

Economic Impact of the Arts in Monongalia County 2001

by Christiadi, BBER economist and
Tom S. Witt, Ph.D., BBER director and professor of economics

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WEST VIRGINIA ECONOMIC OUTLOOK CONFERENCE

Thursday, November 13, 2003

8:30 a.m. — 12:30 p.m.
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The economic impact of the arts in Monongalia County during 2001 was examined in a recently released report funded by [Arts Monongahela](#), a regional arts council headquartered in Morgantown. This study based the magnitude of the impacts on the expenses incurred by county arts organizations. Some economic impacts associated with the arts in Monongalia County were explicitly omitted from the study, including: visitors' spending; individual artists and commercial arts organizations; and the improvements in the quality of life of residents and visitors who interact with the arts. In the end, as always noted in similar studies, the measured economic impact of the arts always underestimates the real contribution of the arts to an economy.

As non-profit or governmental organizations, a significant proportion of arts organizations' income comes from non-earned income or donations. The study found that all three major income sources (government, non-government, or earned income) are important income sources for arts organizations. Only a few organizations rely totally on one income source.

The arts community surveyed had a total economic impact of 491 jobs, \$2,128,700 in employee compensation, and \$5,512,000 in business volume in 2001. Undoubtedly the impact would be considerably higher if one could quantify the additional economic impacts associated with out-of-town visitors who take advantage of the vibrant arts community in Monongalia County and spent funds on lodging, dining, retailing, and other goods and services. Finally, the economic impact numbers do not reflect the importance of a vibrant arts community in attracting individuals and businesses to Monongalia County.

[\(Click here for the full study\)](#)

Municipal Financing in West Virginia¹

by Mehmet S. Tosun, Ph.D., BBER research assistant professor and director,
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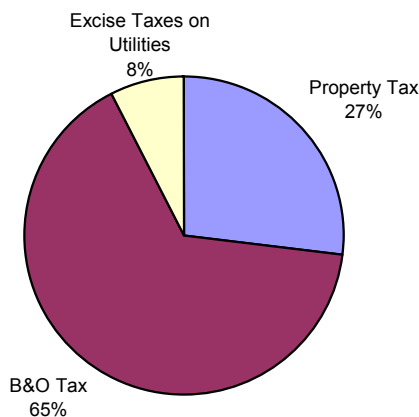
Municipalities are important legal entities within the local government structure in states. In an increasingly competitive environment, municipalities are often faced with demographic pressures and fiscal stress caused by setbacks in state and national economies. This makes it a particularly essential task to examine the structural problems in municipal financing. This report presents a brief overview of the current system of municipal finance in West Virginia with an emphasis on how it compares to other states in the neighboring region. It aims to highlight some of the challenges to municipal financing in West Virginia.

Composition of Municipal Tax Revenues

West Virginia municipalities derive tax revenue from business and occupation tax, property tax, and excise tax on utilities. **Figure 1** shows the composition of these municipal tax revenue sources for the 15 largest West Virginia cities. Business and occupation tax yields the largest revenue share (65 percent) in the municipal tax revenue. The second largest revenue source for the local municipalities in West Virginia is the property tax, which contributes 27 percent to municipal general revenue. The excise taxes on utilities constitute the last tax revenue source with a share of 8 percent.

¹This report is based on initial findings from a project that is currently underway in the Bureau of Business and Economic Research. This project is funded by the West Virginia Municipal League. The author thanks Lisa Dooley, the Executive Director of the West Virginia Municipal League, and the Municipal League staff for providing data and expert support. In July, the full study will be completed--watch for it in the August issue of the *Review*.

Figure 1
Composition of Tax Revenue in West Virginia Municipalities
(Average of 15 Largest West Virginia Cities, 2000)



Source: West Virginia Municipal League.

While business and occupation tax seems to be the dominant revenue source for municipalities, the role of property taxes has received more attention. One reason is the significant contrast between the assessed property valuations attributed to municipalities and the property taxes levied for the purpose of municipal financing. **Table 1** shows this by presenting both the total property tax levy amounts and the assessed property valuations for all municipalities in 55 counties. In this comparison, we see that municipalities account for 34 percent of the total property valuations in the state. However, in total, they capture only 7.8 percent of the total property tax levies. The ratio of the municipalities' share in total levies to their share in total valuations ranges between 0.15 for the municipalities in Brooke County and 0.53 for the municipalities in the Hardy County. For an average of all municipalities, this ratio is 0.23. This indicates that West Virginia municipalities are getting only a small portion of the total property tax levies relative to what they contribute in assessed property.

Table 1
Municipalities' Share in Property Tax Levies and Assessed Property Valuations in West Virginia Counties (Fiscal Year 2003)

Municipality Purpose	Property Tax Levies (Dollars)		Assessed Property Valuations (Dollars)			
	Total of All Purposes	Municipalities' Share in all Levies	Valuations Attributed to Municipalities	Total Valuations	Municipalities' Share in Total Valuations	
	\$74,896,389	\$965,693,575	7.8%	\$16,333,655,344	\$48,020,269,827	34.0%

Source: Classified Assessed Valuations and Taxes Levied, Fiscal Year 2003. [West Virginia State Tax Dept.](#)

Comparison of Municipal Finances in West Virginia to Municipalities in the Neighboring States

The composition of municipal finances differs significantly from state to state and can reveal interesting peculiarities. In **Table 2**, West Virginia municipalities are compared to the ones in the neighboring states by looking at the revenue structures of those municipalities that are grouped into eight population-size classes. According to the most recent release of the Finances of Municipal and Township Governments by the Census of Governments (1997), West Virginia is the only state that lacks municipalities with population greater than or equal to 75,000. West Virginia municipalities are below the U.S. average in general revenue per capita in all population-size classes except the "25,000 to 49,999" and "50,000 to 74,999" classes.² In terms of tax revenue per capita, West Virginia municipalities are below the U.S. average and the neighboring states' average in all population-size classes except the "50,000 to 74,999" class. West Virginia municipalities with larger populations seem to have had a greater revenue generating capability compared to the municipalities in the same population-size classes in other states. When all municipalities are considered, West Virginia municipalities, on average, have lower general revenue and tax revenue per capita than the average for both municipalities in neighboring states and all municipalities in the United States.

² There are only 2 municipalities in the "50,000 to 74,999" population class (Charleston and Huntington) and 3 municipalities in the "25,000 to 49,999" population class (Wheeling, Parkersburg and Morgantown).

Table 2
General Revenue and Tax Revenue Per Capita in
West Virginia and in Neighboring States by Population Class
(1996-97)

State	All Municipalities	300,000 or more	200,000-299,999	100,000-199,999	75,000-99,999	50,000-74,999	25,000-49,999	10,000-24,999	Less than 10,000
General Revenue Per Capita by State and Municipal Population: 1996-97 (Dollars)									
United States	\$1,358	\$2,386	\$1,314	\$1,210	\$1,106	\$1,010	\$985	\$887	\$756
Kentucky	847	0	1,232	0	0	819	980	828	529
Maryland	1,762	2,892	0	0	0	0	812	651	657
Ohio	971	1,321	1,247	1,488	766	827	765	918	740
Pennsylvania	1,078	2,301	0	738	668	786	651	496	401
Virginia	2,193	1,998	2,947	2,656	2,773	2,152	1,730	2,022	1,009
West Virginia	890	0	0	0	0	1,112	1,497	734	706
Average	1,290	1,419	904	814	701	949	1,073	942	674
Tax Revenue Per Capita by State and Municipal Population: 1996-97 (Dollars)									
United States	\$577	\$1,010	\$514	\$508	\$497	\$442	\$438	\$393	\$299
Kentucky	377	0	580	0	0	273	473	344	220
Maryland	662	1,034	0	0	0	0	370	301	272
Ohio	501	644	665	698	392	427	383	508	400
Pennsylvania	495	1,073	0	303	352	279	310	231	176
Virginia	990	1,017	1,051	1,185	1,197	833	845	1,022	485
West Virginia	312	0	0	0	0	547	334	342	208
Average	556	628	383	364	323	393	453	458	294

Source: [U.S. Census Bureau](#): 1997 Census of Governments, Volume 4: Government Finances, Finances of Municipal and Township Governments.

Another decomposition of municipal total revenue in [Table 3](#) shows the percentage distribution of revenue sources for the region and the United States as a whole. West Virginia has both the highest share of general revenue in total revenue and the highest share of general revenue from own sources in total revenue. It also has the highest share of charges and miscellaneous general revenue³ in total revenue among the states. On the other hand, it has the lowest share of intergovernmental revenue in total revenue and more specifically the lowest share of revenue from state government in total revenue. In terms of tax revenues, West Virginia municipalities have one of the lowest shares of property tax revenues and one of the highest shares of public utilities tax revenues. Overall, the share of total tax revenues in total revenues is slightly lower than the U.S. average.

³This revenue source is made up of current charges and miscellaneous general revenue. Current charges include fees, assessments, and other reimbursements for services such as hospitals, sewerage, solid waste management and other services. Miscellaneous general revenue includes interest earnings, special assessments, sale of property and all other general revenue.

Table 3
Percentage Shares of Municipal Revenues in Total Revenue: 1996-97

Revenues	US	KY	MD	OH	PA	VA	WV
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
General	77.5	70.9	77.9	83.4	80.6	85.1	87.1
Intergovernmental	21.9	9.6	37.2	14.8	24.7	31.9	5.4
Federal Government	4.1	3.1	2.9	3.3	6.2	3.3	3.3
State Government	16.0	5.1	30.8	9.7	15.5	28.0	1.9
Local Government	1.8	1.4	3.5	1.9	3.0	0.6	0.2
From own sources	55.6	61.3	40.7	68.5	55.9	53.2	81.7
Taxes	32.9	31.6	29.3	43.0	37.0	38.4	30.5
Property	16.0	8.5	21.4	7.9	12.3	25.0	8.6
Sales & Gr. Rcpts	9.5	1.5	1.7	0.8	2.3	9.6	4.0
General	5.7	0.0	0.0	0.0	1.1	3.6	0.0
Motor Fuel	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Alcoholic Beverages	0.1	0.2	0.0	0.0	0.0	0.0	0.6
Tobacco	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Public Utilities	2.3	1.1	0.8	0.0	0.0	3.0	2.9
Other	1.3	0.2	0.8	0.8	1.1	2.6	0.5
Income	4.8	15.4	4.0	31.9	15.7	0.0	0.0
Motor Vehicle Licenses	0.2	0.1	0.0	0.3	0.0	0.5	0.0
Other	2.4	6.1	2.2	2.0	6.8	3.3	17.9
Charges and miscellaneous	22.7	29.7	11.4	25.6	18.8	14.8	51.2
Utility and liquor store revenue	15.2	29.1	5.1	16.6	11.9	10.8	10.2
Employee retirement revenue	7.3	0.0	17.0	0.0	7.6	4.1	2.7

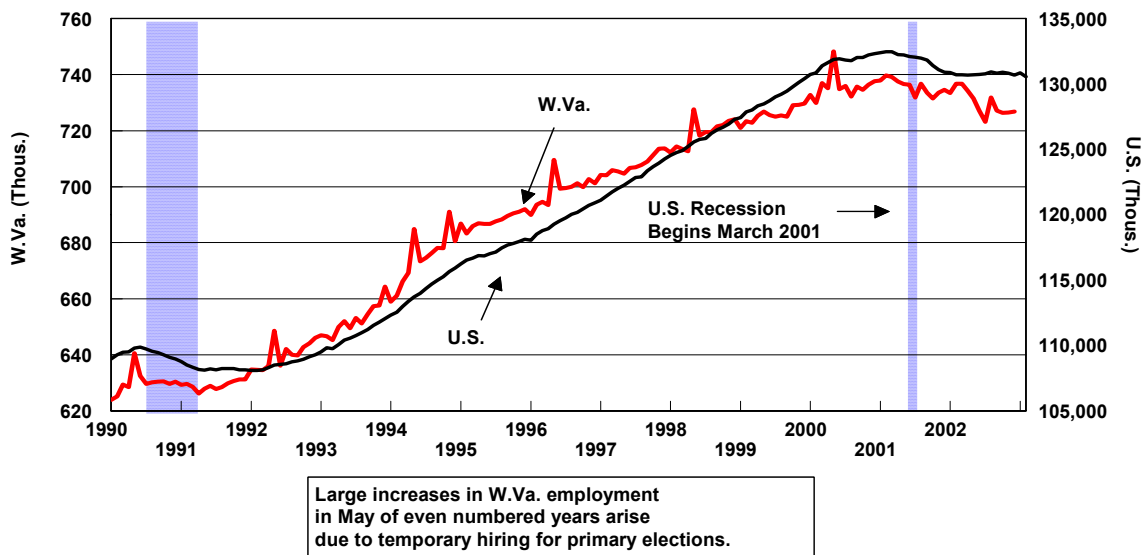
Source: [U.S. Census Bureau](#): 1997 Census of Governments, Volume 4: Government Finances, Finances of Municipal and Township Governments.

West Virginia Economic Outlook: Vital Signs

by George W. Hammond, Ph.D.,
Director of the West Virginia Economic Outlook

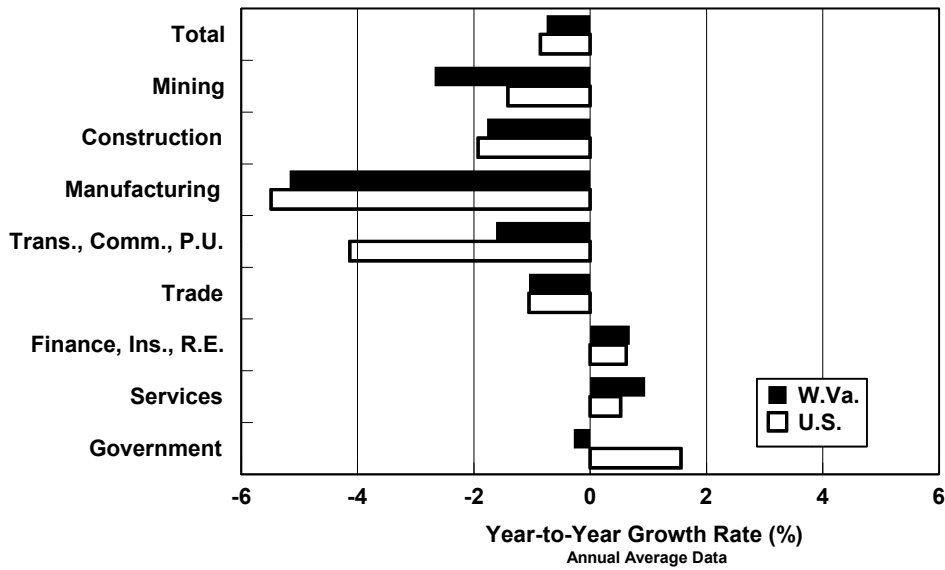
The West Virginia economy has limped, and occasionally stumbled, since the U.S. recession began. From March 2001, the start of the national recession, to December 2002, the state lost 12,300 nonfarm jobs on a preliminary, seasonally adjusted basis. This translates into a percentage loss of 1.7 percent, a bit higher the national rate of loss during the same period (of 1.3 percent). As [Figure 1](#) suggests, the current downturn, again from a jobs perspective, has been more severe than the downturn of the early 1990s.

Figure 1
W. Va. and U.S. Nonfarm Jobs: 1990 - 2002



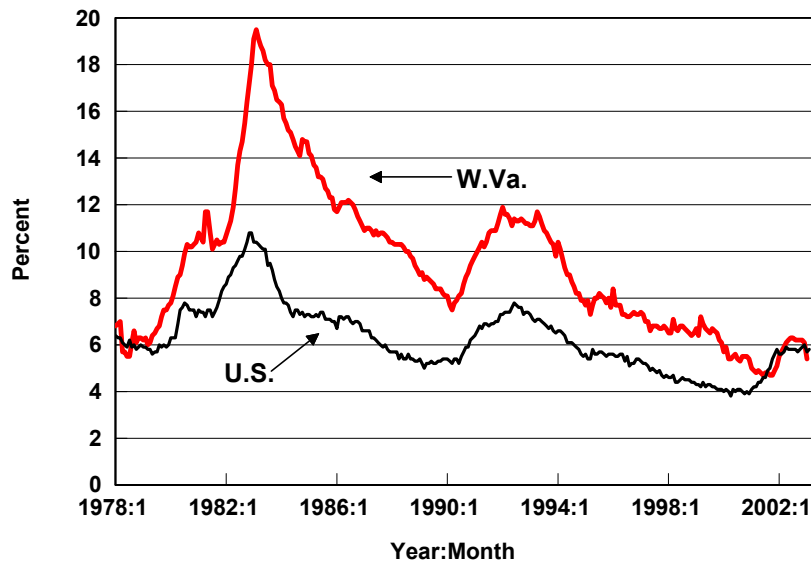
A look at the monthly data is useful, but it can exaggerate quirks in the preliminary data. On an annual average basis, the state lost 5,500 jobs from 2001 to 2002, a rate of job loss of -0.7 percent. This is very close to the national rate of loss of -0.9 percent. For the nation, poor job growth performance in 2002 arose because the economy still struggles to digest the excesses of the last half of the 1990s. It also reflects uncertainty and apprehension surrounding possible war in Iraq (including rising energy prices), which has inhibited consumer and businesses spending. For West Virginia, as shown in [Figure 2](#), job growth weakness has been widespread, concentrating in the goods-producing sectors (mining, construction, manufacturing), but also hitting three service-producing sectors (transportation, communications, and public utilities, trade, and government). Further, job gains have been slower than usual in services, typically our fastest growing sector. Slower national growth has given the services sector the flu.

Figure 2
West Virginia Lost Jobs in 2002
But So Did the U.S.



On the unemployment front, the state's seasonally adjusted unemployment rate hit 5.4 percent in January 2003, well above the 4.8 percent level in March of 2001. As **Figure 3** shows, the state's rate remains well within range of the national rate, which was 5.7 percent, in January 2003. Note that the current spike in the state's unemployment rate is comparatively mild, compared to past economic downturns.

Figure 3
W. Va. Eliminates the Unemployment Rate Gap
(Seasonally adjusted rates)



The state economy remains in weakened condition, in part because of an anemic national economy, which, combined with geopolitical uncertainty and rising energy prices, makes it harder for the state to pick up economic momentum. It is unlikely that we will see much job growth in 2003 and it is quite possible that the state could register another small annual job decline.

In addition, not all employment sectors face the same prospects for growth over the longer term. Services, which includes health care, business services, and many travel and tourism related sectors, has the best prospects for growth. Increased homeland defense spending, including biometrics, has the potential to spur additional high-wage services job gains. Further, expected gradual declines in the value of the U.S. dollar will help to give a little additional breathing room to export-oriented sectors (like steel and chemicals), which have been hard pressed by international competition.

Economic Impact of Medicaid Federal-Match on the West Virginia Economy FY 2002

**by Christiadi, BBER economist and
Tom S. Witt, Ph.D., BBER director and professor of economics**

West Virginia's policy makers have committed themselves to the creation of jobs, income and wealth. During the past year, the national and state economic slowdowns have increased the pressure for economic growth. At the same time, the national slowdown and structural changes in West Virginia's economy have resulted in a growing budget deficit in West Virginia. In response, Governor Bob Wise has instituted budget reductions across state agencies with the likelihood that job losses will occur among state employees.

While a number of these programs can be justified based upon the free rider principle, some others may not. Some state programs merely serve to pass federal funds through to the ultimate private sector provider of goods and services. An example of such a program is Medicaid—one dollar from West Virginia's funds provided to Medicaid is matched by approximately three dollars in federal funds.

Since Medicaid attracts additional federal funding, it can be viewed as a generator of net jobs, income and wealth for West Virginia. An expansion or contraction in the state's contribution to Medicaid would be associated with an expansion or contraction in the federal funds for Medicaid. As a result, the future direction of Medicaid funding can have a considerable impact upon the West Virginia economy. Understanding these economic consequences was the focus of this report.

This report analyzes the impact of Medicaid Federal-Match expenditures on the economies of the state and of individual counties during FY2002. It also considers the economic consequences of a cutback or an increase at the state and county levels across West Virginia. The report does not include the economic impact of the state match under the assumption that the matching funds would be used for other state government programs that would generate a comparable economic impact. The report also provides detailed economic impacts for each of West Virginia's 55 counties. The research project was funded by the [West Virginia Hospital Association](#).

[\(Click here for the full study\)](#)

Census 2000: W. Va. Commuting Patterns

by Randy Childs, BBER economist

The U.S. Census Bureau recently released data showing the 2000 county-to-county commuting flows for all states. The following tables and maps summarize these data. **Table 1** compares the 2000 figures with 1990. **Table 2** shows the numbers and percentages for each county in 2000. **Figure 1** is a map showing out-of-state commuting patterns.

As **Table 1** shows, the number of West Virginia residents commuting to counties outside their county of residence is up from 1990. In 1990, 73.8 percent of West Virginia residents worked in the county in which they resided. This dropped to 68.6 percent in 2000. Commuting to other West Virginia counties and to other states have both increased from 1990. Out-of-state commuting of employed West Virginia residents is up from 9.5 percent in 1990 to 11.2 percent in 2000. The number of residents who commute to out-of-state jobs was 80,679 in 2000. This represents an increase of 18,233 since 1990.

More than two-thirds (68.9 percent) of Doddridge County workers commute to other counties to work, while 91.3 percent of Kanawha County workers remain in Kanawha County to work. It is no surprise to find that more Eastern Panhandle residents commute out-of-state to work than any other counties in West Virginia. Mineral County has the highest percentage of residents working out of state with 46.4 percent of employed residents commuting out-of-state. Berkeley and Jefferson counties send the most residents out-of-state to work—12,204 and 9,742 respectively.

More information on the county-to-county commuting flows, including commuting patterns of county workers, can be found on the Census website at <http://www.census.gov/population/www/cen2000/commuting.html>.

Table 1
Commuting Patterns of Employed West Virginia Residents
1990 and 2000

State: Year	Total Population	Total Employed	Employed Residents					
			Work in County of Residence		Commute to Work in Other WV Counties		Commute to Work Out of State	
			Number	Percent	Number	Percent	Number	Percent
West Virginia: 1990	1,793,477	659,136	486,317	73.8	110,373	16.7	62,446	9.5
West Virginia: 2000	1,808,344	718,106	492,547	68.6	144,880	20.2	80,679	11.2

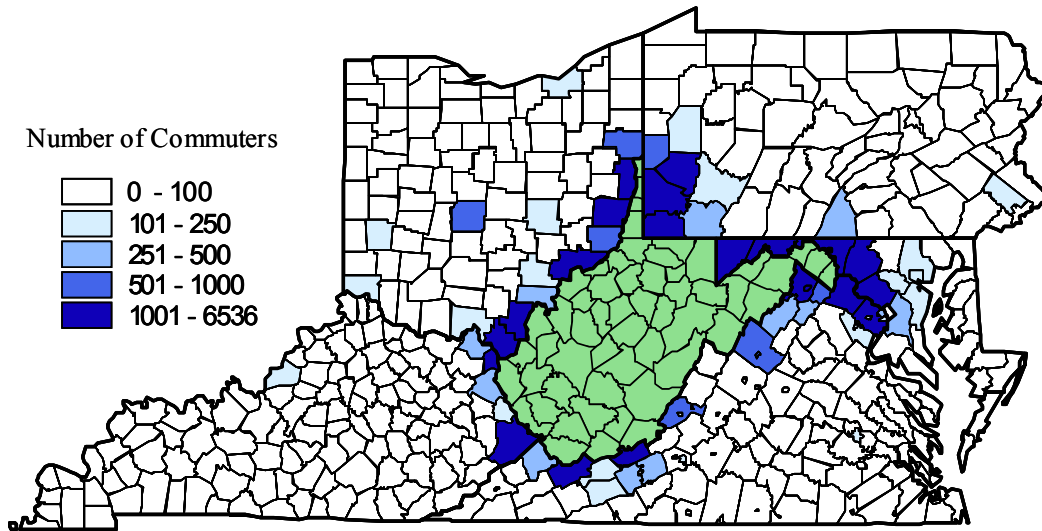
Source: U.S. Census Bureau 1990 Census & 2000 Census
Tabulation by: WVU Bureau of Business and Economic Research

Table 2
Commuting Patterns of Employed West Virginia Residents
2000

County	Employed Residents							
	Total Population	Total Employed	Work in County of Residence		Commute to Work in Other WV Counties		Commute to Work Out of State	
			Number	Percent	Number	Percent	Number	Percent
Barbour County	15,557	5,984	3,296	55.1	2,556	42.7	132	2.2
Berkeley County	75,905	35,659	20,031	56.2	3,424	9.6	12,204	34.2
Boone County	25,535	8,511	4,650	54.6	3,744	44.0	117	1.4
Braxton County	14,702	5,077	3,577	70.5	1,252	24.7	248	4.9
Brooke County	25,447	10,645	5,543	52.1	2,126	20.0	2,976	28.0
Cabell County	96,784	40,400	32,619	80.7	5,758	14.3	2,023	5.0
Calhoun County	7,582	2,471	1,345	54.4	1,056	42.7	70	2.8
Clay County	10,330	3,128	1,475	47.2	1,543	49.3	110	3.5
Doddridge County	7,403	2,566	799	31.1	1,593	62.1	174	6.8
Fayette County	47,579	15,787	9,048	57.3	6,349	40.2	390	2.5
Gilmer County	7,160	2,394	1,709	71.4	652	27.2	33	1.4
Grant County	11,299	4,895	3,160	64.6	1,260	25.7	475	9.7
Greenbrier County	34,453	13,210	10,976	83.1	1,188	9.0	1,046	7.9
Hampshire County	20,203	8,390	3,638	43.4	903	10.8	3,849	45.9
Hancock County	32,667	14,179	6,546	46.2	3,152	22.2	4,481	31.6
Hardy County	12,669	6,012	4,150	69.0	542	9.0	1,320	22.0
Harrison County	68,652	27,646	23,114	83.6	4,189	15.2	343	1.2
Jackson County	28,000	11,159	7,659	68.6	3,217	28.8	283	2.5
Jefferson County	42,190	21,066	9,452	44.9	1,872	8.9	9,742	46.2
Kanawha County	200,073	87,563	79,906	91.3	6,475	7.4	1,182	1.3
Lewis County	16,919	6,606	4,441	67.2	2,075	31.4	90	1.4
Lincoln County	22,108	6,986	2,299	32.9	4,491	64.3	196	2.8
Logan County	37,710	11,826	8,759	74.1	2,770	23.4	297	2.5
Marion County	56,598	23,353	15,879	68.0	6,778	29.0	696	3.0
Marshall County	35,519	14,012	6,466	46.1	5,507	39.3	2,039	14.6
Mason County	25,957	9,232	4,888	52.9	2,113	22.9	2,231	24.2
McDowell County	27,329	5,920	4,311	72.8	924	15.6	685	11.6
Mercer County	62,980	22,905	17,998	78.6	1,518	6.6	3,389	14.8
Mineral County	27,078	11,595	5,061	43.6	1,158	10.0	5,376	46.4
Mingo County	28,253	7,712	4,852	62.9	1,296	16.8	1,564	20.3
Monongalia County	81,866	36,939	32,121	87.0	3,102	8.4	1,716	4.6
Monroe County	14,583	5,189	2,073	39.9	1,501	28.9	1,615	31.1
Morgan County	14,943	6,512	2,571	39.5	1,101	16.9	2,840	43.6
Nicholas County	26,562	9,689	7,294	75.3	2,230	23.0	165	1.7
Ohio County	47,427	20,306	14,977	73.8	1,837	9.0	3,492	17.2
Pendleton County	8,196	3,577	2,163	60.5	596	16.7	818	22.9
Pleasants County	7,514	2,928	1,429	48.8	1,071	36.6	428	14.6
Pocahontas County	9,131	3,543	2,966	83.7	338	9.5	239	6.7
Preston County	29,334	11,869	6,483	54.6	3,965	33.4	1,421	12.0
Putnam County	51,589	23,553	9,681	41.1	13,392	56.9	480	2.0
Raleigh County	79,220	28,731	23,482	81.7	4,459	15.5	790	2.7
Randolph County	28,262	11,332	9,496	83.8	1,679	14.8	157	1.4
Ritchie County	10,343	3,945	2,330	59.1	1,374	34.8	241	6.1
Roane County	15,446	5,378	3,203	59.6	2,033	37.8	142	2.6
Summers County	12,999	4,115	2,299	55.9	1,587	38.6	229	5.6
Taylor County	16,089	6,154	2,663	43.3	3,340	54.3	151	2.5
Tucker County	7,321	2,918	2,158	74.0	572	19.6	188	6.4
Tyler County	9,592	3,418	1,781	52.1	1,362	39.8	275	8.0
Upshur County	23,404	9,114	6,848	75.1	2,027	22.2	239	2.6
Wayne County	42,903	15,851	5,869	37.0	7,754	48.9	2,228	14.1
Webster County	9,719	2,809	2,027	72.2	757	26.9	25	0.9
Wetzel County	17,693	6,108	3,920	64.2	1,364	22.3	824	13.5
Wirt County	5,873	2,230	728	32.6	1,423	63.8	79	3.5
Wood County	87,986	37,650	31,697	84.2	1,944	5.2	4,009	10.6
Wyoming County	25,708	7,359	4,641	63.1	2,591	35.2	127	1.7

Source: U.S. Census Bureau 1990 Census & 2000 Census
Tabulation by: WVU Bureau of Business and Economic Research

Figure 1
Employed West Virginia Residents
Commuting Out of State
2000



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