



Rural Virginia Prosperity Commission

Morning-Hour Presentation 3

Lagging Rural Economies Costing Urban Taxpayers

- ✍ Lagging income growth in rural Virginia has economic consequences for taxpayers in urban Virginia.
- ✍ Because of the formulas for sharing state revenues for schools and local governments, many rural counties receive more money from the state than the state collects in taxes from those counties.
- ✍ In 1998, the state returned to 46 rural counties \$189 million more than it collected in taxes in those rural counties.
- ✍ Most of that \$189 million in revenue transfer came from the prosperous urban areas. On a per capita basis, the subsidy approached \$2,000 per capita in one urban county.
- ✍ Even with this transfer of money from the Commonwealth, taxpayers in rural counties are paying the same percentage of their incomes in local taxes as taxpayers in urban areas, given the lower rural incomes.
- ✍ Without the transfer, rural counties would have great difficulties financing schools and other essential public services. As the quality of public services declines in rural areas, the likelihood of massive out-migration of rural residents to already congested urban centers increases.
- ✍ A prosperous rural Virginia would mean that more money would be available to spend on many of the urban congestion issues that concern our urban citizens.