Costs of Community Services

CASE STUDIES IN BONNEVILLE, CANYON, CASSIA, AND KOOTENAI COUNTIES

CIS 1086

By Martha Leighton and Neil Meyer

Local governments provide important local services including education, roads, and police and fire protection to its citizens. Costs of Community Services (COCS) studies such as these examine how various types of land use affect local government revenue and spending. In this study, we compare total revenue and property tax revenue sources for local government expenditures for three land use classifications: 1) residential, 2) agricultural, forestry, or open space, and 3) commercial or industrial. Four Idaho counties (Bonneville, Canyon, Cassia, and Kootenai) with contrasting economies are the focus of this COCS study (Figure 1).

In recent years, many areas in Idaho have experienced rapid population growth, including Post Falls and Coeur d'Alene in Kootenai County and Caldwell and Nampa in Canyon County. Residential growth into rural areas tends to increase market value of all property, thus increasing its taxable value. In addition, increases in local tax rates tend to follow development, due to both expanded service needs and increased per capita demand for public services. Residential land use is costly relative to other uses in terms of government services needed, such as education and public safety. COCS studies such as this can be used as a tool for studying growth effects or impacts for local governments.

In Idaho, units of government have basically four sources of revenue. They make up what is often referred to as the four-legged stool. The four legs are: 1) income tax, 2) sales tax, 3) property tax, and 4) excise tax and service fees (Figure 2). Each leg is an important source of revenue for the governmental unit. The state government has an additional source of federal intergovernmental transfers such as gas tax money or human service fees, which supplement their own sources.

Idaho local government units can make decisions on property taxes and service fees. They also receive intergovernmental transfers from state (and indirectly federal) sources. This report is mainly concerned with local government revenue and expenditures.

A COCS Comparison of Urban and Rural Counties

This report summarizes results from two studies conducted in a total of four Idaho counties. Canyon County, which is relatively urban, was compared to agriculturally-based Cassia County using 1994 data on taxation and expenditures. Kootenai County, located in a rapidly growing area in northern Idaho, was compared to Bonneville County, another agriculturally based county, with economic ties to a national engineering laboratory using tax and revenue information from 1996.

In the two urban counties, Canyon and Kootenai, the population grew 33 percent and 44 percent, respectively, from 1990 to 1998. In Bonneville and Cassia counties, the two rural counties, population growth was just 11 percent and 9 percent over the same time period (see Table 1). In 1998, Cassia County averaged just eight persons per square mile, compared to forty-three in Bonneville County, eighty-one in Kootenai County, and 204 in Canyon County.

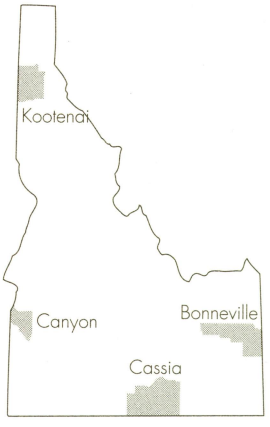

Figure 1. Counties Included in Cost of Community Services Studies.

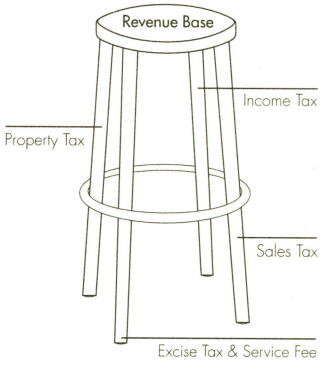

Figure 2. Idaho Government's 4-Legged Stool.

University of Idaho

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Table 1. County Population, 1998, and Rate of Population Growth, 1990-1998.

	Population (1998)	Population % Increase
Bonneville	80,672	11
Canyon	120,266	33
Nampa	41,951	47
Middleton	2,661	43
Cassia	21,359	9
Kootenai	101,390	44
Post Falls	15,732	112
Rathdrum	4,066	102

Methods

A cost of community services study (COCS) shows the relationship between government revenues generated at the federal, state, and local levels, and expenditures incurred for local services by each land use classification. Local government financial records were used to track the revenue and expenditure flows of taxing entities within each study area. County records were used to determine land use classifications. Taxing entities included the county government, each incorporated city within the county, and independent taxing districts. Independent taxing districts, which include public schools, provide services to residents living outside of incorporated cities, or provide extra funding for services that are unavailable from city or county governments.

Property taxes on owner-operated residences are reduced by Idaho's Homeowner Exemption, which reduces taxable value of residences by $50,000 or 50% of value if less than $100,000. The net effect is to reduce the property tax owed by owner-occupied housing.

Revenue and expenditure flows were broken down and allocated to property within each taxing district according to the land use that generated the tax (revenue flow) and the purpose for which the taxes were used (expenditure flow). We used procedures for allocating costs of community services developed by Snyder and Ferguson (1994) in Utah. For example, all school expenses were allocated to residential property. Agricultural property was classified as property used for the production of crops and livestock. Open space, private forests, and wasteland were included in the agricultural land classification. Farm and rural homes were included in the residential classification. When a source of expenditures or revenues was unclear, the money was allocated according to the proportion of taxable value for each land use for that area (see Figure 3).

Local Government Tax Revenue and Service Expenditure Comparisons

Revenue for local government services comes from sources including redistribution of intergovernmental funds (state and federal sources), property taxes, services charges, licenses and permits, fines, and other miscellaneous sources. Local government expenditures include education (the largest expenditure for all counties in this study), general government services, public safety (police and fire protection), public works (roads and bridges, sanitation, cemeteries), health and welfare (health districts and indigent services), culture and recreation (libraries and parks), capital outlays, and debt services. Revenues and expenditures by case study county are broken down by category in Figure 4, 5, 6 and 7.

Overall, the largest revenue source, ranging from 40 percent to 49 percent of total revenue for all counties, was intergovernmental funds transfer from state and federal sources. Property tax comprised the next largest source of funds, ranging from 22 percent in the rural counties of Cassia and Bonneville to 28 percent in Canyon County and 32 percent in Kootenai County. Property taxes on owner-operated residences are reduced by Idaho's Homeowner Exemption, which reduces taxable value of resi-

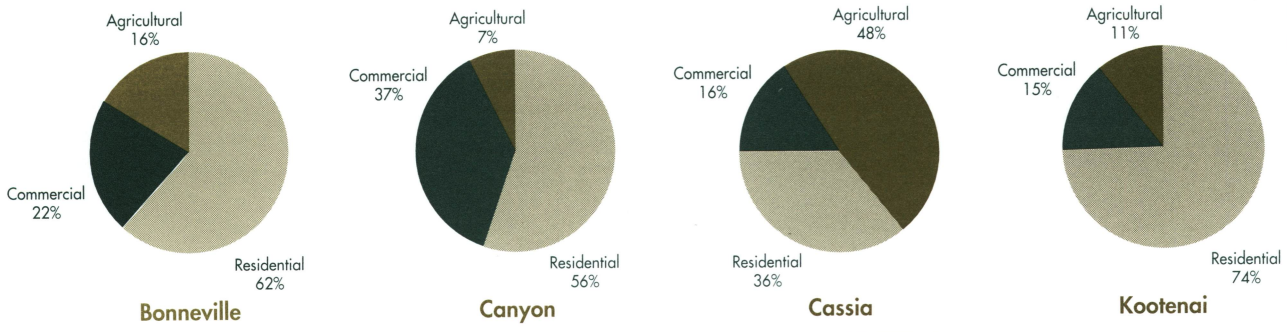

Figure 3. Net Taxable Value by Land Use.

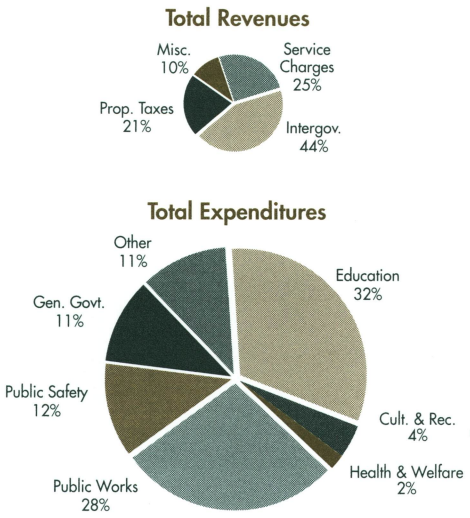

Figure 4. Breakdown of total revenues and total expenditures, by source and use, for Bonneville County, Idaho.

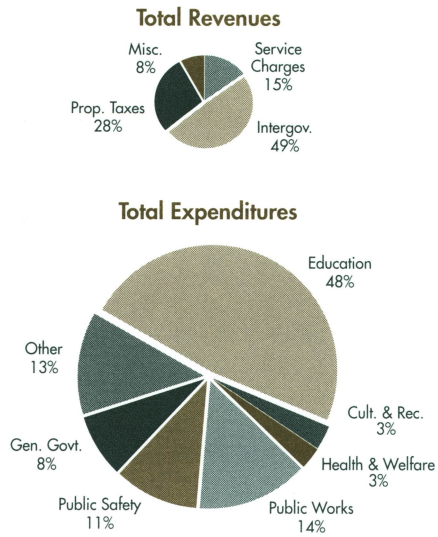

Figure 5. Breakdown of total revenues and total expenditures, by source and use, for Canyon County, Idaho.

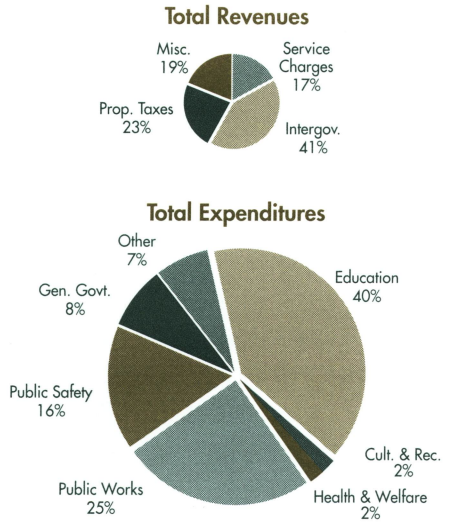

Figure 6. Breakdown of total revenues and total expenditures, by source and use, for Cassia County, Idaho.

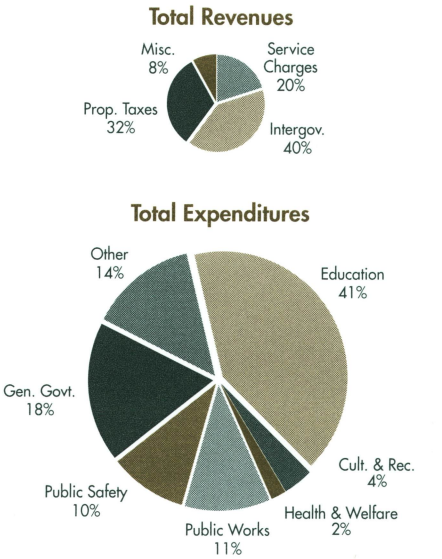

Figure 7. Breakdown of total revenues and total expenditures, by source and use, for Kootenai County, Idaho.

dences by $50,000 or 50% of value if less than $100,000. The net effect is to reduce the property tax owed by owner-occupied housing. Service charges comprised from a low of 15 percent of total revenue in Canyon County to a high of 25 percent of total revenue in Bonneville County.

Education was the largest tax expenditure category for all the case study counties, ranging from 48 percent of total expenditures in Canyon County to 32 percent of total expenditures in Bonneville County. Public works received the next highest percentage of total tax expenditures for Bonneville, Canyon, Cassia, and Kootenai counties, at 28 percent, 14 percent, 25 percent, and 11 percent, respectively. In Kootenai County, general government had the second highest percentage of tax expenditures at 18 percent, and Public Safety receiving another 10 percent. Public Safety was the third highest recipient of tax expenditures for Bonneville, Canyon, and Cassia counties, at 12 percent, 11 percent and 16 percent, respectively. General government services received the fourth highest percentage of tax dollars for these three counties.

Property Tax Contributions By Land Use Classification

Property taxes contributed from 22 percent (Bonneville County) to 32 percent (Kootenai County) of total revenues collected in the four counties studied. Comparison of taxes paid to services received indicated that the proportional contribution of property taxes by commercial and agricultural land uses in each county was greater than the proportion of services received by those land uses. For example, in Bonneville County, the combined property taxes of the agricultural ($2,494,289) and commercial

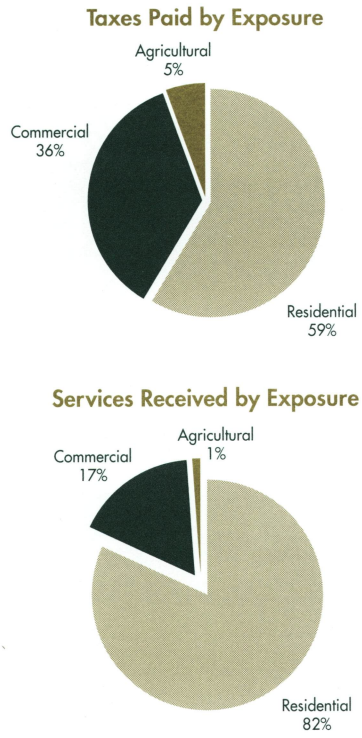

Figure 8. Comparison of all property taxes paid and services received by land use exposure in Bonneville County, Idaho.

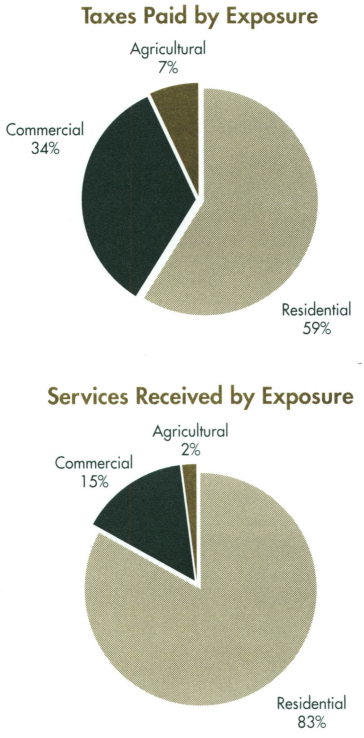

Figure 9. Comparison of all property taxes paid and services received by land use exposure in Canyon County, Idaho.

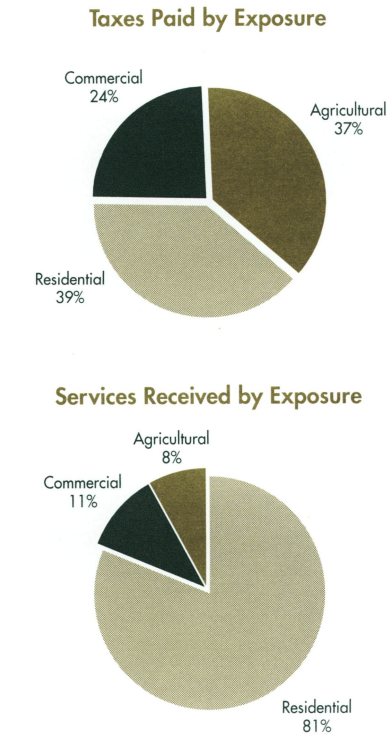

Figure 10. Comparison of all property taxes paid and services received by land use exposure in Cassia County, Idaho.

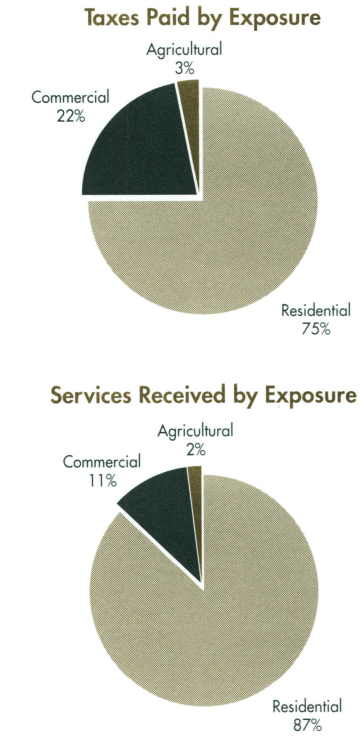

Figure 11. Comparison of all property taxes paid and services received by land use exposure in Kootenai County, Idaho.

($16,422,648) classifications contributed 41 percent of all property taxes ($45,779,720) collected by the county taxing entities, but received only a combined 18 percent of services (from all revenue sources) in the county (Figure 8). In Canyon County, the combined property taxes on agricultural ($2,917,809) and commercial property ($15,144,109) represented 41 percent of all county property tax collections ($43,992,394) while those two land uses together received only 16 percent of all services (Figure 9). In Cassia County, the combined property taxes of the agricultural ($3,745,823) and commercial ($2,496,869) land uses contributed 61 percent of all property taxes ($10,247,380) collected by the county's taxing entities, but received only a combined 19 percent of services (from all revenue sources) in the county (Figure 10). In Kootenai County, the combined property taxes on agricultural ($1,759,658) and commercial property ($13,306,638) represented 25 percent of all county property tax collections ($60,560,561) while those two classifications received only a combined 12 percent of all services (Figure 11). In all four counties, property in residential land use received proportionally more services than that land use's proportional contribution in property taxes.

Additionally, agricultural land was the only land use for which property tax revenues completely covered service expenditures. Expenditures for services to both commercial and residential property required use of revenues from other sources (licenses and permits, charges for services, intergovernmental transfers) to cover the cost of those services.

Bonneville County Results

In Bonneville County, property in residential land use received $1.06 in county services for every $1.00 in county revenues from all sources attributed to the land use. Commercial and agricultural

property received $1.04 and $0.24 in county services, respectively, for every $1.00 in all revenues each provided to the county. For residential property included in the tax base for incorporated cities in Bonneville County, approximately $1.00 in city services were provided for each $1.00 in revenue contribution. Commercial property included in the city tax base in Bonneville County received $0.87 in city services for each $1.00 in revenues collected. Agricultural property included in the cities' tax base received only $0.45 in services for every $1.00 contribution to city revenues. From the independent taxing districts, residential property in Bonneville County received $1.15 in services for every $1.00 in revenues contributed to the taxing districts. Commercial property received $0.19 in services for every $1.00 worth of total revenue contributed, while agricultural property received $0.12 in services for each $1.00 in revenues attributable to the agricultural land use. For all taxing entities within Bonneville County, residential property received $1.06 in services, commercial property received $0.84 in services, and agricultural property received $0.23 in services for each $1.00 contributed to all revenues (Table 2).

Table 3. Comparison of total revenues to total expenditures for Canyon County taxing entities.

Canyon County	Residential	Commercial	Agricultural
County Expenditures	18,963,253	5,215,305	980,377
County Revenues	13,299,014	8,008,113	1,586,536
Ratio	**1.43**	**0.65**	**0.62**
Total City Expenditures	27,775,520	11,220,576	829
Total City Revenues	27,005,890	13,433,356	3,208
Ratio	**1.03**	**0.84**	**0.26**
Tax District Expenditures	88,821,348	7,059,160	1,404,259
Tax District Revenues	85,127,379	8,458,956	2,851,267
Ratio	**1.04**	**0.83**	**0.49**
Total County Expenditures	135,560,122	23,495,041	2,385,465
Total County Revenues	125,432,284	29,900,325	4,441,011
Ratio	**1.08**	**0.79**	**0.54**

Canyon County Results

Residential property in Canyon County received $1.43 in services from the county government for every $1.00 of all revenues collected. Commercial and agricultural property received $0.65 and $0.62 in county services, respectively, for every $1.00 of all revenues collected. Residential property included in the tax base of all incorporated cities in Canyon County received an average $1.03 in city provided services for every $1.00 in city revenues collected, while commercial and agricultural property received an average $0.84 and $0.26 respectively, in city-provided services for every $1.00 in revenues collected.

Most independent taxing districts provide city-type services to residential populations living outside the boundaries of incorporated cities, or provide extra funding when local populations demand a level of service expenditures beyond those normally provided by county governments. Independent taxing districts reflect the population's demand for services, particularly public schools, that are unavailable or underfunded by county or city government entities. Canyon County has 56 independent taxing districts providing organized levels of government services to county residents. On average, residential property received $1.04 of services from independent taxing districts for every $1.00 in total revenues collected. Commercial and agricultural property received $0.83 and $0.49, respectively, in taxing district services for each $1.00 in revenues. County-wide, residential property in Canyon County received $1.08 in services from all taxing entities per dollar in revenues collected. Commercial property received $0.79 in services from all taxing entities for each $1.00 in total revenues collected.

Table 2. Comparison of total revenues to total expenditures for Bonneville County taxing entities.

Bonneville County	Residential	Commercial	Agricultural
County Expenditures	51,299,017	20,193,750	2,239,980
County Revenues	48,619,786	20,015,459	9,351,608
Ratio	**1.06**	**1.04**	**0.24**
Total City Expenditures	62,385,873	13,262,596	4,629
Total City Revenues	62,472,069	15,326,891	10,203
Ratio	**1.00**	**0.87**	**0.45**
Tax District Expenditures	56,821,306	1,365,528	88,700
Tax District Revenues	49,466,583	7,138,921	758,083
Ratio	**1.15**	**0.19**	**0.12**
Total County Expenditures	170,506,196	35,559,873	2,333,310
Total County Revenues	160,558,438	42,481,270	10,119,895
Ratio	**1.06**	**0.84**	**0.23**

Agricultural property received only $0.54 in services per dollar in total revenues collected by all taxing entities within the county (Table 3).

Cassia County Results

In Cassia County, property in the residential land use received $1.40 in county services for every $1.00 in total county revenues contributed by the land use. Commercial and agricultural property received $0.97 and $0.45 in county services, respectively, for every $1.00 in total revenues each provided to the county. For residential property included in the tax base for incorporated cities in Cassia County, $1.02 in city services were provided for each $1.00 in total revenue contribution. Commercial property included in the city tax base in Cassia County received $0.97 in city services for each $1.00 in total revenues collected. Agricultural property included in the cities' tax base (a very small amount) received only $0.25 in services for every $1.00 contribution to city revenues. From the independent taxing districts, residential property in Cassia County received $1.21 in services for every $1.00 in revenues contributed to the taxing districts. Commercial property received $0.73 in tax district services for every $1.00 worth of total revenue contributed, while agricultural property received $0.37 in services for each $1.00 in total revenues attributable to the agricultural land use. For all taxing entities within Cassia County, residential property received $1.19 in services, commercial property received $0.87 in services, and agricultural property received $0.41 in services for each $1.00 contributed to all revenues (Table 4).

Kootenai County Results

Residential property in Kootenai County received $1.06 in services from the county government for every $1.00 of revenues collected from all sources. Commercial and agricultural property received $0.79 and $0.27 in county services, respectively, for every $1.00 of revenues collected. Residential property included in the tax base of all incorporated cities in Kootenai County received an average $1.36 in city provided services for every $1.00 in total city revenues collected, while commercial and agricultural property received an average $1.11 and $0.31 respectively, in city-provided services for every $1.00 in revenues collected.

Kootenai County had 34 independent taxing districts providing organized levels of government services to county residents in 1996. On average, residential property received $1.03 of services from independent taxing districts for every $1.00 in total revenues collected. Commercial and agricultural property received $0.57 and $0.27, respectively, in taxing district services for each $1.00 in total revenues. County-wide, residential property in Kootenai County received $1.09 in services from all taxing entities per dollar in total revenues collected. Commercial property received $0.86 in services from all taxing entities for each $1.00 in total revenues collected. Agricultural property received only $0.28 in services per dollar in total revenues collected by all taxing entities within the county (Table 5).

Conclusions

This study compares the value of services (expenditures) to the total revenues generated for each land use classification in each taxing entity in Bonneville, Canyon, Cassia, and Kootenai counties. It also analyzes the proportion of property taxes paid by land in each classification and compares the proportion of property taxes paid to the proportion of services received by each land use classification.

Property tax is not the largest source of government revenue. As shown in Figures 4, 5, 6, and 7, property tax revenue ranges from 22 to 32 percent of county revenues. In all cases, intergovernmental sources are the most important, ranging from 40 to 49 percent of total revenue.

It is important to consider the services demanded as well as the revenue provided by each land use (residential, commercial, and agricultural). In areas of growth, the underlying question is whether the new revenue base will provide the necessary funding for the expanded services demanded.

Table 4. Comparison of total revenues to total expenditures for Cassia County taxing entities.

Cassia County	Residential	Commercial	Agricultural
County Expenditures	7,989,583	1,316,366	1,652,670
County Revenues	5,686,786	1,360,015	3,685,217
Ratio	**1.40**	**0.97**	**0.45**
Total City Expenditures	8,937,920	2,039,941	5,671
Total City Revenues	8,765,828	2,094,020	22,244
Ratio	**1.02**	**0.97**	**0.25**
Tax District Expenditures	19,862,871	1,687,427	1,854,686
Tax District Revenues	16,467,208	2,318,174	4,948,364
Ratio	**1.21**	**0.73**	**0.37**
Total County Expenditures	36,790,374	5,043,734	3,513,027
Total County Revenues	30,919,822	5,772,259	8,655,825
Ratio	**1.19**	**0.87**	**0.41**

Table 5. Comparison of total revenues to total expenditures for Kootenai County taxing entities.

Kootenai County	Residential	Commercial	Agricultural
County Expenditures	28,763,938	5,675,532	275,526
County Revenues	27,206,933	7,190,103	1,012,750
Ratio	**1.06**	**0.79**	**0.27**
Total City Expenditures	42,573,411	12,038,671	58,981
Total City Revenues	31,358,541	10,815,645	193,161
Ratio	**1.36**	**1.11**	**0.31**
Tax District Expenditures	103,750,521	5,046,496	493,260
Tax District Revenues	100,909,035	8,792,648	1,807,051
Ratio	**1.03**	**0.57**	**0.27**
Total County Expenditures	175,087,870	22,760,699	827,767
Total County Revenues	160,034,958	26,542,704	2,924,250
Ratio	**1.09**	**0.86**	**0.28**

As the analysis shows, residential property in all counties receives more than a dollar's worth of services for each dollar in total revenues (from all sources) collected from that classification. Residential land use received from a low of $1.06 in community services for every $1.00 in revenues collected in Bonneville County to a high of $1.19 in services for every $1.00 in total revenues in Cassia County. Commercial and agricultural property in both counties received less expenditure for services than the total revenues paid for those services. This indicates that a portion of the revenues from commercial and agricultural property were used to fund services received by the residential classification in these counties. These results are typical of other studies in this field; the typical ratio of government expenditures to tax revenues is 1.15 to 1.50 for residential land.

The portion of unused revenues from the agricultural classification providing services to another classification was relatively greater in the two rural counties (Bonneville and Cassia) than in the two urban counties (Kootenai and Canyon counties). Agricultural property in Bonneville and Cassia counties comprised 40 percent and 52 percent of the acreage, respectively, representing 16 percent of the net taxable value of all property in Bonneville County and 48 percent of the net taxable value of all property in Cassia County. By contrast, agricultural property in Kootenai and Canyon counties represented 12 percent and 30 percent of the acreage, respectively, accounting for just 4 percent of the total net taxable value of all property within Kootenai County in fiscal 1996 and 7 percent of total net taxable value for Canyon County in 1994. Therefore, agricultural property in Bonneville and Cassia counties made a greater relative contribution to their respective counties' taxing entities.

For both Bonneville and Kootenai counties, agricultural property received less than $0.30 in county-wide services for every revenue dollar collected, so more than $0.70 of every dollar in revenue was available to provide services to property in another classification. Agricultural property in Canyon County received back $0.54 in county-wide services for every revenue dollar collected, so approximately $0.46 of every dollar in revenue was available to provide services to another land use classification. In Cassia County, the revenue from the agricultural classification was considerably higher, with $0.59 of every revenue dollar going to provide services to other classifications. For these reasons, the amount of government revenue from agricultural property in Cassia County ($5,147,800) available to provide services to another property classification was greater than the amount of excess government revenue from the agricultural classification in Canyon County ($2,055,546).

In conclusion, property in the agricultural and commercial classifications received less than $1.00 in services for every dollar in revenues collected from those classifications. Property taxes provided from 22 to 32 percent of the revenues. Residential property received a higher proportion of community services than were paid for by revenues collected by taxing entities from residential property. The extra value in community services was provided by property in agricultural and commercial classifications. In Canyon County, the extra value in services to the residential classification was primarily provided by the commercial classification, while in Cassia County, the majority of the provision to residential property came from revenues collected from agricultural property. In Kootenai County, the extra value in services to the residential classification was partly provided by revenues from commercial and agricultural classifications, with commercial property contributing a slightly larger percentage. In Bonneville County, the majority of the provision to residential property came from revenues collected from agricultural property.

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