


Cost of Community Services, Results from Four Idaho Counties

A COMPARISON STUDY FOR BONNEVILLE, CANYON, CASSIA, AND KOOTENAI COUNTIES





Purposes

- To revisit and update the 1997 Idaho COCS case studies
 - To assess how the changing conditions may have resulted in different tax burdens
 - Perform sensitivity analysis on important determining factors
 - Offer guidance on potential changes to property tax code.
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Cost of Community Services Studies

➤ What are these exactly?

- case studies that attempt to identify the sources of tax revenues, by land classification, and the associated expenditures for services, also allocated by land type, for a specific city, community, or even county.

➤ History

➤ Purpose

- mechanism that planners use to assess development in urban areas
- evaluate the burden of property taxes by land classification compared to the costs of services provided to these same land-types

➤ Limitations



Cost of Community Services Studies

► Interpretation

- End result is the calculation of the ratio of expenditures / revenues
- A ratio greater than 1.0 means that for every dollar of revenue collected from a given land classification, more than one dollar is spent on services for that land type.
- A ratio below 1.0 means the amount spent on services is less than the tax revenues received.
- Clearly, the closer to 1.0, more revenues and expenditures are balanced across land classifications



Cost of Community Services Studies

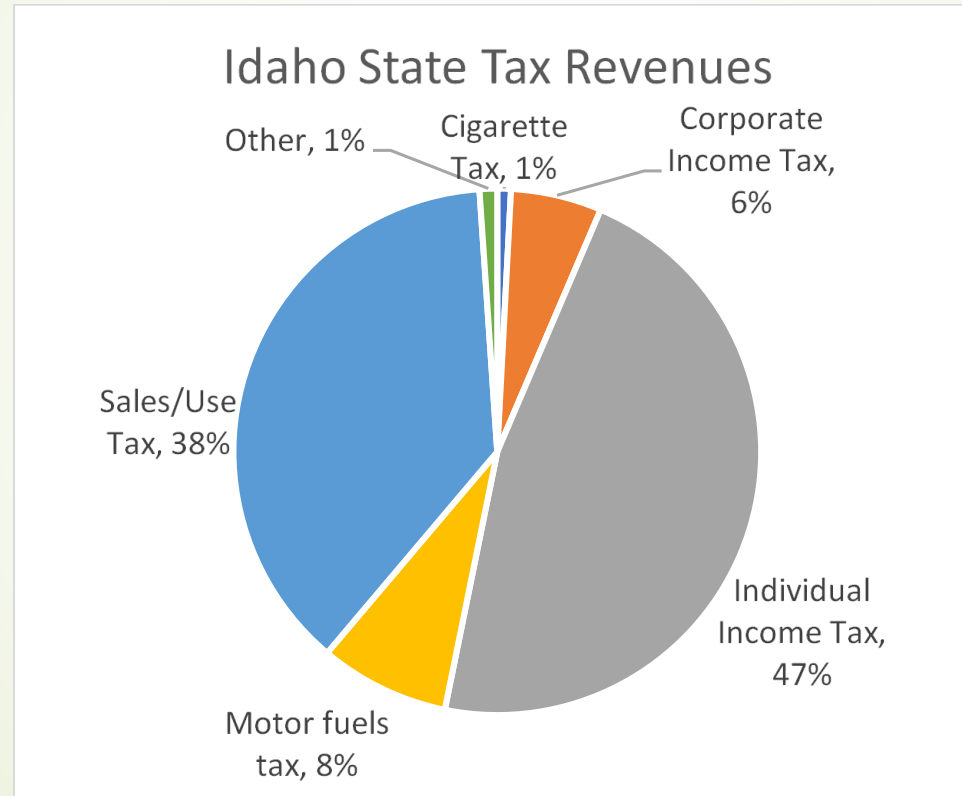
- ▶ **General Patterns Observed (in 151 studies listed by AFT)**
 - ▶ Residential land uses receive more money in services than they generate: range 1.02 to 2.27.
 - ▶ Commercial and industrial lands generate more tax dollars than they receive in return through public services: range 0.04 to 1.02, and 85% below 0.50.
 - ▶ Agricultural lands generate more tax dollars than they receive in return through public services: 150 of 151 studies estimated the ratio for agricultural land below 1.0, with a range 0.02 to 2.04 and 69% below 0.50.



Methods

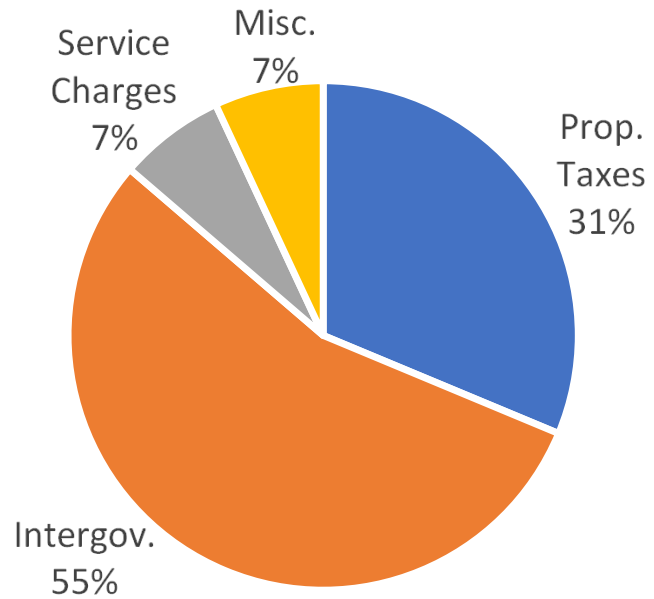
- ▶ Partition land uses into three classes: residential, commercial/industrial, and agricultural.
- ▶ Aggregated expenditures and revenues from the municipal/city/county budget are allocated to the three different land classifications.
- ▶ Fall-back Proportions
- ▶ Base Case
- ▶ Comparison Case
- ▶ Intergovernmental Transfers

Idaho State Revenues by Source

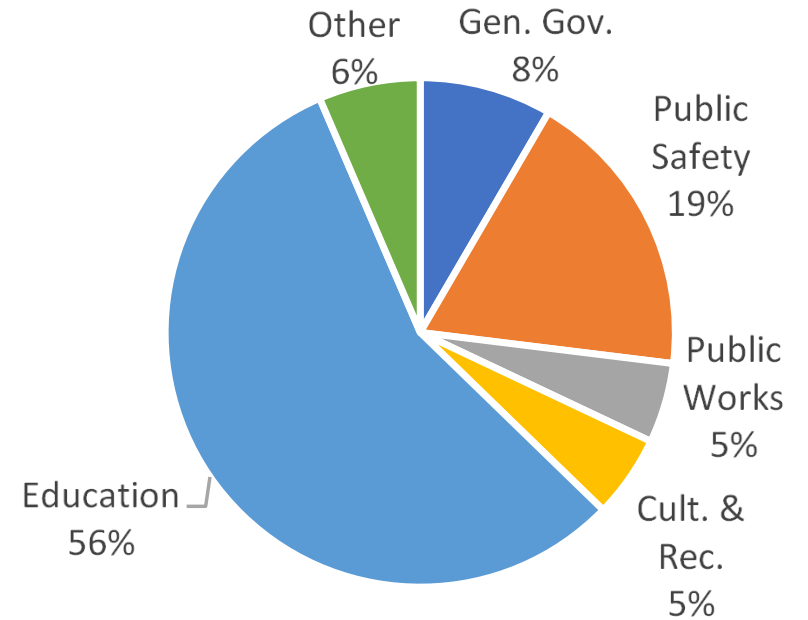


Bonneville County

Total Revenues

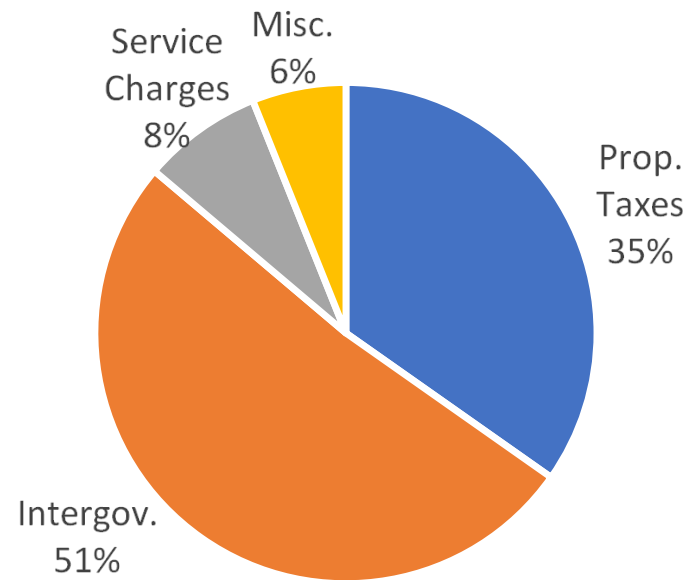


Total Expenditures

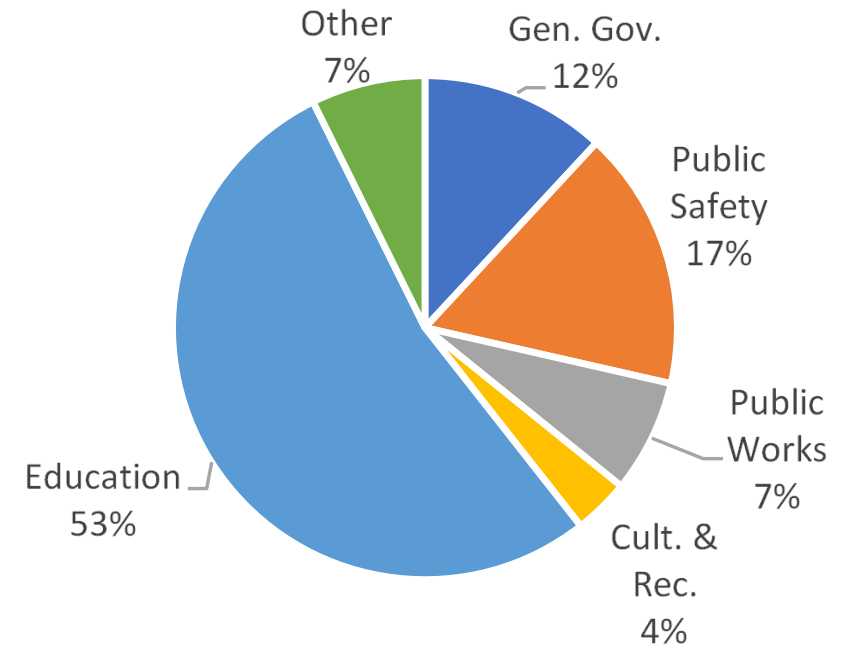


Canyon County

Total Revenues

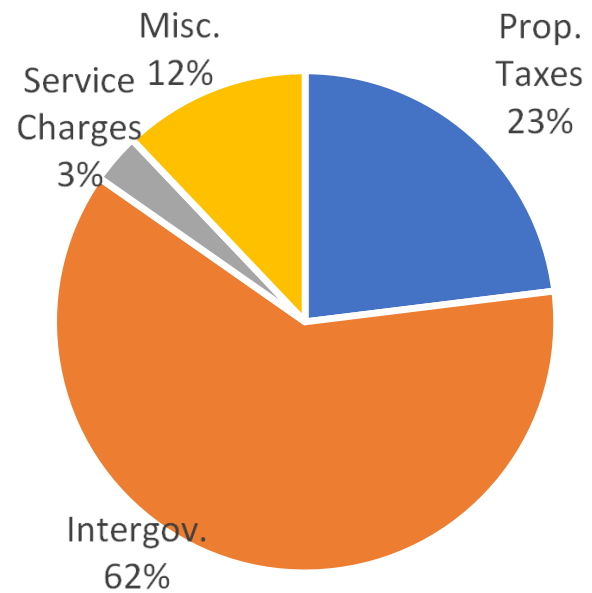


Total Expenditures

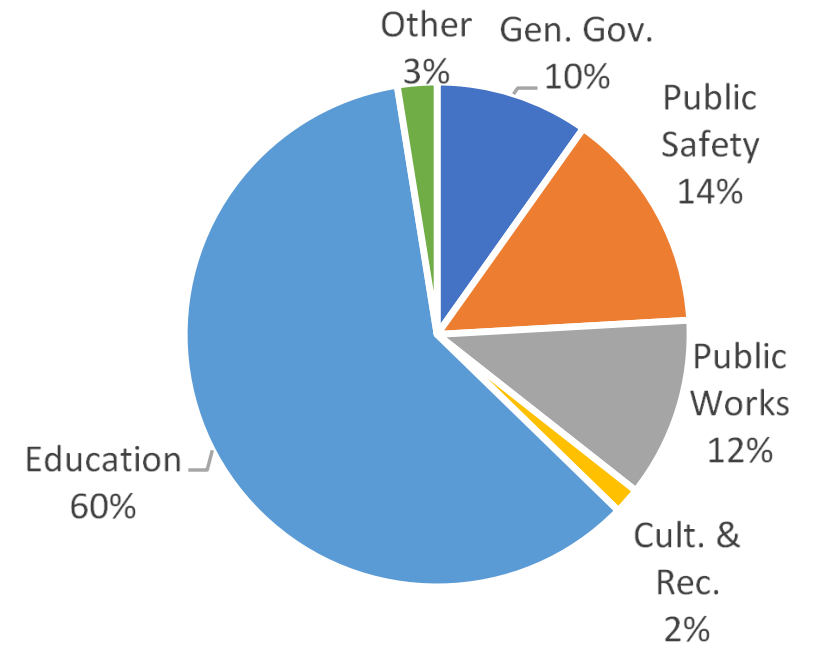


Cassia County

Total Revenues

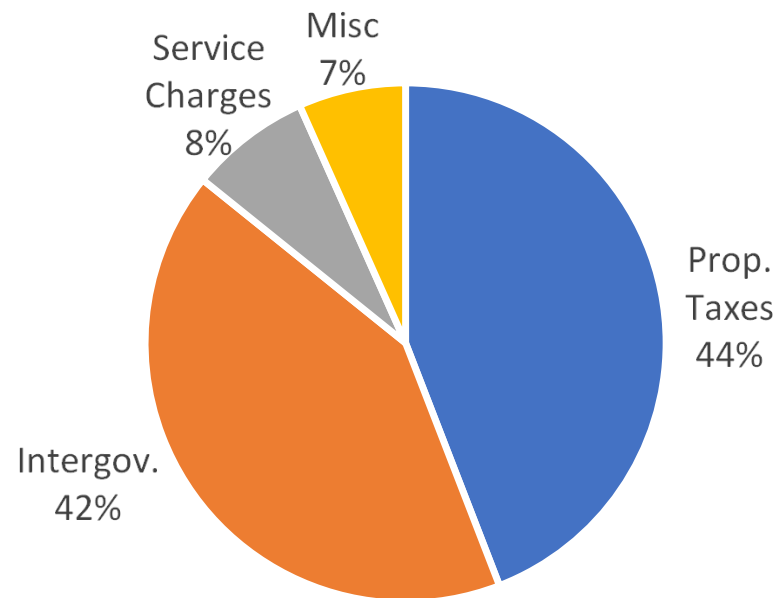


Total Expenditures

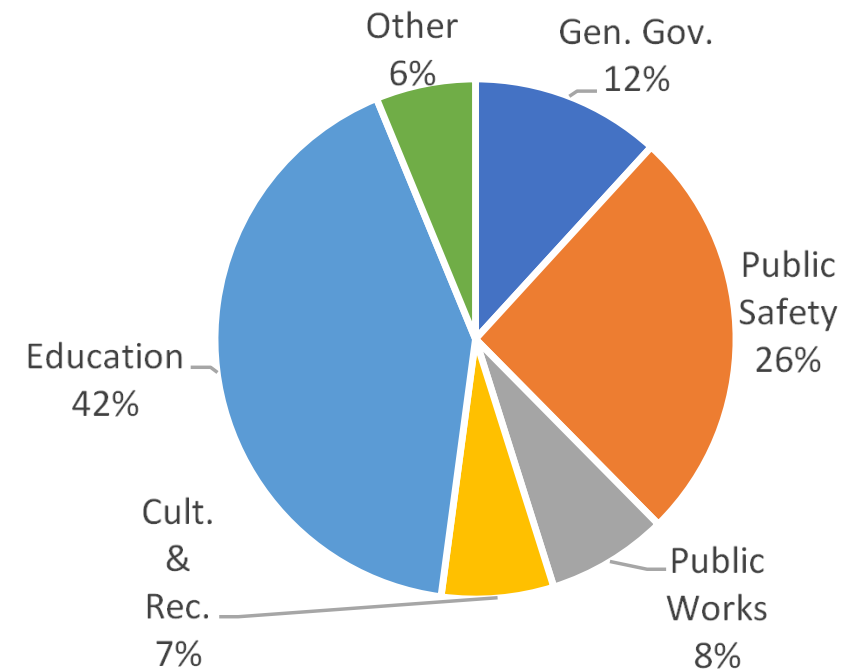


Kootenai County

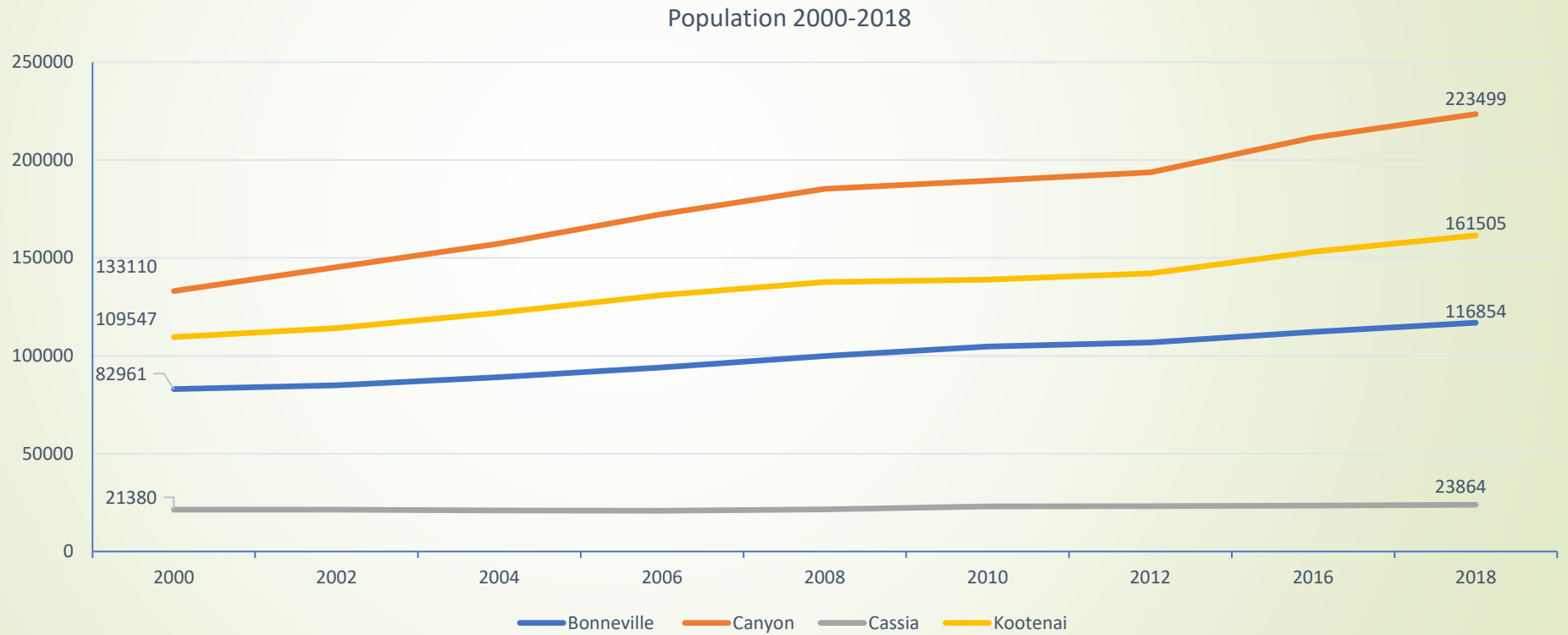
Total Revenues



Total Expenditures



County Population Growth



Results - 1

Base Case:

Comparison Case:

County	Residential	Commercial	Agricultural
Bonneville			
Revenues	\$218,573,186	\$73,961,337	\$1,317,860
Expenditures	\$259,338,937	\$60,517,842	\$642,880
2017 ratio	1.19	0.82	0.49
1997 ratio	1.06	0.84	0.23
Canyon			
Revenues	\$367,869,039	\$117,935,668	\$6,045,955
Expenditures	\$441,787,749	\$71,237,612	\$3,914,611
2017 ratio	1.20	0.60	0.65
1997 ratio	1.08	0.79	0.54
Cassia			
Revenues	\$51,060,421	\$18,655,112	\$2,969,293
Expenditures	\$67,722,250	\$13,628,900	\$3,386,795
2017 ratio	1.33	0.73	1.14
1997 ratio	1.19	0.87	0.41
Kootenai			
Revenues	\$302,446,554	\$77,663,911	\$1,096,006
Expenditures	\$331,379,676	\$49,324,146	\$463,206
2017 ratio	1.10	0.64	0.42
1997 ratio	1.09	0.86	0.28

County	Residential	Commercial	Agricultural
Bonneville			
Revenues	\$173,895,459	\$115,235,175	\$4,843,604
Expenditures	\$259,338,937	\$59,829,996	\$1,330,725
2017 ratio	1.49	0.52	0.27
1997 ratio	1.06	0.84	0.23
Canyon			
Revenues	\$316,115,670	\$158,214,025	\$17,722,575
Expenditures	\$441,787,749	\$70,077,384	\$5,074,840
2017 ratio	1.40	0.44	0.29
1997 ratio	1.08	0.79	0.54
Cassia			
Revenues	\$30,285,560	\$28,775,188	\$13,659,056
Expenditures	\$67,722,250	\$11,388,029	\$5,627,666
2017 ratio	2.24	0.40	0.41
1997 ratio	1.19	0.87	0.41
Kootenai			
Revenues	\$285,896,401	\$92,424,199	\$2,125,793
Expenditures	\$331,397,909	\$48,944,962	\$824,157
1017 ratio	1.16	0.53	0.39
1997 ratio	1.09	0.86	0.28



Results - 2

- ▶ Both the Base Case and the Comparison Case analyses found all counties in the study exhibited residential ratios above 1.00 and commercial and agricultural ratios below 1.00 (except for the agricultural ratio in the Base Case for Cassia).
- ▶ For every dollar received in revenue
 - ▶ Base Case
 - ▶ Residential property received between \$1.10 and \$1.33 in services.
 - ▶ Commercial property received between \$0.60 and \$0.82 in services.
 - ▶ Agricultural land received between \$0.42 and \$1.14 in services.
 - ▶ Comparison Case
 - ▶ Residential property received between \$1.16 and \$2.24 in services.
 - ▶ Commercial property received between \$0.40 and \$0.53 in services.
 - ▶ Agricultural land received between \$0.27 and \$0.41 in services.



Results - 3

- ▶ Compared to the 1997 study:
 - ▶ all residential ratios have increased, all commercial ratios have decreased, and the agricultural ratios have experienced mixed impacts.
- ▶ The disparity between the ratios is getting larger.
 - ▶ Residential land uses are increasingly subsidized by the commercial land classification (and in some cases agricultural land as well).
- ▶ Increases in population and school budgets were correlated with increases in residential ratios and decreases in commercial ratios.

Factors Associated with Growing Disparity

- ▶ Population growth and the resultant urban development.
 - ▶ Increases in population were correlated with decreases in commercial ratios.
 - ▶ Population growth coincided with increased residential ratios. However, the actual impact in this study depended on the predominant source of the revenues.
 - ▶ Increasing school expenditures as a proportion of aggregate local budgets (since 1997) are consistent with with increasing residential ratios.
 - ▶ The larger residential ratio is consistent with the view that increased services are required for the residential growth that accompanies a growing population.
- ▶ Changes to school funding.
 - ▶ In 2006, the State of Idaho changed the school funding formula, swapping an increase in sales tax for a roughly equivalent reduction in property taxes. But state funding varied through the years from 2000 to 2011. To compensate, school districts increased their use of supplemental override levies on property, with large increases beginning in 2007 (just after the school funding formula change) and reaching their highest level in real terms in 2017.
- ▶ Changes to the Idaho homeowner's exemption.
 - ▶ Following 2006, the maximum Idaho homeowner's exemption underwent sizable swings, eventually rising to the current level of \$100,000 in 2017. This increase shifts budget revenues away from residential properties toward commercial and agricultural land classifications.



A Mitigating Factor in the Growing Disparity

► Intergovernmental Transfers.

- Increases in State transfers reduced the residential ratios while increasing all commercial and agricultural ratios

- The impact is larger where intergovernmental transfers comprised larger percentages of aggregate local government revenue.

► Evidence:

- Where funding sources over the period shifted toward property taxes as a way to compensate for increases in education and other expenditures (i.e. Canyon County), residential ratios increased while commercial and agricultural ratios decreased (using the Comparison Case).

- Where both intergovernmental and property tax collections increased at roughly similar rates, commercial and agricultural ratios changed less (i.e. Bonneville County).

- Where funding sources shifted toward intergovernmental transfers (i.e. Cassia County), agricultural ratios either increased or remained stable.



Questions

