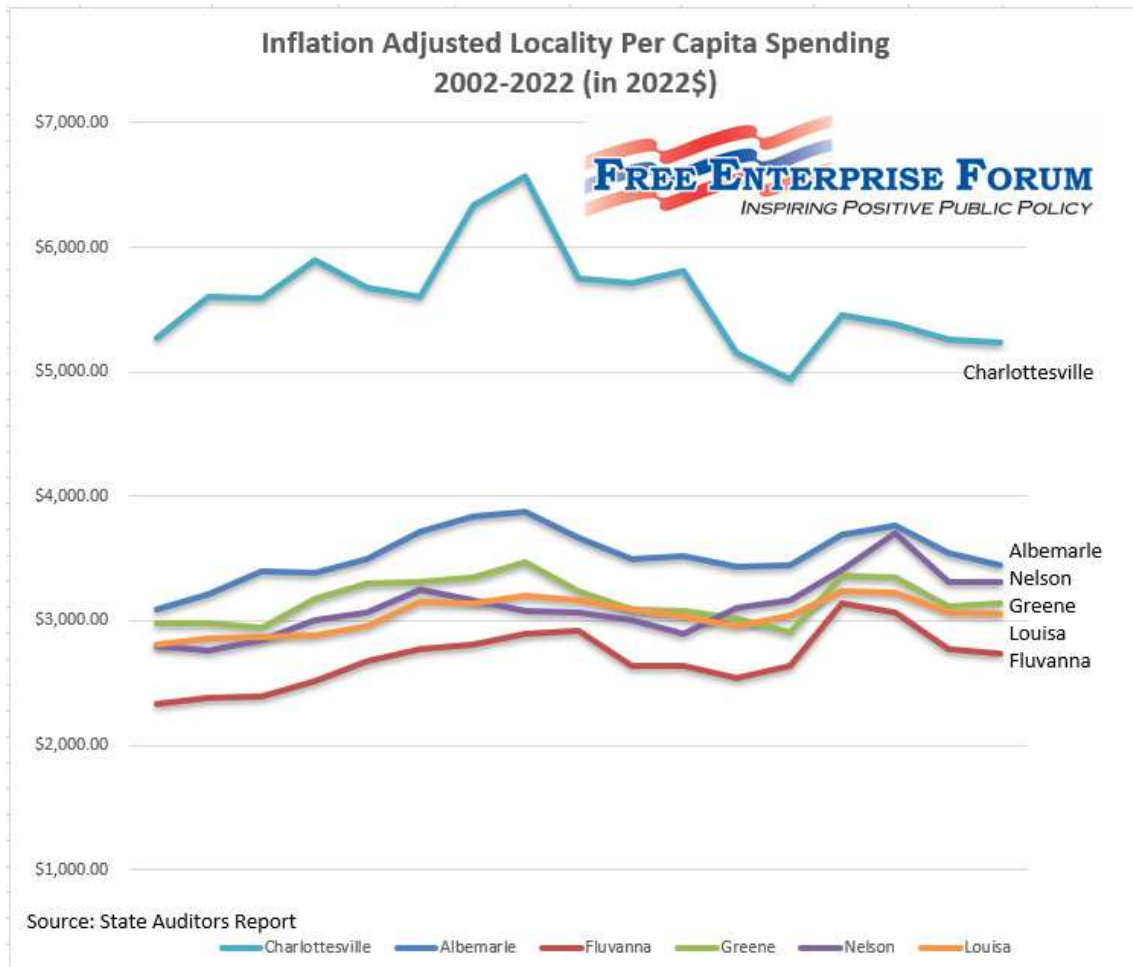


Neil Williamson, President
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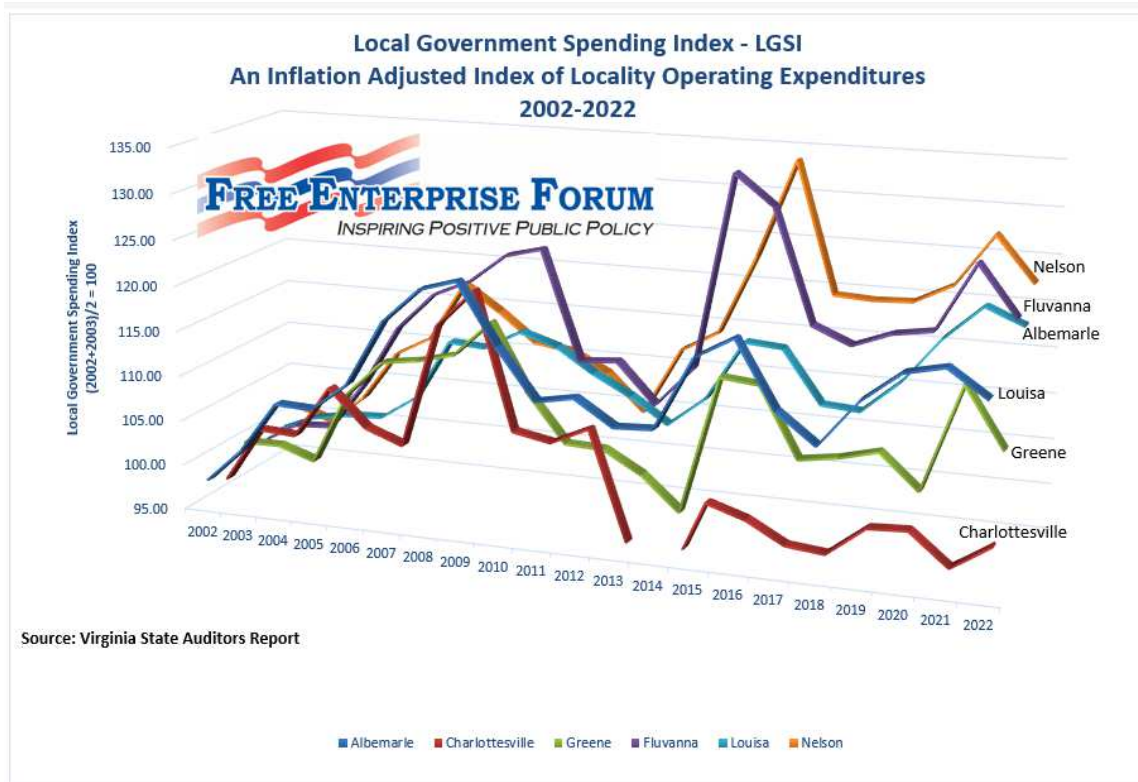
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I. General Trends in Local Government Spending: 2002-2022

By establishing the Local Government Spending Index (LGS) 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 addition, we have specifically limited the LGS window to the most recent twenty years where the data is available. In all cases, after adjusting for price inflation, per capita spending has increased since the start of the study period, but it is not at its peak.



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 revenue 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 LGS is designed to track differences in local spending as compared to the 2002-2003 base period.



The chart above provides a snapshot of the twenty-year span of this study. Over the study time period, the different governmental entities in the Greater Charlottesville Region have made very different choices and decisions about government spending. It is also important to note these governments made these decisions at different times.

Adjusted for inflation, all of these governments are spending more in their operating budgets, but it is most interesting when the population growth is factored into the equation in the LGSi. The LGSi has its basis in per capita spending by each locality. It is important to recognize the relative differences that are embedded into the LGSi metric. To calculate the LGSi, we first must calculate the inflation adjusted per capita spending during each year of the study. This number is impacted by both spending and population growth. This impact can be seen in 2014 as Charlottesville population increased faster than spending resulting in the lowest LGSi recorded of 90.96.

Every locality has its own set of differing needs. As K-12 education makes up the lion's share of most locality budgets, school enrollment is tracked in each locality page as well as in the chart below. The following charts track population growth, school population growth as well as operating budget expenditures.

II. Albemarle County

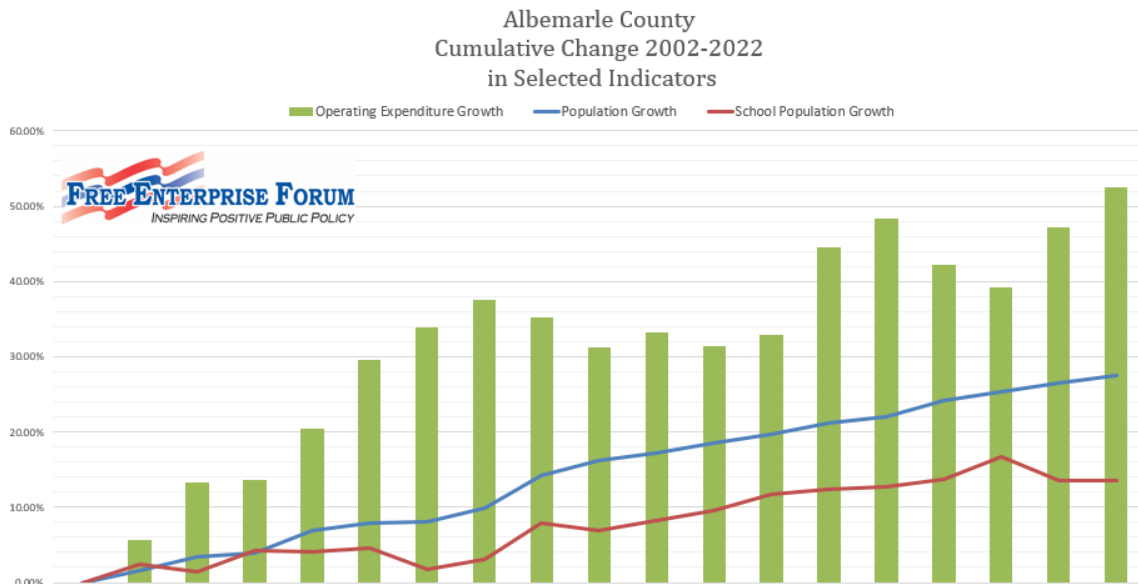
Albemarle County, with a land mass of 722.61 square miles, experienced an average annual rate of increase in inflation-adjusted per capita operating expenditures of 2.34% in the study period from 2002-2022. In 2022, Albemarle County had an estimated population of 115,495 and operating expenditures of 420.85 million, resulting in per capita spending of \$3,643.90.



Adjusted for inflation, Albemarle County’s cumulative spending increased by over 56% during the study period while population and school enrollment increased by 33.21% and 11.98% respectively. Inflation adjusted per capita spending increased 17.71% since 2002.

<i>Average Annual Rates of Change, 2002-2022:</i>	
Population	1.45%
School Enrollment	0.58%
Operating Expenditures (2022\$)	2.34%
Per Capita Op. Expend (2022\$)	0.89%

The Local Government Spending Index (LGSi) in Albemarle County was 122.75 in 2009. Since that apex, Albemarle’s LGSi dropped to as low as 108.80 in 2013 but has since rebounded to its current 115.46.



III. City of Charlottesville

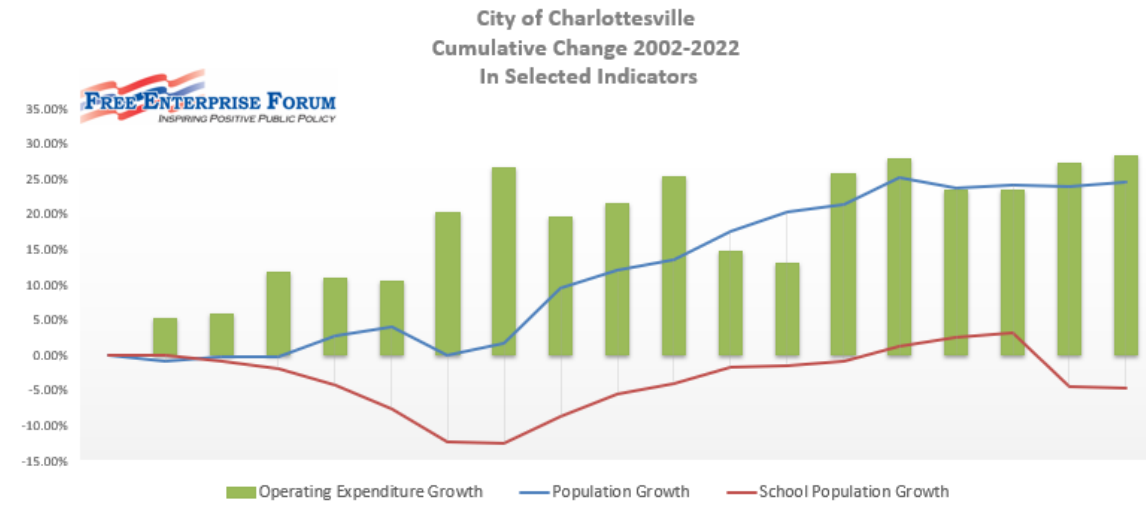
The City of Charlottesville is the smallest locality studied in terms of land area, 10.26 miles, but it is also the locality with the highest population density, at 4,998 persons per square mile in 2022. The City’s high density equates to additional levels of service expected from local government. One example, the City owns and maintains its own roads unlike any other municipality in this study.



Charlottesville had by far the highest per capita spending of any locality in the study, \$5,385.30 in FY 2022. Interestingly, this was down \$1,180 from an inflation adjusted \$6,565.35 in 2009.

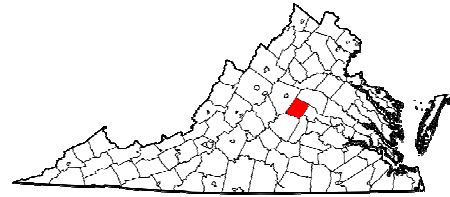
<i>Average Annual Rates of Change, 2002-2022:</i>		
Population		1.39%
School Enrollment		-0.22%
Operating Expenditures (2022\$)		1.44%
Per Capita Op. Expend (2022\$)		0.36%

During the study period (2002-2022), Charlottesville’s population increased by 29.16%. In contrast, Charlottesville experienced a cumulative loss of nearly 3% of school enrollment. Despite the population and school enrollment trends, inflation-adjusted per capita operating expenditures during the study period increased 32.02%. The 2022 LGSI in Charlottesville was the lowest of any locality at 99.10, vastly different than their highest LGSI ever reported in 2009 of 120.81.



IV. Fluvanna County

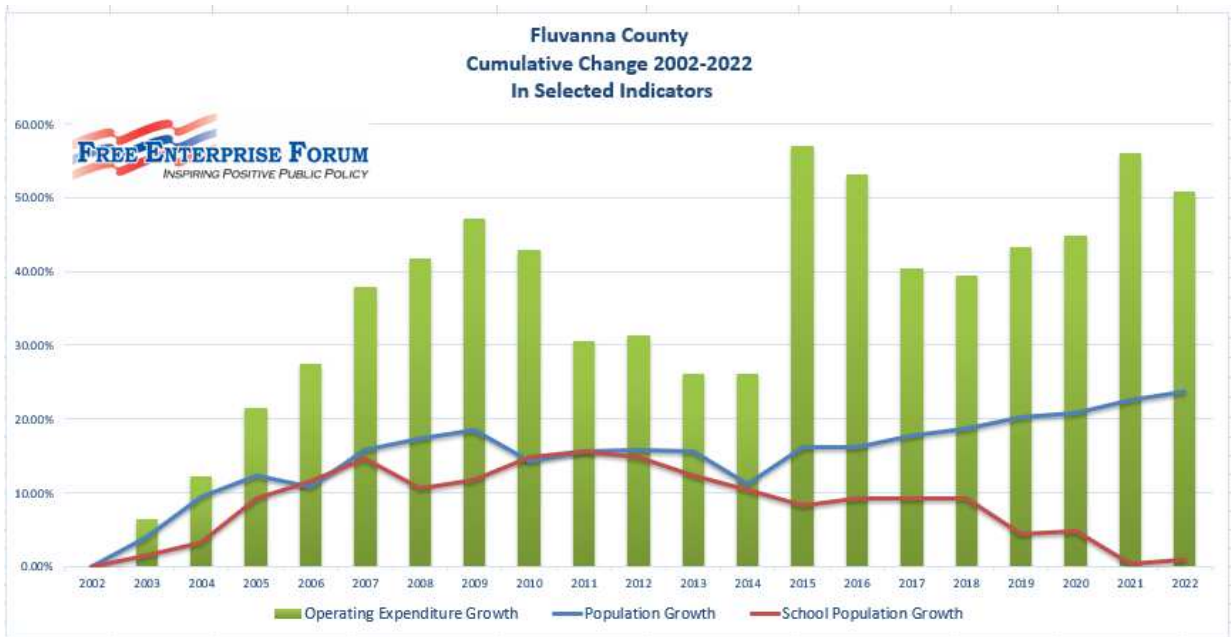
Fluvanna County has a land area of 287.37 square miles. During the study period (2002-2022), Fluvanna grew at the same rate as Albemarle County (tied for 4th) at 23.75%. Interestingly, during the 20-year study period school enrollment in Fluvanna County increased less than 1% where Albemarle enrollment increased nearly 12%.



The rate of increase in inflation-adjusted per capita spending between 2002 and 2022 was 21.86%. In 2002, Fluvanna County’s inflation-adjusted per capita spending was \$2,327.73. In 2022 inflation-adjusted per capita spending was \$2,836.63 the lowest of any locality studied.

<i>Average Annual Rates of Change, 2002-2022:</i>		
Population		1.10%
School Enrollment		0.07%
Operating Expenditures (2022\$)		2.31%
Per Capita Op. Expend (2022\$)		1.17%

During the study period, Fluvanna experienced 50.80% growth in inflation adjusted spending in the region. However, the rapid population growth (which is often blamed for increased operating spending) mitigates some of this spending increase on the LGSI calculation, with the result being that Fluvanna County was in the top tier of the pack with the second highest LGSI (120.45 in 2022) in the region.



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 21,165 residents, Greene County has a population density of 135 persons per square mile.



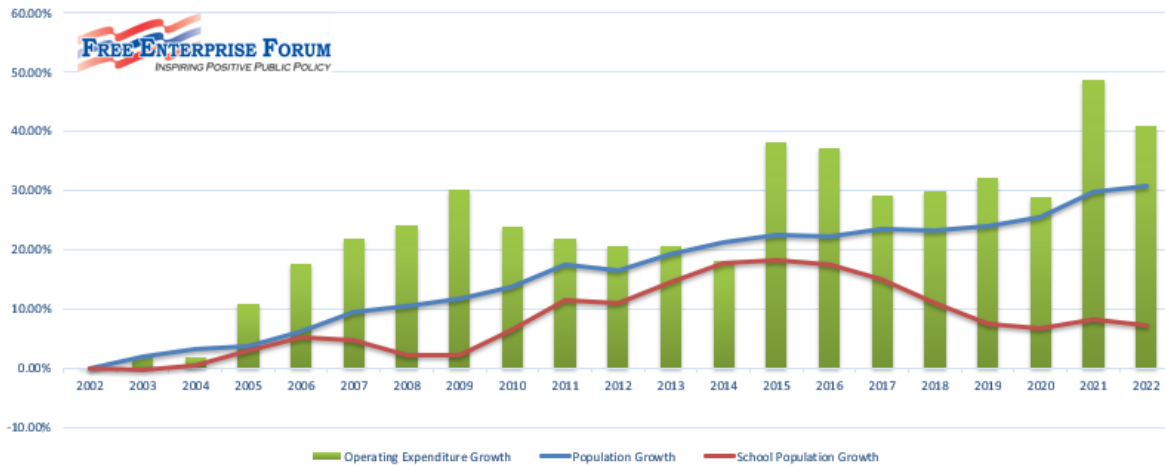
During the study period (2002-2022), Greene County experienced the second highest population increase of 30.65% (behind Louisa) and the third highest school cumulative enrollment increase of 7.10%.

Average Annual Rates of Change, 2002-2022:

Population	1.35%
School Enrollment	0.37%
Operating Expenditures (2022\$)	1.90%
Per Capita Op. Expend (2022\$)	0.53%

On a per capita basis, inflation adjusted operating expenditures since 2002 increased by 7.88%. Comparatively, Greene County's LGSI of 107.86 in 2022 is the second lowest of the localities studied. Greene's 2022 LGSI calculation shows the locality's spending patterns track rather consistently with their population increases. Per capita spending in Greene in FY2022 was \$3,212.20. Recent declines in school population may impact local government spending in the future.

**Greene County
Cumulative Change 2002-2022
In Selected Indicators**



VI. Louisa County

Louisa County has a land area of nearly 500 square miles and a population density of 80 people per square mile. During the study period (2002-2022), Louisa County experienced the region's greatest population growth of 48.23% and growth in school enrollment of 20.69%.

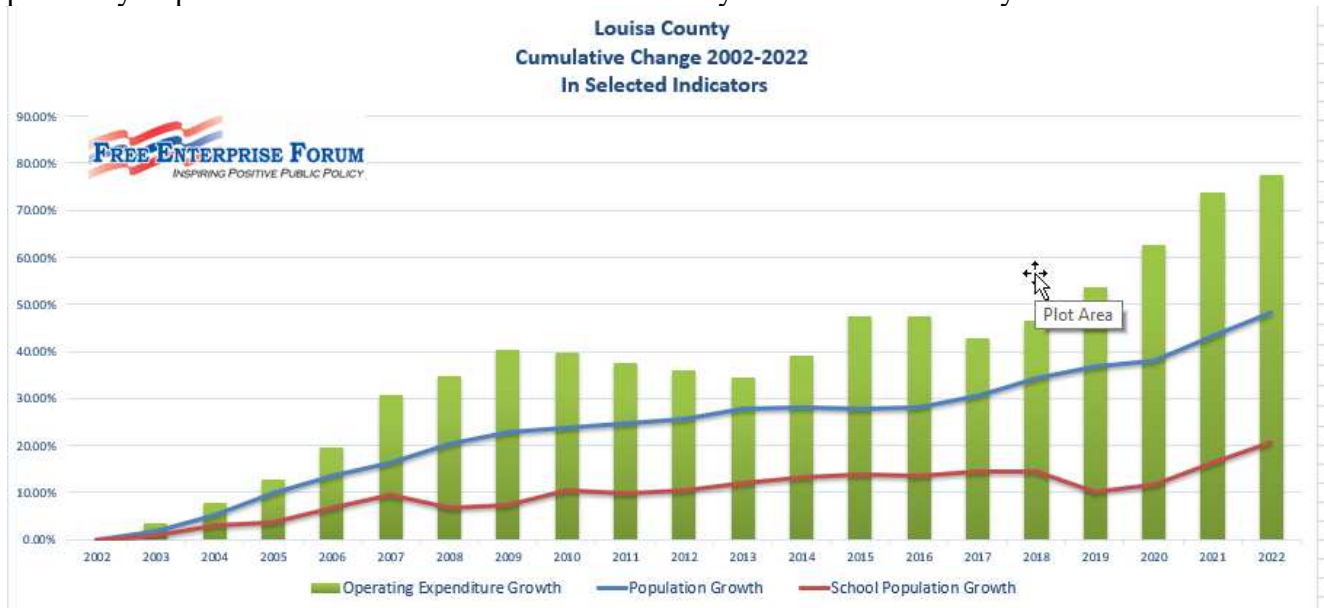


Inflation adjusted operating expenditures in Louisa County increased 77.48% between 2002 and 2022. Local

Government per capita spending in Louisa County in 2022 was \$3,356.56 compared to \$2,803.30 (in 2022\$) at the start of the study period. While Louisa County's 2022 LGSI is its second highest ever at 118.70 (2021 was highest). It is still in the middle section of all localities studied.

<i>Average Annual Rates of Change, 2002-2022:</i>		
Population		2.00%
School Enrollment		0.96%
Operating Expenditures (2022\$)		2.96%
Per Capita Op. Expend (2022\$)		0.95%

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



VII. Nelson County

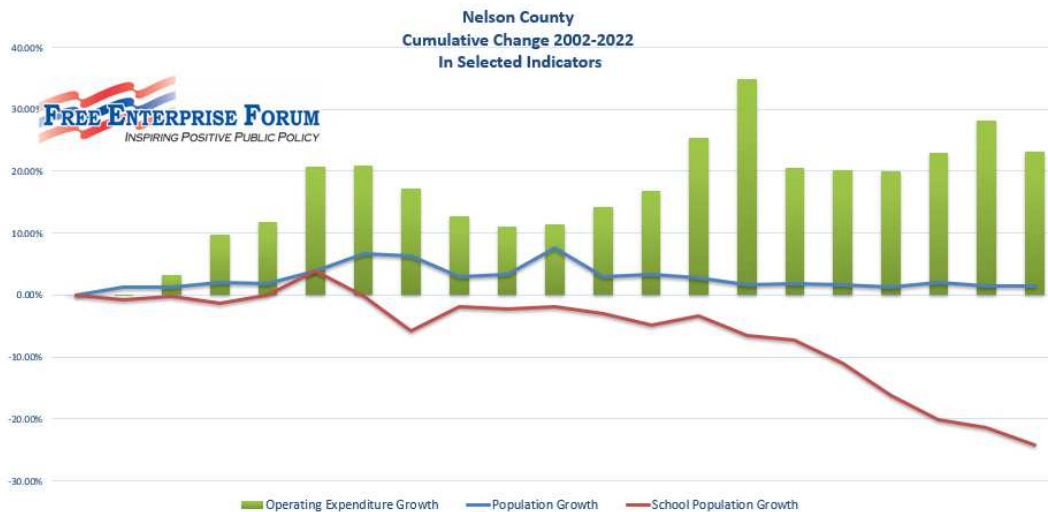
With a 2022 population estimated at 14,813, Nelson County is the smallest locality in terms of population included in this study. It is also the least densely populated, with a population density of 31 persons per square mile. During the study period (2002-2022), population increased at a rate of 1.46% and school enrollment dropped -31.99%. 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 \$2,794.78 (in 2022\$) in 2002 to \$3,392.21 in 2022, an increase of over 20%.

<i>Average Annual Rates of Change, 2002-2022:</i>		
Population		0.09%
School Enrollment		-1.34%
Operating Expenditures (2022\$)		1.14%
Per Capita Op. Expend (2022\$)		1.14%

Nelson County had the highest LGSFI in the 2022 study at 122.20. 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. The inflation adjusted 23.15% per capita increase in government spending absent the increase in students is more difficult to explain.



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.

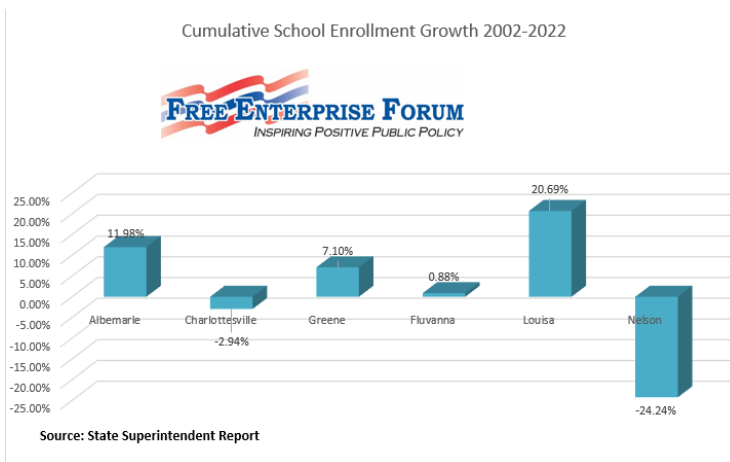
The first time we calculated the LGSI (2009), it was hypothesized that inflation adjusted spending would largely track changes in population and school enrollment. In many cases the trends seem related but the range for the 2022 LGSI was 99.1 to 122.20.

For the second time a locality, this time the City of Charlottesville, had an LGSI below 100. 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. The data neither supports nor refutes this contention. More research in this area is needed before any 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. There was concern that significant COVID related federal funds would skew this data, this did not seem to be the case.



It was also anticipated that school enrollment growth would track population growth. In those with school growth we see some correlation but the 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

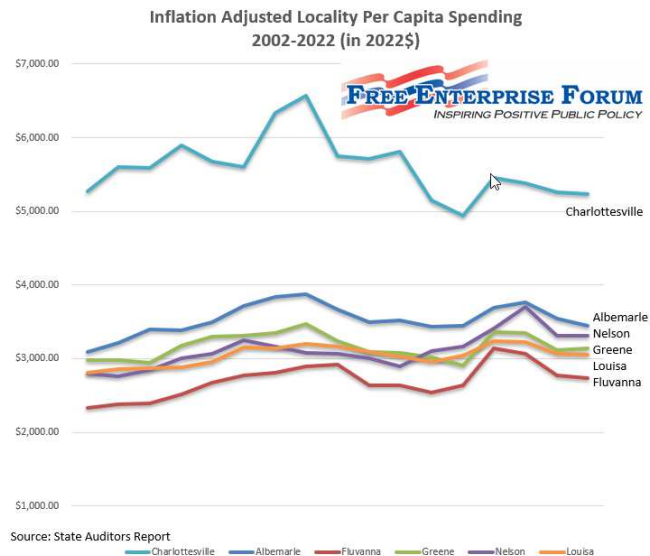
demographic forces change the demands on local governments, additional study may be needed in this area.

In contrast, the analysis clearly indicates wide variation in per-capita spending decisions made by the localities. In this iteration, Charlottesville, Albemarle, and Greene all had

their highest LGSI in 2009 [all of which were budgets approved prior to the Great Recession].

Interestingly, Fluvanna, Louisa and Nelson all had their highest LGSI in 2021.

While the City of Charlottesville remains far and away the highest per capita spender in the study group, they always have been. Adjusted for inflation their 2022 per capita spending is just \$116.68 more than in 2002.



LGSI leader Nelson County has the greatest delta between inflation adjusted per capita spending increasing \$597.43 compared with 2002. After dropping in 2017 and 2018, Albemarle County has seen their inflation adjusted per capita spending return to its highest level (\$3,398.44).

While it has been theorized that the denser populated 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.

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.

The Free Enterprise Forum is a privately funded public policy organization focused on the local governments of The City of Charlottesville and the surrounding counties.

If you find this research valuable, please financially support the organization @ www.freeenterpriseforum.org

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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