

## ■ Local Governments

In 1987, there were 91,186 local government units serving the Nation. These local governments employed the equivalent of 8.4 million full-time workers and spent over \$458 billion providing public services and constructing and maintaining public facilities. The majority of these government units were located outside Metropolitan Statistical Areas (MSA's).

Over the last 25 years, local government activity increased dramatically in metro and nonmetro areas alike. However, most of the growth occurred in the 1960's and early 1970's. During the late 1970's and 1980's, inflation-adjusted spending grew more slowly, reflecting relatively slow economic growth and slow growth in inter-governmental aid.

During the mid-1980's, when metro economies were outperforming nonmetro economies, local governments in metro counties (metro governments) were able to increase their locally raised revenues more than local governments in nonmetro counties (nonmetro governments). Although nonmetro governments received somewhat larger increases in intergovernmental aid than did metro governments, this was not enough to offset their slower growth in locally raised revenue. Consequently, by 1987 metro governments surpassed nonmetro governments in per capita expenditures, but the difference was slight (about 1 percent).

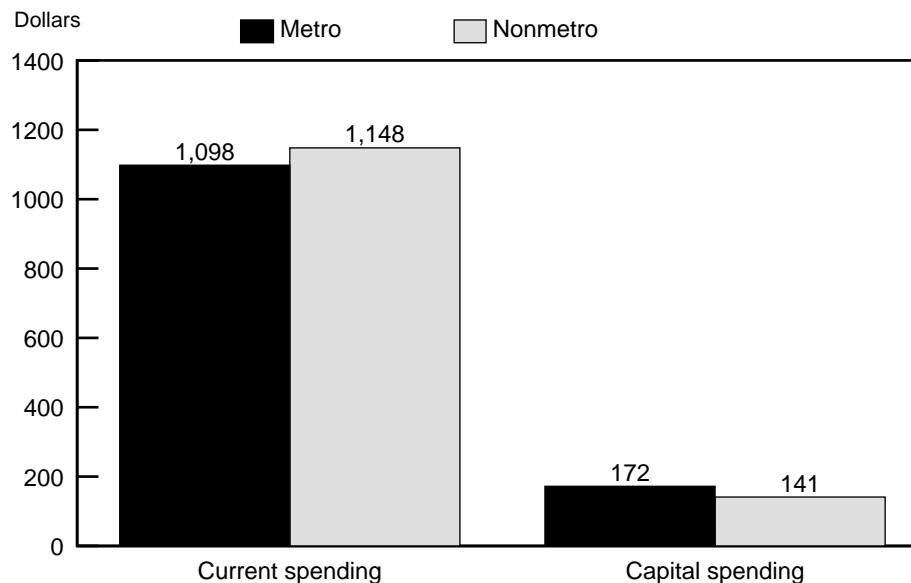
Although overall per capita spending levels are roughly the same for metro and nonmetro governments, nonmetro residents pay a substantially higher share of their income to maintain these services. In 1987, locally raised government revenues consumed 6.8 percent of income in nonmetro counties compared with 5.9 percent of income in metro counties.

A closer look at per capita expenditures, by type, sheds light on additional difficulties facing nonmetro local governments. In 1987, nonmetro governments spent 5 percent more on current services, and 22 percent less on capital projects (long-term investments, for example in roads and buildings), than did metro governments. The relatively high nonmetro current spending totals reflect the high costs of providing services in highly rural areas that are unable to take advantage of economies of scale. Many of these places (especially farming areas) lost population during the 1980's, further increasing their per capita cost of providing ongoing local government services. To compensate, many of these places had to postpone or cancel capital investment projects, reducing their capacity to provide services in the future.

In addition, nonmetro local governments in the 1990's must comply with a growing array of Federal and State mandates, such as more stringent environmental regulations. EPA estimates that the per capita compliance cost for many of these regulations is substantially higher for small communities than for large communities. This could present a significant challenge for nonmetro local governments already confronted with relatively high tax burdens, high costs of current services, and deferred capital spending.

Figure 4-5.

Local government expenditures per capita, 1987<sup>1</sup>



Note: Per capita amounts are county averages. <sup>1</sup>Latest available data.  
Source: Bureau of Census, 1987 Census of Government