

Executive Summary

The value of public services provided to residential land uses exceeds the property tax and other revenues that they might contribute to the budget. The results from this study suggest that claims that residential development is a benefit to county finances due to its expansion of the property tax base are not accurate. Commercial land use emerges as the largest contributor to local financial resources. Agricultural land use is neither a large contributor nor a large recipient of tax dollars. In the end farmland only receives about one-third of the tax dollars, in terms of public services, that they contribute.

It was expected, based on other studies as well as the current level of commercial services in Boone County, that there would be some degree of subsidization of residential land use. The results from this study should not be used to conclude whether the current distribution of land use, or proposed future land use mix, is appropriate. Instead, this study should serve as a resource when faced with future land use decisions about the relative cost of development. In addition, this study should be used to support the notion that, in addition to the other benefits of agricultural lands not addressed in this study including contributing to the rural character of the county, these lands are more than self-supporting the local public financial resources.

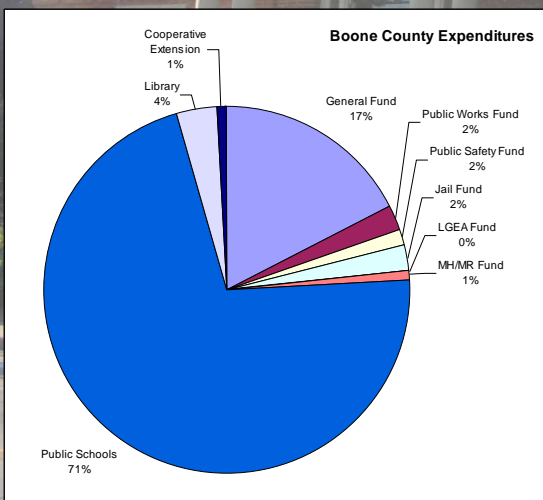
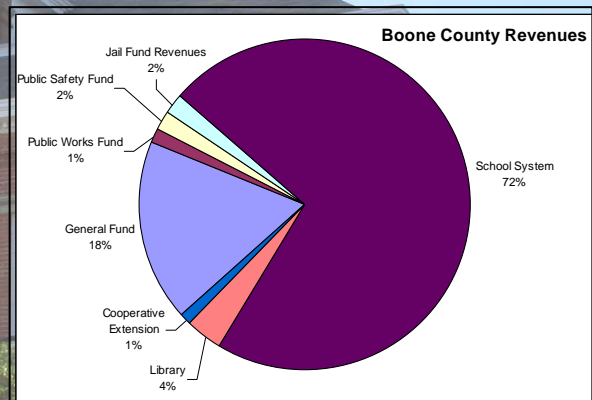
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The State of Boone County Agriculture

Cost of Community Services Study

A Cost of Community Services (COCS) study is a case study of the net fiscal impacts of existing land uses on local budgets. It provides a snapshot in time, based on a budget for a particular year, of costs versus revenues based on current land use. The COCS study shows what services taxpayers receive from their local government and how local government revenues and expenditures relate to land use.

In 2009, there was a little over \$10 billion in assessed property in the county. Revenues under the Boone County general fund consists of local, state and federal sources. Local sources include general property taxes, occupational license taxes, personal property taxes and miscellaneous business taxes.



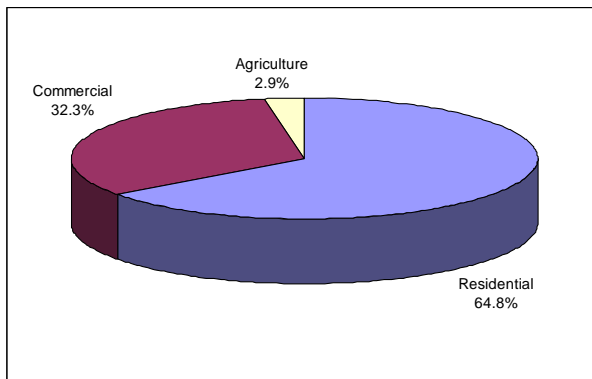
County Services:

- General Government
- Administration of Justice
- Public Safety
- Public Health and Welfare
- Parks and Recreation
- Public Library
- Highways and other Public Works
- Education

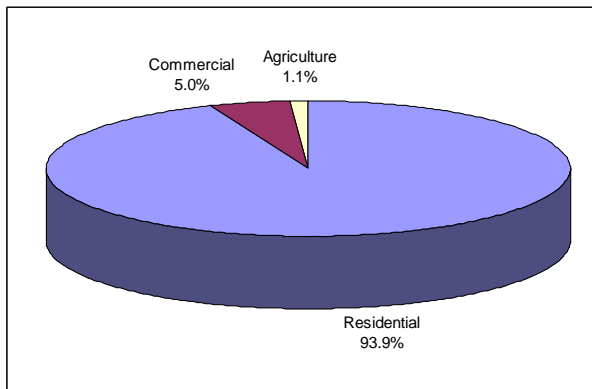
Cost of Community Services Study

After a review of the county property tax classification system, three land use categories were defined for this study:

1. **Residential Development** – property used for dwellings, mobile homes, and rental units
2. **Commercial and Industrial Development** – property actively used for business purposes other than agricultural or forestry, includes retail, wholesale and production
3. **Farmland** – all farm and agricultural parcels, includes residences on farms.



Revenues by land use category



Expenditures by land use category

A smaller percentage was paid in by the residential category than was received in services.

While agriculture does not contribute to a large share of the revenues, they receive an even smaller share of the expenditures.

Boone County is a unique location to complete this study because it is already relatively developed compared to more rural counties where there is a growing, but small, commercial sector.

In Boone County, the commercial sector plays a large role in generating revenues. In return, they receive only a small share of the services the county provides.

Cost of Community Services Study

The table provides a summary of the findings from this study. The net contributions detail either the excess or shortage of revenues to expenditures. The residential category does not pay for itself. The services they are provided are essentially subsidized from the two other land use groups. The last line of the table is the number provided to conclude all Cost of Community Services studies.

All County Funds	FY 2009 actual	Residential	Commercial	Farmland
a) Total Revenues	\$ 228,687,932	\$ 148,133,714	\$ 73,934,183	\$ 6,600,937
b) Total Expenditures	\$ 224,156,332	\$ 210,577,696	\$ 11,171,719	\$ 2,408,424
Net Contribution a-b		\$ (62,443,982)	\$ 62,762,464	\$ 4,192,512
Percent of Revenue by Land Use		64.78%	32.33%	2.89%
Percent of Expenditures by land use		93.94%	4.98%	1.07%
Land use Ratio		1.42	0.15	0.36

These expenditure-to-revenue ratios suggest that for every \$1 in property tax and other revenues generated by the residential sector, the county spends \$1.42 to provide services supporting those land uses. In other words, the residential sector is a net user of local public finances.

Both the commercial and agriculture sector have ratios that are less than 1. This suggests that for every dollar in revenues attributable to these two land uses, less than a \$1 in services benefits them.

In Boone County, and in many other studies, the ratio for the commercial sector is smaller than the agricultural sector. This is largely due to the fact that the commercial sector is responsible for a large share of the tax base.

Cost of Community Services Study

How we compare nationwide:

The range of Cost of Community Services (COCS) ratios that was collected from 70 COCS studies conducted nationwide is provided in the table.

	Residential	Commercial	Farmland
National Averages			
Minimum	1.02	0.02	0.05
Median	1.15	0.37	0.28
Maximum	2.12	0.94	0.97
Boone County	1.42	0.15	0.36

Discussion and Conclusions:

The main finding of this study is that farmland and commercial land uses subsidize residential land uses in Boone County. This is consistent with virtually every COCS study that has been completed in the United States.

The degree of cross-subsidization of the residential sector is somewhat higher than has been found in most other studies. This can be explained by two factors. First, there is a large commercial base in Boone County and businesses are responsible for paying a significant share of property taxes in addition to employing workers who pay occupational license taxes. Second, the school system in Boone County is a significant source of expenditures and those services are considered as purely residential benefits.

The value of public services provided to residential land uses exceeds the property tax and other revenues that they might contribute to the budget. Commercial land use emerges as the largest contributor to local financial resources. Agricultural land use is neither a large contributor nor a large recipient of tax dollars. In the end farmland only receives about one-third of the tax dollars, in terms of public services, that they contribute.

This study cannot be used to predict how future changes in land use will affect the fiscal contributions and expenditures for a given community.... In addition, the COCS study does not take into consideration the social value of each form of development.