

THE COST OF RAPID GROWTH



A Fiscal Analysis of Growth
in Custer County, Colorado



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THE FISCAL BURDEN OF GROWTH

Residential development that consumes agricultural land and open space is slowly depleting county coffers.

In the debate over growth in the rural West, there is a lively discussion about the costs and benefits of “residential sprawl.” Advocates for growth see any new development as an economic opportunity and as good for the tax base. Critics see unhampered growth as unnecessarily consumptive of land and fiscally draining.

Custer County, Colorado, is the fifth fastest growing county in the country—population has almost doubled in the past decade. With growth comes land use change: the conversion of agricultural land and open space to residential and commercial uses. The effects of these changes are often complex, with far reaching implications for local residents.

In order to understand the fiscal impacts of land use change, the San Isabel Foundation, Custer Heritage Committee, Sonoran Institute, and American Farmland Trust teamed up to sponsor a Cost of Community Services (COCS) study, which measures the impact different land uses have on the county’s tax base.



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The study shows that:

- Agricultural land and open space provide more in revenue to the county than they demand in service costs.
- Commercial and industrial land also put more into county coffers than they take out.
- Residential land, on the other hand, incurs higher service costs than it provides in revenue.

Conventional wisdom holds that residential growth is good for the local tax base. On this issue, the conventional wisdom is wrong.

While residential land generates more gross revenue than agricultural land and open space, it is a net financial loser for the county. Put another way, residential land that depletes the available supply of agricultural land and open space will result in higher taxes or declining levels of public services.

For every dollar the county receives from agricultural land and open space, it costs only \$0.54 to provide services. For every dollar from residential development, it costs the county \$1.16 to provide services.

CLUSTER COUNTY FINDINGS

The study findings are presented in the table below. The first two rows of the table show the total dollar amount that was allocated to each land use for revenues and expenditures. The final row presents ratios showing the net tax gain or loss for each land use. This is a clear way to show how much each land use costs for every dollar of revenue it raises.

The revenues/expenditures ratios show that agricultural land and open space pay more than their “fair share” of local taxes. For every dollar these lands provide in revenue to county government from property taxes, sales taxes, and other revenues, they demand back only \$0.54 in service costs. Commercial and industrial property similarly provide a net fiscal benefit to the county, demanding only \$0.71 in service costs for every dollar they generate in revenue. In contrast, residential development requires \$1.16 in local government services for every tax dollar it generates in revenue.

Local governments in Colorado rely heavily on property taxes to fund local services. Property taxes make up 46 percent of all local government revenue in Custer County. Sales taxes, state and federal funds, and local permit and license fees, among other revenue sources, account for the remainder of the county’s budget.

These revenues are used to provide services—such as police protection, road construction and maintenance, education, and health and welfare services—to residences, businesses, and farms and ranches in the county. Education is the most expensive service provided, accounting for 69 percent of property tax revenues.

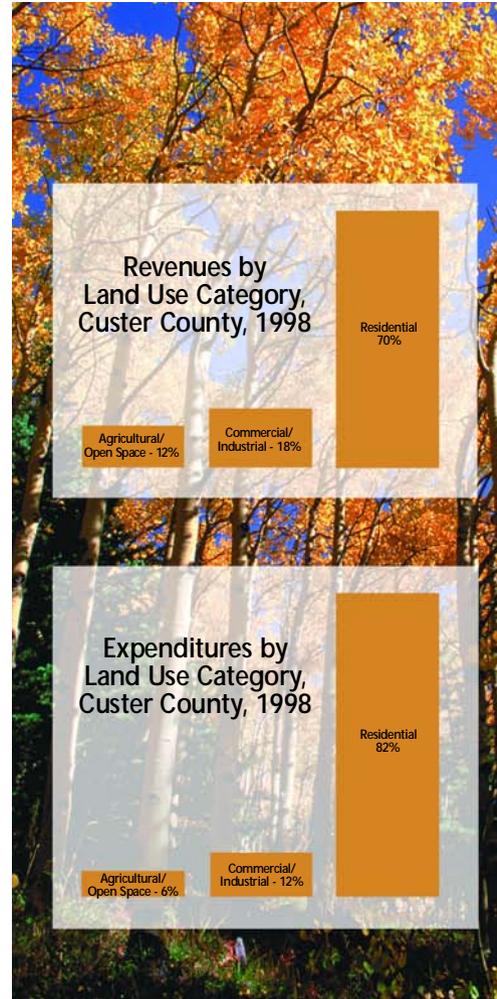
What does this mean for Custer County? According to the COCS findings, a 160-acre hay meadow pays \$540 in taxes annually and demands less than \$290 in government services. Meanwhile, a subdivision of similar size pays less than \$21,000 in taxes annually and requires more than \$23,000 in government services.

The Custer County findings are supported by similar results from around the country. For example, COCS studies in Montana, Utah, and Idaho found that residential land use does not generate revenue sufficient to cover the costs of services it demands, while farm and ranch, forest, open space, commercial, and industrial land uses all produce revenues in excess of the costs they require.

The bottom line is that instead of expanding the tax base, residential development that is not balanced by business growth and agricultural preservation will either increase property taxes or result in declining levels of public services.

1998 Custer County Revenues/Expenditures Ratios

	Residential	Commercial/ Industrial	Agricultural/ Open Space
Total County Revenues	\$3,365,524	\$841,225	\$573,278
Total County Expenditures	\$3,914,993	\$597,659	\$312,085
Revenues/Expenditures Ratios	\$1.00 : \$1.16	\$1.00 : \$0.71	\$1.00 : \$0.54



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PLANNING FOR THE FUTURE

Growth is both a challenge and an opportunity. The question facing Custer County is not whether to grow, but how to grow.

Growth is both a challenge and an opportunity. The question facing Custer County is not whether to grow, but how to grow. Residential growth that does not consume inordinate amounts of agricultural land or open space, and is balanced by commercial development, will better protect the county's tax base and improve delivery of public services.

The benefits of balanced and well-planned growth extend beyond fiscal considerations. The county's economy depends in large part on a vital agricultural economy. In addition, farm and ranch lands and open space provide important wildlife habitat, scenic beauty, recreational opportunities, and a quality of life that attracts people and business. They are also an important part of the county's heritage.

The Custer County COCS study is part of an ongoing effort to understand the impacts of growth and to help the community plan for a desirable future. Last summer, local citizens participated in a Community Forum, sharing their goals and vision for the county's future. The number one priority identified at this forum was the protection of agricultural lands and open space.

In the last year, the county held a series of master plan outreach meetings, and this winter, the county adopted its first master plan, which recognizes the importance of balancing growth with the preservation of the county's open lands. At present, the county is in the process of reviewing and updating its zoning code to support the goals of the master plan.

These efforts are all steps in the right direction. An inclusive and comprehensive approach to growth management, including a combination of incentives, planning, and regulation may make it possible to enhance real estate values, economic vitality, and the local tax base while at the same time preserving agricultural lands, open space, and a high quality of life.

The results of the COCS study provide county residents and decision-makers with one more measure of the impacts of growth. The task before Custer County now is to work together to develop strategies that accommodate growth and protect the resources and values important to the community.

A full report that details the methodology and findings of the Cost of Community Services Study can be obtained by contacting the San Isabel Foundation, (719) 783-3018, or the County Planning and Zoning Department, (719) 783-2669.

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A land trust dedicated to working with landowners to preserve agricultural lands, open space, and wildlife habitat in Custer County, Colorado. Telephone: (719) 783-3018.

CUSTER HERITAGE COMMITTEE

An informal group of citizens concerned about the preservation of agricultural open space and the impacts of growth in Custer County, Colorado. Telephone: (719) 783-3343.

SONORAN INSTITUTE

A nonprofit organization dedicated to promoting community-based strategies that preserve the ecological integrity of protected lands, and at the same time meet the economic aspirations of adjoining landowners and communities. Telephone: (406) 587-7331.

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