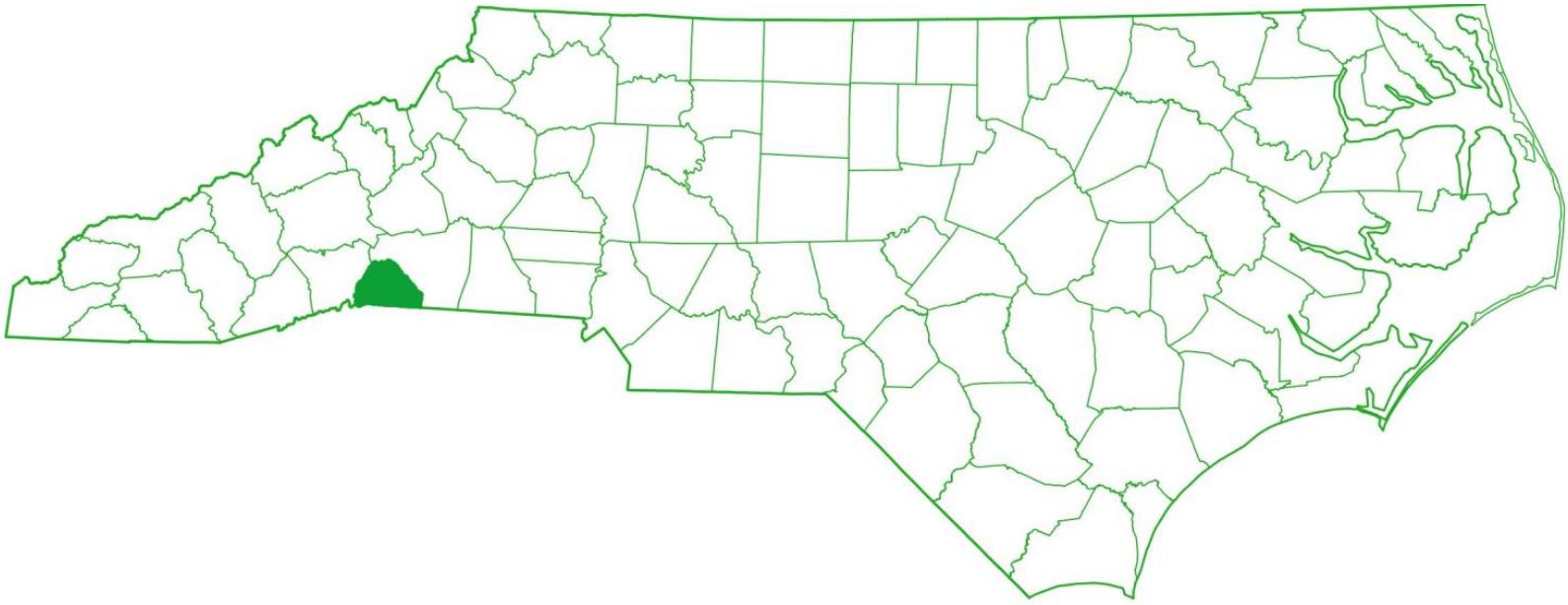
Polk County
North Carolina

Cost of Community Services Study



Prepared by
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University of MOUNT OLIVE

Table of Contents

Acknowledgements 2
Executive Summary 3
Introduction 8
Profile of Polk County 10
Cost of Community Services Studies 17
Methodology 20
COCS Method for Polk County 22
Findings 26
Discussion 34
Appendix: Supporting Tables i
Table 1 Polk County Total Revenue for 2019-2020 i
Table 2 Polk County Actual Expenditures for 2019-2020 ii
Table 3 Revenue-to-Expenditures in Polk County 2019-2020 iii
Tables 4A & B Comparison of Revenue-to-Expenditures in Other Counties iv
Table 5. Breakeven Analysis for Residential Property Value Polk County, NC 2019-2020 v
Table 6 Polk County Actual Revenues by Land Use Category for 2019-2020 vi
Table 7 Polk County Actual Expenditures by Land Use Category for 2019-2020 x

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Executive Summary

Polk County, NC is a small community of approximately 20,000 residents with a mixed distribution of youth, adults and retirees. As population grows across North Carolina, it is important to maintain the quality of life and opportunities that make Polk County unique. While population growth may seem like a strength for rural counties like Polk, it should be noted that land is a finite resource and while there is space to grow residential development in the county, steps must be taken to ensure that agricultural production is protected. There is a need to seek a balance between growth and maintaining open space for recreation, agricultural production, and more.

Review of county government expenditures and revenue collections with respect to land use may be useful as local officials evaluate economic development and county planning opportunities. A Cost of Community Services (COCS) study can provide county leaders with a better understanding of the net gain or loss for various land use categories.

The use of Cost of Community Services studies to give a snapshot of county or municipality revenue-to-expenditure ratio was initiated by the American Farmland Trust (AFT). From 2001 to 2016, a report compiled by the AFT realized that land, nationwide, was being converted from agricultural uses to non-farm uses at a rate of 2,000 acres per day[1]. North Carolina lost 11,117 farms and over 950,000 acres of agricultural land to other uses between 2002 and 2022. While Polk County increased the number of farms, it lost farmland acres during that time frame: with an increase of 14 farms in the county, 3,069 acres of farmland were lost[2]. Increased land values and competition for land for non-agricultural uses have been a huge threat to farmland over the past several years. A Cost of Community Services Study can serve as a valuable tool to plan for growth and to define a balance between agricultural lands and development.

[1] American Farmland Trust, https://farmlandinfo.org/wp-content/uploads/sites/2/2022/08/AFT_FUT_Abundant-Future-7_29_22-WEB.pdf
[2] USDA Census of Agriculture, State Data (2002, 2007, 2012, 2017, 2022), https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Census_by_State/North_Carolina/index.php

The Polk County Cost of Community Services study was conducted using the expenditure and revenue data for each department from the fiscal year 2019-20 Comprehensive Annual Financial Report provided by the Polk County Manager's Office. To accurately determine expenditure and revenue data, respective department directors or designated representatives were asked to provide a percentage breakdown of fiscal resources devoted to providing necessary community services to three land use groups. The percentage of county revenues derived from each land use was also determined. Land use designations evaluated were 1) residential, 2) commercial/industrial, and 3) agricultural/forestry.[3]

This Polk County COCS Study demonstrates the following outcomes for the fiscal year 2019-20:

- ***For each $1 of county revenue contributed by residential uses, the county spent $1.19 to provide necessary community services for those residential land owners.***

- ***For each $1 of county revenue derived from commercial uses, Polk County spent $0.25 for county-provided services.***

- ***For each $1 of income received by Polk County for agricultural/forestry uses, the county spent $0.69 to provide required community services.***

[3] The land category designations are the following:

- Working and agricultural lands includes farms, forests and open space.
- Commercial and Industrial are combined and includes firms.
- Residential development includes all housing, including rentals.

Note also that in the event there was evidence of a migrant agricultural work force, temporary housing for these workers was considered part of agricultural land use. Additionally, the farm business has been separated from the farm residence, with the property value of farm residences assessed in the same manner as any other residences. Therefore farm residences would be included in the residential land use category.

Residential land uses created a net loss of $4,199,945.95 while the other two land use categories generated surpluses of: $5,924,744.64 from commercial and $345,271.31 from agriculture and forestry (Table 1).

The ratios generated from expenditure/revenue data for all land uses in Polk County are similar to other Cost of Community Services Studies in North Carolina and across the country. These ratios show that commercial properties provide the highest net gain with every dollar of revenue only requiring $0.25 in services to commercial properties. Agricultural land follows, with a cost of $0.69 on each dollar earned from the same properties and residential lands are actually a net loss to the county as residential land use requires $1.19 in services for every dollar of revenue, they bring to Polk County (Appendix Table 4B). The gain realized in commercial and agricultural properties help to cover the residential deficit.

Table 1. Polk County Cost of Community Services Study Findings

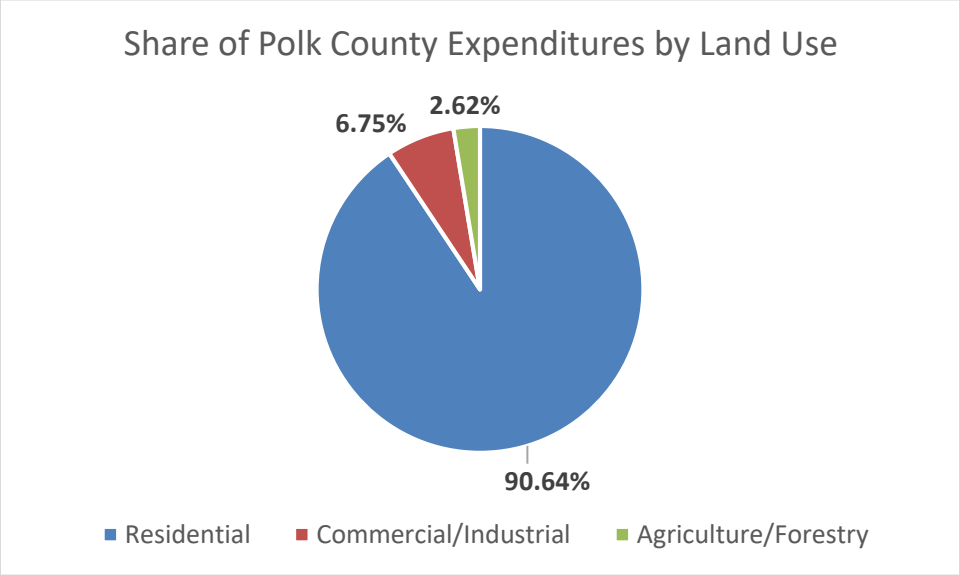
Polk County	FY 2019-20 **Actual**	Residential	Commercial	Farmland
Total Revenues	$31,069,797.00	$22,084,248.99	$7,881,681.07	$1,103,866.93
Total Expenditures	$28,999,727.00	$26,284,194.94	$1,956,936.44	$758,595.63
Net contribution	$2,070,070.00	($4,199,945.95)	$5,924,744.64	$345,271.30
Land use ratio*– **Expenses/Revenue**		$1: $1.19	$1: $0.25	$1: $0.69

*The cost of services provided for each $1 of revenue.

According to the 2020 Census, Polk County had a population of 19,328 residents. This is actually a decrease in the county population of 5.76% from 20,510 in the 2010 US

Census population count for Polk County [4]. Since 2020, population projections exhibit an expectation of increase with estimates in 2023 of 20,060[5]. Polk County had a property tax rate of $0.5143 in the 2019-20 fiscal year.

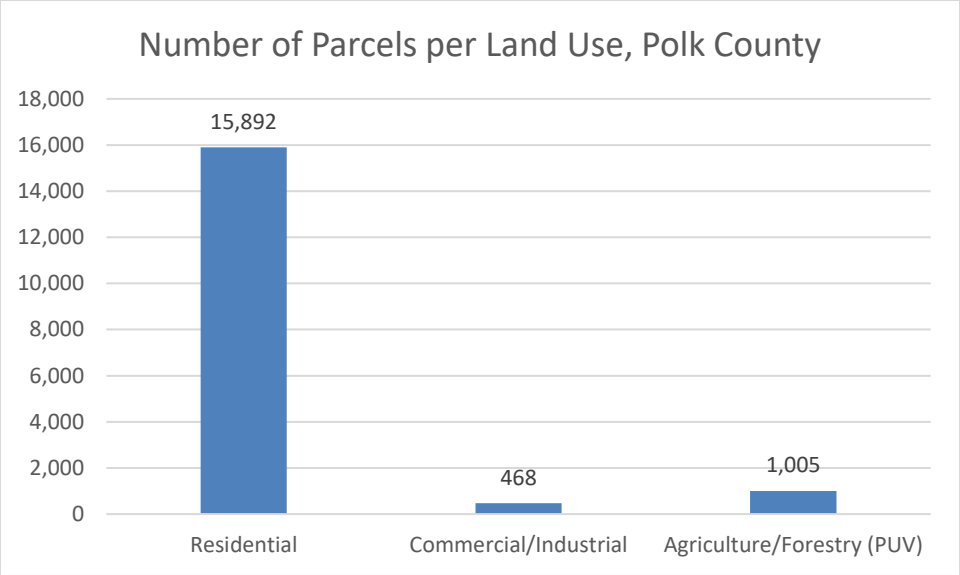
Polk County invests more in community services to land uses associated with commercial/industrial ventures (6.75%) than agriculture, horticulture, and forestry (2.62%) although the combined total of expenditures for the two land uses are still less than 10% (9.37%) of the county's total expenditures for community services. In summary, Polk County expends a much lesser amount to provide services to agricultural and commercial land uses as compared with residential uses. The combined revenue from agricultural and commercial/industrial land uses, are important to maintaining the fiscal stability of the county.



Studies have revealed when a rural community with a large base of farm and forestland begins to convert that land into residential development, the local government is virtually guaranteed to head down a path of increasing local property tax rates: whether this is planned growth strategy or due to market forces and a lack of growth control

[4] U.S. Census Bureau, 2020 Census, North Carolina County Population. https://www.census.gov/quickfacts/polkcountynorthcarolina
[5] U.S. Census Bureau, 2020 Census, North Carolina County Population. https://www.census.gov/quickfacts/polkcountynorthcarolina

measures[6]. Differential property tax programs are justified as a way to provide an incentive to keep land open and in active agricultural use. Even with the present-use value tax program, agricultural properties contribute a surplus of revenue that contributes to public services for Polk County residents.[7]



[6] Dorfman, Jeffrey H. "The Fiscal Impacts of Land Uses on Local Government" Land Use Studies Initiative and Department of Agricultural & Applied Economics The University of Georgia, April 2006

[7] Present-Use Value, or PUV, is a program established by N.C.G.S. §§ 105—277.2 to .7 and administered by the county tax assessor through which qualifying property can be assessed, for property tax purposes, based on its use as agricultural, horticultural or forest land. The present-use value is the value of the land based solely on its ability to produce income. Qualifying property is assessed at its present-use value rather than its market value. The tax office also maintains a market value for the land. The difference between the market value and the present-use value is maintained in the tax records as deferred taxes. When land becomes disqualified from the program, the deferred taxes for the current and three previous years with interest will usually become payable and due.

Introduction

Polk County, North Carolina is located in the foothills of North Carolina's Blue Ridge Mountains. Polk is a rural county with a small population. Agriculture still plays a major part in the Polk County economy. Cash receipts for agriculture in 2021 totaled more than $10 million according to the NC Department of Agriculture and Consumer Services[8]. Polk County has a strong livestock sector paired with some row crop and specialty crop production. There is genuine support for agriculture in Polk County and it is important not to take that support for granted. Local leadership for Polk County requested this study to determine the financial impact of various land uses within the county as a means for future planning and development. It is imperative not to overlook the economic impact of agriculture and agribusiness to the county and region while seeking growth and progress. Taking steps to preserve and protect agricultural lands in Polk County is beneficial to agriculture as well as the long-term wellbeing of the county and the state as a whole.

Simply put, saving land saves money. While residents demand expensive public services and infrastructure, privately-owned working lands enhance community character and quality of life without requiring significant public expenditures. Their fiscal contributions typically are overlooked, but like other commercial and industrial land uses, agricultural (farm, ranch and forest) lands generate surplus revenues that play an essential role in balancing community budgets. This, perhaps, is the most important lesson learned from Cost of Community Services (COCS) Studies.[9]

Numerous COCS Studies have been completed by a variety of researchers around the country for cities and rural communities. The maximum, median, and minimum ratios of local government revenues-to-expenditures collected from these studies are shown in Table 4A of the Appendix. The median ratio states that for every dollar a county

[8] 2022 NC Agricultural Statistics Book – County Highlights
https://www.nass.usda.gov/Statistics_by_State/North_Carolina/Publications/Annual_Statistical_Bulletin/AgStat/Section06.pdf
[9] Best, Wayne County Cost of Community Services Study (2011)

generates from the residential category, it spends $1.16 in services. The commercial/industrial and farm/forestland categories show that, on average, a local government receives more than it spends and therefore, these land uses create a surplus. These numbers show the fallacy of depending on residential development as the road to a sound growth policy. Residential development to date has generated sufficient revenue to cover its associated expenditures in only one instance in various NC county studies or other county studies across the nation. The minimum reported ratio for national studies conducted and reported by the American Farmland Trust was $1.00:$1.01 in Groton County, New Hampshire[10]. The COCS Study completed in 2015 for Pamlico County located in the coastal region of NC and with a population of 13,000 persons reported a ratio of $1.00:$0.99 indicating that residential properties were at the breakeven point and was below the last reported minimum. The rural nature of the county, the lack of development pressure and minimal investments in community services by the county was ascertained to be the reason for this balance in revenue and expenditures for residential properties[11].

American Farmland Trust developed this low-cost fiscal analysis to contribute local knowledge to decisions about land use. The purpose of this research is not to suggest any prescriptive course of action but to provide a snapshot of existing conditions. By using statistics and financial land use and economic data specific to Polk County, this COCS Study can help move public dialogue from emotion to analysis and from speculation to projection. It provides reliable financial data, allowing officials to make informed planning decisions and evaluate strategies that will maintain a balance in the distribution of future land uses[12].

[10] American Farmland Trust, Farmland Information Center (September 2016. Cost of Community Services Studies. https://farmlandinfo.org/wp-content/uploads/sites/2/2019/09/Cost_of_Community_Services_Studies_AFT_FIC_201609.pdf
[11] Olive, Edward. 2015. Pamlico County North Carolina Cost of Community Services Study. https://umo.edu/wp-content/uploads/Pamlico-County-Cost-of-Community-Services-Study-with-Appendix-Final-For-Print.pdf
[12] Best, Wayne County Cost of Community Services Study (2011)

Profile of Polk County

Polk County was established in 1855 in the foothills of North Carolina's Blue Ridge Mountains and is on the South Carolina North Carolina state line. The town of Columbus is the county seat for Polk County after it was incorporated in 1857. The county is made up of a total of 238 square miles[13]. The county is bordered by 2 North Carolina counties: Rutherford and Henderson and the South Carolina state line. According to NCPedia.org, Polk County is a popular stop for tourists and a favorite for retirees looking to settle in the area. This is due largely to the pleasant weather and the picturesque mountain region. Polk County is home to 274 farms[14] producing primarily livestock with some crop production as well.



Figure 2: North Carolina regions by county
Source: https://www.ncpedia.org/geography/regions

According to the Comprehensive Annual Financial Report from 2020, Polk County is attractive for visitors and new residents because of its rural feel and small towns as well as its proximity to larger cities. A large percentage of Polk County residents are retirees.[15]: The CAFR goes on to mention the road infrastructure and other amenities that make Polk County a great destination.

[13] Polk County. NCPedia. https://www.ncpedia.org/geography/polk
[14] 2022 USDA Census of Agriculture https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_2_County_Level/North_Carolina/st37_2_001_001.pdf
[15] Polk County, NC Annual Comprehensive Financial Report, 2020

Polk County offers its residents a great quality of life with the opportunity to be near major cities[16].

Agriculture

The 2022 US Census of Agriculture reported that of Polk County's 152,222 acres of land, 24,076 acres make up the county's 274 farms. This equates to about 16% of the county's land area. The average farm size in Polk County is 88 acres and the average age of a Polk County farmer is 57.7 years. Females make up 43% of Polk County farmers[17]. As reported in the 2022 Census of Agriculture, 4% of farmers reported selling directly to consumers[18]. In 2020, NC Extension Forestry reported 96,031 acres in Polk County were forested with 92% reported as privately owned timberland[19]. Farm and forested acres represent a significant land use in Polk County.

According to the 2022 Agricultural Statistics Book published by the NC Department of Agriculture and Consumer Services and the United States Department of Agriculture National Agricultural Statistics Service, Polk County ranks in the top 50 counties in North Carolina for milk cows (31st) in 2021. Polk County farmers earned a total of $10,110,444 in cash receipts from the sale of agricultural products[20]. A total of $73,000 of food is sold directly to consumers and value-added processing adds about $72,000 in farm income in Polk County[21].

Education

Polk County residents are educated. From 2018 to 2022, a majority (92.8%) of the population over 25 years of age in Polk County completed high school, which is higher

[16] Polk County, NC Comprehensive Annual Financial Report, 2020
[17] USDA Census of Agriculture, 2022. https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_2_County_Level/North_Carolina/st37_2_045_045.pdf
[18] NCDA Ag Statistics Book. (2022) https://www.nass.usda.gov/Statistics_by_State/North_Carolina/Publications/Annual_Statistical_Bulletin/AgStat/NCAgStatBook.pdf
[19] NC State Extension Forestry. 2020 Forestry Contributions Polk, NC. https://content.ces.ncsu.edu/polk-county-forestry-impacts-2020
[20] NCDA Ag Statistics Book. (2023) https://www.nass.usda.gov/Statistics_by_State/North_Carolina/Publications/Annual_Statistical_Bulletin/AgStat/NCAgStatBook.pdf
[21] USDA 2022 Census of Agriculture https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_2_County_Level/North_Carolina/st37_2_002_002.pdf

than the state graduation rate for that same time. Additionally, 33.3% of Polk County residents have a Bachelor's degree or higher, which is similar to the state rate of 33.9%[22].

The Polk County Public School System serves a total of 2,200 students in seven schools. The schools are distributed as follows: 4 elementary, 1 middle, 1 high school, and one early college [23]. Polk County is home to Isothermal Community College's Polk Campus offering select academic programs[24].

Economy

Polk County is one of the state's twenty least economically distressed counties as indicated by the Tier 3 designation. The North Carolina Department of Commerce (NCDC) ranks each of the state's 100 counties into three tiers based on the economic well-being of each county. Tier 1 is most distressed, and Tier 3 is least distressed. North Carolina uses these designations to encourage economic growth through incentives in distressed counties.[25].

The median household income in Polk County in 2020 as reported by Census was $58,607 compared to the state median income figure of $66,186.00. Polk County's poverty rate is 12%, which is lower than the reported state rate of 13%[26].

Agriculture and agribusiness provided jobs for 14.2% of Polk County's working residents according to a study completed by Dr. Mike Walden in 2008[27]. While that info is dated, it shows that agriculture has long been a major employer in Polk County. Dr. Walden's information is now available for the state rather than by county. Agriculture now contributes more than $103.2 billion to the gross state product and represents 16% of the state's total workforce[28]. It would be insightful to consider updating the numbers with current data to share current impacts of agriculture on the county's economy.

[22] US Census Bureau. https://www.census.gov/quickfacts/polkcountynorthcarolina
[23] Polk County Schools https://polkschools.org/
[24] Isothermal Community College https://www.isothermal.edu/continuing-education/polk-center/index.html
[25] County Tier Designations. NC Department of Commerce. https://www.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers#TierRankingbyCounty-495
[26] US Census Bureau. Quick Facts. https://www.census.gov/quickfacts/polkcountynorthcarolina
[27] Walden, Michael. (2008). Agriculture and Agribusiness in Polk County.
[28] Walden, Michael. (2023) Agriculture and Agribusiness: North Carolina's number one industry.

Tourism and agriculture are two primary areas of business for Polk County. Healthcare, manufacturing and retail are all components of the Polk County economy. These businesses make a significant impact on the county's economy.

Population

Polk County is home to a diverse base of residents. Of the county's April 1, 2020 Census county of 19,328 persons, the majority are White (Not Hispanic) at 92.1%, 4% are African-American (Not Hispanic), 1.2% are Asian (Not Hispanic) and the remaining 2.7% are American Indian, Native Hawaiian or Pacific Islander, or identify as two or more races. Six percent identify as Hispanic or Latino, [29].

Table 2 illustrates the reported age distribution by the U.S. Census Bureau in Polk County.

Polk County Population By Age 2020 Census Counts		
2019 Median Age	53	
Total Pop 0-19	3,754	18.2%
Total Pop 20-24	914	4.4%
Total Pop 25-34	1,745	8.5%
Total Pop 35-44	1,859	9%
Total Pop 45-54	2,594	12.6%
Total Pop 55-64	3,488	17%
Total Pop 65+	6,203	30.2%

Table 2. NC Department of Commerce, 2019 County Profile

The NC Department of Commerce additionally reported the urban to rural representation in Polk County to be 7.7% to 92.3% respectively[30].

Taxation

[29] Polk, NC. US Census Bureau. https://www.census.gov/quickfacts/polkcountynorthcarolina
[30] NC Department of Commerce – County Profile, Polk County, NC. https://accessnc.nccommerce.com/DemoGraphicsReports/pdfs/countyProfile/NC/37149.pdf

The property tax rate for Polk County during the period studied was 51.43 cents per $100 of property value. This is the greatest income generator for Polk County according the revenue data.

While property taxes are an important revenue stream for the County, the continuation of deferred tax programs for agricultural lands is important as well. As noted, agricultural and forested lands contributed $1,103,866.93 in property taxes to Polk County in 2019-20. This contribution was significant and was instrumental in concert with the taxes collected from commercial/industrial properties in offsetting the deficit between revenues and expenditures collected and spent respectively to provide services to residential property owners in Polk County.

In North Carolina, certain agricultural, horticultural and forested acres are taxed under a deferred tax program enacted by the NC General Assembly in 1974 designated as the Present Use Value Taxation Program. The importance of this program to the viability of agricultural and forested working lands and to the economic well-being of the county cannot be understated.
The greatest asset a farmer or forest landowner has is their land. This deferred taxation program allows landowners that are:

- *actively engaged in the commercial production or growing of crops, plants, or animals;*
- *actively engaged in the commercial production or growing of fruits, vegetables, nursery products, or floral products;*
- *actively engaged in the commercial growing of trees;*

to be considered for present-use value classification. In addition to these parameters, there are criteria related directly to ownership, property size, income, and management practices that ultimately determine whether property may be taxed based upon its present-use value or its market value. Generally stated, present-use value (PUV) is the value of land in its current use as agricultural land, horticultural land, or forestland, based solely on its ability to

produce income and assuming an average level of management. This program allows landowners to continue to contribute to the local economy through taxation, but does not stifle the ability of the agricultural operation to remain profitable and continue to contribute to the County's economy through sales of market products and the need for and presence of allied industries to support these sales.

Properties that qualify for present-use value classification are assessed at their present-use value rather than their market value. Present-use value is usually less than market value and qualifying tracts are assessed at this lower value. The tax office establishes a market value for the land, and the difference between the market value and the present-use value is maintained in the tax assessment records as deferred taxes. When land becomes disqualified from the present-use value program, the deferred taxes for the current year and the three previous years with accrued interest will usually become due and payable[31].

Tax relief is an important issue for farmers. Farmers need land to operate and property taxes on farmland can be a significant expense. Taxes on farm buildings and other assets are often substantial as well. Legislation exists that supports the concept that taxes on agricultural land should be proportionate to its demand on community services and its ability to generate income. As demonstrated in Cost of Community Services (COCS) Studies across the state and nation, farmland provides more in property tax revenues than it requires in public services and by keeping farmland productive it serves to control the cost of community services.

Since overtaxed agricultural land may be more susceptible to conversion to non-agricultural uses, tax relief measures can also be considered a farmland

[31] Simpson, Tony, Present-Use Value Program Guide, NC Department of Revenue, April 2023. https://www.ncdor.gov/2023-04-04-present-use-value-program-guidepdf/open

protection tool. The expense of property taxes may discourage farmers from buying land and can force existing farmers to sell.

Farmers' savings from deferred property tax programs can be significant and may make the difference between staying in business and selling out. The retention and support of agriculture in Polk County is, as previously stated, essential to the economic stability and quality of life appreciated by Polk County residents.

Cost of Community Services Studies[32]

A Cost of Community Services (COCS) Study is a case study approach used to determine an individual community's public service costs versus revenues based on current land use, specifically residential, commercial/industrial, and farm/forest. Publicly available financial reports (Audited Financial Statements or the Comprehensive Annual Financial Report (CAFR)), departmental records and budgets, and assessor's data are used to allocate revenues and expenditures to determine the financial effects of the various land uses. COCS Studies are based on real numbers, making them different from traditional fiscal impact analysis, which is predictive and speculative. They show what services taxpayers receive from their local government and how local government revenues and expenditures relate to land use.

American Farmland Trust (AFT) first became interested in COCS Studies and growth-related issues in the 1980s because agricultural lands were converted *more commonly* to development than any other type of land. Farmland is desirable for building because it tends to be flat, well-drained and has few physical limitations for development. It is also more affordable to developers than to farmers and ranchers. This discrepancy continues to grow especially in cases throughout North Carolina due to the proximity of many rural areas to metropolitan areas like Raleigh, Charlotte, Greensboro, and Wilmington. COCS Studies were originally used to investigate three commonly held claims:

1. Agricultural lands—including working agricultural and forest lands—are an interim land use that should be developed to their "highest and best use";
2. Agricultural land gets an "unfair" tax break when it is assessed at its actual use value for farming or ranching instead of at its potential use value for development;

[32] Freedgood, Cost of Community Services Studies: Making the Case for Conservation, American Farmland Trust, 2002.

3. Residential development will lower property taxes by increasing the tax base.

While it is true that an acre of land with a new house generates more total revenue than an acre of farmland, this information provides little insight into a community's fiscal balance. As a result, COCS Studies are used to determine the *net* fiscal impact of land uses in the present by comparing total revenues to total expenditures to ascertain the overall contribution of different land uses.

COCS Studies are conducted for a variety of other reasons, such as supporting existing land protection programs or developing new ones. Some communities are interested in raising awareness about the benefits of protecting natural resources, while others may have broader planning goals. Other primary reasons for COCS Studies are: to compare the impacts of different land uses, to direct new development toward existing infrastructure, or to supplement a comprehensive planning process. *Above all, COCS Studies are most valuable to communities that are concerned about farm and other agricultural lands*.

COCS Studies are best used in communities like Polk County that rely heavily on property taxes to generate revenues. Property taxes make up 70% of the county's revenue. It is important to recognize that COCS Studies are fiscal, not economic analyses and therefore do not examine direct economic benefits or secondary impacts of a given land use to the local or regional economy. COCS Studies are not intended to judge the value of one land use over another or compare one type of new development to another. *The particular niche of a COCS Study is to identify existing land use relationships and evaluate the contribution of agricultural lands on equal ground with developed land uses*. Note, the data provided in COCS studies are "snapshots in time," and as such are neither predictive nor speculative.

Table 1 classifies categories of information that a Cost of Community Services Study can provide and what their ultimate utility can illustrate to local governmental officials.

Table 1. Uses of Cost of Community Services Studies	
COCS Studies Do:	**COCS Studies Do Not:**
○ Provide a baseline of information to help local officials and citizens make informed land use decisions. ○ Offer the benefit of hindsight to see the effect of development patterns to date. ○ Demonstrate the relative fiscal importance of privately owned land in agricultural, forest or other open space uses. ○ Make similar assumptions about apportioning costs to agricultural land as to commercial/industrial land. ○ Have a straightforward methodology and easy-to-understand findings.	○ Project future costs of services incurred by new development. ○ Determine the direct or indirect value of a particular land use to the local or regional economy. ○ Quantify the non-market costs and benefits that occur when agricultural land is converted to urban uses. ○ Judge the intrinsic value of any particular land use. ○ Compare the costs of different types of residential development. ○ Treat agricultural and other working lands as residential development.

Source: Freedgood, Julia. Cost of Community Services Studies: Making the Case for Conservation. American Farmland Trust. 2002.

Methodology

The following standard land use definitions are adapted to individual COCS Studies.

- **Agricultural development** (Farmland and Forestland) – All privately owned land and buildings associated with agricultural and forestry industries, including temporary housing for seasonal workers who are not permanent residents.
- **Residential development** – All single-and multi-family residences and apartment buildings, including farmhouses, residences attached to other kinds of businesses and rental units; all town-owned property used for active recreation or social functions for local residents.
- **Commercial and Industrial Development**– All privately-owned buildings and land associated with business purposes, the manufacturing of goods or the provision of services, excluding agricultural and forestry industries, and utilities. For simplicity, the term “commercial” will denote both industrial and commercial land uses for the remainder of this study. Likewise, “agricultural” will refer to farm and forest land uses.

There are three basic steps in the process of conducting a COCS Study:

1. Collect data: Obtain relevant reports and other financial records, interview officials, boards and departments.
2. Allocate revenues and expenditures by land use.
3. Analyze data and calculate revenue-to-expenditure ratios for each land use category.

The COCS revenue-to-expenditure ratio compares how many dollars’ worth of local government services are demanded for each dollar collected. A ratio greater than $1.00 suggests that for every dollar of revenue collected from a given category of land, more than one dollar is spent. Conversely, an expenditure ratio less than $1.00 indicates that

for a given category of land, demand for publicly financed services is less than that sector's contribution to the local budget.

Most studies show that the COCS ratio is substantially above $1:00 for residential land while ratios for the other two land use categories are usually substantially below $1:00. Polk County financial records revealed that the COCS ratio for all land uses followed this trend with residential land uses above $1.00 and agricultural and commercial/industrial below $1.00.

COCS Method for Polk County

The Polk County Cost of Community Services Study is based on fiscal data from the 2019-2020 budget year for Polk County Government. The reported actual expenditures for Polk County for the fiscal year that ended on June 30, 2020 were $28,999,727 for the seven departmental categories. A breakdown of the expenditures revealed that 90.64% of expenditures were to provide services to residential land uses, 6.75% were to provide services to commercial/industrial land uses and 2.62% were attributed to agriculture, horticulture, and forestry land uses.

Appendix Table 2 Polk County Actual Expenditures for 2019-2020

Item	Expenditure	Percentage
General Government	$4,742,243.00	16.35%
Public Safety	$8,947,136.00	30.85%
Economic and Physical Development	$699,834.00	2.41%
Human Services	$5,205,098.00	17.95%
Cultural and Recreational	$1,482,863.00	5.11%
Education	$6,114,638.00	21.09%
Debt Service	$1,807,915.00	6.24%
Total	**$ 28,999,727.00**	**100%**

Source: **Basic Financial Statements (CAFR)**, Polk County, NC, Fiscal Year Ending, June 30, 2020

Actual county revenues received from taxes, permits, sales and services, and other fees, services, and investments, during this same fiscal period were reported as $31,069,797. Of this total, 71.08% was generated from residential property taxes and other revenue sources, 25.37% was generated by commercial/industrial land use, and 3.55% resulted from agriculture, horticulture, and forestry use. Each department provided data specific to county revenues and expenditures for each line item in the budget and the distribution of funds and services that were devoted to each land use: 1) Residential, 2) Commercial/Industrial, and 3) Agriculture/Horticulture/Forestland.

Appendix Table 1 Polk County Total Revenue for 2019-2020

Source	Revenue	Percentage
Ad Valorem Taxes	$18,166,692.00	58.47%
Other Taxes	$6,556,319.00	21.10%
Restricted Intergovernmental	$3,557,075.00	11.45%
Fees, Licenses and Permits	$738,458.00	2.38%
Sales and Services	$1,817,306.00	5.85%
Investment Earnings	$31,887.00	0.10%
Miscellaneous	$202,060.00	0.65%
Total	**$31,069,797.00**	**100%**

Source: **Audited Financial Statements**, Polk County, NC, CAFR, Fiscal Year Ending, June 30, 2020

The Comprehensive Annual Financial Report for Polk County compiled by the Polk County Finance Department, directed by Sandra Hughes, Finance Director, and audited by Gould Killian CPA Group, P.A., was used to derive the actual revenues and expenditures for the fiscal year ending June 30, 2020. Revenues and expenditures were allocated among the three defined land uses based on data provided by the individual county departments to the Agricultural Economic Development office. Data obtained was entered into a spreadsheet to derive the total amount of funds allocated by each department to each land use. A copy of the data is included in tables 6 and 7 of the appendix.

Categories included in Polk County's revenues were:

- Ad valorem taxes
- Other taxes
- Restricted Intergovernmental
- Fees, licenses, and permits
- Sales and services
- Investment earnings
- Miscellaneous

Real property taxes were collected for the general fund at a rate of $0.5143 (51.43 cents) per $100 of property value in 2019-2020.

Expenditures for the County came from the seven fund services: general government, public safety, economic and physical development, human services, cultural and recreational, education, and debt service. The largest county fund was public safety with expenditures of $8.95 million.

Expenditures were allocated in one of two ways. For services that exclusively benefited households (as opposed to commercial establishments)—for example, public schools—100% of expenditures were allocated to the residential sector. For departments whose activities benefited both businesses (including agricultural businesses) and residences, expenditures were allocated based on the proportion of total value accounted for by each land use category.

If it was difficult to derive a direct percentage or distribution of the services devoted to a particular land use, a default percentage was determined based on the assessed property valuations for 2019-20 fiscal year for each land use. The information collected from the Polk County Tax Office is shown below. This default breakdown is as follows:

- 85.38% Residential (including Historic Property)
- 9.63% Commercial/Industrial
- 4.99% Agricultural (PUV)-

Present-Use Value or PUV is a program established by the NC General Assembly and administered in each county by the tax office. Properties that qualify for present-use value classification are assessed at their present-use value rather than their market value. Present-use value is usually less than market value and qualifying tracts are assessed at this lower value. The county tax office establishes a market value for the land, and the difference between the market value and the present-use value is maintained in the tax assessment records as deferred taxes. When land becomes disqualified from the present-use value program, the deferred taxes for the current year and the three previous years with accrued interest will usually become due and payable[33].

[33] Simpson, Tony, Present-Use Value Program Guide, NC Department of Revenue, April 2023. https://www.ncdor.gov/2023-04-04-present-use-value-program-guidepdf/open

Findings

A complete set of supporting information for the findings expressed in this section can be found in the Appendix at the end of this document.

Appendix Table 1 Polk County Total Revenue for 2019-2020

Source	Revenue	Percentage
Ad Valorem Taxes	$18,166,692.00	58.47%
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Sales and Services	$1,817,306.00	5.85%
Investment Earnings	$31,887.00	0.10%
Miscellaneous	$202,060.00	0.65%
Total	**$31,069,797.00**	**100%**

Source: **Audited Financial Statements**, Polk County, NC, CAFR, Fiscal Year Ending, June 30, 2020

Appendix Table 1 shows the distribution of revenues for Polk County in the 2019-20 fiscal year. The actual county fund revenues for 2019-2020 were $31,069,797. Taxes, including Ad valorem property taxes, which are based on the assessed value of real estate or personal property, and penalties and interest generated the most revenue with $18,166,692, or 58.47% of the county's total revenue. Other taxes including local option sales tax made up 21.1% of total revenues equaling $6,556,319. Restricted intergovernmental revenues totaled $3,557,075 or 11.45% of total revenues. Fees, licenses, and permits revenue totaled $738,458, which accounted 2.38% of revenue

collected. Sales and service revenues represented 5.85% of total revenues with $1,817,306. Investment earnings revenue totaled $31,887 representing 0.10% of total revenues. Miscellaneous revenue accounted for the remaining 0.65% of the county's total revenue for 2019-20 fiscal year contributing $202,060 in miscellaneous revenue. Additional detail of revenues collected is found in Appendix Table 6.

Appendix Table 2 Polk County Actual Expenditures for 2019-2020

Item	Expenditure	Percentage
General Government	$4,742,243.00	16.35%
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Education	$6,114,638.00	21.09%
Debt Service	$1,807,915.00	6.24%
Total	**$ 28,999,727.00**	**100%**

Source: **Basic Financial Statements (CAFR)**, Polk County, NC, Fiscal Year Ending, June 30, 2020

Appendix Table 2 shows the distribution of actual expenditures for the fiscal year 2019-2020 for Polk County (additional detail may be found in Appendix Table 7). Polk County actual expenditures for fiscal year 2019-2020 for the 7 county budget classifications were $28,999,727. Public Safety represented the largest expenditure amount at almost $9 million, or 30.85% of the total county government expenditures. Education followed at 21.09% totaling $6,114,638 in expenses. Human services made up the next highest

share of county expenditures at 17.95% which totals $5,205,098 in actual expenditures. General government accounted for the fourth largest expenditure category for the county at $4,742,243 or 16.35% of county expenditures required for those services. Debt service was the next highest expenditure at $1,807,915 or 6.24%. Cultural and recreational expenditures totaled nearly $1,500,000 which equates to 5.11% of the overall county expenditures. Economic and physical development is the lowest expenditure category at just under $700,000, which is equivalent to 2.41% of the county's expenditures.

Appendix Table 3 Revenue-to-Expenditures in Polk County 2019-2020

Revenue-to-Expenditure Ratios in Dollars

	Residential	Commercial	Agricultural
Expenditures	$26,284,194.93 (90.63%)	$1,956,936.44 (6.75%)	$758,595.63 (2.62%)
Revenues	$22,084,248.99 (71.08%)	$7,881,681.08 (25.37%)	$1,103,866.93 (3.55%)
Revenue-to-Expenditure Ratio[a]	**1:1.19**	**1:0.25**	**1:0.69**

[a] This ratio measures the cost of services used by a given land sector for each dollar of county revenue contributed to that sector. The formula used is (Revenue/Revenue):(Expenditure/Revenue).

Appendix Table 3 provides the revenue-to-expenditure ratios that were developed through the Polk County Cost of Community Services Study. In summary, this COCS Study found that in Polk County, 90.63% of county expenditures were used to provide services for residential land use compared with 6.75% for commercial and 2.62% for farmland (including horticulture) and forestland. This was compared with the revenues which were divided into the same land use classification as follows: 71.08% from residential land uses, 25.37% from commercial and industrial uses and 3.55% from agricultural and forestry. ***In Polk County for each dollar of residential revenue earned, the county spent approximately $1.19 to provide services to those***

residents during 2019-20. This ratio is slightly higher than the median of national COCS Studies noted by the American Farmland Trust, which is $1:$1.16. This revenue-to-expenditure ratio represents a net loss. A net loss is commonly found in COCS Studies with regard to residential land use as the majority of expenditures are used to benefit and serve residents of the county. The largest departmental expenditure in Polk County provided to residential property owners was attributed to public safety, which makes up nearly one-third (29.47%) of the county's total share for residential property uses. In the discovery phase of this study, it was interesting to realize that some of the residential numbers include equestrian properties that are not included in present-use value taxation. These properties add to the open space in the county and properties are maintained as agricultural properties but do not qualify currently for the present-use property tax benefit.

Revenue income for both commercial/industrial and agricultural/forestry resulted in a net gain to the county when evaluating the revenue-to-expenditure ratios. These land use revenues offset the net loss realized from residential land uses. Most COCS Studies are conducted in counties experiencing a loss of agricultural land because of an increase in residential development or are anticipating this to occur due to developmental pressures related to population growth. From 2010 to 2020, similar to other rural counties, Polk County's population decreased from 20,510 in 2010 to 19,328. This decrease of 1,182 residents shows a population decrease of 5.76% according to Census data[34]. While another Deci annual Census will not be released until 2030, population estimates do show some increases in population in 2022 and 2023. This population increase and anticipated continued growth in Polk County is important to recognize and note the current financial condition with respect to residential land uses as compared with commercial and agricultural uses. The residential revenue-to-expenditure ratio provided in the COCS Study provides county leaders the ability to understand the importance of maintaining a balance in land uses as they relate to the county's fiscal stability. As residential development continues to evolve in Polk County, it is expected that this ratio will increase as the volume of services and the associated costs to provide these

[34] U.S. Census Bureau https://www.census.gov/quickfacts/polkcountynorthcarolina

services to residents increase. By maintaining and supporting agricultural and commercial land uses in Polk County, county leaders can ensure a sustainable and fiscally responsible balance between these three important land use categories.

As noted, both commercial/industrial and agricultural/forestry land uses demonstrated a net gain to the county when the revenue-to-expenditure ratio was evaluated. ***For each $1 of revenue generated from commercial/industrial land uses, Polk County spent $0.25 to provide services to those commercial entities.*** Agricultural lands also represented a positive ratio of return for the county's investment in agricultural and forestry related expenditures. The commercial ratio is lower than the median of other studies from the American Farmland Trust and are lower than most other county studies in NC. ***For each dollar of revenue derived from agricultural and forested land, Polk County spent $0.69 to provide necessary services for those land uses.*** The agriculture ratio is higher than the median ($0.37) from American Farmland Trust but is within the range of other studies conducted in NC. The lower ($0.59) revenue-to-expenditure ratio noted for commercial/industrial land use explains the interest of county leaders and economic developers in counties across the state and nation to encourage and provide incentives for this type of land use. The net gain associated with agricultural lands, while often overlooked, serves as an important component of the necessary balance essential to the economic stability of county governments.

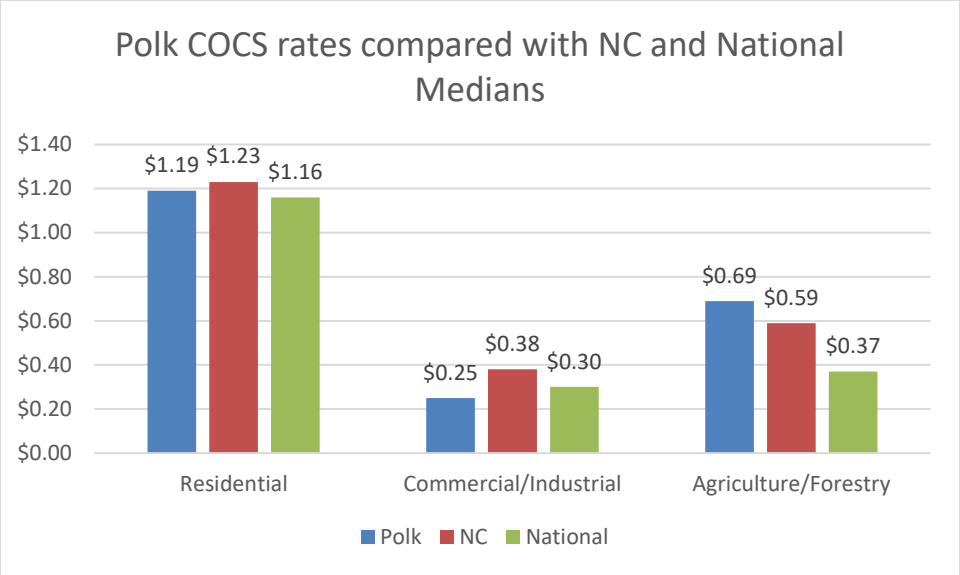


Figure 1: Polk Cost of Community Services Study Ratios Comparted to NC and National Studies (American Farmland Trust)

Appendix Tables 4A and 4B provide ratio comparisons with national Cost of Community Services Studies and NC studies. As mentioned in the Table 3 and 4 synopsis, the residential ratio calculated in the Polk County Cost of Community Services Study is higher than the median from national studies and within the range of the residential ratios in NC studies. Most studies show that the COCS ratio is substantially above 1 for residential land use while ratios for the other two land use categories are usually substantially below 1. In the Appendix Tables 4A&B the median "national" residential revenue-to-expenditure ratio is 1:1.16, while the median commercial and agricultural are 1:0.30 and 1:0.37, respectively. In North Carolina, over nineteen counties have had Cost of Community Services studies conducted. The median residential revenue-to-expenditure ratio for these NC studies was 1:1.23, while the median commercial and agricultural are 1:0.36 and 1:0.59, respectively which is similar to the ratios for Polk County.

The agricultural land use ratio of revenue-to-expenditures in Polk County (1:0.69) is higher than the median ratio nationwide (1:0.37) and the median ratio for North Carolina studies (1:0.59).

The commercial/industrial ratio of 1:0.25 in Polk County is lower than the national median (1:0.30) and the median of the other North Carolina studies (1:0.36).

The break-even residential property value for Polk County is provided in Appendix Table 5. The revenue and cost of service numbers that lie behind the ratios reported in this study can also be used to calculate the home value necessary for a county to break-even on residential services provided. If one assumes that service cost is consistent across houses relative to the home value, such computations are straightforward. Further, this is not an unreasonable assumption as local government service costs will vary with house location, lot size, and with number of children, but are not particularly correlated with home value. Given this assumption, Appendix Table 5 presents an analysis which computes the residential property value needed to generate an exact balance between average revenues contributed by current housing units and the average value of public services consumed by households.

The “breakeven” residential price was computed assuming that any new household would consume the average amount of services reflected in the 2019-2020 budget – i.e., that they would possess the average number of school children, consume an average amount of public health and social services, etc. The computation further assumes that any new household would contribute the average amount of non-property tax revenues generated by existing residential properties and takes as a benchmark the property tax rate of $51.43 per $100.00. Based on these assumptions, the breakeven property value was computed as $354,440.89. It is important to note that this value is based on the 2019-2020 year. This break-even value is high but highlights the amount of expenditures for residential property uses that are covered by agricultural and commercial uses given the current property tax rate to help the county maintain its fiscal solvency.

Table 6 of the Appendix provides a listing of the actual revenues broken down by the land uses evaluated in the study. For fiscal year 2019-20, Polk County revenues totaled $31,069,797. The breakdown percentages were provided by county department

representatives after evaluation of departmental revenues. Table 6 accurately represents the distribution of each revenue line item and provides the percentage that is attributed to each land use. This information was compared with the expenditure information to calculate the ratio of Polk County's revenues-to-expenditures. The default breakdown percentage for both revenues and expenditures is: Residential (including historic) 85.38%; Commercial/Industrial 9.63%; Agriculture/Forestry 4.99% which was derived by county tax records and property valuations.

Appendix Table 7 details the expenditures, totaling $28,999,727, for the county in fiscal year 2019-2020. These expenditures are distributed by land use with the percentages provided by county administrators. This information was used with the revenue data to calculate the ratio of county revenues-to-expenditures. The default breakdown percentage for both revenues and expenditures is: Residential (including historic) 85.38%; Commercial/Industrial 9.63%; Agriculture/Forestry 4.99% which was derived by county tax records and property valuations.

Discussion

COCS Studies provide a baseline of information to help local officials and citizens make informed land use decisions. They offer the benefit of hindsight to see the effect of development patterns to date. They also demonstrate the fiscal importance of privately owned land in farm and forest uses.

The ratios found in Polk County are similar to the national and North Carolina median values for the residential sector. The residential ratio of $1 of revenue to $1.19 expenditure is within three cents of the national median of $1.16 and four cents lower than the median for NC studies, $1.23. The commercial ratio of $1 of revenue to $0.25 is lower than the national median of $.30 and the NC median of $.38. Finally, the farmland (agricultural/forestry) ratio of $1 to $0.69 is higher than the national median of $1 to $0.37 and the North Carolina median which is $.59 (See Figure 1).

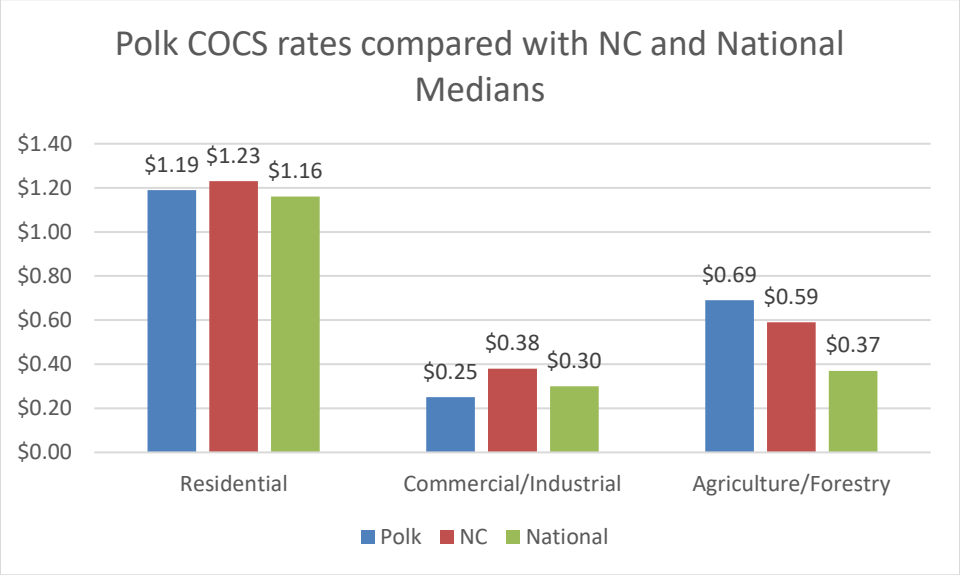


Figure 1: Polk Cost of Community Services Study Ratios Comparted to NC and National Studies (American Farmland Trust)

The purpose of a COCS Study is to determine the net fiscal contribution of farm properties so these lands may be duly considered in the planning process, not to recommend one type of land use over another. Because the studies are descriptive,

they should not be used to predict the impact of a single development or to project future costs of services created by new development.

The results of this study, however, provide reliable financial information that demonstrates the importance of agricultural and forest lands to the fiscal stability of Polk County.

- In Polk County residential development undoubtedly contributes the largest amount of revenue, over $22 million, however its net fiscal impact was negative as reflected in the 2019-2020 fiscal year data. Residential land uses created a deficit of $4.2 million, while the other two land use categories generated substantial surpluses: $5,924,744.64 from commercial and $345,271.31 from agricultural lands.

- During the 2019-2020 fiscal year, Polk County reported a budget surplus of just more than $2 million. This surplus was a result of the revenue generated by commercial/industrial and agricultural/forestry land uses.

- Residential, commercial and agricultural lands generated revenue from property and sales taxes and other fees with the largest surplus coming from commercial land uses. Polk County retains more county funds from commercial land use than any other land use in the study.

- Both commercial and agricultural lands pay more in local tax and other revenues than they receive in services, even with a reduced assessed value (Present-Use Value) for agricultural lands.

As American Farmland Trust data has emphasized previously, this research also suggests that the development of strategies to retain this land base for the future of agricultural production would be a good long-term investment. Research conducted by the American Farmland Trust expects that without any intervention Polk County will lose

4,400 acres of farmland by 2040 in what it calls 'business as usual'. In another option called 'runaway sprawl' Polk County could lose 6,500 acres of farmland. The option that American Farmland Trust encourages rural and agriculturally-based communities to focus on is 'better built cities' which projects the least number of acres (2,200) out of farmland than any other option by making agriculture a priority when making land use decisions, focusing on smart growth, in an effort to maintain farmland for future generations[35]. In addition to smart development, additional potential solutions are included below:

- Differential property tax programs, such as present-use value, are justified as a way to provide an incentive to keep land open and in active agricultural use.

- A balance of land uses, including agricultural lands, is needed to provide adequate revenue to pay for county services.

The findings of this study show the fiscal benefits that result from agricultural lands, helping residents to understand the delicate fiscal balance between taxes, other community revenues and the cost of public services. In addition, this information should be useful for county leaders and residents when faced with land use decisions now and in the future.

Agriculture in Polk County is a significant contributor to the economy. More than fifteen percent of the county's land is farmland. The county's 24,076 acres of farmland generated more than $10 million in total cash receipts from the sale of agricultural products in 2021[36]. This study makes a significant statement: It is financially wise to keep land in agriculture. In addition to helping maintain fiscal balance, farmland helps sustain Polk County's economy, contribute to economic diversity, and helps shape the overall quality of life in the region.

[35] American Farmland Trust. Farms Under Threat 2040: Choosing an abundant future. https://farmlandinfo.org/wp-content/uploads/sites/2/2022/08/AFT_FUT_Abundant-Future-7_29_22-WEB.pdf
[36] 2023 NC Agricultural Statistics. NC Department of Agriculture & Consumer Services, Agricultural Statistics. https://www.nass.usda.gov/Statistics_by_State/North_Carolina/Publications/Annual_Statistical_Bulletin/AgStat/NCAgStatBook.pdf

Polk County's desire to engage in a Cost of Community Services Study exemplifies the interest of local leaders in the future health of the county and provides a unique opportunity for these and future leaders. The fact that Polk County data exhibits a net gain for both commercial/industrial and agricultural/forestry land uses is similar to other studies, but does present an opportunity to plan for the future of agriculture and anticipated residential and commercial development. Many studies indicate that as residential development occurs and subsequent services are provided, residential development becomes an increased net loss to the local government with regard to revenue/expenditure evaluations. These same studies indicate that the net gain represented by commercial and agricultural uses in all cases is enough to offset the net loss of residential development thereby fortifying the need to have a balanced land use plan. Most local leaders plan for multiple community needs including: transportation, housing, economic development and environmental protection. Data, however, exhibits most people also want farms to remain in their future, but very few communities plan for farmers or farmland. Polk County is in a position, as it moves forward, to develop strategies to continue to protect farmland and promote smart growth and in so doing ensuring the fiscal strength and stability of the county.

Appendix: Supporting Tables

Table 1 Polk County Total Revenue for 2019-2020

Source	Revenue	Percentage
Ad Valorem Taxes	$18,166,692.00	58.47%
Other Taxes	$6,556,319.00	21.10%
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Total	**$ 28,999,727.00**	**100%**

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Table 3 Revenue-to-Expenditures in Polk County 2019-2020

Revenue-to-Expenditure Ratios in Dollars

	Residential	Commercial	Agricultural
Expenditures	$26,284,194.93 (90.63%)	$1,956,936.44 (6.75%)	$758,595.63 (2.62%)
Revenues	$22,084,248.99 (71.08%)	$7,881,681.08 (25.37%)	$1,103,866.93 (3.55%)
Revenue-to-Expenditure Ratio[a]	**1:1.19**	**1:0.25**	**1:0.69**

[a] This ratio measures the cost of services used by a given land sector for each dollar of county revenue contributed to that sector. The formula used is (Revenue/Revenue):(Expenditure/Revenue).

Tables 4A & B
Comparison of Revenue-to-Expenditures in Other Counties

Revenue-to-Expenditure Ratios from National Studies from AFT[a]

	Residential	Commercial	Agricultural
Minimum	1:1.01	1:0.04	1:0.02
Median*	1:1.16	1:0.30	1:0.37
Maximum	1:2.27	1:1.04	1:2.04

**Median cost per dollar of revenue raised to provide public services to different land uses.*

Revenue-to-Expenditure Ratios from Local NC Studies[b]

	Residential	Commercial	Agricultural
Union County (2006)[c]	1:1.30	1:0.41	1:0.24
Orange County (2006)	1:1.32	1:0.24	1:0.72
Alamance County (2006)	1:1.47	1:0.23	1:0.59
Henderson County (2008)	1:1.16	1:0.40	1:0.49
Gaston County (2008)	1:1.23	1:0.41	1:0.88
Franklin County (2009)	1:1.12	1:0.53	1:0.76
Durham County (2010)	1:1.15	1:0.33	1:0.59
Guilford County (2010)	1:1.35	1:0.29	1:0.62
Wayne County (2011)[d]	1:1.24	1:0.34	1:0.47
Yadkin County (2011)	1:1.18	1:0.38	1:0.61
Catawba County (2013)	1:1.23	1:0.54	1:0.75
Pitt County (2013)	1:1.29	1:0.36	1:0.62
Davie County (2014)	1:1.14	1:0.50	1:0.67
Iredell County (2015)	1:1.35	1:0.30	1:0.47
Craven County (2015)[d]	1:1.10	1:0.33	1:0.20
Pamlico County (2015)[e]	1:0.99	1:0.71	1:0.51
Duplin County (2016)[f]	1:1.14	1:0.30	1:0.41
Lee County (2017)[f]	1:1.32	1:0.47	1:0.31
Wilson County (2017)[f]	1:1.08	1:0.36	1:0.66

[a] These figures are derived from Cost of Community Services summarized on the American Farmland Trust website (https://farmlandinfo.org/wp-content/uploads/sites/2/2019/09/Cost_of_Community_Services_Studies_AFT_FIC_201609.pdf).
[b] Source: Renkow, Mitch. "Land Preservation Notebook." (http://www.cals.ncsu.edu/wq/lpn/cost.html)
[c] Source: Dorfman, Jeffrey H. "The Fiscal Impacts of Land Uses on Local Government" Land Use Studies Initiative and Department of Agricultural & Applied Economics The University of Georgia, April 2006
[d] Source: Best, Kathy. University of Mount Olive Cost of Community Services Study, Wayne (2011); Craven (2015)
[e] Source: Olive, Edward F. University of Mount Olive Cost of Community Services Study, Pamlico (2015)
[f] Source: Maddox, Sandy and Edward F. Olive. University of Mount Olive Cost of Community Services Study, Duplin (2016); Lee (2017); and Wilson (2017)

Table 5. Breakeven Analysis for Residential Property Value Polk County, NC 2019-2020

(1)	Property tax rate (cents per $100 of property value)		51.43
(2)	Residential Non-Property Tax Revenue Contribution in FYE June 30, 2022	$	6,642,560.79
(3)	Total residential expenditures in FYE June 30, 2022	$	26,284,194.94
(4)	Total Expenditures needing to be paid for by property taxes [(3) – (2)]	$	19,641,634.15
(5)	Number of residential properties in the county		10,775
(6)	Per household expenditures needing to be paid for by property taxes [(4) ÷ (5)]		$1,822.89
	Breakeven property value [(6) ÷ (1)]		**$ 354,440.89**

Table 6 Polk County Actual Revenues by Land Use Category for 2019-2020

Line Item	Total	Residential	Commercial/ Industrial	Agriculture/ Forestry	% Breakdown
Ad Valorem Taxes	**$92,588,704.00**				
Current Year Taxes:					
Real/Personal	$85,063,468.00	$71,929,668.54	$9,833,336.90	$3,300,462.56	84.56-11.56-3.88
DMV - Motor Vehicle	$7,002,425.00	$6,277,674.01	$696,741.29	$28,009.70	Default*
Total Current Year Taxes	**$92,065,893.00**				
Prior Year Taxes	$486,141.00	$435,825.41	$48,371.03	$1,944.56	Default*
Penalties, Interest, Other	$36,670.00	$32,874.66	$3,648.67	$146.68	Default*
Local Option Sales Tax	**$25,697,393.00**				
Article 39 - 1 percent	$8,790,018.00	$0.00	$8,790,018.00	$0.00	0-100-0
Article 40 - 1/2 percent	$6,864,570.00	$0.00	$6,864,570.00	$0.00	0-100-0
Article 42 - 1/2 percent	$5,432,343.00	$0.00	$5,432,343.00	$0.00	0-100-0
Article 44 - 1/2 percent	$1,606,125.00	$0.00	$1,606,125.00	$0.00	0-100-0
Article 46 - 1/2 percent	$3,004,337.00	$0.00	$3,004,337.00	$0.00	0-100-0
Other Taxes	**$1,952,454.00**				
Deed Stamp Excise Tax	$1,741,407.00	$1,561,171.38	$173,270.00	$6,965.63	Default*
Occupancy Tax	$185,639.00	$0.00	$167,075.10	$18,563.90	0-90-10
Other	$25,408.00	$22,778.27	$2,528.10	$101.63	Default*

Line Item	Total	Residential	Commercial/ Industrial	Agriculture/ Forestry	% Breakdown
Intergovernmental	**$14,591,204.00**				
Unrestricted intergovernmental	**$5,136,221.00**				
Payments in lieu of taxes	$114,163.00	$102,347.13	$11,359.22	$456.65	Default*
Beer and wine excise tax	$239,513.00	$214,723.40	$23,831.54	$958.05	Default*
ABC profit distribution	$256,107.00	$229,599.93	$25,482.65	$1,024.43	Default*
Medicaid hold harmless	$4,518,138.00	$4,050,510.72	$449,554.73	$18,072.55	Default*
Other	$8,300.00	$7,440.95	$825.85	$33.20	Default*
Restricted Intergovernmental	**$9,454,983.00**				
State and federal grants	$8,806,367.00	$7,894,908.02	$876,233.52	$35,225.47	Default*
Other	$648,616.00	$581,484.24	$64,537.29	$2,594.46	Default*
Permit and Fees	**$2,843,212.00**				
Inspection Fees	$2,247,647.00	$1,910,499.95	$337,147.05	$0.00	85-15-0
Register of Deeds fees	$541,455.00	$485,414.41	$53,874.77	$2,165.82	Default*
Other	$54,110.00	$48,509.62	$5,383.95	$216.44	Default*
Sales and services	**$3,289,878.00**				
Charges to other funds	$451,066.00	$404,380.67	$44,881.07	$1,804.26	Default*
Enviromental services	$592,595.00	$531,261.42	$58,963.20	$2,370.38	Default*
Fire inspections	$62,262.00	$55,817.88	$6,195.07	$249.05	Default*
Health	$1,517,365.00	$1,360,317.72	$150,977.82	$6,069.46	Default*
Library	$8,427.00	$7,554.81	$838.49	$33.71	Default*
Planning	$207,003.00	$185,578.19	$20,596.80	$828.01	Default*
Recreation fees	$104,289.00	$93,495.09	$10,376.76	$417.16	Default*
Sheriff	$113,008.00	$101,311.67	$11,244.30	$452.03	Default*
Tax	$198,729.00	$178,160.55	$19,773.54	$794.92	Default*
Other	$35,134.00	$31,497.63	$3,495.83	$140.54	Default*

Line Item	Total	Residential	Commercial/ Industrial	Agriculture/ Forestry	% Breakdown
Investment Earnings	**-$4,694,876.00**				
Interest on investments	$241,437.00	$216,448.27	$24,022.98	$965.75	Default*
Market value investment adjustment	-$4,936,313.00	-$4,425,404.60	-$491,163.14	-$19,745.25	Default*
Other General Revenues	**$2,073,546.00**				
Rent	$196,051.00	$175,759.72	$19,507.07	$784.20	Default*
Contributions and donations	$1,465,514.00	$1,313,833.30	$145,818.64	$5,862.06	Default*
Sale of Surplus Property	$101,294.00	$90,810.07	$10,078.75	$405.18	Default*
Miscellaneous	$310,687.00	$278,530.90	$30,913.36	$1,242.75	Default*

Line Item	Total	Residential	Commercial/Industrial	Agriculture/Forestry	Breakdown (Residential - Commercial/Industrial - Agricultural/Forestry)
Ad valorem taxes	**$18,166,692.00**				
Taxes	$18,056,326.00	$15,347,877.10	$1,805,632.60	$902,816.30	85-10-5
Penalties and interest	$110,366.00	$93,811.10	$11,036.60	$5,518.30	85-10-5
Other taxes	**$6,556,319.00**				
Local option sales taxes	$5,949,502.00	$0.00	$5,949,502.00	$0.00	0-100-0
Article 44 sales tax	$606,817.00	$588,612.49	$18,204.51	$0.00	97-3-0
Restricted Intergovernmental	**$3,557,075.00**				
Federal grants	$2,847,301.00	$2,847,301.00	$0.00	$0.00	100-0-0
State grants	$695,193.00	$695,193.00	$0.00	$0.00	100-0-0
Local grants	$14,581.00	$7,290.50	$0.00	$7,290.50	50-0-50
Fees, Licenses and Permits	**$738,458.00**				
Register of Deeds fees	$440,468.00	$440,468.00	$0.00	$0.00	100-0-0
Building, other permit, inspection fees	$297,990.00	$253,291.50	$29,799.00	$14,899.50	85-10-5
Sales and Services	**$1,817,306.00**				
Rents, concessions, and fees	$168,975.00	$168,975.00	$0.00	$0.00	100-0-0
Health department	$494,513.00	$494,513.00	$0.00	$0.00	100-0-0
EMS fees	$973,989.00	$925,289.55	$48,699.45	$0.00	95-5-0
Transportation fees	$66,923.00	$66,923.00	$0.00	$0.00	100-0-0
Recreation department	$240.00	$240.00	$0.00	$0.00	100-0-0
Court costs, fees, and charges	$48,357.00	$45,939.15	$2,417.85	$0.00	95-5-0
Other charges for services	$64,309.00	$61,093.55	$3,215.45	$0.00	95-5-0
Investment earnings	**$31,887.00**	$27,225.05	$3,070.61	$1,591.33	
Miscellaneous	**$202,060.00**	$20,206.00	$10,103.00	$171,751.00	Default
Total revenues	**$31,069,797.00**	**$22,084,248.99**	**$7,881,681.07**	**$1,103,866.93**	10-5-85

*Default percentage: Residential (including historic) 85.38%; Commercial/Industrial 9.63%; Agriculture/Forestry 4.99%.

Table 7 Polk County Actual Expenditures by Land Use Category for 2019-2020

Line Item	Total	Residential	Commercial/Industrial	Agriculture/Forestry	Breakdown (Residential - Commercial/Industrial - Agricultural/Forestry)
General Government	**$4,742,243.00**				
Governing body	$349,161.00	$298,112.91	$33,623.07	$17,425.02	Default
Manager	$754,824.00	$644,467.11	$72,687.10	$37,669.79	Default
Human resources	$96,988.00	$82,808.15	$9,339.63	$4,840.22	Default
Board of elections	$208,648.00	$208,648.00	$0.00	$0.00	100-0-0
Personnel	$375,607.00	$320,692.45	$36,169.73	$18,744.82	Default
Finance	$334,000.00	$285,168.48	$32,163.11	$16,668.40	Default
Tax collections	$675,014.00	$576,325.51	$65,001.65	$33,686.84	Default
Legal	$65,683.00	$56,080.00	$6,325.06	$3,277.94	Default
Register of Deeds	$203,453.00	$203,453.00	$0.00	$0.00	100-0-0
Public buildings	$1,182,416.00	$1,123,295.20	$35,472.48	$23,648.32	95-3-2
Court facilities	$4,078.00	$3,874.10	$203.90	$0.00	95-5-0
Non-departmental	$492,371.00	$418,515.35	$49,237.10	$24,618.55	85-10-5
Public Safety	**$8,947,136.00**				
Sheriff's department	$3,150,962.00	$2,205,673.40	$850,759.74	$94,528.86	70-27-3
Jail	$2,007,099.00	$2,007,099.00	$0.00	$0.00	100-0-0
Emergency medical services	$2,265,747.00	$2,265,747.00	$0.00	$0.00	100-0-0
Emergency management	$138,784.00	$69,392.00	$48,574.40	$20,817.60	50-35-15
Communications	$757,286.00	$681,557.40	$37,864.30	$37,864.30	90-5-5
Building inspections	$309,469.00	$263,048.65	$30,946.90	$15,473.45	85-10-5
Animal control	$317,789.00	$254,231.20	$15,889.45	$47,668.35	80-5-15
Economic and Physical Development	**$699,834.00**				
Cooperative extension	$160,793.00	$96,475.80	$16,079.30	$48,237.90	60-10-30
Planning and zoning	$147,556.00	$125,422.60	$14,755.60	$7,377.80	85-10-5
Soil and water conservation	$138,645.00	$34,661.25	$0.00	$103,983.75	25-0-75

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Agriculture	$124,268.00	$12,426.80	$6,213.40	$105,627.80	10-5-85
Forestry	$54,155.00	$1,624.65	$1,624.65	$50,905.70	3-3-94
Economic development	$74,417.00	$7,441.70	$63,254.45	$3,720.85	10-85-5
Human Services	**$5,205,098.00**				
Mental health	$79,009.00	$70,318.01	$7,900.90	$790.09	89-10-1
Veteran's administration	$57,730.00	$51,379.70	$5,773.00	$577.30	89-10-1
Social services administration	$2,191,298.00	$1,950,255.22	$219,129.80	$21,912.98	89-10-1
Social services programs	$1,197,694.00	$1,065,947.66	$119,769.40	$11,976.94	89-10-1
Public transportation	$555,661.00	$494,538.29	$55,566.10	$5,556.61	90-10-0
Community based alternatives	$99,545.00	$88,595.05	$9,954.50	$995.45	89-10-1
Health department	$1,024,161.00	$911,503.29	$112,657.71	$0.00	89-11-0
Drug free communities	$0.00	$0.00	$0.00	$0.00	--
Cultural and Recreational	**$1,482,863.00**				
Recreation	$367,143.00	$367,143.00	$0.00	$0.00	100-0-0
Library	$720,769.00	$720,769.00	$0.00	$0.00	100-0-0
Senior centers	$394,951.00	$394,951.00	$0.00	$0.00	100-0-0
Education	**$6,114,638.00**				
Public schools - current	$5,130,055.00	$5,130,055.00	$0.00	$0.00	100-0-0
Public schools - capital outlay	$483,056.00	$483,056.00	$0.00	$0.00	100-0-0
Public schools - local supplement	$299,386.00	$299,386.00	$0.00	$0.00	100-0-0
Community colleges-current	$202,141.00	$202,141.00	$0.00	$0.00	100-0-0
Debt service	**$1,807,915.00**				
Principal retirement	$1,430,655.00	$1,430,655.00	$0.00	$0.00	100-0-0
Lease principal retirement	$36,998.00	$36,998.00	$0.00	$0.00	100-0-0
Interest and fees	$340,262.00	$340,262.00	$0.00	$0.00	100-0-0
Total Expenditures	**$28,999,727.00**	**$26,284,194.94**	**$1,956,936.44**	**$758,595.63**	

*Default percentage: Residential (including historic) 85.38%; Commercial/Industrial 9.63%; Agriculture/Forestry 4.99%.