

Local Government Finance

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Total Revenues

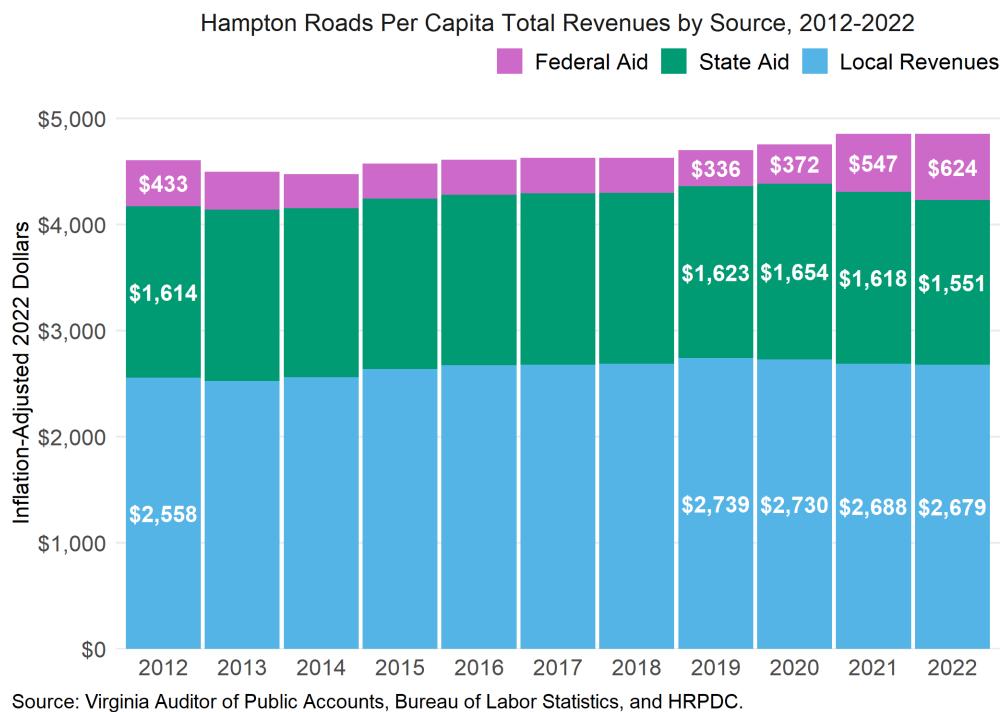
Total Revenues by Source of Funds, Hampton Roads

Why is it important?

Local government revenues are sourced from federal direct and pass-through aid, state aid, and local revenues, providing insight into broader trends in total local government revenues.

How are we doing?

In anticipation of revenue shortfalls, federal aid to localities surged during the pandemic. Per capita local revenues, however, have remained relatively stable, declining 2.2% between 2019 and 2022. Over the same period, state aid fell 4.4%, while federal aid increased 85.8%.



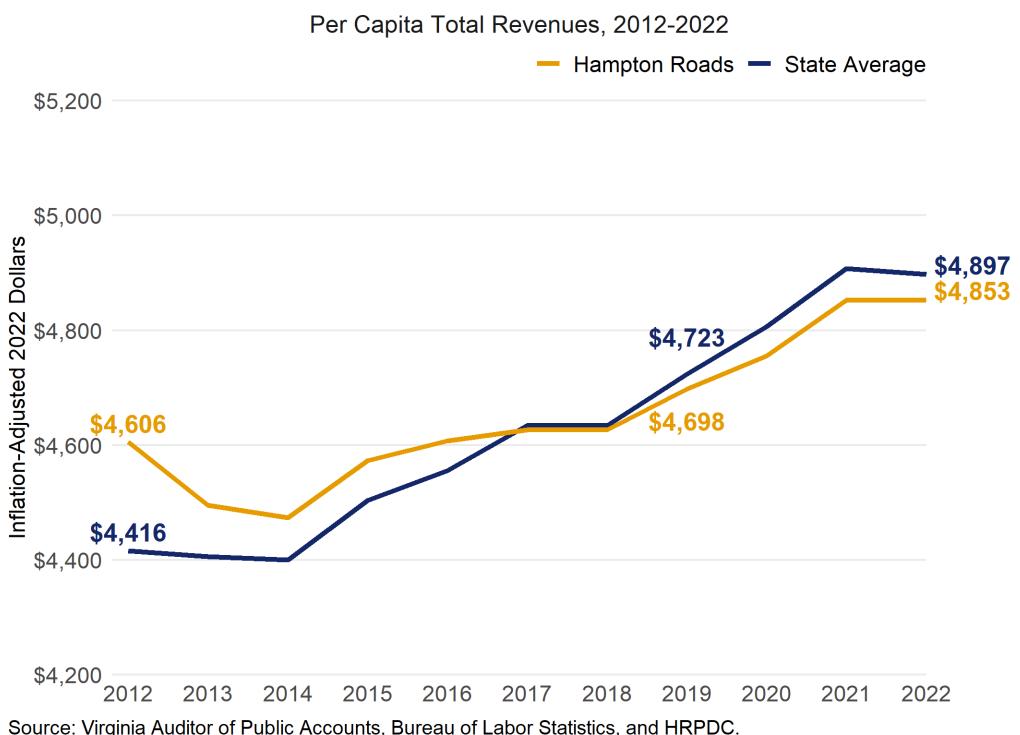
Total Revenues, State Average and Hampton Roads

Why is it important?

Local government revenues are closely linked to macroeconomic conditions. Economic downturns that reduce revenues while increasing the demand for services can create significant fiscal challenges for local governments.

How are we doing?

Revenue growth in the region slowed following the Great Recession and Sequestration, with per capita total revenues remaining below the state average since 2017. In 2022, total revenues in the region were flat compared to the previous year, while the state average experienced a slight decline.



Local Revenues

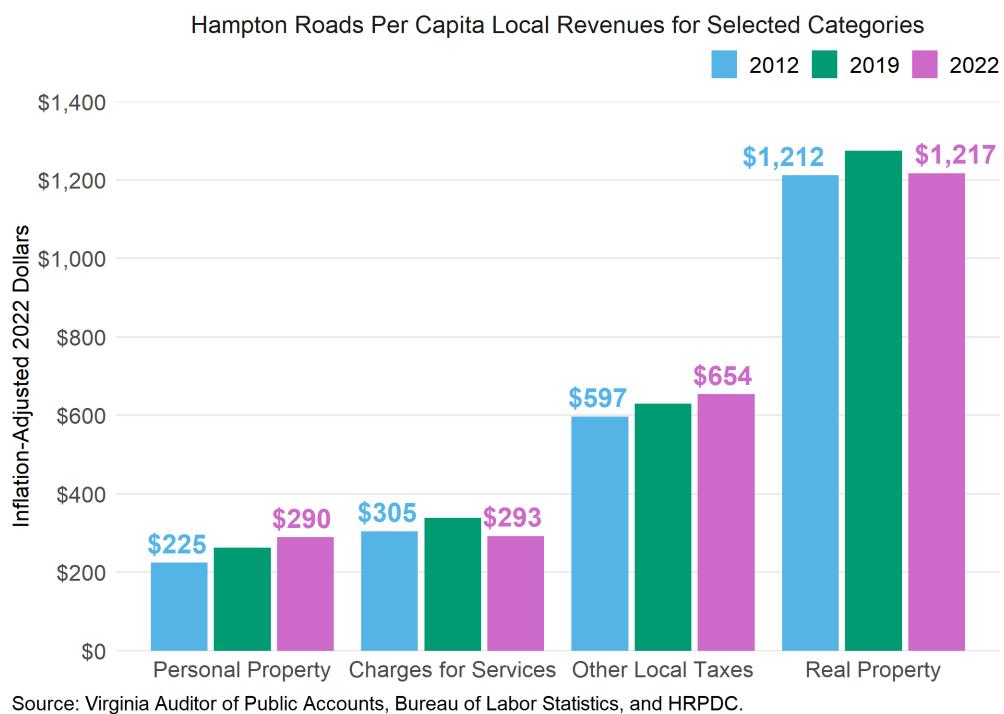
Local Revenues by Major Source, Hampton Roads

Why is it important?

Local revenues are derived from a variety of different sources. In Virginia, several local tax rates are set by the Virginia General Assembly, requiring localities to concentrate their revenue effort in a limited number of areas.

How are we doing?

In 2022, Hampton Roads inflation-adjusted per capita real property tax revenues were down 4.5% from 2019 and 0.4% above 2012 levels. Other local revenues, such as sales and meals tax revenues, increased 3.8% between 2019 and 2022.



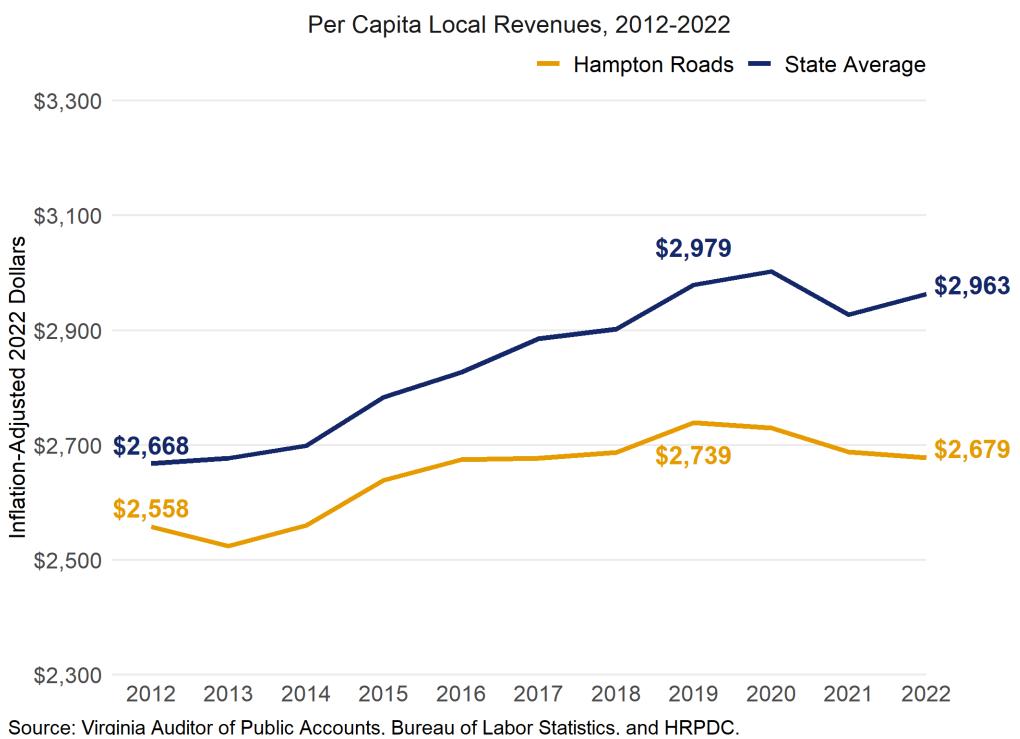
Per Capita Local Revenues, State Average and Hampton Roads

Why is it important?

Per capita local revenues are influenced by various factors, including the types and rates of taxes levied, income levels, and property values.

How are we doing?

Over the past decade, per capita local revenues in the region have fallen further below the state average. In 2020 and 2021, per capita local revenues declined in both the average Virginia locality and the region. In 2022, the state average increased, while local revenues in the region continued to decline.



Expenditures

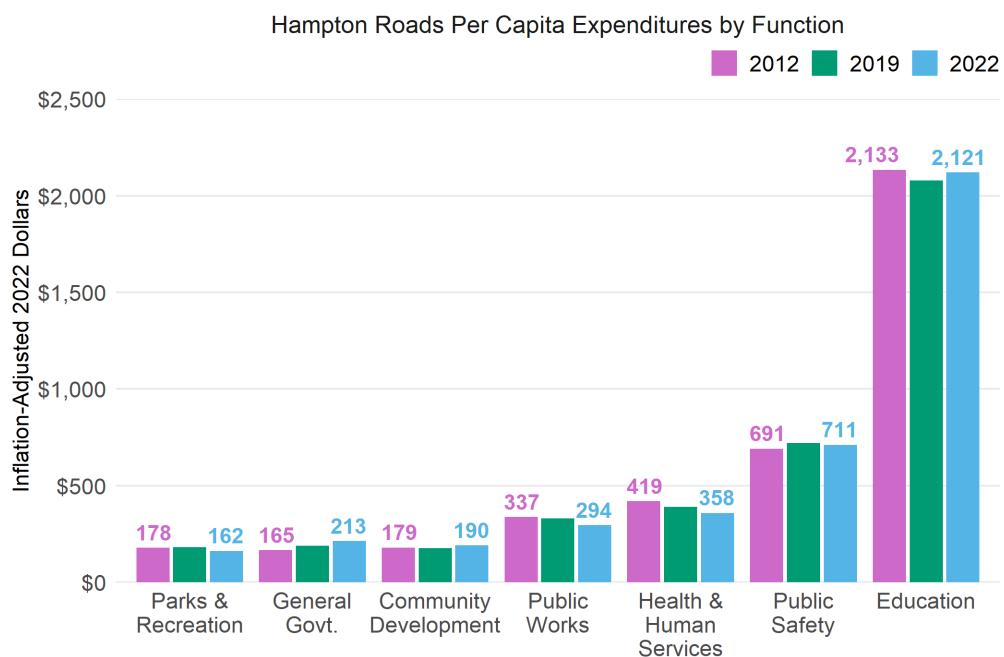
Expenditures by Function, Hampton Roads

Why is it important?

Local expenditures are essential for providing public services and maintaining infrastructure. Investments in areas like education and development can drive economic growth by attracting businesses and fostering a skilled workforce.

How are we doing?

In 2022, per capita expenditures on parks & recreation, public works, health, and public safety were below 2019 levels. Spending across the other major functions exceeded the pre-pandemic levels observed in 2019.



Source: Virginia Auditor of Public Accounts, Bureau of Labor Statistics, and HRPDC. Excludes judicial and non-departmental expenditure categories.

Total Expenditures, State Average and Hampton Roads

Why is it important?

Per capita expenditures by a local government serve as a benchmark for comparing spending trends in regional localities against the state average for all localities.

How are we doing?

Local expenditures in the region have generally followed the same pattern as the state average. However, the decline in spending in 2022 marks a sharp divergence from the previous year, when regional expenditures exceeded the state average for the first time since 2016.

