

# ILRC STATEMENT: USE OF COCS STUDY

With funding from the Indiana Soybean Alliance, Prof. Larry DeBoer of Purdue University prepared the attached Cost of Community Services (COCS) study. The Indiana Land Resources Council (ILRC) served as an advisor of the study, and thus, has several recommendations regarding use of the study. COCS studies are a snapshot in time of cost of services versus tax revenues for each type of land use: agricultural, business, and residential. Included in the attached study is an explanation of the assumptions used to allocate costs among the different land use categories. COCS data is critical when planning for the future balance and placement of growth in a community because it provides an accurate baseline of information regarding the fiscal contribution of existing land uses to local government budgets.

The ILRC does not endorse use of the attached study to evaluate specific development proposals. This is because the ratios indicate the total, rather than marginal, costs of development patterns to date. Evaluating the marginal cost requires a fiscal impact analysis, which projects public costs and revenues for a specific new development. The balance of revenues and expenditures for a specific development may be different than that of the land class as a whole. The marginal fiscal impact will depend on factors such as existing infrastructure and the location of the development. For example, the cost of a residential development may be high if it requires new infrastructure or it may be fiscally beneficial if it diffuses the cost of existing infrastructure.

A cursory review of the data in the report might suggest that the ideal fiscal situation for a county would be to discourage residential and business development because agricultural land use pays more in taxes than it receives in services. Such a county would, of course, lack stores and storekeepers, school teachers, farm workers, nurses, and many other people and elements essential to a healthy and economically viable community. Local land use policy should be designed to facilitate synergies among each land use. Therefore, the COCS data should be utilized in the context of a comprehensive planning process that also considers: local demographic and economic trends; the availability and condition of public facilities necessary to serve new development; the topographic and ecological character of the jurisdiction; activities of other governmental agencies that influence local growth, ranging from INDOT to local school corporations; and quality-of-life data, as well as the community's aspirations and concerns.

It is also important to note that the purpose of a COCS study is to focus exclusively on payment of taxes and receipt of government services. The ratios will not reflect the economic multiplier or "ripple" effect for each type of land use. For instance, by spending much of their money locally, residents contribute to the economic base of the community in a significant way that may not be captured in a COCS study. The ratios do not reflect the interdependence of land uses, such as the fact that residential development creates demand for new businesses in a community. Moreover, the study assigns the costs of schools, the most expensive community service, to residents, but all sectors benefit from the improved quality of life provided by education.

Although it is important to keep these points in mind, the ILRC would also like to underscore the value of the attached study. An assessment of the fiscal contribution of existing land uses is an important tool that can be used along with other data in the comprehensive planning process to achieve the following objectives:

- Encourage new development of all types to take place in areas which it will be most economical to provide required services;
- Maintain a healthy mix of land uses, which provide places for people to live, work, and play; and
- Preserve and protect those lands essential to the long term success of fiscally beneficial agriculture.

Dr. DeBoer's study provides valuable information for local governments to use in comprehensive planning for the future.