Revenue Source Trends and Changes in Local Governments: A Case Study of Georgia

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Abstract

Financial stability poses a considerable challenge for many local governments, particularly during periods of resource unpredictability. While diversifying revenue sources is frequently touted as a remedy for fluctuating revenue streams, limited research has delved into the specific new revenue modalities adopted by local governments and how these have transformed their overall revenue structure. This research evaluates revenue diversification trends by analyzing revenue data spanning 1985 to 2015 from 121 of Georgia's largest cities. Findings indicate that special purpose option sales taxes emerged as a significant addition over the three decades. Concurrently, a growing number of local governments have embraced sources like hotel/motel taxes, business licenses, alcohol licenses, and parking fees. Notably, in a majority of the cities studied, revenues from enterprise funds surpassed those from general funds. The study concludes by drawing financial management implications from the observed trends.

Keywords: Local revenue sources, revenue diversification, special purpose local option sales tax, user fees

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Introduction

Resource scarcity is a pervasive challenge across local governments. Between 2009 and 2011, during the preceding recession, local governments grappled with intense financial strain. This stress stemmed primarily from sales tax fluctuations, declining property values, and potential state aid cuts (Bartle et al., 2011). Whether in a time of crisis or normalcy, local governments face ongoing issues such as unpopular property tax increases, fatigue with sales tax options, unstable state aid programs, and the urgent need for operating capital projects. When coping with such challenges, local governments typically move toward three options: prioritizing services, establishing a culture of continuous service improvement, and/or developing revenue enhancement options (Collins et al., 2009). The former two options often lead to reductions in spending, mainly in capital expenditures and non-essential public services (Cromwell & Ihlandfeldt, 2015). Deeper shifts in addressing fiscal strain usually involve raising existing tax rates or introducing new tax/fee mechanisms.

However, there is limited reporting in the literature regarding the extent to which local governments have adopted new revenue enhancement and diversification strategies. This creates a significant research gap in the field of public financial management. This study shines a light on revenue diversification and enhancement strategies, investigating how Georgia's local governments adjusted their fiscal structures and introduced new revenue instruments. Historically, Georgia's local governments have been at the forefront in devising new revenue streams, such as the Special Purpose Local Option Sales Taxes (SPLOST). For more than two decades, Georgia has emerged as one of the fastest-growing states in the United States, leading to a marked increase in infrastructure investment demands (Jung, 2002). This growth has spurred local governments into exploring and developing various new revenue sources. This background presents an excellent opportunity to study revenue diversification strategies within local governments.

Given the importance of innovative revenue strategies during crises like the enduring implications of the recent pandemic, an assessment of their performance is both timely and pertinent. This study's layout is as follows. The ensuing two sections delve into prior research concerning local government revenue enhancement options and discuss the legal boundaries and political climate surrounding revenue options in Georgia. The data and method section delineates the data sources and analytical procedures employed, utilizing revenue data from Georgia's 121 largest cities from 1985 to 2015. The findings section presents key shifts in each revenue source. Lastly, the discussion and conclusion section outlines the theoretical and practical implications, offering avenues for future exploration.

Revenue Enhancement Options in Local Governments

Berry and Berry (1994) analyzed tax increases across state governments and discovered that the introduction of new tax instruments has been uncommon in recent years. By the close of the twentieth century, most states had already implemented the tax tools they predominantly rely on today. They further posited that for many state governments in the contemporary period, the only viable method to boost revenues is by increasing the rates of existing taxes (Berry & Berry, 1994: 855). Does this perspective hold true for local governments as well? Local governments seem to possess limited authority in shaping their tax and non-tax revenue streams due to state laws and restrictions, such as tax and expenditure limits. This is despite often enjoying a degree of home rule autonomy.

Despite these constraints, local governments can still devise varied strategies to innovate their revenue sources within their given boundaries. A 2017 survey by the International City/County Management Association (ICMA, 2019) revealed that to address fiscal challenges, 54.9 percent of local governments raised existing user fees, 43.3 percent increased taxes, and 36 percent introduced new fees. Concurrently, they adopted other tactics such as postponing capital projects (58.7 percent), staff reductions (45.5 percent), maintenance expenditure deferments (43.8 percent), cutting down the fund balance (39.7 percent), curtailing personnel benefits (30.5 percent), service reductions (22.9 percent), and service eliminations (11.8 percent) (ICMA, 2019). Notably, among these strategies, raising current tax/fee rates and introducing new taxes/fees garner significant public interest. This is largely because such moves often necessitate public involvement, such as the referendums seen for special option local sales taxes in Georgia.

Elevating existing taxes and fees can be a feasible measure, especially if the increments are moderate and align with the local political and economic landscape. Data from the Urban Institute (2020) indicates that in 2017, taxes constituted 42 percent of local general revenues. This was broken down into 30 percent from property taxes and 12 percent from non-property taxes. Intergovernmental transfers accounted for 36 percent of local general revenues, while the remaining 22 percent was sourced from charges, fees, and other varied avenues. With property tax being a primary revenue fountainhead for local governments, many diversification strategies are honed to alleviate its load. Sales taxes have emerged as a favored alternative to lighten the weight of property tax. Instead of merely ramping up the prevailing sales tax rate, numerous local governments have ushered in special option sales taxes to back voter-sanctioned initiatives, such as capital projects and education endeavors. For instance, Georgia's Special Purpose Local Option Sales Tax (SPLOST) manifests in three variants: general SPLOST, education SPLOST, and transportation SPLOST. These taxes are designed to mitigate the escalating pressure of property tax in support of capital ventures.

Yet, Jung (2002) observed that while SPLOST bolsters local capital revenue, it doesn't serve as an effective substitute for enduring debt solutions or substantial property tax relief. He also posited that counties boasting commercial hubs, university centers, or tourist magnets—which can effectively offload some of their sales tax onto non-residents—are more inclined to embrace SPLOST earlier and more often than their rural counterparts without such advantages. Propheter (2019) echoed this sentiment, noting that rural municipalities exhibit less propensity to adopt local option sales taxes and typically possess less diverse tax frameworks compared to non-rural municipalities of a similar scale.

Recently, there was another push to generate additional revenue from sales tax through internet transactions. In 2018, the Supreme Court case *South Dakota v. Wayfair* overturned the 1992 precedent set by *Quill v. North Dakota*. This previous ruling had prevented states from mandating businesses to collect sales tax unless they had a physical presence in that state. The new judgment allows states to levy sales tax on internet purchases, regardless of whether the retailer has a physical presence in the state or not. Consequently, many states have now made marketplace facilitators accountable for collecting and remitting sales tax on behalf of all their associated sellers. This internet sales tax initiative has garnered strong support from small, local brick-and-mortar merchants who believe they have been adversely affected by online businesses benefiting from tax-free sales.

When traditional tax avenues are tapped out, local governments explore non-tax revenue options, as permitted by state law. User charges and fees are among the most favored non-tax revenue options for local governments. Bartle et al. (2011) observed that of the various non-tax revenue methods, only user charges and fees present promising prospects as an efficient revenue source for local governments. A user fee becomes a viable choice when the benefits of a service are directly enjoyed by specific individuals, those who do not pay can be excluded from its benefits, and the administrative costs associated with the fee are reasonable (Bartle et al., 2011). As communities grow economically and the demand for essential services like utilities rises, user charges and fees are anticipated to see an uptick in most regions. Consequently, local governments are looking to capitalize on these fees for revenue, even if such revenues are earmarked for specific expenses.

A recent development in revenue streams is the Payment in Lieu of Tax (often abbreviated as PILOT or PILT). These payments aim to offset revenue losses in communities arising from the tax-exempt status of certain lands or properties (Kenyon & Langley, 2010). Typical contributors to PILOTs include the federal government, utility companies, and nonprofit organizations (Maher et al., 2018). For instance, in 2020, the U.S. Department of the Interior disbursed $514.7 million to over 1900 local governments (U.S. Department of the Interior [US DOI], 2020). In several states, local authorities receive PILOT payments from entities like utility companies, hospitals, and community development agencies. To illustrate, in 2017, local governments in Nebraska collected 49 million dollars in PILOT payments from sources such as public power districts, game and parks commissions, housing authorities, hospitals, and community redevelopment agencies. The obligation of nonprofit organizations, given their tax-exempt status, to contribute to PILOT remains a topic of debate (Longoria, 2014; Kenyon & Langley, 2010; Lipman, 2006).

Local governments have the option of bolstering their revenue by transferring funds from enterprise accounts to general funds, often as compensation for services sustained by the general funds. A study of 100 municipal governments in Georgia by Arapis (2013) highlighted the potential of local governments that operate public enterprises to enhance their primary revenue sources and limit governmental expenditures.

Another noteworthy aspect of local revenue streams is the collection of fines and forfeiture. While these aren't novel sources, they frequently serve as supplementary revenue. Smaller local governments, particularly in rural regions, often depend on fines to finance a substantial part of their budget. Data from Governing (Maciag, 2019) indicates that fines make up more than 10 percent of general fund revenues in nearly 600 US jurisdictions. As state aid and tax revenues wane, many local governments resort to issuing a high volume of tickets, particularly to passing traffic and tourists, to cover their costs (Maciag, 2019). However, it's worth noting that for the majority of local governments, fines contribute to less than 5 percent of their general revenues (Maciag, 2019).

The diversification of revenue sources was once perceived as a strategy to reduce revenue volatility, enhance financial agility, and bolster fiscal performance (White, 1983; Gentry & Ladd, 1994). This notion prompted local governments to shift their revenue structures from a sole reliance on property taxes to a blend of other tax and non-tax revenue avenues (Arapis, 2013). Yet, this push for diversification hasn't always yielded the desired outcomes. In many instances, it has led to increased revenue fluctuations rather than the sought-after stability (Carroll, 2009). Moreover, distinctions emerge when comparing county and municipal governments. Cromwell and Ihlendfeldt (2015) discovered that counties possess more monopolistic power than cities. This greater influence enables counties to raise their millage rates and reduce their spending more than cities when faced with fiscal resource deficits. Given the restricted capacity of municipal governments to diversify revenue, they appear positioned in a scenario that necessitates even more inventive strategies to address their revenue shortfalls and ensure future financial resilience.

In conclusion, there is a notable gap in the literature regarding the exploration of new revenue options adopted by local governments, including the context and motivations behind these adoptions. Addressing this gap could significantly enrich theoretical discussions in this field.

Local Revenue Sources and Limits in the State of Georgia

Local governments in Georgia benefit from a variety of revenue sources, as detailed in Table 1. A standout difference between Georgia's local governments and those in certain other states is the collection of local income tax: Georgia prohibits its local governments from levying such a tax.

Property tax emerges as the primary revenue source for general funds. This encompasses real and personal property, public utilities, motor vehicles, mobile homes, intangibles, railroad equipment, as well as penalties and interest accrued from delinquent taxes. Following this, sales and use taxes form the second major source. These are comprised of the Local Option Sales Tax (LOST), Special Purpose Local Option Sales Tax (SPLOST), Homestead Option Sales Tax (HOST), Metropolitan Atlanta Rapid Transit Authority (MARTA) Sales Tax, and the Municipal Option Sales Tax.

Next in line are the excise and special use taxes, which encompass hotel/motel taxes, alcoholic beverage taxes, insurance premium taxes, and franchise payment taxes. Revenue from licenses and permit fees is derived from sources like alcoholic beverage licenses, general business licenses, and building permits. Service charges and other revenues originate from services related to public safety, streets, public improvement, as well as from fines and forfeitures.

Intergovernmental transfers remain a pivotal general revenue source, with funds coming from federal, state, and other local agencies. The enterprise fund revenues in Georgia are diversified as well, spanning areas such as sanitation, water, sewerage, electricity, gas, airport facilities, solid waste management, and more.

County and municipal governments in Georgia exhibit distinct revenue structures. For county governments, general fund revenues comprise a dominant 84 percent, leaving enterprise fund revenues at 16 percent. Conversely, in municipal governments, general fund revenues account for 48 percent, slightly overshadowed by enterprise fund revenues which stand at 52 percent. This distribution indicates that municipal governments shoulder a greater responsibility in managing or overseeing utility services. Additionally, it implies that municipal governments possess greater flexibility to redirect or transfer revenues from enterprise funds to general funds.

In the realm of general revenues, property tax revenues are markedly higher in county governments, accounting for 40 percent, compared to the 27 percent observed in municipal governments. However, municipal governments take the lead in revenues from excise and special use taxes, encompassing sources such as alcoholic beverage taxes, hotel/motel taxes, franchise payment taxes, and other related fees.

Table 1. Local Government Revenue Sources in Georgia

FY 2015	Municipal	%	Share of rev category	County	%	Share of rev category
Total Revenues	**8,150,351,661**	**100.0%**		**9,432,049,287**	**100.0%**	
General revenues	**3,892,603,127**	**47.8%**	**100.0%**	**7,961,183,736**	**84.4%**	**100.0%**
Property taxes	1,059,378,545	13.0%	27.2%	3,723,155,801	39.5%	46.8%
Real & personal	909,407,498	11.2%	23.4%	2,989,463,443	31.7%	37.6%
All other property taxes	149,971,047	1.8%	3.9%	733,692,358	7.8%	9.2%
Sales taxes	876,396,159	10.8%	22.5%	1,612,615,210	17.1%	20.3%
Local option sales tax	505,192,584	6.2%	13.0%	602,356,963	6.4%	7.6%
Special purpose sales tax	371,203,575	4.6%	9.5%	1,010,258,248	10.7%	12.7%
Excise & special use taxes	705,368,421	8.7%	18.1%	434,485,590	4.6%	5.5%
Alcoholic beverage taxes	81,672,327	1.0%	2.1%	42,034,765	0.4%	0.5%
Insurance premiums	181,410,251	2.2%	4.7%	277,189,430	2.9%	3.5%
Hotel/motel taxes	161,125,595	2.0%	4.1%	43,668,639	0.5%	0.5%
Franchise payments	259,903,912	3.2%	6.7%	47,266,675	0.5%	0.6%
Other taxes	21,256,336	0.3%	0.5%	24,326,081	0.3%	0.3%
Licenses, permits, and fees	242,313,461	3.0%	6.2%	162,675,211	1.7%	2.0%
Intergovernmental revenues	390,865,918	4.8%	10.0%	511,639,033	5.4%	6.4%
State	95,475,477	1.2%	2.5%	281,546,262	3.0%	3.5%
Federal	94,867,285	1.2%	2.4%	163,870,356	1.7%	2.1%
Local	200,523,156	2.5%	5.2%	66,222,414	0.7%	0.8%
Service charges & other	618,280,623	7.6%	15.9%	1,516,612,891	16.1%	19.1%
Service charges revenues	238,835,579	2.9%	6.1%	479,798,861	5.1%	6.0%
Other	379,445,044	4.7%	9.7%	1,036,814,031	11.0%	13.0%
Enterprise Fund revenues	**4,257,748,534**	**52.2%**	**100.0%**	**1,470,865,551**	**15.6%**	**100.0%**
Water & sewer system	1,486,346,175	18.2%	34.9%	1,166,428,147	12.4%	79.3%
Electric supply system	1,154,954,451	14.2%	27.1%	589,339	0.0%	0.0%
Gas supply system	383,996,357	4.7%	9.0%	481,291	0.0%	0.0%
Airport	731,302,790	9.0%	17.2%	18,414,816	0.2%	1.3%
Solid waste system	270,218,622	3.3%	6.3%	192,548,702	2.0%	13.1%
Others	230,930,139	2.8%	5.4%	92,403,256	1.0%	6.3%

Source: Georgia Department of Community Affairs (2017a). 2016 Georgia Local Government Finance Highlights.

Similar to other states, Georgia's legal framework imposes restrictions on local governments both in terms of introducing new revenue streams and increasing existing tax rates. Regarding property tax, state law mandates that tangible real and personal property be assessed at 40 percent of its fair market value, with homestead exemptions extended to eligible homeowners. Should municipalities wish to set a new millage rate, they are obligated to publish their five-year property tax history in a widely read newspaper within their jurisdiction, as stipulated by OCGA § 48-5-32 (c)(1) (Official Code of Georgia Annotated [OCGA], 2020).

Distinct from standard property taxes, local option sales taxes necessitate approval from voters within the jurisdiction. Both counties and cities face a 2 percent limit on the local sales tax they can impose, while the state sales and use tax rate stands at 4 percent. Nevertheless, there are five exceptions to this cap as specified by the law:

> "*(1) A sales tax for capital projects for education purposes (ESPLOST) does not count toward this limit. (2) Any county that levies a sales tax for MARTA and that does not levy a homestead option sales tax (i.e., Fulton County) is permitted to exceed the 2 percent cap by levying a special purpose local option sales tax (SPLOST) for water and/or sewer capital projects for up to five years. (3) A 1 percent increase to the LOST is allowed for a consolidated government with a tax freeze in place that was created through a local constitutional amendment (i.e., Columbus-Muscogee County). (4) A municipal sales and use tax for water and sewer purposes, which may be levied in a city with an average wastewater flow of no less than 85 million gallons per day (i.e., Atlanta), is exempt from this cap. (5) Regional and single-county transportation sales taxes do not apply to this limit*" (Georgia Municipal Authority [GMA], 2018).

Due to these variations, sales tax rates differ across jurisdictions. As of 2023, out of the 159 counties, four have a rate of 6 percent, 51 have a rate of 7 percent, and 102 levy an 8 percent tax. However, specific areas within three counties—Clayton, Dekalb, and Fulton—that encompass or are adjacent to Atlanta charge rates of 8.75 percent, 8.9 percent, or 9 percent (Georgia Department of Revenue, 2023). The Local Option Sales Tax (LOST) is employed to fund municipal services and reduce property taxes. To be eligible for LOST revenues, a municipality must compute a LOST rollback, as mandated by OCGA § 36-89-1 (GMA, 2018; OCGA, 2020).

The Georgia legislature enacted the SPLOST law in 1985, prompted by the Association County Commissioners of Georgia (ACCG) (ACCG, 2016). Unlike regular LOSTs, which can function as municipal taxes or joint county-municipal taxes, the SPLOST law was specifically designed as a county tax to fund capital projects. Consequently, the Board of Commissioners holds the authority to initiate the adoption process for a SPLOST (ACCG, 2016). SPLOST revenues are mandated to be allocated solely for voter-approved capital outlay projects. They must be maintained in a distinct account, separate from other municipal revenues (OCGA § 48-8-111) (OCGA, 2020). The maximum duration a SPLOST can be levied is six years. Furthermore, counties not involved in a regional transportation sales tax can introduce a time-limited TSPLOST to support transportation projects. However, this is only permissible if the county has levied a SPLOST, a second LOST, or a MARTA sales tax (GMA, 2018). The introduction of these 1 percent sales tax options, primarily in or after the 1980s, aimed to finance local capital projects. Notably, the SPLOSTs and ESPLOSTs have made significant contributions to the development of local government infrastructure (Jung, 2002; Sanders & Lee, 2011; Ross et al., 2011).

Municipalities have the authority to levy excise taxes on alcoholic beverages, including distilled spirits, wine, and malt beverages. Regarding the insurance premium tax, municipalities can impose a 1 percent tax on life insurance companies, calculated on the gross direct premiums from residents within their jurisdiction (OCGA § 33-8-8.1) (OCGA, 2020). For all other insurance types, they can charge a gross premium tax up to 2.5 percent (OCGA § 33-8-8.2) (OCGA, 2020).

Georgia municipalities also have the provision to levy business and occupation taxes in accordance with their occupation tax ordinance, with the fee not surpassing $400 (OCGA § 48-13-10) (OCGA, 2020). Additionally, municipalities can assess a regulatory fee to offset the costs associated with overseeing a business or its activities. It's essential that these fees aren't used as a revenue source but are instead set to reflect the genuine costs of the regulatory tasks undertaken (OCGA § 48-13-5) (OCGA, 2020).

One notable revenue development for Georgia's local governments is the hotel/motel tax (Lee, 2023). While Georgia doesn't impose a state hotel tax, state law permits local governments to levy a hotel/motel tax of up to 8 percent (OCGA § 48-13-51) (OCGA, 2020). However, there's a stipulation for tax revenues exceeding the collections from a 3 percent rate. For instance, if a city decides on a 5 percent hotel/motel tax, the initial 3 percent can be allocated for general funding, while the remaining 2 percent must be dedicated to promoting tourism, conventions, trade shows, or other related purposes as outlined in the authorizing provision (OCGA § 48-13-51) (GMA, 2018; OCGA, 2020).

Georgia municipalities also benefit from various nontax revenue sources. They engage in franchise agreements with public utilities such as electric, gas, telephone, and cable television companies operating within the municipality (GMA, 2018). Beyond that, cities accumulate revenue from fines, forfeitures, and court fees. They might also charge residents or other governing bodies for services like water, sewage disposal, garbage collection, and recreational activities. These charges can either partially or entirely defray the cost of delivering the services (GMA, 2018).

Another stream of nontax revenue arises from license fees that municipalities gather from individuals or businesses vending alcohol, whether at retail or wholesale, within their jurisdiction. Besides the excise tax on alcoholic beverages, municipalities have the authority to set an annual license fee. However, the law caps this fee, ensuring a municipality cannot charge more than $5,000 annually (OCGA § 3-4-48) (OCGA, 2020).

In Georgia, municipalities are permitted to levy development impact fees to fund public amenities such as sewer systems, water, stormwater management, roads, public safety facilities, parks, and libraries, all aimed at accommodating new growth and development (GMA, 2018). To enforce these impact fees, municipalities must adopt a capital improvement element. This element should outline a schedule of improvements, delineate service areas, and define service levels. Furthermore, they need an impact fee ordinance that specifies the fee amount for each service type subject to the impact fee (OCGA § 36-71-3) (GMA, 2018; OCGA, 2020).

While the review has outlined the legal boundaries for adopting revenue options, it remains ambiguous as to which options local governments have truly embraced. The decisions to adopt are influenced by various factors (Carroll, 2009; Sanders & Lee, 2009; Lee, 2023). A more pressing question, however, might be: which options were actually adopted?

Data and Methods

This study delves into the revenue data spanning 30 years (1985 – 2015) for the 121 largest municipal governments out of 535 cities in Georgia. Throughout this period, many local governments in Georgia faced financial challenges, primarily due to rapid population growth and socio-economic shifts. The research focuses on larger cities to gain insights into a broader range of revenue development activities. Existing literature suggests that smaller rural municipalities exhibit a less diverse revenue structure (Propheter, 2019).

This study identifies new revenue instruments adopted by cities over the examined period, to properly evaluate revenue diversification trends. Data for this research was sourced from the Georgia DATA – Tax and Expenditure Data Center (TED)/Local Government Financial Documents, managed by the Carl Vinson Institute of Government. Additionally, the study utilized the Government Management Indicators (GOMI) Survey, conducted by the Georgia Department of Community Affairs between 2010 and 2015, to extract pertinent data. A segment of this survey addresses local government financial management and procedures. Leveraging both TED data and the GOMI survey, the study scrutinized annual revenue items to detect any emergent revenue streams, quantify contributions from these new sources, and ascertain if there were notable shifts in revenue structures.

To ensure consistent tracking of changes throughout the entire period, the sample omitted three recently consolidated city-county governments (namely, Athens, Augusta, and Columbus) as well as seven newly chartered cities (Brookhaven, Dunwoody, Johns Creek, Milton, Peachtree Corners, Sandy Springs, and Tucker). The sample encompasses the largest cities in Georgia by population, ranging from Atlanta, with a population of 472,522, to Cochran, with 5,036 residents. Within this sample, nine cities boast populations exceeding 50,000; 19 cities have populations between 25,000 and 50,000; 50 cities fall within the 10,000 to 24,999 range; and 43 cities have between 5,000 and 9,999 inhabitants. The median population for these cities stands at 14,089.

Findings

From 1985 to 2015, municipal governments in Georgia introduced a range of new revenue measures, with many of these measures becoming well-established over time. The most notable of these changes was the introduction of SPLOST, which commenced in 1985 following its approval by the Georgia legislature that same year. Since then, an increasing number of local governments have adopted or renewed SPLOSTs. As previously mentioned in the literature review, SPLOST has had a substantial impact on local government infrastructure (Jung, 2002).

Two other noteworthy developments were the rise in hotel/motel taxes and the fluctuating status of parking fees. The hotel/motel tax became a favored tool among municipal governments, addressing the need to bolster local tourism development (Lee, 2023). In contrast, while parking fees initially emerged as a means to supplement local revenues, some cities later rescinded them due to high administrative costs and their lack of popularity with the public.

Table 2 examines the timeline of local governments adopting new revenue sources. Both public utility and intangible tax fall under the property tax umbrella. From 1985 to 1994, public utility property tax was included in the revenue streams of 17 cities, while 13 cities incorporated intangible taxes into their revenue. However, after 1994, only a handful of cities continued to utilize them. Regarding LOST, 20 cities adopted it between 1985 and 1994, with an additional 4 cities doing so between 2005 and 2015. By 2015, approximately 85 percent of the cities had integrated LOST. The most significant shift is observed in SPLOST adoption. In the decade following the state's approval of the SPLOST law, 41 cities from this sample incorporated SPLOST. This was followed by 45 cities in the subsequent decade and 17 cities in the third decade. Three decades post-introduction, about 86 percent of the cities in the sample had embraced SPLOST.

Table 2. The Trend of Adopting New Revenue Sources.

Sources		1985-1994	1995-2004	2005-2015	% of adoption (2015)
Property tax	Public utility	17	4	3	82.6%
	Intangibles tax	13	2	2	97.5%
Sales tax	LOST	20	0	4	85.1%
	SPLOST	41	45	17	85.9%
Selective sales tax	Hotel/Motel tax	43	23	4	87.6%
	Alcohol tax	9	1	0	100.0%
License & permits	Alcohol license	33	12	7	95.0%
	Building permit	9	5	0	97.5%
Charges & Fees	Parking fee	18	7	1	5.8%
	Enterprise charges	17	32	21	61.1%
	Culture/recreation charges	30	10	10	77.7%

Within the realm of selective sales taxes, the hotel/motel tax stands out. Between 1985 and 1994, 43 cities introduced this tax, establishing it as a steady and popular new revenue source, especially among mid-size cities, throughout the 1990s. Once in place, the revenue from this tax saw consistent growth. From 1995 to 2004, an additional 23 cities opted for the hotel/motel tax. By 2015, approximately 88 percent of cities had incorporated this tax. While the rate fluctuates between 3 percent and 8 percent, there's been a tendency for it to rise over the years, consequently boosting revenue. However, state legislation dictates that any revenue gathered beyond a 3 percent rate be allocated solely for tourism-related expenditures. As per the Georgia Department of Community Affairs (Reinagel, 2018), out of 530 total municipalities in 2017, 193 (or 36 percent) levied a hotel/motel tax: 26 municipalities set rates at 3 percent or lower, 141 at 5 percent, and 108 varied between 6 percent and 8 percent. Regarding the alcohol tax, the majority of cities had already implemented it before 1985. Nine more cities introduced the tax between 1985 and 1994, with another following suit between 1995 and 2004. Presently, all cities levy an alcohol tax.

Many cities gradually adopted license and permit fees. Between 1985 and 1994, 33 cities introduced alcohol licenses, followed by 12 cities from 1995 to 2004, and another 7 cities from 2005 to 2015. By 2015, about 95 percent of the cities had incorporated an alcohol license. The revenue generated from these licenses remains relatively consistent, exhibiting an increasing trend in most cities. It's notable that most cities which introduced the hotel/motel tax also integrated alcohol licenses either in the same year or within the next one or two years. As for building permits, the majority of cities had already implemented them prior to 1985. Only nine cities introduced them between 1985 and 1994, followed by five more cities between 1995 and 2004. From 2005 to 2015, no new cities took on building permits. By 2015, approximately 96 percent of the cities had adopted them.

Charges and fees exhibit patterns distinct from other revenue sources among cities. During the late 1980s and early 1990s, as cities developed their downtown streets and constructed new facilities, parking fees became a favored revenue alternative. This period saw cities establishing parking facilities and meters, often contracting out the management of these services. From 1985 to 1994, 18 cities introduced parking fees, with seven more doing so between 1995 and 2004, and only one city between 2005 and 2015. By 2015, a mere 6 percent of cities listed parking fees as a direct revenue source in their budgets. This decline can be attributed to the associated equipment and administrative costs, their lack of popularity among residents and visitors, and the limited revenue they generated. To support local merchants, cities began offering free access to municipal parking lots, while entities like the Midtown Development Authority assumed parking management duties.

Another shift emerged in fees associated with cultural and recreational facilities and events. As many Georgian cities witnessed rapid population growth over the decades, they responded by establishing local cultural centers and parks. This infrastructure development paved the way for alternative revenue collection. From 1985 to 1994, 30 cities implemented culture and recreation fees, followed by 10 cities from 1995 to 2004, and another 10 from 2005 to 2015. By 2015, approximately 78 percent of cities levied fees for cultural and recreational activities. Although these fees saw popularity in the 1990s, some cities have recently rescinded them to bolster community welfare. Similar to parking fees, it appears that fees for cultural and recreational activities failed to constitute a significant revenue stream for cities.

Beginning in the early 2000s, an increasing number of cities began to implement a range of enterprise service charges. This shift was motivated both by statewide practices, such as the E-911 fee, and local development objectives. From 1985 to 1994, 17 cities introduced various enterprise charges. This number rose to 32 cities between 1995 and 2004, and 21 more cities adopted such charges from 2005 to 2015. By 2015, about 61 percent of cities had instituted enterprise charges. While revenues from these enterprise activities have grown in many places, the growth has been uneven.

The state's data repository does not categorize impact fees as a distinct revenue line. However, based on data from the Department of Community Affairs' GOMI Survey in 2017, 44 out of 497 cities (or 8.9 percent) mandated developers to pay impact fees. An additional 45 cities had plans to introduce an impact fee (Georgia Department of Community Affairs, 2017b). Notably, cities that have embraced impact fees are predominantly situated in metropolitan and urban regions.

As indicated in Table 3, excluding revenues from the enterprise fund, the proportion of tax revenue saw an uptick of 8.7 percent between 1985 and 2015. Concurrently, nontax revenue experienced a decrease. Throughout this period, the proportion of tax revenue consistently rose, counterbalanced by a decline in nontax revenue. Sales taxes and property tax witnessed substantial growth, increasing by 4.9 percent and 4.7 percent respectively. However, in the realm of nontax revenues, only the segment of service charges saw an upward trajectory. This suggests a growing dependence of municipal governments on tax-based revenue sources. By 2015, property and sales tax constituted 28.4 percent and 22.3 percent of total general revenue, together making up over half of all general revenues. This surge in the sales tax segment can largely be attributed to the introduction of various SPLOST iterations. Conversely, the revenue portions from excise and special use taxes—including hotel tax, alcohol tax, insurance premiums, and franchise payments—saw a marginal dip.

In a similar vein, the percentage of license and permit revenues shrank by 0.9 percent. Regarding intergovernmental revenues, there was a decline in federal and state grants. Yet, aside from the figures for 1985, the overall total remained relatively steady. The data suggests that nontax revenues, encompassing licenses, permits, fees, fines, forfeitures, and service charges, don't significantly offset traditional tax revenue forms. Figure 1 delineates the year-over-year trends for each revenue source. These trends mirror common patterns found in scholarly works: during economic downturns, local governments leaned more on property taxes, leading to a reduction in sales tax contributions.

Conversely, during economic upswings, the reverse was observed. While property and sales tax revenues experienced fluctuations, other revenue streams remained relatively consistent. An outlier to this trend appeared in 1997 when federal aid skyrocketed. This was largely due to the City of Atlanta receiving roughly $100 million from the U.S. Department of Housing and Urban Development's Empowerment Zone Program. This initiative aimed to uplift economically challenged communities by fostering business enterprises and job creation (City of Atlanta, 1996).

Table 3. Revenue Source Changes in Georgia Municipal Governments (Excluding Enterprise Revenues)

Revenues	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**	**2015**	**Diff (2015-1985)**
Property taxes	23.7%	29.2%	29.1%	23.8%	26.2%	30.7%	28.4%	**4.7%**
Sales taxes	17.4%	18.0%	19.2%	22.1%	24.9%	21.1%	22.3%	**4.9%**
Local option sales tax	17.4%	16.6%	17.9%	17.8%	15.2%	12.8%	12.3%	**-5.2%**
Special purpose sales tax	0.0%	1.4%	1.3%	4.2%	9.7%	8.3%	10.1%	**10.1%**
Excise & special use taxes	18.7%	20.3%	18.9%	18.7%	17.6%	16.0%	17.3%	**-1.4%**
Alcoholic beverage taxes	5.4%	4.3%	3.6%	2.9%	2.5%	2.0%	2.1%	**-3.3%**
Insurance premiums taxes	4.7%	5.6%	4.7%	4.4%	4.5%	4.2%	4.3%	**-0.4%**
Hotel/motel taxes	1.4%	3.1%	3.6%	4.1%	3.4%	2.9%	4.6%	**3.3%**
Franchise payments taxes	7.3%	7.3%	7.1%	7.2%	7.2%	6.8%	6.3%	**-0.9%**
Other taxes	0.1%	0.2%	0.1%	0.3%	0.4%	0.3%	0.6%	**0.5%**
Licenses, permits, and fees	7.1%	7.1%	7.0%	7.0%	7.1%	5.1%	6.2%	**-0.9%**
Intergovernmental revenues	18.6%	11.2%	8.1%	10.6%	8.6%	11.3%	10.0%	**-8.7%**
Federal	13.4%	5.6%	3.6%	4.1%	2.9%	4.3%	2.4%	**-10.9%**

Table 3. Revenue Source Changes in Georgia Municipal Governments (Excluding Enterprise Revenues) (Continued)

Revenues	1985	1990	1995	2000	2005	2010	2015	Diff (2015-1985)
State	3.2%	2.9%	2.6%	4.6%	3.0%	2.2%	1.9%	**-1.3%**
Local	2.1%	2.7%	1.9%	1.9%	2.8%	4.9%	5.6%	**3.5%**
Fines & Forfeitures	3.8%	4.3%	4.8%	5.8%	5.7%	4.5%	4.1%	**0.3%**
Service charges	1.9%	2.6%	5.3%	3.6%	3.5%	6.4%	5.6%	**3.7%**
Investment Income	5.0%	4.5%	3.6%	3.9%	2.1%	1.9%	1.4%	**-3.6%**
Others	3.7%	2.7%	4.0%	4.1%	3.9%	2.7%	4.2%	**0.5%**

Tax	**60.0%**	**67.6%**	**67.3%**	**64.9%**	**69.0%**	**68.1%**	**68.6%**	**8.7%**
Nontax	**40.0%**	**32.4%**	**32.7%**	**35.1%**	**31.0%**	**31.9%**	**31.4%**	**-8.7%**

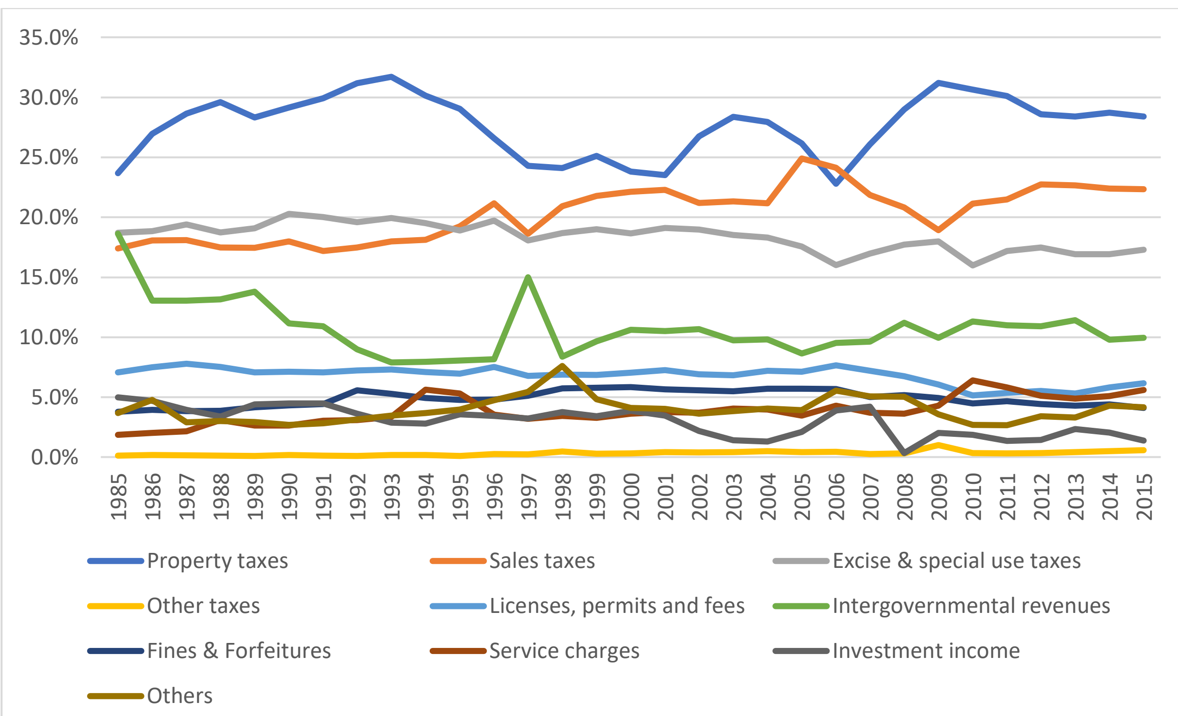

Figure 1. The Trend of the Revenue Source Changes in Georgia Municipal Governments (Excluding Enterprise Revenues)

Table 4 showcases all revenue sources, encompassing revenues from enterprise funds. The proportion of these revenues surpassed that of general revenues within the municipal governments. In 1985, enterprise fund revenues accounted for 55.9 percent of total revenue, slightly contracting to 54.9 percent by 2015. This trend remained fairly stable over the decades. The introduction of new fees was anticipated to liberate general fund revenue for alternative use, potentially alleviating budgetary strains related to operational and capital needs. However, based on the data, the influence of these new fees and selective sales taxes on overall revenue seems minimal.

Table 4. Revenue Source Changes in Georgia Municipal Governments (Including Enterprise Revenues)

Revenues	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**	**2015**	**Diff (2015-1985)**
Property taxes	10.5%	13.8%	13.6%	10.8%	11.1%	14.7%	12.8%	**2.4%**
Sales taxes	7.7%	8.5%	9.0%	10.1%	10.6%	10.2%	10.1%	**2.4%**
Local option sales tax	7.7%	7.8%	8.4%	8.1%	6.5%	6.2%	5.5%	**-2.2%**
Special purpose sales tax	0.0%	0.7%	0.6%	1.9%	4.1%	4.0%	4.5%	**4.5%**
Excise & special use taxes	8.3%	9.6%	8.9%	8.5%	7.5%	7.7%	7.8%	**-0.5%**
Alcoholic beverage taxes	2.4%	2.0%	1.7%	1.3%	1.0%	1.0%	0.9%	**-1.5%**
Insurance premiums taxes	2.1%	2.6%	2.2%	2.0%	1.9%	2.0%	1.9%	**-0.1%**
Hotel/motel taxes	0.6%	1.5%	1.7%	1.9%	1.4%	1.4%	2.1%	**1.5%**
Franchise payments taxes	3.2%	3.5%	3.3%	3.3%	3.1%	3.3%	2.9%	**-0.4%**
Other taxes	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	**0.2%**
Licenses, permits, and fees	3.1%	3.4%	3.3%	3.2%	3.0%	2.5%	2.8%	**-0.3%**

Table 4. Revenue Source Changes in Georgia Municipal Governments (Including Enterprise Revenues) (Continued)

Revenues	1985	1990	1995	2000	2005	2010	2015	Diff (2015-1985)
Intergovernmental revenues	8.2%	5.3%	3.8%	4.8%	3.7%	5.4%	4.5%	**-3.7%**
Federal	5.9%	2.6%	1.7%	1.9%	1.2%	2.0%	1.1%	**-4.8%**
State	1.4%	1.4%	1.2%	2.1%	1.3%	1.1%	0.9%	**-0.5%**
Local	0.9%	1.3%	0.9%	0.9%	1.2%	2.3%	2.5%	**1.6%**
Fines & Forfeitures	1.7%	2.0%	2.2%	2.7%	2.4%	2.2%	1.9%	**0.2%**
Service charges	0.8%	1.2%	2.5%	1.6%	1.5%	3.1%	2.5%	**1.7%**
Investment Income	2.2%	2.1%	1.7%	1.8%	0.9%	0.9%	0.6%	**-1.6%**
Others	1.6%	1.3%	1.9%	1.9%	1.7%	1.3%	1.9%	**0.2%**
Utilities/Enterprise	55.9%	52.8%	53.1%	54.5%	57.5%	51.9%	54.9%	**-1.0%**
Sanitation	3.0%	3.5%	4.8%	4.9%	4.7%	4.4%	3.9%	**1.0%**
Water & sewer system	17.0%	18.0%	17.5%	16.7%	19.2%	17.6%	18.3%	**1.3%**
Utilities/Enterprise	55.9%	52.8%	53.1%	54.5%	57.5%	51.9%	54.9%	**-1.0%**
Electric supply system	**16.6%**	**18.3%**	**15.4%**	**14.6%**	**12.9%**	**12.6%**	**14.6%**	-2.0%
Gas supply system	**11.4%**	**5.4%**	**5.3%**	**5.0%**	**7.1%**	**5.2%**	**4.5%**	-6.9%
Airport	**7.7%**	**7.2%**	**7.8%**	**11.2%**	**11.4%**	**9.3%**	**10.4%**	2.7%
Others	**0.2%**	**0.2%**	**2.2%**	**2.1%**	**2.1%**	**2.7%**	**3.2%**	3.0%

Discussion and Conclusion

This study charted the evolution of revenue sources in Georgia's municipal governments over a span of thirty years, starting in 1985. Every city in the sample introduced at least one modification to its revenue streams during this period. The most pronounced shifts emerged in three areas: SPLOST, hotel/motel tax, and enterprise charges. Of these, SPLOST had the most profound impact on municipal finances. Yet, the study did not identify any groundbreaking measures distinct to either state or local governments. Notably, revenues from SPLOST, hotel/motel taxes, and enterprise charges were earmarked for specific projects, rather than general funds, a finding that aligns with the insights of Bartle et al. (2011). Despite the prominent role of SPLOSTs, the overarching revenue structure in most cities underwent modest, gradual changes over the years.

While the study didn't delve directly into the rationale behind these adoption decisions, discernible patterns consistent with earlier research emerged. Factors such as spillover effects, tax competition, and mimicry might influence new revenue adoption decisions (Sjoquist et al., 2007). Sjoquist and colleagues, in their examination of LOST in Georgia, observed that only half of the counties embraced the tax swiftly, within the initial five years of its introduction. By the end of a decade, that number rose to 80 percent. The remaining counties that eventually acceded to the tax did so at a more languid pace, spanning an extra 15 years. SPLOST adoptions mirrored this trajectory, taking cues from experiences in other jurisdictions.

Existing literature frequently highlights user fees/charges as an effective revenue source, with anticipated significant contributions (Bartle et al., 2011). Yet, in the context of Georgia's municipalities, user fees/charges haven't commanded a considerable portion of the total revenue. While local governments introduced new fees/charges aiming to cater more aptly to community needs, these additions often didn't align with a holistic view of cost-benefit considerations. The focus seemed to tilt more towards anticipated short-term revenue boosts rather than the long-term stability of these revenue sources. For instance, parking fees, once adopted, slowly vanished from primary revenue streams. Similarly, several municipalities phased out culture/recreation charges a few years after implementation.

The paramount hurdle for local governments contemplating new revenue avenues appears to be state-imposed regulations. These laws limit the adoption of new measures, the setting of rates, and the determination of specific purposes. This regulatory framework, in essence, fosters a near-homogeneous revenue structure across Georgia's local governments. Nonetheless, variations do emerge, particularly stemming from tax choices necessitating voter referendums (like SPLOST) and from charges/fees (such as parking fees) where local authorities retain more flexibility. Political receptiveness also shapes revenue strategies. Given that much of Georgia leans conservatively, barring metropolitan regions, any attempts to broaden revenue through tax hikes or the introduction of new taxes or fees would probably encounter significant public resistance.

Amid the existing legal and political hurdles, Georgia's municipal governments are projected to lean more heavily on alternative forms of sales tax and excise tax options in the future. These avenues offer the allure of generating substantial revenues while incurring relatively lower administrative expenses. Especially, the determination of new excise taxes will likely hinge on two primary factors: their potential to bolster public health and safety, and the ability to shift the tax burden onto nonresidents.

In wrapping up, this research offers a unique examination of emergent revenue streams at the local government level. Municipal governments in Georgia have primarily embraced a variety of sales and selective sales taxes. Their adoption of new charges or fees, however, has been more measured. Predominantly, the uniformity in revenue structure can be attributed to state regulations, imitation tendencies, and the prevailing political climate. This analysis focused solely on municipal governments, excluding county administrations. Yet, considering that both LOST and SPLOST are county-based taxes, the distinctions between county and municipal financial frameworks are nuanced at best. The primary disparities in revenue structures between counties and municipalities emerge in the realm of charges and fees, which hold relevance only within city boundaries. For a more comprehensive understanding, this study advocates for expanded research, encompassing local governments beyond Georgia's confines.

Despite certain limitations inherent to its case study approach and exploratory nature, this study offers valuable insights into local government finance. It reveals a trend where local governments increasingly favor special purpose local option sales taxes, hotel/motel taxes, and enterprise charges. This preference suggests a shift towards prioritizing efficiency, minimizing compliance costs, transferring tax burdens to non-local residents, and adopting a pay-as-you-go approach. This tendency somewhat departs from the traditional dimension such as equity, neutrality, and effective administration, which are typically recommended for local managers when formulating revenue policies (Bland, 2013).

Furthermore, the study observes that changes in revenue sources tend to be incremental and often mirror those of neighboring jurisdictions, illustrating phenomena like spillover effects, tax competition, and mimicry (Sjoquist et al., 2007). These adaptations also appear to be politically motivated, focusing on incremental approaches and shifting tax burdens to nonresidents.

These findings are significant for local governments as they develop revenue strategies. They highlight the need to reevaluate traditional revenue principles in light of emerging trends and changing political and economic landscapes. This reevaluation could help local governments balance efficiency with equity and effectiveness, ensuring their financial strategies are both responsive to current conditions and grounded in sound fiscal principles.

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