

agency or authority of the authority of the State of Association, the Federal the Government National age insurance company.

a purchase price amount

seller or transferor is a n or other unincorporated or transferee that a com- the nonresident partners, artnership, Subchapter "S" ion remits the tax on the rs, shareholders, or mem- e required to withhold as ident partner, shareholder, oposite return is being filed member shall be liable for 10 percent of the amount ater.

ection shall be paid upon er or the commissioner's ed in the same manner as le.

erty located in Georgia who thholding tax imposed by e the required return and before the last day of the h within which the sale or ax occurred. (Code 1981, § 2; Ga. L. 2011, p. 674,

RES

and enacted the current article. er article consisted of Code Sec- -140 through 48-7-149, relating income taxes, and was based on 3, §§ 91A-4001—91A-4010, en-

acted by Ga. L. 1978, p. 309, § 2; Ga. L. 1974, p. 506, §§ 1- 5, 7-9, 11; Ga. L. 1995, p. 714, § 3.

Ga. L. 2010, p. 156, § 3(b), not codified by the General Assembly, provides that: "Tax, penalty, and interest liabilities and refund eligibility for prior taxable years shall not be affected by the passage of this Act and shall continue to be governed by the provisions of general law as it existed immediately prior to the effective date of

this Act." This Act became effective May 20, 2010.

Ga. L. 2010, p. 156, § 3(c), not codified by the General Assembly, provides that: "This Act shall not abate any prosecution, punishment, penalty, administrative proceedings or remedies, or civil action related to any violation of law committed prior to the effective date of this Act." This Act became effective May 20, 2010.

48-7-140. Prohibition of local income taxes.

On or after May 20, 2010, there shall be no local income taxes whatsoever levied or collected by any political subdivision of this state, and no local income tax returns shall be required. (Code 1981, § 48-7-140, enacted by Ga. L. 2010, p. 156, § 2/HB 984.)

Code Commission notes. — Pursuant to Code Section 28-9-5, in 2010, "On or after May 20, 2010," was substituted for "On or after the effective date of this Code section" at the beginning of this Code section.

RESEARCH REFERENCES

ALR. — Validity of municipal ordinance imposing income tax or license upon non- resident in taxing jurisdiction (commuter tax), 48 ALR3d 343.

ARTICLE 7

SETOFF DEBT COLLECTION

48-7-161. Definitions.

As used in this article, the term:

(1) "Claimant agency" means and includes, in the order of priority set forth below:

(A) The Department of Human Services and the Department of Behavioral Health and Developmental Disabilities with respect to collection of debts under Article 1 of Chapter 11 of Title 19, Code Section 49-4-15, and Chapter 9 of Title 37;

(B) The Georgia Student Finance Authority with respect to the collection of debts arising under Part 3 of Article 7 of Chapter 3 of Title 20;

(C) The Georgia Higher Education Assistance Corporation with respect to the collection of debts arising under Part 2 of Article 7 of Chapter 3 of Title 20;

MEMORANDUM

DATE: March 22, 2011
TO: Mayor Teresa Tomlinson
FROM: Jaimie DeLoach, Assistant City Attorney
SUBJECT: Tax Revenue Questions from February Meeting

QUESTION 1: Is it possible under state/local law for Council to establish a Sales Tax Free (Reduced) Zone?

ANSWER 1: Article VII, Section I, Paragraph III of the Georgia Constitution mandates uniformity of taxation as follows: "All taxation shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax." This would lead one to believe that all Columbus businesses and individuals are taxed equally and in the same manner. However, state law has created a few exceptions to this general rule through the creation of Enterprise Zones, Urban Services Districts and the Urban Redevelopment Act. While all of these have been created by Constitutional amendment or by statute, they do not apply to the present question as our issue centers on what the City can do to create certain sales tax exempt areas within its boundaries.

The Council can only levy and collect taxes, license fees and other charges to the extent that it has been authorized to do so by the Georgia Constitution and the laws of the State of Georgia. Columbus Charter Art. 1, Sec. 7-100. As the power to tax is inherent in the State General Assembly, the Council cannot impose a tax (or grant an exemption) unless it has been given direct authorization from the General Assembly. *Board of Com'r of Taylor Co. v. Cooper*, 245 Ga. 251 (1980). Therefore, without a constitutional amendment or direct authorization from the General Assembly, the Council cannot designate certain areas of the City to be "Sales Tax Free (or reduced) Zones" as it would violate the uniformity of taxation clause of the Constitution.

Note 1: O.C.G.A. § 48-8-6 states there shall not be imposed in any jurisdiction in this State on any transaction local sales and use taxes in excess of two percent. Currently, Columbus levies the maximum amount of sales tax that may be charged as it collects 1% for LOST and 1% for SPLOST.

Note 2: Council may designate a certain area in Columbus as an Enterprise Zone in order to promote rehabilitation, renovation or restoration for housing and the economic viability of such area. In these Enterprise Zones, ad valorem taxes, occupation taxes, license fees and other local fees and taxes can be reduced or even exempted from applying to qualified businesses. However, O.C.G.A. § 36-88-5 specifically prohibits Council from reducing or exempting local sales and use taxes. Therefore, even if Council designates a certain area as an Enterprise Zone and reduces other tax burdens of qualified businesses, it will not be able to reduce the sales and use tax liability for those areas.

QUESTION 2: Does Council have the authority, other than what is available at the state level, to issue property tax rebates or credits?

ANSWER 2: "The assessment and collection of property taxes by the consolidated government shall be as provided by state law." Columbus Charter Art. 1, Sec. 7-300. As a result, property tax exemptions, rebates and credits are controlled by state law. Georgia has provided a few property tax exemptions and credits through programs such as the Homeowners Tax Relief Grant and other state sponsored programs. However, Council's authority to provide such exemptions and credits only exists to the extent that Georgia law grants such authority to it.

State law provides for , rebates, exemptions and credits in the following manner. Under O.C.G.A. § 48-5-380, each county and municipality must refund to taxpayers any and all taxes and license fees a) which have been erroneously or illegally assessed and collected or b) have been voluntarily or involuntarily overpaid by the taxpayers. The Georgia Code provides a way for the Council to place unused funds into a reserve fund of the county but it does not grant it a way to provide rebates or credits to the taxpayers. In sum, the Council has the ability to refund overpaid amounts and reserve any excess and unused amounts but it does not have the ability to grant exemptions or credits unless otherwise authorized to do so under state law. To date, no such exemptions or credits have been granted to local governments.

QUESTION 3: Can the City levy an income tax on non-residents who work in Columbus?

ANSWER 3: No, under O.C.G.A. § 48-7-140, there shall be no local income taxes whatsoever levied or collected by any political subdivision of this state, and no local income tax returns shall be required.

QUESTION 4: Can the City levy an income tax on individuals who work for the City government but do not live in Columbus Georgia?

ANSWER 4: No, see O.C.G.A. § 48-7-140 in Answer 3 above.

QUESTION 5: If the City cannot collect property taxes from local non-profit organizations, may the City charge such non-profit organizations a “user fee”?

ANSWER 5: Georgia law prohibits a local government from imposing “any occupation tax, regulatory fee, or administrative fee on any...nonprofit organization.” O.C.G.A. § 48-13-13(5). This provision has been included in Columbus’ Code of Ordinances at Section 19-49. For purposes of analyzing whether the “user fee” is substantively a prohibited tax, the first inquiry must be whether the user fee operates as a means to generate revenue, if so it will be deemed a prohibited tax.

An occupation tax is a tax levied for the purpose of engaging in an occupation, profession or business and enacted by local government as a revenue-raising ordinance or resolution. O.C.G.A. § 48-13-5(4). More specifically, a tax is an enforced contribution exacted pursuant to legislative authority for the purpose of raising revenue to be used for public or governmental purposes. *Gunby v. Yates*, 214 Ga. 17, 19 (1958). By comparison, payment for a special privilege or service rendered by a public officer amounts to a “fee.” *Gunby v. Yates*, 214 Ga. 17 (1958). As an example, if a non-profit corporation is charged a \$100.00 user fee each time it calls the fire department, but the \$100.00 is applied towards a superior court clerk’s salary, it will most likely be considered as “raising revenue to be used for public or governmental purposes.” *Id.* On this basis, it is important that the City actually apply any monies received as a result of a user fee to the government department that provided a service to the nonprofit corporation. If the City is going to charge a nonprofit \$500 to collect its trash, then the City must apply those funds towards the cost of providing such service and the amount of the fee must be reasonable. For purposes of O.C.G.A. § 48-13-5(4), so long as the user fee does not raise revenue for the City but rather cover the cost of providing the service, it will not be considered an occupation tax.

The next inquiry is whether a user fee is considered a prohibited “regulatory fee” or “administrative fee.” A regulatory fee is a fee imposed under a local government’s police power and is intended primarily as a means of or as an aid in regulating an occupation, profession, or business. O.C.G.A. § 48-13-5(6); *Hadley v. City of Atlanta*, 232 Ga. App. 871, 872 (1998). An administrative fee “is a component of an occupation tax which approximates the reasonable cost of handling and processing the occupation tax.” O.C.G.A. § 48-13-5(1).

A reasonable assumption is that the City does not regulate non-profit organizations and that no fee that it collects would be connected to such nonexistent processing costs. Therefore, the permissible user fee is unlikely to be recategorized as a prohibited “regulatory fee”. Instead, as long as the fee is only required when a non-profit

desires to use a particular government service, it is likely to be categorized as a permissible user fee. This conclusion will be furthered if the fee is reasonably related to the cost of providing such a service and does not interfere with the non-profit corporation's ability to engage in its business.

In sum, the more specific the fee, the more it relates to the cost of providing the service and is credited to the departments providing the services, then the more it will qualify as a user fee that can be charged to non-profits. For instance, if the City imposes a fee for garbage service, the fee for garbage service is reasonably related to the cost of providing garbage service, and the City credits the fee to a garbage fund, then the fee is clearly a permissible user fee that can be enforced upon a non-profit. However, the conclusion would be different if a fee covered all government services, was credited to the City's General Fund, and thus was used to support a wide variety of governmental purposes. In this situation, a fee is likely to be recategorized as an impermissible tax. Therefore, in order to charge non-profits a mandatory user fee, the Council should delineate the services that are covered by the fee, there should be calculation of the cost of providing those services and the fee should be applied to the budgets of the departments supplying those services.

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March 29, 2011

Clifton C. Fay, Esq.
City Attorney
Consolidated Government of Columbus-Muscogee County
P. O. Box 1340
Columbus, GA 31902-1340

Re: County-wide basic service fee

Dear Clifton:

I am writing in response to your letter dated March 17, 2011, regarding a potential recommendation by the Charter Review Commission involving county-wide basic service fees. I am not aware of any Georgia local governments that currently use general service fees to pay for police and fire services or any Georgia caselaw determining the constitutionality or legality of such a general services fee. Much of the Georgia caselaw concerning a local government's ability to levy fees concerns itself with whether or not a particular levy is a "tax" or a "fee." In short, "taxes" are assessments designed for general revenue purposes, whereas "fees" defray the costs of a local government's provision of a particular service. *See Gumby v. Yates*, 214 Ga. 17, 19 (1958) ("A tax is an enforced contribution exacted . . . for the purpose of raising revenue to be used for governmental purposes, and not as payment for a special privilege or a service rendered.").

The advice you provided Mayor Tomlinson as outlined in your letter is consistent with my firm's research and my understanding of Georgia local government law. Because of the local constitutional amendment implementing the homestead assessment freeze for the Consolidated Government, implementing a fee that is based on ad valorem tax values could be problematic. Fees must be uniformly applied on all properties, and as noted in your letter they must be reasonably related to the cost of providing the services. *See Mayor & Council of Milledgeville v. Green*, 221 Ga. 498, 501 (1965) (upholding Milledgeville's garbage removal fee where the charge did not "exceed[] the cost of collecting, removing and disposing of trash. . .").

It may be that certain fees are more appropriately based upon the size of the property or building. For example, a fire protection fee may be higher for a 100,000 square foot building than for a 1,500 square foot building. By way of further example, DeKalb County implemented a stormwater utility fee program in 2003 that assesses residential properties based on an average lot size and assesses commercial properties based on the number of square feet of impervious surface.

Clifton C. Fay, Esq.
March 29, 2011
Page 2

Other examples of local governments that have used municipal services fees to cover general costs associated with police and fire services include Forest Hills, Pennsylvania and the City of Orlando which levies a municipal services fee for buildings under construction. See Borough of Forest Hills, Public Session of Council (October 20, 2010), <http://www.foresthillspa.org/2010Minutes/Oct%2020%202010%20Minutes.pdf>; and City of Orlando, Code of Ordinances, http://library.municode.com/HTML/13349/level2/TITICICO_CH53INPRGESEFE.html (last visited March 23, 2011). However, the most common use of a services fee for the general provision of local governmental services is the application of PILOTs/FILOTs for tax-exempt properties or entities. See, e.g., Maine Association of Nonprofits, PILOTs & SILOTs: Payments In Lieu of Taxes & Services In Lieu of Taxes, http://www.nonprofitmaine.org/documents/PILOTs_FAQ.pdf (last visited on March 23, 2011); and, Karin Fischer, *As Cities Seek Payments in Lieu of Taxes, Colleges Are Urged to Work Out Deals*, The Chronicle of Higher Education (November 29, 2010), <http://www.lincolnst.edu/news/inthenewsfiles/Chronicle-of-Higher-Education-PILOTs-story-112910.pdf>. These are simply examples of fees from other jurisdictions based on fairly limited research and should not be considered exhaustive by any means.

I am aware that the Consolidated Government has urban service districts (“USDs”) that impose taxes at different levels reflecting the needs and services provided within such USDs. Columbus, GA., Charter § 1-103(2) (“[T]he council shall establish at least one (1) or more urban services districts which shall embrace such territory or territories for which provision is made by the Council for additional or higher levels of services than are provided uniformly throughout the territory of the consolidated government . . .”). To the extent the creation of new USDs is being contemplated, to promote development for example, general service fees in such new USDs may be subject to adjustment.

The Consolidated Government should also be able to create new USDs with reduced millage rates to encourage economic development in a manner that is consistent with the city charter and state law. Section 1-103(5) of the Consolidated Government’s Charter states in relevant part that “[t]he consolidated government shall perform within its urban services districts those additional, more comprehensive and intensive and higher levels of governmental duties, functions and services which benefit primarily the residents of such urban service districts.” Creating a business climate more conducive to job creation and economic development within a targeted geographic area like a USD would likely qualify as a “duty” or “function” of the Consolidated Government, and targeted tax incentives like millage abatements could reasonably constitute the type of intensive exercise of governmental duty contemplated by Section 1-103(5).

The Consolidated Government should also be able to create USDs that provide for reduced millage rates and waivers or reductions of municipal fees (including the general services fee currently under consideration) to encourage economic development. The Consolidated Government already has a similar mechanism in place through the Planning Department’s Enterprise Zone program that targets census tracts within Muscogee County for targeted millage

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Clifton C. Fay, Esq.
March 29, 2011
Page 3

tax abatements and municipal fee waivers. *See* Columbus, GA., Code of Ordinances § 10A-33 (1998). Section 10A-33 allows for case-by-case determinations of waivers of various municipal fees and § 10A-33(2)(f) authorizes the Consolidated Government's Department of Community and Economic Development to waive or reduce any "other local fees authorized by council, as applicable." The Consolidated Government's authority to create local enterprise zones program is provided for through O.C.G.A. § 36-61-1 *et seq.*, whereas the creation of USDs with fee and millage abatements would be authorized under the city charter, but a model for creating and administering geographically targeted tax and fee abatements for economic development purposes already exists locally and the proposed arrangement is likely consistent with the city charter.

Lastly, development impact fees for capital improvements are also available to the Consolidated Government under the Development Impact Fee Act, O.C.G.A. § 36-71-1 *et seq.* Key provisions of the Act that address how the Consolidated Government could create and levy impact fees include: the comprehensive plan requirements (§ 36-71-3), methods for calculating impact fees (§ 36-71-5), the creation of a Development Impact Fee Advisory Committee (§ 36-71-5), public meeting requirements (§ 36-71-6), and designated fund and annual audit and reporting requirements (§ 36-71-8).

I hope the foregoing satisfactorily responds to your March 17, 2011 letter. Please let me know if you would like to discuss this further or need additional information. I appreciate the opportunity to be of assistance to you.

Sincerely,



Charles F. Palmer



OFFICE OF THE CITY ATTORNEY

Columbus, Georgia

Georgia's First Consolidated Government

Post Office Box 1340
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(706) 653-4025

March 17, 2011

Mr. Charles F. Palmer
Troutman Sanders LLP
Bank of America Plaza
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

Re: County-wide basic service fee

Dear Chuck,

Every ten years, a Charter Review Commission looks at various functions of the consolidated government of Columbus, Georgia and recommends changes to the Charter to the Clerk of Council. By statute, these recommendations for Charter amendments are then placed on the ballot for approval or rejection by Muscogee County voters.

One issue that has surfaced with a committee of the Charter Review Commission is the possibility of imposing a county-wide basic service fee for services such as police, fire protection and garbage collection. Columbus currently imposes county-wide garbage fees by way of addition to residential water bill and commercial property annual permits. I have advised Mayor Teresa Tomlinson that the Columbus Council, under current powers to impose taxes and fees, may impose a county-wide basic service fee similar to the garbage fee as long as such a fee is not tied to ad valorem tax for households only because such a fee would likely be unconstitutional under our homestead assessment freeze (1981 Ga. Laws, p. 1926). In other words, to be constitutional, such a basic service fee must apply county-wide to all parcels, residential and commercial, and must be reasonably related to the cost of services provided. Our Charter can be easily found at municode.com and the latest codified version was in 1993 Ga. Laws, p. 4978.

Please look at this issue and provide me with a written opinion at your earliest convenience. Hope to see you and your family soon.

Sincerely,

Clifton C. Fay
City Attorney

CCF/er

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OFFICE OF THE CITY ATTORNEY

MEMORANDUM

TO: Mayor, City Manager and Council

FROM: Clifton C. Fay, City Attorney

DATE: June 28, 2011

SUBJECT: Ga. Laws 1981, Page 1926, Local Constitutional Amendment

In response to a question from the Mayor concerning the local constitutional amendment which established the frozen homestead assessment for Muscogee County, please be advised of the following. The General Assembly proposed the local constitutional amendment in question in 1981 and passed legislation to submit the same to the Muscogee County voters in 1982. The local constitutional amendment language provides in part that "homestead property in Muscogee County shall be valued for purposes of ad valorem taxation for school and city-county consolidated government purposes based upon the fair market value of the property as of January 1, 1983; or as of January 1 of the first year when homestead exemption is allowed and claimed after January 1, 1983; or as of January 1 of the year following the last change of ownership after January 1, 1983, whichever is later. The value of any improvements which are made after the base fair market value is established and which require a building permit to be obtained shall be added to the established base fair market value."

The Georgia Supreme Court upheld the local constitutional amendment in Columbus v. CM Tax Equalization, Inc., 276 Ga. 332 (2003) and specifically noted that "Major improvements to a home are added to the frozen value." The General Assembly in composing our local constitutional amendment did not enact a provision for reduction of homestead assessment value based on a deteriorating economy or stagnant home sales or values. If the General Assembly had desired to address this issue, they could have included language similar to the language providing for increases of homestead assessment when improvements are made to a property. "All statutes are presumed to be enacted by the Legislature with full knowledge of the existing condition of the law and with reference to it. . . ." Wigley v. Hambrick, 193 Ga. App. 903 (1989). "It is contrary to the generally accepted principles for construing statutes to 'read out' any part of the statute as 'mere

Mayor, Council and City Manager
June 28, 2011
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surplusage' unless there is a clear reason for doing so. Porter v. Food Giant, Inc., 198 Ga. App. 736 (1991), cert denied, 502 U.S. 980 (1991).

Under these authorities and principles of statutory construction, the Columbus homestead assessment freeze does not permit a reduction in homestead assessed values just because market conditions may deteriorate. Thus whether market conditions are favorable or unfavorable, the homestead assessed value remains the same under the local constitutional amendment.

As further information, please be advised that if a majority of the Columbus Council desires to propose a repeal of the local constitutional amendment, the request would need to be submitted to the local delegation to the Georgia General Assembly. The local delegation would then need to propose an act substantially similar to the act proposed by the General Assembly in 1991. A copy of this Act found at Ga. Laws 1991, Page 4255, is attached for your convenience.

Please also be advised that any such repeal of the local constitutional amendment must be a repeal in its entirety as provided in the 1991 Act. Under Article 11, Section 1, Paragraph 4 of the Georgia Constitution, "Any amendment which is continued in force and effect after July 1, 1987, pursuant to the provisions of subparagraph (a) of this Paragraph shall be continued in force and effect as a part of this Constitution, except that such amendment may thereafter be repealed but may not be amended." In other words, as in 1991, any proposed repeal of the local constitutional amendment must be a repeal in its entirety. The local constitutional amendment may not be amended to grandfather in certain groups of homeowners or to provide a freeze for some owners going forward and not others. However, a repeal of the local constitutional amendment could have a delayed effective date for all homeowners affected by the local assessment freeze.

Please contact us if you need any further information.



CCF/er
Cc: Betty Middleton, Chief Appraiser

Payments in Lieu of Taxes

Balancing Municipal and Nonprofit Interests



DAPHNE A. KENYON AND ADAM H. LANGLEY

Payments in Lieu of Taxes: Balancing Municipal and Nonprofit Interests

Daphne A. Kenyon and Adam H. Langley

Policy Focus Report Series

The policy focus report series is published by the Lincoln Institute of Land Policy to address timely public policy issues relating to land use, land markets, and property taxation. Each report is designed to bridge the gap between theory and practice by combining research findings, case studies, and contributions from scholars in a variety of academic disciplines, and from professional practitioners, local officials, and citizens in diverse communities.

About This Report

In recent years, local government revenue pressures have led to heightened interest in payments in lieu of taxes (PILOTs), which are payments made voluntarily by tax-exempt nonprofits as a substitute for property taxes. This report provides case studies of several municipalities that have pursued PILOTs in the past decade, as well as a broader picture of PILOT use in the United States.

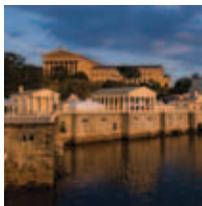
While PILOTs can provide crucial revenue for municipalities with large nonprofit sectors, there are also major problems with how they are currently collected in many places. To avoid these problems, the report provides general guidelines for when municipalities should consider PILOTs, highlights the importance of municipal–nonprofit collaboration on PILOTs, and outlines alternative ways to raise revenues from tax-exempt nonprofits. It also offers more detailed recommendations for how to design PILOT programs that are fair to nonprofits while raising meaningful revenue for municipalities.

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Executive Summary

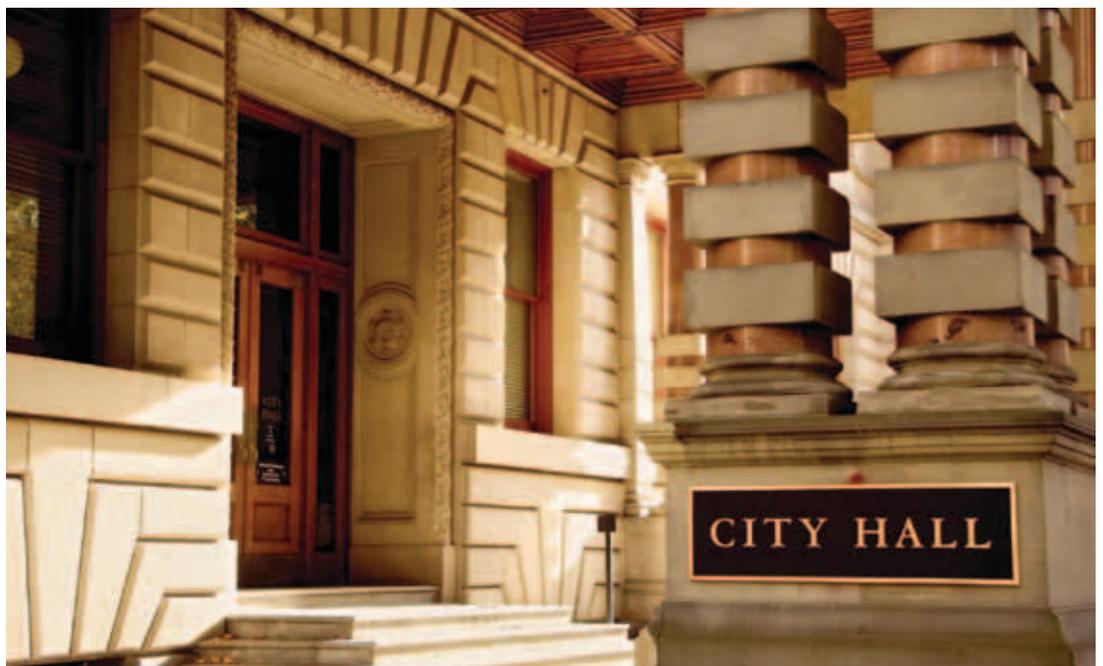
Charitable nonprofit organizations, which include private universities, hospitals, museums, soup kitchens, and churches, are exempt from property taxation in all 50 states. Many nonprofits reduce local government spending by offering services that would otherwise be provided by those governments, but at the same time these nonprofits impose a cost on municipalities by consuming public services, such as police protection and roads. Payments in lieu of taxes (PILOTs) are payments made voluntarily by tax-exempt nonprofits as a substitute for property taxes.

In recent years, local government revenue pressures have led to heightened interest in PILOTs, and over the last decade they have been used in at least 117 municipalities in at least 18 states. Large cities collecting PILOTs include Baltimore, Boston, Philadelphia, and Pittsburgh. Boston has one

of the longest standing PILOT programs and the most revenue productive program in the United States.

PILOTs are a tool to address two problems with the property tax exemption provided to nonprofits. First, the exemption is poorly targeted, since it mainly benefits nonprofits with the most valuable property holdings, rather than those providing the greatest public benefits. Second, a geographic mismatch often exists between the costs and benefits of the property tax exemption, since the cost of the exemption in terms of forgone tax revenue is borne by the municipality in which a nonprofit is located, but the public benefits provided by the nonprofit often extend to the rest of the state or even the whole nation.

PILOTs can provide crucial revenue for certain municipalities, and are one way to make nonprofits pay for the public services



they consume. However, PILOTs are often haphazard, secretive, and calculated in an ad hoc manner that results in widely varying payments among similar nonprofits. In addition, a municipality’s attempt to collect PILOTs can prompt a battle with nonprofits and lead to years of contentious, costly, and unproductive litigation.

This policy focus report offers the following recommendations.

PILOTs are one revenue option for municipalities. They are most appropriate for municipalities that are highly reliant on the property tax and have a significant share of total property owned by nonprofits. For example, a Minnesota study found that while PILOTs could increase property tax revenue by more than ten percent in six municipalities, there was negligible revenue potential from PILOTs for the vast majority of Minnesota cities and towns. Similarly, PILOTs are not appropriate for all types of nonprofits. PILOTs are most suitable for nonprofits that own large amounts of tax-exempt property and provide modest benefits to local residents relative to their tax savings.

Municipalities should work collaboratively with nonprofits when seeking PILOTs. The best PILOT initiatives arise out of a partnership between the municipality and local nonprofit organizations, because PILOTs are voluntary payments and because both sectors serve the general public and have an interest in an economically and fiscally healthy community. In some cities, case-by-case negotiation with one or several nonprofits is best, as is the case between Yale University and New Haven. In cities with a large number of nonprofits, such as Boston, creating a systematic PILOT program can promote horizontal equity among tax-exempt nonprofits and raise more revenue than negotiating individual agreements.

State and local governments should consider alternatives to PILOTs. State governments should consider providing grants to local governments that host tax-exempt nonprofits to compensate them for their loss of property tax base, as in Connecticut. Municipalities can also consider alternative ways to raise revenue from tax-exempt nonprofits, such as increasing user fees.





CHAPTER 1

The Nonprofit Sector and Local Government Finances



The United States benefits from a large and diverse nonprofit sector that includes a wide array of organizations: private universities, hospitals, art museums, soup kitchens, and churches. Many nonprofits reduce spending by municipalities by offering services that would otherwise be provided by the local government.

However, nonprofits also impose a cost on municipalities because they consume public services, such as police protection and roads, but normally do not pay taxes for these services since most property owned by charitable nonprofits is exempt from taxation in all 50 states. Some municipalities have attempted to recoup part of this cost through payments in lieu of taxes (PILOTs)

from some nonprofits. This report defines PILOTs as payments “made voluntarily by tax-exempt nonprofits as a substitute for property taxes” (Brody 2005, 275).

OVERVIEW OF THE NONPROFIT SECTOR

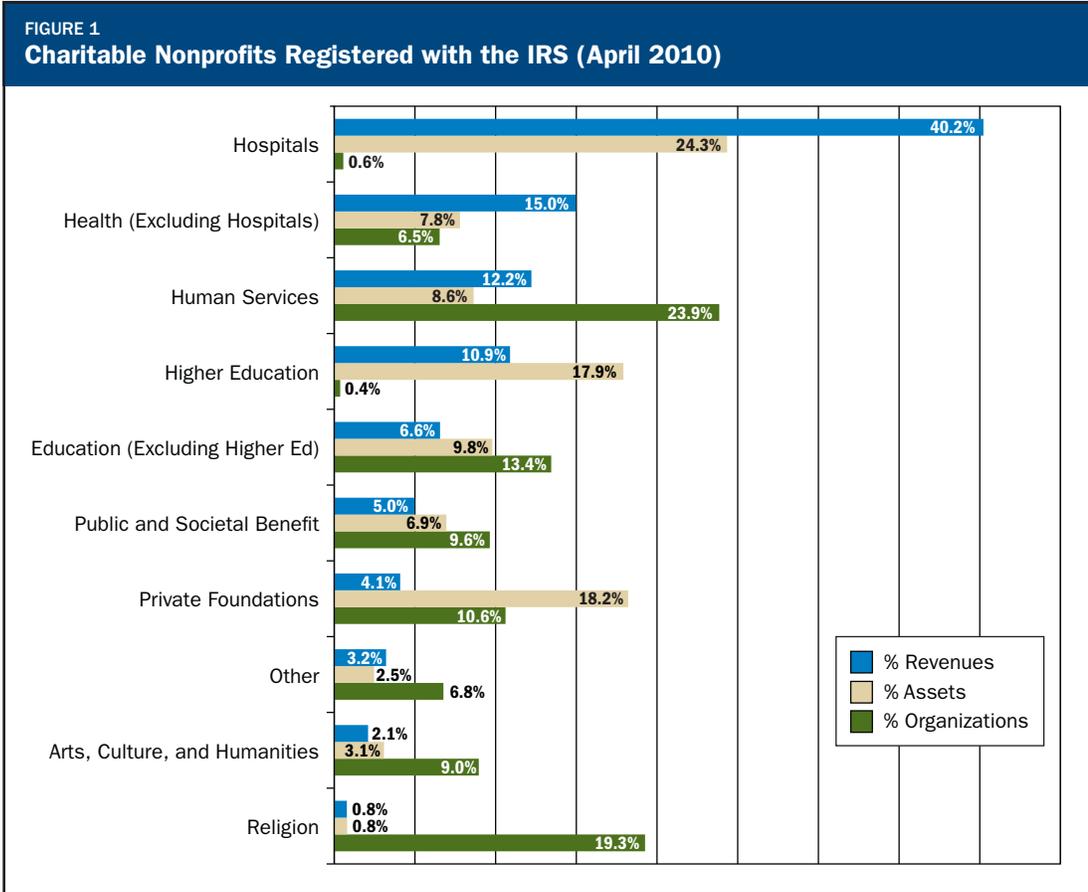
The nonprofit sector accounts for roughly one-tenth of the U.S. economy, whether measured by employment or total spending (Walker 2005). This report focuses on 501(c)(3) charitable nonprofits, which include most of the nonprofits active in the arts, education, health care, human services, and religion—1.14 million of which are registered with the Internal Revenue Service (IRS). Nonprofits with 501(c)(3) status include both public charities and private foundations. There are

also 456,000 other nonprofits registered with the IRS that do not qualify for 501(c)(3) status, including business leagues, labor unions, social clubs, professional organizations, and political action committees. These other nonprofits are generally not exempt from property taxes (National Center for Charitable Statistics 2010).

Figure 1 shows the relative importance of each type of charitable nonprofit sorted by each category's share of total revenues in the charitable sector. Hospitals and higher education institutions control 51 percent of total revenues and 42 percent of assets, but account for only 1 percent of charitable nonprofits

registered with the IRS. In contrast, religious and human services organizations account for 43 percent of registered charitable nonprofits, but only a small fraction of total assets or revenue reported to the IRS.

In general, resources in the charitable nonprofit sector are extremely concentrated. The great majority of organizations are small and have few financial resources, while a small number of large nonprofits have the great majority of revenues, assets, and employees. For example, 62 percent of charitable nonprofits filing IRS Form 990 (the tax return most nonprofits are required to file), had annual revenues below \$100,000,



Note: Religious congregations are not required to register with the IRS; nonprofits with gross receipts under \$25,000 and religious congregations are not required to file IRS Form 990 with financial information. The number of organizations includes all 501(c)(3) charitable nonprofits registered with IRS (1,138,289), but revenues and assets for each subsector only include charities that filed IRS Form 990 (598,110).

Source: National Center for Charitable Statistics (2010).

accounting for 1.2 percent of total revenue for all filing charitable nonprofit organizations; 2.9 percent had annual revenues above \$10 million, accounting for 84.7 percent of total revenue. Average revenues were \$45,500 for the first group and \$134 million for the second group (National Center for Charitable Statistics 2010).

Throughout this report, the term *non-profit* is used to refer to the subset of nonprofits typically eligible for exemption from property taxation, which are the 501(c)(3) charitable nonprofits, although state requirements for exemption often diverge from federal law.

WHAT ARE PILOTS?

Payments in lieu of taxes are usually negotiated between a municipality and individual nonprofits. PILOTs can be ad hoc payments by one or more nonprofits, or they can be standard payments from a wide range of nonprofits when a local government has a systematic PILOT program that provides guidance regarding expected contributions. PILOTs can be one-time payments, but negotiations sometimes lead to contracts stipulating continued payments for many years.

PILOTs are often framed in two ways. First, they are considered a means to partially offset property tax revenue forgone because the nonprofit's property is tax-exempt. Second, they are thought of as contributions to cover the nonprofit's share of the cost of public services provided by municipalities that are normally funded with property taxes (e.g., fire services, road maintenance, or snow removal). Regardless of the stated rationale, both of these arrangements are PILOTs according to the definition used in this report.

The basis for deciding upon an appropriate PILOT amount varies across municipalities. Some ask tax-exempt institutions to

pay a specific proportion of the property taxes the institution would owe if taxable. Others base the PILOT on some measure of the size of the nonprofit's property, such as square footage, or the size of its economic activity, such as number of employees or dormitory beds. The cost of basic services provided to nonprofit institutions is also used as a guide, but in many cases PILOTs are completely ad hoc and negotiated without any apparent basis.

In all cases, a primary characteristic of a PILOT is that it is voluntary; that is, there is no law requiring a nonprofit to make a PILOT. However, municipalities may encourage PILOTs in several ways. Nonprofits may agree to make PILOTs because they realize that they share an interest in the fiscal health of the local government. For example, a college's ability to attract students would be impacted negatively if the college is located in a run-down city with inadequate public services. Some nonprofits may feel pressured to make a PILOT because they know local agencies have the power to grant or withhold zoning changes, building permits, and the like. Finally, in a few cases municipalities have threatened to revoke a nonprofit's tax exemption or levy a tax or fee in order to obtain a PILOT.

Unless otherwise specified, in this report the term PILOT refers only to voluntary payments made by nonprofits to municipalities. However, the term is often used more broadly, and can refer to payments from the state or federal government to local governments to compensate them in part for the forgone property tax revenues on publicly owned property. Also, local governments sometimes offer businesses the opportunity to make a PILOT instead of full payment of property taxes as an economic incentive to encourage the business to locate or stay in that municipality.

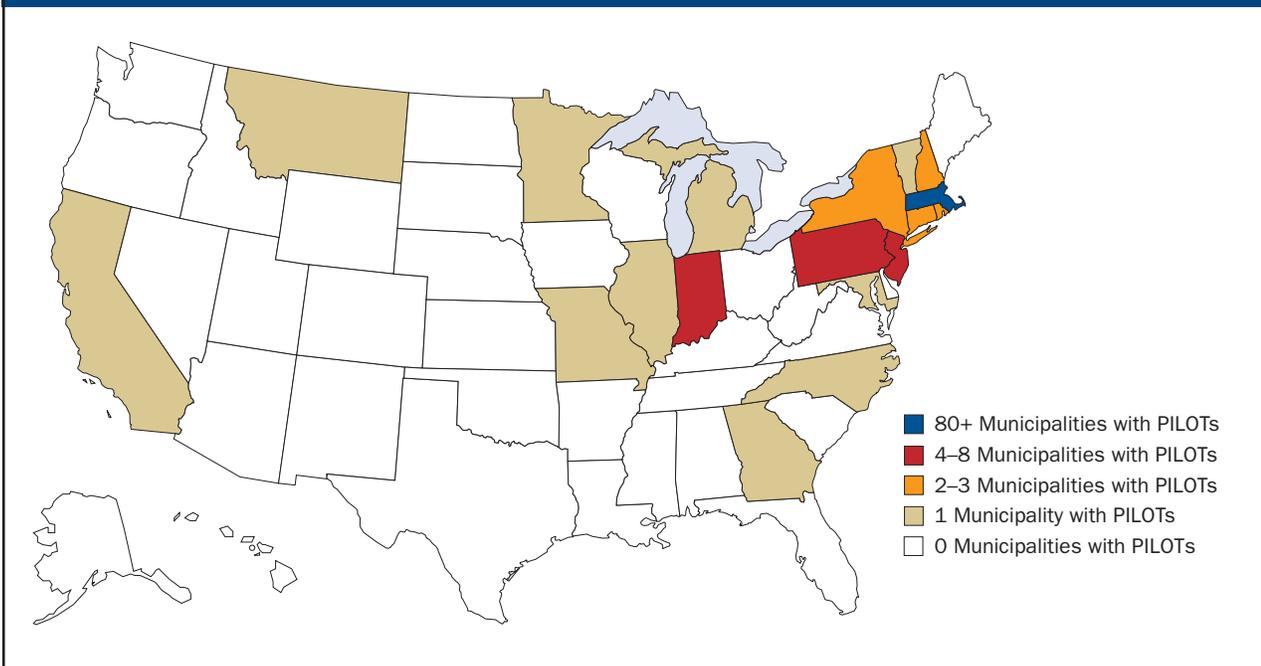
HEIGHTENED INTEREST IN PILOTS

Press accounts suggest growing interest in PILOTs since the early 1990s. Recent high-profile efforts to create or expand PILOT programs have occurred in Pittsburgh, Providence, Boston, and elsewhere. Although no systematic comprehensive survey of PILOT use is available, this report found that since 2000 PILOTs have been used in at least 18 states (figure 2). Seventeen of those states account for 35 cities and towns with PILOTs. In addition, 82 out of a total of 351 municipalities in Massachusetts have collected PILOTs (Massachusetts Department of Revenue 2003). Two major factors drive the high level of interest in PILOTs around the country: growing scrutiny of the nonprofit sector, and increasing pressure on municipalities to find new sources of revenue.

Growing Scrutiny of the Nonprofit Sector

Commercial activity in the nonprofit sector and news reports scrutinizing the behavior of nonprofit organizations have raised issues about the nonprofit property tax exemption, and have possibly reduced public support for it. In some cases, public support for tax exemption of nonprofits is tied to their charitable nature, but that support is reduced when they pursue commercial activities. Weisbrod (2004, 43) describes a “wave of commercialization among nonprofits,” which includes charging user or admission fees, seeking revenues from marketing relationships, research and development partnerships with for-profits, joint purchasing partnerships between nonprofits and for-profits, and engaging in unrelated business activities that have little to do with the nonprofit’s social mission.

FIGURE 2
States with Municipalities Collecting PILOTs (2000–2010)



Source: Authors’ research (see chapter 3).

Cordes and Steuerle (2010, 2) describe a blurring of the line between nonprofit and for-profit organizations: “Many nonprofits have found it advantageous to operate more like businesses in some respects; some for-profit businesses have adopted some nonprofit attributes; and businesses and nonprofits have discovered mutual benefit from acting as partners, both in for-profit and not-for-profit ventures.”

Public confidence in nonprofits has fallen in the last decade. A 2008 Brookings Institution study found that, “General confidence in charitable organizations appeared to hit its modern low point in 2003 and has not moved up or down significantly since” (Light 2008, 2). Although some of this decline in confidence may simply reflect the public’s increasing cynicism about all public institutions, including government and the media, since the 1990s several high-profile events

have likely reduced public trust in nonprofits.

In one case, the head of the United Way of America served seven years in jail for defrauding that organization of more than \$1 million. Other reports showed that Stanford University overcharged the federal government by more than \$200 million, including charges “for flowers, furniture, parties, a grand piano, football tickets, and depreciation on a yacht as ‘indirect research costs’” (Youngman 2002, 39). About the same time, the *Philadelphia Inquirer* ran a series of articles on the high salaries and assets that exist in some parts of the nonprofit sector in that city. Youngman (2002) points out that even when there is no real change in behavior, media attention and government investigations can create the perception that there is a spike in scandals.

Beginning about 2005, reports that hospitals were charging uninsured patients more



than privately insured patients caught the public's ire (Anderson 2007). More recently, both New Hampshire and New Jersey government officials have focused on the issue of high salaries for nonprofit executives, and New Jersey legislators have placed limits on what charities can pay their CEOs if they provide services for the state (Gose 2010).

This increasing public scrutiny has led to challenges of nonprofits' tax-exempt status (Strom 2010). PILOTs made by nonprofits offer what some consider a middle-ground approach, whereby nonprofits maintain their property tax exemption, but municipalities still receive some money to offset revenues forgone due to the exemption.

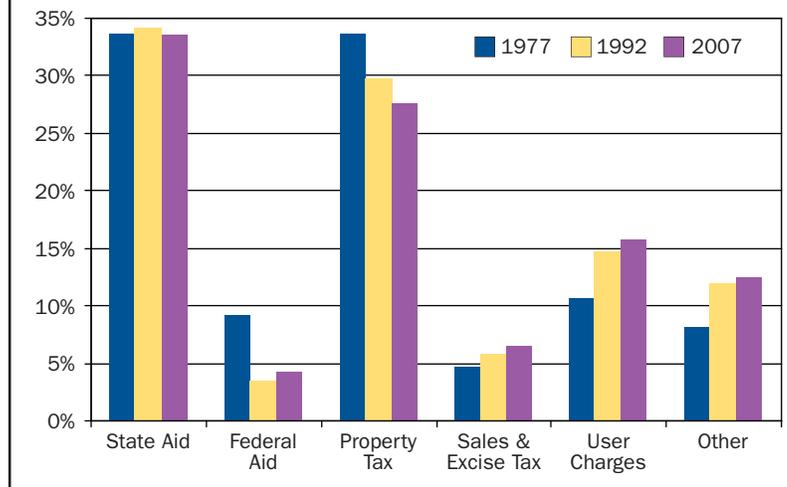
Local Government Revenue Pressures

In a September 2009 survey of city fiscal conditions, the National League of Cities reported that pessimism about the ability to meet city fiscal needs was at its highest level in the history of its 24-year survey (Hoene and Pagano 2009). Even worse, because city fiscal conditions typically lag behind economic conditions by about two years, many municipal officials expect budget shortfalls to worsen through 2012 (McFarland 2010).

Over the last three decades local governments have faced a combination of steep declines in federal aid and erosion of the property tax base. Figure 3 shows sources of general revenue for local governments, which include cities, towns, and villages; counties; school districts; and special districts. Between 1977 and 1992, federal aid to local governments as a share of total general revenues—which was never high—fell 62 percent. It has risen since then, but is still less than half of what it was 30 years ago. The share of general revenues from state aid in 2007 is identical to the share in 1977.

During this 30-year period, the relative importance of the property tax has declined—falling from 34 percent of general revenues

FIGURE 3
General Revenue Sources for Local Governments (1977–2007)

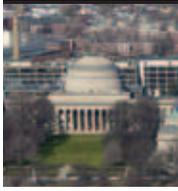


Source: Census of Governments.

in 1977 to 28 percent in 2007. The erosion in the property tax base is due to a wide variety of factors, including the growth of tax limitations, exemptions, and other forms of special property tax treatment, none of which are expected to turn around in the foreseeable future (Augustine et al. 2009, 4).

For example, since the late 1970s many states have imposed property tax limits on local governments. By 2006, 34 states had some type of limit on property tax rates, 29 states had limits on property tax revenues, and 14 states had statewide limits on property tax assessments. Only seven states did not have any of these limits, and thus left complete control of property tax decisions to local governments (Anderson 2006).

With declining federal aid and constraints on property taxes, local governments have needed to find other ways to raise revenue. The most notable increases are seen in user charges, but in some municipalities, efforts to find new revenue sources have included soliciting PILOT contributions from nonprofits that own property exempt from property taxes.



CHAPTER 2

The Property Tax Exemption for Nonprofits



Payments in lieu of property taxes must be understood within the context of the history, rationale, and dimensions of the property tax exemption for charitable nonprofits, which is provided in all 50 states and the District of Columbia. The roots of the property tax exemption are based on case law and can be traced to the British legal traditions that settlers brought with them to the American colonies, although explicit property tax exemption did not arise until much later (Gallagher 2002, 3). Annual state property taxation did not become the norm until the 1830s, and explicit codification of property tax exemption for charitable nonprofits followed. For example, in 1859 the Kansas Constitution became the first state constitution that explicitly exempted churches from taxation (Diamond 2002, 120–121).

RATIONALES FOR THE TAX EXEMPTION

Various rationales for the charitable property tax exemption have evolved over time, including two that are particularly relevant today. First, the property tax exemption for charitable nonprofits can be justified as part of the decision to properly define the property tax base. Swords (2002) argues that the proper base of the property tax is property in private hands. Since nonprofits are established in order to benefit the public, property owned and used by nonprofits should not be part of the tax base.

Second, the property tax exemption is often justified as an appropriate subsidy to encourage the activity of nonprofits, also known as the *quid pro quo* theory. According to this theory, because nonprofits provide benefits to society, including reducing the

constitutions leave authority over the charitable tax exemption to legislatures, “states generally have laws exempting the property of churches, schools, and ‘charitable’ organizations;” in states where the constitution is silent on this exemption, courts have ruled that “granting exemption is within the inherent power of the legislature” (Gallagher 2002, 4–5). However, only 11 states define charity statutorily, and thus clarifying the parameters of what types of nonprofit organizations qualify for the charitable tax exemption is often left to state courts (Bowman and Fremont-Smith 2006, 203).

Since all states have a charitable tax exemption, the definition of what constitutes a charity may be the most important issue in determining the breadth of a state’s exemption. Particularly important is whether a charity must provide a public benefit or relieve government of a burden to obtain tax-exempt status. Providing a public benefit is the broader definition that often results in a wider range of nonprofits receiving

tax-exempt status. That said, relief of a government burden is not normally interpreted narrowly to mean services that government actually provides, but rather, services that government views as beneficial (Brody 2007, 276).

Table 1 shows the range of state requirements that charities must meet to obtain tax-exempt status. These differences across states mean that legal challenges to nonprofits’ tax-exempt status will also vary. At least 10 states have multipart tests that have been specified by state courts or in state statute to determine whether a nonprofit qualifies for the charitable tax exemption, such as Illinois’ five-part test described in box 1 (Bowman 2002, 43).

Normally property must be both owned and used by a nonprofit to qualify for exemption from the property tax. In no state is nonprofit ownership alone sufficient for an exemption; the property must actually be used for an exempt purpose. As a result, many charitable nonprofits do in fact pay

TABLE 1
State Requirements for Charitable Tax Exemption

	Number of States			% Yes for Known States
	Yes	No	Unknown	
Tax-exempt charities are ALLOWED TO:				
Charge a fee to recipients of its services	41	3	6	93.2
If yes, must charge poor people below cost	12	27	8	30.8
Make a profit, as long as it is retained for institutional purpose	36	7	7	83.7
Support political candidates or influence legislation	16	23	11	41.0
Serve a predominantly social function	12	28	10	30.0
Distribute net income to its members or officers	0	42	8	0.0
Tax-exempt charities are REQUIRED TO:				
Provide a general public benefit	38	7	5	84.4
Provide service to rich and poor without regard to ability to pay	24	13	13	64.9
Relieve government of a burden	19	21	10	47.5
Provide a substantial part of its services for free	15	22	13	40.5
Derive most income from public funds or private donations	14	23	13	37.8

Source: Compiled from Bowman (2002, 40–44).

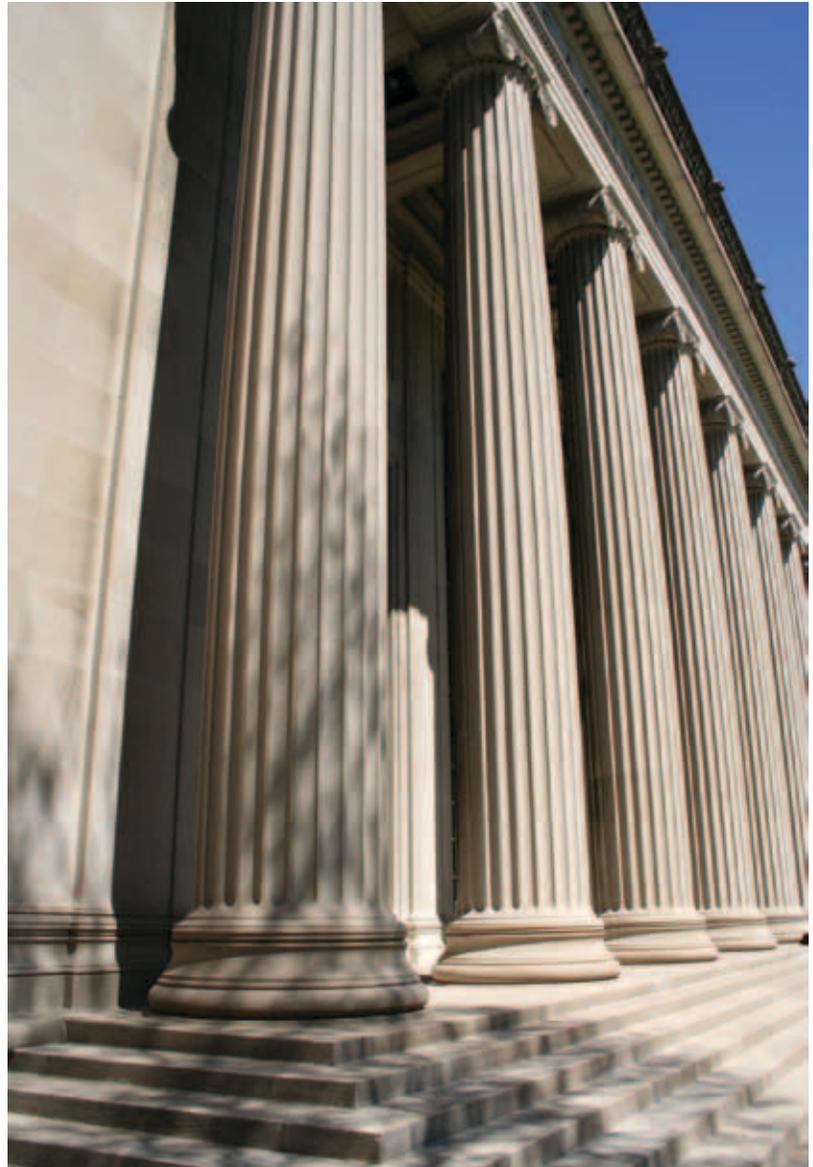
substantial property tax bills. For example, in Cambridge, Massachusetts, the Massachusetts Institute of Technology is by far the largest property taxpayer in the city because of its ownership of properties used by biotechnology firms, for rental housing, and other noneducational activities (City of Cambridge 2009, 85).

The “use” requirement also means that taxes are owed when a nonprofit holds property for future development, although some period of time for construction is allowed. The treatment of ancillary property—especially parking lots—is a frequent subject of litigation, and state courts vary in whether they interpret the use requirement narrowly for each property, or whether they take into consideration that an individual property may not itself be used for an exempt purpose but is necessary for a charity’s overall operations (Bowman 2002, 35–37). Finally, state laws vary in the treatment of property that is partially used for an exempt purpose, with nonprofits sometimes completely losing or maintaining their exemption. The most common approach is to allocate property taxes based on the share of the property used for a nonexempt purpose (Brody 2007, 283).

The treatment of rental property can be complicated. Nonprofits that rent space from a for-profit entity are normally not eligible for a property tax exemption. Property that is owned by a nonprofit and rented to another charity that uses it for an exempt purpose is also sometimes taxable, although courts have occasionally decided “to permit exemption only when the lease arrangements are at or below cost” (Gallagher 2002, 8).

CHALLENGES TO THE PROPERTY TAX EXEMPTION

The complexity of property tax laws, revenue pressures of municipalities, evolving organizational practices of nonprofits, and the



changing political climate all contribute to challenges to the property tax exemption for nonprofits. “Nonprofit entities have shown remarkable success in state supreme courts and statehouses in defending exemptions against municipal and legislative challenge” (Brody 2010b, 88). However, the following situations often lead to challenges to a nonprofit’s exemption and are considered by courts (Brody 2007, 275–279):

- Charging fees: Normally charging fees does not in and of itself lead to a revocation of tax-exempt status, especially if the fees are below market rates, a large share of customers are charged a lower

fee based on their ability to pay, or the fees subsidize a charity's general mission.

- Not receiving a large share of revenue from donations: Nonprofits that are largely financed with fees may face more scrutiny, but generally courts treat government funding and private donations similarly.
- Competing with for-profit businesses: Competition alone does not normally lead to revocation of tax-exempt status, but it is a consideration. Perhaps most important is whether a nonprofit's operations are distinguishable from for-profit competitors.
- Serving a broad charitable class: Courts often consider whether a charity serves

a broad group, as opposed to being more like a member-serving organization.

- High executive compensation: While courts do not seem to have consistent rulings on this issue, they distinguish between cases of justifiable high pay for executives who have successfully managed large nonprofit organizations, and cases of nonprofits that unjustifiably appear to be zeroing-out profits by passing on large salaries to executives.

In addition to these scenarios that might lead to questions about certain nonprofits' tax exemptions, several types of organizations are particularly likely to face challenges

BOX 1

Court Challenges to Exemptions for Nonprofit Hospitals

Nonprofit hospitals attract frequent legal challenges to their tax exemptions, and three such cases decided by state supreme courts are of particular interest. Two cases decided in 1985 show how similar rulings can lead to very different outcomes. In *Utah County v. Intermountain Health Care*, the Utah Supreme Court found that two nonprofit hospitals failed to meet the state constitution's charitable standard because they provided insufficient charity care, and thus their tax exemption was revoked (Fanning 2008, 33). Similarly, in *Hospital Utilization Project (HUP) v. Commonwealth of Pennsylvania*, the Pennsylvania Supreme Court found that a hospital support facility could not qualify for a sales tax exemption because it did not meet the requirements of a purely public charity in the state constitution. This ruling also had implications for the property tax exemption in the state (Gallagher 2002, 12).

The impact of these rulings played out very differently, however. In Utah, health care organizations worked with the State Tax Commission to develop standards requiring health care nonprofits to maintain charity care plans, publicize the availability of subsidized care, and provide unreimbursed care that exceeds the value of their



property tax exemption. The Utah Supreme Court upheld the constitutionality of these standards in a 1994 decision. Utah's approach, which has been termed a "community benefit reporting requirement," has been adopted in some form by 16 states.

The Pennsylvania Supreme Court established a five-part test to determine whether a nonprofit qualified for a charitable tax exemption. This HUP test set a high threshold to qualify for the charitable tax exemption, and resulted in confusion due to the many different interpretations by courts around the state.

to their exemptions. While court rulings vary depending on state law, it is possible to make some generalizations.

Hospitals attract more court challenges to their tax-exempt status than any other type of nonprofit organization. One important reason is that uninsured patients have been charged significantly higher rates than insured patients, because private insurers and the government negotiate large discounts for their members, and then nonprofit hospitals have employed aggressive tactics to obtain payments from their patients (Connolly 2005). It can be difficult to distinguish the operations of nonprofit and for-profit hospitals, because they often provide similar levels

of charity care (Brody 2007, 279; Shafroth 2005). A search of state cases in which health care institutions litigated a denial of property tax exemption found that for the 1990–2007 period there were 141 cases from 42 states. These cases were decided about evenly for and against the health care institution (Fanning 2008).

Nonprofits providing long-term-care housing, including retirement homes and low-income housing, may be the second most frequent target of legal challenges to the nonprofit property tax exemption, particularly when the housing is offered at market rates. Courts recognize “the clear contrast between, for example, elderly

By 1994 at least 1,000 nonprofit organizations had their tax-exempt designation challenged formally or informally (Leland 1995, 592). The HUP test and subsequent court cases led “cities, counties, townships, and school districts across Pennsylvania to solicit PILOTs under the threat of challenges to charitable tax exemptions,” including the creation of one of the nation’s most comprehensive PILOT programs in Philadelphia (Gallagher 2002, 16).

In 1997 Pennsylvania’s legislature passed Act 55, the Purely Public Charity Act, clarifying ways charities could meet the requirements for tax exemption, which made it easier for nonprofits to qualify as public charities. The Pennsylvania Supreme Court affirmed these new standards, and challenges to nonprofits’ tax exemption and pressure to make PILOTs abated. For example, PILOT contributions in Philadelphia fell from \$8.8 million in 1996 to roughly \$800,000 in 2001 (Glancey 2002).

The third case, *Provena Covenant Medical Center v. The Department of Revenue*, was decided by the Illinois Supreme Court in 2010. The Illinois Department of Revenue had ruled that a nonprofit hospital should lose its property tax exemption because it did not meet parts three and five of the five-

part test put forth in 1968 by the court in *Methodist Old Peoples Home v. Korzen*):

1. The nonprofit must have no capital stock or shareholders.
2. It must earn no profits or dividends, but instead derive funding mainly from private and public charity.
3. It must dispense charity to all who need and apply for it.
4. It does not provide gain or profit in a private sense to any person connected with it.
5. It must not place obstacles in the way of those who need the charitable benefits it provides.

The court upheld the revocation of the hospital’s tax exemption because *Provena* provided insufficient charity care and granted price reductions to less than one percent of its patients under the hospital’s charitable care program. It is too soon to tell what the repercussions of the *Provena* ruling will be. Some commentators predict that it will affect health care nonprofits across the country (Yue and Colias 2010); others note that the Illinois charitable standard for nonprofits differs from that in other states and predict that the major impact of the ruling will be limited to health care nonprofits in that state (Columbo 2010).



people who live in their own homes and pay taxes, and those who live in a property owned by a charitable institution that does not” (Gallagher 2002, 5–6).

Health clubs also face challenges to their property tax exemption because of similarities between nonprofit clubs like the YMCA and for-profit competitors. Other types of targeted nonprofit organizations include arts organizations (Gallagher 2002, 5); childcare facilities (Brody 2007, 282); “land set aside for conservation” (Brody 2007, 285); and organizations taking “controversial positions on social, economic, and cultural issues” (Youngman 2002, 33).

On the other hand, universities do not seem to face frequent challenges to their tax-exempt status, except for ancillary properties that are not being used for educational purposes. This is likely because the majority of state constitutions explicitly provide for property tax exemptions for educational institutions. Churches and religious organizations also are usually free of such chal-

lenges, due both to constitutional protections and political support, although they sometimes must account for individual properties not directly tied to religious activities. Social service organizations provide a large share of government services through contracts, often have limited revenues, and enjoy considerable political support, so they, too, are largely unaffected by challenges (Lemov 2010).

TAX SAVINGS FOR DIFFERENT TYPES OF NONPROFITS

The importance of the property tax exemption varies significantly for different types of nonprofits. Many nonprofit organizations rent space instead of owning property, and thus generally do not receive any benefit from the property tax exemption. Among nonprofits that do own real property, the tax savings from the exemption vary widely. Although it is difficult to confirm hard numbers, table 2 shows estimates of the tax savings from the property tax exemption for

different types of nonprofit organizations (Cordes, Gantz, and Pollak 2002). Overall, this study estimates that only one-third of nonprofit organizations own real property, but this fraction is much higher for larger nonprofits with higher revenues and for nonprofits that need significant amounts of property in order to carry out their core missions, such as retirement homes, hospitals, and higher education institutions. The table highlights the concentration of financial resources in the nonprofit sector, because a small number of large nonprofits with very

large tax savings inflate the average savings (\$203,144) far above the median savings (\$18,259) received by nonprofits that own property.

For the typical nonprofit organization, the savings from the property tax exemption equals roughly 2 percent of total revenues for the organization. However, for the small minority of nonprofits with revenues below \$100,000 that own real property, the property tax exemption is much more important—the median tax savings equals 14 percent of total revenues. On the other hand,

TABLE 2
Estimated Tax Savings from the Property Tax Exemption for Nonprofits that Own Real Property (1997)

	Number of Nonprofits that Own Real Property	Percent of Nonprofits that Own Real Property (%)	Tax Savings for Organizations that Own Real Property (\$)		Tax Savings as a Percent of Total Revenues (%)	
			Average	Median	Average	Median
All Organizations	151,689	33	203,144	18,259	9	2
Revenue Level						
\$100,000 or less	54,762	7	13,018	7,001	54	14
\$100,001–\$500,000	48,526	28	32,861	8,961	11	4
\$500,001–\$1,000,000	15,435	51	30,546	13,313	4	2
\$1,000,001–\$5,000,000	21,430	70	58,577	24,257	3	1
\$5,000,001–\$10,000,000	4,998	83	147,031	82,281	2	1
Over \$10,000,000	6,538	88	1,390,062	427,902	2	2
Organization Type						
Performing Arts	5,491	19	79,103	10,079	4	2
Human Service/ Multipurpose	24,138	40	49,989	13,443	5	2
Museums	1,904	44	133,682	20,181	16	4
Housing/Shelter	6,613	58	63,526	27,576	20	9
Higher Education	1,898	62	1,477,483	381,507	4	2
Retirement Homes	4,393	81	214,039	80,492	15	6
Hospitals	4,000	70	1,736,467	515,603	4	2

Notes: This table presents rough approximations, not precise calculations. The authors used the following methodology. First, they took the Federal Reserve Board's estimate of real estate owned by nonprofits in 1997 (\$900 billion), and made adjustments to remove property owned by churches and nonprofits that are not registered as 501(c)(3) organizations, and to account for nonprofits excluded from the National Center for Charitable Statistics' (NCCS) database of IRS Form 990 returns. These adjustments resulted in a \$365 billion estimate of property owned by charities in the sample. Second, the \$365 billion total was allocated to individual charities based on each organization's share of the total value of land, buildings, and equipment. The authors address the inclusion of equipment by assigning a value of \$0 to all organizations with a value of land, buildings, and equipment below \$100,000. Third, to reach an estimate of each charity's tax savings from the property tax exemption, each organization's estimated real property value is multiplied by the average effective commercial property tax rate for each state in 1997 (Minnesota Taxpayers Association 1999).

Source: Cordes, Gantz, and Pollak (2002, Table 4–6).

the total dollar value of the property tax exemption goes primarily to large nonprofits. Those with revenues above \$10 million receive nearly two-thirds of the total tax savings from the property tax exemption, despite representing only 4.3 percent of nonprofits that own real property.

Large discrepancies in tax savings are also evident when looking at different types of nonprofits. The importance of the tax savings when measured as a percent of total revenues is highest for retirement homes and other nonprofits engaged in housing

and shelter. Hospitals and higher education institutions receive by far the largest absolute tax savings from the property tax exemption. There are also large differences in the importance of the property tax exemption within each type of nonprofit.

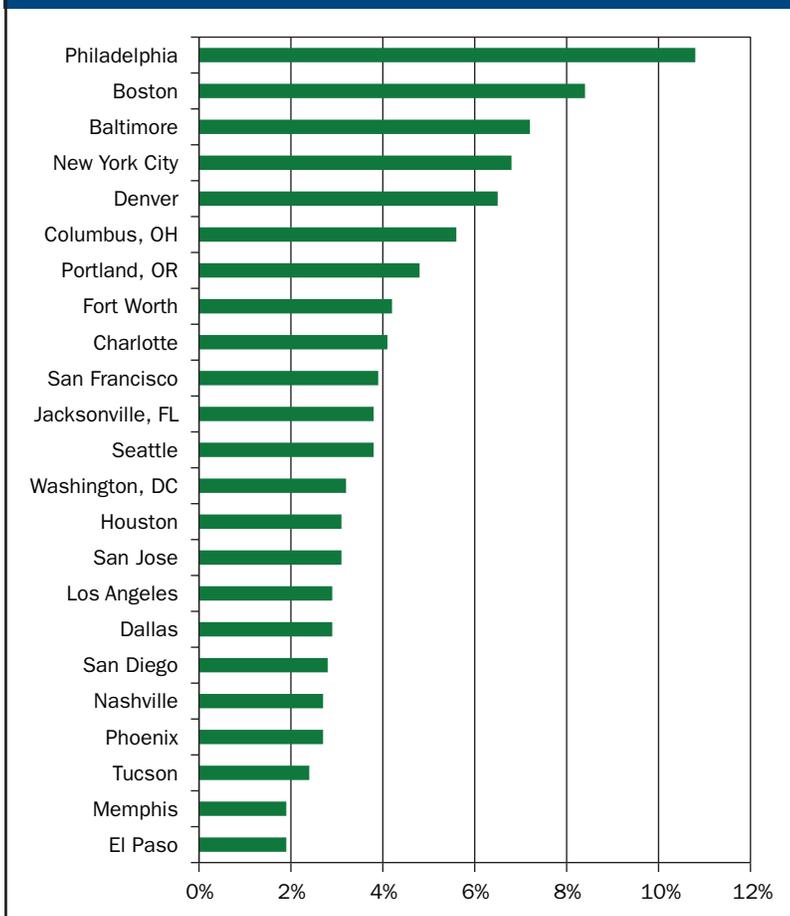
TAX REVENUE FORGONE DUE TO THE PROPERTY TAX EXEMPTION

The reduction in the property tax base caused by the charitable tax exemption has two related effects on municipalities—decreased property tax revenues, and higher property tax rates for businesses and homeowners. Assuming tax rates are constant, the percentage of would-be property tax collections forgone due to the charitable tax exemption ranges widely at the state level depending on the size of the nonprofit sector, from about 1.5 percent to 10 percent, with a national average around 5 percent of property tax revenues (Bowman, Cordes, and Metcalf 2009).

Looking at statewide averages obscures the fact that nonprofit property tends to be highly concentrated in central cities and college towns (Netzer 2002). For these municipalities, the nonprofit tax exemption can significantly shrink the tax base. *The Chronicle of Philanthropy* analyzed property assessment rolls in 2006 to determine the impact of the nonprofit property tax exemption in 23 of the 30 largest cities in the United States (Lipman 2006a). Figure 5 shows that the value of exempt property owned by nonprofits varies widely, from 10.8 percent of total property value in Philadelphia to 1.9 percent in Memphis and El Paso.

While this figure highlights the variation across cities, the statistics for individual cities should not necessarily be viewed as definitive, given differences in the emphasis placed on assessing tax-exempt property (Lipman 2006b). For example, the Boston Assessing

FIGURE 5
Estimated Value of Exempt Property Owned by Nonprofits
as a Percent of Total Property Value



Note: These statistics should be viewed as rough estimates. Policy makers should exercise caution when drawing conclusions from these data, because the quality of assessments of exempt property is wide-ranging and often unreliable (Lipman 2006b).

Source: Lipman (2006a).



Department recently conducted a detailed assessment of tax-exempt property and found that properties owned by universities and medical institutions alone were equivalent to 14.0 percent of total assessed value (City of Boston 2009), which is much higher than the 8.4 percent shown in figure 5.

In addition to the percentage of property value owned by tax-exempt nonprofits, a city's reliance on the property tax relative to other revenue sources affects the impact of the nonprofit property tax exemption on municipal budgets. Forgone property tax revenue will not have as large an impact on the budgets of local governments with a heavier reliance on sales and excise taxes, user fees, or state aid.

In general, the nonprofit tax exemption is small compared to the total property tax base, but is large compared to other kinds of state and local tax exemptions for nonprofits (box 2). Furthermore, the value of government-

BOX 2
Revenue Forgone from Various State and Local Tax Exemptions

After the property tax exemption, the two largest state and local tax savings for nonprofits are exemptions from income and sales taxes. Nonprofits also receive an indirect tax subsidy from the deductibility of charitable contributions from state and local income taxes, and from the ability to issue tax-free bonds. Every state exempts charitable nonprofits from property taxes, and all 45 states with corporate income taxes also exempt charitable nonprofits.

Exemption from sales taxes is not as common: 24 of 45 states with general sales taxes exempt purchases by charitable nonprofits, while another 16 states exempt purchases for specific categories of charitable nonprofits. Only 15 of 45 states exempt sales by charitable nonprofits (Bowman and Fremont-Smith 2006).

Sherlock and Gravelle (2009) made the following estimates of fiscal year 2009 forgone revenue from the charitable tax exemption at the state and local level:

- Property tax exemption: \$17–32 billion
- Income tax exemption of investment income: \$7–9 billion
- Income tax deduction for charitable contributions: \$3.6 billion
- Sales tax exemption: \$3.3 billion

These estimates are a lower bound, because they do not include the value of religious property and the sample does not include all charitable nonprofits (although it includes almost all large nonprofits). Both of the studies cited here estimated the forgone revenues from these state and local tax subsidies for nonprofits using data from the IRS Form 990 and information about the extent of nonprofit tax exemptions in each state.

owned property that is tax-exempt is generally much greater than the value of tax-exempt nonprofit property. In some cases the exempt value from property tax relief programs for homeowners, business tax abatements, and other tax incentives may also be larger than the value of the nonprofit tax exemption. Furthermore, a large portion of nonprofit tax exemptions accrue to religious entities, which are generally not targeted for PILOTs.



CHAPTER 3

Case Studies of PILOT Programs and Initiatives



**Harvard Medical School,
Boston**

Obtaining systematic information on PILOTs is difficult for a number of reasons. Governments that employ a payment arrangement defined here as a PILOT do not always use that term. Alternatively, some governments apply the term PILOT to a type of payment not included in our definition, such as a payment from a governmental or for-profit entity to a municipality as a substitute for full property taxes. It is easier to obtain information on broadly applied PILOT programs such as the one in Boston, but more difficult to obtain information on PILOTs made by single institutions under ad hoc or short-lived agreements. Furthermore, neither party to the transaction may be willing to make detailed PILOT information public.

To understand the scope of PILOTs in recent years, this report began with a 1998

survey of municipal finance directors and key community leaders in 73 large cities across the United States. This study was the first to gather information on PILOT activity nationwide (Leland 2002). It found PILOTs in seven large cities in six states: Baltimore, Boston, Detroit, Indianapolis, Minneapolis, Philadelphia, and Pittsburgh.

We have used Google's search engine and a comprehensive literature review to compile information on municipal PILOTs in place since 2000. This compilation included both large cities and smaller municipalities that host an educational institution or hospital that plays a major role in the city's economy, such as the small town of Lebanon, New Hampshire, which receives payments from the Dartmouth-Hitchcock Medical Center. Each of the seven cities where Leland found a PILOT program in 1998

has continued to collect revenues from PILOTs since 2000, and our research uncovered many additional municipalities with PILOTs. This finding might leave the impression that PILOT use is growing. However, both the scope (large cities vs. all municipalities) and methodology (survey vs. literature review and Google search) in these two studies are different, and thus no definitive conclusion regarding any trend in PILOT use can be reached.

A systematic, comprehensive survey of PILOT use for every municipality in the United States is not available, but several sources provide information on their likely magnitude. First, U.S. Census data show that PILOTs made by nonprofits are just one of many items included under “miscellaneous revenue, not elsewhere classified” or falling “within the definition of general revenue, but not classifiable as a tax, intergovernmental revenue, or current charge.” That entire category accounted for 5 percent of municipal revenue in FY2007 (Census of Governments 2007), indicating that, in aggregate, PILOTs contribute only a small fraction of municipal revenues.

Second, a study of hospital PILOTs focused on the 10 private hospitals included in the *U.S. News* 2004 Honor Roll (Schiller 2004). Five of them made PILOTs, one formerly made a PILOT, and four had not made any. Hospital PILOT amounts ranged from a \$300,000 fire service fee paid to Durham, North Carolina, by the Duke University Medical Center to \$5.8 million in fire and police service fees paid to Palo Alto, California, by the Stanford Hospital and Clinics.

A third source in *The Chronicle of Higher Education* (2010) examined PILOTs made by research universities across the United States. After applying the PILOT definition used in this report, and focusing only on private colleges, we determined that 16 of the top private research universities in the

United States made PILOTs to the municipalities in which they are located. Among the universities that reported PILOTs, annual contributions ranged from \$500,000 from the University of Notre Dame to \$7.5 million from Yale University.

Some of these PILOTs are long-standing, dating to the 1920s, but four were instituted since 2000. The basis for payments ranges from assessed value, number of employees, or number of residence beds to what the university thought it could afford. In Pittsburgh, all voluntarily contributing nonprofits pay into a public service fund organized by local nonprofits, but the individual contribution amounts are not revealed.

Information on PILOTs in selected cities and towns illustrates that the revenue generated by PILOTs is often small, amounting to a fraction of 1 percent of the city budget (table 3). However, on occasion PILOT revenue can comprise a significant portion of the budget, as in Bristol, Rhode Island, where PILOT revenue from Roger Williams University contributes nearly 5 percent of the city budget. Several case studies illustrate the factors affecting both the potential and pitfalls of PILOTs.

BOSTON, MASSACHUSETTS

As a city renowned for its many world-class colleges, universities, and hospitals, Boston has one of the longest standing PILOT programs and the most revenue productive program in the country. In FY2009 Boston obtained \$15.7 million in PILOTs from all tax-exempt nonprofits. Even so, this is a small percentage of the total city budget (0.66 percent). Educational and medical institutions accounted for \$14.9 million of this total, which is only 4.3 percent of what these organizations would have paid if they were liable for property tax payments at the commercial rate (table 4). Educational and medical organizations would have

contributed 24.6 percent of city property tax revenue if they were taxable entities (City of Boston 2008; 2009; Boston Assessing Department 2010).

When a nonprofit expands its real estate holdings, particularly when it acquires previously taxable property and applies for tax exemption or when it begins new construction, the Boston city government initiates a conversation with the objective of reaching a PILOT agreement between the city and the nonprofit. Factors that affect the payment include the size and usage of the property or project. Agreements extend between 10 and 30 years, and negotiated payments are subject to an annual escalator clause. Community service benefits provided by nonprofits are taken into account and can offset up to 25 percent of the negotiated cash PILOT.

In January 2009 Boston Mayor Thomas Menino initiated a PILOT Task Force to review the current PILOT program, with the likely but not explicitly stated goal of raising additional revenue from nonprofits. While Boston University, Harvard University,

Massachusetts General Hospital, Brigham and Women's Hospital, and Tufts Medical Center each make annual payments to the city over \$1 million dollars, many nonprofits make no PILOT. An additional concern is the wide range in payments. In the latest year for which data are available, Harvard paid nearly \$2 million, while Boston College paid less than \$300,000.

The issue of increasing PILOT amounts is viewed very differently by some government officials and representatives of nonprofit groups. According to City Councilor Stephen Murphy, a member of the city's PILOT Task Force, 13 of the city's 16 private colleges and universities contribute revenues under PILOT agreements, but these agreements fail to compensate the city adequately for its services (Marcelo 2009). Twice Murphy has petitioned the legislature to allow full taxation of nonprofit organizations and Representative Michael Moran (D-Boston) sponsored a bill to assess nonprofits at 25 percent of the value of their property. In contrast, Richard Doherty, president of the Association of Independent Colleges and Universities in

TABLE 3
PILOT Contributions to Municipal Revenues

City	Revenue Generated (\$)	City Budget (\$)	Year	Revenue Generated as Share of Total Budget (%)
Baltimore, MD	5,000,000	1,493,018,000	FY2001	0.33
Boston, MA	15,685,743	2,380,000,000	FY2009	0.66
Bristol, RI	2,100,000	44,017,031	FY2009	4.77
Butler, PA	15,000	8,442,098	FY2010	0.18
Cambridge, MA	4,508,000	466,749,012	FY2008	0.97
Detroit, MI	4,160,000	2,460,000,000	FY1998	0.17
Lebanon, NH	1,280,085	42,312,510	FY2010	3.03
Minneapolis, MN	158,962	1,400,000,000	FY2009	0.01
New Haven, CT	7,500,000	648,585,765	FY2010	1.16
Pittsburgh, PA	4,416,667	496,611,848	FY2007	0.89
Providence, RI	2,500,000	444,544,123	FY2010	0.56

Note: In the cases of Baltimore, Bristol, Pittsburgh, and Providence, the total payment was divided by the number of years for an estimated annual payment.

Source: Authors' research.



**TABLE 4
Estimated Property Tax Revenue if Taxable and PILOTs for Nonprofits in Boston (FY2009)**

Institution	Exempt Value (FY2009) (\$)	Property Tax Revenue if Taxable (\$)	PILOT Amount (\$)	PILOT as % of Revenue if Taxable
Educational Institutions				
Boston University	2,115,919,700	57,362,583	4,892,138	8.53
Harvard University	1,477,225,500	40,047,583	1,996,977	4.99
Suffolk University	237,230,300	6,431,313	375,290	5.84
Berklee College of Music	161,741,600	4,384,815	361,222	8.24
Boston College	561,952,500	15,234,532	293,251	1.92
Mass. College of Pharmacy	106,910,300	2,898,338	227,980	7.87
Tufts University	151,760,200	4,114,219	152,159	3.70
Emerson College	177,826,400	4,820,874	139,368	2.89
Showa Institute	54,718,800	1,483,427	120,966	8.15
Wentworth Institute of Technology	207,977,400	5,638,267	40,747	0.72
Northeastern University	1,351,225,100	36,631,712	30,571	0.08
Simmons College	152,572,500	4,136,240	15,000	0.36
New England Law Boston	15,888,500	430,737	13,125	3.05
Emmanuel College	165,162,000	4,477,542	0	0.00
Fisher College	16,719,000	453,252	0	0.00
Wheelock College	60,362,200	1,636,419	0	0.00
Medical Institutions				
Massachusetts General Hospital	1,457,667,100	39,517,355	2,200,964	5.57
Brigham and Women's Hospital	815,886,700	22,118,688	1,315,822	5.95
Tufts Medical Center	581,770,900	15,771,809	1,015,628	6.44
Mass. Bio-Medical Research Corp	146,236,500	3,964,472	818,728	20.65
Children's Hospital	691,857,800	18,756,265	250,000	1.33
Boston Medical Center	300,928,700	8,158,177	221,644	2.72
Beth Israel Deaconess Med. Center	823,114,100	22,314,623	167,000	0.75
Dana Farber Cancer Institute	226,522,000	6,141,011	131,475	2.14
Spaulding Rehabilitation Hospital	86,751,700	2,351,839	77,534	3.30
Caritas St. Elizabeth's Med. Center	252,504,700	6,845,402	0	0.00
Faulkner Hospital	181,881,400	4,930,805	0	0.00
New England Baptist Hospital	144,781,500	3,925,026	0	0.00
Total of All Institutions	12,725,095,100	344,977,325	14,857,589	4.31

Note: PILOT includes three categories: cash PILOT (91.6% of total), community service credits (5.3%), and property taxes paid on properties that would normally qualify as exempt based on their use (3.2%).

Source: City of Boston (2009, 44–45).

Massachusetts, has stated, “The colleges and universities and teaching hospitals in Boston pay about \$15 million a year in payments in lieu of taxes . . . that’s the highest amount, I believe, of any city in the country” (Short-sleeve 2009).

The PILOT Task Force issued recommendations in April 2010 that cover many important features for a systematic PILOT program, including using a basis for calculating PILOT amounts (in this case, assessed value); granting community benefit offsets

that reduce a nonprofit's cash PILOT; and extending the range of nonprofits targeted for payments beyond colleges, universities, and hospitals to secondary educational institutions and cultural institutions, such as museums (City of Boston 2010).

THE MACDOWELL COLONY IN PETERBOROUGH, NEW HAMPSHIRE

The MacDowell Colony, founded in 1907 to promote the arts, operates an artists-in-residence program in 32 art studios and various common buildings on 450 acres in Peterborough, New Hampshire. Artists from across the country compete for a MacDowell Fellowship.

Former fellows include Leonard Bernstein, Willa Cather, Aaron Copland, Alice Walker, and Thornton Wilder.

In 2005, 246 artists including one New Hampshire resident were selected to receive fellowships. The Peterborough Board of

Selectmen challenged the colony's tax exemption on the basis that, among other reasons, it "failed to meet the statutory requirement that residents of New Hampshire be admitted to a charity's benefits." Selectmen offered to accept a substantial PILOT, but when MacDowell refused the offer, the town revoked the organization's tax exemption. Without its tax-exempt status, MacDowell Colony's property tax bill would have been \$160,000 per year (*Town of Peterborough v. The MacDowell Colony, Inc.* 2008).

MacDowell appealed the selectmen's decision. Eventually the New Hampshire Supreme Court voted in favor of MacDowell, ruling its promotion of the arts benefits the general public, which automatically includes residents of New Hampshire. A MacDowell Colony (2008) press release states, "While defending MacDowell's charitable status required significant time and resources, the Colony's board of directors felt the issue was sufficiently important to pursue at the

**MacDowell
Colony**



highest level. MacDowell hoped the case would set a precedent, one that would safeguard other charitable organizations from increasing pressure by municipalities to pay taxes they do not owe.”

PROVIDENCE, RHODE ISLAND

In 2003 the City of Providence reached an agreement with its four private colleges for payments in lieu of property taxes totaling \$48 million over 20 years. At the time Mayor David Cicilline argued, “With total annual budgets of \$750 million, combined endowments of \$2 billion, and over 25,000 students—the vast majority of them from outside of Providence—these institutions are thriving in our city. Yet for all the annual police, fire, public-works, and other services these enormous institutions consume, they pay virtually no compensation to the city” (Perry 2003).

By 2009 the economic downturn forced Providence to search for more revenue, and the value of property owned by nonprofits had more than doubled since the start of the decade. For both reasons, Providence sought to increase the revenues raised from colleges, and planned to obtain PILOT revenue from hospitals for the first time. The colleges objected, citing the earlier agreement and noting they faced their own financial challenges.

State legislation was filed that would allow a tuition tax, a \$150 fee per semester for each full-time student from out of state, as well as legislation to allow Rhode Island cities to collect payments up to 25 percent of the property tax liability that would be owed if exempt properties were subject to full taxation (Marcelo 2009).

In September 2009 the city established a Commission to Study Tax-Exempts with several objectives, including determining the costs associated with providing city services to tax-exempt organizations and developing a methodology for valuing community partnerships made by tax-exempt institutions.



Yale University

The commission has not yet issued its final report. It is important to note that Rhode Island and Connecticut are the only two states where the state government makes PILOTs to municipalities hosting private non-profit hospitals and educational institutions.

YALE UNIVERSITY IN NEW HAVEN, CONNECTICUT

In 1991 Yale entered into a formal agreement with New Haven to make a \$1.2 million annual PILOT, and over time that financial contribution has risen (Kodrzycki and Munoz 2009, 23). In February 2009 Yale agreed to increase its payments by 50 percent, with the university contributing around \$7.5 million per year starting in 2010 (Zapana 2009), but the story of Yale’s contribution to New Haven goes far beyond its PILOT.

Since the mid-1980s, Yale has been actively involved with public officials and corporate leaders in fostering New Haven’s economic development. A study of resurgent U.S. cities concluded that universities can make a substantial difference in a city’s economic future, noting that, “Yale emerged as the engine of New Haven’s revitalization”

(Kodrzycki and Munoz 2009, 21). In addition to its role as a major employer and incubator for the biomedical sector, Yale has been involved in the city's revitalization in other ways, including funding The Center for the City, an organization aimed at tapping New Haven's civic resources to tackle its social problems; redevelopment of several blocks of the city's retail center; and paying a stipend for Yale employees buying homes in the city (Kodrzycki and Munoz 2009, 23).

Although Yale's efforts stand out for their magnitude, other town-gown economic development collaborations have evolved in places such as Greensboro, North Carolina; Philadelphia, Pennsylvania; and Worcester, Massachusetts. From the local government perspective, colleges and universities can be important anchors for employment and economic development, and from the college or university perspective, fixed assets make relocation difficult and a city's positive image helps it attract students, faculty, and staff (Sungu-Eryilmaz and Greenstein 2010, 8).

STATE AND FEDERALLY FUNDED PILOT PROGRAMS

State-funded programs in Connecticut and Rhode Island make PILOTs to municipalities for exempt property owned by nonprofit educational and medical institutions. Sometimes these are called GILOT programs (grants in lieu of taxes) to distinguish them from the types of PILOTs described previously.

Under Connecticut's program, which is the more long-standing and well-financed of the two, the state reimburses municipalities for revenue forgone because of the property tax exemption afforded to colleges and hospitals. Initially the state reimbursed local communities for 25 percent of the amount that colleges and hospitals would

have paid in property taxes if they were taxed. Over time, this percentage was raised several times, until it was set at 77 percent in 1999 (Carbone and Brody 2002). In FY2008, Connecticut's total payment under the program was \$122.4 million, which was paid to 57 municipalities and 7 special districts (State of Connecticut 2008).

Rhode Island reimburses municipalities for tax revenue forgone from nonprofit educational institutions and hospitals, state-owned hospitals, veterans' residential facilities, and correctional facilities, but on a much smaller scale. Under this program, introduced in 2006, municipalities are reimbursed for 27 percent of tax revenue forgone. For FY2010, Rhode Island will pay out \$27.6 million (State of Rhode Island 2009).

One of the strongest arguments in favor of a state-funded PILOT program is that the property tax exemption for nonprofits is created by the state and typically provides benefits to citizens beyond municipal borders. Another argument is that the statewide treatment of nonprofits can be more systematic than local PILOTs, which often appear to be ad hoc in nature.

There are some difficulties with such a program, however. State budget problems may mean that the funding is unreliable from year to year. Just as states tend to cut aid to local governments during recessions, they are likely to cut appropriations under PILOT programs. A different kind of problem is an incentive for local assessors to overstate the value of nonprofit property covered under such a program, since any overstatement will increase state grant revenue at no cost to the municipality. To counteract this temptation, a state PILOT program must include some monitoring of local assessment practices.

The federal government also has several programs for compensating local governments

for forgone taxes on property owned by the federal government. The U.S. Payments in Lieu of Taxes (PILT) program makes payments to local governments (primarily counties) for public land owned by the Interior Department or the U.S. Forest Service. In FY2009, the PILT program directed \$382 million to local governments, with 84 percent going to 12 states in the Mountain West and Pacific regions, including Alaska (U.S. Department of the Interior 2010). Many states also make PILOTs on behalf of state-owned property, notably in capital cities.

POTENTIAL FOR MUNICIPAL PILOT PROGRAMS

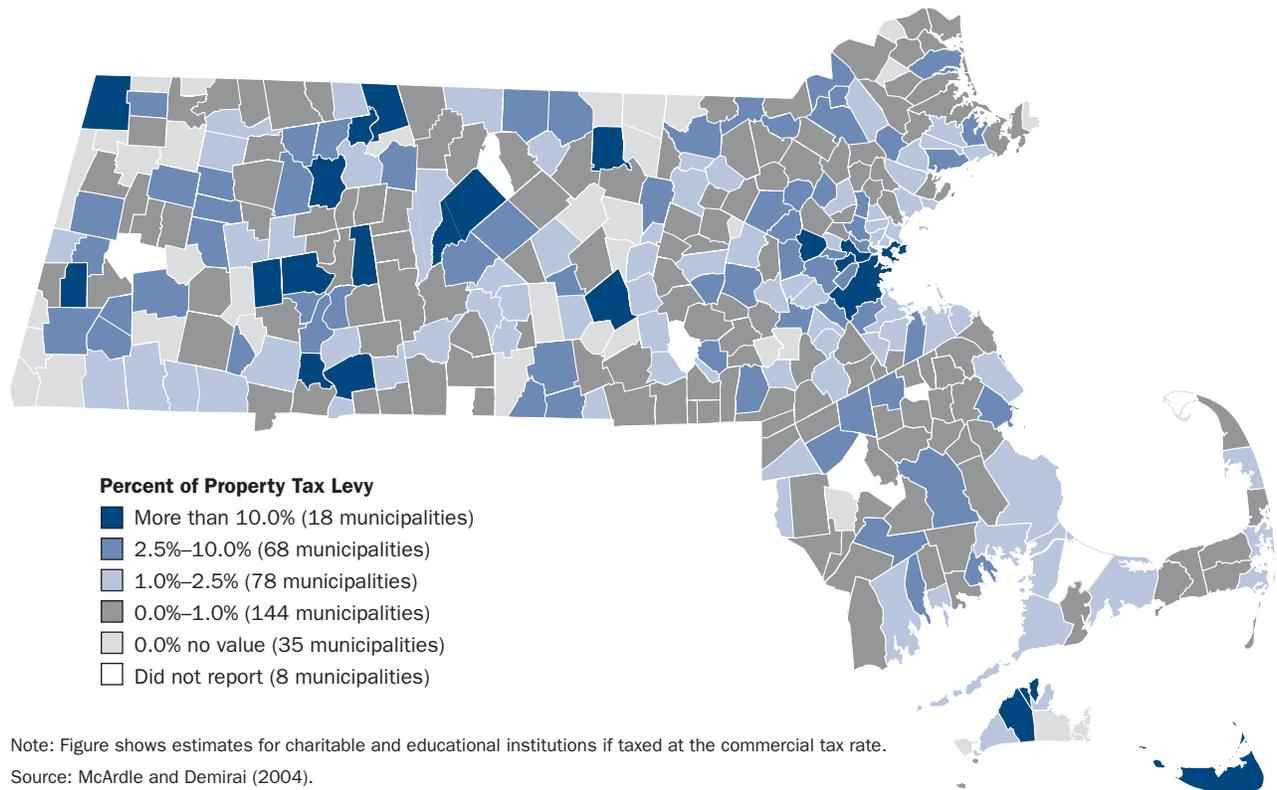
Nonprofits vary greatly in the amount of revenue they earn and the value of the assets they control. Four nonprofit sectors—

hospitals, health other than hospitals, higher education, and human services—account for 59 percent of nonprofit assets and 78 percent of revenues. Of these four sectors, hospitals have the largest proportion of both revenues and assets.

The Massachusetts Department of Revenue conducted a survey in FY2003 of the state's 351 municipalities to look at property owned by tax-exempt charitable and educational institutions (McArdle and Demirai 2004). These organizations owned property worth \$22 billion, or approximately 3 percent of total property value in the state. However, there were large variations across communities. Figure 6 shows the share of property tax revenue from these organizations if the property tax exemption was removed and they were taxed at the commercial tax

FIGURE 6

Share of Property Taxes Paid to Massachusetts Municipalities by Nonprofits if Exemption Removed (FY2003)



rate in each municipality. While tax revenues forgone due to the property tax exemption were less than 1 percent of total property tax revenues in the majority of the state's municipalities, they exceeded 2.5 percent of total property tax revenues in one-quarter of the municipalities, and exceeded 10 percent of total revenues in 18 communities.

The Minnesota Budget Project and Property Tax Study Project (2000) researched the revenue potential of PILOTs in the state's 2,700 cities and towns based on the value of property owned by charitable institutions and hospitals, but not governments, churches, or colleges. Table 5 indicates that if cities and towns were to collect property taxes from charitable institutions and hospitals, the impact on total local property tax revenues would vary greatly. While 78 percent of Minnesota cities and towns would receive no additional property tax revenue because they have no charitable institutions or hospitals, six cities and towns would be able to increase property tax collections by more than 10 percent, assuming they held the tax rate constant. Alternatively, they could reduce the tax by 10 percent on the rest of the taxpayers.

TABLE 5
Revenue Potential of PILOTs in Minnesota

Number of Cities and Towns	Potential Increase in Property Tax Revenue
2,105	0, No potentially taxable nonprofits
447	Less than 1%
125	1–5%
17	5–10%
6	Greater than 10%

Note: Revenue would be collected from charitable institutions and hospitals but not governments, churches or colleges. A tax rate of 0.38% was assumed.

Source: Minnesota Budget Project and Property Tax Study Project (2000).

The number of nonprofits, expenses, and assets by U.S. region is shown in table 6. Northeastern states host a disproportionately large share of nonprofit organizations, while the South has the smallest share. This same pattern holds for nonprofits' expenses, although nonprofits in the West have the lowest level of assets. The potential to raise revenue from PILOTs is likely to be concentrated in the Northeastern states and in certain cities and towns, with health and education nonprofits being the most likely revenue generators.

TABLE 6
Nonprofits by U.S. Census Region (2005)

Region	Number of Organizations per 10,000 Population	Expenses per Capita (\$)	Assets per Capita (\$)
Northeast	12.8	5,462	11,325
Midwest	10.9	3,800	7,139
South	9.0	2,690	5,186
West	10.5	3,125	4,757
Total	10.9	3,601	6,751

Source: Wing, Pollak, and Blackwood (2008, 198–200).



CHAPTER 4 Arguments For and Against PILOTs

There are several compelling reasons to expect charitable nonprofits to make PILOTs to their host municipalities, but major problems exist in the way PILOTs are currently collected in many places.

ARGUMENTS FOR PILOTs

Nonprofits should pay for the public services they consume.

Perhaps the most basic reason to expect nonprofits to make PILOT contributions is that these organizations directly benefit from the public services provided by municipalities, and thus should make payments to offset their cost. Some of the services provided by municipal governments are essential for the operation of nonprofits, while others are not. One way for municipalities to determine an appropriate level of PILOT contributions is to distinguish between public services that directly benefit nonprofits, as opposed to services that benefit specific residents or the community as a whole.

For example, members of Boston’s PILOT Task Force have established a 25 percent standard, whereby the city would seek PILOTs equal to 25 percent of the property taxes that would be owed if the nonprofits’ properties were fully taxable. This goal was set “since approximately 25 percent of the City’s budget is allocated for core City services such as police protection, fire protection, and public works—services consumed by tax-exempt institutions” (City of Boston 2009, 26).

Figure 7 shows several categories of spending made by municipal governments in FY2007. The first three categories total 37.8 percent of municipal budgets, and include core public services that are essential



for the operation of nonprofits—police and fire protection, sewers and waste management, and roads. This is considered a low-end estimate of the public services used by nonprofits because other types of services that directly benefit nonprofits are not included in these categories. County governments and special districts also provide services directly benefiting nonprofits, but do not normally receive PILOTs and thus are not included in the figure.

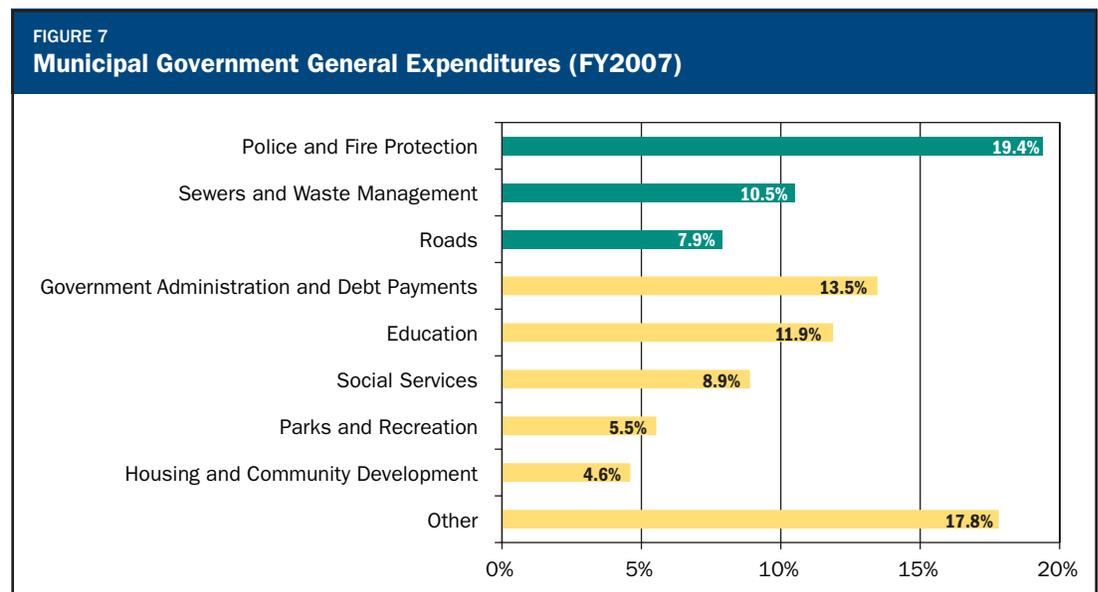
PILOTs provide essential revenue for some municipalities and allow tax exporting.

For municipalities with a large share of tax-exempt nonprofit property, PILOTs can provide essential revenue that can be used to provide improved public services, lower property tax rates, or pursue other policy goals. PILOTs are sometimes dismissed because they currently make a small contribution to municipal budgets when measured in percentage terms. However, the revenue that could be generated with expanded use of PILOTs is considerable, even with non-

profits paying a quarter or less of what they would pay if their properties were all taxable.

Relative size is not the only way to measure the importance of a PILOT program; the dollar value matters, too. For example, in FY2009 nonprofit organizations in Boston made PILOTs worth \$15.7 million. Although that payment was only 0.66 percent of the city’s budget, it was more than enough to fund snow removal for an entire winter, or about half of the budget for the city’s library system (City of Boston 2008; 2009).

PILOTs are also a way for municipalities to export their tax burden to nonresidents, because most revenues for universities, retirement homes, and sometimes hospitals come from people who live outside the municipality (Brody 2005). Some economists may oppose this strategy, because property taxes serve as the “price” for local services (Fischel 2001), and thus a tax that is exported to nonresidents may lead to overspending by municipalities. However, tax exporting may be a justifiable policy to the extent that the benefits provided by nonprofits spill over



Source: Census of Governments.



into surrounding communities, while the costs in terms of forgone revenues are concentrated in one city. This is particularly the case when economically strong suburbs surround a center city whose tax base has been depleted due to a high number of nonprofits.

PILOTs can address inequities created by the charitable property tax exemption.

One critique of the charitable property tax exemption is the perceived inequity in the distribution of tax savings. Generally the greatest tax savings go to large nonprofits with the most valuable landholdings, especially hospitals, higher education institutions, and tax-exempt housing facilities, while most small nonprofits receive relatively little in tax benefits. The large nonprofits are the same ones most frequently targeted for PILOTs. Conversely, smaller nonprofits, especially social service providers, are rarely targeted.

Because nonprofits that rent space from private owners are generally not eligible for

the property tax exemption, about two-thirds of nonprofit organizations do not receive any benefit from the exemption (Cordes, Gantz, and Pollak 2002). However, to the extent that landlords pass on some portion of their property taxes in the form of higher rent, organizations that rent still pay property taxes. This raises concerns about horizontal equity, since two nonprofits that are similar in almost every respect may receive dramatically different tax benefits solely because one nonprofit owns its property while the other one rents.

PILOTs can reduce inefficient location decisions made by nonprofits.

According to economic theory, the charitable property tax exemption distorts the location decisions of nonprofits because it creates an incentive for them to locate in center cities where the tax savings are high compared to adjacent municipalities (Quigley and Schmenner 1975). It is well established that property taxes are capitalized into selling

prices—for otherwise identical properties, the one with higher property taxes will have a lower selling price, which equalizes total expenses over the life of the property (Yinger et al. 1988). Consequently, within a given metropolitan area, nonprofits have a financial incentive to locate in municipalities with high tax rates, because their decisions are based solely on selling prices, not property taxes (McEachern 1981).

The empirical evidence that the charitable tax exemption leads nonprofits organizations to locate in municipalities with high property tax rates more frequently than they would without the tax exemption is weak, but this potential inefficiency is still a concern (Hansmann 1987; Chang and Tuckman 1990).

By making nonprofits pay more for choosing to locate in high-tax municipalities with a large share of tax-exempt properties, PILOTs can help offset distortions created by the property tax exemption. PILOTs can also address two other inefficiencies: the incentive for tax-exempt nonprofits to have a higher ratio of capital and land to labor, and to own property instead of renting.

ARGUMENTS AGAINST PILOTs

PILOTs are often ad hoc, secretive, and contentious.

Table 7 contrasts PILOTs with many desirable features of a tax system. Many of the problems with PILOTs result from the fact that they are voluntary payments. As a result, PILOTs are haphazard—the level of PILOT amounts normally depends more on the aggressiveness of municipal officials than on property values or the level of public services consumed by nonprofits. Consequently there are huge horizontal inequities, with similar nonprofits making very different PILOTs even within the same municipality.

The processes that lead to PILOTs are harshly criticized by many nonprofits that view PILOTs as a kind of extortion. Even though they are legally tax-exempt, nonprofits may feel that it is in their best interest to make a contribution, because otherwise they could face the possibility of having their property tax exemption challenged in court, face resistance when trying to secure building permits, or lose government contracts. In the process of fighting over PILOTs, both municipalities and nonprofits can spend

TABLE 7
Desirable Features of a Tax System vs. PILOTs

Desirable Features of a Tax System	Common Pitfalls with PILOTs
Horizontal equity: Taxpayers in similar situations pay similar taxes. For example, two homeowners with similar property values pay similar property taxes.	Because PILOTs are voluntary, two tax-exempt nonprofits with similar property values often make very different PILOTs.
Vertical equity: Taxpayers with a greater ability to pay often face higher tax bills.	Large nonprofits with highly valued real property may pay less in PILOTs than smaller nonprofits with lower property values.
Low administrative costs: The costs of government administration plus compliance costs for the private sector are low relative to the amount of revenue raised.	The costs of government administration for PILOTs (including costs for assessing tax-exempt property), the expenditures nonprofits make to avoid or reduce PILOTs, and the potential costs of litigation for both parties can all be high.
Revenue sufficiency: The tax system raises enough revenue to pay for the desired level of public services.	PILOTs normally raise little revenue relative to what nonprofits would pay if taxable, but can still provide crucial revenue for some municipalities.
Transparency: The tax system should be simple and easy to understand.	PILOTs are often negotiated secretly, and the payments are often determined in an ad hoc way with no underlying basis.
Predictability: Tax rates should be fairly stable from year to year so taxpayers can plan for future liabilities, and government should be able to rely on a stable revenue stream.	PILOTs are often short-term agreements, which leave municipalities uncertain that they will continue to raise sufficient revenue, and nonprofits concerned that they will be asked for higher and higher payments in the future.

significant amounts of money on legal fees and end up with their reputations tarnished.

PILOTs provide limited and unreliable revenue.

PILOT programs normally do not generate significant revenue relative to the size of municipal budgets. Leland (2002) summarized PILOT programs in several large cities in the 1990s, and found that PILOTs as a percentage of these cities' budgets were relatively small: 0.15 percent in Baltimore; 0.17 percent in Detroit; 0.54 percent in Philadelphia; 0.77 percent in Pittsburgh; and 1.37 percent in Boston.

It can also be difficult for municipalities to negotiate long-term PILOT agreements that provide a reliable revenue source, even from nonprofits willing to make significant financial contributions. Brody (2010b, 88) outlines a frequent source of conflict between municipalities and nonprofits:

Municipalities above all seem to be seeking a predictable revenue stream that they can count on for budgeting purposes, but colleges [and other nonprofits] justifiably fear agreeing to long-term commitments. It is not just concern about future revenue needs—colleges worry about a creeping line of scrimmage. Hence the insistence by nonprofits that contributed to the Pittsburgh Public Service Fund that each year's collective multimillion dollar PILOT was a "gift" that couldn't be compelled or become a base line for future contributions.

Nonprofits often reject the idea of making PILOTs because they want to avoid any direct challenge to the property tax exemption itself and are worried about creating the impression that they are taxable organizations. Concern about establishing the precedent that nonprofits are taxable is justifiable. While most state constitutions allow for tax exemp-

tions for charitable nonprofits, state court decisions and new statutes can dramatically narrow the interpretation of these constitutional provisions. It is important for local governments interested in voluntary contributions from nonprofits, but not interested in challenging the property tax exemption itself, to make this intent explicit in the contracts signed between nonprofits and municipalities that form the basis of ongoing PILOT agreements.

The limited revenue potential of a PILOT program must be weighed against the possibility of significant legal and administrative costs. To be fair for nonprofits, PILOT programs should consider the community benefits provided by each nonprofit organization, and the assessed value of its tax-exempt property. However, collecting these data entails some administrative costs for municipalities and compliance costs for nonprofits. Finally, heavy-handed requests for PILOTs can strain relationships between municipalities and nonprofits, which is another cost to consider since successful partnerships can be very beneficial for municipalities.

PILOTs could lead nonprofits to raise fees, cut services, or reduce employment.

The added cost of making PILOTs may have some negative consequences for nonprofits, such as the possibility that they will raise fees charged to their beneficiaries, cut services, reduce employment, or relocate. Certainly it is important to consider the implications of the extra expense. Nonprofits will respond differently based on the type of organization, their reliance on different revenue sources, their current budget situation, and other factors. However, as long as PILOTs are truly voluntary, and not just voluntary in name, a nonprofit presumably would decline to make a PILOT if doing so would have severe



consequences, such as forcing the non-profit to drastically cut core services or relocate.

One of the most likely reactions of non-profits to the extra expense of a PILOT is to increase user fees, which accounted for 49 percent of revenues for charitable non-profits in 2005 (Wing, Pollak, and Blackwood 2008, 134). This response is especially likely for non-profits that rely heavily on fees and provide services where demand does not fall much in response to higher prices, such as a marginal increase in college tuition. Because fees will normally be paid in part by beneficiaries who live outside the municipality, this response is effectively a type of tax exporting, and possibly a better match between the benefits and costs of the non-profit.

While it is doubtful that non-profits would make severe cuts to their main operations because of a PILOT, they could decide to cut charitable services that are not central to their core mission. For example, in response to making a \$2 million PILOT, Brown University “eliminated more than \$600,000 in support for HELP, an urban health and education program” (Worcester Regional Research Bureau 2004, 3).

Nonprofits often argue that PILOTs could force them to cut payrolls or make other changes that would diminish the economic benefits that accrue to the local community. There is no doubt that these benefits can be significant. In addition to direct employment, large nonprofits such as hospitals, universities, and museums can serve as anchor institutions that bring non-residents into city centers, create businesses to supply goods and services demanded by the anchor institutions, and foster urban renewal (Penn Institute for Urban Research 2009). Universities can provide particularly large dividends for a community’s long-term success, including a more highly skilled workforce, innovative start-ups, a vibrant cultural life, and all of the jobs and tax revenue that go along with these benefits (Appleseed Consultants 2003).

However, focusing on the general economic benefits generated by nonprofits is not an argument against PILOTs per se. For-profit businesses are also major employers and generate similar economic benefits, and do pay property taxes. Higher PILOTs could reduce property tax rates for for-profit businesses, and in turn increase employment in the private sector.

Other possible responses by nonprofits include attempts to raise donations to cover the expense of the PILOT, or to lower operational costs through efficiency improvements. However, it is normally not possible to rely on increased donations to cover the cost of PILOTs, because PILOTs are unlikely to encourage philanthropy and are often sought during recessions when nonprofits also face declines in donations and government grants (National Council of Nonprofits 2010). Furthermore, during a recession nonprofits will have already pursued cost-cutting measures to raise efficiency in response to general declines in revenue.



CHAPTER 5 Implementing and Structuring a PILOT Program



In light of the problems with the way PILOTs are currently solicited in many municipalities, this chapter offers some guidance on how to avoid common pitfalls for municipalities interested in seeking PILOTs from nonprofits and describes the processes often used to obtain PILOTs. It also examines various features of established PILOT programs and some alternative ways to raise revenues from nonprofits and other entities.

PILOTs are not appropriate for all municipalities. Before implementing a PILOT program, municipal officials should consider some key information—most importantly, the value of tax-exempt property owned by nonprofits as a percentage of total property value in the municipality. PILOTs can provide essential revenue for municipalities with a large share of tax-exempt property, but

they may not be worth the cost and effort in municipalities without a large nonprofit sector. Municipalities should also consider the types of nonprofits that own property in their communities, and their ability to contribute to the local budget (Worcester Regional Research Bureau 2004).

Public officials also must have a solid understanding of the legal basis for the charitable property tax exemption. Municipalities are probably more likely to receive significant PILOTs if they are located in states with a narrower definition of charity or more stringent requirements on the use of exempt property. In addition, local political support for PILOTs must be considered. Tax-exempt nonprofits often fight PILOT attempts aggressively, and municipalities are more likely to obtain PILOTs if they have support from taxpayers, politicians, public

employees, the local media, and others before trying to institute such a program.

MUNICIPAL STRATEGIES TO OBTAIN PILOTS

Municipalities that have successfully solicited PILOTS from nonprofits have often employed a “carrot and stick” approach—with explicit appeals to the nonprofits’ sense of community responsibility, as well as the potential consequences of not contributing.

The Carrot: Appeals to Community Responsibility and Fairness

Requests for PILOTS are often couched in terms of community responsibility and fairness. In particular, some people argue that it is fair to expect nonprofits to make payments to partially cover the cost of local public services, and that a contribution is part of being a good neighbor.

For example, a letter from the City of Cambridge, Massachusetts (2010), to tax-exempt property owners appeals to a sense of fairness: “It is only fair to expect exempt property owners to make some contribution towards the cost of municipal services.” It notes that despite being much less than what a taxable entity would pay, a payment would be a “significant and appreciated contribution to the fiscal well-being of the City.” The letter also explains that PILOTS help provide an adequate level of public services that benefit both tax-exempt property owners and other residents of the community, which is another common appeal.

Universities in particular are often sympathetic to this argument since so many of their students and faculty live in the area and a vibrant community helps attract students. Finally, making a PILOT can improve a nonprofit’s public image, which can be particularly important for nonprofits with strained relations in the local community or with controversial expansion plans.

The Stick: Coercive Strategies that Lead to PILOTS

Appeals to community responsibility are often not enough for municipalities to obtain significant PILOT amounts, so local governments may choose to use one or more other strategies to obtain PILOTS.

First, the threat of new fees or taxes on charitable nonprofits—imposed either locally or at the state level—has led nonprofits to make PILOTS, because these voluntary contributions are viewed as preferable to the fees or taxes. While it is impossible to know the intentions of municipal officials, it appears that fees on nonprofits are often introduced as a strategic tool to compel PILOTS.

For example, a tuition tax proposed in Pittsburgh in 2009 was dropped when local colleges and universities agreed to make PILOTS worth about \$5 million per year (Urbina 2009). In Baltimore, a 2001 proposal to impose an energy tax on all nonprofits was dropped once “the city’s nonprofit hospitals, colleges, universities, and nursing homes agreed to pay the city a total of \$20 million over the next four years” (Anft 2001). In Watertown, Massachusetts, Harvard University agreed in 2002 to make a PILOT worth at least \$3.8 million per year with a 3 percent annual adjustment through 2054. Based on an interview with the town manager, a newspaper article said that “the turning point in the negotiations followed a push by Watertown officials for a bill in the Legislature that would have forced all tax-exempt institutions to pay taxes on properties that represent more than 2.5 percent of a community’s tax base” (Flint 2002, A1).

Second, potential challenges to a nonprofit’s property tax exemption have led to PILOTS because the nonprofit believes these payments are better than risking a complete revocation of the organization’s tax exemp-



tion. A tax-exempt nonprofit may decide that making a PILOT will help avoid any formal challenge to the organization’s exemption. In other cases, a nonprofit may face a legal challenge to its property tax exemption and decide that its best option is to settle and reach a PILOT agreement, either because of the uncertainty of litigation or simply to avoid further legal fees (Leland 1994).

Third, municipalities have control over building permits, zoning decisions, and other factors that influence nonprofits’ operations, and nonprofits may decide to make PILOTs to maintain good relations with local government officials and receive favorable treatment in the future.

Using these or other coercive strategies is a high-risk, high-reward decision for municipalities. Some of the largest PILOTs in the country were preceded by these tactics, at least implicitly. However, this approach often antagonizes the nonprofit community, can entail significant legal costs, may hurt the local government’s reputation, and is not guaranteed to work. The legality of fees and taxes imposed on tax-exempt organizations is often uncertain, and may be overturned by courts. At the same time, charitable nonprofits have a strong track record of defending their property tax exemptions against a legal challenge (Brody 2010b).

Ultimately, while nonprofits may make PILOTs to receive favorable treatment

on building permits, zoning decisions, and other regulations, an explicit quid pro quo arrangement is probably illegal. A federal district court ruled in *Northwestern University v. City of Evanston* (2002) that the city could not place a large part of the university’s campus in a historic district—which solely contained the university—with restrictions on future development in retaliation for the university’s refusal to make PILOTs. In many respects, threatening to use the stick appears better than actually using it.

BUILDING SUPPORT FOR A PILOT PROGRAM

PILOTs are voluntary payments, and thus building support for a PILOT program among tax-exempt nonprofits is essential, even when a degree of coercion is involved. Even if a municipality is insistent on receiving some sort of PILOT, maintaining flexibility about specific program features is important. For example, nonprofits may wish to receive more credit for community benefits, or have plans for phasing in a PILOT agreement. While the municipality may receive smaller PILOTs than it had hoped for at the beginning of negotiations, working in collaboration with nonprofits will make them more likely to participate in a PILOT program. Having most major nonprofits in a municipality buy into a proposed PILOT program has major benefits,

such as reducing criticism related to horizontal inequities and putting more pressure on nonprofits to make voluntary payments so they would not be one of the few institutions not participating.

Boston's creation of a task force in January 2009 to expand its PILOT program provides some guidance for other cities. The task force included representatives from the major stakeholders: hospitals (2 task force members); universities (2); businesses (2); local government (1); community organizations (1); and labor (1). Despite their divergent interests, the members met regularly over 14 months and were able to reach agreement on a series of recommendations. Forming a similar task force is one way for municipalities to build support for a PILOT program in their communities.

PILOT PROGRAM FEATURES

Systematic PILOT Program vs. Individual PILOT Agreements

For larger cities with a significant number of nonprofits owning tax-exempt property, a systematic PILOT program is desirable because it can address many of the problems associated with PILOTs. However, for smaller municipalities that only have one or a handful of nonprofits that will be targeted for PILOTs, it may be more realistic to reach individual agreements with each organization.

Types of Nonprofits Targeted

Municipalities must decide which types of nonprofits to target for PILOTs. While many people oppose the idea of asking small social service providers or religious organizations for PILOTs, turning this basic idea into a consistent policy can be difficult because of the wide range of services provided by nonprofits and the fact that people often disagree about which types of activities should be subsidized via tax exemption.

One way to address this problem is to develop a list of general principles, and then solicit PILOTs only from nonprofits that do not satisfy these requirements. This approach was taken under Philadelphia's Voluntary Contribution Program in the mid-1990s. The city sought PILOTs from charities that did not meet the five criteria of a "purely public charity" as defined by the state supreme court. As a result, only about 50 of 580 charities in the city were asked for a PILOT. While this approach worked reasonably well in Philadelphia, courts had widely varying interpretations of the "purely public charity" test throughout the rest of the state, which illustrates the ambiguities that can result from this type of list of general principles (Glancey 2002).

An alternative approach is to set a threshold level of assessed value or operating revenues for inclusion in a PILOT program. For example, Boston's PILOT Task Force recommended establishing a threshold of \$15 million in assessed property value for a nonprofit to be included in its PILOT program. This approach focuses attention on those nonprofits that would normally make the largest PILOTs, but can result in similar nonprofits being treated very differently solely because of their size, which is a poor proxy for both the community services provided by nonprofits and their ability to make PILOTs.

Some municipalities ask for PILOTs from specific types of nonprofits. For example, Detroit has targeted housing facilities for low-income residents and the disabled (Leland 2002, 203). Finally, in many municipalities the decision about which organizations to target is easy, because their nonprofit sector is dominated by a single large institution.

Another view is that fairness requires municipalities to ask all property-owning tax-exempt nonprofits for PILOTs. These advocates argue that since PILOTs are voluntary, obtaining at least modest contributions from

all nonprofits builds support for a PILOT program, because large nonprofits and specific types of organizations do not feel unfairly singled out. With a universal program, incorporating community benefit offsets is an even more important element in the negotiations.

Trigger for Inclusion in PILOT Program

Municipalities must decide when it is appropriate to request PILOTs from nonprofits. One approach is to solicit PILOTs when nonprofits purchase previously taxable property and thus remove it from the tax rolls, or when they make significant improvements to existing tax-exempt properties. This approach is currently used in Boston. Nonprofits may be more likely to support this approach, because they can take the PILOT cost into consideration when deciding to expand, as opposed to being surprised by a new request for PILOTs over which they have no control.

Municipalities also will be able to more gradually adjust their budgets instead of facing a sudden drop in their tax base, and are in a better position to request a PILOT when the nonprofit is requesting a building permit from the local government. However, relying on a trigger for inclusion in a PILOT program leaves a large share of tax-exempt property out of consideration for PILOTs, and thus will normally not raise as much revenue as a strategy of targeting all nonprofits would raise. In addition, seeking PILOTs only during expansion discourages capital investment and raises the cost of entry for new nonprofits.

Basis Used to Calculate PILOTs

Arguably the fairest basis to calculate PILOT amounts is the assessed value of tax-exempt property, because the PILOT is proportional to the nonprofit's tax savings from the prop-

erty tax exemption. Like regular taxpayers, owners of exempt property are more likely to view a PILOT request as fair if they view the assessed value as accurate. While current assessments are often unreliable, it is not as difficult to obtain accurate assessments of exempt property as is commonly believed.

Some guidance can be found in recent efforts by the Boston Assessing Department to estimate the value of exempt property owned by educational and medical institutions in the city for FY2009. The department first used its statutory authority to obtain detailed facility information from these organizations.

Since the types of properties owned by many nonprofits have relatively few transactions that can be used for comparable sales, the city relied primarily on the income approach for assessments and used a cost approach for some special purpose items. The department then allowed the institutions to review these assessments, and made adjustments when necessary (City of Boston 2009, 40). The Boston PILOT Task Force recommended seeking PILOTs equivalent to 25 percent of the taxes a nonprofit would have paid if their properties were not exempt.

Other cities take different approaches. For example, Cambridge, Massachusetts, uses square footage as the basis. In Baltimore, PILOTs were based on an organization's annual operating income, which is a rough proxy for a nonprofit's ability to make a PILOT (Leland 2002, 203). PILOTs can also be linked to some measure of economic activities, as in the part of Yale's PILOT that is based on the number of residence beds and the number of employees (Kelderman 2010). Sometimes there is no apparent basis for a PILOT other than the negotiations between the nonprofit and municipality to set an acceptable amount.

Multiyear Agreements

Some PILOTs include a multiyear agreement between the nonprofit and the municipality, often with an escalator clause. For example, the Massachusetts Institute of Technology’s PILOT to Cambridge is subject to a 2.5 percent annual increase (Kelderman 2010). The advantage of a multiyear agreement is that it reduces uncertainty for both nonprofits and municipalities.

Community Benefit Offsets

One of the central arguments for PILOTs is that some charitable nonprofits provide modest public benefits to local residents relative to their tax savings. There are two ways to address this critique: these organizations can make PILOTs (essentially reducing their tax savings), or they can provide greater public benefits for local residents.

Some municipalities have pursued the second approach by incorporating community benefit offsets into their PILOT programs. That is, the nonprofits’ target cash PILOTs are reduced in return for providing public services directly benefiting local residents. This approach was a key component of Philadelphia’s Voluntary Contribution Program in the mid-1990s, and the PILOT Task Force in Boston also emphasized the

importance of community benefits in their recommendations.

There are several reasons that municipalities interested in PILOTs should consider community benefit offsets. First, nonprofits may be better able to provide many public services than municipal governments, and they can often do so at a lower cost. For example, given their resources and expertise, nonprofit hospitals are in a particularly good position to provide free health clinics for local residents. This approach is also more likely to foster mutually beneficial partnerships between municipalities and nonprofits. Nonprofits are normally more willing to contribute in-kind services than to make PILOTs, and may be able to raise private donations to support these initiatives, whereas PILOTs could possibly discourage philanthropy.

The difficult part about incorporating community benefit offsets into a PILOT program is deciding what services should count for offsets. It is crucial that a municipality is clear and consistent about its priorities—that is, which types of services would be most beneficial for residents. Then nonprofit leaders and city officials can work together to identify the best opportunities to leverage nonprofits’ expertise,

TABLE 8
Community Benefit Offsets to Reduce Cash PILOTs

Should count as an offset	Should not count as an offset
Job training for local residents	Job creation
Scholarships reserved for local residents	Scholarships available to all students
Public health clinic	Unreimbursed medical care that was billed for
Property taxes voluntarily paid on property being used for an exempt purpose	Property taxes paid on property that is not actively used for an exempt purpose
After school tutoring for local students	Not applicable
Legal aid	Not applicable
After school arts, music, and sports programs	Not applicable

Note: These are rough guidelines, but decisions about which benefits should count depend on the needs of individual municipalities and the capacity of local nonprofits to provide services. For another set of guidelines, see City of Boston (2009, 75–79).



TABLE 9

Ways Municipalities Can Obtain Financial Contributions from Nonprofits

	Voluntary Contribution	Contingent Contribution	Compulsory Contribution
Nonprofits Only	PILOTs SILOTs	Municipal service fees	Tuition tax
All Property Owners	n/a	Fees Charges Special assessments	For-profit entities pay property taxes on all property; Nonprofits pay property tax on property not used for exempt purposes

resources, and interests to reach these goals. The Boston PILOT Task Force recommends that only “those services that are ‘above and beyond’ the tax-exempt organization’s business model should be considered for PILOT credits” (City of Boston 2009, 7). Table 8 provides some suggestions for which types of activities should count for community benefit offsets based on the description above.

To consider community benefit offsets, municipalities must have a way to estimate the cash value of donated in-kind services or volunteer hours to reduce a nonprofit’s target cash PILOT. Experience from Philadelphia’s Voluntary Contribution Program shows that nonprofits can be “trusted to value their services fairly” (Glancey 2002, 217). Finally, municipalities may wish to establish a limit on the amount that community benefits can reduce a nonprofit’s target cash PILOT. For example, one of the Boston PILOT Task Force’s recommendations was to increase the maximum community benefit offset from 25 percent of the cash PILOT to 50 percent (City of Boston 2010).

ALTERNATIVES TO PILOTS

There is a wide range of alternatives to formal PILOT programs for cash-strapped municipalities with a substantial or growing nonprofit sector. Table 9 divides the options into those that apply to nonprofits only or to all entities, and distinguishes three types of contributions.

Voluntary Contributions

Nonprofits can make direct contributions to their municipalities by providing needed services such as health clinics, legal clinics, or scholarships, often referred to as services in lieu of taxes, or SILOTs. These arrangements are very similar to community benefit offsets, but a city can have SILOTs without having a PILOT program. For example, Vanderbilt University does not make a PILOT to Nashville, but does provide police protection for areas of Nashville surrounding its campus (Nelson 2010).

Some analysts believe that municipalities would be better off pursuing partnerships with local nonprofits to provide needed public services and foster economic development than by seeking PILOTs. For example, the Worcester Regional Research Bureau (2004, 16) concluded that instead of seeking PILOTs “the City [would] be better served by increasing the tax base through economic development projects in collaboration with the institutions of higher learning.”

Contingent Contributions

Municipal service fees are charged only to nonprofits to pay for government services that taxable entities pay for with property taxes or other general revenues, such as police protection and road maintenance. This option is rarely used because of legal challenges, but since 1973 Minneapolis has levied street maintenance fees against nonprofits based on the square footage

of exempt properties. In 2010 this fee is expected to generate \$775,000 in revenue from 1,600 tax-exempt organizations including churches and cemeteries (Hjelle and Hjermstad 2009).

User fees are typically paid by nonprofits and for-profit businesses alike, so when municipalities reduce the proportion of their budgets financed by property taxes and increase the proportion financed through user fees this shift in revenue sources will bring in additional revenue from nonprofits. For example, if garbage collection is currently financed through the property tax, a municipality can use a fee instead, and apply that fee to nonprofit organizations as well as other property owners.

There are some fees that fall between a user fee (which can be charged to nonprofits) and a tax (which cannot). Fees that fall in this gray area are often litigated in state courts, with the rulings varying by state. In the case of fire protection fees, the highest court in West Virginia ruled that a fire and flood protection fee was not a tax, but the highest court in Massachusetts ruled a Boston fire protection fee to be an unconstitutional tax (Youngman 2002, 25–26). Some issues considered by courts include whether the fee is paid by all organizations or only tax-exempt nonprofits, whether property values are the basis used to calculate the fee, and whether the level of payment is directly tied to the amount consumed by the nonprofit (i.e., garbage removal) or not (i.e., fire protection).

Both nonprofits and other entities usually have to pay special assessments, which are based on property values and used to pay for improvements that benefit specific properties in a municipality. For example, special assessments may be used to pay for sewer hookups for properties in a certain part of a municipality.

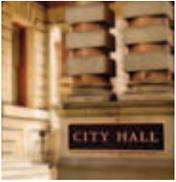
Compulsory Contributions

Tuition tax proposals have been proposed or considered in several states and municipalities, but none has yet been levied. However, three Maryland counties do levy energy taxes solely on nonprofits (Anft 2001, 3).

Depending upon the state constitution and state law, a municipality might be able to reduce the amount of property tax revenue forgone by limiting the amount of the tax exemption. This can be done by limiting the dollar value of the exemption (i.e., exempt values only up to \$5 million) or the number of acres that can be exempt.

Many nonprofits own property that is not central to their charitable purpose, known as ancillary property. States take different approaches to determining whether ancillary property should be tax-exempt (Gallagher 2002). For example, Dartmouth College must pay property taxes on dorms and dining halls because they are not exempt under New Hampshire law, but other states do not require colleges to pay property taxes on such ancillary property (J. F. Ryan Associates 2005, 6).

One common critique of the property tax exemption is that it is granted by state governments, but the cost is borne by local governments. Consequently, states may exempt a broader range of nonprofits from taxation than they would if they had to bear the full cost of the exemption. In 2002, Virginia voters approved an amendment to the state constitution that transferred authority over granting tax exemptions to local governments. Fairfax County soon decided to make all future property purchased by nonprofits taxable, although existing tax-exempt property was not affected (Shafroth 2005, 811). An alternative way to address this critique is for the state government to provide grants to municipalities hosting tax-exempt nonprofits, as is done in Connecticut.



CHAPTER 6 Findings and Recommendations



Charitable nonprofits are generally exempt from property taxation across the United States at the same time that they benefit from a variety of public services provided by local governments. Some municipalities have attempted to recoup part of these public service costs through payments in lieu of taxes (PILOTs), which are voluntary payments made by nonprofits as a substitute for property taxes.

In recent years, municipal revenue pressures and greater scrutiny of the nonprofit sector have led to a heightened interest in PILOTs, and since 2000, PILOTs have been used in at least 117 municipalities in at least 18 states. PILOTs typically contribute a small percentage of revenues to city budgets, often less than 1 percent. But the dollar magni-

tudes can be significant, such as Boston’s \$15.7 million PILOT from nonprofits in FY2009, and the percentage contribution can be significant in smaller cities, such as in Bristol, Rhode Island, where PILOTs account for 5 percent of the city’s budget. With an annual PILOT of \$7.5 million, Yale University makes the largest payment among colleges and universities in the United States.

PILOTs are an attempt to compensate for the revenue loss from the property tax exemption for nonprofits and for several problems with that tax exemption. Nationwide, the forgone revenue from the property tax exemption for nonprofits was estimated at \$17 billion to \$32 billion in FY2009 in one study, and about 5 percent of total property tax revenues in another. The percentage varies considerably among cities depending

upon the size of their nonprofit sector and reliance on property tax revenues. A survey of the largest cities in the United States found that the nonprofit tax exemption reduces the property tax base from 10.8 percent in Philadelphia to 1.9 percent in Memphis and El Paso (see figure 5).

The charitable property tax exemption for nonprofits has several inherent flaws when viewed as a subsidy to encourage charitable activities—the currently dominant rationale for the exemption. Frequently there is a geographic mismatch between the benefits provided by tax-exempt nonprofits and the cost of the exemption in forgone property tax revenues. While the benefits are broadly dispersed throughout a metropolitan area, a state, or the nation, the cost of the charitable property tax exemption is concentrated in a small number of municipalities, especially center cities and college towns.

Additionally, the property tax exemption primarily benefits nonprofits with the most valuable landholdings, not those providing the greatest public benefit. Thus, there are no tax savings for nonprofits that rent, and the greatest tax savings go to large nonprofits,

especially hospitals, universities, and long-term housing facilities.

PILOTs can provide crucial revenue for certain municipalities while addressing some of the problems with the charitable property tax exemption, but there are serious problems with PILOTs as well. Because they are voluntary payments, PILOTs are haphazard and often calculated in an ad hoc manner, with the level of payments normally depending more on the aggressiveness of municipal officials than on property values or the amount of public services consumed by nonprofits. As a result, similar nonprofits often pay very different amounts; PILOTs frequently lack transparency and predictability; they can strain relations with nonprofits; and they often raise little and unreliable revenue. Given the major differences across municipalities, there is no single set of recommendations: PILOTs are appropriate for some municipalities and nonprofits, but not all (table 10).

Among its general recommendations, this report suggests that municipalities should work collaboratively with nonprofits when seeking PILOTs to minimize the burden

TABLE 10
General Recommendations for Municipalities

Recommendation	Explanation
PILOTs are not appropriate for all municipalities.	PILOTs can provide crucial revenue for municipalities highly reliant on property tax revenue or with a significant share of total property value owned by tax-exempt nonprofits. In some cases, legal and administrative costs may outweigh the revenue potential.
PILOTs are not appropriate for all nonprofits.	Municipalities should focus on nonprofits owning large amounts of tax-exempt property and providing modest benefits to local residents relative to their tax savings.
Municipalities should work collaboratively with nonprofits when seeking PILOTs.	This should make local officials more aware of the benefits that nonprofits provide to local residents and the financial constraints they face. Nonprofits may offer suggestions that reduce the burden of PILOTs for their organizations, while still making a financial contribution to the local government.
Negotiating individual PILOT agreements is best for municipalities with few nonprofits.	Case-by-case negotiation enables consideration of the unique financial constraints for each nonprofit, but can lead to large discrepancies in PILOT amounts among similar nonprofits.
Systematic PILOT programs are best for municipalities with a large number of nonprofits.	This approach promotes horizontal equity among tax-exempt nonprofits, fosters transparency, makes payments more predictable, and may raise more revenue than negotiating individual agreements.
Consider alternatives to PILOTs.	Because of the serious pitfalls of PILOTs, alternatives should be considered, ranging from increased user fees to grants from the state to municipalities that host tax-exempt nonprofits.



TABLE 11
Recommendations for Systematic PILOT Programs

Recommendation	Explanation
Set a target for contributions.	A target is a useful starting point for negotiations, and may be based on the percentage of local government spending on services directly benefiting nonprofits.
Use a basis to calculate payments.	Using exempt property values as a basis promotes equity, while using square footage as a basis is easier to administer.
Make adjustments for community benefits.	Nonprofits should be able to reduce their cash payments in return for providing certain public services for local residents.
Consider soliciting PILOTs when property is taken off tax rolls.	Nonprofits avoid an unexpected new expense, and municipalities avoid facing a sudden drop in their tax base. However, this significantly erodes the revenue potential of PILOTs. Phasing in property tax exemptions over several years also achieves these goals.
Use a threshold to determine which nonprofits to include.	A threshold level of property value or annual revenues excludes nonprofits lacking the financial resources to make meaningful contributions.
Reach multiyear PILOT agreements.	Long-term agreements reduce uncertainty about future payments for both nonprofits and municipalities.

placed on nonprofits for the revenue collected (table 11). Negotiating individual PILOT agreements works best for municipalities with few nonprofits, while a systematic PILOT program is best for municipalities with a large number of nonprofits.

For municipalities interested in implementing a PILOT program, the Yale–New Haven collaboration and Boston’s PILOT program provide useful models. Yale’s involvement with the New Haven community is an example of how a single nonprofit can play a critical economic development role in a troubled city. Boston has long obtained PILOTs from many of its hospitals, colleges, and universities. Recently the mayor created a task force consisting of major stakeholders and charged them with reaching a consensus on changes for this voluntary program. The task force illustrates the importance of building support for a PILOT program, and its recommendations cover many important features of a systematic PILOT program.

Because of the serious pitfalls of PILOTs, this report also sets forth a menu of alternatives to PILOTs that municipalities can use to raise revenue from tax-exempt nonprofits. These options include reaching agreements

with nonprofits to provide requested services in lieu of taxes; increasing reliance on user fees and special assessments, which normally can be charged to tax-exempt organizations; and considering revocation of the property tax exemption for individual properties that are not actively used for nonprofits’ charitable purposes.

Broader changes can address a problem of accountability with the charitable property tax exemption: that is, it is granted by state governments, but the cost is borne by local governments. Connecticut has addressed this problem by making state payments to municipalities that host tax-exempt hospitals and universities, while Virginia has transferred authority over the charitable property tax exemption from the state to local governments.

In an era of fiscal constraint, in which both municipalities and nonprofits play critical roles in serving the public, PILOTs are no panacea for cash-strapped local governments. However, PILOTs can provide crucial revenue for certain municipalities, and a well-designed PILOT program can address many of the pitfalls in existing PILOT agreements.



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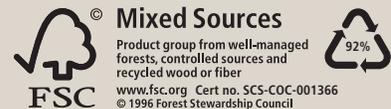
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Payments in Lieu of Taxes

Balancing Municipal and Nonprofit Interests

In recent years, local government revenue pressures have led to heightened interest in payments in lieu of taxes (PILOTs), which are payments made voluntarily by tax-exempt nonprofits as a substitute for property taxes. Over the last decade PILOTs have been used in at least 117 municipalities in at least 18 states. PILOTs can provide crucial revenue for certain municipalities, and are one way to make charitable nonprofits—which are exempt from property taxation in all 50 states—help pay for the public services they consume.

However, PILOTs are often haphazard, secretive, and calculated in an ad hoc manner that results in widely varying payments among similar nonprofits. In this report Daphne A. Kenyon and Adam H. Langley, visiting fellow and research analyst at the Lincoln Institute of Land Policy respectively, explore PILOT use across the United States within the context of municipal revenue pressures and the property tax exemption for nonprofits, and they make these recommendations.

- **PILOTs are one revenue option for municipalities.** PILOTs are most appropriate for municipalities that are highly reliant on the property tax and have a significant share of total property value owned by nonprofits. PILOTs are also most suitable for nonprofits that own large amounts of tax-exempt property and provide modest benefits to local residents relative to their tax savings.
- **Municipalities should work collaboratively with nonprofits when seeking PILOTs.** Because PILOTs are voluntary payments and because both nonprofits and municipalities share a commitment to serving the general public, the best PILOT initiatives arise out of partnerships between municipalities and nonprofit organizations. Boston's PILOT program and the agreement between Yale University and New Haven are examples of successful collaborative arrangements.
- **State and local governments should consider alternatives to PILOTs.** Because there can be problems with PILOTs, this report also sets forth alternatives for augmenting municipal revenues. State governments should consider providing grants to local governments that host tax-exempt nonprofits to compensate them for their loss of property tax base, as in Connecticut. Municipalities can also consider such alternatives as user fees, charges, and special assessments, which are paid by both nonprofits and for-profit entities.



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Property Tax Circuit Breakers

Fair and Cost-Effective Relief for Taxpayers



JOHN H. BOWMAN, DAPHNE A. KENYON,
ADAM LANGLEY, AND BETHANY P. PAQUIN

Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers

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The policy focus report series is published by the Lincoln Institute of Land Policy to address timely public policy issues relating to land use, land markets, and property taxation. Each report is designed to bridge the gap between theory and practice by combining research findings, case studies, and contributions from scholars in a variety of academic disciplines, and from professional practitioners, local officials, and citizens in diverse communities.

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Executive Summary



In recent years public pressure on governors and state legislators to provide property tax relief has been intense. The property tax is criticized as being particularly burdensome for low- and moderate-income families, and for those whose incomes have declined due to layoff, retirement, divorce, or illness. States can address these flaws of the property tax through the type of property tax relief analyzed in this report—the circuit breaker.

Property tax circuit breakers provide households with direct property tax relief that increases as household income declines, for a given property tax bill. Property tax circuit breakers can be used to increase tax equity by reducing the most onerous property tax burdens, measured in relation to income. By targeting property tax relief to those most in need of relief, circuit breakers promote tax equity at minimal cost to the

budget while preserving the basic nature and strengths of the property tax.

Circuit breakers target property tax relief more precisely to those with a limited ability to pay property taxes than other common forms of property tax relief. Assessment caps primarily benefit homeowners whose homes have rapidly appreciated in value. Fixed dollar homestead exemptions (e.g., a fixed \$25,000 exemption) provide the same amount of tax relief to all homeowners facing a particular tax rate, regardless of income.

As of 2008, 33 states and the District of Columbia had one or more circuit breaker programs. Although circuit breakers have great potential for improving property tax fairness, the programs employed by many states fall short of ideal and should be reformed.

One frequent pitfall is enacting a circuit breaker that is too restrictive. For example,



Recommended Design Features for Property Tax Circuit Breakers	
Recommended Feature	Reason for Recommendation
Provide adequate tax relief and reliable funding	Without both adequate relief and funding, circuit breakers cannot provide meaningful tax assistance to those in need
Cover owners and renters of all ages	Renters pay property taxes indirectly, and excessive tax burdens are not limited to the elderly
Use a broad definition of income, including Social Security benefits	Avoids providing different tax relief to households with similar property tax burdens
Use a multiple-threshold formula; Apply brackets incrementally	Targets property tax relief to those with greatest need; prevents notch effects
For generous threshold circuit breakers, include a copayment requirement	Without a copayment, taxpayers whose property tax bills exceed the threshold level are insulated from any property tax increase; can promote excessive spending
Set a limit on the maximum property value considered in the circuit breaker formula	Limits the tax relief sent to those with very expensive homes
Consider placing no other limits on income, benefits, or net worth	Other limits are not necessary with a properly designed circuit breaker; also they can impose unintended changes in distribution of benefits
Provide funding by the state	Local funding is problematic due to the wide range in local fiscal capacity and mobility of taxpayers
Use state-reimbursed property tax credits for homeowners and state-issued rebate checks for renters	Provides timely and highly visible property tax relief
Set up a simple, streamlined application system	Will maximize participation and reduce administration and compliance costs
Establish and fund an outreach program	Participation rates will likely be low without outreach efforts

if the benefit or income limit is set too low, the circuit breaker will not provide sufficient tax relief for the targeted population. Another common failing is favoring the elderly, which is done by 21 states. The need for property tax relief is often greater for the nonelderly who are more likely to have a mortgage and to live under the poverty line.

Property tax circuit breakers are particularly important for states with high property

taxes. However, the best circuit breaker for a particular state also depends on the state’s tax structure and the division of responsibilities between state and local governments.

When designing a circuit breaker, choices must be made regarding eligibility, formula type, additional formula features, administration, and outreach. Some of the most important recommendations regarding circuit breaker design are summarized here.



CHAPTER 1

The Case For Property Tax Circuit Breakers



Surveys of public opinion consistently show that the property tax is either the most unpopular tax or close behind the federal income tax in the level of public antipathy it attracts (Fisher 2007, 318). However, property taxes are an important source of government revenue and provide critical support for independent local governments, so their elimination really is not an option (Fisher 2009).

In recent years the public has pressed governors and state legislators to provide property tax relief. In 2006 and 2007, lawmakers in more than half the states introduced property tax relief measures in response to taxpayer discontent fueled by both increasing property tax burdens on households relative to their income and a rising share of property tax payments shouldered by homeowners (Haveman and Sexton 2008, 8).

Although legislative plans to expand property tax relief seem to have abated somewhat in 2009, this lull may not last very long. State government cuts in aid to local governments together with economic hardship experienced by families, both arising from the severe economic recession, will likely encourage continued calls for property tax relief.

A common criticism of the property tax is that it is not based directly on the ability to pay taxes, assuming income is the best measure of ability to pay. The property tax can be particularly burdensome for low- and moderate-income families. It also can be burdensome for families of limited means who have experienced house price increases that have outstripped increases in their incomes, or for those whose income has declined due to layoff, retirement, divorce, or illness. States can address these flaws of the property tax

through the form of property tax relief analyzed in this report—the circuit breaker.

Figure 1.1 offers a classification of the various forms of residential property tax relief. Direct property tax relief provides a tax reduction to particular taxpayers; indirect property tax relief reduces overall reliance on property taxation as a revenue source.

Property tax circuit breakers provide households with direct property tax relief that increases as household income declines (for a given property tax bill). In other words, circuit breakers create an inverse relationship between income and property tax relief. The term “circuit breaker” was coined in the 1960s by John Shannon of the U.S. Advisory Commission on Intergovernmental Relations to reflect the idea that, just as electrical circuit breakers prevent circuits from being overloaded by electric current, property tax circuit breakers can prevent taxpayers from

being overburdened by property taxes (Bowman 2006).

Property tax payments as a percent of income for households across the United States range widely (figure 1.2). Nearly half of all taxpayers pay less than 2.5 percent of their income in property taxes. On the other hand, about 10 percent of taxpayers pay more than 10 percent of their income in property taxes, and about 4 percent pay 20 percent or more. When the data are examined by income level, it is clear that property tax burdens fall disproportionately on low- or moderate-income households. For example, 93 percent of the households who pay more than 20 percent of their income in property taxes have incomes under \$40,000.

This dilemma is illustrated by Rose, who lives in a state with high property taxes and finds her property tax payments burdensome. She would likely benefit from a more

FIGURE 1.1
Types of Residential Property Tax Relief

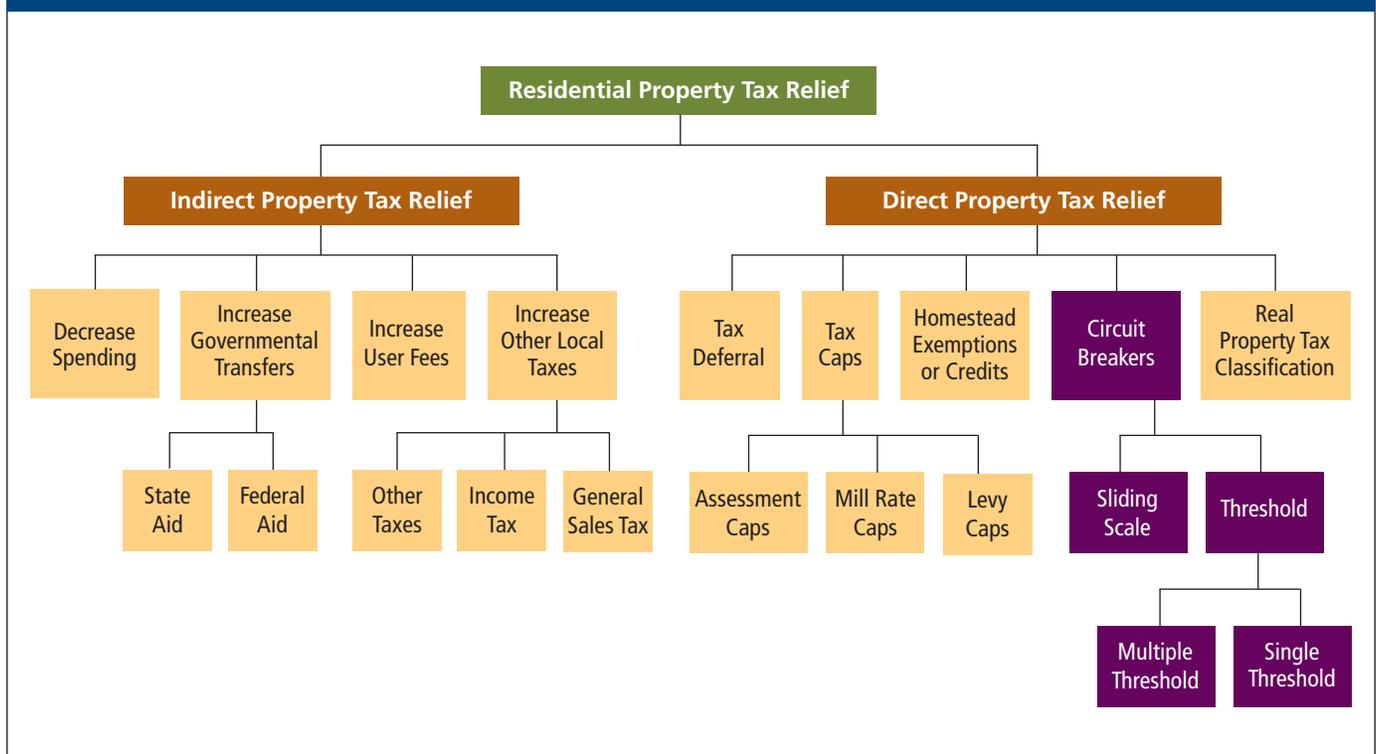
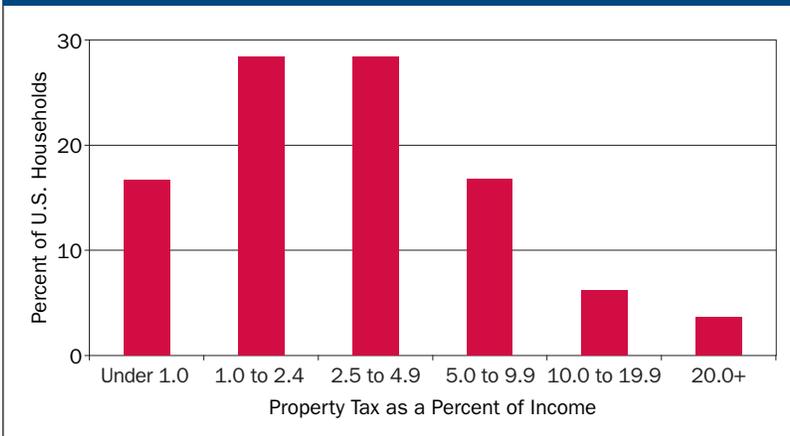


FIGURE 1.2
Property Tax as a Percent of Income (2006)



Source: U.S. Census Bureau (2006a).

BOX 1.1

Taxpayer Profile: A Low-income Homeowner in a State with High Property Taxes

Rose is a divorced homeowner living near the center of a middle-income community in a New England state that relies heavily on the property tax. The yard of her modest ranch-style home features a broken-down utility van with a giant bush growing through it. Rose earns \$9.00 per hour at her job as a maid. She works 50 hours a week to pay her bills, but finds it tough to keep up. She provides for her ill mother who came to live with her years ago because she could not afford a nursing home.

In 2008, Rose had to pay more than \$7,000 in property taxes, which amounts to about 30 percent of her total income. The town’s 2008 property tax rate is \$25.53 per \$1,000 assessed value (or \$5,106 per year on a home assessed at \$200,000), giving it the distinction of having one of the highest municipal property tax rates in a state that relies very heavily on the property tax.

Rose complains that her property taxes fund 12 weeks of paid vacation for city firefighters, while she cannot afford to take one day off from work. Selling her home is an unlikely prospect in a weak real estate market already flooded with homes for sale, but Rose may lose her house through foreclosure.

The town provides property tax relief only for the elderly, veterans, and the disabled. The greatest tax rebate Rose could obtain from the state’s meager property tax relief program for low- and moderate-income households is \$700, but even that is unavailable since her modest income exceeds the state’s \$20,000 ceiling for eligibility.

adequately funded circuit breaker program (see box 1.1).

ADVANTAGES OF CIRCUIT BREAKERS AS A TAX RELIEF MEASURE

If policy makers wish to provide property tax relief for needy households, it is not necessary to reduce property taxes for businesses, farms, and open space, and not all households need relief. Across-the-board adjustments would be much more expensive than a program targeted to needy households.

Targeted tax relief is particularly appropriate in a climate of fiscal stringency (Schuck and Zeckhauser 2006, 1). With budget deficits predicted for federal, state, and local governments, it is sensible to try to provide tax relief only to those who really need it. This is one way to “do more with less.” Property tax circuit breakers target property tax relief more precisely to those with a limited ability to pay property taxes than other widely known forms of direct relief.

- Fixed-dollar homestead exemptions (e.g., a flat \$25,000 exemption) provide the same dollar value of property tax relief to all homeowners facing a particular tax rate, regardless of income.
- Fixed-percentage homestead exemptions (e.g., exempting 10 percent of the value of each home) tend to provide greater dollar amounts of tax relief to high-income homeowners than to low-income homeowners.
- Assessment caps primarily benefit homeowners whose homes have been rapidly appreciating in value (see Haveman and Sexton 2008).

In Maine, for example, policy makers and citizens recently debated the relative merits of expanding the state’s circuit breaker versus enacting an assessment cap. In 2004, Maine political activist Carol Palesky and her organization, the Maine Taxpayer Action Network,

lobbied to cap local property taxes at 1 percent of assessed value, arguing that this plan would bring fairness to the state's tax structure because everyone would pay the same taxes for the same services.

Opponents (including the Maine Municipal Association, the Maine Center for Economic Policy, and the Chamber of Commerce) argued the 1 percent cap would create new problems: it would shortchange communities and lead to diminished local services; shift the burden to the state and lead to reduced state services; disproportionately benefit nonresidents and the wealthy; and ultimately discourage crucial business development in the State of Maine (*Portland Press Herald* 2004; Dorsey 2004). Following months of intense debate, voters rejected the referendum, which appeared as Question 1 on the November 2004 ballot.

The debate over Question 1 prompted several alternative plans from municipal and business organizations, and the governor. A legislative Joint Select Committee on Taxation was formed in December 2004 to craft a pro-

erty tax reform bill, which included a significant expansion of Maine's circuit breaker program. According to Rep. Richard Woodbury, co-chair of the Joint Committee, "In advocating for the plan, we characterized the circuit breaker expansion as an income-based tax cap, building on a program the state already had in place" (Woodbury 2007). In January 2005, after the demise of Palesky's proposed tax cap, the Joint Committee's property tax reform bill was enacted in legislation known as LD1.

State-funded circuit breakers, the focus of this report, provide a particularly effective type of support for local governments. By relieving tax payments for those who are overburdened, circuit breakers tend to reduce antipathy towards the property tax. Furthermore, because households tend to be sorted among communities by income level, circuit breaker funding will be sent more than proportionately to communities with lesser fiscal capacity, thereby reducing local fiscal disparities (Bowman 1975, 27).





CHAPTER 2 Circuit Breaker Eligibility



Property tax relief under a circuit breaker is greater for low-income households than for high-income households for a given property tax bill, but this leaves many issues regarding circuit breaker eligibility unanswered. This chapter looks at the relationship between income and circuit breaker relief, and examines whether eligibility for relief should be conditioned in part based on age or other taxpayer characteristics.

ELIGIBILITY BY INCOME GROUP

Although an inverse relationship between income and property tax relief is the hallmark of the circuit breaker, a related issue is whether tax relief should be limited to low-income households or provided as well to middle- and high-income households.

When considering eligibility for property

tax relief, it is critical to consider the objective for that relief. If the objective is to relieve the burden of excessive property taxes, one can argue for restricting circuit breaker eligibility to low- or low- and moderate-income households. These groups are most likely to lack the ability to pay high property taxes.

A second frequently stated objective is to keep property taxes from forcing families out of their homes. Changed circumstances, such as layoff, illness, retirement, divorce, or the death of at least one income earner, as well as large, unforeseen increases in home value, may cause property taxes that had seemed reasonable at the time of purchase to become onerous, at least temporarily.

If this is the predominant objective, assistance could be extended to higher-income taxpayers. However, providing tax deferral or home equity loans might be another

BOX 2.1

Taxpayer Profiles: Reactions to Property Tax Relief in Indiana

Per capita property taxes in Indiana rose at a significantly higher rate than the U.S. average from 2000 to 2006 (Fisher et al 2009). That is likely one reason public pressure for property tax relief has been intense in recent years. Hundreds of demonstrators protested higher property taxes in front of the governor's residence (Murray 2007). Property tax relief legislation was debated at length before being enacted in March 2008. Two households featured in the *Indianapolis Star-News* had different experiences and reactions.

Timothy Crocker, 44, saw the assessment on his two-bedroom condominium increase from \$16,600 in 2006 to \$39,300 in 2007, causing a near tripling of his property tax bill. As a hotel bellman and college student with one son, his budget is tight. Crocker planned to make room in his budget for this higher property tax bill by downgrading his car insurance, trimming his food budget, and possibly dropping cable TV (King 2007).

Rosalind and Stephen Mitchel of the affluent suburb of Carmel were not happy about their property taxes either, despite the fact that the increase from 2006 to 2007 was a more modest 6 percent. After living in their home for 40 years and raising eight children they no longer pay a mortgage but find that property taxes keep rising. "You work all of your life to pay for your home...and you still don't own your property (because of property taxes)," Mrs. Mitchel said, noting that a person's home can be taken away if the taxes are not paid (Lopez et al. 2007).

alternative for high-income households or for those who live in comparatively expensive houses.

A third objective for providing property tax relief is to decrease antipathy toward the property tax. This objective would encourage policy makers to expand relief beyond low-income households to moderate- and middle-income households. It might also encourage policy makers to provide greater benefits to seniors than to other groups, which might limit their resistance to property tax increases used to pay for schools. See box 2.1 for an example of the real-world pressures for

providing property tax relief to a broad spectrum of households.

Income is generally the best available criterion for targeting eligibility for property tax relief. However, many circuit breaker programs treat certain households more favorably than others based on criteria other than income and property tax payments.

SPECIAL TREATMENT FOR THE ELDERLY

Circuit breakers often use age as a proxy for financial need. Financial hardship never was limited to the elderly, but using age as a proxy for need is now clearly outmoded. Poverty has been higher among the nonelderly than among the elderly over the last quarter century. The poverty rate for people aged 65 and over dropped from 35 percent in 1960 to 10 percent in 1995, putting it slightly below the poverty rate for working-age adults and well below that for children (NBER 2004).

The maturing of the Social Security system and indexation of its benefits have been important in the improved relative status of the elderly. Even before these developments, however, many questioned the reasonableness of property tax relief programs for only the elderly: "... the case for tax favors seems tenuous, because the economic circumstances of the aged as a group appear to be better than those of most other age groups" (Chen 1969, 232). The elderly have long had a higher level of net worth than the nonelderly, reflecting their greater opportunity to accumulate assets and pay off mortgages over time.

That said, many people continue to believe that property tax relief should target the elderly because they often pay a higher share of their income in property taxes. For example, table 2.1 shows that 16.5 percent of homeowners aged 65 and over paid more than 10 percent of their income in property taxes—more than double the percentage for homeowners aged 18 to 64. However, this is

not a justification for limiting circuit breaker eligibility to the elderly.

Table 2.1 also shows that once all costs of home ownership are considered—including mortgage payments, property taxes, utilities, and insurance—the proportions of elderly and nonelderly homeowners paying more than 35 percent of their income are nearly identical. More important, circuit breakers automatically target tax relief to households paying a disproportionate share of income in property taxes regardless of age.

A second concern is whether elderly households should be given higher property tax relief than equivalent-income nonelderly households because they are less likely to have children in public schools. However, many economists argue a life-cycle view is a better way to evaluate tax fairness because it compares the total public services consumed and total property taxes paid over an individual's entire life.



TABLE 2.1
Economic Status and Housing Costs by Age (2006)

	Age 18–64	Age 65 +
Economic Status (Households)		
Median household income	\$54,726	\$27,798
Percent below poverty level	10.8	9.4
Housing Costs (Homeowners)		
Percent of homeowners with mortgages	80.3	29.4
Property taxes as a percent of homeowner income		
Proportion of homeowners paying 5.0–9.9%	15.6	20.6
Proportion of homeowners paying 10.0% +	7.7	16.5
Total housing costs as a percent of homeowner income		
Proportion of homeowners paying 35.0–49.9%	11.4	10.0
Proportion of homeowners paying 50.0% +	11.6	12.9

Sources: U.S. Census Bureau (2006a; 2007).

With this perspective, the relatively high property taxes paid by seniors (in relation to current services) simply offset the relatively low property taxes they paid when their children were in school. Moreover, younger households with no children in the public schools do not necessarily receive lower tax bills. Property taxes are not user fees, but are more general payments for public services (Kenyon 2007, 36).

SPECIAL TREATMENT FOR THE DISABLED, VETERANS, AND OTHER GROUPS

In some instances, circuit breakers are more generous for, or even restricted to, certain categories of taxpayers. Favored categories include military veterans, disabled military veterans, disabled people generally, and widows and widowers.

There are two basic rationales for such provisions. One is gratitude. For example, property tax relief restricted to (or more generous for) military veterans who served in a combat zone is sometimes said to be an expression of gratitude for such service. One might question whether this is the best way to show gratitude for military service.



Another rationale for special treatment is that members of certain disabled groups are considered to be needier. Common qualifying disabilities include blindness and loss of use of one or more limbs through amputation or paralysis. When property tax relief is based on disability, it is necessary to define the qualifying disabilities, causes, and extent. The minimum qualifying degree or threshold of disability is usually 100 percent, although lesser percentages may be allowed, and the disability often must be permanent rather than temporary.

Such provisions, even if motivated by a sense of fairness, can create inequities. Other people may be equally disabled, in terms of inability to perform work, but if their disability is not listed they are excluded. Mental problems, generally omitted by these property tax relief programs, can be debilitating. Temporary disability, for six months or a year, can cause serious financial problems and need for property tax assistance, but no help is forthcoming if permanent disability is required for participation. Less than 100 percent disability also can cause financial stress, but these categorical programs often are for total disability only. Even when partial disability can qualify for relief, spelling out a precise threshold creates problems; for example, if 90 percent disability is the qualifying threshold, someone with 80 percent disability

gets nothing, even though the partial disability may create financial hardship.

CONSIDERING NET WORTH

Income alone does not determine economic well-being. If two families of four have the same \$40,000 annual income, but one has a net worth of \$500,000 and the other a net worth of \$50,000, they are not equally well-off. The high net worth of the first family makes it better able to pay property taxes and less deserving of public subsidy. This raises the question of whether circuit breaker eligibility should also be related to net worth.

Reporting net worth requires claimants to list and value their relevant assets and obligations. Equity would require inclusion of works of art and jewelry, for example, as well as real estate, automobiles, stocks and bonds, and savings accounts. This presents difficulties of discovery and valuation, which are greater for some assets than for others.

Discovery is a problem for administrators, and it is an important one. Claimants typically know what assets they have, but they have an incentive to underreport assets if it seems they can do so successfully. To make the net worth test meaningful and fair, audit and verification procedures are required. Some assets are relatively easy to conceal, such as household items, although entry into the home to look for them would be unpopular and infeasible.

Even when discovery is not a problem, valuation may be (particularly for assets for which there is little market information). Another consideration is that some assets' values may fluctuate widely, even within a short time period. Value on a given date must be specified, more or less arbitrarily, and the value on that date may be considerably higher or lower than at other times during the year. Moreover, not all assets change in value at the same time or rate, so the measures for various claimants are affected differently.

A net worth test makes sense since it is reasonable to expect people with valuable assets to borrow against them, if need be, to meet their tax obligations, rather than to have those obligations forgiven or subsidized. However, the practical problems noted above are serious concerns. Perhaps the best way to incorporate net worth into considerations of property tax relief eligibility is to focus on home value. Homes are easier to value than other assets and must be revalued periodically for property tax purposes. With the growing market for reverse mortgages over the last decade, it is becoming more reasonable to expect households with very high-value homes to borrow against those homes to pay their taxes (Kaplan 2008).

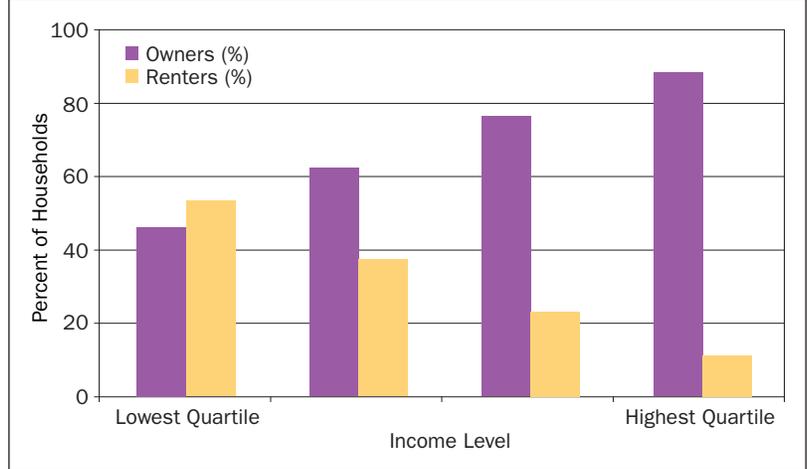
ELIGIBILITY OF RENTERS

The 31 percent of U.S. households who were renters in 2006 do not receive property tax bills, but this does not mean they do not pay property taxes (U.S. Census Bureau 2006a). In most cases landlords pass on some portion of their property taxes in the form of higher rent. Renters generally have lower incomes than homeowners, as shown in figure 2.1. Almost 90 percent of households in the highest income quartile are homeowners while only 11 percent are renters. Since renters bear property tax burdens and are generally less well-off than homeowners, in terms of both income and net assets, they should be included in needs-based property tax relief programs. Seniors are more likely to be homeowners than the population as a whole at all income levels, although older renters are disproportionately concentrated in the lower income brackets (figure 2.2).

CONCLUDING COMMENTS

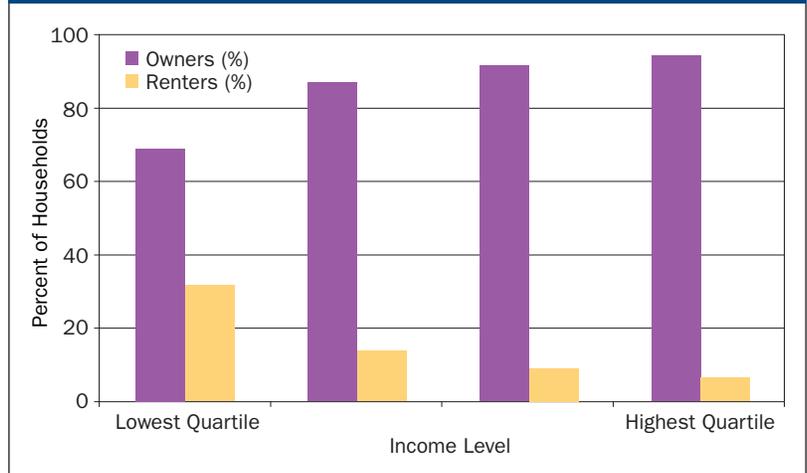
The strength of circuit breakers is that they can target property tax relief on the basis of need, using income as the primary indicator of ability to pay property taxes. Income,

FIGURE 2.1
Percent of Owners and Renters by Income Quartile, All Ages (2006)



Source: U.S. Census Bureau (2006a).

FIGURE 2.2
Percent of Owners and Renters by Income Quartile, 65+ Only (2006)



Source: U.S. Census Bureau (2006a).

broadly defined, is an objective measure of economic well-being and ability to pay. Proxies for need are unnecessary in such programs. Indeed, this discussion indicates that old age in particular is a poor proxy for need. Extending property tax relief for certain other categories of taxpayers is appropriate only when a disability or other condition increases need for tax relief in a manner not fully reflected in income.



CHAPTER 3

The Basic Types of Property Tax Circuit Breakers



Property tax circuit breakers provide direct property tax relief to households based on their incomes, but circuit breaker formulas differ across states. There are two basic types of circuit breakers—threshold and sliding-scale. The following descriptions may help policy makers who are thinking about enacting or redesigning a circuit breaker. The Appendix provides more detailed information on circuit breakers used in 33 states and the District of Columbia in 2008.

Before describing various formulas, it is useful to explain the basic rationale for a circuit breaker. Suppose a particular household pays \$8,000 in property taxes. Is this too much? Would a tax relief program limiting property tax bills to \$4,000 or less be sensible? Although an \$8,000 property

tax bill may sound large to most people, whether this is an unacceptable property tax burden likely depends on the household's ability to pay taxes. A household with an income of \$400,000 might find a property tax payment of \$8,000 well within its means; a household with an income of \$40,000 would likely find that tax bill onerous. For this reason, circuit breakers consider property tax payments in relation to a household's income, but they do this in different ways.

Illustrating the effects of alternative circuit breaker formulas, table 3.1 assumes that three taxpayers—low-, moderate-, and middle-income—pay a \$2,000 property tax bill before circuit breaker relief. Thus, before the circuit breaker, the lower the income, the higher property taxes are as a percentage of income.

THRESHOLD CIRCUIT BREAKERS

Threshold circuit breakers are the classic type, specifying a threshold percentage of income that property taxes must exceed before any tax relief is available. This percentage can be thought of as an “acceptable” level of property tax. Relief is equal to the amount by which the property tax bill exceeds the threshold. The theory of a single-threshold circuit breaker is that property tax payments are burdensome when they exceed some particular percentage of a household’s income.

Single-Threshold Formulas

The simplest circuit breaker uses only one threshold percentage, for example 5 percent of income for all taxpayers as shown in table 3.1. Focusing on the low-income household, the initial gross property tax is \$2,000. The net property tax liability after the circuit breaker is \$500, which is 5 percent of the \$10,000 household income. The circuit breaker reduces this household’s property tax liability by \$1,500.

The 5 percent single threshold permits higher dollar property tax payments for moderate- (\$1,000) and middle-income (\$2,000) households, since the maximum property tax for all households is 5 percent of income. Because the middle-income taxpayer in the example initially paid 5 percent of his income in property taxes, this single-threshold circuit breaker provides him no tax relief.

Only a few states use a single-threshold circuit breaker for homeowners; more states use them for renters. Massachusetts uses this formula for elderly homeowners and renters, set at 10 percent of income. West Virginia has a single-threshold circuit breaker that provides relief to homeowners paying more than 4 percent of income in property taxes. There seems to be no guideline regarding the best percentage of income to choose in designing a single-threshold property tax circuit breaker. However, the higher the threshold set, the less generous the tax relief

TABLE 3.1

Benefit Determination Under Alternative Circuit Breaker Formulas, Assuming \$2,000 Property Tax Bill for Each Household

	Low Income \$10,000	Moderate Income \$20,000	Middle Income \$40,000
Each household pays \$2,000 in property tax before circuit breaker			
Property Tax	\$2,000	\$2,000	\$2,000
Tax as % of Income	20.0	10.0	5.0
Single Threshold Property tax capped at 5% of income			
Tax Due	\$500	\$1,000	\$2,000
Tax Relief (Credit)	\$1,500	\$1,000	\$0
Tax as % of Income	5.0	5.0	5.0
Multiple Threshold No property tax allowed for first \$5,000 income; capped at 2% of income for income from \$5,001–\$10,000; capped at 4% for \$10,001–\$20,000 income; capped at 6% for \$20,001–\$40,000 income			
Tax Due	\$100	\$500	\$1,700
Tax Relief (Credit)	\$1,900	\$1,500	\$300
Tax as % of Income	1.0	2.5	4.25
Sliding Scale Credit = (Property Tax) x (Relief Percentage)			
Relief Percentage	75.0	50.0	25.0
Tax Due	\$500	\$1,000	\$1,500
Tax Relief (Credit)	\$1,500	\$1,000	\$500
Tax as % of Income	5.0	5.0	3.75

Note: Fisher (2009) notes that in 2007 the median homeowner paid \$1,728 in property taxes.

and the less expensive the program in terms of potential lost tax revenue.

Multiple-Threshold Formulas

The pattern of property tax relief provided by a circuit breaker can be made more progressive (more favorable to those with lower incomes) by employing several threshold percentages such as:

- Zero for the first \$5,000 of income;
- 2 percent for the next \$5,000 of income;
- 4 percent for the next \$10,000 of income; and
- 6 percent for income above \$20,000.

As with most multiple-threshold circuit breakers the thresholds apply incrementally; that is, a different threshold percentage applies

to each block of a taxpayer's income. In this way, all eligible claimants, regardless of total income, benefit from the lower threshold percentages for their first dollars of income.

If the thresholds were not applied incrementally, moving to a higher income bracket

significantly lower property tax bills, while the middle-income household pays slightly less in property taxes.

The multiple-threshold approach is more popular among states than the single-threshold approach for homeowners. A

Maryland circuit breaker uses four threshold percentages: zero for the first \$8,000 income; 4 percent for the next \$4,000; 6.5 percent for the next \$4,000; and 9 percent for income amounts above \$16,000. The thresholds apply incrementally; all eligible claimants, regardless of total income, benefit from the lower threshold percentages for their first dollars of income.



SLIDING-SCALE CIRCUIT BREAKERS

Sliding-scale circuit breakers are nearly as common as multiple-threshold models. This approach defines several income brackets, and all claimants within an income bracket qualify for

would mean the higher threshold would apply to all of the household's income. So all of the income of a taxpayer earning \$30,000, for example, would be subject to the 6 percent threshold. Nonincremental multiple-threshold formulas create situations in which one dollar of extra income can cause a dramatic loss in tax relief (see chapter 5).

In the example in table 3.1, before the circuit breaker the low-income family pays 20 percent of its income in property taxes, the moderate-income family pays 10 percent, and the middle-income family pays 5 percent. After applying the multiple-threshold circuit breaker, the low-income family pays 1 percent of its income, the moderate-income family pays 2.5 percent, and the middle-income family pays 4.25 percent. Compared with the single-threshold circuit breaker, the low- and moderate-income households have

the same percentage reduction in taxes, regardless of how high or low their property tax bills. These relief percentages decline with each step to a higher income bracket, so low-income households receive the highest percentage reduction in property taxes.

The number of income brackets varies among states, but most sliding-scale circuit breakers have three to six; South Dakota is an exception with 25. The simplified example in table 3.1 assumes three income brackets. After the sliding-scale circuit breaker, the net property tax is 5 percent of income for both the low-income and moderate-income families, and 3.75 percent for the middle-income family. Whether a sliding-scale formula channels greater tax relief to lower-income households than a multiple-threshold formula depends on both the thresholds set and the tax relief percentages.

A Connecticut sliding-scale circuit breaker, for example, defines five brackets and tax relief percentages for married homeowners: first \$15,200 of income, 50 percent; \$15,201–\$20,500 income, 40 percent; \$20,501–\$25,600, 30 percent; \$25,601–\$30,500, 20 percent; and over \$30,500 but less than \$37,300, 10 percent.

HYBRID AND QUASI CIRCUIT BREAKERS

Several states combine elements of threshold and sliding-scale circuit breakers; these hybrid formulas sometimes are complex (e.g., Minnesota) and are summarized in the Appendix.

Quasi circuit breakers use multiple income brackets to target aid to low-income households. However, unlike a threshold or sliding-scale system, benefits are determined without reference to a claimant’s property tax bill, except that they cannot exceed the actual property tax paid.

In most states, quasi circuit breakers use multiple income brackets with benefits declining as income rises. For example, Utah uses seven income brackets, with relief declining from a maximum of \$816 in the lowest income bracket (under \$9,369) to \$100 in the highest income bracket (\$24,802–\$27,557). Colorado and Wyoming do not use income brackets; instead their quasi circuit breakers start with a maximum benefit that declines by the percent that a claimant’s income exceeds a given level. For example, Colorado has a maximum benefit of \$600 that is reduced by 10 percent of income over \$6,000 for single taxpayers and \$9,700 for married taxpayers.

Not all analysts define property tax circuit breakers in the same way; some prefer a narrow circuit breaker definition, while others focus on a broader category of tax relief mechanisms they label as income-conditioned property tax relief (see box 3.1).

TABLE 3.2

Benefit Determination Under Alternative Circuit Breaker Formulas, Assuming Property Tax Bill Equal to 10 Percent of Income for Each Household

	Low Income \$10,000	Moderate Income \$20,000	Middle Income \$40,000
Each household pays 10% of income in property taxes before circuit breaker			
Property Tax	\$1,000	\$2,000	\$4,000
Tax as % of Income	10.0	10.0	10.0
Single Threshold Credit offsets any property tax above 5% of income			
Tax Due	\$500	\$1,000	\$2,000
Tax Relief (Credit)	\$500	\$1,000	\$2,000
Tax as % of Income	5.0	5.0	5.0
Multiple Threshold No property tax allowed for first \$5,000 income; capped at 2% of income for income from \$5,001–\$10,000; capped at 4% for \$10,001–\$20,000 income; capped at 6% for \$20,001–\$40,000 income			
Tax Due	\$100	\$500	\$1,700
Tax Relief (Credit)	\$900	\$1,500	\$2,300
Tax as % of Income	1.0	2.5	4.25
Sliding Scale Credit = (Property Tax) x (Relief Percentage)			
Relief Percentage	75.0	50.0	25.0
Tax Due	\$250	\$1,000	\$3,000
Tax Relief (Credit)	\$750	\$1,000	\$1,000
Tax as % of Income	2.5	5.0	7.5

Note: Fisher (2009) concludes that property taxes are approximately the same proportion of income for most taxpayers. In some high property tax states, a significant proportion of homeowners pay 10 percent or more of their income in property taxes (Allen and Woodbury 2006).

AN ALTERNATIVE EXAMPLE

Table 3.2 shows a different pattern of property tax liabilities, where all households pay 10 percent of their income in property taxes before a circuit breaker is applied.

Under a 5 percent single-threshold circuit breaker, each household pays 5 percent of its income in property taxes, the same outcome as in table 3.1, despite different starting points. Although the resulting net property tax liabilities are the same as in table 3.1, the dollar tax relief is much more skewed toward higher-income households. This skewing of property tax relief arises because the original pattern of property tax liabilities is also

BOX 3.1

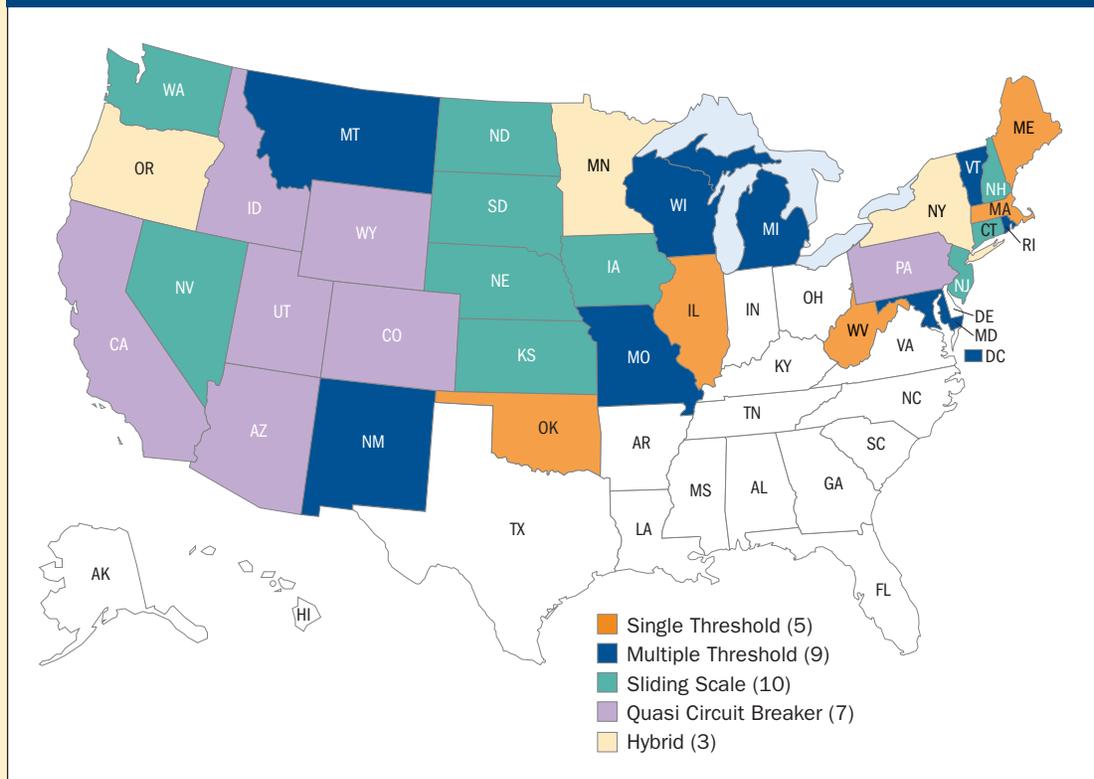
Definitions of Circuit Breaker and Other Types of Direct Property Tax Relief

The Center on Budget and Policy Priorities (CBPP) counts only 18 circuit breaker states because it defines circuit breakers to include only threshold formulas. According to CBPP “If the value of the rebate is driven by a family’s income rather than the share of the family’s income that goes toward paying the property tax, the program is not considered a circuit breaker” (Lyons, Farkas, and Johnson 2007).

This report defines circuit breakers as direct property tax relief to households that increases as household income declines, for a given property tax bill. This definition encompasses threshold circuit breakers, but also includes other types of tax relief as described in this chapter. Figures 3.1 and 3.2 show which states use each of these formulas for elderly and nonelderly homeowners.

An even broader type of direct property tax relief to households is income-targeted property tax relief. Some income-targeted homestead exemptions or credits set an income ceiling above which no relief is given and below which full benefits are available. These mechanisms do not qualify as circuit breakers according to this report because they do not exhibit the necessary inverse relationship between income and tax relief amounts over a significant range of income.

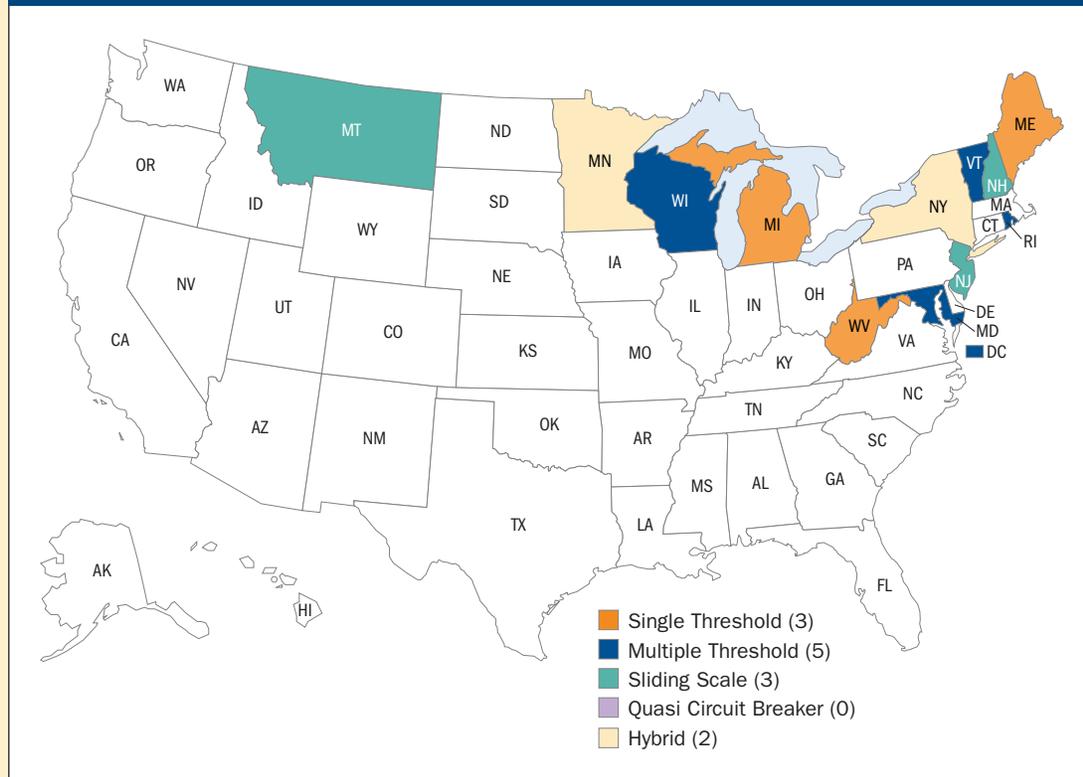
FIGURE 3.1
Type of Primary Circuit Breaker Program by State for Elderly Homeowners (2008)



Note: Oregon program is for elderly renters instead of homeowners.

FIGURE 3.2

Type of Primary Circuit Breaker Program by State for Nonelderly Homeowners (2008)



much more skewed to higher-income households than in the original table 3.1 example.

After implementing the multiple-threshold circuit breaker, the net property tax is 1 percent of income for the low-income family; 2.5 percent for the moderate-income family; and 4.25 percent for the middle-income family—the same outcome as in table 3.1. Again, the dollar amounts of property tax relief are more skewed toward higher-income households than in table 3.1.

After applying the sliding-scale circuit breaker, the net property tax is 2.5 percent of income for the low-income family, 5 percent for the moderate-income family, and 7.5 for

the middle-income family. This pattern of final property tax liability is different from that for the sliding-scale circuit breaker in table 3.1. Here a proportional property tax has been converted into a progressive tax, whereas in table 3.1, the sliding-scale circuit breaker converted a regressive tax into a much less regressive tax. Under a proportional tax, every income group pays the same percentage of income in taxes; under a progressive tax, higher-income taxpayers pay a higher percentage of income in tax than lower-income households; under a regressive tax, higher-income taxpayers pay a lower percentage of income in tax than lower-income taxpayers.



CHAPTER 4

Additional Features of Property Tax Circuit Breakers

Beyond their variety of types and formulas, property tax circuit breakers differ in their cost or generosity, as well as in program design features such as income ceilings and benefit limits.

CIRCUIT BREAKER COSTS

Of 14 states where data on tax expenditures are easily accessible, the cost of circuit breakers ranges from about \$100,000 in Oklahoma to over \$1 billion in New Jersey (see table 4.1). Measured as a share of total property tax collections, these costs range from .004 percent in Oklahoma to 6.3 percent in Michigan. Average benefits also range widely, from just

over \$100 in New York to almost \$1,000 in New Jersey.

Because data on circuit breaker costs are not available for all states, another approach for estimating circuit breaker costs uses the American Community Survey, a nationally representative survey conducted by the U.S. Census Bureau. It presents data on more than one million households and is used here to simulate the cost of the basic circuit breaker types discussed in chapter 3. Table 4.2 shows that these programs are relatively inexpensive. When made available to households of all incomes, including renters, the total cost ranges from 5.2 to 7.8 percent of total property tax collections (Langley 2009).

TABLE 4.1
Cost of Selected State Circuit Breaker Programs for Selected Years

State	Year	Age for Eligibility	Beneficiaries/Claimants	Average Benefits	Total Program Cost (\$ millions)	Program Cost as Percent of Property Tax Collections
MA	2006	65+			\$29.8	0.28
MD	2006	All Ages/ 60+	56,818	\$851/\$265	\$42.5	0.71
ME	2006	All Ages	92,000	\$443	\$42.8	1.94
MI	2005	All Ages	1,488,757	\$544	\$809.4	6.27
MN	2006	All Ages	301,406	\$630	\$190.0	3.56
MT*	2005	62+	24,424	\$474	\$11.6	1.16
NJ	2006	All Ages	1,106,871	\$966	\$1,069.0	5.20
NM	2005	65+	20,228	\$193	\$3.9	0.45
NY	2005	All Ages	275,000	\$109	\$30.0	0.09
OK	2006	65+			\$0.1	0.004
PA	2007	65+	417,052	\$489	\$203.8	1.43**
RI	2007	All Ages	50,964	\$277	\$14.1	0.75**
VT	2005	All Ages	34,534	\$712	\$30.3	2.87
WI	2006	All Ages	239,546	\$509	\$121.9	1.52

* Montana figures are for elderly homeowner/renter programs only; 10,638 additional property tax credits/exemptions were issued through the property tax assistance and disabled veterans circuit breaker programs.

** 2007 total property tax collections figures are not yet available from the Census. This table uses 2006 figures.

Source: Reports from various state sources.



TABLE 4.2
Estimated Cost of Four Property Tax Relief Programs,
Measured as a Percent of Total Property Tax Collections (2006)

			Proportion of Total Cost to Cover Housing Group	
	Specifics of Formula	Total Cost	Homeowners	Renters
Single-Threshold Circuit Breaker	Credit offsets any property tax above 5% of income	7.3%	72.6%	27.4%
Multiple-Threshold Circuit Breaker	Credit offsets any property tax for first \$5,000 of income; offsets property tax above 2% of income for \$5,001 to \$10,000; above 4% for \$10,001 to \$20,000; above 6% for \$20,001 to \$40,000; above 8% for \$40,001 to \$60,000; above 10% for \$60,001 and above*	7.8%	63.1%	36.9%
Sliding-Scale Circuit Breaker	Credit equals property tax multiplied by relief percentage, which varies by income bracket as follows: 75% for \$0 to \$10,000; 50% for \$10,001 to \$20,000; 25% for \$20,001 to \$40,000; 10% for \$40,001 to \$60,000; 5% over \$60,001	5.2%	59.1%	40.9%
Homestead Exemption	First \$45,000 of assessed value is exempt from property taxes	7.6%	100.0%	0.0%

*Brackets are applied incrementally, as under a graduated income tax.

Source: Langley (2009).

If circuit breaker programs are limited to incomes in the bottom half of the income distribution, the cost ranges from 3.9 to 6.3 percent of total property tax collections (not shown in table).

The estimates reported in table 4.2 are for homeowners and renters of all ages nationally; results for each state would depend on income and property taxes in that state. The three circuit breakers in table 4.2 are the same as the hypothetical examples in chapter 3, except that additional income brackets have been added to the multiple-threshold and sliding-scale circuit breakers to estimate the cost of providing circuit breaker benefits to all income groups. For example, the added income brackets for the multiple-threshold program are an 8 percent threshold for households with incomes between \$40,001 and \$60,000, and a 10 percent threshold for households with incomes over \$60,000. The estimates assume 50 percent program participation rates for circuit breaker programs, which is at the upper end of existing estimates (see chapter 6).

The distribution of tax relief varies markedly among the four programs. As noted in

chapter 1, a smaller proportion of benefits goes to low- and moderate-income households under the homestead exemption than under any of the circuit breaker programs. Specifically, households in the lower half of the income distribution receive only 37 percent of the benefits under the homestead exemption, compared to 64 percent under the single-threshold circuit breaker, 81 percent under the multiple-threshold circuit breaker, and 75 percent under the sliding-scale circuit breaker.

One important factor in this distribution of benefits is that only homeowners are eligible for homestead exemptions, whereas both homeowners and renters are eligible for circuit breakers. But even when looking solely at homeowners, the three circuit breakers provide median tax cuts from 25 to 100 percent larger than the homestead exemption for homeowners in the bottom quarter of the income distribution. Note also that among the three circuit breaker programs, the multiple-threshold circuit breaker targets the largest proportion of total benefits to low- and moderate-income households.

INCOME CEILINGS

Almost all circuit breakers incorporate income ceilings, but because states define income differently, dollar values of income ceilings are not always strictly comparable. Oklahoma is one state with a very low income ceiling of \$12,000, which falls below the poverty line for a family of two (see figure 4.1). This helps to explain the low cost of Oklahoma's circuit breaker, which provides relief for only 0.004 percent of total Oklahoma property taxes. Most states set their income ceilings between the poverty line and median income, and a few states have much higher income ceilings. New Jersey's, at \$150,000, is the highest, and Michigan, Vermont, and Minnesota have income ceilings that exceed \$80,000.

Despite the fact that most states use income ceilings, the case for their use is not clear-cut. The basic argument in their favor is that they restrict tax relief to those who truly need it. This argument relies on the notion that above some income level property tax relief is not needed. An income ceiling also holds down program costs, but the cost

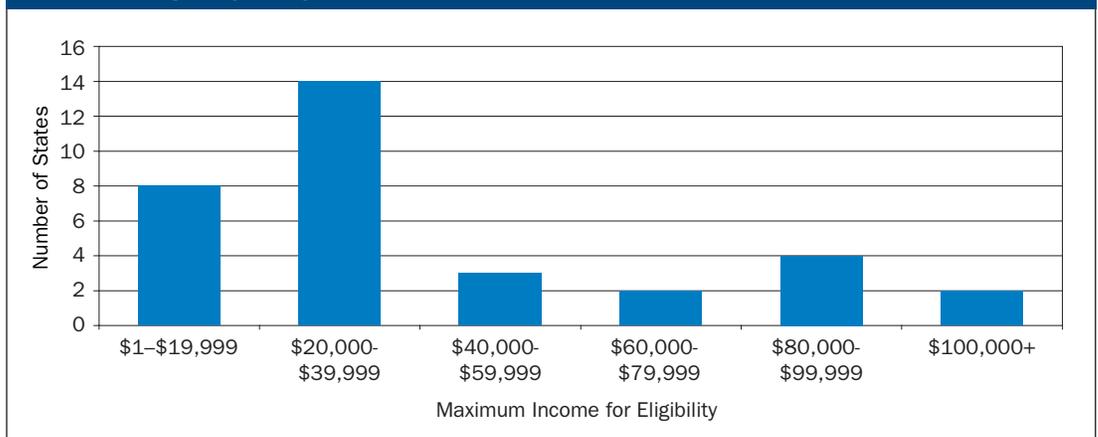
reductions may be less than expected. Even without an income ceiling, circuit breakers concentrate tax relief on those with lower incomes; in part, this is because housing consumption (home value) is a smaller percentage of income at higher income levels.

Even without an income limit, the number of upper-income households eligible for circuit breaker benefits is small, because few of these households have property tax bills above the threshold level. For example, Langley (2009) finds that only 9 percent of households in the top 10 percent of the income distribution are eligible for relief under the single-threshold program, compared to 80 percent of households in the lowest 10 percent of the income distribution.

In the case of sliding-scale circuit breakers, income limits are inherent. These circuit breakers apply a schedule of property tax relief percentages within a framework of several defined income ranges or brackets; each bracket has a unique tax relief percentage, and these percentages decline for higher income brackets. The upper limit of each income bracket is an income ceiling for the

FIGURE 4.1

Maximum Income for Circuit Breaker Eligibility: Elderly Homeowners, Married Couples (2008)



Note: The counts of states are based on the maximum income for each state's specific income definition without attempting to adjust the maximum income for states with a narrow definition of income (i.e. excluding Social Security benefits). AZ and NJ exclude 100% of Social Security benefits; KS and PA exclude 50%; NH excludes only the portion not included in federal AGI. West Virginia has no income ceiling.



relief percentage of that range of income. Although the highest income bracket could be open-ended, in practice this is not done.

If income limits are employed, they should be adjusted upward over time. For example, if a circuit breaker is designed to benefit taxpayers with median incomes and below, the income limit should increase as median income increases.

West Virginia offers a cautionary example of problems that can result when such adjustments are not made. The state adopted a circuit breaker in 1972, during the decade in which 24 states adopted this new form of property tax relief. The program targeted seniors and established a \$5,000 income limit, with income defined very broadly. Dollar amounts were not adjusted over the years to reflect changing price levels and rising incomes, so the program gradually became irrelevant. Given the low income ceiling and the fact that the maximum allowable benefit was \$93.80,

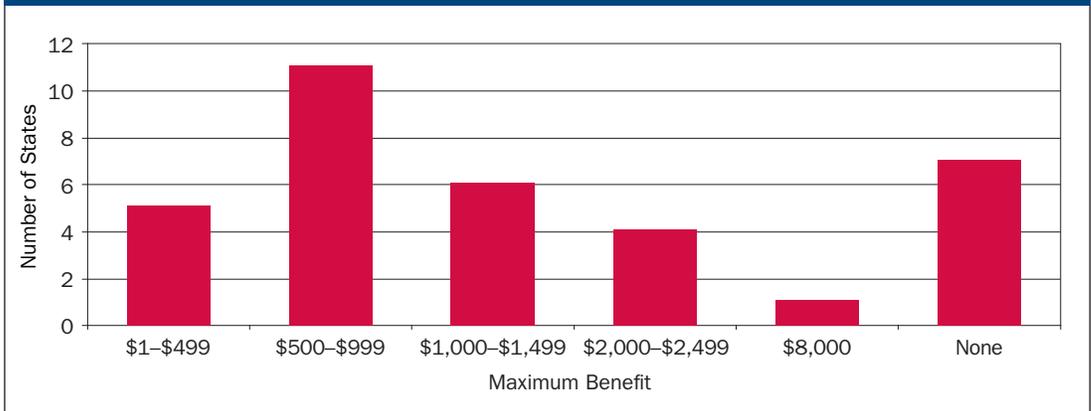
it was no mystery why no one applied for tax relief under the program for many years.

In 2007 West Virginia changed course and enacted a new single-threshold property tax circuit breaker targeted to those paying more than 4 percent of their incomes in property tax, with a maximum benefit of \$1,000 (Bowman 2007).

BENEFIT LIMITS

Circuit breaker benefit limits serve one or more objectives: limiting program costs; avoiding large subsidies for high-value housing; and retaining an incentive for taxpayers to scrutinize tax increases. The most common benefit limits are maximum benefit provisions, which cap relief. Other benefit limits are copayment or coinsurance requirements, which relieve only a portion of the tax above the threshold amount, or caps on property tax relief for very high-value homes.

FIGURE 4.2
Maximum Circuit Breaker Benefit: Elderly Homeowners, Married Couples (2008)



Note: There are no states with a maximum between \$1,500 and \$1,999. Seven states have a lower benefit ceiling for residents who are non-elderly (NY), renters (CA, CT, MD, MN, ND), or single (CT, WY); Pennsylvania has lower benefits outside of Philadelphia, Pittsburgh, and Scranton. Four states with no cap on the dollar value of benefits restrict benefits indirectly by setting a maximum home value considered.

Maximum Benefit Provisions

Most states have a maximum benefit, with the level ranging from \$200 in Oklahoma to \$8,000 in Vermont (see figure 4.2). Given that the median U.S. homeowner had annual property taxes of \$1,728 in 2007, maximum

benefit levels set below \$500 can be considered low (Fisher 2009). Five states—Maine, New Jersey, Oregon, Minnesota and Vermont—set maximum benefits at \$2,000 or higher, and seven states have no benefit limit. A few states have multiple benefit limits that use income brackets, where the maximum benefit declines with income. Connecticut sets a maximum benefit for each of five brackets, from \$1,250 in the lowest-income bracket to \$250 in the highest.

Table 4.3 shows the effects of a \$1,000 benefit limit under the multiple-threshold circuit breaker originally shown in table 3.2, where initial property tax bills are set at 10 percent of income. In this case, the \$1,000 limit has no effect on the low-income taxpayer, who still receives \$900 in tax relief. However, the \$1,000 limit reduces the tax relief for the moderate-income taxpayer by \$500 and for the middle-income taxpayer by \$1,300.

Without benefit limits, a single-threshold formula reduces property taxes to the threshold percentage of income for all successful claimants; a multiple-threshold formula with incremental application of the thresholds creates a progressive pattern of net property

TABLE 4.3
Circuit Breaker Benefits with Benefit Limit

	Low Income \$10,000	Moderate Income \$20,000	Middle Income \$40,000
Each household pays 10% of income in property taxes before circuit breaker			
Property Tax	\$1,000	\$2,000	\$4,000
Tax as % of Income	10.0	10.0	10.0
Multiple Threshold Credit offsets any property tax for first \$5,000 of income; property tax above 2% of income for \$5,001-\$10,000; above 4% for \$10,001-\$20,000; and above 6% for \$20,001-\$40,000 income			
Tax Due	\$100	\$500	\$1,700
Tax Relief (Credit)	\$900	\$1,500	\$2,300
Tax as % of Income	1.0	2.5	4.25
Multiple Threshold with \$1,000 Benefit Limit Maximum tax relief is \$1,000			
Tax Due	\$100	\$1,000	\$3,000
Tax Relief (Credit)	\$900	\$1,000	\$1,000
Tax as % of Income	1.0	5.0	7.5



tax burdens relative to income; and a sliding-scale circuit breaker simply reduces all recipients' property taxes by various percentages. Differences in the effects of the circuit breaker types are undermined by benefit limits that cap total benefits for any one claimant at some specified dollar level, with the effect being greater when the cap is lower.

Copayment Requirements

In circuit breaker formulas that include copayment requirements, the state offsets part of a claimant's property tax above the threshold level and the taxpayer is responsible for a certain percentage above the threshold. Without copayment requirements, taxpayers above the threshold level are insulated from any property tax increase. Copayment requirements seek to ensure taxpayers receiving circuit breaker benefits continue to scrutinize local tax increases. Michigan is an example of a state with a copayment requirement and a maximum benefit provision. For nonelderly

claimants, the state relieves 60 percent of the tax above the 3.5 percent threshold amount and limits relief to \$1,200.

Table 4.4 shows the effects of a 40 percent copayment requirement. By definition, a single copayment requirement will reduce all claimants' benefits by the same proportion, while multiple copayment requirement levels will cause a larger reduction in tax relief for higher-income households.

Limit Tax Relief for High-Value Homes

A third type of benefit cap limits tax relief to some maximum home value. One approach makes people ineligible if their home value exceeds the limit, as in Kansas where the limit is \$350,000. A more common approach allows owners of high-value homes to participate, but considers the tax on only part of the total value. Maryland uses this approach, considering the tax on only the first \$300,000 of market value.

TABLE 4.4

Circuit Breaker Benefits with Copayment Requirement

	Low Income \$10,000	Moderate Income \$20,000	Middle Income \$40,000
Each household pays 10% of income in property taxes before circuit breaker			
Property Tax	\$1,000	\$2,000	\$4,000
Tax as % of Income	10.0	10.0	10.0
Multiple Threshold Credit offsets any property tax for first \$5,000 of income; property tax above 2% of income for \$5,001–\$10,000; above 4% for \$10,001–\$20,000; and above 6% for \$20,001–\$40,000 income			
Tax Due	\$100	\$500	\$1,700
Tax Relief (Credit)	\$900	\$1,500	\$2,300
Tax as % of Income	1.0	2.5	4.25
Multiple Threshold with 40% Copayment Requirement Tax relief covers only 60% of the property tax above the threshold			
Tax Due	\$460	\$1,100	\$2,620
Tax Relief (Credit)	\$540	\$900	\$1,380
Tax as % of Income	4.6	5.5	6.55

TABLE 4.5

Circuit Breaker Benefits with Maximum Property Value Considered

	No Maximum Property Value Considered	Includes Maximum Property Value Considered
Single Threshold Tax threshold is 5% of income; Credit offsets property tax above this threshold		
Income	\$40,000	\$40,000
Tax Threshold	\$2,000	\$2,000
Maximum Property Value Considered Only the property tax due on the first \$300,000 in property value is considered in formula		
Full Value of Property	\$500,000	\$500,000
Tax Rate on this Property	1%	1%
Tax Due on Full Value of Property	\$5,000	\$5,000
Property Value Considered	\$500,000	\$300,000
Tax Rate on this Property	1%	1%
Tax Bill Considered	\$5,000	\$3,000
Calculation of Tax Relief Tax relief equals the amount that the tax bill considered exceeds the tax threshold		
Tax Relief (Credit)	\$3,000	\$1,000
Tax Due	\$2,000	\$4,000
Tax as a % of Income	5.0%	10.0%

Table 4.5 shows the calculation of circuit breaker benefits when the maximum property value considered is \$300,000. Before property tax relief, the household faces a property tax bill of \$5,000, which is the full property value (\$500,000) multiplied by the 1 percent tax rate. The single-threshold circuit breaker offsets any property tax above 5 percent of income, thereby providing \$3,000 in property tax relief. However, when only the property tax due on the first \$300,000 in property value is considered, the household's tax relief is limited to \$1,000.

A variation on the Maryland approach would provide no tax relief for the proportion of home value that exceeds the median value of homes in the state by some multiple, say 1.5 or 2.0. For example, if state law capped property tax relief at double the median home value and the state's median home value was \$200,000, the tax on up to \$400,000 of market value could be considered in the tax relief formula. Such a limit avoids making large payments to people with very expensive homes who are likely to be able to borrow against their home equity to pay taxes. In addition, by linking the limit to some multiple of the median value of homes, the limit automatically adjusts for increasing home values.

The Appendix provides a more comprehensive listing of circuit breaker features, two of which bear mentioning here. One feature limits eligibility to homeowners who have lived in their state for some minimum amount of time. The other limits the amount of land that can be considered part of a taxpayer's homestead. The taxpayer described in box 4.1 could receive very different treatment if circuit breaker benefits were limited to one or two acres of this rural homeowners' holdings; currently she would be eligible for property tax relief on all of her land if she met the income requirements.

CONCLUDING COMMENTS

Circuit breaker costs vary greatly, depending upon program provisions such as threshold percentages or income limits. Of the 14 states for which tax expenditure data are readily available, Michigan provides the most generous property tax circuit breaker, when cost is measured as a percentage of total property tax collections (6.3 percent of property tax collections). American Community Survey data were used to estimate circuit breaker costs for all states. This approach found that three typical property tax circuit breakers available to homeowners and renters of all ages would cost between 5.2 and 7.8 percent

of U.S. property tax revenues if 50 percent of those eligible claim the relief. This range includes Michigan's current share.

The most common features added to a basic circuit breaker formula are limits on the amount of income a claimant can have and on the benefit that any claimant can receive. If limits are included, it is important to adjust them periodically. Automatic annual indexation that changes specified dollar amounts in line with inflation is preferable to ad hoc adjustments. If ad hoc adjustments are not made, or are too small, the circuit breaker program can become inadequate or even irrelevant.

BOX 4.1

Taxpayer Profile: A Rural Homeowner and Landowner

Donna and her mother sought solitude when they purchased 68 acres of land with an unfinished home set deep in the woods in rural New Hampshire 25 years ago. They finished the house, a large but modest two-story home with an attached two-car garage and an apartment over the garage.

Twenty-five years ago Donna's annual property tax liability was under \$3,000; this year she will pay \$7,100. Donna lives on retirement income, which includes about \$27,000 a year from her pension and an additional \$4,500 from Social Security. She pays approximately 23 percent of her income in property taxes.

To stretch her income as far as possible, Donna has made several lifestyle changes. During the heating season she moves from the main house into the apartment over the garage, which costs less to heat. Donna maintains the property herself. The house badly needs painting inside and out, but with her finances so tight repainting is out of the question.

To make ends meet Donna has had to borrow against the value of her home with a home equity line of credit, which she has increased repeatedly. She said she will have to continue borrowing against her equity until she is able to sell some land. About a year ago, she put a 5.5 acre parcel on the market, but it has not sold.

So far Donna is ineligible for what little property tax relief may be available from her state or town. Her income exceeds the state threshold of \$20,000 for a circuit breaker for the statewide portion of the property tax (about 14 percent of Donna's total property tax bill). She said the town offers property tax assistance only to residents who earn less than \$12,000 per year.



CHAPTER 5 Pitfalls to Avoid In Designing a Circuit Breaker

Property tax circuit breakers differ considerably among states, and policy makers can learn from this variety of experiences to select desirable features while avoiding others (see table 5.1).

INADEQUATE TAX RELIEF

Many circuit breakers provide inadequate tax relief because they are too restrictive, as the discussion of circuit breaker cost in chapter 4 revealed. For example, Oklahoma’s \$12,000 income ceiling and maximum

TABLE 5.1
Common Pitfalls in Circuit Breaker Design

Pitfall	Examples	Result	Reason	Solution
Overly Restrictive	Massachusetts, New Hampshire, New York, Oklahoma	Circuit breaker does not provide sufficient tax relief for targeted population	Depends: benefit limit or income ceiling could be set too low; threshold percentage could be too high	Adjust formula to expand tax relief to targeted population
Uncertain Funding	California, Iowa	Benefits are less than formula-based amounts; tax relief is unpredictable from year to year	Funding suspended or program funding is set in budget as opposed to being guaranteed in formula, and benefits reduced if claims exceed budget	Circuit breaker benefits funded like an entitlement as opposed to a budget appropriation
Favoring the Elderly	Massachusetts, New Mexico	Inequity: Younger household with heavy tax burden receives no tax relief, while identical elderly household receives benefits	Need often is greater among nonelderly, who are more likely to have a mortgage and live under the poverty line	Make all ages eligible
Defining Income Too Narrowly	Kansas	Inequity: Two households with identical incomes receive different tax relief because one household has a larger share of income from a source excluded from the definition	Importance of various income sources differs across households	Define income to include all money income, including Social Security, pensions, and cash assistance
Excluding Renters	Idaho, Oklahoma	Inequity: Renters face higher rent payments due to high property taxes, but receive no tax relief	Renters pay property taxes indirectly since landlords pass on a share of taxes in the form of higher rent	Legislature sets a property tax rent equivalent, which is the percentage of rent assumed to be from property taxes
Not Adjusting/Indexing to Inflation	West Virginia (1972–2006)	Over time tax relief becomes inadequate and fewer households qualify for benefits	Dollar amounts—income ceilings, income brackets, etc.—are eroded by inflation	Index all specific dollar amounts to inflation for automatic annual adjustment
Local Funding	Virginia	Relief from onerous property taxes available unevenly across localities	Some localities will not adopt and/or cannot afford adequate tax relief	Adopt statewide property tax relief funded at the state level
Notch Effect	New York, Rhode Island	A small increase in income causes a much larger benefit drop	Threshold percentage brackets are not applied incrementally, or too few brackets are used for sliding-scale formulas	Apply threshold brackets incrementally, or use many brackets for a sliding-scale circuit breaker
Not Linking to Property Tax Payment	Pennsylvania, Utah	Benefits are not targeted to those who pay a large share of their income in property taxes	Quasi circuit breakers set benefits with minimal reference to actual tax or rent paid	Benefits determined with reference to actual tax bill or rent payment (threshold and sliding-scale programs)
Adverse Incentives	Massachusetts	Some tax relief recipients have no incentive to oppose property tax increases; overspending by local governments	Any property tax increase above the threshold percentage is entirely offset by circuit breaker benefits	Threshold program—use copayment requirements; Sliding-scale program—avoid 100% tax relief



benefit of \$200 make it clear that many needy taxpayers would not be eligible for tax relief, and even if they were, the amount of relief would not be substantial.

States could reform their circuit breakers to make them more generous, as Maine did in 2005. The state's property tax reform law (LD1) raised the maximum circuit breaker benefit from \$1,000 to \$2,000 and expanded income limits. The state estimated that the changes doubled the number of eligible households (Maine Revenue Services 2007). One study estimates the percentage of households paying at least 6 percent of their income in property taxes declined from 19 percent with the pre-LD1 circuit breaker to 11 percent with the LD1 circuit breaker expansion. The same study shows the greatest impacts were for households with the highest tax burdens (Allen and Woodbury 2006).

UNCERTAIN STATE FUNDING

Some states calculate property tax relief according to a prescribed formula, but then appropriate a fixed amount in the budget that may not cover the cost of all claims filed.

In such cases, qualified claimants receive less property tax relief than specified in the law. Additionally, tax relief may be unpredictable from year to year, which can cause difficulty for beneficiaries who may have been counting on formula-determined relief. The primary reason to appropriate fixed funding for a circuit breaker program is to control costs. However, if the relief is targeted to households most in need, the program generally will be a small portion of the state budget.

FAVORING THE ELDERLY

In the late 1950s, states began to adopt elderly-only property tax relief programs. Wisconsin's pioneering circuit breaker in 1964 also restricted eligibility to the elderly, although it later expanded coverage to all ages. In 2008, 21 states restricted programs to the elderly; six others covered all ages, but provided more generous benefits for the elderly. In short, old age tends to be viewed as a proxy for low income and an indication of financial need.

However, the assumption that property

TABLE 5.2

Major Exclusions from Circuit Breaker Income Definitions, by State (2007)

State	Social Security	Cash Benefits	Disability Benefits	Other
AZ	100% excluded	Workers' compensation, unemployment benefits, welfare benefits	Veterans' disability payments	Railroad retirement benefits
CO		Public assistance designated for dependent children		
ID			Military disability benefits	Medical expenses, prepaid funeral expenses
KS	50% excluded		Excluded	
MA				Medical and health savings account contributions; self-employed health insurance
MI				Payments into IRAs, health insurance premiums
MO			VA benefits with 100% disability tied to military service	
MT	Nontaxable Social Security excluded			Income definition used is federal AGI
NE		Cash benefits (except unemployment benefits)		Medical expenses in excess of 4% of income
NH	Nontaxable Social Security excluded			Income definition used is federal AGI
NJ	100% excluded	Excluded		Other nontaxable income sources
ND		Workers' compensation	Certain disability benefits	Medical expenses
OR				Payments into IRAs, medical and health savings accounts; self-employed health insurance
PA	50% excluded	Supplemental Security Income	Certain disability benefits	Losses on sale of home (up to annual income)
SD				Property tax on homestead (up to \$400)
VT				Payments for foster care
WA				Health insurance premiums; medical expenses
WV		Cash benefits (except workers' compensation)		Nontaxable income except Social Security, interest, and workers' compensation

Notes: Montana refers to veterans only. Ohio had a circuit breaker in 2007, but it was repealed so the state is not included here. Standard deductions or exclusions for spouse or dependents are not included in this table.

Source: Bowman (2008a, table A-2).

taxes impose a greater burden on senior citizens is not necessarily true. Relative to the population under age 65, senior citizens are less likely to live in poverty and much less likely to hold a mortgage. More important, comparing the economic well-being of broad age groups is unnecessary, because there is no need to use a proxy for property tax burdens. The two criteria typically used to determine circuit breaker benefits—income and property taxes—ensure tax relief is targeted to those paying a disproportionate share of their income in taxes regardless of age.

DEFINING INCOME TOO NARROWLY

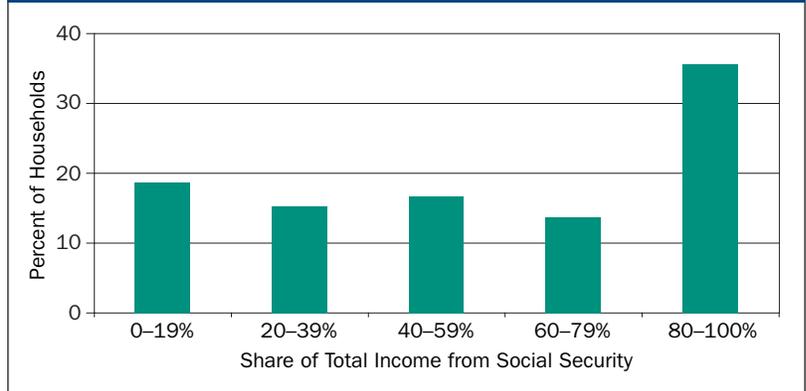
Because circuit breakers use income to determine property tax relief amounts, it is important that states use a broad definition of income. Money from Social Security, private pensions, and public cash assistance should all be included. Historically, nearly all circuit breaker states have done this, but some states have moved away from this broad definition of income (table 5.2).

Excluding some income sources distorts property tax relief, and may provide drama-

tically different relief to households paying identical shares of their income in property taxes, or even give more relief to households that are better off than to those that are worse off. All money “spends equally well,” whether from earnings or Social Security. Providing additional tax relief to claimants for whom a large share of income is excluded means less relief is available for others, given a limited total amount available for tax relief.

Excluding Social Security from the definition of income is a particular problem. Figure 5.1 shows that the share of total income from Social Security ranges widely among seniors. While 35.6 percent receive 80 percent or more of their income from Social Security, 18.7 percent receive less than 20 percent. Social Security Administration (2009) data show that in 2006, 28.4 percent of seniors with Social Security benefits had less than \$15,000 in what SSA terms “total money income” (including Social Security payments, earnings, pensions, and other assets), compared to 47.3 percent for those without Social Security benefits. But when Social Security benefits

FIGURE 5.1
Share of Total Money Income from Social Security for Seniors (2006)



Source: Social Security Administration (2009, table 8.A1).

were not counted in income, 68.0 percent of seniors with those benefits appear to have less than \$15,000 income. Pretending Social Security benefits are not income makes the group that is better off look as if it is worse off, thereby qualifying it for a larger slice of the property tax relief pie.

In 2007 Kansas removed half of Social Security benefits from consideration in determining circuit breaker claimants’ income. The governor noted that this would qualify



seniors for more property tax relief. It does this, but in a very uneven and unfair way. For example, imagine three Kansas households that each has total income of \$20,000 and pays \$1,000 in property taxes, but whose Social Security benefits constitute none, half, and all of their total income respectively. Under Kansas law in 2007, these three households with identical incomes and property tax bills would have received tax relief worth \$280, \$448, and \$588 respectively.

EXCLUDING RENTERS

Most states offer circuit breaker benefits for renters as well as owners, but eight states exclude renters, and some that cover renters provide less generous benefits for renters than for homeowners (see figure 5.2). As discussed in chapter 2, renters indirectly pay property taxes as a part of their rent and generally have lower incomes than homeowners; they should be included in needs-based property tax relief programs.

BOX 5.1

Estimating Property Taxes Paid by Renters

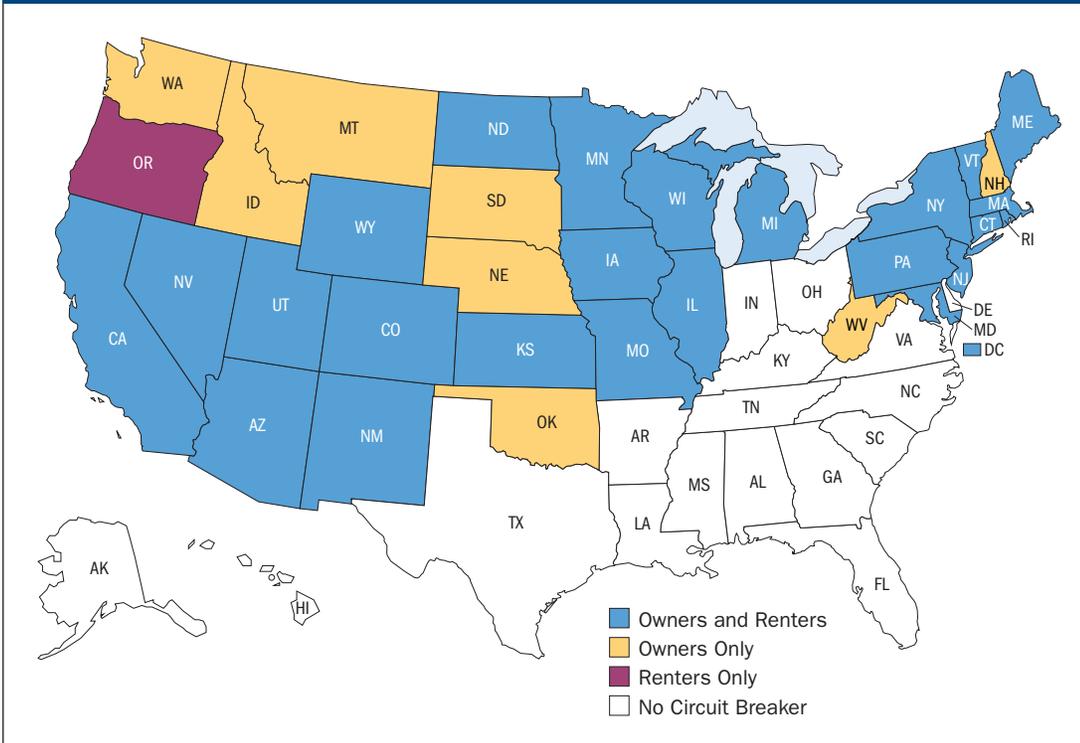
Economic theory assumes the property tax in any municipality can be divided into two components: the national average tax rate, plus or minus the local difference from this average. Landlords are able to shift almost the entire tax burden that reflects the national average onto renters, because renters cannot move to avoid this portion of the property tax. However, landlords' ability to shift the additional burden or savings resulting from local differences depends on whether renters are able to move to similar municipalities in the area with lower tax rates.

For example, someone who wants to rent an apartment in the center of a large city cannot escape paying the tax rate in that city: moving a few blocks away or even to a different neighborhood will not change the tax rate. In this case, landlords will be able to pass on most of the property tax burden to renters in the form of higher rent. Alternatively, someone who wants to rent an apartment in the suburbs generally can choose to locate in one of several similar municipalities, and thus live in a town with lower property taxes. In this case, landlords are largely compelled to pay the property tax differential themselves, because raising rents will cause tenants to choose an apartment in a nearby municipality with lower taxes (Fisher 2007, 350–357; Orr 1968).

The Minnesota Department of Revenue (2005) conducted a study that estimated the property tax as a percentage of residential rent. The department assumed property owners shift 100 percent of property taxes onto renters, which will tend to make estimates of property tax as a percentage of residential rent higher than if an alternative assumption were used. Statewide, the property tax as a share of rent averaged 11.7 percent, with 91 percent of rental units falling under 15 percent. However, there were large discrepancies based on the region and the number of units in the building. Renters in Minneapolis faced the highest taxes as a proportion of rent (17.6 percent), while renters in the suburbs faced the lowest (10.4 percent), and renters in the nonmetropolitan area were in the middle (12.3 percent). The study also showed that tenants in buildings with one to three units paid much higher taxes on average (18.1 percent of rent) than tenants in buildings with four or more units (10.8 percent of rent).

The evidence from Minnesota, along with other information that owners may not be able to shift the entire burden of property taxes onto renters, suggests the property tax rent equivalent used by most states (well over 15 percent) may be set too high. The Minnesota study concluded that property taxes exceeded 15 percent of rent for only 9 percent of renters. By assuming renters pay higher property taxes than they actually do pay, states are effectively providing a rental subsidy. This subsidy may be justified because renters as a group have lower incomes than owners and do not qualify for the federal mortgage interest deduction available to homeowners. However, addressing this concern through a circuit breaker is questionable.

FIGURE 5.2
States Circuit Breakers Covering Owners and Renters, 2008



Because renters do not pay property taxes directly, it is necessary to estimate their taxes to determine their benefits. Most states estimate these taxes by specifying the percentage of rent assumed to be property tax, which can be termed a property tax rent equivalent. The most common figure is 20 percent, but the range is from 6 percent to 35 percent. A property tax rent equivalent of 20 percent, for example, means that a renter with an annual rent of \$10,000 would be assumed to pay \$2,000 in property taxes. Arizona and Vermont take an alternative approach and ask landlords to allocate a portion of the total property tax on a building to an individual's rental unit. Whether common state practice is sensible can be examined using both economic theory and an empirical study from Minnesota, a state whose dependence on property tax revenues is only slightly lower than the U.S. average (see box 5.1).

NOT ADJUSTING FOR INFLATION

All circuit breaker programs include provisions set at specific dollar amounts, such as income brackets, maximum benefits, and income and wealth ceilings for eligibility. Unless these dollar values increase with inflation, benefits will lose their value over time and fewer taxpayers will qualify for relief. Sliding-scale, multiple-threshold, and quasi circuit breaker programs use a schedule of income brackets with different property tax relief for each. Several states have adopted automatic indexation for their circuit breakers, but many have not. At the extreme, circuit breaker benefits can become meaningless as they are eroded by inflation, as in the case of West Virginia (see chapter 4).

FUNDING AT THE LOCAL LEVEL

In nearly all states with circuit breakers, programs are funded by the state. While in

practice this differentiates circuit breakers from other forms of residential property tax relief, it is not because circuit breakers are inherently state funded. In Virginia, for example, all residential property tax relief is determined by local option. Most of the state's



134 counties and independent cities have adopted such tax relief, and many have opted for circuit breaker programs (Knapp, Shobe, and Kulp 2007). In addition, some states with state-funded circuit breakers, such as Rhode Island, allow local-option enhancements of circuit breaker tax relief.

A major problem with locally funded property tax relief arises because disparities across municipalities in per capita tax base and public service needs mean some local governments are much better able to provide property tax relief for residents than others. A related problem is that the percentage of local residents needing assistance with their taxes is higher in some jurisdictions than in others. Because of these disparities, programs such as property tax relief that redistribute income can be performed better by the state than by localities.

NOTCH EFFECTS

Circuit breakers and other forms of property tax relief for which income is a consideration can create what is known as a notch effect—a situation in which a small change in income causes a much larger change in tax relief. Notch effects can result from two components used in circuit breaker design: income ceilings and income brackets.

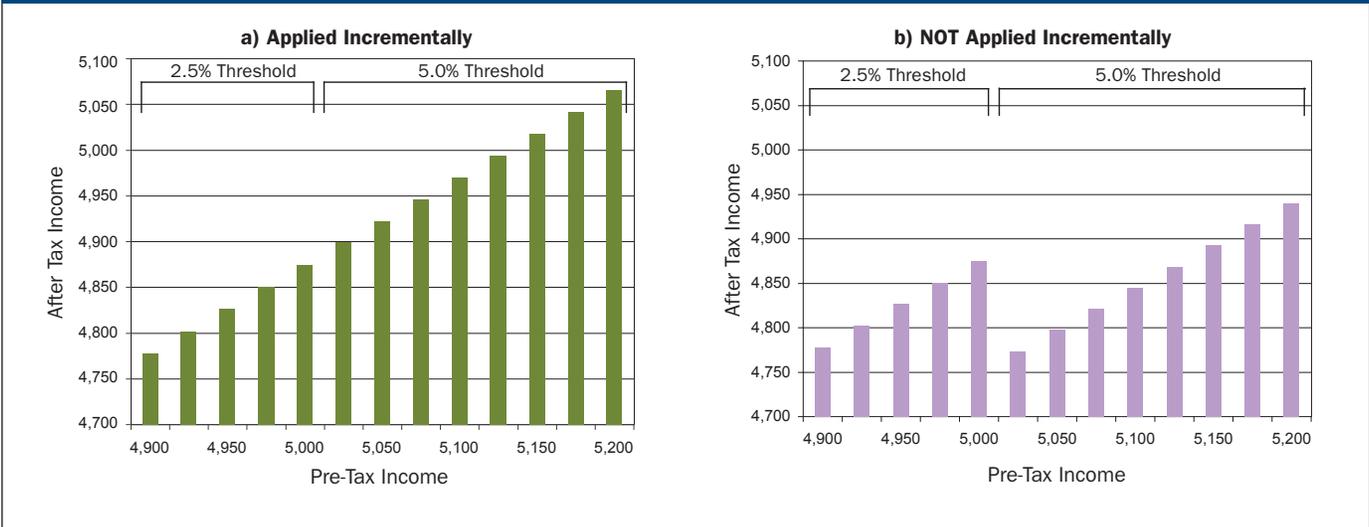
Income ceilings produce notch effects when full circuit breaker benefits are available up to the ceiling but are eliminated immediately above the ceiling, as opposed to being reduced gradually. The rationale for income ceilings is that they help to control program costs and avoid providing tax relief to upper-income taxpayers. It is possible to maintain an income ceiling and avoid notch effects by adopting a gradual phase-out of benefits over an income range near the ceiling. Michigan takes this approach.

Income brackets create notch effects for sliding-scale, quasi circuit breaker, and multiple-threshold programs if the thresholds are not applied incrementally. In practice, most states with sliding-scale programs create a schedule of income brackets, with lower brackets receiving a higher percentage reduction in property taxes. Consequently, a slight increase in income that pushes an individual into a higher bracket could result in a significant drop in tax relief. For example, if 30 percent of property tax is relieved when income is below \$20,000, but only 20 percent if income is above \$20,000, a claimant with a \$1,000 property tax bill loses \$100 of tax relief if income rises from \$20,000 to \$20,001. Two claimants with nearly identical incomes will receive significantly different property tax relief.

Notch effects can be minimized in sliding-scale and quasi circuit breaker programs by adopting many narrow income brackets with very small changes in tax relief between brackets. Notch effects can be completely

FIGURE 5.3

**Threshold Percentage Brackets Applied Incrementally vs. NOT Applied Incrementally:
After-Tax Income Under a Multiple-Threshold Circuit Breaker**



eliminated if tax relief is determined without brackets. For example, a simple equation can be used that provides 100 percent tax relief to those with no income and phases out benefits completely at \$40,000. The relief percentage declines one percentage point for each \$400 increase in income, but there are no sudden drops in benefits because there are no brackets.

Multiple-threshold programs can create notch problems if the threshold brackets are not applied incrementally, which is a problem in Rhode Island and New York. The other states with multiple-threshold circuit breakers do apply the thresholds incrementally. Regardless of total income, each claimant moves through the lower brackets and benefits from the lower threshold percentages, thus eliminating notches between brackets.

Figure 5.3 provides a hypothetical example to illustrate the problem that arises under a multiple-threshold program when brackets are not applied incrementally. This example assumes that property tax payments before circuit breaker benefits equal 10 percent of a taxpayer’s income. Both figures 5.3a and

5.3b have a 2.5 percent threshold for those with incomes up to \$5,000, and a 5 percent threshold for those with incomes above \$5,000. The key difference is that figure 5.3a has brackets applied incrementally, while figure 5.3b does not. Consider particularly individuals with pre-tax incomes of \$5,000 and \$5,025. Under the example in figure 5.3b, this \$25 increase leads to a \$126.25 decline in circuit breaker benefits. This means that earning \$25 more creates a situation in which after-tax income actually declines \$101.25.

NOT LINKING TO THE PROPERTY TAX PAYMENT

Seven states, including Arizona, California, and Pennsylvania, use quasi circuit breaker programs that provide circuit breaker benefits without a clear link to the actual property tax (or rent) paid. Instead, these programs typically use multiple income brackets with a specified amount of relief for each bracket, with the benefits declining for each successively higher income bracket. The only real link to the property tax is that tax relief normally cannot exceed a taxpayer’s actual

property tax bill. This loose connection to the property tax is why quasi circuit breaker programs are considered circuit breakers in this report.

If the objective of circuit breaker programs is to provide relief for households facing particularly onerous property taxes, specifically those paying a high percentage of their income in taxes, then the amount of property tax should be considered in relation to income. Quasi circuit breaker programs cannot target these households, because they do not use property tax payments as a determinant of tax relief. Despite the fact that taxpayers in the same income bracket may face dramatically different property taxes, they all receive the same amount of property tax relief. Quasi circuit breaker formulas are similar to low-income tax credit programs, such as the federal Earned Income Tax Credit.

ADVERSE INCENTIVES

Circuit breakers can lead to overspending by local governments, because some taxpayers will vote for additional public services knowing that higher property taxes will be entirely offset by circuit breaker benefits. Sliding-scale programs that provide 100 percent relief of property taxes and threshold programs that offset 100 percent of property taxes above a threshold level both result in a marginal property tax liability of zero.

Any resident with a zero property tax above a certain level has little or no incentive to oppose any increase in taxes above this level, no matter how small the prospective benefit. This adverse incentive undermines voter accountability and creates a bias in favor of higher spending.

Adverse incentives are diminished by not granting 100 percent relief from property taxes in sliding-scale circuit breakers, and including a coinsurance or copayment requirement in threshold programs. Michigan's nonelderly threshold circuit breaker has a copayment of 40 percent: the state relieves 60 percent of property tax above the threshold, while the resident must pay 40 percent. This requirement promotes taxpayer scrutiny of how increased tax dollars would be spent.

CONCLUDING COMMENTS

Concern for equity across the population of those in need of property tax relief is a common thread running through the first nine pitfalls discussed. The last one addresses a different concern—voter accountability for efficient use of tax dollars, which diminishes for individual voters whose property taxes rise very little or not at all when a higher tax rate is voted.

Many of the equity-eroding pitfalls arise because the provisions that create them seem warranted by political considerations. Examples include the basic matters of circuit breaker coverage and comparative benefit levels, which states have decided in ways that generally favor the elderly over the non-elderly and often favor homeowners over renters. Providing relief equitably requires that homeowners and renters of all ages be covered. States should also avoid using a narrow definition of income, such as excluding Social Security benefits. All income should be counted, because it all can be spent. The specific source of income is an irrelevant consideration.



CHAPTER 6

Administration, Participation, and Outreach

Carefully designed and sufficiently funded property tax circuit breakers also must be administered properly. Because low participation rates can undercut their effectiveness, and administration and outreach can impact participation rates in important ways, the three topics of administration, program participation, and outreach are analyzed together.

ADMINISTRATION

States use one of three administrative arrangements to deliver property tax relief to the intended recipients. The first sets up a separate process for paying out property tax relief through a direct rebate check; the second links the circuit breaker to the state income tax through an income tax credit; and the third directly reduces a taxpayer's property tax liability through an exemption or credit. In some states, two of these arrangements are used for a single circuit breaker program (see table 6.1).

Direct Rebate Check

Many states have opted for a separate refund process to handle circuit breaker claims. New Hampshire's circuit breaker program provides relief only for the state property tax, not local property taxes. The one-page form bases income eligibility on Adjusted Gross Income (AGI) from the federal income tax. Claims are accepted only in May and June, and it typically takes four months from the time the claim is submitted to the date of the refund. Therefore, the earliest date when a household could receive a partial refund of its December 2008 property tax payment would be in September 2009.

Colorado's program provides more timely

relief. If homeowners apply by March 10, 2009, for a partial refund for 2008 taxes, they can receive a direct deposit as early as April. Colorado does not use federal AGI as its income definition. In addition to relieving up to \$600 in property tax or rent payments, the program refunds up to \$192 in heating expenses.

A separate refund process may work well for states without an income tax or those that want to avoid placing too many demands on local assessors' offices. Some states that use an income tax credit for most filers use a direct rebate check for applicants who do not file a state income tax return. This process can transfer money to claimants in a timely fashion or not, depending on the procedures used. If the program bases its income definition on federal AGI, claimants may need to wait until April 15 to file for a partial refund of the prior year's property taxes; alternatively, income for the prior year can be used.

TABLE 6.1
Administrative Approaches Used in the States (2008)

Direct Rebate Check	Income Tax Credit	Property Tax Exemption or Credit
California	Arizona	Connecticut (Owners)
Colorado	District of Columbia	Idaho
Connecticut (Renters)	Massachusetts	Iowa (Owners)
Illinois	Michigan	Maryland (Owners)
Iowa (Renters)	Missouri	Montana (Under 62 and Disabled Veterans programs)
Kansas	Montana (Elderly)	Nebraska
Maine	New Mexico	North Dakota
Maryland (Renters)	New York	Utah
Minnesota	Oklahoma	Vermont (Owners)
New Hampshire	Rhode Island	Washington
New Jersey	Wisconsin	
Nevada	West Virginia	
Oregon		
Pennsylvania		
South Dakota		
Vermont (Renters)		
Wyoming		

Sources: Lyons, Farkas, and Johnson (2007); Significant Features of the Property Tax (2009); and state sources.

Income Tax Credit

State-funded circuit breakers are often administered as a refundable credit against the state income tax. That is, a claimant's income tax bill is reduced by the amount of the circuit breaker credit when the annual income tax return is filed. If the credit results in a negative income tax bill, the difference is refunded to the taxpayer. In the case of Michigan, the circuit breaker is set up as an income tax credit, although taxpayers have the option of using the same schedule to apply for property tax relief even if they do not file state income taxes. In addition, income eligibility is not based on AGI, but on a much broader measure of income.

One advantage of providing circuit breaker tax relief through an income tax credit is that a separate tax relief program need not be established. Thus, both administrative costs and the paperwork burden faced by taxpayers are likely to be reduced. One difficulty is that circuit breaker claimants have to pay their full property tax bills when

due, and then wait for relief until filing their income tax returns. Second, this form of property tax relief may not be perceived as such because it is so closely linked to the income tax, and thus might not do much to satisfy public demand for property tax relief. In other words, when a property tax refund is incorporated into an income tax refund, the taxpayer may not recognize or remember that he is receiving property tax relief.

Property Tax Exemption or Credit

Some states extend circuit breaker property tax relief directly through the property tax to avoid the income tax credit problems just discussed and/or because there is no state income tax. This is done either by using an exemption to reduce the property's assessed value or by using a credit to reduce the tax bill based on full assessed value.

When circuit breaker relief is extended by reducing assessed value, the circuit breaker works as an exemption, as in Washington. Such exemptions differ from more common



homestead exemptions because a circuit breaker formula determines the exempt amount to be targeted based on income. When relief is extended by reducing the gross tax bill calculated using unreduced assessed value, the circuit breaker works as a property tax credit. This approach is used in Connecticut and six other states. Both exemption and credit approaches directly reduce the property tax bill for which the taxpayer is responsible.

A principal advantage of working through the property tax is that relief is timely; claimants do not have to pay property taxes and wait for tax relief through a separate process. For example, Idaho taxpayers can use their 2008 income to file for relief from 2009 property taxes by April 15. If approved, their property tax reduction appears on their December 2009 property tax bill.

In addition, taxpayers are more likely to recognize this approach as property tax relief. Because the property tax typically is administered at the local level, applications logically would be made through the local assessor's office. If the local property tax office is expected to do more than simply receive circuit breaker applications, it could place significant additional demands on that office, as the applications require income information that otherwise would not be of concern for property tax administration. This arrangement also requires state-local coordination and cooperation, including reasonably prompt reimbursement of local governments for property taxes foregone because of the state-funded circuit breaker.

PARTICIPATION RATES

One significant problem with many state circuit breaker programs is that households eligible for tax relief do not apply. A study in Maine found only 41 percent of eligible households successfully applied for the state's circuit breaker program (Harkness 2006). Similarly,

the Wisconsin Department of Revenue (2004) estimated only 43 percent of eligible households received circuit breaker benefits.

An AARP study used two methodologies for estimating the participation rates for property tax credit programs, which include both circuit breaker and homestead credit programs (Baer 1998). According to a telephone survey of AARP members, only 2.5 percent of respondents who would be eligible for such a program had applied. Just over 30 percent were aware they were eligible, and 8.1 percent of them applied. The top reasons given for not applying were: respondents did not think they needed the assistance; they were not aware of the program; or they did not think they would qualify. The second methodology combined a telephone survey of state offices with Census-based estimates of eligible populations to estimate state-specific property tax credit participation rates. Participation rate estimates ranged from a low of 13 to 15 percent in Rhode Island to a high of 72 to 100 percent in the District of Columbia. The median rate was 40 percent.

Other reasons that eligible households may not apply for circuit breaker benefits are that taxpayers may view the tax relief as insignificant or the paperwork as too burdensome, or they may think that revealing detailed income information is too intrusive.

While there is no study comparing participation rates under the three administrative approaches discussed in this chapter, one property tax circuit breaker study claims that administering the program as an income tax credit is most likely to reduce the problem of nonparticipation because most low-income families do file income taxes (Lyons, Farkas, and Johnson 2007, 265).

OUTREACH

It is crucial that any circuit breaker program be accompanied by an outreach effort to ensure that those eligible for their state's program

are aware of it. In addition to state-led campaigns, local governments have a particular incentive to inform households about available circuit breaker benefits since a state-funded circuit breaker essentially replaces local revenues with state revenues. The federal Earned Income Tax Credit (EITC) provides a good example of a successful outreach effort. Besides the Internal Revenue Service, local governments, community organizations, and employers have worked to raise awareness of the EITC, which has resulted in notable increases in the participation rate (Bosland 2002). Researchers have concluded that currently most people who are eligible do receive the EITC (Zedlewski, et al. 2006, 18).

There is a wide range of options for property tax circuit breaker program outreach: speaking tours, public service announcements, newspaper ads, and brochures. Nonprofits can work with government agencies to provide information. For example, the Gerontology Institute at the University of Massachusetts



has been working to promote use of the state's property tax circuit breaker together with other aid programs for seniors (Moskowitz 2008).

Participation in a circuit breaker program also can be increased by making the application process as user-friendly as possible. Both Maine and New Hampshire use a direct rebate check system, for example, but their application processes differ. New Hampshire requires a paper application as well as copies of an income tax form and property tax bill submitted between May 1 and June 30 of the year following the property tax payment. Application forms can be obtained from local or state offices or via the Internet.

Maine allows online applications, noting that applicants may have to provide a copy of their property tax bills. The state will calculate the refund; the applicant need only enter basic identifying information as well as income and property tax payment amounts. The application window in Maine runs from August 1 of the year following the property tax payment until the end of June in the next year. Furthermore, a full-page advertisement for the circuit breaker program is included in the instructions for Maine's income tax form, and taxpayers can check a box on their Maine

FIGURE 6.1
MassResources.Org Circuit Breaker Tax Credit Web Page

The screenshot shows the website interface for the Circuit Breaker Tax Credit. At the top, there is a navigation bar with 'Types of Assistance' and 'Tax Credits' tabs. Below this is a search bar and a list of tax credits including Earned Income Credit (EIC), Child Tax Credit, Housing Tax Credits 2008 / 2009, Recovery Rebate Credit, Circuit Breaker Tax Credit, Real Estate Tax Exemptions, and Lead Paint Removal Credit. The main content area is titled 'Circuit Breaker Tax Credit' and contains a list of frequently asked questions such as 'What is the Circuit Breaker Tax Credit?', 'Am I eligible?', 'What are the income limits?', 'How do I calculate real estate tax payments?', 'What benefits will I get?', 'How do I apply?', 'How do I claim the credit from a previous year?', 'Where can I get help?', and 'Useful links'. A note at the bottom states: 'NOTE: Glossary words are highlighted. Click on any glossary word to see its definition. What is the Circuit Breaker Tax Credit? The Circuit Breaker Tax Credit is a state income tax credit for certain Massachusetts residents age 65 or older who paid rent or real estate taxes during the tax year. Even though the credit is based on property taxes, it is the state government, not the city or town, that pays the credit. The credit is for senior homeowners and renters who meet income limits and other eligibility requirements. Homeowners may claim the credit if they paid more than 10% of their total income for real estate taxes, including water and sewer debt charges. Renters can count 25% of their rent as real estate tax payments. You must file a state income tax return to claim the Circuit Breaker Credit, whether or not you have to file otherwise. If your credit is greater than the amount of income taxes you owe, the state will give you a refund for the difference. The maximum credit for tax year 2008 is \$930.'

Source: www.massresources.org



TABLE 6.2
Overview of Three Administrative Approaches

Concerns	Direct Rebate Check	Income Tax Credit	Property Tax Exemption or Credit
Voter awareness of property tax relief	Moderate	Minimal	Highest
Impact on program participation	Depends on simplicity of application process and outreach	Likely to maximize participation	Depends on simplicity of application process and outreach
Can be administered in states with no income tax	Yes	No	Yes
Paperwork burden on taxpayers	Taxpayers need to document both their income and property tax bill through a separate form	Taxpayers filing an income tax return add an additional schedule; for those who do not, same as other options	Taxpayers need to document their income for local assessor or other administrative office
Administrative costs for local governments	Depends on whether state or local governments process applications	None	Moderate: need to document income
Administrative costs for state government	Need to establish a separate refund process	Varies: minimal for states with same definition of income used for income tax; higher for states that use different income definitions for circuit breaker relief and income tax	Need to assist local governments with administration and ensure prompt reimbursement for foregone taxes
Timeliness of relief	Depending on state procedures, there may be only a short delay between payment of property tax and when circuit breaker benefits are received	Longer delay between payment of property tax bill and when circuit breaker benefits are received	No delay for owners since circuit breaker directly reduces property tax bill; longer delay for renters who need separate refund process

income tax form to have a circuit breaker tax refund application mailed to them.

The Internet is a particularly useful tool for providing information about circuit breaker programs. Community Resources Information, Inc. (CRI) is a nonprofit organization dedicated to developing Web sites on state and local resources for low- and moderate-income families, such as one for Massachusetts (see figure 6.1). This is a clearly written, well-organized, frequently updated, and comprehensive source for information on a wide range of resources. The property tax circuit breaker page is one entry in the general category of tax credits, and it presents information on eligibility and likely benefits. It allows the user to download forms and provides phone numbers for users who may need personal assistance. The information on the Web site is readily available in Spanish, Portuguese, or English. The template used for Massachusetts has been used to set up a similar Web site for New Mexico.

CONCLUDING COMMENTS

Table 6.2 provides an overview of the benefits and drawbacks of the three administrative approaches. Different people will attach different significance to the various criteria, and there are often tradeoffs. For example, reducing administrative and compliance costs by using an income tax credit is likely to reduce voter awareness of property tax relief.

This report favors the property tax exemption or credit approach for owners and a direct rebate check for renters for three reasons. This combination is most likely to satisfy the public demand for property tax relief; it avoids delays between property tax payments and receipt of circuit breaker benefits; and it can be used even if the state does not levy an income tax. No matter which administrative approach is employed, a vigorous outreach effort is needed to ensure that eligible households are aware of available circuit breaker relief.



CHAPTER 7

Conclusions and Recommendations

Property tax circuit breakers can be used to increase tax equity by reducing the most onerous property tax burdens, measured in relation to income. By targeting property tax relief to those most in need of relief, circuit breakers promote tax equity at minimal cost to the budget while preserving the basic nature and strengths of the property tax. Although circuit breakers have great potential for improving property tax fairness, the programs employed by many states fall short of ideal, as discussed in chapter 5.

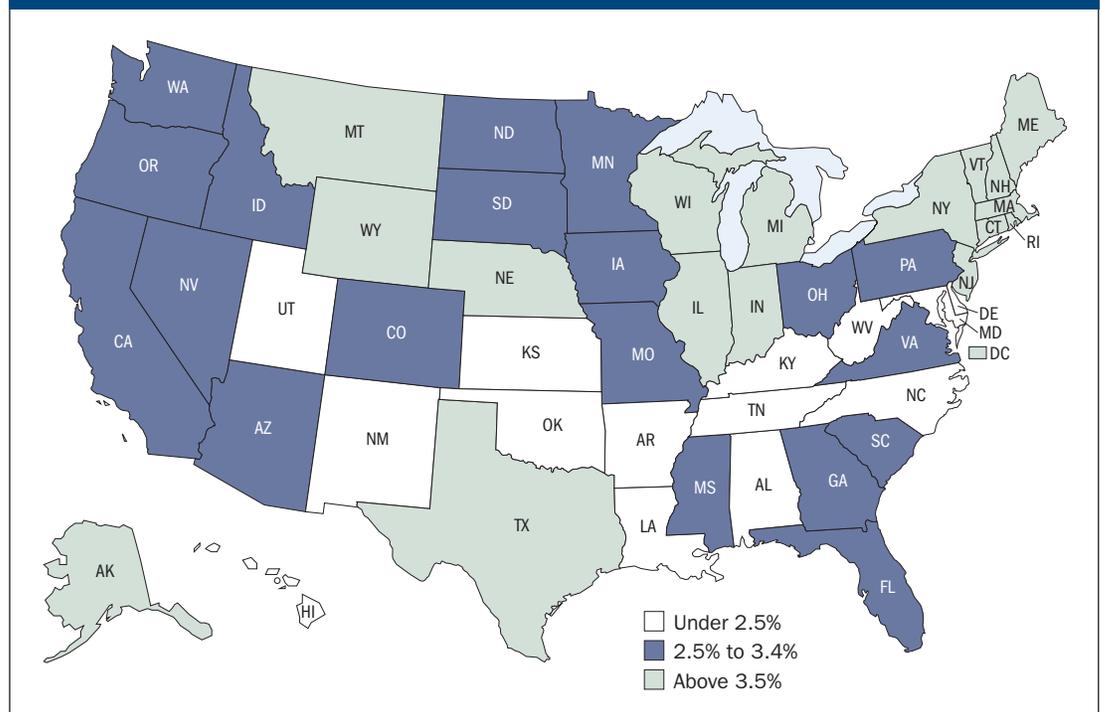
Recommendations for the best design for property tax circuit breakers are described below (see also Bowman 2008b). Property tax circuit breakers are particularly important

for states with especially high property taxes (see figure 7.1). However, the best circuit breaker for a particular state depends not only on how high the state's property taxes are, but on the state's tax structure and the division of governmental responsibilities between the state and local governments.

Provide Adequate Tax Relief and Reliable Funding

Without adequate and reliable funding, property tax circuit breakers cannot provide meaningful tax relief. Consider two states with above average property taxes as a percent of personal income. In New York the average benefit is \$109 and the total cost of the program is 0.09 percent of property tax

FIGURE 7.1
Property Tax as a Percent of Personal Income in the States (2006)



Sources: U.S. Census Bureau (2006b); U.S. Department of Commerce, Bureau of Economic Analysis (2006).

collections. In Michigan, the average benefit is \$544, with program costs equal to 6.27 percent of collections. It is no surprise that New York policy makers are currently considering a complete overhaul of their circuit breaker program.

Cover Owners and Renters of All Ages

Property taxes are paid by people of all ages and by renters (indirectly) as well as by homeowners. States should not exclude residents from the possibility of circuit breaker property tax relief simply because they have not become old enough to qualify; nor should they be excluded if they do not own their homes.

Use a Broad Definition of Income

Ignoring income from some sources, such as Social Security, clearly creates inequities among potential claimants. It results in those with income from the favored sources appearing poorer than they are, causing them to receive a larger portion of total property tax relief expenditures. If tax administrators feel that a comprehensive definition of income would pose too many administrative or compliance problems, policy makers could ensure that at least all Social Security income was included in the circuit breaker income definition.

Use a Multiple-Threshold Formula, with Brackets Applied Incrementally

A multiple-threshold formula defines several ranges of income and assigns a threshold percentage to each income bracket; the threshold percentage for each income bracket is higher than the one below it. For example, Maryland has a zero threshold for the first \$8,000 of income, 4 percent for the next \$4,000 of income, 6.5 percent for the next \$4,000, and 9 percent for income over \$16,000. Such a formula causes net property tax burdens to rise with income. Applying brackets incrementally avoids notch effects.

Consider a Copayment Requirement

States with generous threshold circuit breakers may want to consider a copayment requirement so the program does not promote excessive spending. For example, Michigan's threshold circuit breaker for the non-elderly has a copayment of 40 percent. The state relieves 60 percent of property tax above the threshold, while the taxpayer must pay 40 percent. Without a copayment requirement, taxpayers whose property tax bills exceed the threshold level are insulated from any property tax increases and may be inclined to automatically favor increased spending. States with generous circuit breakers that cover many property taxpayers should be most concerned about this issue.

Limit Tax Relief for Very High-Value Homes

It is sensible to limit tax relief to the property tax on the portion of one's home value that is below some ceiling amount; one possibility is an amount equal to twice the statewide median home value. For example, if the median house value is \$200,000, only the property tax on the first \$400,000 of value for any house would be taken into account when computing tax relief. Such a limit avoids making large payments to people with very expensive homes who are likely to be able to borrow against their home equity to pay taxes, if necessary.

Consider Placing No Other Limits on Income, Benefits, or Net Worth

Threshold property tax circuit breakers automatically limit tax relief for high-income households because housing consumption and property taxes typically do not increase at the same rate as household income. In the case of multiple-threshold programs, income limits are even less essential because threshold percentages increase as income increases. Limits other than those



on very high-value homes may not be necessary and sometimes can be harmful. For example, some states have placed nominal dollar limits on income, which they have not increased over time. West Virginia's \$5,000 income limit may have been sensible in 1972 when the circuit breaker program was created, but over time fewer and fewer households fell below that level of income.

Use State Funding

The proportion of taxpayers needing tax relief and the ability to fund it can vary dramatically across localities. When overburdened taxpayers are concentrated in a community with low fiscal capacity, locally funded property tax relief is not feasible. State funding also promotes equity by providing the same property tax relief for households of the same income, no matter where they live within the state. The greater the number of local governments, the more important this recommendation becomes.

Use Property Tax Credits for Homeowners and Rebate Checks for Renters

With state-reimbursed property tax credits, the local tax bill for homeowners is reduced directly and the state reimburses local governments for the amount of the tax reduction. This form of tax relief is most timely, and most likely to be perceived as a form of property tax relief.

Because renters do not receive property tax bills, an alternative system is required for them. State-issued checks based on a separate application process are better than income tax credits, for two reasons: the income definition for a circuit breaker program may be broader than for the state income tax, and tax relief provided outside of the income tax program is more likely to be perceived as property tax relief.

Simple Application System

By properly designing a circuit breaker and making use of the capabilities of Web sites and direct-deposit banking, the state can reduce administration and compliance costs while encouraging participation. If the circuit breaker process is opaque and cumbersome, fewer eligible taxpayers will apply, and adequate property tax relief will not be channeled to needy households.

Outreach

Because program participation tends to be low for circuit breaker programs, it is essential to establish and fund an outreach program to make them more accessible and effective. The good news is that various nonprofits may be willing to take on the task. Outreach efforts for other programs, such as the Earned Income Tax Credit, can be used as models.



APPENDIX Property Tax Circuit Breaker Features

Property Tax Circuit Breaker Features for Applications as of September 1, 2008						
Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
ARIZONA						
Property Tax Refund Credit	Homeowners and renters, 65+ or disabled	Living with spouse or dependents	Quasi Circuit Breaker: 21 brackets, with maximum relief ranging from: <i>Lowest Bracket:</i> \$502 if income under \$2,501 <i>Highest Bracket:</i> \$56 if income \$5,351–\$5,500	\$5,500	Lesser of \$502, property tax bill or designated rent	Landlord designates the percentage of rent attributable to property taxes
		Living alone	Quasi Circuit Breaker: 21 brackets, with maximum relief ranging from: <i>Lowest Bracket:</i> \$502 if income under \$1,751 <i>Highest Bracket:</i> \$56 if income \$3,651–\$3,750	\$3,750		
CALIFORNIA						
Homeowner and Renter Assistance	Homeowners and renters, 62+ or disabled	Homeowners	Quasi Circuit Breaker: 38 brackets, with maximum relief ranging from: <i>Lowest Bracket:</i> \$472.60 if income up to \$10,691 <i>Highest Bracket:</i> \$20.40 if income \$40,988–\$42,770	\$44,096	Lesser of \$472.60 or property tax bill	Funding for this program was suspended due to budget constraints; 2008 claims will not be processed
		Renters	Quasi Circuit Breaker: 38 brackets (Same income range as above, but different benefits) <i>Lowest Bracket:</i> \$347.50 <i>Highest Bracket:</i> \$15	\$44,096	Lesser of \$347.50 or property tax rent equivalent	
COLORADO						
Property Tax/Rent Rebate	Homeowners and renters; 65+, disabled, or 58+ if surviving spouse	Married	Quasi Circuit Breaker: Formula is used instead of brackets Tax relief is \$600 minus 10% of income above \$9,700	\$15,700	Lesser of \$600, property tax bill (owners), or 20% of rent (renters)	Property tax rent equivalent is 18% if heat included; There is an additional income targeted program for heat payments with up to \$192 in benefits
		Single	Quasi Circuit Breaker: Formula is used instead of brackets Tax relief is \$600 minus 10% of income above \$6,000	\$12,000		
CONNECTICUT						
Homeowners' Elderly/Disabled Circuit Breaker Tax Relief Program	65+, disabled, or 50+ and surviving spouse of someone who received benefits at death	Married Homeowners	Sliding Scale: 5 brackets, with tax relief percentage ranging from: <i>Lowest Bracket:</i> 50% if income under \$15,200 <i>Highest Bracket:</i> 10% if income \$30,500–\$37,300	\$37,300	\$1,250	
		Single Homeowners	Sliding Scale: 4 brackets, with tax relief percentage ranging from: <i>Lowest Bracket:</i> 40% if income under \$15,200 <i>Highest Bracket:</i> 10% if income \$25,600–\$30,500	\$30,500	\$1,000	
Renters' Rebate for Elderly/Disabled		Married Renters	Single Threshold: 5% (Assumes property tax is 35% of rent)	\$37,500	\$900	
		Single Renters		\$30,300	\$700	

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
DISTRICT OF COLUMBIA						
Homeowner and Renter Property Tax Credit	Homeowners and renters	62+ or disabled	Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 1% first \$4,999 income <i>Highest Bracket:</i> 2.5% if income \$15,000–\$20,000	\$20,000	\$750	Assumes property tax is 15% of rent
		Under 62	Multiple Threshold: 6 brackets and thresholds: <i>Lowest Bracket:</i> 1.5% first \$2,999 income <i>Highest Bracket:</i> 4% if income \$15,000–\$20,000	\$20,000	\$750	Copayment of 5% for lowest bracket; 25% for the other five brackets; Assumes property tax is 15% of rent
IDAHO						
Property Tax Reduction Program	Homeowners; 65+, disabled, widows or widowers, and former POWs		Quasi Circuit Breaker: 36 brackets with maximum relief ranging from: <i>Lowest Bracket:</i> \$1,320 first \$11,720 income <i>Highest Bracket:</i> \$150 if income \$27,491–\$28,000	\$28,000	Lesser of \$1,320 or property tax bill	State often pays 100% of property tax bill, because there is no copayment requirement
ILLINOIS						
Circuit Breaker Tax Grant	Homeowners and renters, 65+ or disabled		Threshold: Tax relief is the lesser of the following formulas: If income \$14,000 or lower: 1) Relief = (Prop Tax) – (3.5% x Income) 2) Relief = \$700 – (4.5% x Income) If income \$14,001+: 1) Relief = (Prop Tax) – (3.5% x Income) 2) Relief = \$70	\$36,740 (3+ people)	\$700	Income ceiling based on # of occupants: \$22,218 (Live Alone) \$29,480 (2 people) \$36,740 (3+ people); Assumes property tax is 25% of rent
IOWA						
Disabled and Senior Citizens Property Tax Credit and Rent Reimbursement	65+ or disabled	Homeowners and Renters	Sliding Scale: 6 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income under \$10,047 <i>Highest Bracket:</i> 25% if income \$17,139–\$19,503	\$19,503		Maximum rent considered is \$1,000; Assumes property tax is 23% of rent
KANSAS						
Homestead Refund	55+, disabled, or have dependent child in home under 18	Homeowners	Sliding Scale: 23 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% first \$6,000 income <i>Highest Bracket:</i> 5% if income \$26,001–\$29,700	\$29,700	\$700	Maximum home value considered is \$350,000
		Renters				Assumes property tax is 15% of rent
MAINE						
Property Tax and Rent Refund Program: General Refund Program	All ages	Homeowners	Threshold: Relieves 50% of tax above 4% of income (Copayment = 50%) Relieves 100% of tax above 8% of income (No copayment)	\$60,000 1 person or \$80,000 2+ people	\$2,000	Maximum property tax considered is \$3,350 (1 person) or \$4,400 (2+ people)
		Renters				Maximum rent considered is \$16,750 (1 person) or \$22,000 (2+ people); Assumes property tax is 20% of rent
Property Tax and Rent Refund Program: Senior Refund Program	Homeowners and renters; 62+, or 55+ if disabled	Living with spouse or dependents	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$14,900 <i>Highest Bracket:</i> 25% if income \$16,301–\$16,800	\$16,800	\$400	
		Living alone	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$12,400 <i>Highest Bracket:</i> 25% if income \$13,201–\$13,600	\$13,600		Assumes property tax is 25% of rent

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
MARYLAND						
Homeowners' Property Tax Credit	Homeowners, all ages		Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 0% first \$8,000 income <i>Highest Bracket:</i> 9% if income over \$16,000	\$60,000		Maximum property tax considered is on first \$300,000 in value; Maximum net worth is \$200,000 (Excludes residence, IRA, and retirement accounts)
Renters' Tax Credit	Renters	60+ or disabled	Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 0% first \$8,000 income <i>Highest Bracket:</i> 9% if income over \$16,000		\$750	Assumes property tax is 15% of rent; Maximum net worth is \$200,000 (Excludes IRA and retirement accounts)
		Under 60 with at least 1 dependent under age 18		Varies with household size	\$750	
MASSACHUSETTS						
Real Estate Tax Credit for Persons Age 65 and Older	Homeowners and renters; 65+		Single Threshold: 10% of income (Amount of property tax plus half of water and sewer bill that exceeds 10%)	\$49,000 (Single); \$62,000 (Head); \$74,000 (Married)	\$930	Maximum home value considered is \$793,000; Assumes property tax is 25% of rent
MICHIGAN						
Homestead Property Tax Credit	Homeowners and renters	65+ or disabled	Multiple Threshold: 5 brackets and thresholds: <i>Lowest Bracket:</i> 0% first \$3,000 income <i>Highest Bracket:</i> 3.5% if income \$6,000–\$82,650	\$82,650	\$1,200	Credit is reduced 10% for each \$1,000 of income above \$73,650; Assumes property tax is 20% of rent
		Under 65	Single Threshold: 3.5% of income Relief = 60%; Copayment = 40%	\$82,650	\$1,200	
MINNESOTA						
Property Tax Refund	All ages	Homeowners	Hybrid: Elements of all formula types • Multiple Threshold: 27 brackets and thresholds: <i>Lowest:</i> 1% first \$1,489 income <i>Highest:</i> 3.5% if income \$67,250+ • Sliding Scale: 8 copayment rates <i>Lowest:</i> 15% if income up to \$4,490 <i>Highest:</i> 50% if income \$67,250+ • Quasi Circuit Breaker: Maximum benefit depends on income <i>Lowest:</i> \$2,310 if income up to \$2,980 <i>Highest:</i> \$460 if income \$93,310+	\$96,940 plus allowances	\$2,310	Income ceiling includes allowances: \$3,500 if spouse is 65+ or disabled, \$4,900 per dependent up to 5 dependents
		Renters	Hybrid: Elements of all formula types • Multiple Threshold: 29 brackets and thresholds: <i>Lowest Bracket:</i> 1% first \$5,989 income <i>Highest:</i> 3.5% if income \$44,830+ • Sliding Scale: 10 copayment rates <i>Lowest:</i> 5% if income up to \$4,490 <i>Highest:</i> 50% if income \$46,330+ • Quasi Circuit Breaker: Maximum benefit depends on income <i>Lowest:</i> \$1,490 if income up to \$41,840 <i>Highest:</i> \$150 if income \$50,810+	\$52,300 plus allowances	\$1,490	Income ceiling includes allowances: \$3,500 if spouse is 65+ or disabled, \$4,900 per dependent up to 5 dependents

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
MISSOURI						
Property Tax Credit Claim	65+, disabled, or 60+ and receiving Social Security Surviving Spouse Benefits	Homeowners	Multiple Threshold variant: 40+ brackets and thresholds: <i>Lowest Bracket:</i> 0% if income up to \$14,300 <i>Highest Bracket:</i> 2.5% if income \$24,701–\$25,000	\$25,000 plus \$2,000 deduction for spouse	\$750	Maximum property tax considered for determination of benefits is \$1,100
		Renters				Assumes property tax is 20% of rent; Maximum rent constituting property taxes of \$750 is considered for benefit determination
MONTANA						
Elderly Homeowner/ Renter Credit	Homeowners and renters, 62+		Multiple Threshold: 12 brackets and thresholds: <i>Lowest Bracket:</i> 0% first \$1,999 income <i>Highest Bracket:</i> 5% if income \$12,000+	\$45,000 plus \$6,300 standard income exclusion	\$1,000	Benefits phased out in five steps after \$35,000 with copay requirements (60% copay to 100% copay at \$45,000); Assumes property tax is 1.5% of rent
Property Tax Assistance Program	Homeowners, all ages	Married or head of household	Sliding Scale: 3 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 80% if income up to \$10,270 <i>Highest Bracket:</i> 30% if income \$17,974–\$25,676	\$25,676		
		Single	Sliding Scale: 3 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 80% if income up to \$7,703 <i>Highest Bracket:</i> 30% if income \$11,812–\$19,257	\$19,257		
Disabled American Veterans Exemption	Homeowners who are 100% disabled veterans	Married	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$40,861 <i>Highest Bracket:</i> 50% if income \$47,672–\$51,076	\$51,076		There is a companion program for unremarried surviving spouses of a person killed in active duty; the details are the same except income cut points for brackets are different
		Single	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$34,051 <i>Highest Bracket:</i> 50% if income \$40,862–\$44,266	\$44,266		
NEBRASKA						
Homestead Exemption	Homeowners, 65+	Married	Sliding Scale: 6 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$27,901 <i>Highest Bracket:</i> 25% if income \$33,801–\$35,301	\$35,301		Maximum home value considered is \$95,000 or 200% of the county-wide average single-family residential assessed value; Maximum exemption value is the greater of \$40,000 or countywide average single-family residential assessed value
		Single	Sliding Scale: 6 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$23,801 <i>Highest Bracket:</i> 25% if income \$28,701–\$30,001	\$30,001		
	Homeowners, disabled	Married	Sliding Scale: 6 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income up to \$30,601 <i>Highest Bracket:</i> 25% if income \$36,501–\$38,001	\$38,001		
		Single	Sliding Scale: 6 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% income up to \$26,701 <i>Highest Bracket:</i> 25% if income \$31,701–\$32,901	\$32,901		

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
NEVADA						
Senior Citizens' Property Tax / Rent Rebate	Homeowners and renters, 62+		Sliding Scale: <i>Lowest Bracket:</i> 100% tax relief if income below federal poverty level for a household of one (single) or two (married) <i>Relief percentage declines as income rises, but details are determined administratively</i>	\$27,863	\$500	Maximum home value for eligibility is \$200,000; Maximum liquid assets for eligibility is \$150,000; Assumes 8.5% of rent is property tax
NEW HAMPSHIRE						
Low and Moderate Income Homeowner's Property Tax Relief Program	Homeowners, all ages	Married	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income under \$25,000 <i>Highest Bracket:</i> 20% if income \$35,000–\$40,000	\$40,000		Circuit breaker applies only to statewide portion of property tax; Maximum home value considered is \$100,000 times current equalization rate
		Single	Sliding Scale: 4 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 100% if income under \$12,500 <i>Highest Bracket:</i> 20% if income \$17,500–\$20,000	\$20,000		Same as for married homeowners
NEW JERSEY						
Homestead Credit/Rebate Program	Homeowners	65+	Sliding scale: 3 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> The greater of 20% of property tax or \$1,000–\$1,200 if income \$70,000 or less <i>Highest Bracket:</i> The greater of 10% of property tax or \$500 if income \$125,000–\$150,000	\$150,000	\$2,000	Maximum property tax considered is \$10,000 Benefits often change year-to-year based on budget language without any statutory changes
		Under 65	Sliding scale: 2 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 20% if income under \$100,000 <i>Highest Bracket:</i> 10% if income \$100,001–\$150,000			
	Renters	65+ or disabled	Single Threshold up to an income limit, then a flat amount: <i>Lowest Bracket:</i> 5% if income under \$70,000 (married) or \$35,000 (single) with minimum benefit of \$160 <i>Highest Bracket:</i> Relief is \$160 if income over \$70,000 (married) or \$35,000 (single)	\$100,000	\$860	Assumes property tax is 18% of rent; Benefits often change year-to-year based on budget language without any statutory changes
		Under 65	Relief is flat \$80	\$100,000	\$80	
NEW MEXICO						
Property Tax Rebate for Persons 65 or Older	Homeowners and renters, 65+		Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 0.5% if income \$1,001–\$9,000 <i>Highest Bracket:</i> 3% if income \$15,001–\$16,000	\$16,000	\$250	Property tax assumed equal to 6% of rent Benefit is flat \$20 if income under \$1,000

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
NEW YORK						
Real Property Tax Credit for Homeowners and Renters	Homeowners and renters	65+	Hybrid: Elements of all formula types • Multiple Threshold: 7 brackets and thresholds: <i>Lowest:</i> 3.5% if income under \$3,000 <i>Highest:</i> 6.5% if income \$14,001–\$18,000 • Sliding Scale: Copayment equals 50% • Quasi Circuit Breaker: Maximum benefit depends on income <i>Lowest:</i> \$375 if income under \$1,000 <i>Highest:</i> \$86 if income \$17,001–\$18,000	\$18,000	\$375	Maximum property value for eligibility is \$85,000 (includes all real estate owned); Maximum monthly rent for eligibility is \$450; Assumes property tax is 25% of rent
		Under 65	Hybrid: Elements of all formula types • Multiple Threshold: Same as 65+ • Sliding Scale: Copayment equals 50% • Quasi Circuit Breaker: Maximum benefit depends on income <i>Lowest:</i> \$75 if income under \$1,000 <i>Highest:</i> \$41 if income \$17,001–\$18,000	\$18,000	\$75	
NORTH DAKOTA						
Property Tax Credit for North Dakota Homeowners	65+ or disabled	Homeowners	Sliding Scale: 5 brackets and tax relief percentages: <i>Lowest Bracket:</i> Taxable valuation reduced by 100% if income up to \$10,000 <i>Highest Bracket:</i> Taxable valuation reduced by 20% if income \$16,000–\$17,500	\$17,500		Ceilings on reductions range from \$75,000 to \$15,000 of market value; Wealth ceiling on assets is \$50,000 (excluding up to \$100,000 unencumbered home equity)
		Renters	Single Threshold: 4%	\$17,500	\$240	Assumes property tax is 20% of rent
OKLAHOMA						
Oklahoma Claim For Credit or Refund of Property Taxes	Homeowners, 65+ or disabled		Single Threshold: 1%	\$12,000	\$200	
OREGON						
Oregon Elderly Rental Assistance Program	Renters, 58+		Relief is higher of 2 amounts: 1) Single Threshold: Relief equals amount of rent that exceeds 20% of income; OR 2) Quasi Circuit Breaker: 20 income brackets with maximum relief ranging from: <i>Lowest Bracket:</i> \$250 if income up to \$499 <i>Highest Bracket:</i> \$18 if income \$9,500–\$9,999	\$9,999	\$2,100	Maximum rent payment considered is \$2,100; Maximum assets of \$25,000 for claimants age 58-64
PENNSYLVANIA						
Property Tax/ Rent Rebate Program	65+, widows or widowers 50+, or disabled persons 18+	Homeowners	Quasi Circuit Breaker: 4 brackets with maximum relief ranging from: <i>Lowest Bracket:</i> \$650 if income up to \$8,000 <i>Highest Bracket:</i> \$250 if income \$18,001–\$35,000	\$35,000	Lesser of \$650 or property tax	
		Renters	Quasi Circuit Breaker: 2 brackets with maximum relief ranging from: <i>Lowest Bracket:</i> \$650 if income up to \$8,000 <i>Highest Bracket:</i> \$500 if income \$8,001–\$15,000	\$15,000	Lesser of \$650 or 20% of rent	
		Special cases	50% higher rebates for residents of Philadelphia, Pittsburgh or Scranton; or other areas where property tax is over 15% of income	\$30,000	Lesser of \$975 or property tax	

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
RHODE ISLAND						
Rhode Island Property Tax Relief Credit	Homeowners and renters, all ages	Single-person household	Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 3% for first \$6,000 of income <i>Highest Bracket:</i> 6% if income \$12,001–\$30,000	\$30,000	\$300	Maximum benefit is scheduled to rise, in stages, to \$500
		Households of two or more	Multiple Threshold: 4 brackets and thresholds: <i>Lowest Bracket:</i> 3% for first \$6,000 of income <i>Highest Bracket:</i> 6% if income \$15,001–\$30,000			
SOUTH DAKOTA						
Sales and Property Tax Refund for Senior & Disabled Citizens	Homeowners, 65+ or disabled	Single-person household	Sliding Scale: 25 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 35% for first \$4,000 of income <i>Highest Bracket:</i> 11% for income \$9,981–\$10,250	\$10,250	No limit, but benefits may be pro-rated if too little money is appropriated for the program	
		Households of two or more	Sliding Scale: 19 brackets with tax relief percentage ranging from: <i>Lowest Bracket:</i> 55% for first \$6,750 of income <i>Highest Bracket:</i> 19% for income \$12,888–\$13,250	\$13,250		
UTAH						
Property Tax Circuit Breaker	65+	Homeowners	Quasi Circuit Breaker: 7 brackets with maximum relief ranging from: <i>Lowest Bracket:</i> \$816 if income up to \$9,368 <i>Highest Bracket:</i> \$100 if income \$24,802–\$27,557	\$27,557	The lesser of \$816 or property tax bill	Relief is lesser of maximum credit or actual tax on 35% assessed value
		Renters				Relief is lesser of maximum refund or a portion of rent that declines from 9.5% –2.5% as income rises
VERMONT						
Homestead Property Tax Income Sensitivity Adjustment	All ages	Homeowners	Two part calculation: Single Threshold: 2% adjusted to reflect the district's per pupil spending, with higher thresholds for districts with higher spending Multiple Threshold: 3 brackets and thresholds: <i>Lowest Bracket:</i> 2% for income up to \$9,999 <i>Highest Bracket:</i> 5% for income \$25,000–\$47,000 Includes a minimum benefit based on education taxes on up to \$15,000 of housesite value	\$90,000 for single threshold \$47,000 for multiple threshold	\$8,000	For single threshold calculation, applies to education taxes on dwelling and up to 2 acres For multiple threshold calculation, applies to all property taxes net of education tax circuit breaker reduction for taxes on dwelling and up to 2 acres
		Renters	Multiple Threshold: 3 brackets and thresholds: <i>Lowest Bracket:</i> 2% for income up to \$9,999 <i>Highest Bracket:</i> 5% for income \$25,000–\$47,000	\$47,000		Taxes based on claimant's option: either taxes on rental property as allocated by landlord or 21% of total rent payments
WASHINGTON						
Property Tax Exemption for Senior Citizens and Disabled Homeowners	Homeowners; Retired senior citizens (61+), disabled, or veterans with 100% service-related disability		Sliding Scale variant: 3 brackets <i>All Brackets:</i> Income under \$35,000: Assessed value is frozen as of January 1995 or first year of eligibility, and exempt from excess levies that require voter approval. <i>Lowest Bracket:</i> Income under \$25,000: Exemption for all brackets, plus relieves all levies on greater of the first \$60,000 of assessed value or 60% of value <i>Highest Bracket:</i> Income of \$30,001–\$35,000: Exemption for all brackets only	\$35,000		Property Tax Assistance Program for Widows or Widowers of Veterans provides supplemental benefits to some qualifying unremarried spouses of veterans

Property Tax Circuit Breaker Features for Applications as of September 1, 2008

Program Name	Eligible Groups	Sub-Group	Formula Type	Income Ceiling	Maximum Benefits	Other Notes
WEST VIRGINIA						
Refundable Personal Income Tax Credit for Real Property Tax Paid	Homeowners, all ages		Single Threshold: 4%		\$1,000	Owners who are 65+ or disabled must choose between this circuit breaker and the Refundable Homestead Exemption. The Exemption is the better option for almost all 65+ or disabled.
WISCONSIN						
Homestead Credit Program	Homeowners and renters age 18+		Multiple Threshold: 2 brackets and thresholds: <i>Lowest Bracket:</i> 0% first \$8,000 income <i>Highest Bracket:</i> 8.788% if income \$8,001–\$24,500 20% copayment applies	\$24,500 plus \$250 income deduction per dependent	\$1,160	Maximum property tax payment or rental equivalent considered is \$1,450; Assumes property tax is 25% of rent or 20% of rent including heat
WYOMING						
Tax Rebate to Elderly and Disabled Program	Homeowners and renters 65+, or disabled if at least 18	Married	Quasi Circuit Breaker: Maximum refund is reduced by the percentage by which income exceeds \$16,000	\$28,500	Lesser of \$900 or property tax bill	Wealth ceiling on real property and most personal property is \$25,000 per adult household member but excludes one vehicle, pension, IRA, life insurance policies. Program is for "sales, use, property tax and utility cost relief" (Not only property tax)
		Single	Quasi Circuit Breaker: Maximum refund is reduced by the percentage by which income exceeds \$10,000	\$17,500	Lesser of \$800 or property tax bill	

Notes: (1) The following 16 states have no property tax circuit breaker program: Alabama, Alaska, Arkansas, Delaware, Florida, Georgia, Hawaii, Indiana, Kentucky, Louisiana, Mississippi, Ohio, South Carolina, Tennessee, Texas, and Virginia. (2) North Carolina recently enacted a type of multiple threshold program called the Homestead Circuit Breaker, which is effective January 2009. (3) The column entry for "maximum benefits" notes the maximum dollar benefit for any taxpayer, thus, depending upon an applicant's income level or other characteristics, their personal maximum benefit may be less than the number indicated in the "maximum benefit" column. (4) Most information in this table is from Table A-1 in Bowman (2008a), which was developed primarily by obtaining information online about property tax relief programs and categorizing certain programs as circuit breakers. For this report the table was then reformatted, program names were added, and it was sent to state officials for corrections and 2008 updates. Responses were received from 47 states. Three of the states that did not respond did not have circuit breaker programs listed in Table A-1; Web sources were used to update Montana.



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Property Tax Circuit Breakers

Fair and Cost-Effective Relief for Taxpayers

Recommended Design Features for Property Tax Circuit Breakers	
Recommended Feature	Reason for Recommendation
Provide adequate tax relief and reliable funding	Without both adequate relief and funding, circuit breakers cannot provide meaningful tax assistance to those in need
Cover owners and renters of all ages	Renters pay property taxes indirectly, and excessive tax burdens are not limited to the elderly
Use a broad definition of income, including Social Security benefits	Avoids providing different tax relief to households with similar property tax burdens
Use a multiple-threshold formula; Apply brackets incrementally	Targets property tax relief to those with greatest need; prevents notch effects
For generous threshold circuit breakers, include a copayment requirement	Without a copayment, taxpayers whose property tax bills exceed the threshold level are insulated from any property tax increase; can promote excessive spending
Set a limit on the maximum property value considered in the circuit breaker formula	Limits the tax relief sent to those with very expensive homes
Consider placing no other limits on income, benefits, or net worth	Other limits are not necessary with a properly designed circuit breaker; also they can impose unintended changes in distribution of benefits
Provide funding by the state	Local funding is problematic due to the wide range in local fiscal capacity and mobility of taxpayers
Use state-reimbursed property tax credits for homeowners and state-issued rebate checks for renters	Provides timely and highly visible property tax relief
Set up a simple, streamlined application system	Will maximize participation and reduce administration and compliance costs
Establish and fund an outreach program	Participation rates will likely be low without outreach efforts

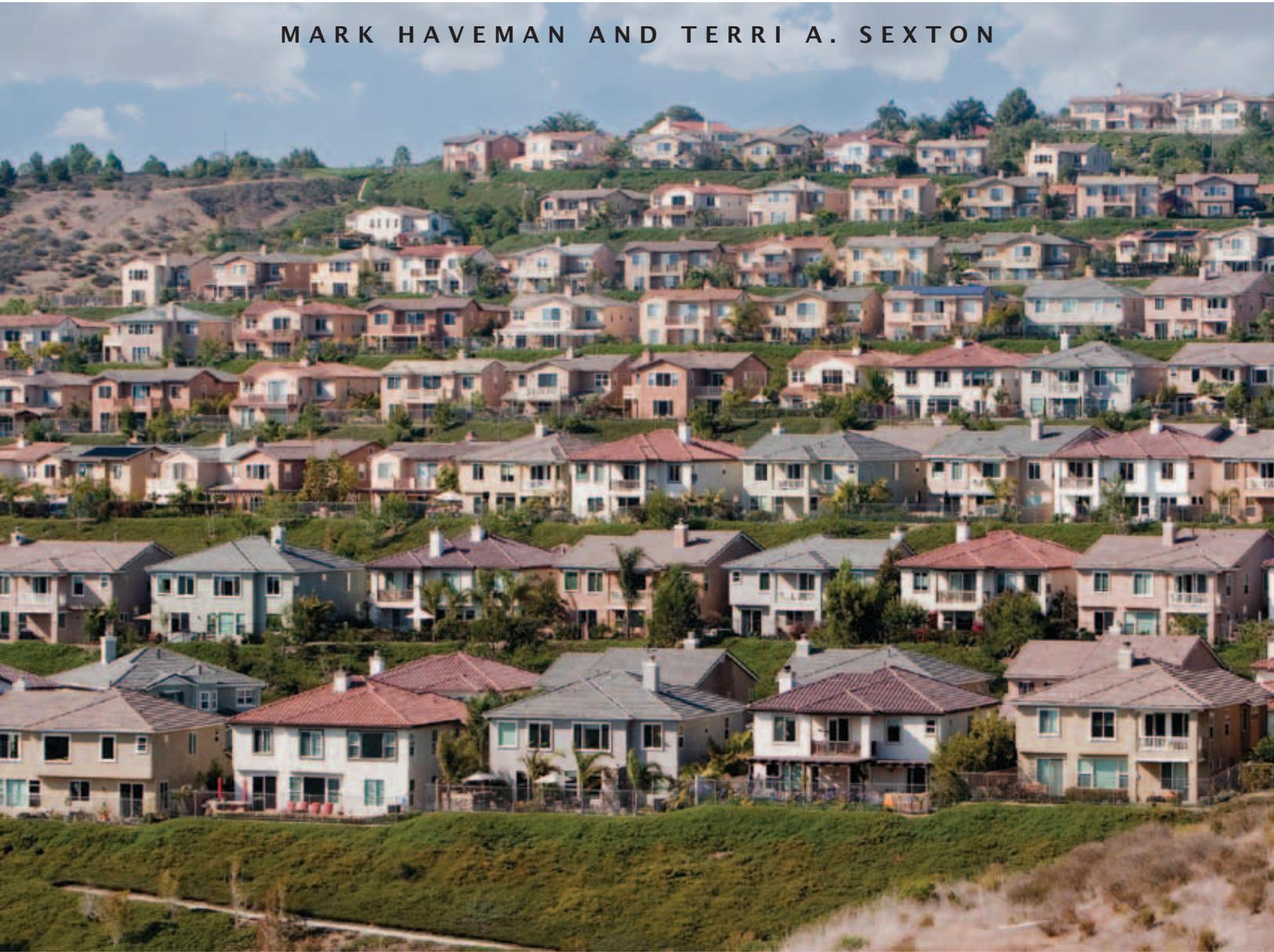




Property Tax Assessment Limits

Lessons from Thirty Years of Experience

MARK HAVEMAN AND TERRI A. SEXTON



Property Tax Assessment Limits

Lessons from Thirty Years of Experience

Policy Focus Report Series

The policy focus report series is published by the Lincoln Institute of Land Policy to address timely public policy issues relating to land use, land markets, and property taxation. Each report is designed to bridge the gap between theory and practice by combining research findings, case studies, and contributions from scholars in a variety of academic disciplines, and from professional practitioners, local officials, and citizens in diverse communities.

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Executive Summary

During the 30 years since California adopted the groundbreaking tax limitation measure known as Proposition 13 in 1978, there has been continual pressure for states to adopt various forms of property tax relief. These pressures often intensify during times of extremely rapid housing price inflation such as many states experienced between 1998 and 2006, but they remain a constant feature of the fiscal landscape in periods of both rising and declining values. The anniversary year of Proposition 13 in 2008 provides an opportunity to evaluate various states' experiences with a limitation on assessed property values, which has become one of the most popular instruments for tax reduction.

The evidence shows, however, that limits on assessed values, while favored by many homeowners, are a deeply flawed means to counter rising property taxes. They are offered in hope of reducing tax bills and slowing the shift in tax burdens to residential property, but in fact they can result in higher taxes for the very homeowners they are intended to assist and can cause unpredictable new shifts in tax liabilities. By severing the connection between property values and property taxes, assessment limits impose widely differing tax obligations on owners of identical properties, reduce economic growth by distorting taxpayer decision making, and greatly reduce the transparency and accountability of the property tax system as a whole.

Better alternatives exist for timely and efficient aid to needy taxpayers.

- **Circuit breaker programs** reduce taxes that rise above a given level of income, thus targeting assistance to those whose tax liabilities are out of proportion to their ability to pay.
- **Truth in taxation measures** lower the likelihood of invisible tax increases when property values rise but nominal tax rates stay the same.
- **Deferral options** allow qualified taxpayers to delay property tax payments and remain in their homes.
- **Partial exemptions** on owner-occupied or homestead properties and **classified tax rates** benefit residential taxpayers without distorting the market value tax base.

Fashioning timely and targeted assistance for those facing difficulty in meeting their property tax obligations is an ever-present challenge to state legislators. As economic conditions, demographic trends, and housing values change, so will the appropriate instruments for extending such aid. This report is designed to inform this process by identifying the lessons offered by three decades of experience with assessment limits as a vehicle for tax relief.



CHAPTER 1

The Roots of Taxpayer Discontent

Property taxes inevitably face greater scrutiny than less visible sources of government revenue, such as income taxes deducted before receipt of a paycheck or sales taxes collected in many small transactions over the course of a year. Their high visibility promotes governmental accountability and allows taxpayers to compare the benefits and costs of the local services they receive, but it insures that property taxes will always be controversial.

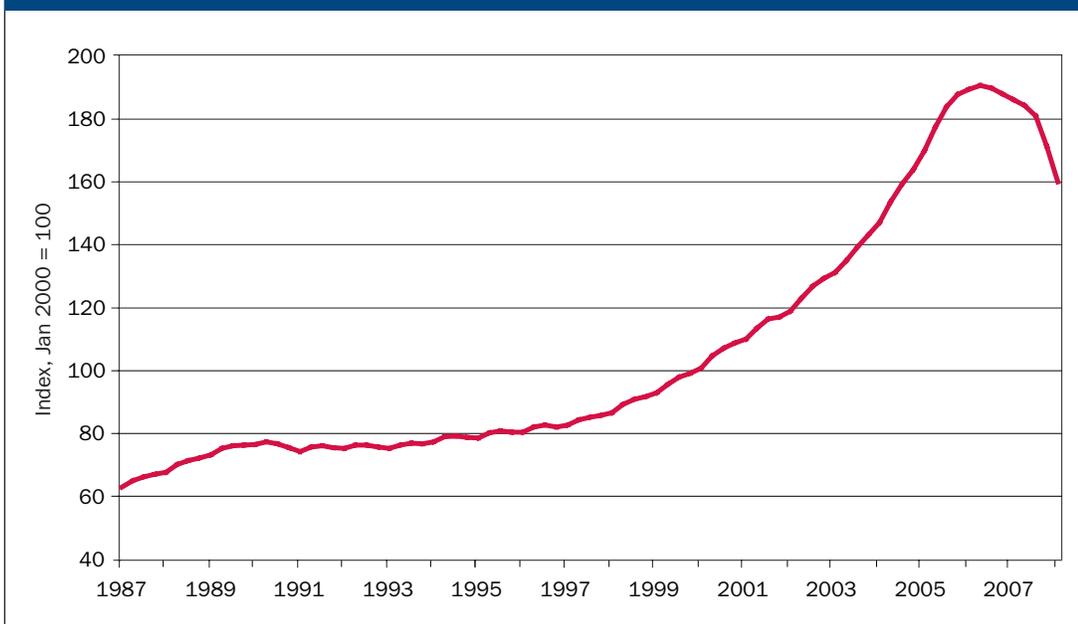
Explosive tax revolts are often associated with times of extremely rapid property appreciation. In California, Proposition 13 followed a period in the late 1970s during which taxpayers saw housing price inflation change from 5 percent a year to 5 percent a month. The period between 1998 and 2006 witnessed dramatic residential inflation

nationally, with housing appreciation almost twice the 62 percent increase from 1975 to 1980, when the current era of tax revolts began.

Figure 1 shows the increase in U.S. housing prices from 1987 through March 2008. After remaining largely unchanged between 1989 and 1998, housing prices rose by about 120 percent to their peak in mid-2006. Since then housing prices have fallen by about 16 percent. Thus, even after a large decline, housing prices in 2008 are, on average, nearly twice as high as they were in 1998.

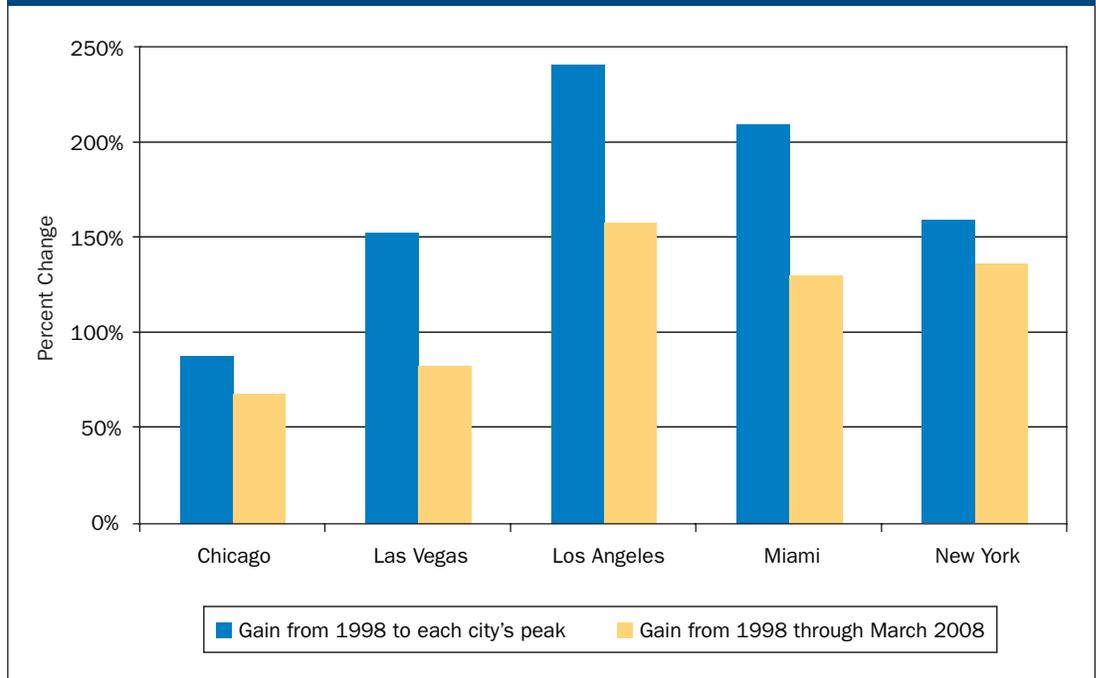
Figure 2 demonstrates this effect. Although housing prices have fallen since their peak in 2006, prices in Las Vegas are still more than 80 percent higher than they were in 1998; prices in Los Angeles are nearly 160 percent higher; and in Miami they are

FIGURE 1
S&P/Case-Shiller Home Price Index, 1987–2008



Source: S&P/Case-Shiller Home Price Indices, www2.standardandpoors.com. See notes on page 40.

FIGURE 2
Increase in Housing Prices for Selected Cities, 1998–2008



Source: S&P/Case-Shiller Home Price Indices, www2.standardandpoors.com. See notes on page 40.

130 percent higher. It is interesting to note that the 140 percent rise in housing prices in Los Angeles between 2001 and 2006 was equal to California's housing price increase of 140 percent between 1975 and 1980 (see box 1).

In Chicago and a number of other Midwest cities, housing price inflation since 1998 has been much more modest, as are the recent housing price declines. Average housing prices in Chicago have fallen from their peak, but they remain 68 percent higher than they were in 1998.

CAUSES OF DISCONTENT

In analyzing the causes of and remedies for taxpayer discontent, it is important to keep in mind that rising property prices in and of themselves do not necessarily increase property taxes. Rising property tax bills result from some combination of two factors: (1) rising local spending, which would

require higher collections and higher tax rates even if the tax base were unchanged; and (2) shifts in relative property values, which would increase some tax bills even if collections and rates were unchanged.

In most states, tax rates can be reduced to yield the same or even less revenue if desired. During the 1998–2006 housing boom, the growth of local property tax collections was less than half of the increase in housing prices—56 percent compared to 120 percent (U.S. Census Bureau, *State and Local Government Finances 2008*; Standard & Poor's 2008). Over the same period, however, personal income increased by 48 percent and median household income increased only 24 percent (Bureau of Economic Analysis 2006; U.S. Census Bureau, *Historical Income Statistics*).

Figure 3 shows U.S. property tax revenues as a percentage of personal income from 1992 to 2006. State and local property taxes

California's Proposition 13 and Related Measures

The property tax revolt began in California in the late 1970s. Although housing prices in the state rose rapidly during that decade, property tax rates did not fall proportionally, and many homeowners faced annual increases of 30 percent or even more in their tax bills. Property taxes also increased as a fraction of income, and the tax burden shifted from commercial property owners to homeowners. Taxpayers overwhelmingly approved Proposition 13 in 1978, and related measures followed during the 1980s.

Key Features of Proposition 13

- The maximum rate of property taxation is limited to 1 percent, excluding payments for preexisting indebtedness.
- The assessed values of all property were reset to their values in 1975–1976.
- Assessed values were then permitted to increase with the consumer price index, but not by more than 2 percent per year.
- A change in ownership triggers reassessment at market value, usually based on the new purchase price.

Key 1986 Amendments

- Known as the Dynasty Provision, Proposition 58 provided a family transfer exemption from reassessment on changes of ownership. Transfers of a principal residence and up to \$1 million of other property between parents and children are now exempt from reassessment. An earlier legislative exemption for transfers between spouses was made part of the state constitution.
- Proposition 60 allowed persons over age 55 to transfer the assessed value of their principal residence to a replacement dwelling of equal or lesser value in the same county without a change of ownership reassessment. This exemption is available only once in a lifetime. In 1988 this provision was expanded to allow senior homeowners to transfer their Proposition 13 base year value to a comparable dwelling in a different county if the receiving county agrees. Only 10 counties have agreed to accept such transfers.

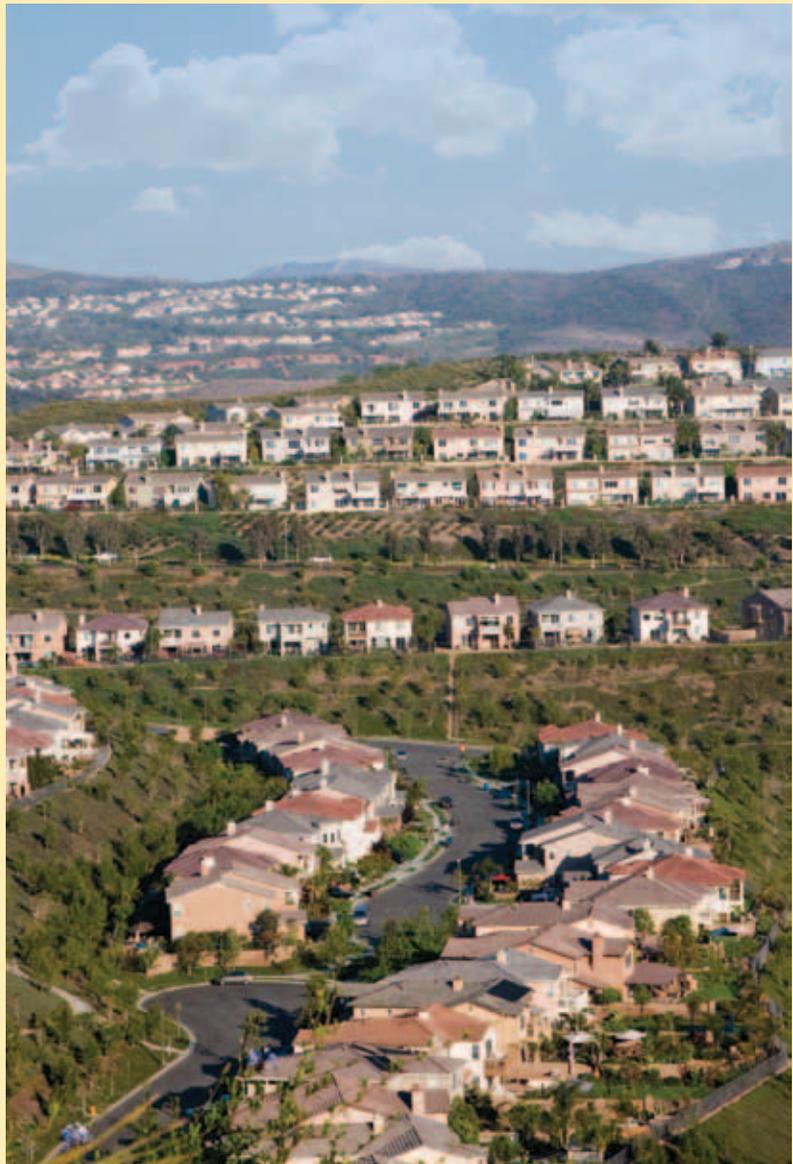
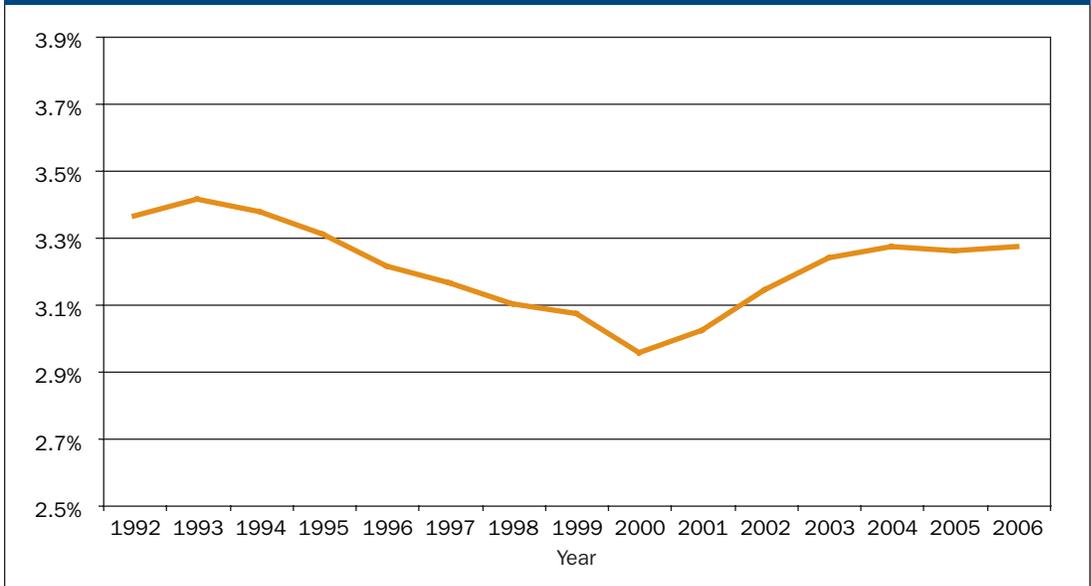


FIGURE 3
State/Local Property Tax as a Percent of Personal Income, 1992–2006



Source: Property tax data from Census of Governments (1992, 1997, and 2002), and State and Local Government Finances (other years); personal income data from Bureau of Economic Analysis.

declined steadily from 3.4 percent in 1993 to just below 3.0 percent in 2000. This pattern then reversed as property taxes began to increase faster than income, reaching nearly 3.3 percent of income by 2004. Since then property tax revenues have grown at the same rate as personal income.

There are multiple reasons for this pattern, and they vary across markets and jurisdictions. In addition to the rapid rise of residential values, other factors that likely contributed to the increase in property taxes as a percent of income include slow growth in personal income, increases in local spending, and heavier reliance by local governments on property tax funding, sometimes in response to cuts in state aid to local governments.

Because property tax bills are a function of many factors, including market changes, exemptions, assessment rules, tax rates, and credits, discontent with the actual amount to be paid may stem from many causes. Homeowners often feel they are bearing an

unfair share of the total property tax burden when residential property rises sharply in value. Figure 4 shows a modest but significant rise in the 2000–2006 residential shares of assessed values in a variety of states.

But, this trend may overstate the burden on owner-occupied principal residences, or homesteads, because the residential property tax base also includes rental apartments, second homes, and vacation property. For example, the chart shows a rise in the residential share of assessed value in Florida despite the Save Our Homes amendment that limits assessment increases to 3 percent annually. One explanation is that Save Our Homes applies only to homestead property, so the large amount of vacation property in the state does not receive the benefit of that cap.

Needless to say, the business community takes a different view of the shift in relative shares of assessed values between business and residential property. For example, this shift may reflect strong growth in residential

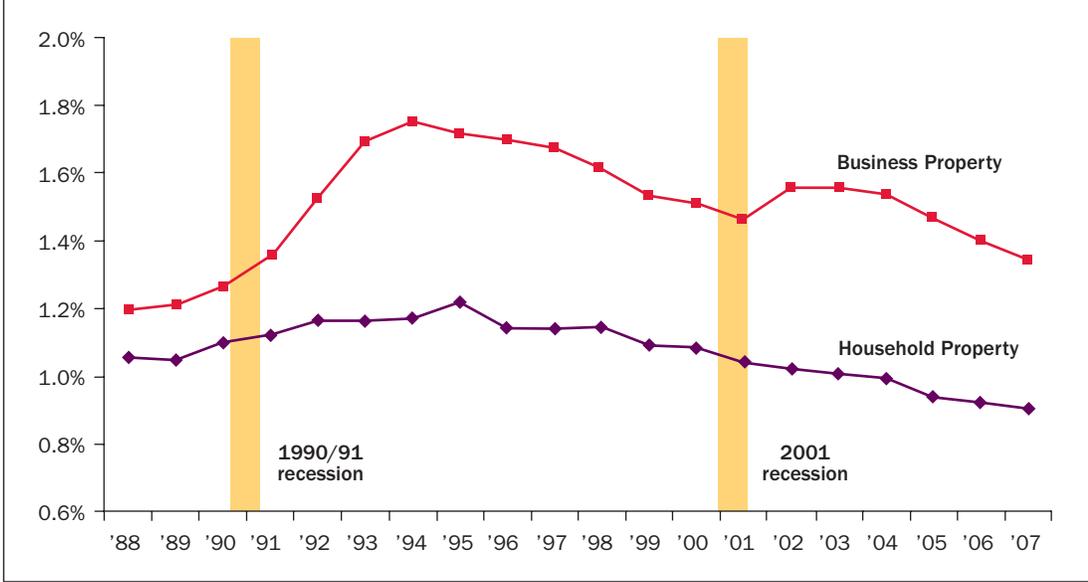


FIGURE 4
Residential Share of Total Assessed Value in Selected States, 2000–2006



Source: State departments of revenue or taxation.

FIGURE 5
Effective Property Tax Rates on Household and Business Property, 1988–2007



Note: Household and business property tax divided by value of household and business property.
 Source: Ernst & Young calculations; Phillips, Cline, and Neubig (2008). See notes on page 40.

values and stagnant commercial property prices. Looking at the tax rates, which translate assessed value into tax bills, figure 5 shows the results of a study comparing effective tax rates on household and business property. The much higher business rates

are not incompatible with an increase in the residential share of the tax base, because increased business tax rates are one means by which states may seek to moderate the effect of the rising residential share of the tax base.

Las Vegas has one of the highest rates of foreclosure in the country. Antitax activists in Nevada are seeking an assessment limit system similar to that in California.



Taxpayer discontent due to the increased burden on homeowners relative to their income and the increased homestead share of tax payments led lawmakers to introduce new property tax relief measures in 27 states in 2006–2007 (Hamilton 2007). Georgia Governor Sonny Perdue went so far as to propose a constitutional amendment to eliminate the state portion of residential property taxes. At least six other states have property tax relief legislation pending; Antitax activists in Nevada and Idaho have long sought a system patterned on Proposition 13, and New York’s governor has called for a new cap on property tax increases for most school districts.

It is easy to see why assessment limits are among the most popular relief measures offered in response to rapidly rising tax bills. When values rise quickly and not uniformly, some taxpayers will face dramatic tax changes in a short period of time. Because rising values are seen as the cause of this problem, limits on assessment increases are expected to offer homeowners predictability and

stability in their taxes. Assessment limits are currently in place in 19 states and the District of Columbia (referred to here as 20 states). The details of these programs vary from state to state, but their most common element limits annual increases in assessed value to a specified percentage of the prior year’s figure.

PROPERTY TAX RELIEF IN DECLINING MARKETS

The connection between rising property values, increased assessments, and higher property taxes seems so self-evident that many observers are surprised when calls for tax relief persist even in declining property markets. In fact, the root causes of rising tax bills—increases in government spending and shifts in tax liabilities across properties—can occur in either a rising or a declining market. The drop in housing values in 2007–2008 has not quelled pressure for tax relief. Although 2007 saw a 14 percent one-year drop in home prices, one of the steepest



CHAPTER 2

Assessment Limits: Basic Elements

Assessment limits generally restrict the annual increase in assessed value to a specified percentage of the previous year's figure. The limits currently in use vary according to the amount of increase permitted, the application of the limit to individual parcels or to the aggregate value of taxable property in the jurisdiction, the type of property to which the limit applies, and the legal basis for the limit. Table 1 identifies the 20 states with assessment limits and summarizes their programs.

SETTING THE LIMIT

Most limits restrict annual growth in assessed value to either a fixed percentage or a measure of inflation such as the Consumer Price Index. California's statewide assessment growth limit remains the lowest at 2 percent. Florida, Oregon, and New Mexico allow a

maximum of 3 percent annual growth in assessed value; and South Carolina restricts increases to a maximum of 15 percent over five years. Iowa limits increases in assessed valuation to 4 percent; and Arkansas, Michigan, and Oklahoma all have 5 percent caps. Limits in New York City range from 6 to 8 percent per year, while Cook County, Illinois has a 7 percent limit. Limits of 10 percent are in effect in Arizona, the District of Columbia, Maryland, and Texas. The highest limit, in Minnesota, is 15 percent. Colorado has a unique system that limits the residential portion of the tax base to 45 percent of the total tax base.

In the District of Columbia, the Assessment Cap Credit program replaced a system of triennial reassessments phased in over three years. Properties are now reassessed annually, and any increase in homestead

Residences in Chicago are subject to the 7 percent assessment limit in Cook County, Illinois.





TABLE 1
Characteristics of Property Tax Assessment Limits by State, 2007

State	Coverage	Eligible Property	Caps Removed upon Sale?	Individual Parcel Value or Aggregate Assessment?	Limits and Qualifications
Arizona	statewide	all	no	individual	greater of 10% or 25% of difference between last year's limited value and current market value
Arkansas	statewide (constitutional)	all	yes	individual	homestead 5%, other 10%
California	statewide (constitutional)	all	yes	individual	lesser of 2% or inflation
Colorado	statewide (constitutional)	residential	N/A	statewide aggregate	residential assessments limited to 45% of state total
Connecticut	local option	all	N/A	individual	phase-in, at least 25% per year
District of Columbia	district-wide	homestead	yes	individual	10%; 5% for qualifying low income
Florida	statewide (constitutional)	homestead	yes	individual	lesser of 3% or inflation
Georgia	local option (local constitutional)	homestead	yes	individual	freeze (0%)
Illinois	local option	homestead	yes	individual	7% with maximum exemption value of \$33,000
Iowa	statewide	residential and agricultural	no	statewide aggregate	4%
Maryland	statewide	homestead	yes	individual	10% statewide for state property taxes; local options for local taxes range from 0% to 10%
Michigan	statewide (constitutional)	all	yes	individual	lesser of 5% or inflation
Minnesota	statewide	farm, residential, seasonal residential	no	individual	greater of 15% or 33% of difference between last year's limited value and current market value
Montana	statewide	all	yes	individual	16.66%/yr phase-in of reassessment over 6 years
New Mexico	statewide	residential	yes	individual	3%
New York	New York City & Nassau County	residential with 10 or fewer units	no	individual	6% (residential up to three units) or 8% (other residential) per year; 20% or 30% over 5 years
Oklahoma	statewide (constitutional)	all	yes	individual	5%
Oregon	statewide (constitutional)	all	no	individual	3%
South Carolina	statewide (constitutional)	homestead	yes	individual	15% over 5 years
Texas	statewide (constitutional)	homestead	yes	individual	10%

Sources: Anderson (2006), Sexton (2003), and various state Web sites.

Arizona homes, like these in Phoenix, have a complex assessment limit program that requires two separate values.



(owner-occupied residential) assessments above 10 percent results in an automatic credit for the amount of tax on the excess value. The cap was originally set at 25 percent in 2002, reduced to 12 percent in 2003, and to 10 percent in 2004 (Bowman 2006).

Arizona and Minnesota are among the states with the highest limits, and both have very complex programs. In Arizona, each parcel of property has two separate values: a fair market value (FMV) and a limited property value (LPV). The FMV is used to determine taxes for special districts, fire districts, school districts, bond issues, and bond overrides, while LPV is the basis for taxes owed to counties, cities, towns, and community college districts. The annual increase in a property's LPV is limited to the greater of 10 percent or 25 percent of the difference between the previous year LPV and the current FMV.

Minnesota enacted a similar program in 1993. Under the state's limited market value (LMV) law, increases in assessments of farms, residential property, seasonal recreational

residential property (cabins), and timberland are limited to the greater of 15 percent of the prior year's taxable value or 50 percent of the difference between the current estimated market value and the prior year's value (the difference factor). The limit applies to owner-occupied and rental housing with three or fewer units. A change in ownership does not affect the assessment limitations. Increases in value due to new construction and improvements are not subject to the limit. The difference factor, and therefore the tax limit, has increased in each of the past three years, from 25 percent in 2006 to 33 percent in 2007 and 50 percent in 2008. The program is scheduled to end with taxes payable in 2009.

Connecticut, Maryland, and Montana phase in assessment increases over a multi-year period. Maryland has a three-year reassessment cycle in which one-third of any value increase is added each year. State property taxes are subject to a 10 percent annual assessment limit, and local governments may impose a lower ceiling for local

taxes. For fiscal year 2007, 15 of the 24 Maryland counties set limits below 10 percent. Talbot County allows no increase in homeowner assessments, and Anne Arundel County has a 2 percent limit. Seven counties have established 5 percent limits, and nine counties maintain the maximum allowable 10 percent limit.

Local governments in Connecticut, with a five-year reappraisal cycle, have a similar option to raise assessed values gradually over the cycle, although they must phase in the increases at a rate of at least 25 percent per year.

An assessment freeze—an extreme version of an assessment limit—prevents any increase in assessed values from year to year until the property is sold. Georgia allows counties this option, and 19 of its 159 counties have chosen to freeze residential values. Delayed or infrequent reassessments can have the same effect as an interim freeze between revaluations. Twenty-seven states

do not require annual reassessment and thereby impose an implicit assessment limit of zero percent if no inflation adjustments are made to assessed valuations in non-reassessment years.

DETERMINING ELIGIBILITY

Most states limit assessment increases for individual parcels, but these limits can also apply to aggregate assessments by property type across jurisdictions or across the entire state, as in the case of Iowa. Even though Iowa limits annual assessment increases to a relatively low 4 percent, its limit is among the least restrictive because it is applied statewide to entire classes of properties (residential, agricultural, and commercial) rather than to individual parcels. If the increase in the total assessed value of a class of property exceeds 4 percent, all assessments in that class are reduced proportionally. Because properties of the same class can experience significant differences in appreciation, a limit



Vacation homes in the Colorado mountains are part of the state's unique assessment system.



Apartment buildings in New York City have different assessment limits depending on the number of units.

on class valuations will not prevent large increases in individual assessments.

Since 1982 Colorado's Gallagher Amendment has required that the residential portion of the statewide property tax base not exceed 45 percent. The assessment ratio for residential property fluctuates in order to maintain its 45 percent share of the total. In this way increases in residential assessments are essentially limited to the rate of increase in nonresidential property values.

Assessment limits may apply to all types of property or to only certain classes. Some states have established different limits for different types of property, but all 20 states

in this analysis have some form of assessment limit for homestead property. In the District of Columbia, Florida, Maryland, South Carolina, and Texas, only homestead assessments are limited, while other states, such as New Mexico, include all classes of residential property. Still others, including Arizona, California, Connecticut, Michigan, Montana, Oklahoma, and Oregon, limit assessment increases for all property types.

When limits apply to more than one class of property, the rate of permitted increase may vary among them. For example, Arkansas applies a 5 percent limit to homestead properties and a 10 percent limit to other types of property. In New York City the assessed values of one- to three-unit residential properties cannot increase by more than 6 percent in one year and 20 percent over five years. For four- to ten-unit properties, assessments may not increase by more than 8 percent in one year and 30 percent over five years. For all other residential and commercial properties, assessment changes are phased in over five years.

Taking a different approach to eligibility, some states restrict assessment limits to certain categories of property owners, such as elderly or low-income taxpayers. At least 12 states have some form of assessment freeze in effect for senior homeowners, and five extend this to disabled taxpayers (Rappa 2003). Most states that target property tax relief to seniors set income as well as age criteria for eligibility.

ACQUISITION VALUE AND ALTERNATIVES

Assessment limits usually include an acquisition value feature that resets the assessed value to reflect market value upon a change in ownership. Of the 18 states that apply their assessment limit to individual parcels, only Arizona, Minnesota, and Oregon do not have this acquisition value feature.

Oregon presents an interesting exception in this regard. The state's Measure 50, passed in 1997, was similar to California's Proposition 13 in that it rolled back assessments to 90 percent of 1995–1996 values and generally restricted future annual growth to no more than 3 percent. Oregon does not adjust assessments upon change in ownership, nor does it assess new construction or improvements at market value. Instead, new construction and improvements are assessed at the same ratio of assessed value to market value as similar existing property, thus providing new property with the same tax relief as existing property. With no periodic recalibration of assessed values to market levels, the Oregon system has gone the farthest of any in breaking the link between property taxes and property values.

COVERAGE AND LEGAL AUTHORITY

Assessment limits in 16 states are statewide and uniform in their coverage. Among the four exceptions, Connecticut, Georgia, and Illinois make limits available as a local option, and New York mandates limits only in New York City and Nassau County.

In 2003 Illinois permitted counties to impose a 7 percent limit on annual increases in homestead property assessments. Cook County immediately implemented such a limit for taxes payable in 2004. Illinois is unique in setting a maximum value (originally \$20,000, later increased to \$33,000) that can be excluded from taxation. The Illinois law is also unusual as a temporary measure, first enacted for a three-year period, and then extended for three more years. As noted above, Minnesota's limited market value legislation is set to expire in 2009.

In ten states assessment limits were enacted as constitutional amendments (see table 1, Coverage) and require voter approval for

TABLE 2
Property Tax Limitations by State

State	Assessment Limits	Revenue Limits	Tax Rate Limits
Arizona	X	X	X
Arkansas	X	X	X
California	X		X
Colorado	X	X	X
Connecticut	X		
District of Columbia	X		
Florida	X		X
Georgia	X		X
Illinois	X	X	X
Iowa	X		X
Maryland	X		
Michigan	X	X	X
Minnesota	X	X	
Montana	X	X	X
New Mexico	X	X	X
New York	X		X
Oklahoma	X		X
Oregon	X		X
South Carolina	X		
Texas	X	X	X

Source: Anderson (2006, 688).

any change. The other ten states have legislative limits that can be revised without voter approval.

Sixteen of the 20 states with assessment limits also have limited growth in property tax revenue or have capped property tax rates (see table 2). Eight states have assessment limits, revenue limits, and tax rate caps; seven have assessment limits and rate caps; and one has an assessment and a revenue limit. Connecticut, the District of Columbia, Maryland, and South Carolina have no explicit rate or revenue limits.



CHAPTER 3

Impacts on Local Governments

Property tax systems are established by state legislation, yet the overwhelming majority of property tax revenue supports local government. Assessment limits thus represent a restriction by one level of government, the state, on the funds available to another, local jurisdictions. This reduction in a significant source of local revenue must be addressed by some combination of alternate revenue sources, state aid, and spending cuts.

EROSION OF THE PROPERTY TAX BASE

By definition, assessment limits only restrict assessed values when property appreciation exceeds a specified level. The limit will reduce the property tax base for communities experiencing price increases above that threshold. The lower the limit, the greater the erosion of the tax base. If property values are stable or declining, the assessment limit will not reduce the tax base.

If assessed values are reset at fair market levels at the time of sale, property turnover will mitigate the reduction in the tax base. In the extreme, if every property eligible for the limit were sold each year, the limit would have no effect on the tax base. Since new construction is usually put on the tax rolls at fair market value, the tax base of a growing jurisdiction can increase by more than the assessment limit.

It can be difficult to measure the loss in taxable value caused by assessment limits, because jurisdictions may not calculate what the taxable values would have been in their absence. For example, California assessors no longer have any incentive to maintain a record of the market value of property. Under Proposition 13, this information is

only relevant in a year in which a property is sold or in which market values drop below the adjusted acquisition value. At other times, assessed values are determined by increasing the previous year's value by 2 percent (or the rate of inflation, if lower).

A comprehensive study of the effects of Proposition 13 compared the assessed value and market value of a sample of properties sold in 1992 (O'Sullivan, Sexton, and Sheffrin 1995a). The study found that total assessed value was approximately 56 percent of market value—i.e., Proposition 13's 2 percent assessment reduced the tax base by 44 percent that year, from \$2.9 trillion to \$1.6 trillion.

The Texas Association of Property Tax Professionals estimated that Texas's 1997 constitutional limit of 10 percent on annual residential homestead assessment increases reduced the tax base by \$1.9 billion in 1998, \$14.2 billion in 2002 and \$10.9 billion in 2003 (Moak, Casey & Associates 2004). Similarly, an analysis of homestead assessments in Muscogee County, Georgia, found an annual tax base loss of up to nearly 10 percent between 1985 and 1997 (see box 2).

Several studies have examined the effects of Florida's Save Our Homes 3 percent assessment cap. Hawkins (2006) reported that by 2004 the tax base loss (the differential between the market value and assessed value) of Florida homestead properties had grown to more than \$160 billion. A University of Florida (2007) study reported a difference of \$398 billion in 2006, more than 17 percent of the market value of all property that year. Although Minnesota's 15 percent assessment limit is considerably higher than California's 2 percent

Assessment Freeze in Muscogee County, Georgia

In 1983 Georgia permitted counties to freeze locally assessed homestead values, reassessing only upon a change in ownership or new construction. Since the freeze applies only to local (city, county, and school district) property taxes, and not to the state property tax, the county must maintain two values for each homestead—acquisition value and fair market value. With access to both values for Muscogee County, Sjoquist and Pandey (2001) were able to analyze the effects of the freeze on the property tax base, assessment equity, and household mobility.

Effects on the Tax Base

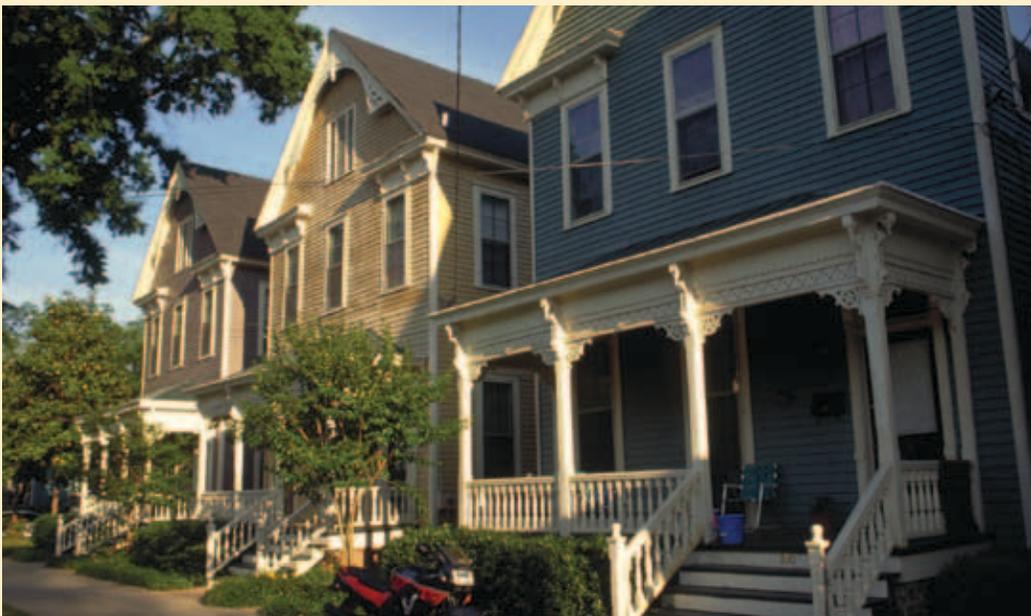
- Between 1985 and 1988 the freeze reduced the local assessed values by less than 3.5 percent because market values were fairly stable during that period.
- In 1989 a mass revaluation changed state assessments dramatically, resulting in a 9.9 percent difference (between \$165 and \$200 million) in the state and local tax bases.
- By 1997 the difference between the state and local residential tax base was 15.2 percent. The difference between total state and local tax bases was only 5.9 percent, however, because of rapid growth in nonresidential values.

Assessment Inequities

- A house purchased in 1997 had, on average, a local assessed value 67 percent higher than an equivalent house purchased in 1983.
- The average reduction in assessed value due to the freeze was much larger for higher-valued properties than for lower-valued properties, when measured in absolute dollar terms. However, as a percentage of state assessed value, the percentage tended to decline as value increased. Lower-valued properties save less in dollars but more in percentage terms. Some lower-valued homes have had their local assessed values reduced more than 80 percent.

Household Mobility

- 1997 residential sales data did not provide statistically significant evidence of a lock-in effect discouraging taxpayers from moving.



**Historic houses
in Columbus, the
county seat of
Muscogee County.**

or Florida's 3 percent, the Minnesota Revenue Department (2006) reported a \$32.5 billion or 7 percent reduction in the tax base statewide for taxes payable in 2006.

EFFECTS ON GOVERNMENT REVENUES

By themselves, assessment limits need not reduce overall property tax revenue if jurisdictions can increase the tax rate to make up for the lost base. This is not possible, however, if tax rates are also limited, as is the case in

15 of the 20 states with assessment limits.

The impacts of Proposition 13 have been particularly complex and have elicited diverse citizen reactions (see figure 6). Proposition 13 rolled back assessed values and lowered the total property tax rate from an average of 2.5 percent to 1 percent. As a consequence, California property tax revenue fell from \$10.3 billion in fiscal 1977–1978 to \$5.6 billion in 1978–1979, a decline of over 45 percent. Counties were hit hardest, experiencing a 57 percent decline in

FIGURE 6
Point/Counterpoint on California's Proposition 13

Howard Jarvis, the leader of California's most famous tax revolt, passed away in 1986. But in the spring and summer of 2007 his name continually popped up in newspaper articles across the United States. Property tax troubles were brewing throughout the country and Jarvis's prodigy, property tax-cutting Proposition 13, was remembered by beleaguered taxpayers as something to be emulated to protect against out-of-control levels of taxation.

Meanwhile, 29 years after California's tax revolt, things were pretty quiet on the property tax front in the Golden State. Proposition 13 still has its opponents and critics, but after nearly three decades, voters generally think the tax-cutting measure worked just fine. [Public Policy Institute of California Surveys: February 2003, May 2005]

California taxpayers enjoy a sense of certainty and security knowing what their property taxes will be year-to-year. As California tax historian David Doerr [2000] has written, "Proposition 13 removed the fear that future taxes would be controlled by an inflated value, representing unrealized *paper gains*, and based on activity in the real estate market and other economic factors over which the taxpayer had no control." (Fox 2007)

In 1936, in the depths of the Depression, a new school went up in San Francisco's Mission District... It was designed as a beautiful and welcoming place for students who would otherwise have been marginalized in the larger public school system. Today, because of the Proposition 13 tax limit measure, building such a school—or providing any basic need, for that matter—has become amazingly difficult. And California is not the better for it.

Proposition 13—approved by the voters in 1978—and subsequent tax-limit measures have made responsible fiscal planning impossible at the state level. By shrinking revenue from property taxes, Prop. 13 has distorted local government financing and land-use planning. Instead, local governments must rely on sales tax-generating shopping malls and housing sprawl tied to developer fees. Meanwhile, the state, which had helped cash-strapped local governments and school districts deal with Prop. 13, now faces its own fiscal crisis. (Holt 2008)



property tax revenues. School district taxes fell from \$4.2 billion in 1977–1978 to \$2.0 billion in 1978–1979, and then to \$1.6 billion in 1979–1980, a 61 percent decrease over a two-year period.

Enterprise special districts that provide services such as utilities, transportation, sewers, and waste removal experienced a 27 percent reduction in property tax revenues from 1977–1978 to 1978–1979. Nonenterprise special districts such as parks, libraries, police, and fire protection districts experienced a 52 percent reduction in property tax revenues over the same period (California State Controller, various years).

Citizens who seek relief from rising tax bills or sudden changes in assessments may not necessarily favor reductions in local services or new fees to maintain those services. For example, the special political background to Proposition 13 included a multi-billion-

dollar state surplus that voters correctly perceived as affording an initial cushion against local revenue loss. As a result, many important cuts in public services were delayed. Conversely, if increased local taxes are the result of cuts in state aid, limits on local revenue may be an inappropriate response. Statewide legislation restricting local revenue can also have the unintended effect of penalizing frugal jurisdictions whose future spending may be capped at an unreasonably low level.

Predictions of the revenue consequences of assessment limits face the same uncertainties as predictions of their effect on the tax base. Hawkins (2006) calculated that 2004 school and county property tax revenues in Florida were \$1.82 billion or 10.6 percent lower than they would have been without the assessment limit (see box 3). The statewide limit on local revenue increases

San Francisco has a variety of housing types, all of which are subject to the Proposition 13 tax limits.

Florida's Save Our Homes Assessment Limit

Florida's 1992 Save Our Homes constitutional amendment limits the annual increase in the assessed value of owner-occupied (homestead) residences to 3 percent or the annual inflation rate, whichever is lower. In addition, all properties are to be reassessed at market value following a change in ownership and no assessment may exceed market value.

An examination of county- and property-specific tax data to determine the measure's effects reports that in January 2006 the assessed value (Save Our Homes value) of homestead property (\$644 billion) was 62 percent of its market value (\$1.042 trillion) (University of Florida 2007). This \$398 billion dollar reduction in the property tax base constitutes almost 17 percent of market value statewide and translates into an almost \$8 billion reduction in tax revenue, assuming a 2 percent tax rate.

Significant variations in these impacts were found across cities and counties. The effect on local property tax revenues varied with the rate of appreciation in housing prices, the percentage of properties that are homesteads, the frequency of sales (turnover), new construction activity, and the tax rate. Counties most affected by the assessment limit were high-value, higher-income suburban counties and high-growth, high-appreciation coastal counties. The study also found substantial variation in the differences between Save Our Homes assessed values and market values of individual properties.

Concern that the lock-in effect of the assessment limit has trapped Floridians in their current residences, and complaints



in Illinois forced most local governments to reduce their tax rates in response to rising assessed values, even before implementation of the 7 percent assessment cap in Cook County. The use of the assessment cap subsequently reduced the amount by which the tax rate dropped.

REDUCTION IN LOCAL GOVERNMENT AUTONOMY

Assessment limits may have profound implications for local control over spending decisions. The property tax has historically

been a primary fiscal tool of local governments and a major source of their discretionary revenue. Many localities have been able to adjust their budgets and allocate resources according to community preferences through their control of property tax revenues. Assessment limits and tax rate limits can severely restrict local revenue, requiring services to be cut or alternative revenue sources found. If local governments seek support through increased state aid, they often face greater state control and a loss of local autonomy.



CHAPTER 4

Equity and Efficiency

The popularity of assessment limits is due, in part, to the perception that they will prevent sudden increases in property tax bills and correct inequities in the distribution of the tax. Voters fear that the elderly, especially those on fixed incomes, will be forced from their homes, and that homeowners in general will shoulder an unfair share of the tax burden compared to commercial and industrial property owners. In reality, assessment limits do alter the distribution of property taxes, but not always as intended. They may cause similarly situated taxpayers to bear very different tax burdens. In addition, an acquisition value system discourages households from moving. This distorts economic decision making and reduces welfare through an inefficient allocation of resources.

REDISTRIBUTING THE TAX BURDEN

Nonuniform increases in values shift the tax burden to more rapidly appreciating properties. Assessment limits may or may not prevent this shift, depending on what types of property are affected and whether property value is reset upon a change in ownership. An acquisition value system can shift the property tax burden toward properties with the highest turnover, regardless of which class is experiencing the greatest appreciation. This has been the case in California.

When residential property assessments are capped but tax rates are not, some taxpayers, including homeowners, may see their bills rise to maintain the same level of government spending. Because the cap will reduce the tax base, a revenue-neutral response will raise the tax rate. Nonresidential properties, slowly appreciating residen-

tial properties, and even some residential properties with appreciation above but near the cap will end up paying higher taxes than they would without the cap.

The tax burden is thus shifted from protected properties to those that are not eligible for the limit, and from limited properties with rapid appreciation to those with slower growth or no appreciation. Even some protected properties whose appreciation is above the limit, and appear to benefit from the limit, actually pay higher taxes because of it. Recent studies have identified this type of redistribution in Minnesota (see box 4) and Cook County, Illinois (see box 5).

Idaho has long considered a property tax limit modeled on Proposition 13, and dramatic increases in property values there have reignited debate on assessment limits. Dornfest (2005) explored the impact of hypothetical residential assessment limits, ranging from 2 to 8 percent, in two of the largest counties in Idaho. In Kootenai County, 86 to 88 percent of the more than 33,000 residential parcels analyzed would have lower taxable values as a result of any of such caps, but more than 50 percent of these parcels would pay higher taxes because of the need to raise the tax rate in order to maintain revenue. Overall, 60 percent of the parcels studied in Kootenai County would pay higher taxes under the assessment limit.

In Ada County, where values have not increased as rapidly, a smaller proportion of properties would gain or lose from an assessment cap. Of the more than 98,000 parcels examined, 28 percent would not experience a change in tax as a result of the limit. The percentage of parcels whose taxes would increase varied from 25 percent with a 1 or 2 percent cap to 76 percent with an 8 percent

Minnesota's Limited Market Value

Assessment limits can increase property taxes even for owners whose taxable values are reduced, as Minnesota's experience shows. The state's limited market value (LMV) program restricts growth in assessments of farmland, homesteads, timberland, and seasonal recreational property. In 2005 approximately \$33 billion in property value statewide was taken off the tax rolls because of LMV.

LMV is intended to shield appreciating properties from rapid property tax increases. But in practice it shifts the property tax burden from homes and farms that are appreciating rapidly to those whose values are growing at a slower rate or are declining, and to properties that are not subject to LMV, such as apartments and commercial and industrial properties. Until recently no one really knew who was benefiting from the LMV subsidies, or who was being hurt.

A report by the Minnesota Department of Revenue (2006) compared actual property taxes with the property taxes that would have been paid if LMV did not exist. It found that in 2006 the state's LMV law actually increased property taxes for 78 percent of homeowners by \$106 million or an average of \$96 per parcel. Property taxes decreased for the other 22 percent of homeowners by \$86 million, an average of \$273 per parcel. Sixteen percent of the properties that experienced tax increases actually had their assessments reduced, but paid higher taxes because the increased tax rate more than offset their comparatively small reductions in assessed value. These homeowners saw that LMV decreased their assessments, and concluded that it was providing them with tax relief. However, their taxes would have been lower without LMV.

Seasonal recreational residential property in Minnesota received the largest value reductions (22.7 percent statewide), while homestead property was reduced the least, only 4.5 percent. In terms of tax dollars, the owners of farm homestead property were the chief beneficiaries, enjoying a reduction in tax burden of \$25.6 million, while the commercial and industrial property tax burden increased by \$51.5 million.





In 2004 Illinois permitted counties to impose a 7 percent limit on annual increases in the assessed value of homestead properties. This limit was unique in that it did not exempt all value above the threshold from taxation. Instead, it removed all or a portion of the increase above 7 percent from the tax base by allowing the homestead exemption to vary from \$5,000 to a maximum of \$20,000, later increased to \$33,000. If a property's value rises by more than that amount, the excess is included in its assessment. According to the Cook County Assessor's Office, the median increase in assessments in Chicago had been almost 32 percent from 2002 to 2003.

Believing that the new law would provide much needed tax relief and bring predictability to property tax bills, Cook County immediately implemented the assessment cap. An analysis of the economic effects of the 7 percent assessment cap, estimating the 2003 and 2004 property tax payments on each Cook County parcel with and without the cap, includes the following findings (Dye, McMillen, and Merriman 2006a; 2006b):

- Seventy-five percent of eligible Chicago homeowners benefited from the assessment cap, saving an average of 14.2 percent in the first year. In some areas tax payments fell by 30, 40 or even 50 percent in 2003.
- The effects varied across housing value classes. The gains from the assessment limit decreased as property value increased, with the greatest benefits going to low- and mid-value properties.
- Commercial properties absorbed the largest share of the resulting shift of the tax burden. Eligible homestead properties in Chicago paid \$128 million less in 2003, but ineligible residential properties paid \$30 million more, apartments \$14 million more, and commercial properties \$60 million more.
- To compensate for the fall in the tax base, tax rates throughout Cook County increased. The Cook County tax rate rose 4.5 percent in 2005, and school districts increased their tax rates an average of 5 percent. Chicago and its suburbs saw tax rate increases between 4.1 and 6.6 percent.
- Some homeowners whose properties appreciated more than 7 percent and who therefore saw their assessed values reduced still paid higher taxes than they would have in the absence of a cap, because of the rise in tax rates.
- Citizens eligible for the more advantageous "senior freeze" on assessments ended up with higher tax bills. Their property values were already frozen, so they did not benefit from the cap, but they were subject to the resulting higher rates.

cap. As many as 38 percent of all properties whose values would be limited with a 3 percent cap would pay higher taxes because of it.

In most of the situations considered by Dornfest, the break-even point for property tax relief was above the actual assessment cap. For example, in Ada County a 6 percent value increase cap would result in lower taxes only for parcels with assessed value increases greater than 7 percent, an effect that becomes more pronounced as the cap is lowered. With a 1 percent annual value increase cap, only properties with value increases in excess of 4 percent would experience lower taxes.

Dye and McMillen (2007a and 2007b) also studied the distributional effects of assessment limits. Their model confirmed that properties whose assessments are reduced by the limit may actually face increased taxes as a result. The likelihood and magnitude of this effect increase with the overall appreciation rate of eligible properties and the proportion of eligible properties with high appreciation rates. Again, assessment limits shift the tax burden from eligible to ineligible properties, and among eligible properties from those with high rates of appreciation to those appreciating more slowly or not at all.

Tax shifts among income groups are not easy to predict. While it is true that high-income households are more likely to be homeowners and generally own larger and more valuable residences, these homes might not experience the most rapid appreciation. For example, California's relative shortage of entry-level homes, caused in part by the lock-in effect of Proposition 13, has resulted in higher rates of inflation for smaller, less expensive residences. Higher-income households tend to be more mobile, so higher-valued properties may change hands more frequently and be reset to market value more often. Dingemans and Munn (1989) found that from 1978 to 1985, property owners in the more expensive neighborhoods

of Davis, California, received the greatest benefits from Proposition 13, but by 1985 to 1988, those same neighborhoods experienced the largest increases in taxes because of increased home sales.

If assessment limits are accompanied by rate limits, local governments cannot necessarily raise the tax rate enough to maintain tax collections. Some increase may be possible, and even without a change in rate the adjustments to assessed values will redistribute the tax burden from limited properties to those that are not covered by the assessment limit. If the tax rate is unchanged and assessments are capped, all eligible properties with appreciation above the limit will benefit from lower taxes.

A popular misconception assumes that the tax distribution will not change over time if a low assessment cap is accompanied by a rate cap and applies to all property in the jurisdiction. However, an acquisition value system puts residential properties at a tax disadvantage because homes typically change ownership more frequently than do businesses. If the assessment limit applies to all types of property, the burden will shift toward residential property as its aggregate assessed value increases more rapidly due to turnover.

California has experienced a dramatic tax shift from commercial to residential properties since Proposition 13, largely due to differential turnover rates. The homestead percentage of total assessed value in the state increased from 32 percent in 1979–1980, immediately after Proposition 13, to nearly 40 percent in 2005–2006 (Research and Statistics Section, California State Board of Equalization). This shift has been even more pronounced in some counties, even those with vibrant business growth. Santa Clara County is considered the center of Silicon Valley because it contains the headquarters of Apple, Cisco, Hewlett Packard,

Similar houses in California's San Fernando Valley may have very different assessed values depending on their turnover rates.



Intel, IBM, Google, Yahoo, and many other high-tech firms. In 1977–1978, single-family residential properties and condominiums accounted for 50 percent of the property tax base there. Today that share is over 69 percent (Santa Clara County Assessor 2007).

HORIZONTAL INEQUITIES

As noted above, all states that impose assessment limits on individual properties, with the exception of Arizona, Minnesota, and Oregon, have acquisition value features that reset assessments upon a change in ownership. Together with the assessment limit, this policy creates large disparities in property tax bills and effective property tax rates (the percentage of full market value represented by the tax bill) among owners of comparable properties. Horizontal equity—the idea that taxpayers in similar situations should face similar tax burdens—is a core principle of sound tax policy. Acquisition value systems abandon this principle by taxing long-time owners less than new owners of similarly valued properties.

Under an acquisition value tax system, horizontal inequities among property owners are inevitable. When a property is sold, it is assessed at market value, but assessed value will be less than market value in the future if the property appreciates at a rate greater than the permitted ceiling. That gap will grow over time if appreciation continues to outpace the annual assessment limit. The sale of a property triggers reassessment at its full market value, so households in identical dwellings will face different tax liabilities, with a recent buyer paying higher taxes than an owner who has remained in the same dwelling for some time (see box 6).

These disparities, and their subsidy for established homeowners, can distort the tax price of local services—the amount that voters perceive as their cost. This in turn distorts voter decision making, causing established residents to demand more local services and amenities than they would be willing to pay for if they faced a tax price that reflected their proportionate share of the actual cost.



Financier Warren Buffett (2003) used his own property taxes to illustrate the inequities resulting from California’s acquisition value system. He explained that he paid \$2,264 in property taxes in 2003 for a home he purchased in the 1970s. In 2003 that property was worth \$4 million. He purchased a second house in the same neighborhood in the mid-1990s. The second house was worth roughly half the value of the first, but his 2003 property tax bill on the second house was \$12,002. The effective tax rate on the

second house (0.6 percent) was 10 times higher than that on the first (0.056 percent).

Documenting these kinds of disparities, O’Sullivan, Sexton, and Sheffrin (1995a) found that California homeowners who had resided in their current homes in Los Angeles County from 1975 to 1991 (a group that constituted 43 percent of all county homeowners) were, on average, underassessed relative to market value by a factor of five. This meant that actual market value had increased to a level five times

BOX 6
Example of Horizontal Inequities Created by an Acquisition Value System

Imagine three identical California houses that each sold for \$100,000 in 1975 (see table 3). After Proposition 13 their 1978 assessed values were set at their 1975 market values of \$100,000. Assume that their market values have increased 7 percent per year since 1975. House A has not been sold since 1975, House B sold in 1990, and House C sold in 2005. Table 3 illustrates what has happened to the market and assessed values of each of these properties, and compares their 2005 property taxes and effective tax rates under an acquisition value system with a maximum 2 percent annual increase.

In 1990 and 2005, market values of all three houses are identical and reflect the 7 percent annual appreciation since 1975. The 1990 assessed values differ because when House B is sold its assessed value is set at its new 1990 market value. Houses A and C have the same assessed values in 1990, with a 2 percent increase each year since 1978. In 2005, the assessed values of all three houses differ. House A’s 1990 assessed value continues to grow at 2 percent per year. House B’s 2005 assessed value represents 2 percent annual growth in its 1990 assessed value. The assessed value for House C is reset to its 2005 market value when it sells in 2005.

The disparity ratios, which measure the proportion of market value to assessed value, vary from 1.00 to 4.46 in 2005. The stated 2005 tax rate is 1 percent, but the effective tax rate, the ratio of the tax bill to market value, varies from 0.22 percent to 1 percent. House A, which has not sold since 1975, has the highest disparity ratio, the lowest tax, and the lowest effective tax rate. These properties face very different tax obligations simply because of when they were last sold.

House	1975 Market Value	1978 Assessed Value	1990 Market Value	1990 Assessed Value	2005 Market Value	2005 Assessed Value	2005 Disparity Ratio	2005 Tax	2005 Effective Tax Rate
A	\$100,000	\$100,000	\$275,903	\$126,824	\$761,226	\$170,689	4.46	\$1,707	0.22%
B	\$100,000	\$100,000	\$275,903	\$275,903	\$761,226	\$371,329	2.05	\$3,713	0.49%
C	\$100,000	\$100,000	\$275,903	\$126,824	\$761,226	\$761,226	1.00	\$7,612	1.00%

that of assessed value, and that the property taxes due on two identical homes would differ on average by a factor of five if one of the homes were to sell. The authors show that the primary beneficiaries in California have been lower-income and senior homeowners, because they move less frequently than other groups.

In the long run, differences in turnover rates and appreciation above the assessment limit are the primary sources of inequity in an acquisition value system. Disparity ratios (the proportion of market value to assessed value) change over time; they tend to increase as property values rise but decrease with property sales. In Los Angeles County, the percentage of properties with 1975 base years decreased from 43 percent in 1992 to 30 percent in 1996 due to natural turnover.

The recession of the early 1990s led to a nearly 30 percent drop in property values in southern California, and the median disparity ratio for properties with a 1975 base year decreased from 5.19 to less than 4.0. Thus, both natural turnover and the recession diminished property tax disparities between 1992 and 1996 (Sheffrin and Sexton 1998). The impacts of the subsequent housing boom and the more recent price deflation on these disparities are unknown. While rapidly rising property values would tend to increase the disparities, increased turnover would have the opposite effect (see box 7).

The assessment freeze in Muscogee County, Georgia, created significant assessment disparities among homeowners (Sjoquist and Pandey 2001). The average dollar reduction in assessed value was found to increase with household income although the percentage reduction dropped as income rose (see box 2, page 17).

Hawkins (2006) noted similar horizontal inequities among Florida homeowners, citing two Siesta Key neighbors who owned vir-

tually identical condominium units, but paid widely different property taxes (\$2,300 and \$5,700, respectively) because one property was purchased more recently than the other. Seasonal homeowners are at a particular disadvantage because they do not qualify for the state's Save Our Homes assessment limit. They therefore pay higher property taxes than permanent residents, while at the same time consuming fewer local services. A group of Alabama residents with second homes in Florida brought a legal action to overturn the assessment cap there as an unfair burden on "snowbirds" and second home owners. Although a Florida judge dismissed the case, seasonal homeowners were awarded a 10 percent assessment cap in a 2008 voter-approved constitutional amendment.

Horizontal inequities such as those documented here are not limited to residential properties. Disparities are also prevalent within the commercial property class in California. In Los Angeles the owners of the then-new Wells Fargo Center paid \$1.77 per square foot in property taxes in 2003, and owners of the SunAmerica Center paid \$5.00 per square foot (Morain 2003). In contrast, businesses that were well established before the passage of Proposition 13 in 1978 paid far less. For example, the owners of Disneyland paid an average of five cents per square foot on its original property in 2003, and the owners of Capitol Records paid ten cents per square foot on its headquarters near the Wells Fargo Center.

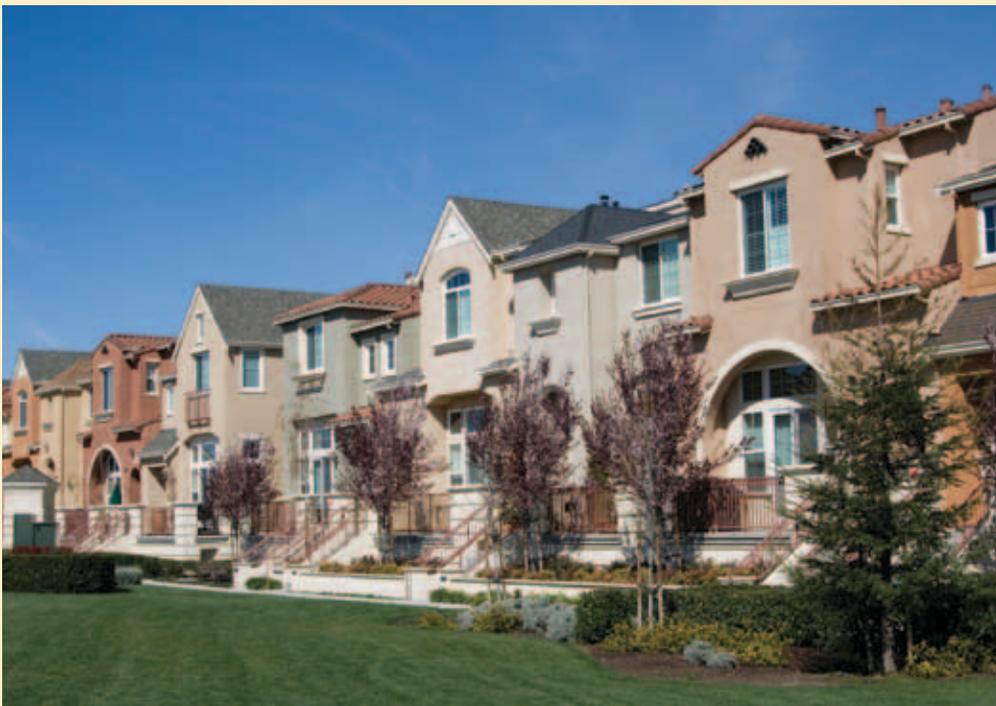
Disparities of this magnitude are not uncommon, according to O'Sullivan, Sexton, and Sheffrin (1995a). They computed a median 1991 disparity ratio of 5.66 for commercial and industrial properties that had not changed hands since 1975, meaning that half the sample had disparity ratios greater than 5.66 and half had ratios less than the median. This median ratio declined

What Happens When Housing Prices Fall?

When Proposition 13 passed in June 1978, few California voters thought about how it might operate in a market downturn. Nevertheless, in November 1978 they passed Proposition 8, a constitutional amendment that does address declines in value. A property whose market value falls below its adjusted acquisition value (i.e., adjusted annually at the lower of the increase in the Consumer Price Index or 2 percent) must be assessed at market value. In subsequent years, the property must be reviewed and reassessed at market value until market value again exceeds adjusted acquisition value. When that happens, the adjusted acquisition value is reinstated as the assessed value, even if this results in an increase of more than 2 percent above the prior year's assessment.

Most property owners feel that decreases in the market value of their property should be reflected in lower tax bills. In reality, this will usually be the case only for properties that were recently sold, because their adjusted acquisition value may still be close to market value. For long-time owners, adjusted acquisition value is generally far below market value. Even declining market value will rarely fall below adjusted acquisition value, so taxable value will not decrease. In fact, the assessed value of the property may continue to increase if the Consumer Price Index rises and the adjusted acquisition value is not above market value.

Sharply declining property values from 1991 through 1995 diminished the gap between market value and assessed value in Los Angeles and San Mateo counties, thereby reducing some of the inequities in the property tax system introduced by Proposition 13 (Sheffrin and Sexton 1998). The recession also imposed a tremendous workload on county assessors throughout the recession and recovery. Statewide, the number of assessment appeals increased 300 percent in 1992–1993 and an additional 110 percent in 1993–1994.



to 3.23 in 1996 due to the recession, but had increased to 4.0 by 2002 (Sheffrin and Sexton 1998; Sexton and Sheffrin 2003).

EFFICIENCY (MOBILITY) EFFECTS

Acquisition value assessment discourages mobility (sometimes called a lock-in effect) because taxes can rise dramatically upon a change in ownership, even if the market value of the owner's new property is the same or less than the old one. Growing families may choose not to move to larger houses, which limits the supply of affordable starter homes—an effect seen in California—and older adults may not move to smaller homes when their children leave the household. Homeowners may not move if their job location changes, even if they face a longer commuting time. These kinds of individual choices result in inefficient resource allocation and decreased economic welfare.

O'Sullivan, Sexton, and Sheffrin (1995b) used a mathematical simulation model to estimate optimal housing moves and the loss of welfare (economic well-being) resulting from an acquisition value system. This welfare loss is sometimes referred to as an excess burden or deadweight loss, because it represents a burden on taxpayers over and above the amount of money transferred to the government in taxes. They found that an acquisition value tax produced relatively large excess burdens. For example, a revenue-neutral switch from a conventional property tax to an acquisition value system, assuming a 3 percent tax rate and property value appreciation of 6 percent, increases the median length of residency in a dwelling by about 18 percent and results in an excess burden of about 4.5 percent of total tax revenue.

In another study of the mobility effects of an acquisition value tax, Wasi and White (2005) found that from 1970 to 2000 the

average tenure length of California homeowners increased by 0.66 years, or 6 percent, compared with owners in Florida and Texas. This increase was found to be greater where housing values were higher, where they increased more rapidly, or both, so the mobility effect of Proposition 13 was greatest in the coastal areas of California.

California allows homeowners age 55 and older in some situations to take their assessed value with them to their new homes, thereby eliminating the moving penalty. Ferreira (2004) found that in 1990, 55-year-olds in California were 25 percent more likely to move than 54-year-olds. He also reported that homeownership rates in California, which are barely half the national average for young families, actually rise to the national level as homeowner age increases, a phenomenon not found in other states or in pre-Proposition 13 California.

In contrast to the above studies, Sjoquist and Pandey (2001) found that the assessed value freeze in Muscogee County, Georgia, had no significant effect on mobility, and hence no impact on housing turnover or community stability (see box 2, page 17). Stansel, Jackson, and Finch (2007) found no evidence of a lock-in effect in Florida based on a sample of 20 counties in 2002 and 2006. In fact, they found that average tenure declined slightly from 11.2 years in 2002 to 10.8 years in 2006, with lower tenure and larger declines in tenure in coastal counties.

The mobility penalty also affects business decisions. Like households, businesses will be less likely to move, even if their markets shift or their current quarters are no longer appropriate, if a change in location increases their property taxes. Moreover, existing businesses that have occupied their structures for a long period will have a tax advantage over new entrants, potentially reducing economic growth.



CHAPTER 5 Alternative Relief Measures

It is clear that some taxpayers benefit from assessment limits, but many others may receive no protection, and often they are among those most in need of property tax relief. What alternatives exist to assist needy homeowners facing rising property tax bills?

Rather than impose assessment caps and tax rate limits, some states restrict the growth in property tax revenues through levy limits or the growth in individual property tax bills through tax caps. However, these approaches are expensive because, like assessment limits, they tend to reduce taxes without regard to need. Moreover, limitations on total revenue may not be an appropriate response to rapidly rising individual tax bills if local spending is not the problem. Targeted options for residential tax relief include homestead ex-

emptions, classified tax rates, circuit breakers, and tax deferral programs. Finally, truth in taxation programs are designed to increase transparency and accountability by reporting to taxpayers on changes in the tax base, tax rate, and tax collections.

LEVY LIMITS

Levy limits specify the maximum amount of revenue that can be raised from the property tax in a jurisdiction. Prior to 1970 only five states imposed levy limits (Mikhailov 1998), but many such provisions have been adopted or strengthened in recent years, and today they exist in some form in 29 states (Anderson 2006). Levy limits typically take the form of a maximum allowable annual percentage increase in the property tax levy



Neighbors on the same street may face different circumstances that require different property tax relief measures.

(the total amount collected by a jurisdiction). These limits may apply to all government entities using the property tax, or to individual taxing jurisdictions such as school districts. Some states permit revenues to grow only by the rate of inflation, and many allow an exception for taxes on new construction.

These limits do not target relief to needy taxpayers; rather, by reducing collections, they can lower taxes on all types of property. If the loss in revenue is not compensated by state aid or other taxes and charges, the resulting reduction in local services can impose new burdens on the residents most dependent on those services. Even if state aid increases or the state assumes new expenditure responsibilities, local governments face a diminished ability to respond to the tax and service preferences of their voters.

A jurisdictionwide levy limit has the same impact as a combined jurisdictionwide assessment limit and tax rate cap. For example, if total assessed value is limited to 5 percent annual growth and the tax rate cannot increase, property tax revenues cannot increase by more than 5 percent per year.

Homestead exemptions may help those in owner-occupied principal residences.

Some states restrict tax increases that result from a general reassessment. These are often termed constant yield limits or roll-back limits. Again, tax base growth from new construction is generally excluded from the limit in these cases.

Because levy limits apply to jurisdictionwide tax collections, they do not protect individual homeowners from higher tax bills, nor do they prevent the redistribution of the tax burden across and within property classes. If appreciation in property values is not uniform, the tax burden will shift toward those properties appreciating the most rapidly. In an effort to provide individual homeowner relief, 10 of the 29 states with levy limits also have some form of assessment limit.

A limit on individual tax payments would ensure that tax bills did not rise by more than the specified percentage. Nevada recently instituted such a cap at 3 percent for homestead properties.

However, maintaining the existing distribution of the tax burden may violate principles of equity. If relative tax bills are unchanged while some properties rise in value and others fall, taxpayers face effective tax rates that depend on the rate of appreciation of their properties. This replicates a situation common in earlier decades when many assessors failed to update valuations even when required to do so by law. Over time, this lack of revaluation placed the highest tax burden on residents of poorer and declining neighborhoods, and the lightest burden on the more affluent residents of areas that had risen most in value.

HOMESTEAD EXEMPTIONS AND CREDITS

Homestead exemptions reduce property taxes by lowering the assessed value of owner-occupied principal residences. They are one of the oldest and most common forms of



property tax relief, dating back to the 1930s. Forty states and the District of Columbia offered homestead exemptions in 2005 (Baer 2005). Exemptions may be a set dollar amount or a percentage of assessed value, and they vary considerably among states in their provisions and eligibility requirements. Homestead credits offset specified amounts or percentages of taxes. For example, a \$20,000 exemption would result in a \$200 tax savings at a tax rate of 1 percent, the equivalent of a \$200 credit.

The relative tax reduction depends on the dollar amount of the exemption and the assessment ratio used to determine the taxable value. The household exemption for Louisiana is \$7,500, for example. Since the state uses an assessment ratio of 10 percent to reach taxable value, a \$200,000 home would have a \$20,000 assessed value before the exemption, and the \$7,500 exemption would reduce that by 37.5 percent, to \$12,500. In contrast, the \$7,000 exemption in California reduces the taxable value on a \$200,000 home by only 3.5 percent, to \$193,000, because its assessment ratio is 100 percent. The actual value of the exemption also depends on the statutory tax rate. California's \$7,000 exemption translates into a \$70 tax savings at its 1 percent tax rate.

Exemptions and credits for specified dollar amounts will result in a greater percentage tax reduction for owners of low-value homes, while exemptions and credits for a percentage of value will provide a greater dollar savings to owners of high-value homes. As the assessed value of the property rises, a percentage exemption will reduce taxes by an increasing dollar amount and the effective tax rate will remain constant. By contrast, a fixed dollar exemption will result in a constant dollar amount of savings, a declining percentage of savings, and an increasing effective tax rate.



CLASSIFIED TAX RATES

Homestead exemptions and credits lower the effective tax rate on owner-occupied residences, but not on other types of property. This tax shift can also be achieved directly by a system of varying effective tax rates on different property classes. Many states tax business property more heavily than residences, and this policy can even serve as a strategic element of tax reform. In Massachusetts, local communities are allowed to institute classified tax rates only after the state Department of Revenue certifies that their assessments accurately reflect full market values.

Classified rates are preferable to assessment adjustments as a means of shifting the tax burden because they retain the transparency and accountability of a market value tax base. The major criticism of classification is also its principal political attraction: the lack of accountability inherent in increasing the tax burden on owners not well represented in the voting population. Heavy tax burdens on commercial and industrial property can introduce horizontal inequities and discourage businesses from locating or

Classified tax rates can shift the tax burden from residences to business and industrial properties.

expanding in the jurisdiction. A perception of unfair tax shifts of this type led the British government to nationalize the taxation of business property in 1988.

CIRCUIT BREAKERS

Another popular form of direct property tax relief is the circuit breaker tax credit, which targets aid to low-income and elderly residents whose taxes exceed a given percentage of income, just as a circuit breaker offers protection from an electrical overload. Circuit breaker programs in 34 states are funded at the state level (Bowman 2008). Thus, unlike most other tax relief measures considered in this report, they do not reduce local tax collections. Although homestead deductions or credits are limited to homeowners, circuit breakers can benefit renters as well. Their provisions vary from state to state, but in general relief is inversely proportional to income, with benefits declining as income rises.

The two major forms of circuit breakers are called “sliding scale” and “threshold” programs. A sliding scale circuit breaker rebates a percentage of the tax paid, with the percentage declining as income rises. For example, senior homeowners in Nevada with incomes below the poverty line receive a rebate of 100 percent of tax paid; this percentage falls as income rises until rebates are fully phased out at an income level of \$27,863.

Threshold circuit breaker programs refund taxes that exceed a certain percentage of household income, again subject to limits on eligibility. In Rhode Island, households with incomes of \$30,000 or less receive rebates equal to the amount by which property taxes exceed a given percentage of their income. Taxpayers with incomes less than \$6,000 receive a refund on taxes that exceed 3 percent of their income. Those with higher incomes receive rebates for taxes above 4 percent if their income is between \$6,001

and \$9,000; 5 percent if their income is between \$9,001 and \$15,000; and 6 percent if their income is between \$15,001 and \$30,000.

Circuit breakers for renters operate similarly, based on state assumptions about how much property tax is included in rent. These property tax rent equivalents may reflect the supply and demand characteristics of rental markets as well as political negotiation.

Most state circuit breaker programs apply only to senior citizens, set a maximum income or wealth limitation, and place a ceiling on maximum benefits. Income eligibility requirements and benefit caps vary, but as the examples above demonstrate, most current programs set eligibility limits too low to be of assistance to many households. Even with more generous income ceilings, many middle-income taxpayers who feel pressure from fast-growing property taxes would be ineligible for relief because their taxes would not exceed the specified percentage of income.

Maximum benefits are generally not related to property tax liability, but often vary according to income. In 2007, benefit caps ranged from a low of \$75 in New York to \$2,000 in Maine and New Jersey (Bowman 2008). Legislative changes to all such provisions would be required for circuit breakers to extend widespread and general taxpayer relief.

Circuit breakers can be an efficient means to target property tax relief to the most needy, and when funded by state governments they do not reduce local budgets or local autonomy. Of course, obtaining state funding can be a political challenge, and this is a major reason why current benefits are so low. State-funded programs can also lead to overspending by local governments, because some taxpayers may vote for additional public services knowing that higher property taxes will be entirely offset by circuit breaker benefits.

Participation rates among taxpayers eligible for circuit breaker programs are often very low; in some states participation is as low as one-third to one-half of those eligible (Lyons, Farkas, and Johnson 2007). It is therefore important that circuit breakers be accompanied by educational efforts to publicize their availability and to explain their application procedures.

TAX DEFERRAL

Tax deferral programs offer another means of targeting property tax relief to needy households. They allow homeowners to delay the payment of taxes until the home is sold or the owner's estate is settled. The unpaid tax, together with any interest charges, is secured by a lien on the property. Deferral programs are primarily targeted to the elderly and disabled, often with income or residency requirements. Twenty-five states and the District of Columbia had some type of tax deferral program in place in 2005 (Baer 2005).

Washington State enacted a program in 2007 that offers homeowners with incomes of \$57,000 or less the option to defer half of their property taxes each year, up to a maximum of 40 percent of the equity in their home. Senior citizens with incomes of \$40,000 or less can defer all property taxes up to a maximum of 80 percent of their home equity. Any deferred taxes must be repaid with interest when the property is sold.

In the past, relatively few homeowners chose to defer their taxes, but that trend may be changing. Before the recent popularity of home equity loans, encumbering a residence was often viewed as imprudent. Anti-tax activists would prefer to lobby for tax reduction or elimination rather than to improve payment options for an existing tax. States have not generally publicized their deferral programs, so many taxpayers are unaware of them. However, interest in

reverse mortgages, by which home equity is liquidated into a series of cash payments, has grown rapidly in recent years, particularly among senior citizens. More than 132,000 elderly homeowners took out reverse mortgages in 2007, a greater than 270 percent increase in two years (Duhigg 2008).

Expanded tax deferral programs might find ready applicants in the future. Like phased-in revaluations, they could offer short-term assistance to all homeowners, not just seniors who are facing large one-year increases in tax payments. Moreover, these programs could improve public debate on tax reform by helping to ensure that citizens, especially the elderly, will not be dispossessed

Older residents in some states can take advantage of circuit breaker and tax deferral programs.



for unpaid property taxes. If this threat were eliminated, then a more complex weighing of public needs and appropriate tax levels would be possible.

TRUTH IN TAXATION

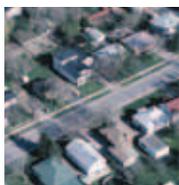
Truth in taxation programs increase public accountability when housing price increases cause the tax base to rise. They generally require a public notice, and sometimes an election, for tax revenues to exceed the prior year's collections, even without a rate increase. For example, the Texas truth in taxation law for school districts requires that property owners be notified of changes in their appraised value, and of the estimated taxes that could result from the new value. The school district must then publish its budget, its proposed tax rate, and the rollback rate that would collect the same amount of revenue as in the prior year. A public hearing and an election are required to raise

the tax rate above its rollback level (Texas Comptroller of Public Accounts 2007).

Virginia, Tennessee, Utah, and Maryland utilize truth in taxation programs (called a constant yield tax rate in Maryland) to promote public scrutiny of tax increases that follow rising assessed values. In Virginia, this is the only statewide program used to limit local property taxes. Utah's full disclosure law mandates that each local taxing jurisdiction determine a constant yield tax rate that, when applied to the current year tax base, would raise the same revenue as was collected in the prior year. Higher rates require a public hearing and notice, followed by a vote by the local government. Cornia and Walters (2006) studied the Utah situation and concluded that the full disclosure law had been instrumental in reducing or stabilizing property tax rates in a number of counties experiencing rising home prices.

Residents in Washington, DC, may be eligible for tax deferral programs.





CHAPTER 6 Conclusions and Recommendations

Assessment limits are often put forward as a means of combating two problems popularly associated with rapidly appreciating property values: increasing tax bills and the redistribution of tax burdens. In fact, 30 years of experience suggests that these limits are among the least effective, least equitable, and least efficient strategies available for providing property tax relief.

Assessment limits benefit those whose property values have increased rapidly, with the greatest tax reductions going to those whose property has risen fastest in value. At best, these limits restrict aid to those who have increased property wealth and provide no relief to those whose values are stagnant or declining. Yet even taxpayers whose assessed values have been reduced by these caps can face higher property taxes as rates rise to compensate for a diminished tax base. Rather than redressing shifts in tax burdens, these limits themselves cause substantial tax reallocations and unpredictable differences in effective property tax rates.

Better methods exist for addressing taxpayer discontent. The combination of truth in taxation measures and a circuit breaker program for low-income taxpayers could go a long way toward protecting those truly in need. Truth in taxation programs require local governments either to reduce tax rates when property values rise or to obtain approval for an undisguised tax increase. Circuit breaker credits are simple, direct, and targeted toward taxpayers who most need protection from rising tax bills.

Comparatively few states have truth in taxation programs or offer circuit breakers to the general population, and existing circuit breaker programs rarely offer adequate relief because income and benefit limits are set too low. A truly robust combination of truth in taxation and circuit breakers would constitute an innovative step toward assisting needy taxpayers without distorting the transparency of a value-based tax or introducing inefficiencies that impede economic growth.

Other instruments available to fashion effective property tax relief include homestead exemptions and credits, classified tax rates, deferred payment options, and the phase-in of new assessments. Homeowners facing large and unexpected increases in their tax liability have a legitimate expectation of government assistance. With these alternative tools legislators can respond to calls for property tax reform without the distortions, inequities, and unintended consequences of assessment limits.



GLOSSARY

Acquisition value: Fair market value at the time of the property's most recent sale.

Assessed value: The value assigned to a property for tax purposes. It may refer to market value or to another tax base. For example, in California it is the acquisition value plus an inflation adjustment of up to 2 percent per year.

Base year: Under an acquisition value system, the year of a property's most recent sale or change in ownership.

Disparity ratio: The ratio of market value to assessed value.

Effective tax rate: The ratio of the actual tax bill to market value.

Excess burden: The loss of welfare or satisfaction (economic well-being), over and above the amount of taxes paid, that results from changes in taxpayer behavior in response to the tax. This is also a measure of the loss to society from the distortion in the allocation of resources due to the tax.

Freeze: A valuation freeze does not permit valuations to rise, although taxes could still increase if the tax rate changes.

Homestead: An owner-occupied principal residence.

Horizontal equity: The principle of fairness that taxpayers in like circumstances should pay the same amount of property taxes.

Levy: Either the tax bill on an individual property, or the sum of the tax bills on all properties in a jurisdiction, in which case it is the same as property tax revenue.

Lock-in effect: A situation in which consumers face a disincentive to move or otherwise change ownership of their property.

Market value: The full and fair cash value of a property, or the price it would sell for in the open market.

Mobility effect: An impact on consumers' choices regarding moving. The lock-in effect is a negative mobility effect because it provides a disincentive to move.

Tax Price: If a local government increases spending by an amount equivalent to one dollar for each local taxpayer, the tax price faced by each taxpayer is the amount by which his or her tax bill would increase in order to finance the new spending.

Taxable value: The value to which the tax rate is applied in calculating the property tax bill, taking into account all deductions, fractional assessment ratios, and other adjustments.

Vertical equity: Fairness in the treatment of taxpayers in different circumstances.



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NOTES ON DATA SOURCES

NATIONAL HOUSING PRICE INDICES

(see figures 1 and 2)

Two major sources of national house price data in the United States are the indexes compiled by S&P/Case-Shiller (used in this report) and the Office of Federal Housing Enterprise Oversight (OFHEO). Standard & Poor's is a private firm engaged in financial analysis, and OFHEO is a federal regulatory agency within the Department of Housing and Urban Development.

The OFHEO data track conventional mortgages purchased or guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). It has very broad geographic scope, but does not cover “jumbo,” unconventional, or some subprime loans. The S&P/Case-Shiller index uses data from the offices of county assessors and registries of deeds. It covers all types of loans, but draws data only from 100 major metropolitan areas. The OFHEO national index is published monthly, and the S&P/Case-Shiller national index is released quarterly.

EFFECTIVE PROPERTY TAX RATES

(see figure 5)

This figure calculates the effective property tax rate for business property as the estimated business property tax divided by the sum of (1) nonresidential property owned by nonfarm, nonfinancial corporate business at market value; (2) nonresidential property owned by nonfarm, noncorporate businesses at market value; (3) residential property owned by nonfinancial corporate business at market value; (4) equipment owned by nonfarm nonfinancial corporate business (replacement cost); and (5) equipment owned by noncorporate business (replacement cost). Asset data was obtained from the Federal Reserve Flow of Funds balance sheet data for relevant sources.

In this figure, the effective residential property tax rate equals the Ernst & Young estimated household property tax divided by the sum of the value of households and nonprofit organization real estate, excluding nonprofits, and household motor vehicles (net stock). Real property values were obtained from the Federal Reserve Flow of Funds balance sheet data for households and nonprofits; motor vehicle values were obtained from the Bureau of Economic Analysis detailed residential fixed-asset tables (Phillips, Cline, and Neubig 2008, 26).

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Property Tax Assessment Limits

Lessons from Thirty Years of Experience

Assessment limits are often put forward as a means of combating two problems popularly associated with rapidly appreciating property values: increasing tax bills and the redistribution of tax burdens. In fact, 30 years of experience suggests that these limits are among the least effective, least equitable, and least efficient strategies available for providing property tax relief.

Assessment limits benefit those whose property values have increased rapidly, with the greatest tax reductions going to those whose property has risen fastest in value. At best, these limits restrict aid to those who have increased property wealth and provide no relief to those whose values are stagnant or declining.

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2010 Special Council on
Tax Reform and Fairness for Georgians

Recommendations

January 7, 2011

Submitted by:



A.D. Frazier, Chair

Affiance LLC

On behalf of the Members of the Special Council on Tax Reform and Fairness for Georgians:

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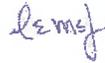
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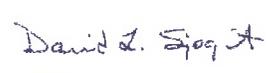
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We would like to thank Governor Sonny Perdue for his counsel as we have discussed and debated the important issues set forth before the Council. He provided key insight based on his experience as Governor, managing the state through two global recessions with massive swings in tax revenues. His willingness to participate in this thorough process is appreciated by each member of the Council.

January 7, 2011

Distinguished Colleagues,

Our charge was to examine the tax code of Georgia, review it for fairness, and then recommend a new structure that would be as growth-friendly and as job-friendly as we could make it. This system of tax reform, as recommended, adopts the best modern thinking advisors provided to us. We are satisfied that our proposal for the Georgia tax code would be highly competitive with other states for jobs and would provide additional stability to our state's revenue streams. We were not charged with making this set of recommendations "revenue-neutral" although we have included it in our thinking.

I personally travelled to every one of the 11 fact finding sessions we held around the state in the summer of 2010. I heard from, and spoke to, over 750 Georgia citizens including farmers, poultry producers, mayors, city council members, corporate tax directors, graduate students, carpet manufacturers, real estate developers, property owners, and many, many more folks concerned with the state's current form of taxation. I give kudos to the Georgia Farm Bureau who, through their members, was the most prepared and vocal at each of our meetings. Individual citizens who came to the sessions were articulate, heart-felt, and passionate about their opinions and beliefs. I personally regret that we were not able to more fully address local property owners' concerns, but it just wasn't in our scope to do so.

We've learned much about the state of Georgia's competitiveness in attracting businesses over the last six months. We know that while corporate tax rates and tax credits are important to businesses interested in locating here, other economic factors have greater weight in the decision. These factors include quality of life, a trainable workforce, infrastructure such as roads, bridges, and transportation, inventory taxation, energy taxation as an input to manufacturing and agriculture, and quality of public k-12 schools. Our recommendations address these factors to the extent we can.

Consistent with our Guiding Principles, you'll see a shift in emphasis from taxing income and investments to an emphasis in taxing consumption where a wide range of personal choices can be made. Income and investment are key ingredients to economic growth. Consistent with the principle of fairness and equity, we took a critical look at exemptions to the state's sales tax system and other tax preferences and have made recommendations to eliminate or sunset many of those. Another overarching concern for us was maintaining the state's triple AAA bond rating. Loss of this AAA rating could cost the state hundreds of millions of dollars in unnecessary interest expense.

When we started this journey in July of last year, I was not certain what the outcome would be. The Tax Council members, whom you appointed, are an incredibly dedicated group of citizens with whom I have been proud to serve. We were supported by the best talent available. Georgia is at a crossroads and we believe there is no better time to reshape tax policy in this great state than now. We ask that the Legislature give a fair hearing to our recommendations and consider them as an integrated set of policy recommendations as they deal with the challenging economic environment in Georgia.

Submitted with profound respect for the responsibilities of the Governor, the Lieutenant Governor, the Speaker, the Legislature, and the citizens of Georgia,



A.D. Frazier, Chair

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Executive Summary

The mission of the Special Council for Tax Reform and Fairness for Georgians was to conduct a thorough study of the state's current revenue structure and to make a report of its findings and recommendations for legislation no later than January 10, 2011. The initial findings of the Council led to the determination that its recommendations should lead to the betterment of Georgia with the goal of changing the philosophy of taxation from income to consumption, increasing stability of tax revenues, and enhancing the perception of fairness for all. Ultimately, the results of these recommendations are to ensure Georgia as a pro-growth, job-friendly state in line with the 21st century economy.

<i>Tax</i>	<i>Recommendation</i>
Personal Income Tax	Simplify and Minimize Adjustments; Reduction of 6% rate over time such that rate does not exceed 5% in January 2012, does not exceed 4.5% in January 2013, and does not exceed 4% in 2014.
Corporate Income Tax	Simplify Credits; Maintain Parity with Personal Income Tax Rate
Sales Tax Exemptions	Keep Government Exemptions and Keep Business and Agriculture Input Exemptions; Eliminate or Sunset Other Exemptions
Food for Home Consumption Exemption	Eliminate Exemption
Casual Sales of Motor Vehicles, Watercraft, Aircraft	Impose Sales Tax on Casual Sales
Select Personal and Household Services	Impose Sales Tax on Select Personal and Household Services
Energy Used in Manufacturing, Mining & Agriculture	Create New Exemptions
Cigarette Tax	Raise to \$0.68/pack, the Average of Surrounding States
Communications Services	Replace Existing Tax and Fee Structure with 7% Excise Tax on Communications Services
Motor Fuel Tax	Change Rate Structure to Cents per Gallon Rate; Index to Highway Construction
Insurance Premium Tax	Reduce to a Rate of ~1.75% Which is Revenue Neutral for the State

Background

The Special Council on Tax Reform and Fairness for Georgians (the “Council”) was established in accordance with House Bill 1405 and signed into law by Governor Sonny Perdue on June 1, 2010 (*See Appendix A for HB 1405*). The Council was charged with conducting a thorough study of the state's current tax revenue structure and making a report of its findings and recommendations to the Speaker of the House and the Lieutenant Governor by January 10, 2011.

The Council consists of 11 members: Bradford Dickson of Windham Brannon PC, Roy Fickling of Fickling & Company, Gerry Harkins, 2010 Georgia Chairperson of the National Federation of Independent Business, Dr. Jeffrey Humphreys of the University of Georgia, Skeetter McCorkle of McCorkle Nurseries, Governor Sonny Perdue, Dr. Christine Ries of the Georgia Institute of Technology, Suzanne Sitherwood, 2010 Chairperson of the Georgia Chamber of Commerce, Dr. David Sjoquist of Georgia State University, and Dr. Roger Tutterow of Mercer University. (*See Appendix B for Council member bios*).

The Council held 6 meetings (*see Appendix C for meeting agendas*) and 11 fact finding sessions across the state. The presentations at the Council meetings, the written comments received at the fact finding sessions, and materials received by the Council can be found on the Council’s website at <http://fiscalresearch.gsu.edu/taxcouncil/index.htm>.

The Council held its kickoff meeting on July 28, 2010, and members elected A.D. Frazier as Chairman of the Council. Speakers at the kickoff meeting were Lieutenant Governor Casey Cagle, Speaker of the House David Ralston, and House Ways and Means Chair Larry O’Neal (*see Appendix D for a copy of their remarks*). They provided context for the establishment of the Council and gave the following guidance:

House Speaker Ralston:

- take a leadership role in developing a tax policy
- ensure a structure that is job friendly and small business friendly for the growth of our state

Lieutenant Governor Cagle:

- enhance the state’s economic prosperity and create job growth
- a fair and equitable tax structure for our fellow citizens
- have minimal impact on the services we provide our state’s citizens

House Ways & Means Chair O’Neal:

- suggest reformation of our code that will make it more stable, balanced, and reliable from the revenue generation perspective
- fair, transparent, understandable, easy, and inexpensive for taxpayers to comply

In its first working session, the Council heard presentations from the four economist members of the Council on guiding principles, the current state of Georgia's tax code, recent changes in Georgia's economy and relevance to the tax system, and tax reform initiatives in other states. In subsequent meetings, The Council heard expert presentations from various tax policy institutions and individuals including Georgia Public Policy Foundation, Georgia Budget and Policy Institute, Council on State Taxation, Federation of Tax Administrators, and the Institute on Taxation and Economic Policy. The Georgia Municipal Association, Association County Commissioners of Georgia, and the Georgia Chamber of Commerce along with established and emerging industry representatives also provided information and opinions to the Council.

The Council held 11 public fact finding sessions throughout the state to offer citizens and interested parties an opportunity to be heard and offer input. These sessions were held in Atlanta, Augusta, Savannah, Valdosta, Macon, Rome, Gainesville, Columbus, Albany, Blue Ridge, and Dalton. Over 750 individuals attended these meetings and approximately 200 individuals presented their opinions. Chairman Frazier attended every session and was joined by various members of the Council in each city. Additionally, over 60 fact finding interviews were conducted with state representatives from the Department of Revenue, Department of Economic Development, Department of Treasury, and with stakeholders in the Legislature and private sectors.

Though the Council was charged with analyzing only the state revenue structure, local tax issues were raised at all fact finding meetings, specifically issues with the property tax system. The Council considers property tax to be a local tax matter outside the scope of the Council, therefore makes no recommendations for specific changes to the property tax system.

Current Tax & Revenue Environment

Based on government finance data from the U.S. Census Bureau, state plus local taxes per capita in Georgia in 2008 was \$3,468, which ranked Georgia 39th among U.S. states. In 2008, state government taxes per capita were \$1,863, which Georgia ranked 45rd, while local taxes per capita were \$1,605, ranking Georgia 24th.¹ As reported in a forthcoming report by the Georgia State University Fiscal Research Center, Georgia, in 2010, has moved down to 49th in revenue per capita at \$1,492, bested only by South Carolina which is at \$1,473 per revenue capita. This data suggests that, relative to other states, state taxes in Georgia are very low while local taxes are approximately average. The Institute on Taxation and Economic Policy estimated the distribution of tax burden by income level for all 50 states for 2007 and reported that Georgia has the 19th most regressive state and local tax system in the U.S.²

¹ For a more complete comparison of Georgia's tax level to other states, see Robert Buschman (2010). *Comparing Georgia's Fiscal Policies to Regional and National Peers*. FRC Report 201.

² As cited by Georgia Budget and Policy Institute in *Advancing Georgia's 1930 Tax System to the Modern Day*, 2010.

Taxes as a percentage of total personal income generally ranged between 5.8 percent and 6.0 percent between 1985 and 2001, but since have fallen to 5.6 percent. This suggests that taxes, relative to the state's economy, have not increased and since 2001 have been below the historic level relative to the state's economy.

Georgia's combined state and local tax system, property taxes, sales taxes, and income taxes each account for 29 percent to 30 percent of total local and state tax revenue.³ The 2007-2009 recession had a significant effect on state revenues. Between FY 2008 and FY 2010, total state revenues decreased by 18.3 percent as reported by the Governor's Office of Planning and Budget.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Taxes: Revenue					
Income Tax - Individual	\$8,021,933,827	\$8,820,794,306	\$8,829,480,886	7,814,552,113	\$7,021,855,000
Income Tax - Corporate	862,730,327	1,019,117,939	941,966,726	694,718,310	684,761,000
Sales and Use Tax	5,711,915,442	5,915,521,040	5,796,653,340	5,306,490,689	4,864,691,463
Motor Fuel	821,159,527	939,034,563	994,790,336	884,091,188	854,359,788
Tobacco Taxes	241,503,374	243,276,111	239,691,526	230,271,910	226,810,000
Alcoholic Beverages Tax	157,818,125	181,560,133	167,397,928	169,668,539	167,801,000
Estate Tax	12,786,407	1,426,030	12,325	82,990	0
Property Tax	72,138,489	77,842,189	80,257,696	83,106,994	85,744,000
Taxes: Other					
Insurance Premium Tax	342,982,442	341,745,785	348,218,618	314,338,992	274,367,272
Motor Vehicle License Tax	255,994,021	289,931,262	296,648,374	283,405,915	282,515,540
Total Taxes	\$16,500,961,980	\$17,830,249,357	\$17,695,117,754	\$15,780,727,640	\$14,462,905,063

There are two published rankings of the competitiveness of state tax systems.⁴ The Tax Foundation considers the structure of the various taxes. On that measure, Georgia ranks as having the 25th most business friendly tax system. The Council on State Taxation (COST) calculates business taxes as a share of state gross domestic product. On that measure Georgia ranks 10th. Site Selection magazine recently ranked Georgia 6th in terms of a place to do business.⁵

³ Calculated from U.S. Bureau of Census data for FY 2008.

⁴ Kail Padgett (October 26, 2010). *2011 State Business Tax Climate Index* (Eighth Edition) Background Paper No. 60. Washington, DC: The Tax Foundation; Quantitative Economics and Statistics Practice (QUEST) of Ernst & Young LLP in conjunction with the Council On State Taxation (March 2010). *Total state and local business taxes State-by-state estimates for fiscal year 2009*.

⁵ Ariel Hart (November 1, 2010). "North Carolina bests Georgia business climate". *Atlanta Journal-Constitution*. Available at <http://www.ajc.com/news/georgia-politics-elections/north-carolina-bests-georgia-711043.html> (access November 1, 2010).

While Georgia continues to attract population, employment growth has slowed. Earnings per worker, adjusted for inflation, have actually declined over the past decade. This decline in earnings per worker reflects the observation that Georgia is replacing good paying jobs with lower paying jobs.⁶ It is unclear what might explain these trends, but there are several possible explanations. First, Georgia grew rapidly over the 1980s and 1990s, and it is hard to maintain historic growth rates. Second, Georgia has been hit hard during the past three recessions. For the latest recessions, the industries that were hit hard in the U.S. in terms of employment loss are industries that are particularly important to Georgia such as manufacturing, agriculture, information services, transportation and warehousing, and real estate jobs. Thus, Georgia's industrial structure explains the relatively large job loss in the recent recessions.⁷

Overall, Georgia's taxes are low, have not increased over the past 30 years as measured by taxes as a share of personal income, and are competitive. Research on business firm location finds that while taxes matter, other factors seem to play a larger role. Factors such as functioning transportation systems⁸, availability of water, and the quality of public education are more important components of the decision-making process. While Georgia is a low tax state with a relatively competitive business environment, the existing tax structure contains duplication, lacks clarity, imposes significant compliance costs on taxpayers and hasn't kept pace with the modern economy.

Guiding Principles & Concurrence

The Council began its work with the creation of Guiding Principles based on economic theories that would help in the evaluation and recommendation of a tax structure. These Guiding Principles, as finalized, are:

- I. **Growth Enhancing:** Tax policy should foster strong economic growth, job creation, and a rising standard of living for all Georgians. This will occur through a tax structure that encourages investment in human and physical capital and technological advances, and that enhances Georgia's competitive position in regard to job creation, the development of new businesses, and the relocation of existing businesses into the state and the retention and expansion of businesses that are currently operating here.

⁶ Sean Turner (2009). *Georgia Per Capita Income: Identifying the Factors Contributing to the Growing Income Gap with Other States*, FRC Report 204; John Matthews (2009). *An Analysis of the Relative Decline in the Employment Income in Georgia*, FRC Report # 2005.

⁷ Zackary Hawley (2010). *Why Was the 2007 and 2009 Employment Loss in Georgia So Large?* FRC Report 213.

⁸ Hymel finds that increased congestion in metropolitan areas reduces the employment growth rate. Kent Hymel (2008). "Does traffic congestion reduce employment growth?" *Journal of Urban Economics* 65: 127-135,

II. **Efficient:** Tax structures should minimize distortions of both household economic choices and of capital and labor allocations by business. This implies that tax structures and levels should minimize interference with private economic decisions and that marginal tax rates should be as low as possible.

III. **Stable:** The system of taxation should be stable such that changes in state revenue occur in line with changes in the general level of economic activity so that frequent changes in tax rates and severe changes in the delivery of government services are avoided.

IV. **Clear:** Tax structures should be simple, understandable, and predictable. Each tax or revenue structure should be as simple as possible to increase voluntary compliance while lowering compliance and administrative costs. The tax structure should be relatively stable and predictable to avoid disrupting business and individual tax planning and to reflect the full economic and competitive effects of past actions. The tax system should be simple and designed so that costs of compliance, collection and enforcement are as low as possible and enforcement is as complete as possible.

V. **Fair and Equitable:** Tax burdens should recognize the ability to pay or benefits received. Similarly situated taxpayers should pay approximately the same amount of tax.

VI. **Properly Developed:** The Tax Reform Council should conduct its business openly and should develop its recommendations based on an analysis of the issues and options.

VII. **An Avenue for Resolution:** The system of taxation should include an avenue for resolving tax disputes that is unbiased, transparent, cost-effective for all parties, and easily accessible.

Concurrence:

Economists generally agree that economic growth and development is best served by a tax system that:

1. creates as few distortions in economic decision-making as possible;
2. has broad tax bases and low tax rates;
3. has few exemptions and special provisions;
4. promotes equity through transfers, subsidies, and tax credits rather than by having tax rates increase with income, and that is through progressive tax rate structures;
5. taxes consumption rather than income in order to encourage saving and investment; and
6. keeps tax rates low since taxes reduce the quantity or level of activity of the thing that is taxed.

While the Council considered each tax separately, it reviewed each tax area as a part of a larger tax system. Issues of competitiveness, job-friendliness, and equity were considered from a tax system perspective not just from the perspective of individual taxes. The equity of the tax system depends on the mix of revenue streams and making one tax more regressive can be offset by increasing progressivity in another tax so that there is the desired level of equity in the whole system.

Tax changes differ in how well they conform to the tax principles; some taxes do better on one score than another. The flatter the income tax rate, the less the tax affects behaviors (better on efficiency grounds), but the less progressive it is (worse on equity grounds). Creating more equity or fairness will generally require more complexity in the tax structure. The Council recognizes these trade-offs and proposes a set of tax changes that it believes creates a tax structure that best conforms overall to the Guiding Principles.

Strategies & Guidance

In addition to Guiding Principles, the Council developed strategies that guided decisions and helped to further evaluate alternatives. First and foremost, the Council believes in creating a tax structure that incents job growth and investment in job creation. Secondly, there is a belief by the Council that a tax system should focus on taxing consumption rather than income. Third, the Council believes in expanding the tax base and lowering the tax rate.

Furthermore, the Council sought tax alternatives that were relatively stable and represented a structural, recurring revenue stream to protect Georgia's AAA bond rating. *Moody's Roadmap 2010: U.S. States Governments July 11, 2010* report concludes that states that received and used federal fiscal stimulus funds may not be currently structurally balanced (recurring revenues meeting or exceeding recurring expenditures). Moody's indicated that the structural imbalance is generally less than 10% for AAA rated states such as Georgia, yet those states with structural imbalances will find it difficult to replace the stimulus dollars with recurring revenues.

As a result, Moody's has indicated their expectation to flag structural imbalances as a trigger for potential rating down-grades. Additionally, states that have exhausted their reserves will be viewed less positively than those states that have reserves or plans for replenishment. Lack of plans to replenish reserves is more characteristic of AA and lower-rated states. Georgia is one of nine states with an AAA bond rating, and if down-graded, would result in bond interest fees of approximately 10-20 additional basis points which cost Georgia taxpayers millions each year in additional interest.

An important component of a tax reform is estimating the effect of changes in tax rates and provisions upon tax revenue collections. This is frequently addressed through development of revenue estimates based on economic modeling. When using revenue estimates, two points should be acknowledged.

First, the revenue effects of rate changes cannot be known with perfect certainty. Even if the channels through which tax changes effect household and business behavior are well-understood, estimating the magnitude of these effects is not trivial. This challenge may be compounded by the need to estimate revenue impacts many years into the future. Further, changes in the macroeconomic environment can change revenue collections. Likewise, changes in the tax regimes of other states, or changes at the federal level, can also impact Georgia tax collections. All these factors insure that the revenue effects of rate changes cannot be known with perfect certainty.

Second, revenue estimates may utilize different methodologies or different data sources. As such, it is not uncommon that two reputable analysts will estimate different revenue impacts from a reform proposal.

In making recommendations, the Council acknowledges the complexity of estimating revenue impacts as well as the state's mandate to maintain a balanced budget. This acknowledgment will manifest in several ways including the selection of more conservative estimates of revenue collections, the designation of different dates for various changes in tax rates and bases, and the "phasing in" of tax changes over time.

Analysis and Recommendations

Personal Income Tax

The current personal income tax in Georgia is a complex system with numerous brackets, exemptions, deductions, and credits. The individual income tax return (Form 500) is over six pages and requires lengthy instructions and rate schedules. Georgia's personal income tax system is described as both relatively progressive (effective tax rates increase with increases in income and changes to the tax base) and relatively flat (the tax brackets change with as little as \$750 to \$1,000 in income). The current tax brackets (both rates and income levels) have remained unchanged since 1937, one exception being the elimination of the 7 percent bracket in 1955. The current 6 percent top marginal tax rate is reached at taxable incomes of \$7,000 and \$10,000 for a single and joint return, respectively.

Georgia is heavily reliant on the personal income tax as it accounts for almost half of the total tax revenues. This structure puts the state at risk for lack of diversity in its tax revenue streams as evidenced by the one-year \$1.0 billion dollar variance between FY2008 and FY2009. In addition, income tax collections have become volatile over the past decade.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Income Tax - Individual	\$8,021,933,827	\$8,820,794,306	\$8,829,480,886	7,814,552,113	\$7,021,855,000

The Council's Guiding Principles infer that the tax burden should be shifted from income tax to sales and use tax or consumption tax. Revenues generated as the sales and use tax base is broadened should be used to lower income tax rates. Two neighboring states, Tennessee and Florida, do not tax personal income. Testimony given at Council meetings indicates that cutting personal income tax rates would be the most advantageous change Georgia could make to attract high-technology companies and jobs. The income tax system should also be simplified by eliminating deductions and exemptions where possible and maintaining the same rate for all taxpayers. Issues of progressivity (the share of income paid by low income individuals relative to high income individuals) should be achieved with offsets that target low income groups rather than skew the entire tax structure. This flatter tax structure has the added advantage of dramatically reducing the taxpayers' costs of compliance as well as the Department of Revenue's cost of audit and collection.

As mentioned previously, the Council views the tax structure holistically and considers how each type of tax works together as a system. Personal income tax includes taxation of individuals as well as taxation of

pass-through business owners who have structured their businesses as S-corporations, partnerships or limited liability companies. As these types of businesses continue to grow in Georgia, the personal income tax code should be kept at parity with the income tax structure for C corporations.

a. Starting point of calculation

Calculation of Georgia income tax begins with federal Adjusted Gross Income. Georgia piggybacks on the federal personal income tax by adopting most but not all of the changes that Congress makes to the Internal Revenue Code each year. In each session the Georgia General Assembly passes a “conformity bill” and determines which of the federal law changes occurring during the most recent calendar year will be adopted. (This same process applies to the corporate income tax.)

Adopting federal conformity reduces the burden in filing a Georgia tax return for many individuals but it puts Georgia somewhat at the mercy of tax changes made by the federal government. Timing of the conformity legislation is also problematic as it is typically approved in April when a fourth of the year has elapsed before taxpayers know what rules will apply for the previous tax year. This negatively affects the ability of taxpayers to do tax planning.

To get to Georgia Adjusted Gross Income, there are 9 adjustments that must be added to federal AGI and 19 adjustments that are subtracted from federal AGI. These non-conforming adjustments add complexity to the income tax. Overall these adjustments reduce federal AGI by about 38 percent. This overall adjustment includes both Georgia residents and nonresidents filing Georgia returns, and the bulk the adjustments are taken by non-residents required to pay some Georgia income tax. A significant portion of these adjustments are for income earned by taxpayers owning S corporations, partnerships, limited liability companies and other entities which report business and investment income to the individual owners.

Another significant adjustment includes a subtraction for elderly and retirement income, including social security and Tier 1 Railroad Retirement benefits. This adjustment alone accounts for 72 percent of the total adjustments for Georgia residents. Current Georgia law provides for an increasing retirement income exclusion over the next 5 years with a 100 percent exclusion of retirement income by 2016. The Council was unable to prove that this exclusion has a positive economic impact. The Fiscal Research Center estimates, upon full implementation, a revenue loss of over \$270 million from this exclusion.

b. Exemptions and Deductions

The current personal exemption is \$2,700 for filers and \$3,000 for dependents (the federal personal exemption is \$3,650 for 2010). These amounts have been in place since 1995. A substantial effect of the existence of personal exemptions is an increase in the progressivity of the tax (*the tax rate increases in proportion to the taxable income*).

Presently, taxpayers electing to itemize non-business deductions on their federal returns are required to itemize on their Georgia returns. Itemized deductions narrow the tax base, create non-conformity adjustments, complicate filing, and create distortions in fairness and efficiency that are not addressed in federal law. In addition, current Georgia law allows income taxes paid to the state to be included as an itemized deduction. This is not a common practice in other states and does not appear to have economic justification.

The current standard deduction is \$2,300 for single filers and \$3,000 for married couples filing jointly. By comparison, the federal standard deduction is \$5,700 and \$11,400 for singles and married couples filing jointly. These Georgia standard deductions were established in 1981 and have remained unchanged since that time. They create a significant marriage penalty as well as a loss in real value due to inflation over time. The Council believes this disparate treatment for joint filers violates the Guiding Principles of a fair and efficient tax system.

c. Credits

Georgia has a low income tax credit that, until 2010, was refundable. The maximum credit is \$26 per person for households with a federal AGI of \$6,000 or less and it phases out at income of \$20,000. The credit increases the progressivity of the tax system. The credit was established in 1991 and the value has remained unchanged. The credit is not indexed for inflation, therefore its value decreases over time.

Georgia has 10 personal income tax credits that do not depend on income. These credits reward certain types of behavior. There is no known evidence as to the effect or effectiveness of these credits.

The Council recommends the following:

- ***Eliminate all adjustments to federal AGI so that Georgia AGI conforms to federal AGI with limited exceptions. Nonconformity exceptions to remain are: social security, interest and dividends from Georgia or Georgia municipal or subdivision obligations, adjustments related to federal credits, and adjustments affecting only tax years prior to 2012. Adjustments used to compute income from pass-through business entities are not to be affected by this provision.***
- ***Repeal the retirement income exclusion increases that are set to begin in 2012 and phase-out the current exclusion limit of \$35,000 over a period of time.***
- ***Replace the existing 6 tax brackets with a single flat tax rate not to exceed 4.0% effective January 2014. The current tax rate of 6.0% should be reduced progressively over the next three years in a manner such that the rate does not exceed 5.0% effective January 2012 and does not exceed 4.5% effective January 2013. By phasing in the rate reduction over time, the Legislature retains its ability to validate the effects of rate reductions on tax collections. In the event that economic conditions cause tax revenues to grow more slowly than anticipated, the Legislature may opt to defer the effective date of the rate reduction to 4%.***

- *Eliminate all Georgia itemized deductions, standard deductions and personal exemptions for taxpayers. Retain and modify personal exemption amount for dependents to \$2,000. Establish a personal credit that provides at least tax neutrality for low-income taxpayers. The personal credit is to mitigate the loss of deductions, exemptions, and credits. The credit phases out with increasing income and declines in future years as personal income tax rates fall. (See Appendix E for illustration of personal tax credit based on varying incomes and number of dependents)*
- *Sunset all other current personal income tax credits in 2014, including the current low income credit, except the following credits should remain: 1) credit for income taxes paid in other states, 2) federally-funded credit for energy and water efficient products, and 3) angel investor credit which contains a sunset in law. Credits earned prior to the sunset date should be grandfathered.*

The Fiscal Research Center estimates that reducing the personal income tax rate to a flat 5% would reduce tax revenues by \$650 million in FY 2012. Elimination of the retirement income exclusion should offset this revenue reduction by approximately \$272 million. (These forecasts are based on current law and current exemptions and deductions)

d. Non-resident/Part-year residents

Income of nonresidents and part-year residents is taxed differently than out-of-state income of Georgia residents. In particular, Georgia residents are taxed less favorably than non-residents under the existing structure requiring both the full inclusion of income derived outside of the state and a credit for taxes paid to other states on that same income. In contrast to other states, Georgia does not allow apportionment of pass-through income for Georgia residents. (Apportionment is the method by which income derived from multi-state activities is divided between the states) Although residents must include all of their pass-through income on their Georgia return, the state allows a credit for taxes paid in other states up to the amount that would be imposed by Georgia. If other states do not tax this income (such as Florida) the existing structure amounts to an indirect throwback rule for pass-through income. Georgia only allows a credit for taxes paid to other states up to an amount that would be due if the income were taxable in Georgia.

The Council recommends more study on the possibility of making the treatment of income from sources outside of Georgia for Georgia residents the same as that of taxable non-residents.

Corporate Income Tax

Georgia is regarded as having a business-friendly corporate income tax structure based on the relatively low rate and single sales factor apportionment. However, the revenue from the corporate income tax is very cyclical and has been declining relative to the size of the state's economy. There are many reasons for this decline, including the shift from C-corps to S-corps and LLCs, increased credits, and increased tax planning. The corporate income tax applies only to C-corps. The profits of S-corps, LLCs, and other pass through firms are taxed as personal income. Thus, firms pay different taxes depending on their organizational structure.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Taxes: Revenue					
Income Tax - Corporate	862,730,327	1,019,117,939	941,966,726	694,718,310	684,761,000

Credits

Georgia has over 30 tax credits that can be claimed by businesses. Most, but not all of these credits, were designed for the purpose of promoting economic development and job growth. Other tax credits are aimed at advancing certain activities or industries. While the credits are usually referred to as corporate income tax credits, the credits can be taken by any non-corporate business.

There is little research that has evaluated the value of economic development tax credits in general and in Georgia in particular. Regarding job tax credits, the limited analysis that has been done suggests that only a small percentage of the jobs that receive a tax credit were created because of the credit. The most significant cost is the loss of tax revenue that results from the tax credits. The cost per job created because of the tax credit depends on the effectiveness of the credit in creating new jobs. If, for example, only one out of ten new jobs for which companies receive a tax credit can be truly attributed to the tax credit, then the state is subsidizing the other 9 jobs for the one job that is actually created by the credit.

The economic development credits include the following: Employer's Jobs Tax Credit, Quality Jobs Tax Credit, New Facilities Jobs Credit, New Manufacturing Facilities Property Credit, Manufacturer's Investment Tax Credit, Optional Investment Tax Credit, Investor's Credit, Port Activity Tax Credit, Alternate Port Activity Tax Credit, Film Tax Credit, Research Tax Credit, Seed-Capital Fund Credit, Tax Credit for Existing Business Enterprises undergoing qualified business expansion, and Cigarette Export Tax Credit.

The Film Tax credit has played a role in the substantially increasing number of film and television productions in Georgia; however, it is unclear if the revenues created by the additional productions actually exceed the cost of the state tax credits provided. With the exception of some permanent jobs and infrastructure that have been created in Georgia around this industry, generally the jobs involved in these productions last only as long as the filming. A fiscal note prepared in 2007 suggests that this particular

credit has a negative return. According to the Department of Economic Development, a new study of the return on investment of the Film Tax credit program is being undertaken now and should be completed early in 2011. Another example is the Low Income Housing credit. The Council has heard evidence that the Low Income Housing credit program has been effective at incenting the construction of affordable housing. However, the Council also heard evidence that when developers sell Low Income Housing credits that they receive about 30 cents on the dollar. Thus, for every \$1.00 the state pays out in credits, it gets only \$0.30 worth of housing development. Both of these credits have many advocates, however the Council has been unable to verify or refute the cost-benefit value, therefore, additional study may be warranted. Accordingly, the Council includes these two credits in the sunset recommendation.

In general, tax credits fail on most of the Guiding Principles adopted by the Council. Credits may distort behavior, for example, by encouraging firms to hire more workers than the market suggests is optimal. Credits may provide benefits to select firms and thus are unfair. Credits add complexity to the tax system. The Council heard evidence that the existing credits are complicated to apply for and to monitor; that generally they do not have much value to small and new firms; that the rules and regulations adopted to control the cost of the credits restrict the usefulness of the credits; that many of the credits are not used or used by a very small number of firms; and that some of the credits were designed for specific firms. A number of national tax policy think tanks, including the Tax Foundation, consider credits to be bad tax policy. Based solely on the Guiding Principles, it would be preferable to lower the tax rate for all firms rather than allow tax credits for selective firms.

Nevertheless, there may be reasons why it might be appropriate to provide tax credits, or other economic development financial incentives, such as the need to remain competitive with incentives offered by other states. If so, these need to be tested against the state's overall economic development strategic plan. Many other states offer incentives to specific businesses to entice them to relocate or expand in their state. Georgia seeks to be competitive, as well, when it comes to enticing businesses to relocate, expand, or incubate and may find itself competing with other states for businesses. To the extent that Georgia offers incentives to specific firms, these incentives or tax credits should be measured, tracked, and evaluated to determine if they yield a positive net return for the state. If tax credits are going to be used, the following are criteria that should be considered in selecting or designing tax credit programs:

- If the objective of tax credits is simply to reduce taxes, then the credits should be against tax liability.
- If the objective is to provide an incentive for a firm to create jobs, then the value of the credit to the firm should be independent of whether the firm has tax liability. This could be done by allowing the credits to be sold or making them refundable.
- Tax credits should be targeted to the appropriate objectives, and evaluated as to whether they achieve their proposed objective.

- Tax credits should yield a positive net return to the state.

The Council recommends the following:

- *Maintain parity of tax rates for corporations and individuals by taxing both at a rate no greater than 5% in January 2012, future reductions in corporate tax income tax rate should match the personal income tax rate. This change is estimated to reduce corporate income tax revenues by approximately \$100 million in 2012.*
- *Eliminate all current economic development tax credits in 2012.*
- *Create a fund, with an annual dollar cap set by the Legislature, to allow the Department of Economic Development to attract new and existing businesses considering locating or expanding in Georgia. The Department of Economic Development should be granted the authority to craft the rules and regulations for application. The fund would be used to convert the current system of economic development tax credits to two credits based upon 1) the number of jobs created or 2) the amount of capital investment. The Department of Economic Development should be granted the authority to craft the rules and regulations for these two new credits, and the credits should be made available to any company, large or small, existing or new to Georgia. These credits would be allocated by the Department of Economic Development (rather than be allowed by law).*
- *Sunset all other existing corporate tax credits in 2014. Credits earned prior to sunset date should be grandfathered.*

Sales and Use Tax

The current sales and use tax base has not kept pace with changes in the Georgia economy, in particular, with the growing importance of services and remote sales. In addition, the state has adopted numerous sales tax exemptions that have eroded the base. The objective of the recommended changes to the sales tax code is to expand the tax base to match the changes in Georgia’s economy, reduce distortions, increase long-run growth and stability of revenues, and improve tax compliance.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
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Taxes: Revenue

Sales and Use Tax- General	5,711,915,442	5,915,521,040	5,796,653,340	5,306,490,689	4,864,691,463
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a. Current Exemptions

There are currently more than 110 sales tax exemptions in Georgia’s tax code today. These exemptions can be classified into those for purchases by government and governmental agencies, by agriculture

businesses, by health providers and consumers of health products, by other industries and specific firms, by certain specified nonprofits, and by households.

Exemptions have the effect of reducing the sales tax base, which requires a higher tax rate to generate the same revenue. Limiting exemptions on final consumption transactions will enhance fairness and equity among taxpayers, enhance stability of sales tax revenues, and improve clarity and predictability. Exemptions that only apply to specific sales taxes, such as state and LOST, increase compliance costs and should be avoided.

The Council's recommendations regarding the current exemptions fall into the following categories (*See Appendix F*):

- 1) Exemptions recommended to be retained – do not eliminate or sunset
 - a. Government
 - b. Business inputs
 - c. Agricultural input exemptions – to be covered by new agricultural exemption policy (*See Appendix G*)
 - d. Manufacturing input exemptions - to be covered by new manufacturing exemption language (*See Appendix H*)
- 2) Eliminate June 30, 2011.
- 3) Sunset on or before June 30, 2014. These exemptions should be allowed to sunset with strong consideration to not allow reinstatement in some categories. At each sunset, the Legislature should examine the effect, viability, and return on cost of these exemptions.
 - a. Government Authorities
 - b. Healthcare
 - c. Education
 - d. Non Profit
 - e. Miscellaneous
- 4) Expired/Expiring. Allow to expire or to remain expired without consideration for reinstatement.

With regard to exemption from sales and use tax, the Council understands that there are public policy considerations beyond the economic principles which the Council employed in its review. In recommending that an exemption sunset, the Council is suggesting that the exemption be reviewed to see if the justification employed when the exemption was granted remains valid and whether the existing definitions and language in the exemption are still appropriate. The Council acknowledges and expects that many of the exemptions scheduled to sunset will be reviewed and evaluated particularly

among those recommended to sunset in June 30, 2014. The Council believes it is important that an affirmative vote by the Legislature be required on a periodic basis to ensure that the state is receiving the intended benefit of the exemption.

The Council recommends the above categorization of the current exemptions (with a list of all current exemptions by category provided in Appendix F).

1. Food for Home Consumption

The state of Georgia began exempting the sales tax on food for home consumption in 1996. The sales tax exemption for food removed one of the most significant portions of the sales tax base, thereby negatively impacting the stability of sales tax revenues. According to the Federation of Tax Administrators, as of January 1, 2010, at least 17 states impose state and/or local sales taxes on food, including Alabama, Tennessee, and Mississippi. Further, though South Carolina exempted food from sales tax in 2007, the December 2010 report of South Carolina's Tax Realignment Commission recommends that South Carolina re-impose sales tax on food.⁹

Sales tax on food may be viewed as inherently regressive, meaning that lower income families pay a higher proportion of their income on such taxes. However, in general, exempting certain goods and services for equity reasons is a very crude instrument for reducing the tax burden on low-income families because wealthy families will benefit more from the exemption than low-income families.

Businesses selling grocery items already collect local sales taxes on food and state and local sales taxes on non-food items, therefore such businesses should not be burdened by having to begin collecting the state sales tax on food. Removing this exemption will increase the stability of the sales tax base and eliminate the distortion between the taxation on eating out and eating at home. An estimate from the Georgia State University Fiscal Research Center indicates that an elimination of the exemption on food for home consumption will generate approximately \$472 million in additional sales tax revenues. Another estimate from the Georgia Public Policy Foundation suggests an additional \$649 million in tax revenues.

The Council recommends that the food for home consumption exemption be eliminated June 30, 2011, and that the exemption for food purchased with food stamps (Supplemental Nutrition Assistance Program) and WIC (Women, Infants, and Children) be retained.

⁹ *Final Report of the South Carolina Taxation Realignment Commission*, December 2010
<http://www.scstatehouse.gov/citizensinterestpage/TRAC/FinalDocuments/TRACFinalReport.pdf>

2. Government Exemptions & Business Inputs

There are several government sales tax exemptions currently in the tax code. These include sales to the federal government, to the State of Georgia, and to counties and municipalities. The theory behind exempting government purchases is that if such purchases are taxed, the cost would be passed on in the services provided to taxpayers, therefore creating inefficiencies. Furthermore, there are legal restrictions on taxing the federal government.

Many of Georgia's current sales tax exemptions constitute business inputs for agriculture, manufacturing, and mining. When sales tax is levied on inputs at each stage of production, and is therefore included in the price of the final product, tax pyramiding occurs. The tax on inputs is built into the price of the final product or service which is itself subject to a sales tax paid by the consumer. Taxing business inputs creates inefficiencies because of this pyramiding effect. The Council on State Taxation's (COST) Policy Position titled "Sales Taxation of Business Inputs" provides that sales taxes on business inputs violate several policy principles, many of which closely align with the Council's adopted Guiding Principles, including economic growth, equity, simplicity and efficiency. COST reports that, when a tax is imposed on an input, that the business must either pass on the increased costs to consumers or reduce their economic activity in order to remain competitive with other producers that are not burdened by such taxes.

Taxing inputs also may negatively impact the competitiveness of a business. For example, Georgia currently taxes sales of energy used in manufacturing, however surrounding states do not. Therefore, companies with significant energy costs are likely to locate or expand their operations in these bordering states in order to gain cost efficiencies in production.

Current business input exemptions are appropriate. If these were removed or eliminated, tax pyramiding would occur in these businesses' transactions which would negatively impact the competitiveness of our state in attracting and retaining these businesses. Therefore, retention of these input exemptions would be in alignment with the Council's Guiding Principles.

Overall, the current business input exemptions for manufacturing and agriculture have served the state relatively well, because the list reflects the importance of exempting from tax the items that are used in the production of goods. However, piecemeal development of these exemptions has imposed significant costs on businesses as the exemption code is overly complicated, sometimes contradictory, and unclear. This is particularly true in the manufacturing sector which bore, until 2008, significant costs of audit and compliance to determine which parts of the production process were exempt. These costs are passed on in the form of lower employment and higher prices and result in Georgia companies bearing higher costs than their competitors in states with more modern, transparent and rational tax codes. To address these concerns, the Council believes that exemptions for inputs for agriculture are inconsistent and should be modified and simplified into

one clean exemption that enhances fairness and equity among agricultural producers, and that a certification process for agriculture producers to qualify for the exemptions should be enacted. *(See Appendix G for suggested agricultural exemption language).*

The manufacturing industry has worked with the Department of Revenue to develop rules and regulations that clarify the application of the code and have reduced uncertainty and compliance costs. To enhance this predictability and transparency, the Council recommends the Legislature consider placement of this language in statute. *(See Appendix H for suggested manufacturing exemption language).* The Council also believes that a new exemption for energy used in manufacturing and an expanded exemption for energy used in agriculture are necessary to the sustainability of these vital industries in our state.

The Council recommends that sales and use tax exemptions which constitute governmental exemptions and business inputs should remain in law and should not sunset. The Council further recommends that a new business input exemption should be created for energy used in manufacturing, mining, and agriculture.

3. Sales Tax Holidays

Georgia has offered sales tax holidays on school items, apparel, and energy and water efficient products. While the Georgia Retail Association testified to the Council that it supports sales tax holidays and provided a Florida study demonstrating some positive economic impacts from such holidays in Florida¹⁰, the Council has determined that there are strong arguments against them. Sales tax holidays appear to have no effect on consumption other than to change the timing of purchases and shift the mix of items to those that are exempt.

Though economic literature is somewhat limited, it does provide some evidence against sales tax holidays. Among the findings are that consumers tend to shift consumption in time to take advantage of these holidays rather than increasing consumption, that higher income households are more likely than lower income ones to shift consumption in time, and that retailers do not fully pass along the tax savings from the sales tax holiday to consumers, absorbing a portion into profits instead.¹¹ There is some evidence that holidays can induce consumers who would not otherwise buy a computer to purchase lower priced desktop models (Cole 2009a), but there is no empirical evidence to suggest that holidays provide a material boost to a state's economy or tax

¹⁰ *An Analysis of the Costs and Benefits of a Sales Tax Holiday in Florida*, The Washington Economics Group, October 20, 2009, <http://www.georgiaretail.org/documents/BacktoSchoolSalesTaxHolidayOct20.pdf>

¹¹ Harper, Richard K., Richard R. Hawkins, Gregory S. Martin, and Richard Sjolander (2003). "Price Effects around a Sales Tax Holiday: An Exploratory Study." *Public Budgeting & Finance* 23, no. 4: 108-113.
Marwell, Nathan and Leslie McGranahan (2010). "The Effect of Sales Tax Holidays on Household Consumption Patterns." Working Paper No. 2010-06. Federal Reserve Bank of Chicago

revenues either through add-on sales of non-exempt items or by making the state's retailers more competitive with those of neighboring states.

The Fiscal Research Center reviewed monthly sales tax collections over the period 1986 through 2010 and the data shows that Georgia's back-to-school holidays reduced state revenues by 8 to 10 percent of otherwise expected August sales tax revenues, or \$36 to \$47 million annually. Local governments, on average, would experience similar percentage losses.

The Council recommends that the Legislature not re-enact sales tax holiday legislation.

4. Other Current Exemptions

There are many current exemptions in Georgia law that do not constitute government purchases or business inputs. For example, the sales and use tax code currently contains numerous exemptions for various non-profit entities as well as healthcare and education purchases. The Council believes placing a sunset on these exemptions will allow for the Legislature to determine if renewal of these exemptions is consistent with modern goals for tax policy and with the modern economy.

Healthcare is consumption, which in principle should be subject to the sales tax. The fact that much of healthcare is paid through Medicaid and Medicare makes taxing it through the sales tax system very difficult. Furthermore, the public is thought to consider a tax on healthcare as being unfair. Because the output of healthcare is not taxed, the pyramiding justification for exempting the inputs of healthcare is not relevant. Thus, exemptions of purchases by healthcare providers should be considered for elimination. The exemption of the purchase by consumers of certain medical equipment runs counter to the principle that the tax base be as broad as possible which implies that all final goods and services should be taxed. Thus, a sunset should be placed on these exemptions so the Legislature may determine if there are sufficient grounds for maintaining the exemption.

Education is provided by government, non-profit, and for-profit entities. Georgia should treat all education providers the same way so as not to give one entity an unfair competitive advantage. Because tuition is not subject to sales taxes, there is no pyramiding justification for exempting purchases by education entities. So, a sunset should be placed on these exemptions. Many of the education exemptions are for sales of goods not directly related to classroom activities. A sunset should also be placed on these exemptions.

A common justification for exempting certain goods or services or certain providers is that some important public purpose is served. Principal among these are non-profits serving charitable

purposes, although charities are only a small fraction of all non-profits. Serving the public purpose provides a justification for exempting purchases by charitable non-profits from the sales tax. However, goods and services sold by non-profit organizations should be taxed in order not to give non-profits an unfair competitive advantage. For example, Georgia taxes for-profit theater, so Georgia should tax tickets to non-profit shows. While a sales tax exemption may promote a public purpose, a direct appropriation may be a preferred method for supporting the public purpose. The advantage of a direct appropriation is that it makes the level of the government's support more apparent and not dependent on the organization's purpose of taxable items. The recommendation to eliminate or reconsider the elimination of a sales/use tax exemption should not necessarily indicate that the state should not support an activity or organization. However, in many cases the cost to the state with said support can easily be overlooked or misjudged if hidden in the tax code.

The Council recommends that all non-government and non-business input exemptions sunset so that the Legislature may determine if economic or non-economic justifications exist for renewing these exemptions. (See appendix F for the list of exemptions to sunset)

5. Policy & Process for Future Exemptions

The selection of which transactions or businesses receive exemptions appears to have had inconsistent application. The Council believes that, going forward, the Legislature should adopt policies for enacting future exemptions that treat similar taxpayers the same way, which will enhance predictability and fairness. For example, the Legislature could make a policy determination as to whether 501(c)(3) organizations should be treated differently from 501(c)(6) or 501(c)(7) organizations relative to tax-free purchases.

Georgia law requires a fiscal note to be prepared for all legislation with a significant revenue impact and that such fiscal notes be prepared within five days. The Council believes that this five day time period is inadequate to determine the full impact of tax legislation on the state's economy. Further, the Council understands that tax legislation is often significantly changed in the final days of the legislation session. For these reasons the Council believes that the processes for enacting tax legislation should be revised to ensure that an appropriate amount of review and analysis is given to this legislation. The Council understands that fiscal legislation affecting the state's retirement system is required to be introduced the first year of a legislative term and lay-over until the second year before passage. The Council believes that such a process should be used for tax legislation and tax credits as well, as it constitutes legislation which essentially appropriates taxpayer funds without going through the annual appropriations process. These changes will enhance transparency, fairness, and maintain stability of the tax base.

The Council recommends the Legislature determine an appropriate policy for adopting new exemptions and tax credits in the future. Specifically, the Council recommends that the Legislature adopt a consistent standard for future enactments of exemptions for non-profits, so that all are treated consistently under the tax laws in Georgia. The Council also recommends that future tax exemption and tax credit legislation should be required to be filed in the first year of a legislative term, and that such legislation be required to layover until the next year in the term, and that such legislation contain a stated sunset date. If an exemption or credit warrants passage in the introductory year of a legislative term, the Council recommends that a 2/3 vote be required for passage.

b. Casual Sales

Georgia does not currently levy sales and use tax on casual sales of titled personal property including automobiles, boats, and airplanes. *(This exemption is contained in the Department of Revenue's rules and regulations and not in code)* This creates a distortion in the marketplace as it creates an unfair disadvantage to licensed new and used dealers who must collect sales tax on their buyer transactions. Approximately 44 states currently tax casual sales transactions of motor vehicles. The principles generally supporting casual sales exemptions do not apply to the casual sales of motor vehicles, watercraft, and aircraft because the tax can be levied without significant administrative burden. Georgia already requires payment of sales tax upon registration of motor vehicles if the sales tax was not paid at the time of purchase from a dealer. The Legislature could determine the best source of a valuation for these items upon which to assess sales and use tax, whether that may be the Department of Revenue valuation guides already in existence for property tax purposes or industry book valuations. According to the Fiscal Research Center, the annual revenue loss due to not taxing casual sales of titled personal property is approximately \$151 million. The Georgia Independent Association of Automobile Dealers estimates such revenue loss to be approximately \$290 million.

The Council recommends that sales and use tax be applied to casual sales of titled personal property, including motor vehicles, watercraft, and aircraft.

c. Personal Services

Georgia's sales tax currently applies primarily to the purchase and rental of tangible personal property. Services are generally excluded. However, services have increased as a share of the economy, so a smaller share of consumption is being taxed under the sales tax. The Federation of Tax Administrators identified 166 services that at least one state taxed; Georgia currently taxes only 36 of those services. With most services excluded from the sales tax base, Georgia's sales tax revenues have lagged relative to the overall economy. Not taxing many services means that the tax base has become increasingly narrow,

requiring a higher tax rate to obtain the same revenue, and providing an incentive to purchase services rather than tangible personal property.

Exempting businesses in general from paying sales tax on services would conform to the principle of not taxing business-to-business purchases; however, this approach is likely to be more difficult administratively than avoiding taxing those services that are mainly taxed by businesses. Thus, in selecting services to be added to the sales tax, the Council avoided adding to the sales tax base those services mainly purchased by businesses but, rather, focused on those services purchased by consumers. Also in determining which services to tax,

consideration was given to the likelihood that if the sales tax is imposed on a service, producers may leave the state, that the service would be moved in-house, or that the purchases will be made out-of-state.

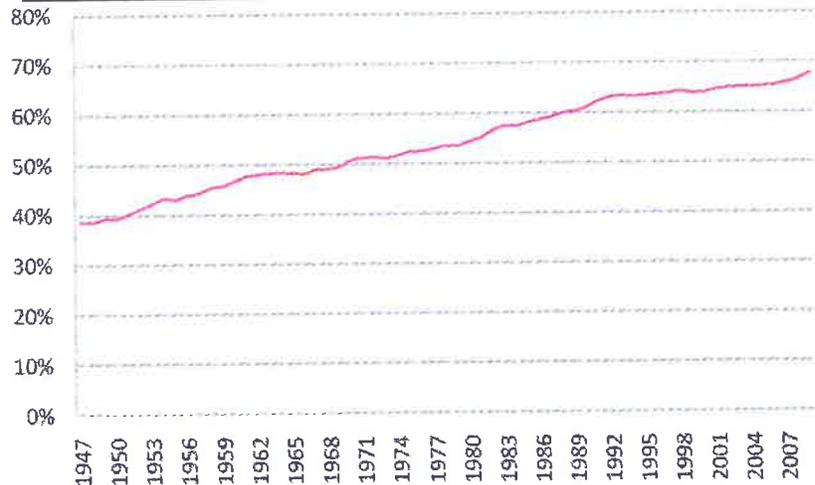
Georgia should not tax services for which the cost of ensuring compliance is high relative to the revenue that would be generated; such as babysitting services. The download of books, music, etc. from the Internet should be taxed. While compliance may be difficult, because books and CDs are taxed if purchased in stores, to be consistent Georgia should tax the electronic version. The Council focused on services that are tied to tangible personal property (such as repair services or services tied to a house) or to an individual (such as haircuts), services that have an easily definable situs, and services that are provided by vendors that already has a sales tax certificate.

These considerations led to the development of the list of services in Appendix I which the Council recommends adding to the sales tax base. Based on estimates from the Fiscal Research Center using data from the U.S. Department of Labor Consumer Expenditure Survey, these services are expected to generate an additional \$247 million in state sales tax revenues annually.

The Council recommends adding the services listed in Appendix I to the sales and use tax base.

The Rise of Services in Consumption Patterns: Services as a Percentage of Private Consumption Expenditures in National GDP

Source: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Gross Domestic Product series, <http://www.beau.gov/>

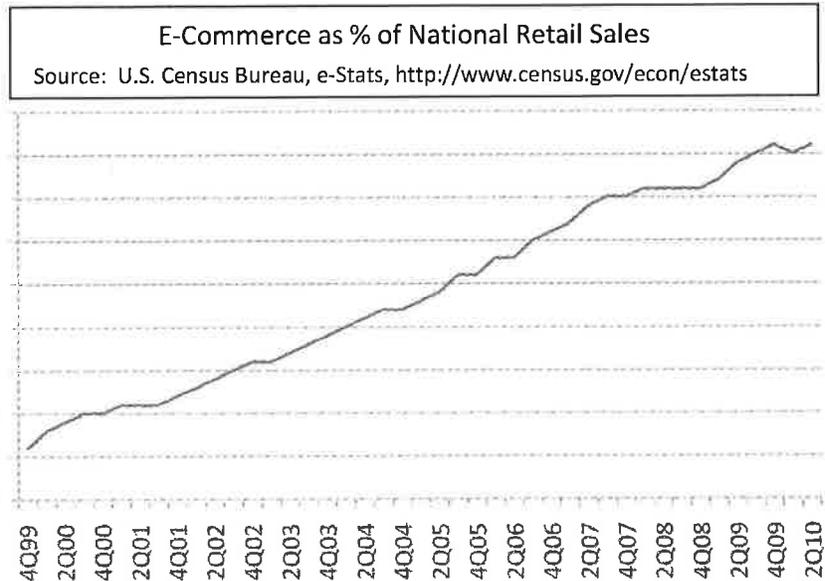


d. E-commerce Transactions

E-commerce transactions are an increasingly large segment of Georgia's economy. The state cannot require most remote vendors to collect sales tax on purchases made in Georgia as the result of a U.S. Supreme Court ruling in the *Quill* case. Physical presence, or nexus, of a vendor is a legal necessity for a state to be able to require an out of state retailer to collect sales or use tax. Collecting the use tax from buyers is not considered administratively feasible. The estimated revenue loss to Georgia from the inability to collect sales tax on e-commerce expected for 2012 is \$410 million.¹²

In order to facilitate collection of some of these revenues due the state, during the 2010 legislative session, Georgia passed legislation bringing the state into substantial compliance with the Streamlined Sales and Use Tax Agreement. The Streamlined Sales Tax project is an effort to promote uniformity in sales taxes across states, for example, by having common definitions of

products such as food, so as to simplify compliance by remote vendors. States that have joined Streamlined have found that remote vendors have voluntarily collected sales taxes. Georgia still has a few statutory provisions that are not in full compliance with the Streamlined Agreement; therefore Georgia is currently only eligible for associate membership. Other states have attempted to require remote vendors to collect sales taxes for their state by passing laws deeming that retailers that perform certain activities have nexus with the state. For example, New York enacted a law that effectively deems a retailer to have a physical presence within the state when it has independent "affiliate" Web sites in the state promoting sales on its behalf. New York's law has been dubbed the "Amazon" law because Amazon is the largest Internet retailer potentially affected by it. North Carolina and Rhode Island have enacted similar laws. Amazon is currently in litigation in the states that have enacted such laws. Other states have passed laws requiring remote vendors to report information about their customers. The state then contacts the buyer directly and requests payment of the use tax. These laws generally end up in litigation.



¹² Donald Bruce, William F. Fox, and LeAnn Luna (April 13, 2009). *State and Local Government Sales Tax Revenue Losses from Electronic Commerce*, Center for Business and Economic Research, The University of Tennessee. Available at <http://cber.utk.edu/ecomm/ecom0409.pdf>

The Council recommends that Georgia be brought into full compliance with the Streamlined Sales and Use Tax Agreement. Further, the Council recommends that measures be adopted to collect sales and use tax on remote purchases on a voluntary basis, such as using state resources and/or external recruiters, to entice the remote vendors to collect sales and use taxes for Georgia.

Cigarette Tax

Georgia has one of the lowest taxes on cigarettes in the nation. Smoking results in health care expenses borne by others. These expenses are either the payments that taxpayers make to cover part of the cost of health care expenses of smokers or because non-smokers suffer health care expenses caused by smokers, for example through second hand smoke.

FL: \$1.34/pack
TN: \$.62/pack
SC: \$.57/pack
NC: \$.45/pack
AL: \$.43/pack
GA: \$.37/pack

The state currently imposes an excise tax on cigarettes of \$0.37/pack. The national average is \$1.45/pack. Out of 50 states, Georgia had the 45th lowest rate as of February 1, 2010. [Tax Foundation, 2.1.10, *State Cigarette Excise Tax Rates*]. All surrounding states to Georgia tax below the national average. This revenue source is relatively inelastic and stable with little to no changes in consumer behavior influenced by price fluctuations. The Council is mindful of the importance of businesses in our border communities and therefore recommends keeping the rate competitive with neighboring states. Data provided to the Council shows that the rates on cigars and other tobacco products in Georgia are in line with, or higher than, most surrounding states.

The Council recommends that Georgia's cigarette tax be increased to the average of the surrounding states which is \$0.68/pack. This tax rate should be indexed for inflation in future years. The Fiscal Research Center estimates the state revenue impact for this increase is approximately \$120 - \$130 million.

Motor Fuel Tax

The maintenance and expansion of Georgia's highways and bridges are financed by fuel taxes, i.e., user taxes for which those who use (benefit from) the road system pay more in taxes. There are two taxes on gasoline which are dedicated for use on roads and bridges, a 7.5 cent per gallon tax and a 3 percent tax called the "prepaid state tax". The 7.5 cent tax was set in 1971. The 3 percent tax was carved out of the sales tax in 1989; the revenue replaced, about dollar for dollar, the General Fund revenue that was being appropriated to transportation. The 3% tax is converted to a cent per gallon rate every six months based on current retail gas prices. Because this component of the fuel tax is based on the price of gasoline, this causes significant fluctuations in the sole source of state revenues that are dedicated for transportation purposes.

Georgia's motor fuel tax on gas tax is presently at a total of \$0.151/gallon¹³ and the national average is \$0.223/gallon. On a per gallon basis, the combined fuel tax is the fourth lowest in the county. (This does not include local sales tax)

Revenue from these two taxes per vehicle mile traveled in inflation adjusted terms decreased over time until gas prices rose in the recent past, which increased the revenue from the 3 percent "prepaid state tax." Gas prices have moderated some, but vehicle miles traveled have also declined.

The Tax Council recommends converting the current 3% motor fuel tax on gasoline to a cents per gallon rate (no recommendation for change of the 1% state sales tax on gasoline) to be combined with the current 7.5 cents per gallon rate, and adjusting this total rate annually by the highway construction index.

Insurance Premium Tax

The insurance premium tax is a tax on premiums received on policies written in Georgia. Georgia is one of the few states with both a local and state insurance premium tax and the combined rate makes the total rate one of the highest in the country. For non-life insurance companies the combined tax rate is more than double the average U.S. insurance premium tax rate. Because Georgia-based insurance firms that write policies in other states pay the higher of the Georgia rate or the state's tax rate in which the policy is sold (amount over the other state's rate is the "retaliatory tax" component), there is a strong disincentive for locating an insurance business in Georgia.¹⁴ The state provides a tax abatement to any insurance firm that invests at least one-fourth of its portfolio in qualified Georgia assets. Only smaller firms can take advantage of this tax abatement since it would be imprudent for large firms to invest such a large percentage of its assets in Georgia. The state does not impose a premium tax on high deductible health insurance plans. While this was done to encourage the development of these plans, there is now a very large market for this product. Insurance companies can be required to make payments to cover unpaid claims of a bankrupt insurance company. Life insurance companies can deduct these payments against its premium tax but property-casualty firms cannot.

The Council received information that as a state's insurance premium tax rate is reduced, the amount of retaliatory taxes received by such state increases, which offsets the reduction in revenues from lowering the rate.

¹³ Georgia Department of Revenue Motor Fuel Tax Bulletin, Prepaid State Tax Rates Effective January 1, 2011. November 29, 2010. [https://etax.dor.ga.gov/salestax/bulletins/Prepaid Tax Rates for Motor Fuel.pdf](https://etax.dor.ga.gov/salestax/bulletins/Prepaid%20Tax%20Rates%20for%20Motor%20Fuel.pdf)

¹⁴ Grace, Martin. (2010). *The Georgia Premium Tax: Options for Reform*. Fiscal Research Center Brief 214.

The Council recommends that the total insurance premium tax rate for both life and property-casualty insurance be reduced to a rate of 1.75% which is believed to be revenue neutral for the State based on decreases in direct revenues offset by increases in retaliatory taxes. This will accomplish the objective of making Georgia competitive in attracting and retaining insurance companies. The Council believes the Legislature is the appropriate body to determine the portion of the state and local premium taxes which make up the 1.75% . It is assumed that if the reduction comes from local governments, the revenues that local governments currently receive from the premium tax is expected to be offset or increased from revenues generated by the broadened sales tax base and the communications services tax base.

Communications Services Tax

Georgia's current tax structure on communications taxes provides preferential treatment to some providers based solely on the type of infrastructure they use to deliver the product. For example, phone service provided over the Internet (VoIP) is not taxed while landline service is taxable. The tax structure is antiquated and should be updated to achieve tax parity and tax equity across a broad base of communications platforms. Additionally, some communications providers such as cable and telephone companies pay local franchise fees while other providers do not. Further, the businesses providing communications services that are currently taxable in Georgia are required to pay state and local sales and use taxes on much of their capital equipment inputs, resulting in tax pyramiding.

According to an Issue Analysis on Communications Tax Reform provided to the Council by the Georgia Public Policy Foundation¹⁵, several other states have identified the need to modernize their communications services taxes in order to have such taxes apply fairly to all communications service providers. North Carolina imposes a single sales tax of 8 percent on video and communications services as a part of their tax reform package and eliminated local franchise fees. Their sales tax is collected by the provider and remitted to the state, who then allocates a portion of the tax collected back to local governments. North Carolina also provides an equipment exemption from the sales tax for equipment used to provide communications services to avoid tax pyramiding. Virginia revised their communications tax policy in 2007 and created a general communications tax and eliminated local and state sales taxes and fees. Other states (DE, KY, MA, OH, TN, UT) have reviewed and revised their tax policy in the last ten years to ensure marketplace equity across all of their communications providers.

The Council recommends repealing the current sales and use taxes and franchise fees on video and telecommunications services and instituting a 7% excise tax on all "communication services" (not to include Internet access services which states are prohibited from taxing by the Internet Tax Freedom Act). To prevent tax pyramiding, the Council further recommends an exemption from the

¹⁵ Tresh, Eric, *Communications Tax Reform: Keeping Up With Emerging Technologies to Incent Investment and Promote Customer Choice*, Georgia Public Policy Foundation Issue Analysis, November 5, 2010

sales and use tax for property and services used by communications service providers for the purpose of providing communications services. This change in the taxation of communications services is expected to generate approximately \$166 million in state revenues according to an industry study.

Other Recommendations

- 1. Establish a tax court, independent of the Department of Revenue, to hear tax appeals and provide dispute resolution that is fair, equitable, simple, and transparent.**

Georgia currently lacks an efficient, cost-effective appeals process without bias. Georgia tax law has grown increasingly complex over time, resulting in the need for adjudicators with sufficient tax knowledge.¹⁶ The Council heard from numerous expert sources that an independent appeals forum would enhance Georgia's position as a business-friendly state.

The introduction of a tax court would enhance transparency in tax administration through increased publication of tax decisions as compared to unpublished decisions by the Office of State Administrative Hearings and county Superior Courts. The publication of tax court decisions would provide taxpayers with better guidance, leading to increased taxpayer compliance while also reducing taxpayers' ever-increasing costs of tax compliance.

- 2. Establish a Commission to study local property taxation policy.**
- 3. Consider allowing local governments and school boards the option of using special purpose local sales and use taxes that are currently dedicated to capital projects, leftover from completed capital projects, or from capital projects never initiated due to a change in the nature or need of the project, for maintenance and operations upon voter approval, if property taxes and/or inventory taxes are reduced in a corresponding amount.**

As the Council traveled around the State to hear from citizens about their concerns regarding taxation, it was made apparent to the Council that the property tax is the tax viewed by citizens as the most egregious, unfair tax in the State. The Council does not believe it is charged with addressing local taxation; therefore specific recommendations on property taxes are not included in this report. However, the Council believes the Legislature should study the ad valorem tax and consider allowing local governments more flexibility in the use of their local sales tax, as long as property taxes are reduced accordingly. In particular, the Council understands the ad valorem tax

¹⁶ *Georgia Tax Court Position Paper*, Tax Section of the Georgia Society of CPAs, November 3, 2009

on inventory to be the most anti-business tax in Georgia, and encourages the Legislature to provide a mechanism for elimination of this tax. The Council would also include in any review of property taxes a systematic evaluation of the assessment procedures so that they are consistently applied throughout the 159 Georgia counties.

4. Review the organization, practices, and processes of the Department of Revenue to better serve the businesses and citizens of Georgia.

There is widespread discontent held by taxpayers relating to the difficulty of communicating and working with the Department of Revenue. The Georgia Society of CPAs included several options for improving the practices of the Department in a document submitted to the Council¹⁷, and the Council believes several of these ideas have merit.

Specifically, the Council believes any advice memoranda prepared by the Department relating to clarifications of Georgia tax law should be available to the public. Similarly, administrative judge rulings should be published. These will provide useful guidance to taxpayers, may reduce the incidence of tax disputes, and may obviate the need for many appeals. Furthermore, this would eliminate any advantage of the Department in litigation, enhancing fairness and mitigating the appearance of bias.

- 5. Establish better alignment of the Department of Revenue with local governments relative to timely reimbursements, transparency and accounting of payments, and pursuit of identifying abuse and uncollected sales tax revenues.**
- 6. Review the state's tax revenue structure every 4 – 8 years immediately following the gubernatorial election cycle.**
- 7. Establish look-back analyses for effectiveness of credits and exemptions decisions.**
- 8. Seek to rebuild reserves to protect the state's AAA bond rating.**

¹⁷ *Comments to the Special Council on Tax Reform and Fairness for Georgians*, The Georgia Society of CPAs

Appendices

Appendix A – HB 1405

Appendix B – Council Member Biographies

Appendix C – Meeting Agendas

Appendix D – Legislator Remarks at Kickoff Meeting, July 28, 2010

Appendix E - PIT Tax Credit Chart Recommendations

Appendix F – Recommendations on Current Exemptions

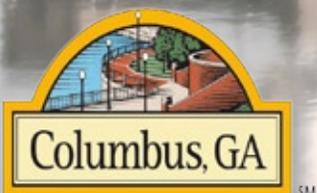
Appendix G – Recommendations on Agriculture Exemption Language

Appendix H – Recommendations on Manufacturing Exemption Language

Appendix I - Services to be Added to the Sales Base

Community Agenda Executive Summary

for the
2028 Comprehensive Plan



CONSOLIDATED GOVERNMENT
What progress has preserved.

Columbus Consolidated Government
Planning Department

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Introduction

The Columbus Consolidated Government, the City Council and local community leaders will use the Comprehensive Plan in the following ways:

The Future Land Use Map shall be referenced in making rezoning and capital investment decisions: It provides a representation of the community's vision helping to guide development based on community preferences and also indicates character areas where various types of land uses should be permitted.

The Comprehensive Plan provides policies that help guide day-to-day decisions: These policies are reflections of community values identified through public outreach efforts. These policies will be used as guidelines in the analysis of rezoning decisions and other capital investment decisions.

The Comprehensive Plan includes an Implementation Program that will direct public investment and private initiative: Plan implementation is carried out through the adoption and revision of regulations, including zoning and development codes, and through the completion of projects and programs outlined in the Short Term Work Program. The Plan outlines recommended changes in land use regulations and codes to be consistent with the community's vision. The City staff and City Council are responsible for code changes and revisions when necessary.

The Comprehensive Plan is a living document and should be updated regularly as conditions change and shifts occur in public policy.

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Website: www.columbusga.org/planning/

Community Agenda Summary

Columbus Consolidated Government (CCG) has now completed the third and final component of the Comprehensive Plan, the Community Agenda, which provides the 20-year road map for the City's future. It represents a collaborative effort of city staff, elected officials, regional and local leaders, residents, neighbors, and a myriad of other community partners with a stake in Columbus's future.

The other two written components of the Comprehensive Plan, completed early on in the planning process, are the Community Assessment (a comprehensive analysis of past trends and existing conditions and is the factual and conceptual basis on which the rest of the plan is built) and the Community Participation Program (which outlines how the community engaged in the development of the Community Agenda).



Community Agenda Overview

The contents of this document - Community Agenda - was prepared following the Rules of the Georgia Department of Community Affairs (DCA), Chapter 110-12-1-.05, Standards and Procedures for Local Comprehensive Planning.

The Community Agenda is comprised of four chapters. Chapter 1 includes an overview of the purpose, goals, scope and implementation and coordination of the Plan; Chapter 2 outlines the Community Vision, a manifestation of the community's hopes and dreams for the future; Chapter 3 highlights the key issues and opportunities that must be tackled while innovatively organizing the City's planning approach around six goal areas unique to Columbus:

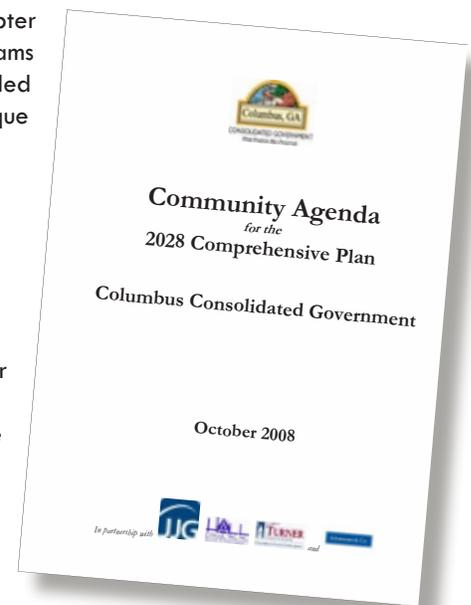
1. Community revitalization;
2. Quality community infrastructure,
3. Balanced transportation,
4. Preserving and enhancing the natural environment,
5. Managing impacts of growth and,
6. Regional coordination and local partnerships.

Chapter 4 offers implementation strategies and citywide policies which outline a plan for addressing each of these challenges.

The Community Agenda outlines the community's vision for the future through descriptive text and maps and provides a plan to implement the vision. It is based on the findings of the Community Assessment document and input gathered from multiple public involvement channels.

The goals are to create local excitement about Columbus's future, engage community members and encourage them to help move the Plan forward as well as to provide Columbus leaders with a concise user-friendly document that is applicable to the day-to-day decisions of the City. Also, the Comprehensive Plan is a living document and should be updated regularly to reflect changing conditions and shifts in public policy.

The Plan's successful implementation will require a collaborative effort of multiple local and regional leaders and partners. These efforts will help ensure that the Columbus Consolidated Government tackles these challenges and grasps the opportunities that it will encounter in the years to come.



Context of Change

Key existing factors and projected drivers of change should continue to be considered and re-evaluated by the City over time.



Regional Influence

The city of Columbus currently accounts for a little over 70 percent of the metro area jobs and almost 80 percent of private sector jobs. It also contributes greatly to regional entertainment, retail opportunities, and recreational offerings.

Fort Benning (BRAC)

Fort Benning plays a very important role in fueling the local economy and solidifying the area's regional significance. Fort Benning will experience major growth due to Base Realignment And Closure (BRAC) and is anticipated to bring approximately 5,000 new military jobs and another 8,800 new students between 2010 and 2011, with some of the growth already occurring. Columbus is expected to receive 60 percent of the increase in population. Fort Benning serves as a critical economic engine for Columbus, and Columbus serves as an important service center for the Fort's population.

Population and Housing

Columbus's population was estimated at approximately 189,000 in 2007 and is projected to grow to between 219,100 and 226,500 by 2028. The projected demand to house this population will be approximately 17,000 new units. The ability to meet this projected need is largely a function of consumer preferences and housing options that the market supplies throughout the Columbus region.

Employment Change

Columbus's employment level is expected to grow by over 22,000 jobs to reach approximately 145,700 jobs by 2028. Columbus has multiple agencies collaborating on economic development initiatives. These efforts in association with greater market forces will impact the economic growth that Columbus experiences in the future.

City's Growth and Redevelopment Potential

A land use analysis based on existing conditions in February 2007 found the approximately 35.8 percent of land within Columbus remains undeveloped, vacant or developed in sparsely populated form of estate residential. This analysis also shows that the City has the capacity to accommodate a large share of new growth through redevelopment, revitalization and infill development. The way in which Columbus grows and changes largely depends on the decisions and priorities the community and the City present in this Comprehensive Plan.

Community Vision

The day-to-day decisions of the City over the next 20 years should meet the core values of the **Community Vision Statement:**

The City of Columbus will continue to be a unified city in which all work together to achieve common goals and in which individuality and diversity are embraced and respected. It will be a regional center of commerce and culture; a city in which the commitment to growth and economic development is matched by the commitment to the highest quality of life for all citizens.

Working With The Public to Form The Vision

The City of Columbus worked diligently to involve the public in visualizing and critically thinking about Columbus' future. A multifaceted and well-communicated community participation program guided these efforts.

Several community stakeholders and leaders, led by the Technical Review Committee (composed of City department heads and leaders) and the Citizens Stakeholder Committee (citizens comprising a cross-section of the Columbus community), played a key role in moving the development of Comprehensive Plan forward. The workflow of the public involvement process allowed members to flesh out the key issues and opportunities introduced by the public throughout the visioning process.



Community Input Into A Community Vision

To initiate this process, Columbus Consolidated Government held several visioning workshops throughout the City to begin discussing core topics. These topics included coordination with Fort Benning, public safety, protection of natural and cultural resources, transportation needs, and financing of capital investments, as well as others introduced by attendees. These meetings were held in the six planning areas identified in the 2028 Comprehensive Plan update located in page 16.

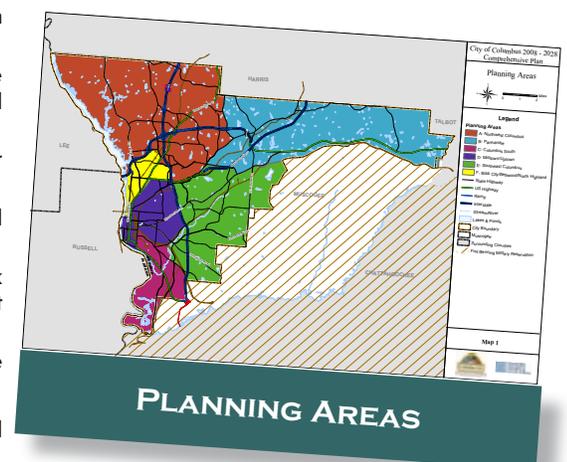


Critical Themes

Critical themes emerging from the workshops included the following:

- The City has the opportunity to reap many benefits from promoting revitalization of its in-town neighborhoods;
- The City and the Muscogee County School District must plan together to ensure that school facilities and resources are allocated to areas where growth will occur;
- Future development should foster citywide unity by linking together neighborhoods;
- Fiscal strategies must be pursued carefully to secure the City's financial sustainability;
- Improvement of all components of the City's multi-modal transportation network should be pursued with greater attention to pedestrian, bicycle, and transit facilities; and,
- Community facilities and services should be strategically located to more equitably accommodate the population.

The community's vision for Columbus is both one of change and preservation as well as stability and innovation.



Future Land Use Plan

The Future Land Use Plan will play a vital role in guiding future development and public improvement decisions by the City's leadership. This Plan includes both a Future Policy Map and a parcel-level Future Land Use Map.

During the public meetings to craft a future vision and land use plan for the community, it quickly became evident that Columbus already has a rich tapestry of existing neighborhoods with active organizations working with the City. Therefore, the role of the Future Land Use Plan in the update of the City's Comprehensive Plan is to galvanize these efforts by raising up the assets, character, and unique identities that many of the city's neighborhoods already claim, and at the same time unifying and enriching them with a clearer vision, consistent policies and stronger implementation tools.

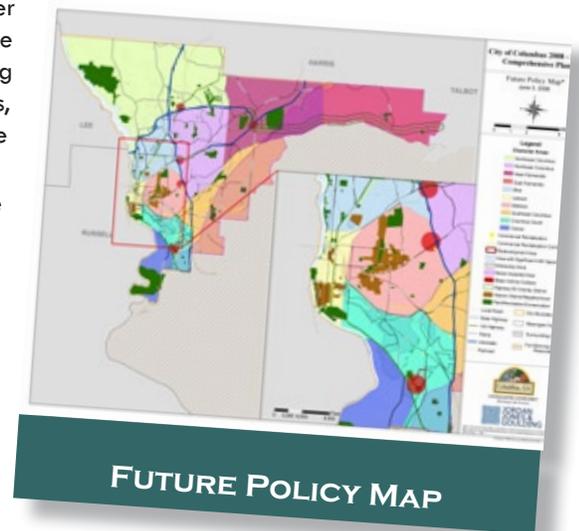
Future Policy Map

The way to mark the progress from today to the future is by patterning the character areas of the Future Policy Map (page 5) around the six Planning Areas identified. This approach more clearly reflects the methodology used in the Visioning Workshops that were held within each of the six Planning Areas.

The role of the Future Policy Map is to help define local character and foster a better sense of place. This Map is a hybrid of the Character Area Map presented in the assessment and the Planning Area Map used to frame the discussion in the Visioning Workshops. Each of the ten character areas has its own vision, description, policies, and implementation strategies that serve as a policy guide to the Future Land Use Map.

The Future Policy Map presents graphic descriptions of its ten character areas that are associated with a set of policies that were developed as part of the Comprehensive Plan to:

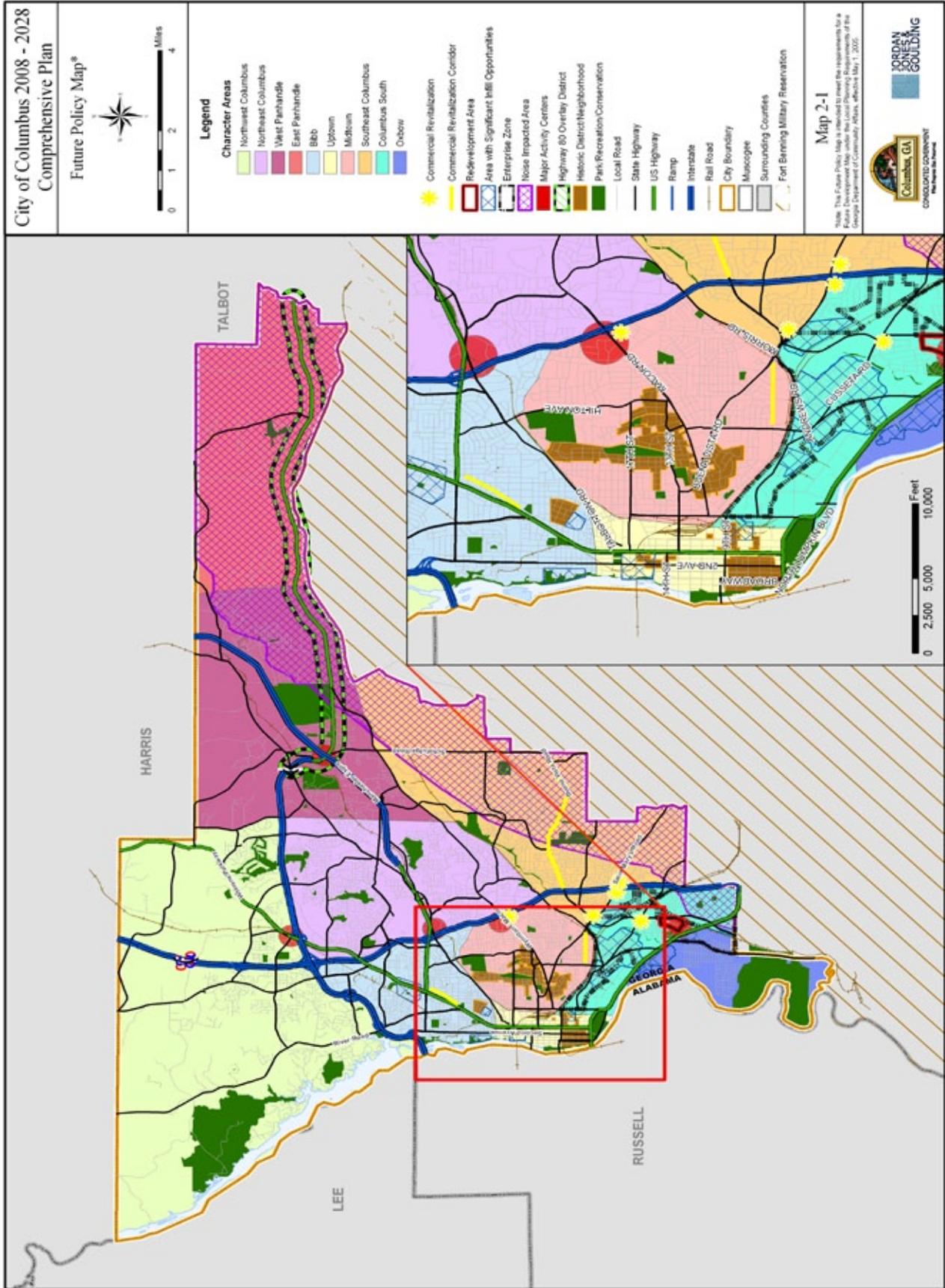
- Supplement the role of the Future Land Use Map in guiding future rezoning and development applications.
- Serve as a design and physical development guidance tool for encouraging and promoting quality development and redevelopment.
- Define themes that are unique to different neighborhoods and communities within the City of Columbus.
- Identify and incorporate community assets and other characteristics that are vital to the preservation and enhancement of each character area.
- Provide a strong link between the community's vision, goals, and land use policy.
- Provide guidance to the development community about the community's standards for physical development and design in each character area.
- Lay the framework for urban design guide lines and changes to zoning and development regulations.



"THE CENTRAL ELEMENT OF AN ACTIVITY CENTER IS A CORE COMPRISED OF ONE OR MORE CIVIC USES..."

Activity Centers and Other Future Policy Map Features

The Future Policy Map also includes several features that relate to recommended land use policy: Areas in need of Commercial Revitalization; Commercial Revitalization Corridors; Targeted Redevelopment Areas; Areas for Significant Infill Opportunities; Enterprise Zone; Noise Impacted Areas; Activity Centers; Highway 80 Overlay District; Historic Districts/Neighborhoods; and Parks/Recreation/Conservation.



Activity Centers

A primary implementation strategy of this Comprehensive Plan is to encourage new development, as well as the infill and development of the already established urban areas of the city. This strategy needs to be focused within compact, walkable-scaled activity centers identified in the Future Policy Map.

The central element of an activity center is a core comprised of one or more civic uses, such as a public park, school, church or library, and surrounded by shops and businesses that serve the commercial needs of the community. The activity center is surrounded by a series of small, compact neighborhoods that contain a wide variety of housing designed to serve the needs of households of various sizes, incomes, and stages of life. By contrast, the activity center should have a relatively distinct edge and buffers separating it from the adjacent low-density areas.



Target Redevelopment Areas (TRA)

The community has identified the location of these individual Targeted Redevelopment Areas (TRA) through Visioning Workshops and previous planning efforts. Because of their close proximity to each other and some overlap in boundaries, the map on the following page highlights the location of these individual areas. The eight areas indicated on the Targeted Redevelopment Areas map (page 7) are: Beallwood; 2nd Avenue; Medical Center; East Highland; 5th and 6th Avenues; Wynnton Road Corridor; Lawyers Lane; and Baker Village. These areas are the focus of preferred economic development attention and the priority location for new community facilities and services. Full page map is located in the next page.

Implementation Strategies for TRAs and Activity Centers

It should be noted that the concept of creating viable redevelopment and activity centers cuts across all of the principal policy areas of the Comprehensive Plan. Their success will require close coordination of all the public agencies in the City, in addition to coordination with other agencies that provide or fund public facilities and services.

Summary of the Ten Character Areas

1. Northwest Columbus

Existing Character Description: Rural residential with a close tie to the natural environment.

Drivers of Change: Standing Boy Creek State Park, I-185, suburban growth of the City

Policy Theme: Planned unit developments, conservation subdivisions natural resource preservation, river protection.

Predominant Land Uses to be Encouraged: Conservation subdivisions, single family residential and neighborhood level commercial.

Vision of the Future: A well planned residential area with a rural character that will complement and protect the natural environment.



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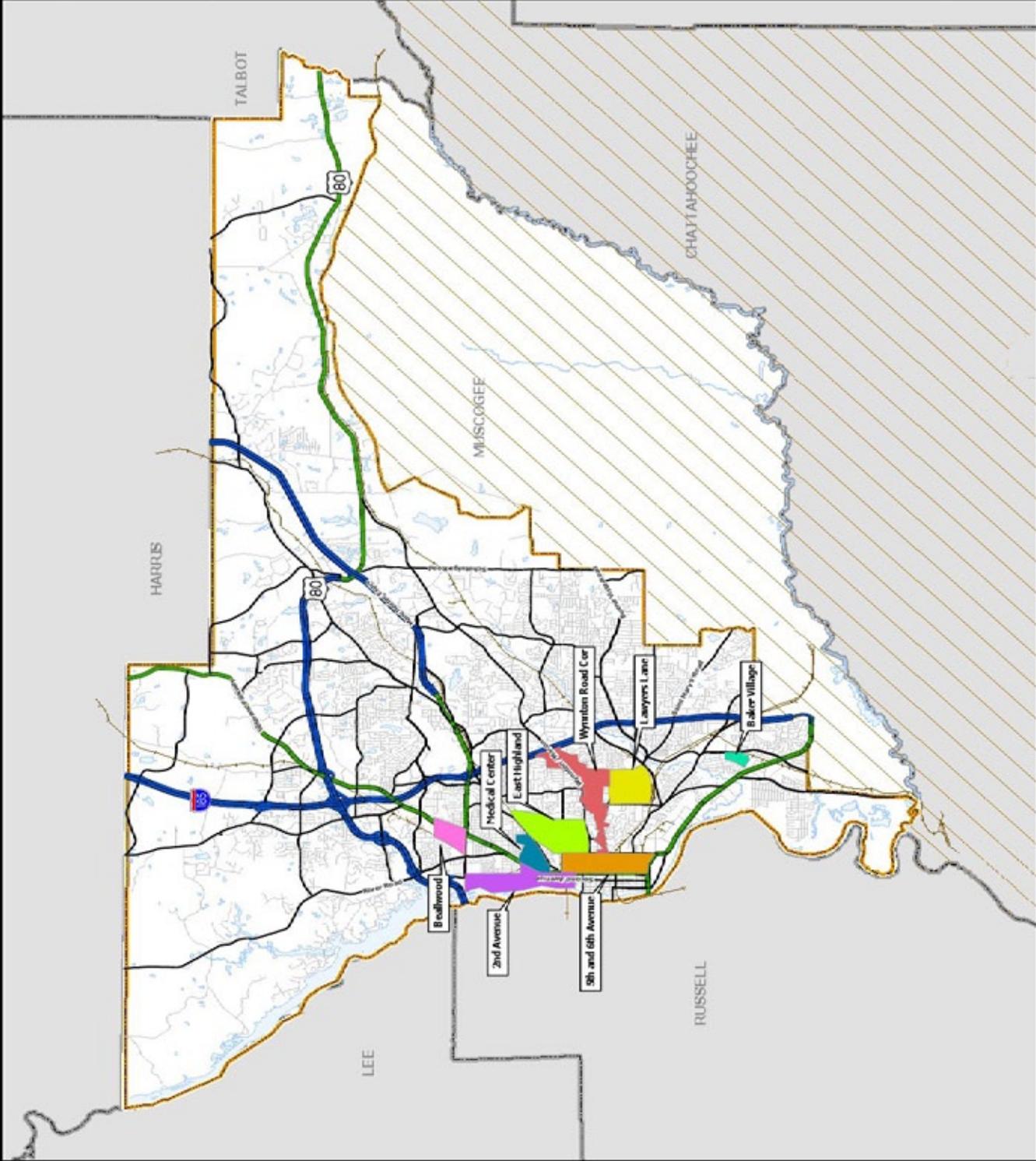
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Comprehensive Plan

Targeted Redevelopment Areas

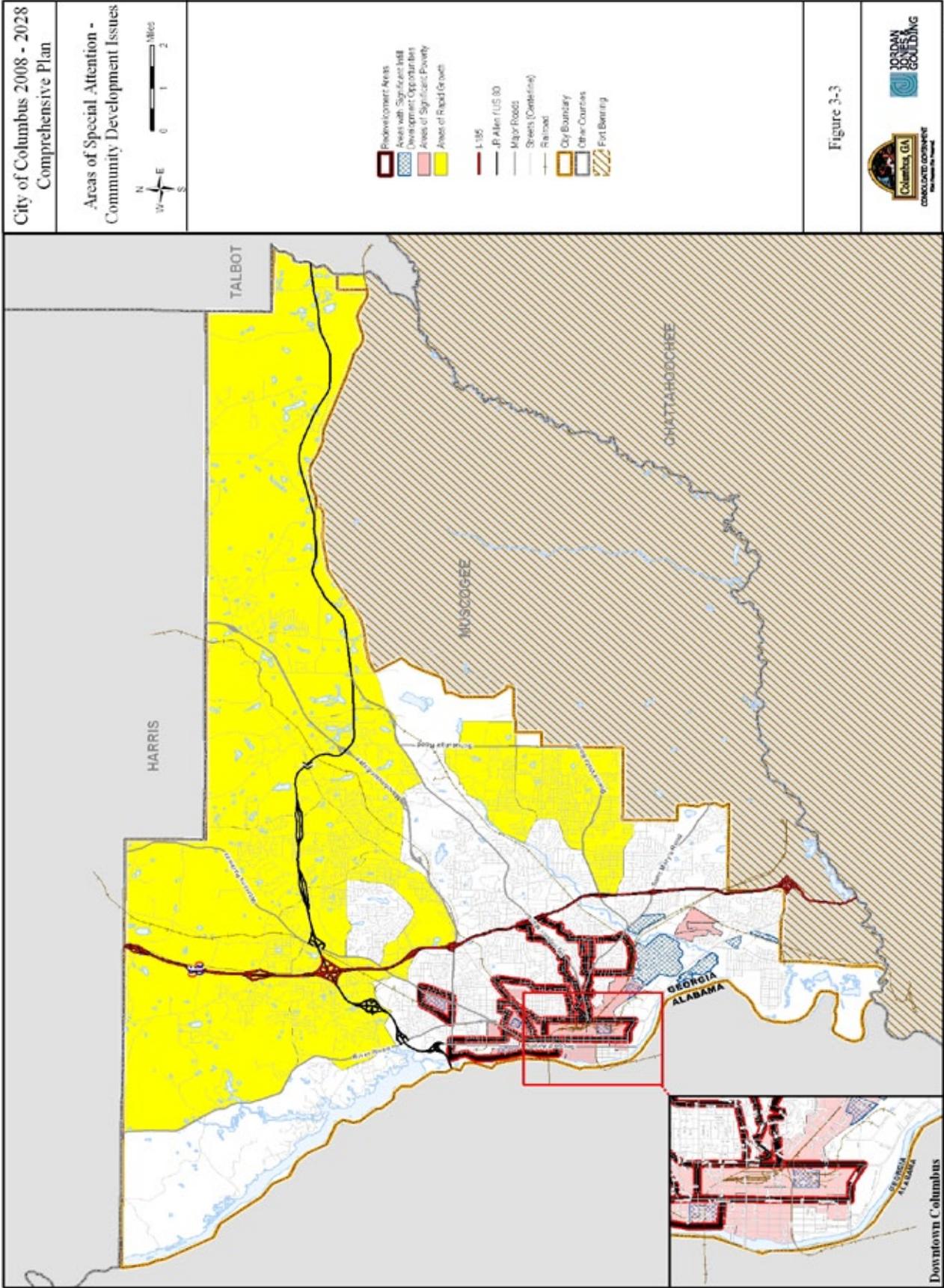


Legend

- Targeted Redevelopment Areas**
- Beallwood
 - 2nd Avenue
 - Medical Center
 - East Highland
 - 5th and 6th Avenue
 - Wynnton Road Corridor
 - Lawyers Lane
 - Baker Village
 - Local Road
 - State Highway
 - US Highway
 - Ramp
 - Interstate
 - Rail Road
 - Stream/River
 - Lake/Pond
 - City Boundary
 - Muscogee
 - Surrounding Counties
 - Fort Benning Military Reservation



PLANNING DEPARTMENT



2. Northeast Columbus

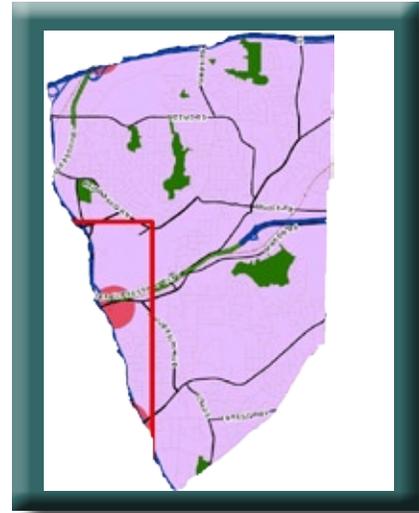
Existing Character Description: Suburban development pattern, exemplified by several local landmarks including the airport, the main campus of Columbus State University, and Peachtree Mall.

Drivers of Change: Airport, I-185, Columbus State University

Policy Theme: Neighborhood preservation, building multi-modal transportation connections, promotion of mixed-use in aging commercial centers.

Predominant Land Uses to be Encouraged: Single-family and multi-family residential, general commercial, mixed-use, industrial and office/professional uses.

Vision for the Future: A regional educational and commercial activity center that provides services to all ages.



3. West Panhandle

Existing Character Description: Emerging suburban development pattern, dominated by new single-family subdivisions.

Drivers of Change: Suburban growth of the City, noise abatement at Ft. Benning.

Policy Themes: Conservation subdivisions, Hwy 80 Overlay, noise abatement from Ft. Benning, activity center development.

Predominant Land Uses to be Encouraged: Large lot residential, planned single-family residential, neighborhood commercial mixed use at major intersections.

Vision for the Future: A growing family-oriented community focused around quality residential homes and businesses.



4. East Panhandle

Existing Character Description: Rural and large-lot residential.

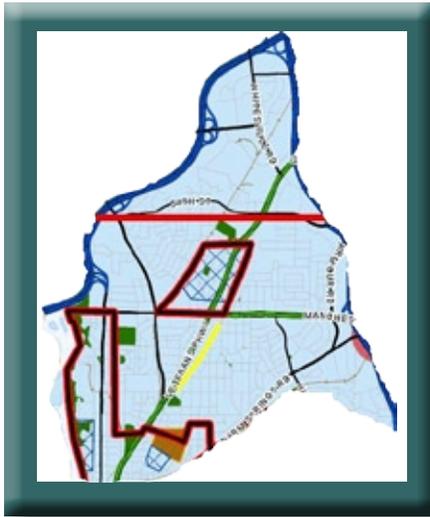
Drivers of Change: Suburban growth of the City, noise abatement at Ft. Benning, resident interest to maintain rural character.

Policy Themes: Rural preservation, large-lot residential, Hwy 80 Overlay. Noise abatement from Ft. Benning.

Predominant Land Uses to be Encouraged: Agriculture, rural residential, conservation and natural areas.

Vision of the Future: A rural community tied closely to the preservation and conservation of its rural and natural character.





5. Bibb

Existing Character Description: Historic mill villages and early suburbs of the City, aged residential and commercial development in need of revitalization. Major transportation corridors in this area serve as gateways to the Uptown area, such as Veterans Parkway, 1-185, Manchester Expressway, and 2nd Avenue.

Drivers of Change: Veterans Parkway, I-185, Manchester Expressway, local revitalization efforts.

Policy Themes: Historic preservation and adaptive reuse, neighborhood preservation, river protection, building multi-modal transportation connections, commercial revitalization, infill development.

Predominant Land Uses to be Encouraged: Planned single-family residential, neighborhood commercial, mixed use at major intersections.

Vision of the Future: A vibrant historic community that provides a variety of employment opportunities and serves as an appealing gateway to Uptown Columbus.



6. Uptown

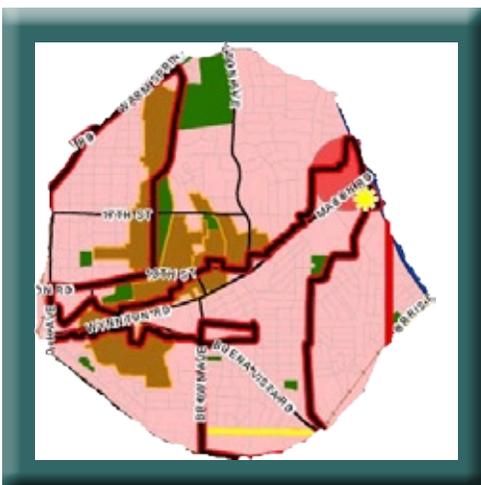
Existing Character Description: Historic center of the City, government and employment center.

Drivers of Change: Columbus State University, rail yard redevelopment, medical center, AJ McClung Memorial Stadium, tourism.

Policy Themes: Historic preservation and adaptive reuse, Neighborhood preservation, River Protection, Infill development.

Predominant Land Uses to be Encouraged: Mixed Use, General Commercial, Office, Multi-family residential.

Vision for the Future: The cultural and civic heart of Columbus. A vibrant 24-hour community that provides abundant opportunities for housing, employment and entertainment. A regional tourist destination that showcases its preservation of historic and natural resources, and its cultural events.



7. Midtown

Exist Character Description: Historic residential neighborhood offering a variety of commercial and employment opportunities.

Drivers of Change: Efforts to maintain a vibrant neighborhood with strong community character, redevelopment along Macon/Wynnton Road.

Policy Themes: Historic preservation and adaptive reuse, Neighborhood preservation, commercial revitalization, redevelopment incentives, overlay districts.

Predominant Land Uses to be Encouraged: Single-family and multi-family residential, mixed-use, office, and neighborhood commercial.

Vision for the Future: A vibrant historic neighborhood with strong community character.

8. Southeast Columbus

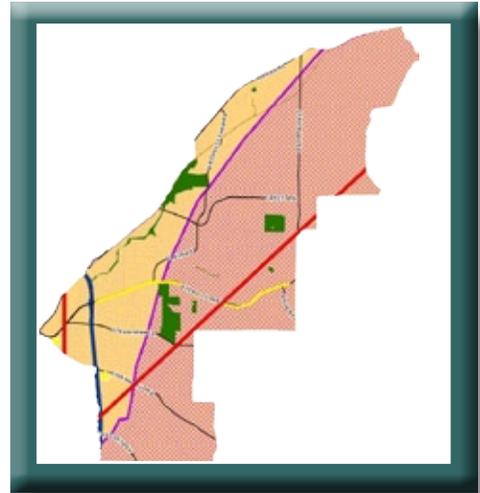
Existing Character Description: Older suburban area of the City with aging commercial areas along major roadways. New industrial developments in the eastern portion of the area help to buffer residents from adjacent Fort Benning.

Drivers of Change: New industrial park, changes at Ft. Benning.

Policy Themes: Commercial revitalization, infill, neighborhood preservation, building multi-modal transportation connections, noise abatement from Ft. Benning.

Predominant Land Uses to be Encouraged: All forms of residential, General Commercial close to I-185, mixed-use and industrial uses.

Vision for the Future: A safe sustainable, and thriving community the offers a variety of employment, housing and recreational opportunities.



9. Columbus South

Existing Character Description: Old industrial area that includes a number of residential neighborhoods and commercial areas in need of redevelopment and revitalization.

Drivers of Change: Changes at Ft. Benning, Enterprise Zone, infill development.

Policy Themes: Brownfield development, neighborhood preservation, commercial revitalization, infill, redevelopment incentives.

Predominant Land Uses to be Encouraged: All forms of residential, mixed-use, general commercial and industrial uses.

Vision for the Future: A safe and active employment center for the community that serves as an appealing gateway to Ft. Benning.



10. Oxbow

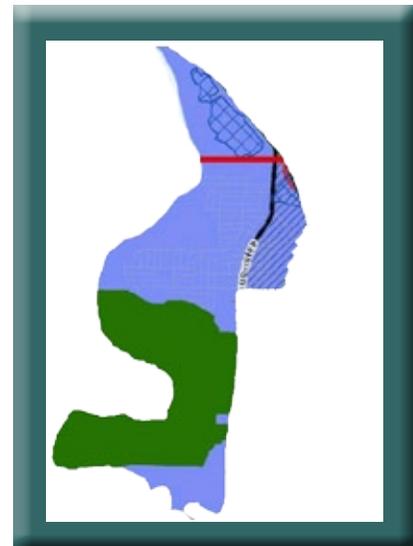
Existing Character Description: An area in transition from industrial, aging residential and commercial uses to a tourist destination offering cultural amenities, such as the Oxbow Meadows Learning Center and the Infantry Museum.

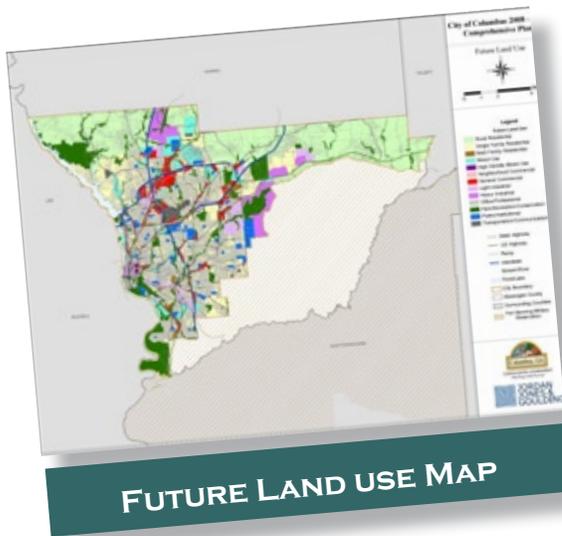
Drivers of Change: Oxbow Meadows Environmental Learning Center, changes at Ft. Benning, recreational opportunities, Infantry Museum, tourism.

Policy Themes: Natural resource preservation, river protection, residential redevelopment.

Predominant Land Uses to be Encouraged: All forms of residential, neighborhood commercial, mixed-use and recreational uses.

Vision for the Future: A regional tourist destination and landmark area for the community highlighting its preservation of natural and cultural resources through such venues as the Oxbow Meadows and the Infantry Museum.





Future Land Use Map

The Future Land Use Map (page 15) for Columbus is a parcel-specific map that serves as the basis for making rezoning and capital investment decisions. Rezoning decisions in each future land use designation shall be consistent with the list of associated zoning codes that correspond with that designation. The map assigns a future land use designation to every parcel in the City. The future land use categories shown on the map are listed and defined in the Columbus Future Land Use Table located in page 14 of this document. This table also describes what zoning districts are appropriated for each future land use category. A full page map is located in page 15 of this document and individual maps for each of the planning district are located in pages 17-22.

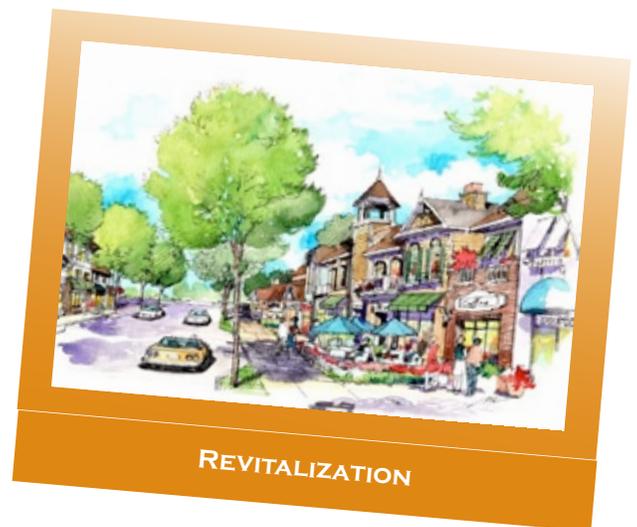
Issues and Opportunities

The list of Issues and Opportunities, together with the Vision Statement and Community Goals, form the backbone of the Community Agenda for the Comprehensive Plan.

Community Revitalization

The concerned issues are: effects of continuing the current growth trends; gentrification; barriers to redevelopment; quality of housing developments; mismatch between housing and jobs; lack of resources to fund needed revitalization efforts; density requirements for new housing; and aesthetics/streetscape improvements and overlay districts.

The opportunities to revitalization are: new growth is coming; changing demographics; developable land in in-town neighborhoods; preservation of existing housing stock; mixed use development opportunities; benefits of revitalization for historic resources; and public perceptions and marketing.



Quality Community Infrastructure

The concerned issues are: aging infrastructure; rising cost of facility operations and maintenance cost; mismatch between public/private facilities and neighborhoods; mismatch between new schools and revitalization; security and public safety are barriers to redevelopment; limited police force; new community facilities must be more sensitive to existing neighborhoods; and recreational facilities and park improvements.

The opportunities to quality community infrastructure are: growth of Fort Benning provides an impetus public investment; Columbus has the opportunity to use infrastructure to direct growth; Columbus could employ performance-based land development controls; and the City of Columbus has a strong and viable water utility.

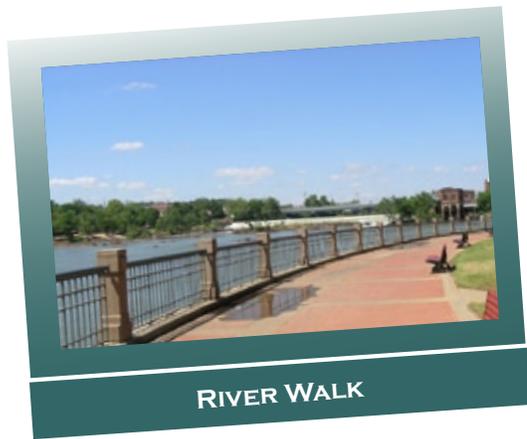


Balanced Transportation

The concerned issues are: incomplete pedestrian network; limited transit service; increasing congestion; balance between new and existing road infrastructure; outdated and isolated traffic signalization; roadway and rail grade separation; Fort Benning related traffic; and lack of available transportation funding.

The opportunities to balanced transportation are:

- Better land use-transportation coordination;
- Rising gasoline prices and community awareness of the need for more sustainable energy practices;
- Multi-modal transportation facilities; and
- Re-alignment of rail freight yard.



Preserving and Enhancing the Natural Environment

The concerned issues are: protecting the City’s tree canopy; monitoring and protecting water quality as the City grows; protecting steep slopes and fragile soils; and noise impacts of Fort Benning’s future missions.

The opportunities are: as the Chattahoochee River is the mainstream of ecological health for the region, additional opportunities exist to connect more of the community to a “riverside experience”; expand scope of environmental management and environmental education; protecting a green corridor along I-185; green-space preservation; and partnerships with Fort Benning.

Managing Impacts of Growth

The concerned issues: increasing number of school children; low-density residential zoning; garnering public trust in capital project delivery; potential impacts of raising City revenues; inadequate revenues; and current level of services.

The opportunities are: growth increases the tax base and municipal revenues; garnering public trust in new funding mechanisms; and the citizen led task force, “Columbus Champions”, could help encourage public support to the implementation of policies, strategies, and projects laid out in the Comprehensive Plan.

“The concerned issues: increasing number of school children; low-density residential zoning; garnering public trust in capital project delivery...”

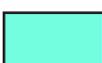


Regional Coordination and Regional Partnerships

The concerned issues are: coordination between Muscogee County School District and land use planning; divergent land use approaches; loss of young professionals; and air and water quality.

The opportunities are: preparation for Fort Benning growth; Chattahoochee Valley schools project and funding for regional education; regional water planning and water services; increasing tourism; and retaining existing jobs as well as attracting new and higher quality jobs. Because Columbus is a regional center, it is important the key agencies such as the Valley Partnership and the Columbus Chamber of Commerce be involved.

Columbus Future Land Use Table

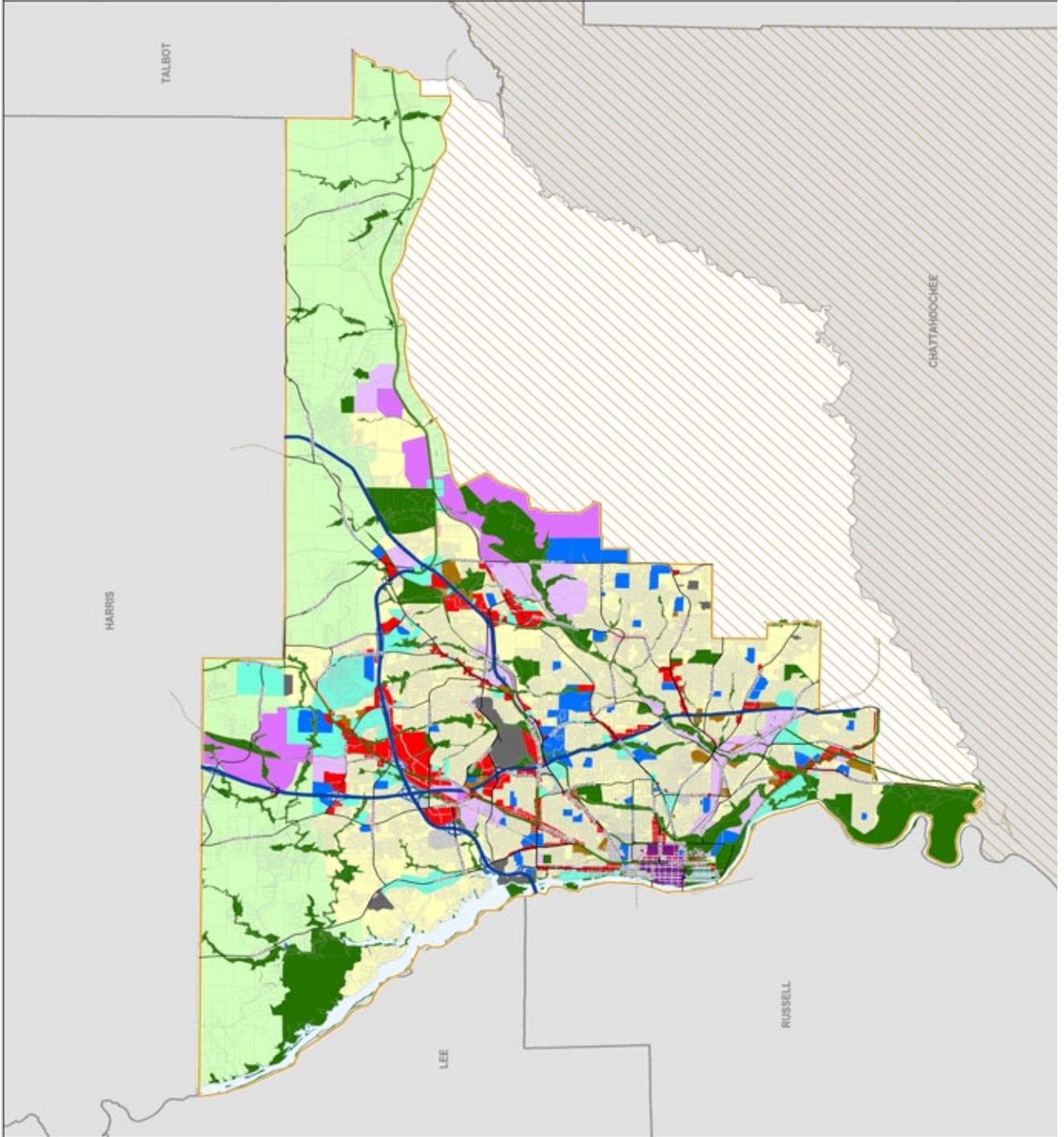
Future Land Use Designation	Description	Associated Zoning Codes
Rural Residential	 Single-family residences on greater than 1 acre	RE-10, RE-5, RE-1, PUD
Single-Family Residential	 Single-family residential areas between 1 and 7.25 units per acre	RT, SFR-1, SFR-2, SFR-3, SFR-4
Multi-Family Residential	 Multi-family residential areas up to 18 units per acre	RMF-1, RMF-2, PCD, MROD, RMH, RO
Mixed Use	 Areas of mixed-use development (multi-family residential, office, commercial) up to 43 dwelling units per acre	RO, H, PUD, PCD, PMUD
High Density Mixed Use	 Areas of mixed-use development containing both high intensity commercial and residential uses with no limit placed on dwelling units per acre.	UPT, CRD, PUD, PCD, PMUD
Neighborhood Commercial	 Small-scale retail uses that serve surrounding neighborhoods with common goods and services.	NC, PMUD
General Commercial	 Property where business and trade are conducted. They may be single-use or grouped together in a shopping center.	GC, PCD, PMUD
Light Industrial	 Property used for warehousing, distribution, trucking and light manufacturing, which are primary uses.	TECH, LMI, PID
Heavy Industrial	 Property used for heavy industrial uses such as large-scale manufacturing or mining.	HMI, PID
Office/Professional	 Property that accommodates business concerns that do not provide a product directly to customers on the premises, or do not as a primary activity involve manufacture, storage or distribution.	CO, RO, SAC, TECH, PCD, PMUD
Park/Recreation/Conservation	 Areas that have been developed or are proposed to be developed for park, recreational use or protected open space.	Any Zoning District
Public Institutional	 Areas housing local government's community facilities, general government, and institutional land uses. Examples include schools, city halls, county courthouses, landfills, health facilities, churches, libraries and police and fire stations.	Any zoning district, if use is consistent with the description of future land use.
Transportation, Communications, Utilities	 Areas housing uses such as power generation plants, sewerage and water treatment facilities, railroad facilities, radio towers, public transit stations, telephone switching stations, airports, port facilities, or similar uses.	Any zoning district, if use is consistent with the description of future land use.

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Future Land Use



- Legend**
- Future Land Use**
- Rural Residential
 - Single Family Residential
 - Multi Family Residential
 - Mixed Use
 - High Density Mixed Use
 - Neighborhood Commercial
 - General Commercial
 - Light Industrial
 - Heavy Industrial
 - Office/Professional
 - Park/Recreation/Conservation
 - Public/Institutional
 - Transportation/Communication/Utilities
- State Highway
US Highway
Ramp
Interstate
Stream/River
Pond/Lake
City Boundary
Muscogee County
Surrounding Counties
Fort Benning Military Reservation



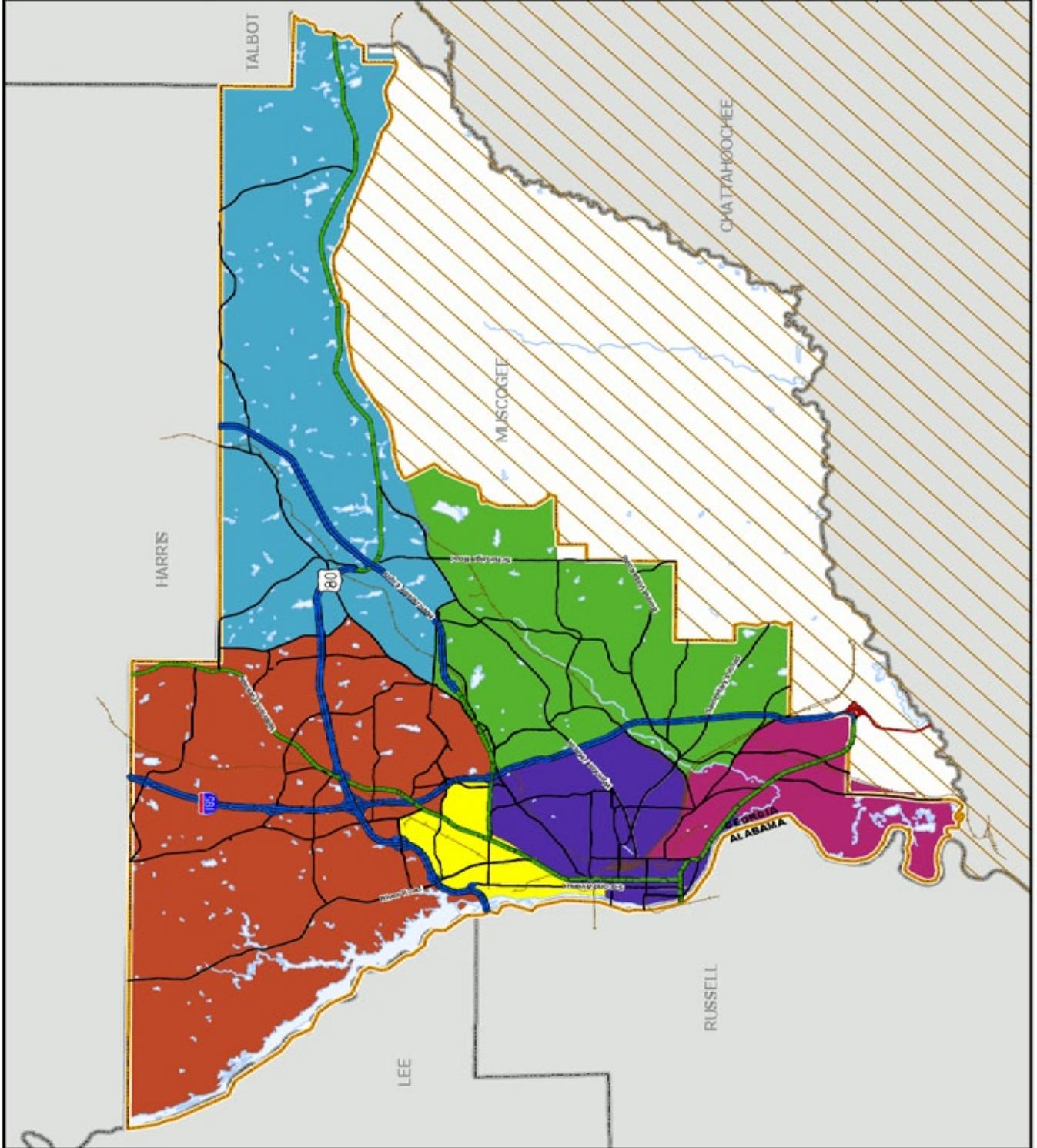
City of Columbus 2008 - 2028
Comprehensive Plan

Planning Areas



Legend

- Planning Areas**
- A - Northwest Columbus
- B - Parkland
- C - Columbus South
- D - Midtown/UpTown
- E - Southeast Columbus
- F - Bibb City/Bellwood/North Highland
- State Highway
- US Highway
- Ramp
- Interstate
- Stream/River
- Lakes & Ponds
- City Boundary
- Muscogee
- Surrounding Counties
- Fort Benning Military Reservation



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Future Land Use
Planning Area A-
Northwest Columbus



Future Land Use

- Rural Residential
- Single Family Residential
- Multi Family Residential
- Mixed Use
- High Density Mixed Use
- Neighborhood Commercial
- General Commercial
- Light Industrial
- Heavy Industrial
- Office/Professional
- Park/Recreation/Conservation
- Public/Institutional
- Transportation/Communication/Utilities

- I, 195
- JR Allen / US 50
- Major Roads
- Streets (Centeline)
- Railroad
- City Boundary
- Other Counties
- Port Binning

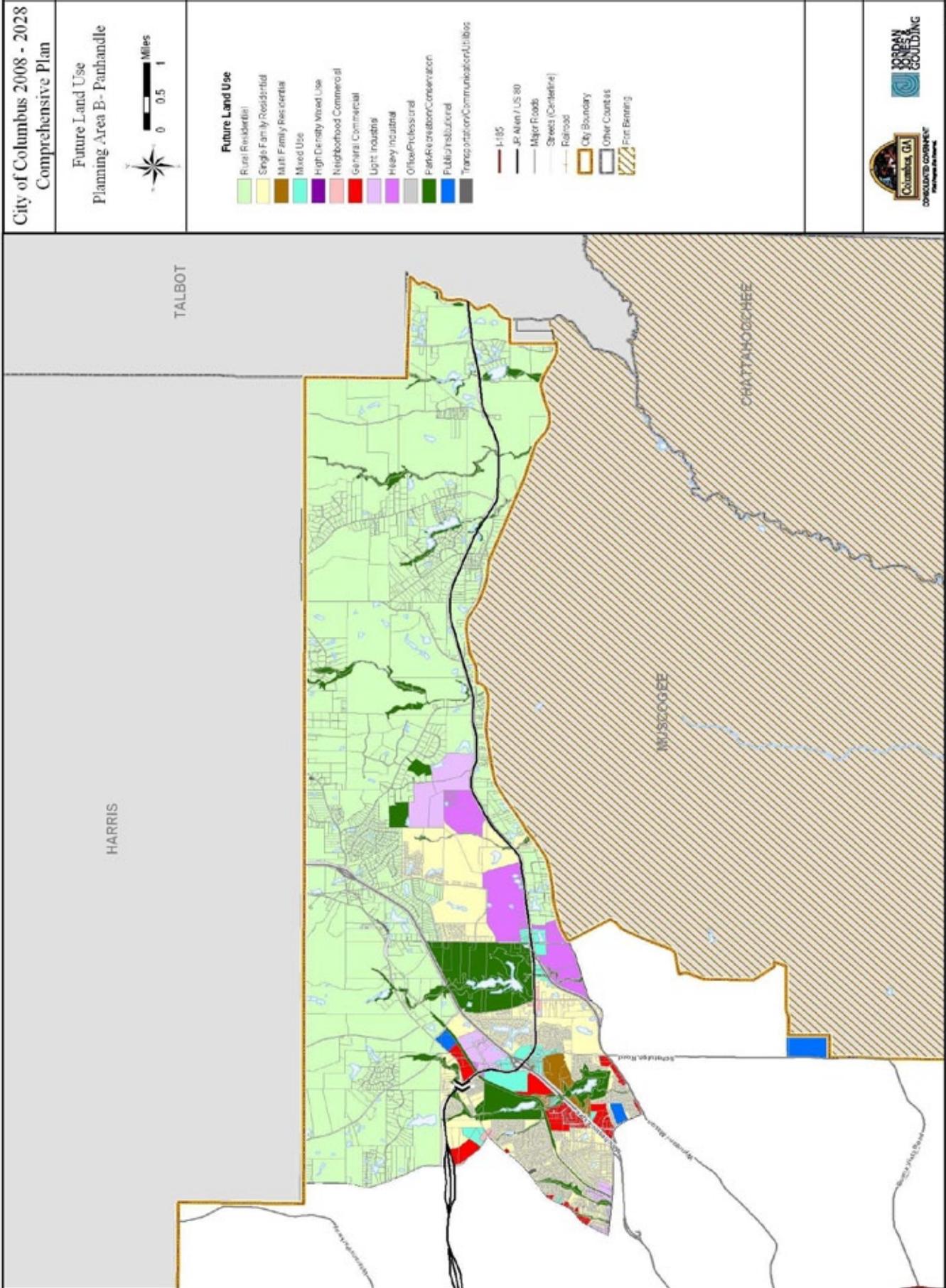
HARRIS

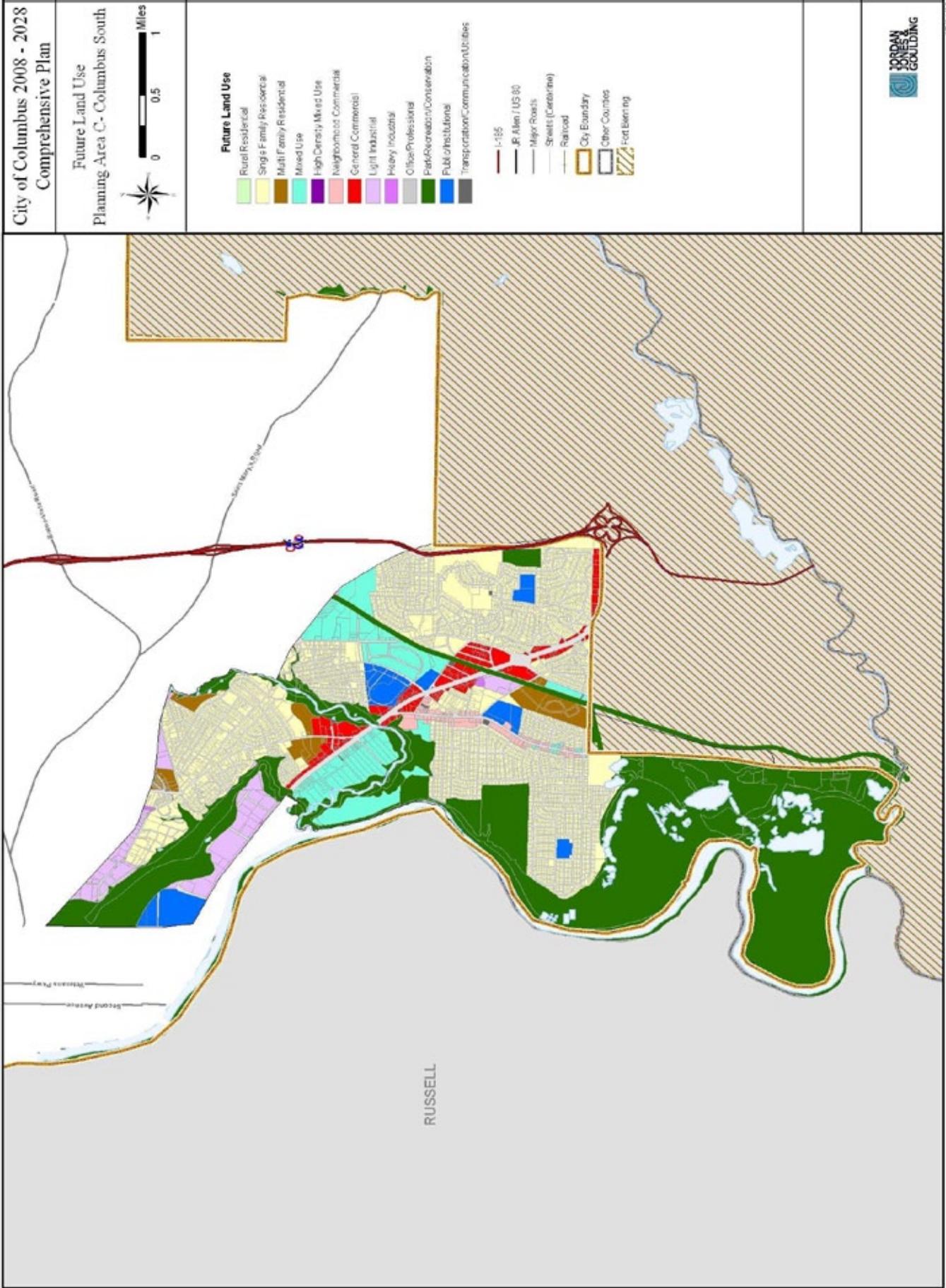
LEE

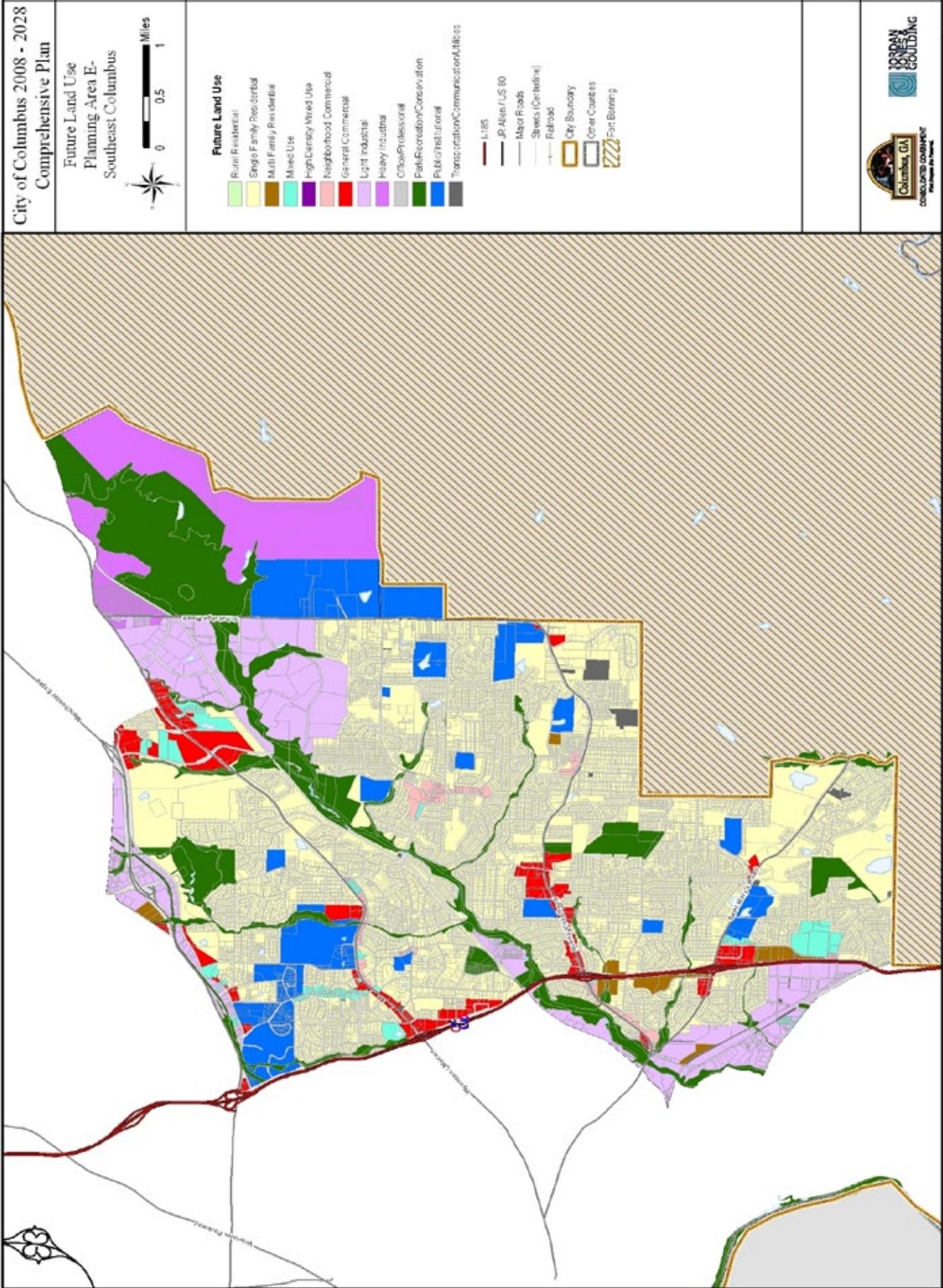
RUSSELL

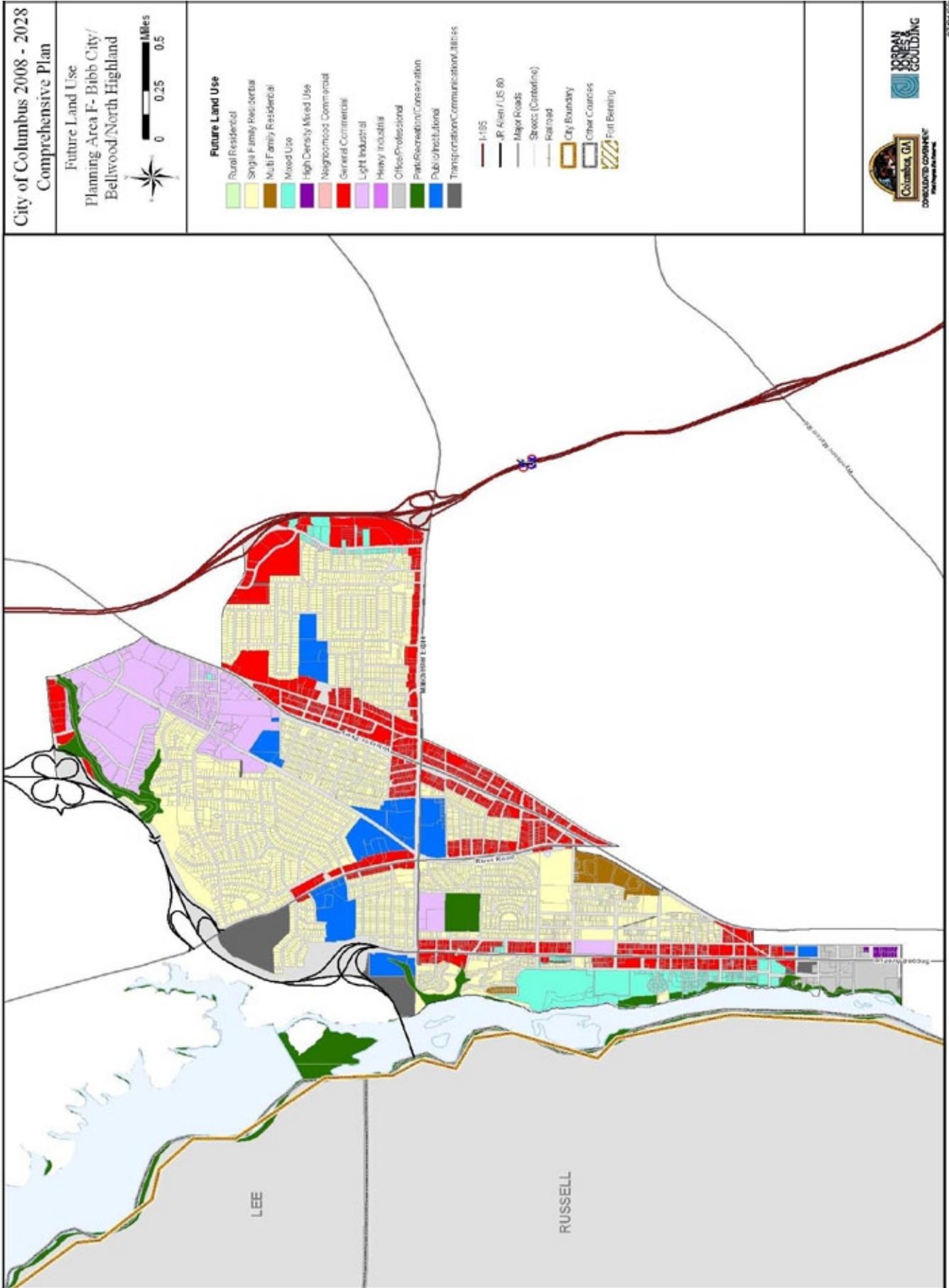


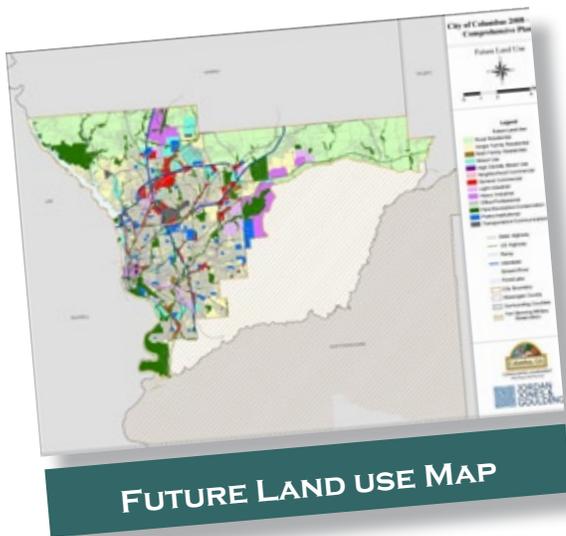
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Implementation Program

The implementation program provides a detailed strategy for achieving the community vision, the summary of which was outlined earlier. It also addresses each of the issues and opportunities that were previously identified. The three components of the Implementation Program are:

- Implementation Strategies - a work plan for the next 20 years, including short term, long range, and on-going activities;
- Citywide Policies - policy statements that provide ongoing guidance to local government officials; and
- Short Term Program - a five-year schedule of programs, including estimated costs, fund sources, and projected completion dates.

The execution of the Implementation Program will be a collaborative effort between the Columbus Consolidated Government and multiple partners, including local, regional, state, and national organizations.

Implementation Strategies

The program of Implementation Strategies addresses each Goal area of the Comprehensive Plan and the related set of Issues and Opportunities. Action items are identified for each issue or opportunity along with the projected timeframe for implementation as well as the responsible party and likely partners that will work towards achieving the implementation strategy. The time frame for each strategy is expressed either as Short Term (1 to 5 years), Long Range (6 to 20 years), or On-growing.

A color-coding scheme has been devised for each Goal area to help guide readers through the tables provided in sections 4.1 and 4.3 of Chapter 4 of the Community Agenda.

Citywide Policies

Policies are recommended statements intended for adoption by the Mayor and Columbus City Council. Policies provide on-going guidance and direction to local officials and improve the predictability and consistency of decisions in accordance with a long-range plan. They provide a well-reasoned basis for making decisions that over time serve to implement the Comprehensive Plan and support the Community's Vision and Goals expressed in the Comprehensive Plan (Section 4.2 of Chapter 4 of the Community Agenda).



Short Term Work Program

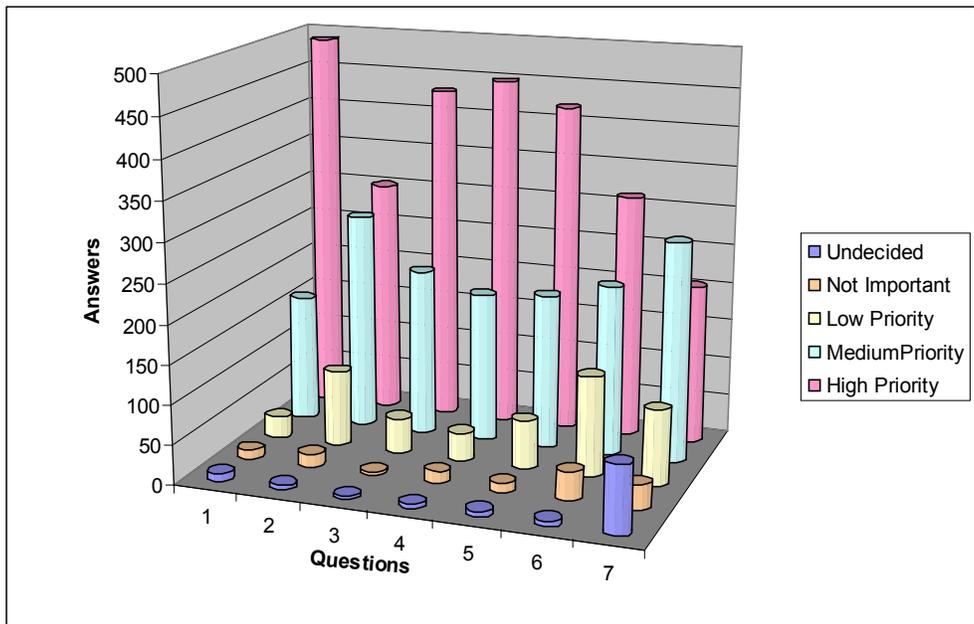
The 2009-2013 Short Time Work Program (presented in tables in Section 4.3 of Chapter 4 of the Community Agenda) is a specific list of activities and investments the City and its partners intend to pursue over the next five years. The program includes short term and on-going implementation strategies from Section 4.2 and items that were carried over from the City's previous Short Term Work Program.

Summary of the Columbus Community Visioning Survey

The survey was conducted in unison with the Comprehensive Plan to help define the community’s position on growth-related concerns and to help City staff and officials make important decisions over the planning period. A total of 784 surveys were begun, and approximately 700 were completed. The following Tables reflect the results.

Table 1: Economic Development

Survey participants prioritized various options and methods that CCG could adopt to achieve greater economic development.



Question 1: Find creative ways to pay for major community improvements (roads, sewer/water facilities, etc.).

Question 2: Increase and/or improve job training opportunities.

Question 3: Develop ways to keep young professionals in Columbus.

Question 4: Work with partners to attract more industries.

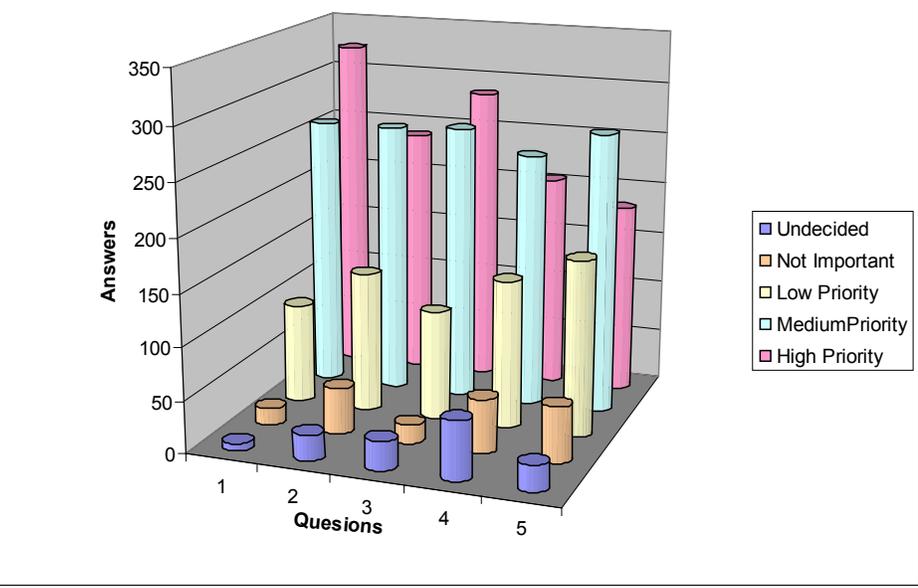
Question 5: Revive older areas of the city.

Question 6: Encourage more retail stores, services, and restaurants in neighborhood centers.

Question 7: Increase tax digest with more nonresidential development.

Table 2: Housing

Survey participants prioritized various policy options and methods that CCG could adopt to improve the quality and availability of housing options.



Question 1: Provide more resources to help preserve and restore older neighborhoods.

Question 2: Offer incentives (such as density bonuses, tax rebates, etc.) to encourage developers to include affordable housing in new developments.

Question 3: Encourage the conversion of vacant or underused sites to mixed-uses that include housing units.

Question 4: Remove regulatory barriers that discourage affordable housing construction.

Question 5: Support new housing construction efforts to provide housing for new residents.

Table 3: Community Facilities and Services

Survey participants prioritized various policy options and methods that the CCG could adopt to improve the quality and availability of community facilities and services.

Question 1: Purchase and set aside land for additional greenspace.

Question 2: Control and manage crime.

Question 3: Promote partnerships between public and private agencies to help meet local service and program needs.

Question 4: Address stormwater problems.

Question 5: Improve schools.

Question 6: Make improvements to existing facilities to ensure continued use.

Question 7: Increase and grow senior programs offered by CCG.

Question 8: Extend sewer to growth areas.

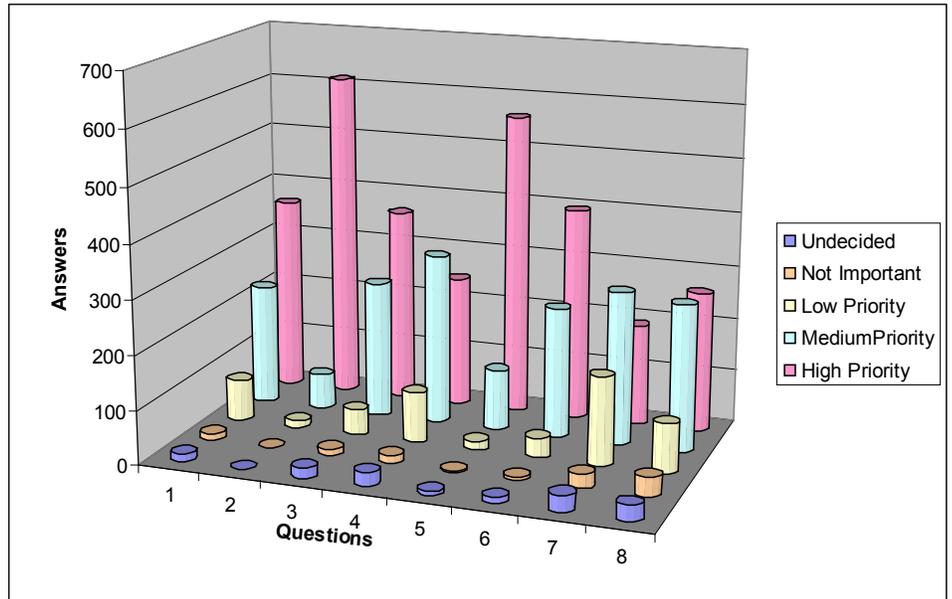


Table 4: Intergovernmental Coordination

Survey participants prioritized various policy options and methods that CCG could adopt to improve intergovernmental coordination.

Question 1: Work with neighboring governments to help find funding solutions to transportation needs.

Question 2: Work with Fort Benning's leadership to make sure Columbus is prepared for base growth.

Question 3: Work with other localities to preserve regional water supply.

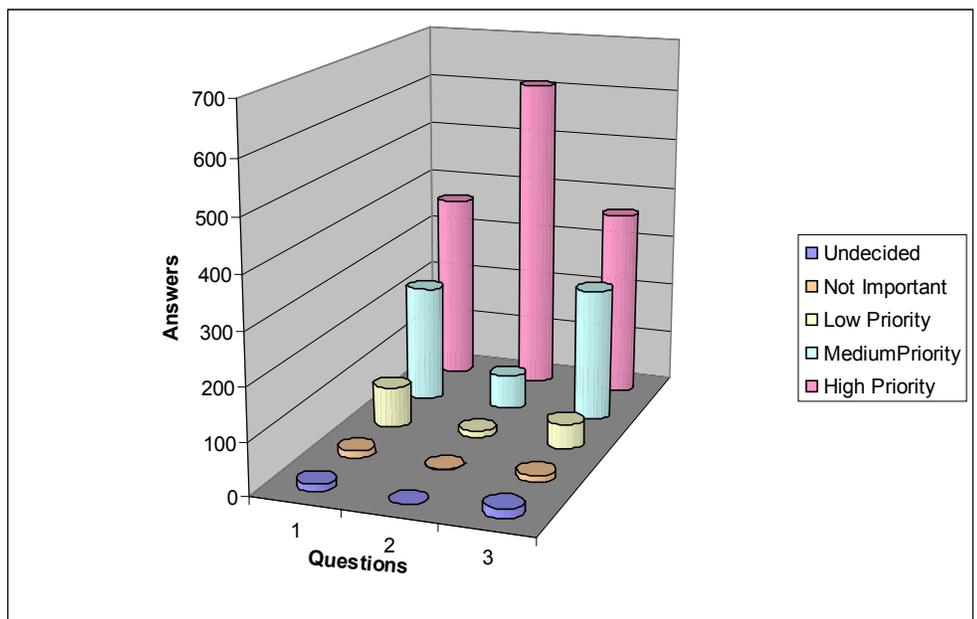
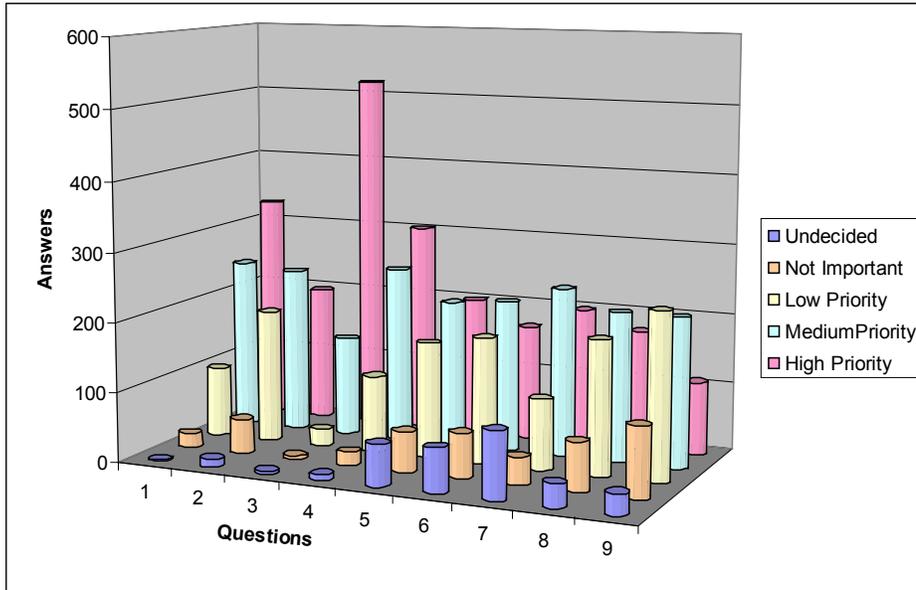


Table 5: Transportation

Survey participants prioritized various policy options and methods that CCG could adopt to improve transportation quality and transportation options.



Question 1: Expand sidewalk network and pedestrian facilities.

Question 2: Improve airport facilities and services.

Question 3: Improve traffic flow in highly congested areas.

Question 4: Improve highway capacity.

Question 5: Add routes to METRA services.

Question 6: Increase frequency of METRA stops.

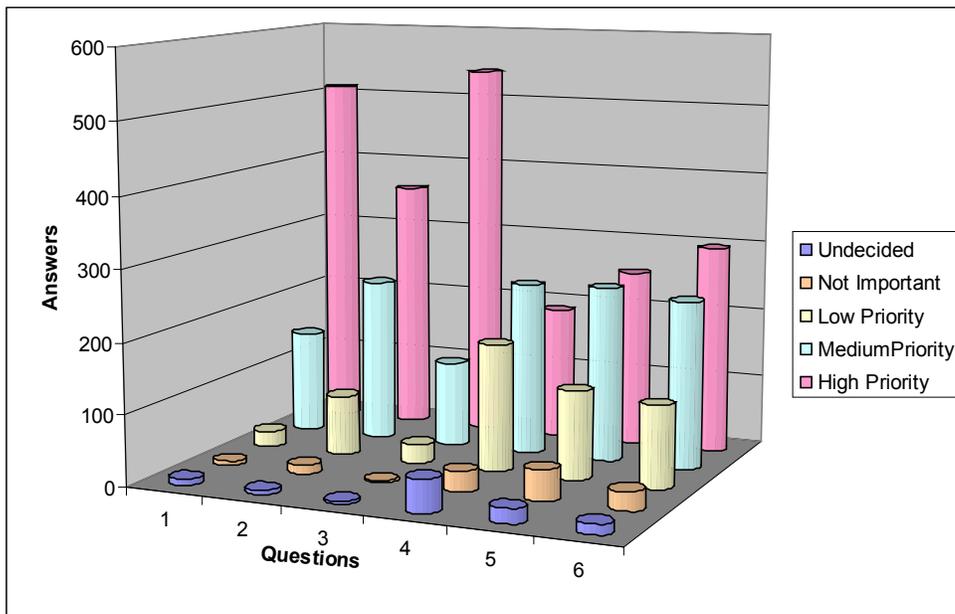
Question 7: Complete Eastern Connector.

Question 8: Widen Veterans Parkway.

Question 9: Expand bridge across Chattahoochee River to Alabama.

Table 6: Natural and Cultural Resources

Survey participants prioritized various policy options and methods that CCG could adopt to protect the natural and cultural resources of Columbus.



Question 1: Work with other local governments in the region to minimize negative impacts on Chattahoochee River quality.

Question 2: Protect Columbus's historic properties and buildings.

Question 3: Protect air quality.

Question 4: Update Historic Preservation District guidelines.

Question 5: Continue local festivals, such as RiverFest.

Question 6: Prepare river for more recreational activities.

Table 7: Land Use

Survey participants prioritized options and methods to shape land use that CCG could adopt.

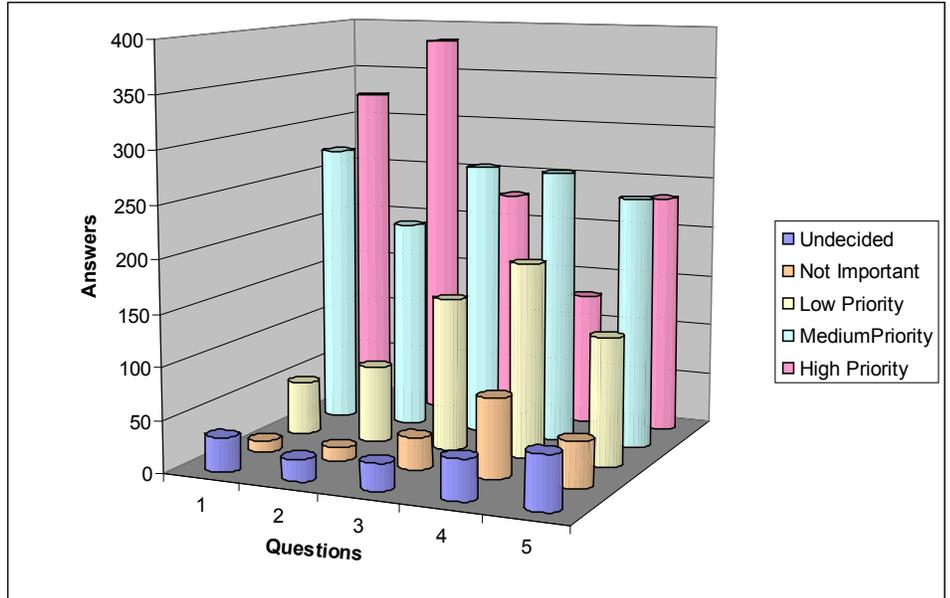
Question 1: Encourage infill development (growth in areas where roads, sewer and water system, etc. already exist).

Question 2: Set aside land for greenspace.

Question 3: Create more mixed-use developments (e.g., residential on 2nd floor, commercial on 1st floor).

Question 4: Support the development of greenfields (previously undeveloped land) to meet new housing needs.

Question 5: Minimize low-density growth that uses large tracts of land and requires major public improvements (i.e. new sewer, roads, water, etc.).





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Fiscal Impact Analysis of Comprehensive Plan 2028 Growth Scenarios

Prepared for:

Columbus, GA Consolidated Government

November 6, 2008

Prepared by:



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I. EXECUTIVE SUMMARY

A. Background

TischlerBise, Inc. is under contract with Jordan, Jones and Goulding, Inc. to evaluate the fiscal impact to the Columbus Consolidated Government of two future growth scenarios. The growth scenarios were prepared to illustrate two growth alternatives as part of the Consolidated Government's Comprehensive Plan 2028. This fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs to the Consolidated Government.

As documented in the *Technical Addendum to the Community Assessment for the 2028 Comprehensive Plan*, Columbus is expected to experience significant growth in the years ahead. While population has been relatively stable over the last twenty years, that is expected to change dramatically. Columbus State University's Turner College of Business anticipates population and employment increases of 15% by 2028.

Projected increases are due largely to growth at Ft. Benning which is adjacent to Columbus. Growth at the base is a result of Base Realignment and Closure (BRAC) actions combined with force restructuring by the Army. In addition, Columbus will receive additional growth as a result of the AFLAC expansion and the KIA plant. New residents and employees will place significant demands on the Columbus Consolidated Government to provide additional facilities and services. To better understand the fiscal impact of new growth on the Consolidated Government's operating and capital budgets, TischlerBise examined two growth alternatives based on the Scenario 2 population and employment projections presented in the *Technical Addendum*. The total amount of development is the same in each scenario with differences driven by the geographic distribution of growth.

As a first step in this analysis, TischlerBise evaluated levels of service and determined cost and revenue assumptions. These assumptions are based on our on-site interviews and subsequent discussions with department heads, their representatives, and other related personnel in addition to a detailed analysis of Columbus's adopted FY2008 Budget. A number of these assumptions are included and discussed in this document. *It is important to note that the study is meant to serve as a resource to the Consolidated Government in its future land use planning. It is not a budget forecasting document, nor is it meant to serve as a qualitative evaluation of the adequacy/inadequacy of current staffing and service levels for individual departments.*

The revenue and cost projections are based on the assumption that in most cases the current level of spending, as provided in the FY2008 budget, will continue over time. The current level of spending is referred to as the current level-of-service in this type of analysis. The intent of this analysis is to include all tax-supported, growth-impacted funds. Enterprise funds (i.e., self-

funded operations) and internal services funds are not included in this analysis since revenues generated from fees are assumed to cover costs to provide those services. In addition, current 2008 dollars are used throughout.

Beginning in January 2009, Columbus will begin to collect an additional 1% Local Option Sales Tax (LOST) that was approved by voters in July 2008. Columbus plans to use these funds toward public safety and road improvements. These expenditures are not reflected in the FY2008 budget which serves as the basis for this report. To attempt to reflect the new 2008 LOST would require a significant number of assumptions regarding future levels of service. Discussion with Planning and Finance staff indicated a desire to isolate new growth's fiscal impact based on a snapshot of existing levels of service. As such, the newly approved 2008 LOST is not included in the fiscal impact analysis.

B. Growth Scenarios

The *Technical Addendum's* Scenario 2 projections assume that the existing pattern of growth, which is focused largely on more recently developed areas of Columbus, will continue. In this fiscal analysis, this is referred to as the *Suburban Growth Scenario*. TischlerBise also considered an alternate scenario, a *Revitalization Growth Scenario*, that focuses growth in Columbus' urban core. The Suburban scenario allocates growth based on available acreage in each planning area. In the Revitalization scenario, growth is allocated in proportion to existing population and employment.

Projections for each scenario are allocated to Comprehensive Plan planning areas which are: NW Columbus, Panhandle, South Columbus, Midtown/Uptown, SE Columbus and Bibb City. The planning area map is included from the *Technical Addendum's* "Atlas of Supporting Maps" as an Appendix to this report (see Appendix 1). Figure 1 below presents a summary of the population, housing, employment and nonresidential floor area assumptions for each scenario by planning area. These are discussed in more detail in Section III of this report.

Figure 1. Scenario Net Increases Through 2028

Scenario Net Increases through 2028							
	NW Columbus	Panhandle	South Columbus	Midtown/ Uptown	SE Columbus	Bibb City	TOTAL
SCENARIO: SUBURBAN							
Population	11,131	13,495	525	175	3,170	102	28,598
Housing Units	6,590	7,990	311	103	1,877	61	16,933
Jobs	2,741	1,784	1,378	2,144	5,542	810	14,399
Nonresidential SF x 1,000	803	515	392	601	1,540	242	4,093
SCENARIO: REVITALIZATION							
Population	5,579	3,101	3,232	5,087	9,681	1,920	28,600
Housing Units	3,351	1,921	1,931	3,000	5,603	1,126	16,933
Jobs	2,545	462	645	5,377	3,941	1,427	14,397
Nonresidential SF x 1,000	746	133	183	1,507	1,095	427	4,091

C. Fiscal Impact Results

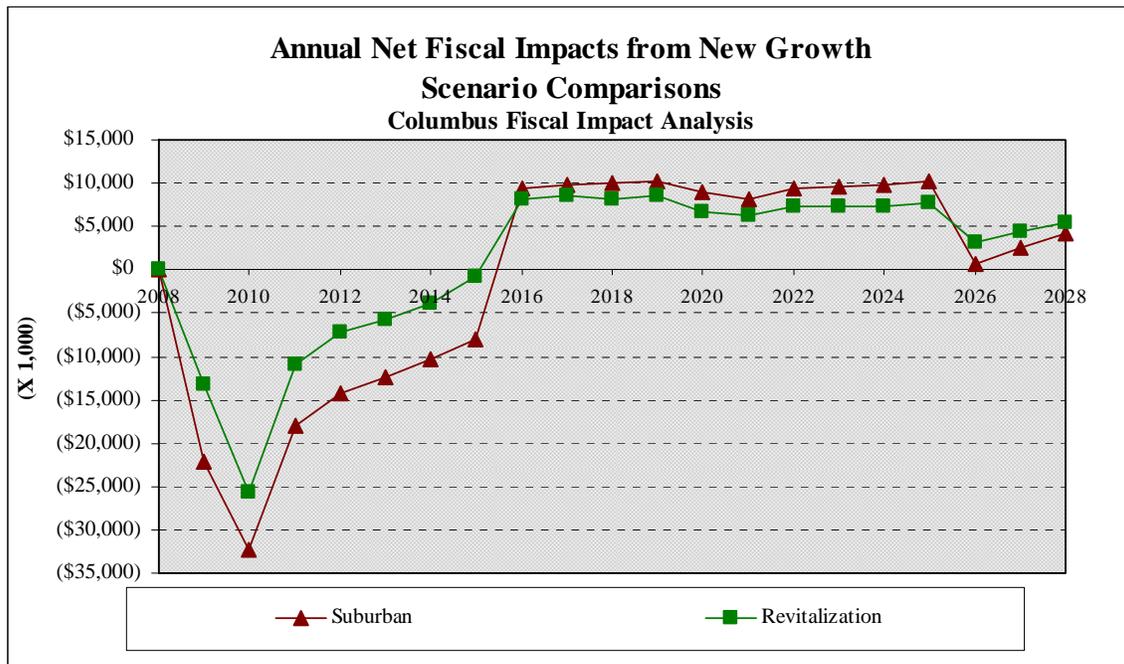
The fiscal impact results are shown in a number of different ways. First, annual net results are discussed and show the fiscal impacts from one year to the next. Average annual results are then shown over different time intervals to provide an easy way to compare multiple scenarios and summarize the general fiscal impacts over time. Finally, cumulative results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

1. Annual Net Fiscal Impacts

Figure 2 below shows the annual net fiscal impacts to the Consolidated Government for each scenario over the 20-year development period. By showing the results annually, the magnitude, rate of change, and timeline of deficits and surpluses can be observed over time. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.* Data points above the \$0 line represent annual surpluses; points below the \$0 line represent annual deficits. The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred.

As shown in Figure 2, the two scenarios produce significant annual net deficits in the early period of the analysis time frame. As capital and operating expenditures stabilize, the Consolidated Government begins to generate annual net surpluses.

Figure 2. Annual Net Fiscal Impacts

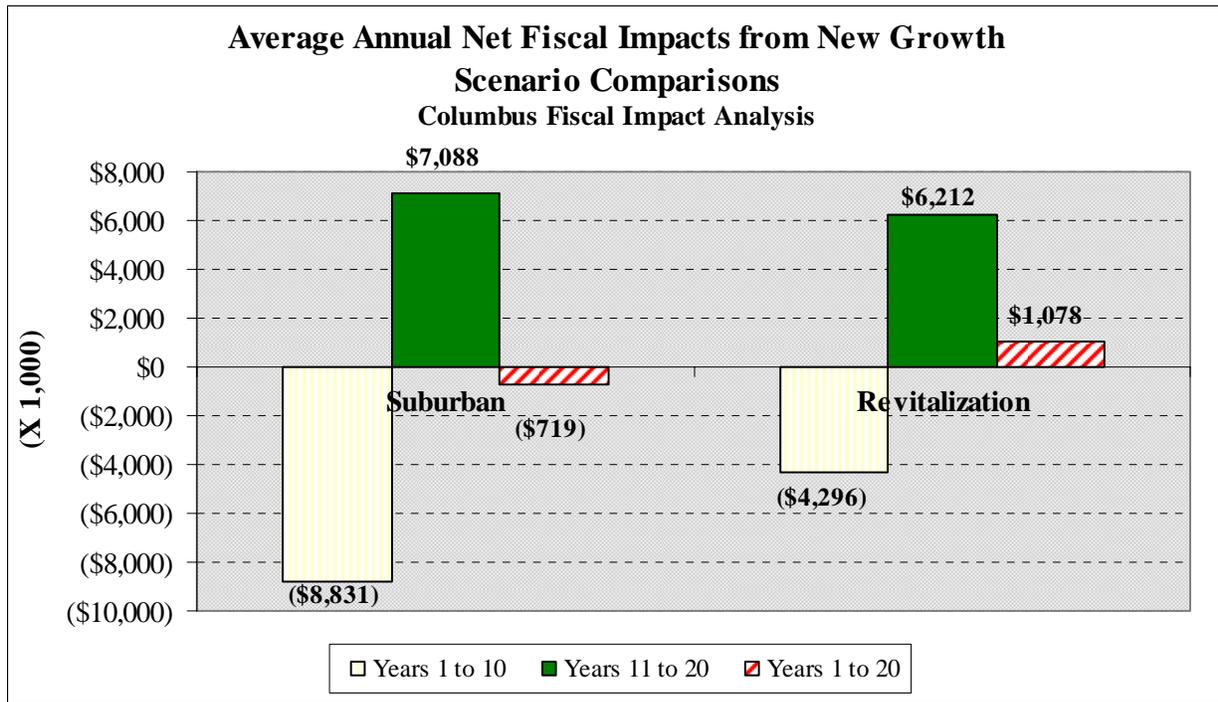


2. Average Annual Net Fiscal Impacts

The chart below shows the average annual net fiscal impact (revenues minus expenditures) over the 20-year development period for both scenarios. The fiscal results are shown for three time periods: 1) Years 1-10, 2) Years 11-20, and 3) Years 1-20 and include both operating and capital impacts. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.*

As Figure 3 below indicates, both the Suburban and Revitalization scenarios produce net *deficits* during the Years 1-10 period. Deficits are more significant in the Suburban scenario during this time period as expenditures exceed those in the Revitalization scenario, particularly for road construction. In Years 11-20, both scenarios produce annual net *surpluses*. The Suburban scenario produces the highest average annual surpluses during the Year 11-20 period. This is due to the combination of two factors. First, capital costs are less significant in the study’s later years than the Year 1-10 timeframe. Second, revenue projections during this time frame benefit from accumulated annual revenue from property on the tax rolls. Over the Year 1-20 time frame, the Redevelopment scenario produces an average annual net surplus of \$1.07 million. This is primarily due to reduced capital costs over the Suburban scenario as Columbus can rely on its existing infrastructure in its urban areas, particularly roads and parks. The Suburban scenario produces an average annual net deficit of \$719,000.

Figure 3. Average Annual Net Fiscal Impacts

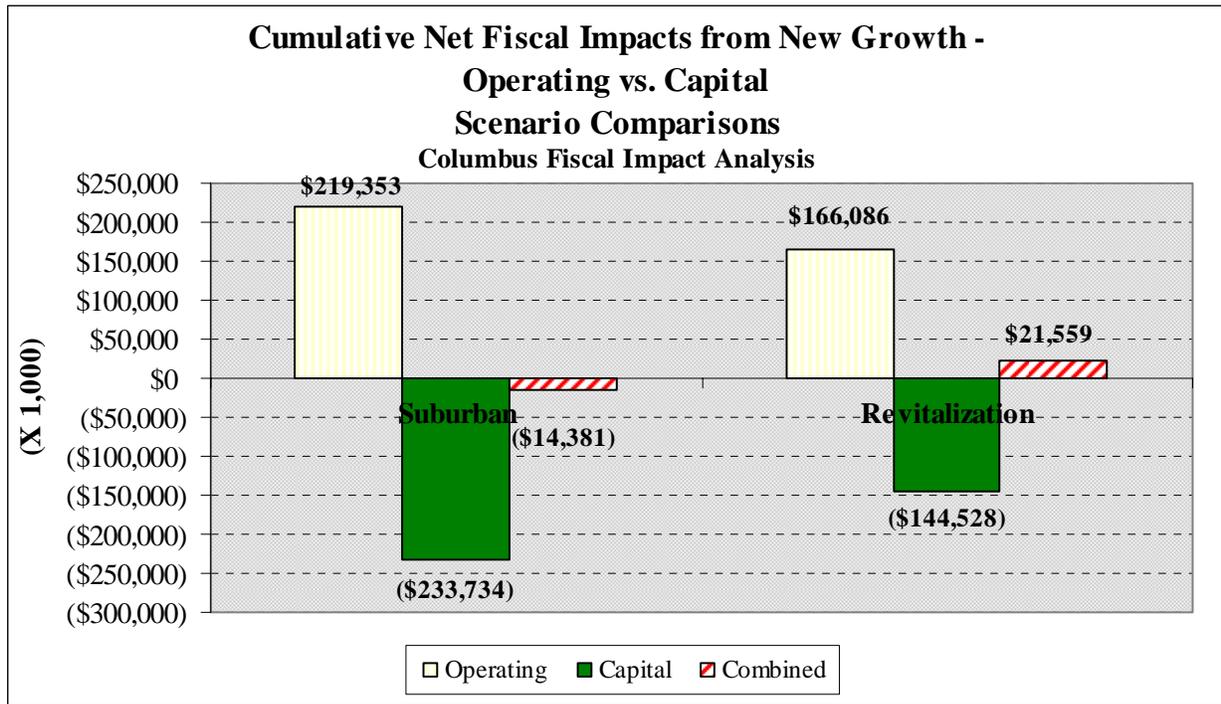


3. Cumulative Net Fiscal Impacts

Figure 4 below shows the cumulative net fiscal impacts to Columbus for the operating budget, capital budget as well as the combined net impact. The cumulative impact is the total fiscal impact – total revenues minus total expenditures – over the 20-year analysis period. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.*

The Revitalization scenario produces positive results, with a cumulative net combined *surplus* of \$21.5 million over the study period. This compares with a cumulative net combined *deficit* of \$14.3 million in the Suburban scenario. While each scenario generates cumulative net surpluses to the Operating Budget, both generate deficits for the Capital Budget over the study period.

Figure 4. Cumulative Net Fiscal Impacts – Operating vs. Capital



D. Discussion of the Results

The Revitalization scenario produces positive fiscal results over the 20-year analysis period, with a cumulative *surplus* over the study period. The Suburban scenario produces a cumulative *deficit* over the analysis timeframe. In summary:

- The analysis reflects the cash flow to the Consolidated Government. Depicting cash flow captures the actual cost to Columbus during the projection period, which includes the assumption that capital costs are pay-as-you-go. The cash flow analysis allows policymakers and staff to further discuss financing options and tradeoffs regarding pay-as-you-go versus debt financing as it relates to operating and capital needs.
- In the two growth scenarios considered in the fiscal impact analysis, Suburban and Revitalization, the total amount of development is the same in each scenario. Differences are driven by the geographic distribution of growth. For example, in the Suburban scenario, the Panhandle planning area is expected to increase in population by 13,496 persons. In the Revitalization scenario, the population is more focused on urban areas, with the Panhandle expecting a population increase of only 3,101 persons. Employment is allocated on a similar basis, with jobs in the Suburban scenario following population (with housing units allocated based on available

acreage). In the Revitalization scenario, jobs are concentrated near existing centers of employment.

- The Revitalization scenario produced the best results with a cumulative net surplus of \$21.5 million, or average annual net surpluses of \$1.07 million. Revenues in the scenarios are driven largely by property tax and sales/use tax, each accounting for 44% and 18% of the revenues, respectively. The analysis assumes that future appraised values by planning area are consistent with recent construction. The analysis also assumes that the millage rate by Urban Service District will be a uniform rate for all of Columbus beginning in 2018. Capital expenditures are significantly lower in the Revitalization scenario as the Consolidated Government is not expected to add additional lane miles to its road network or acquire additional parkland in its urban areas due to existing infrastructure there.
- The Suburban scenario produces a cumulative net deficit of \$14.3 million, or average annual net deficits of \$719,000. This is primarily due to increased capital costs as development is focused in greenfield areas that require more significant infrastructure investments, particularly roads and parks. In addition, development in this scenario is focused in Urban Service District 2, which impacts revenue projections for development through 2017. The millage rate in this District is less than District 1 (which covers the more urban areas of the Consolidated Government).
- Cumulative operating and capital revenue in the Suburban scenario exceeds the Revitalization scenario by \$63.8 million, or \$3 million annually. This is primarily explained by higher appraised values in the less developed areas of Columbus. For example, based on recent construction, the average appraised value for a single family home is \$307,028 in the NW Columbus planning area. This compares with \$128,294 in Midtown/Uptown. Property tax revenues are calculated based on assessed valuation (40% of appraised).
- The Consolidated Government experiences annual net deficits during the Year 1-10 time frame in both scenarios, primarily due to growth-related capital expenditures required during this period. This is explained in large part due to the timing of the expected growth. The majority (55%) of new population is expected to arrive in Columbus through 2015. To serve this new demand, the Consolidated Government will need to build additional capital facilities with the focus of construction being during this time frame. Examples include the construction of two new fire stations and expansion of a 3rd station in the Suburban Scenario in 2010. In addition to these capital projects, in the Revitalization Scenario, the Fire /EMS Department anticipates the need for an expanded Station #2. In either scenario, general government facilities will require an additional 51,000 square feet through 2018, representing 77% of the

facility floor area needed through the study period. Other large capital costs during this time period include parks and public safety facilities. After these expenditures flatten out, the Consolidated Government begins to generate annual net surpluses through 2028. Only the Redevelopment scenario produces a cumulative net surplus over the analysis timeframe.

- Road capacity projects represent the largest capital expense over the 20-year development period for both scenarios. Future road construction costs are projected based on the Consolidated Government’s existing inventory of major roads by planning area. Additional arterial and collector lane miles are constructed by the model based on the average trip length in each planning area. As Columbus’ road network is largely built-out in its core areas, new lane miles are added in the less developed areas of the Consolidated Government. This results in total road construction costs, excluding right of way acquisition, of \$198.2 million in the Suburban scenario and \$106.5 million in the Redevelopment scenario.
- The next largest capital expenditure is for parks and recreation. As with roads, future growth-related parkland needs are projected by planning area. As capacity improvements in the urban areas of Columbus are anticipated to include upgrades and additional amenities for existing parks, parkland acquisition is anticipated only in Columbus’ less developed planning areas. Improvements to parks, including new square footage for recreational facilities, new amenities and additional vehicles, are calculated on a countywide basis. Parks and recreation capital costs total \$26.8 million in the Suburban scenario and \$20.2 million in the Redevelopment scenario.
- Public Safety (Fire/EMS, Police and Sheriff) represent the largest growth-related operating expense for Columbus, totaling \$99.9 million in cumulative expenditures over the analysis timeframe in the Suburban scenario. Following Public Safety, other operating expenditure categories significantly impacted by growth include General Government Administration, Parks and Recreation, Courts and the Paving Fund.
- Cumulative growth-related Paving Fund operating costs in the Redevelopment scenario are \$10.2 million compared with \$14.7 million in the Suburban scenario. The savings are driven by road capital projections showing that the Consolidated Government will need to construct less lane miles in the Redevelopment Scenario (93 lane miles) than in the Suburban scenario (177 lane miles). The capital projections show more lane miles in the Suburban scenario due to the length of trips in less developed areas of the Consolidated Government. In addition, the more developed areas of the Government are able to rely upon the existing road network. In contrast to road maintenance operating costs, growth-related METRA transit costs are

expected to be higher in the Revitalization scenario (\$5.6 million in the Revitalization scenario versus \$2.2 million in the Suburban scenario) as METRA serves the more developed areas of the Consolidated Government.

- The Government's Operating Budget is impacted significantly by the work of inmate labor to provide public services such as park and stormwater maintenance, custodial and other services. In FY08, 366 inmate labor positions provided support to the General Fund, Paving Fund and Sewer Fund operating budgets. This analysis assumes that the Consolidated Government will add additional prisoners commensurate with growth.
- It is important to note that this analysis is based on maintaining existing levels of service as defined by the FY2008 Budget and does not measure the cost of correcting what some may define as deficiencies in current service levels. The cost of correcting any perceived service level deficiencies would impact the fiscal results provided in this analysis.

E. Analysis Highlights

The following major conclusions can be drawn from this analysis:

- The analysis shows that growth pays for itself in the Redevelopment scenario. The findings show that Columbus is in a position to provide current levels of service to new development in the Redevelopment scenario under the current revenue structure. The average annual net deficits generated in the Suburban scenario indicate that the Consolidated Government's existing revenue structure cannot fully provide current levels of service to new growth if current development patterns continue without finding new revenue sources.
- It is important to note that the net surplus generated by new growth in the Redevelopment scenario leaves little room for level of service increases. Relatively minor increases in certain levels of service will certainly reduce any net surpluses generated by new growth. Additionally, given that Columbus faces obstacles in meeting the current demand for infrastructure replacement and maintenance, there will be even more pressure on the Capital Budget as infrastructure continues to age.
- Unlike the fiscal findings from most communities, new growth generates net surpluses to the Operating Budget in Columbus. This is due in large part to the relative diversity in growth-related revenue that accrues to the General Fund. In addition to property tax, the Consolidated Government also receives sales tax revenue from new development.

- It is important to note that to the extent that the Consolidated Government invests in infrastructure improvements or provides tax incentives to encourage redevelopment, net surpluses generated in the Redevelopment scenario will be reduced. However, some of this reduction in General Fund revenue can be offset by revenue generated by the adoption of additional capital revenues such as development impact fees.
- Both scenarios resulted in deficits for the Consolidated Government’s Capital Budget. The funding “gap” in the Capital Budget, or the difference between the costs incurred versus revenue that is generated is estimated at \$233.9 million in the Suburban scenario and \$144.6 million in the Redevelopment scenario through 2028.
- Given the growth-related capital deficits projected in this analysis, the Consolidated Government may want to consider implementing development impact fees in order to recoup the full cost of new growth-related infrastructure. A mechanism to provide dedicated revenues to the capital budget for growth-related costs will free up property tax revenues for improvements serving existing development such as rehabilitation, repair and maintenance. This is particularly important given that currently the Consolidated Government struggles to replace aging capital equipment and infrastructure.
- From a land use policy perspective, it is important to acknowledge that fiscal issues are only one concern. Environmental, housing affordability, jobs/housing balance, traffic and other land use issues must also be taken into consideration when making final assessments on what is best for the Consolidated Government.

F. Summary

This Fiscal Impact Analysis of Comprehensive Plan Growth Scenarios report finds that the Redevelopment growth scenario results in cost savings to the Columbus Consolidated Government of \$99.8 million over the 20-year analysis period. These savings are primarily found in the Capital Budget, as the Consolidated Government is able to forgo costs in developed areas due to existing infrastructure in these areas. For example, while new amenities will be added to parks in developed areas, additional parkland does not need to be acquired. These capital savings also extend to water and sewer infrastructure, though these Enterprise Fund activities are not considered in this analysis of tax-supported funds.

The study did not find significant differences in operating cost projections between the two scenarios. There are some limited reductions to operating budgets in the Redevelopment scenario, including Engineering and the Paving Fund (as a result of reduced lane miles), park maintenance (lower acreage needs) and the Sewer Fund (less need for new stormwater facilities). Most other operating activities are comparable in each scenario.

Unlike the fiscal findings from most communities, the Consolidated Government anticipates comparable public safety operating costs regardless of growth's geographic distribution. In fact, Fire/EMS costs are higher in the Redevelopment area as the Department anticipates the need for an expanded facility to serve an increasingly dense area. It has been argued that for redeveloping areas, public safety costs should not increase proportionately because blighted property is removed which lessens the burden on police and fire/EMS services. Keeping track of public safety calls before and after neighborhoods develop would provide valuable insight into this assertion and help support the argument for redevelopment.

If the Consolidated Government chooses to implement Tax Allocation Districts, the incremental increase in revenue can then be used to pay back the associated costs of redevelopment. The benefit is that as new projects are built, blight is removed, infrastructure is improved, and economic and housing development occurs. It should also be noted that the Redevelopment scenario's revenue projections are constrained as property tax values reflect recent construction activity. To the extent that property tax values raise as a result of redevelopment initiatives, revenue projections in the Redevelopment scenario will be impacted positively.

G. Next Steps

Based on the results discussed in this report, TischlerBise will now proceed with preparing a *Revenue Strategies* report. This report evaluates potential revenue sources and financing mechanisms the Consolidated Government may want to consider in order to enhance its present revenue structure, such as Tax Allocation Districts. Specifically, this report provides a framework of financing options which can be systematically evaluated using a variety of considerations including financial factors, fair cost sharing between public and private sectors, and marketplace considerations.

In addition, the *Revenue Strategies* report will address specific issues discussed with staff. This includes an examination of debt financing for capital improvements versus pay-as-you-go. The report will also consider the impact of higher property values in redeveloping planning areas. A "snapshot" approach is used in this report, with property values by planning area based on recent construction by development type.



II. MAJOR ASSUMPTIONS

A fiscal impact analysis determines whether revenues generated by new growth are sufficient to cover the resulting costs for service and facility demands placed on the Consolidated Government. The fiscal impact analysis conducted by TischlerBise incorporates the case study-marginal cost approach wherever possible. The case study-marginal methodology is the most realistic method for evaluating fiscal impacts. This methodology takes site or geographic-specific information into consideration. Therefore, any unique demographic or locational characteristics of new development are accounted for, as well as the extent to which a particular infrastructure or service operates under, over or close to capacity. Therefore, available facility capacity determines the need for additional capital facilities and associated operating costs. Many of the administrative/general government costs that are impacted by general growth in Columbus, regardless of location, are projected using a marginal/average cost hybrid methodology that attempts to determine capacity and thresholds for staffing but projects non-salary operating costs using an average cost approach.

The following major assumptions regarding the fiscal impact methodology should be noted.

Marginal, Growth-Related Costs and Revenues: For this analysis, costs and revenues that are directly attributable to new development are included. Some costs and revenues are not expected to be impacted by demographic changes, and are considered as fixed costs and revenues in this analysis. To determine fixed costs and revenues, TischlerBise reviewed the FY2008 budget and all available supporting documentation. Funds evaluated as part of this analysis include the Consolidated Government's tax-supported funds. Based on this review, preliminary assumptions were developed that were reviewed and discussed with appropriate department representatives. In some cases, a determination was made based on TischlerBise's extensive national experience conducting public sector fiscal impact analyses.

Level of Service: The cost projections are based on the "snapshot approach" in which it is assumed the current level of service, as funded in the Consolidated Government's adopted FY2008 budget, will continue through the 20-year analysis period. Current demand base data was used to calculate unit costs and service level thresholds. Examples of demand base data include population, dwelling units, employment by type, vehicle trips, etc. In summary, the "snapshot" approach does not attempt to speculate about how levels of service, costs, revenues and other factors will change over 20 years. Instead, it evaluates the fiscal impact to the Consolidated Government as it currently conducts business under the present budget.

Revenue Structure and Tax Rates: Revenues are projected assuming that the current revenue structure and tax rates, as defined by the FY2008 budget, will not change during the analysis period.

Inflation Rate: The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2008 dollars. This assumption is in accord with current budget data and avoids the difficulty of speculating on inflation rates and their effect on cost and revenue categories. It also avoids the problem of interpreting results expressed in inflated dollars over an extended period of time.

Non-Fiscal Evaluations: It should be noted that while a fiscal impact analysis is an important consideration in planning decisions, it is only one of several issues that should be considered. Environmental, social and public safety issues, for example, should also be considered when making planning and policy decisions.



III. SCENARIOS

A. Background

As documented in the *Technical Addendum to the Community Assessment for the 2028 Comprehensive Plan*, Columbus is expected to experience significant growth in the years ahead. While population has been relatively stable over the last twenty years, that is expected to change dramatically. Columbus State University’s Turner College of Business anticipates population and employment increases of 15% by 2028. According to CSU projections, by 2028 Columbus will have 219,100 residents and 145,700 jobs, compared with estimates of 189,900 persons and 126,600 jobs in 2008 (*Technical Addendum Scenario 2*).

Projected increases are due largely to growth at Ft. Benning as a result of the Base Realignment and Closure (BRAC) actions combined with force restructuring by the Army. In addition, Columbus will receive additional growth as a result of the AFLAC expansion and the new KIA plant. New residents and employees will place significant demands on the Columbus Consolidated Government to provide additional facilities and services. To better understand the fiscal impact of new growth on the Consolidated Government’s operating and capital budgets, TischlerBise examined two growth alternatives based on the Scenario 2 projections presented in the *Technical Addendum*.

B. Growth Scenarios

The *Technical Addendum’s Scenario 2* projections assume that the existing pattern of growth, which is focused largely on more recently developed areas of Columbus, will continue. In this fiscal analysis, this is referred to as the *Suburban Growth Scenario*. TischlerBise also considered an alternate scenario, a *Revitalization Growth Scenario*, that focuses growth in Columbus’ urban core. Projections are allocated to Comprehensive Plan planning areas which are: NW Columbus, Panhandle, South Columbus, Midtown/Uptown, SE Columbus and Bibb City. The planning area map is included from the *Technical Addendum’s “Atlas of Supporting Maps”* as an Appendix to this report (see Appendix 1). The following presents the population, housing and employment projections for each scenario by planning area, along with a discussion of the assumptions.

1. Population Projections

Figure 5 presents the population projections in the Suburban growth scenario from Figure 2-6 of the *Technical Addendum*, less the population located at Ft. Benning. Growth was allocated by JYG to planning areas proportionate to vacant land in each planning area. Growth in this scenario is focused primarily in the Panhandle and NW Columbus, followed by SE Columbus.

Figure 5. Population Projection by Planning Area – Suburban Scenario

Planning Area	2008	2010	2015	2020	2025	2028	Increase	Percent
A - NW Columbus	35,790	37,503	41,940	43,185	45,365	46,921	11,131	39%
B - Panhandle	21,071	23,147	28,526	30,036	32,679	34,566	13,496	47%
C - S. Columbus	19,785	19,865	20,075	20,134	20,237	20,310	526	2%
D - Midtown/ Uptown	31,028	31,055	31,124	31,144	31,178	31,203	175	1%
E - SE Columbus	59,510	59,998	61,261	61,616	62,237	62,680	3,170	11%
F - Bibb City	11,717	11,732	11,773	11,785	11,805	11,819	103	0.4%
Total	178,900	183,300	194,700	197,900	203,500	207,500	28,600	100%
Period Growth	4,600	4,400	11,400	3,200	5,600	4,000		

Source: Period growth from *Technical Addendum to the Community Assessment for the 2028 Comprehensive Plan*, Columbus Consolidated Government, November 2007, Figure 2-6, Scenario 2. Period growth projections prepared by Columbus State University, Turner College of Business. Population allocated to planning areas by JJG based on developable vacant acreage.

In the Revitalization scenario, JJG allocated population proportionate to the existing population. This is shown in Figure 6 below. The most significant amount of growth is found in SE Columbus, followed by NW Columbus and Midtown/Uptown.

Figure 6. Population Projection by Planning Area – Revitalization Scenario

Planning Area	2008	2010	2015	2020	2025	2028	Increase	Percent
A- NW Columbus	34,897	35,756	37,979	38,604	39,696	40,476	5,579	20%
B- Panhandle	19,399	19,876	21,112	21,459	22,066	22,500	3,101	11%
C- S. Columbus	20,220	20,717	22,006	22,367	23,000	23,452	3,232	11%
D - Midtown/ Uptown	31,818	32,601	34,628	35,197	36,193	36,905	5,087	18%
E - SE Columbus	60,557	62,046	65,905	66,989	68,884	70,238	9,681	34%
F - Bibb City	12,009	12,304	13,069	13,284	13,660	13,929	1,920	7%
Total	178,900	183,300	194,700	197,900	203,500	207,500	28,600	100%
Period Growth	4,600	4,400	11,400	3,200	5,600	4,000		

Source: JJG.

2. Housing Projections

Given the population projections presented above and assumptions regarding reducing household size over time, the *Technical Addendum* anticipates a need for 16,993 new housing units in Columbus through 2028. This assumes a vacancy rate of 7.6%, the average for 1980, 1990 and 2000.

Consistent with the population projections shown in the Suburban growth scenario (Figure 5), JJG allocated housing units to planning areas based on available vacant acreage in each planning area. Allocation by housing type is based on the 2000 Census housing breakdown by single family, multi-family and other housing by planning area. This is shown in Figure 7.

Figure 7. Housing Projection by Planning Area – Suburban Scenario

Planning Area	2007 Vacant/ Undev. Land in Acres*	% Vacant of Total	New Housing Units (2008- 2028)	SF Units**	MF Units**	Other Units**
A- NW Columbus	12,686	38.9%	6,590	5,536	1,054	0
B- Panhandle	15,381	47.2%	7,990	7,490	404	96
C- S. Columbus	599	1.8%	311	177	104	30
D - Midtown/Uptown	199	0.6%	103	56	48	0
E - SE Columbus	3,613	11.1%	1,877	1,620	257	0
F - Bibb City	117	0.4%	61	52	9	0
TOTAL	32,595	100.0%	16,933	14,930	1,876	127

*Excludes agricultural land.

**Housing units allocated to planning area by housing type based on breakdown by type for median census tract in each planning area from the 2000 Census.

In the Revitalization growth scenario, housing units are allocated in proportion to existing population. This is shown in Figure 8.

Figure 8. Housing Projection by Planning Area – Revitalization Scenario

Planning Area	2008 Est. Occ. Housing Units*	% Housing Units of Total	New Housing Units (2008- 2028)	SF Units**	MF Units**	Other Units**
A- NW Columbus	15,391	19.8%	3,351	2,815	536	0
B- Panhandle	8,826	11.3%	1,921	1,801	97	23
C- S. Columbus	8,870	11.4%	1,931	1,096	646	189
D - Midtown	13,783	17.7%	3,000	1,617	1,383	0
E - SE Columbus	25,739	33.1%	5,603	4,837	767	0
F - Bibb City	5,174	6.7%	1,126	957	169	0
Total	77,783	100.0%	16,933	13,122	3,599	212

*Estimated housing units based on 2008 population estimate assuming 2.3 persons per housing unit per 2000 Census.

**Housing units allocated to planning area by housing type based on breakdown by type for median census tract in each planning area from the 2000 Census.

E. Employment Projections

As noted in the *Technical Addendum*, expansions at Ft. Benning are expected to bring significant increases to the region’s military, federal civilian and government contractor sector. Future employment projections are also impacted by expansions at AFLAC and employees anticipated to commute to the KIA plant. Through 2028, Columbus is expected to gain 18,900 additional jobs, including induced employment. This is shown in Figure 9 below.

Figure 9. Projected Columbus Jobs – Technical Addendum, 2008-2028

Employment Demand Base	2008	2010	2015	2020	2025	2028	Increase
1. Columbus Employment (000s) *	126,800	134,300	145,200	143,900	144,800	145,700	18,900

*Source: Technical Addendum. Columbus State University, Turner College of Business, November 2007. Assumes all Ft. Benning & AFLAC jobs located in Columbus.

Employment growth by sector from the *Technical Addendum* is shown in Figure 10 below.

Figure 10. Employment Projections by Sector, 2008-2028 (000s)

Sectors	2008	2028
Construction	6.3	6.6
Manufacturing	10.5	10.7
Wholesale Trade	2.8	2.9
Retail	13.3	13.7
Transport/Utilities	1.9	1.9
Information	6.8	7.8
Finance & Insurance	9.7	11.7
Real Estate	4	4.6
Professional Services	5.8	6.6
Company Management	1.7	1.7
Administrative Services	7.6	8.8
Education Services	0.6	0.7
Healthcare	14	14.8
Arts & Entertainment	1.3	1.5
Food & Hospitality	11.2	13.4
Other Services	6.2	7.2
Military/FedCiv/New Contractors	10,100	17,500
State & Local Government	13	13.7
Total	126.8	145.7

Source: Technical Addendum. Columbus State University, Turner College of Business, November 2007.

The *Technical Addendum* indicates that new jobs in the military, federal civilian and contractor sector are all assumed to be located in Columbus. The Addendum notes that in fact they may not all be reported in Columbus because Ft. Benning is located in two counties. For the purposes of the fiscal impact analysis, an estimate was made of job growth that would locate in Columbus. In most cases, demand for additional facilities is calculated based on employment located in Columbus excluding Ft. Benning. For select services/capital facilities, employment at Ft. Benning is considered.

Figure 11 below presents three employment demand bases. The first is from the *Technical Addendum* and is shown above in Figure 9. In the second, the projections are modified to reflect 39% of growth in the military, federal civilian and new contractors locating in Columbus

proper. This is based on the Columbus’ existing share of employment in the military and federal civilian sector within the metro area based on 2005 Bureau of Economic Analysis data. For the purposes of this analysis, it assumed that this ratio will remain the same in the future. The third demand base presents the remainder of the military and federal civilian sector growth, assuming 61% of growth in the sector will be located on the base.

Figure 11. Columbus and Ft. Benning Job Projection Allocation, 2008-2028

Employment Demand Base	2005	2008	2010	2015	2020	2025	2028	Increase
1. Columbus Employment (000s) *	121,722	126,800	134,300	145,200	143,900	144,800	145,700	18,900
2. Columbus Employment with 39% of Military/FedCiv/New Contractors **	121,722	126,800	133,850	143,625	141,199	140,974	141,199	14,399
3. Fort Benning Employment ***	14,634	15,245	15,695	16,820	17,945	19,070	19,746	4,501

* Source: Technical Addendum. Columbus State University, Turner College of Business, November 2007. Assumes all Ft. Benning & AFLAC jobs located in Columbus.

** Allocates 39% of projected future military and federal employment based on existing ratio between Columbus and Metro area employment.

*** Source: 2005 estimate from BEA data for military and federal civilian employment in Chattahoochee County. 2008 employment estimated based on ratio of total Columbus 2005 employment to 2008 employment. From 2010 on, allocated 61% of projected future military and federal employment to Fort Benning based on existing ratio between Columbus and Metro area employment, assuming balance of non-Columbus growth in Metro area is located at Fort Benning.

Employment projections by planning area were not provided in the *Technical Addendum*. In lieu of that, the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics (LEHD) file was used to determine employment by Census tract. The most recent data available is for 2004. This is a different data source than that used in the *Technical Addendum*. It is used in order to obtain a geographic distribution of employment by planning area. LEHD employment data by census tract was compiled by JJG into planning areas. The share of employment by planning area was then applied to the 2008 total Columbus employment of 126,800.

For the Suburban growth scenario, JJG allocated future employment growth to planning areas based on the population growth in each planning area. This is shown in Figure 12 below.

Figure 12. Employment Projection by Planning Area – Suburban Scenario

Planning Areas	2008	2010	2015	2020	2025	2028	Increase	Percent
A - NW Columbus	24,911	26,075	28,180	27,651	27,601	27,652	2,741	19%
B - Panhandle	4,936	5,655	7,087	6,719	6,683	6,720	1,784	12%
C - S. Columbus	6,624	7,241	8,249	8,002	7,980	8,002	1,377	10%
D - Midtown/ Uptown	51,374	52,338	53,900	53,519	53,484	53,518	2,144	15%
E - SE Columbus	25,224	28,447	31,522	30,767	30,698	30,766	5,542	38%
F - Bibb City	13,731	14,095	14,686	14,542	14,529	14,541	811	6%
Total	126,800	133,850	143,625	141,199	140,974	141,199	14,399	100%

Note: Employment allocated to planning areas proportionate to projected population growth in each planning area.

For the Revitalization growth scenario, JYG allocated future employment growth to planning areas based on existing employment in each planning area. This is shown in Figure 13 below.

Figure 13. Employment Projection by Planning Area – Revitalization Scenario

Planning Areas	2008	2010	2015	2020	2025	2028	Increase	Percent
A - NW Columbus	24,892	26,009	27,908	27,437	27,393	27,437	2,545	18%
B - Panhandle	4,519	4,722	5,067	4,981	4,973	4,981	462	3%
C - S. Columbus	6,316	6,599	7,081	6,961	6,950	6,961	646	4%
D - Midtown/ Uptown	52,600	54,960	58,973	57,978	57,885	57,977	5,378	37%
E - SE Columbus	24,517	26,977	28,947	28,458	28,413	28,458	3,941	27%
F - Bibb City	13,957	14,584	15,649	15,384	15,360	15,384	1,427	10%
Total	126,800	133,850	143,625	141,199	140,974	141,199	14,399	100%

Note: Employment allocated to planning areas proportionate to share of jobs in each planning area for previous time period.

4. Growth Projection Summary

This analysis considers the fiscal impact to the Columbus Consolidated Government of two growth scenarios. The Suburban growth scenario assumes that the existing pattern of growth continues, which is focused largely on more recently developed areas of Columbus. The Revitalization growth scenario focuses growth in Columbus’ urban core. The population, housing units, and employment projections for each scenario presented in the previous sections are summarized in Figure 14 by planning area. Nonresidential square footage projections are based on Institute of Transportation Engineers (ITE) square feet per employee factors applied to the employment projections presented in Figures 12 and 13. ITE factors are discussed in the Demographic and Data Assumptions section of this report.

Figure 14. Columbus Fiscal Impact Analysis Growth Scenarios

Scenario Net Increases through 2028							
	NW Columbus	Panhandle	South Columbus	Midtown/ Uptown	SE Columbus	Bibb City	TOTAL
SCENARIO: SUBURBAN							
Population	11,131	13,495	525	175	3,170	102	28,598
Housing Units	6,590	7,990	311	103	1,877	61	16,933
Jobs	2,741	1,784	1,378	2,144	5,542	810	14,399
Nonresidential SF x 1,000	803	515	392	601	1,540	242	4,093
SCENARIO: REVITALIZATION							
Population	5,579	3,101	3,232	5,087	9,681	1,920	28,600
Housing Units	3,351	1,921	1,931	3,000	5,603	1,126	16,933
Jobs	2,545	462	645	5,377	3,941	1,427	14,397
Nonresidential SF x 1,000	746	133	183	1,507	1,095	427	4,091



VI. FISCAL IMPACT RESULTS

The following sections provide further discussion on the fiscal impact analysis results and revenue and cost details for the growth scenarios evaluated for the Columbus Consolidated Government.

Fiscal impact results are shown in a number of different ways. First, *annual* net results are discussed and show the fiscal impacts from one year to the next. *Average annual* results are then shown over different time intervals to provide an easy way to compare the two scenarios and summarize the general fiscal impacts over time. Finally, *cumulative* results are shown reflecting total revenues, expenditures, and net fiscal results over the 20-year development timeframe.

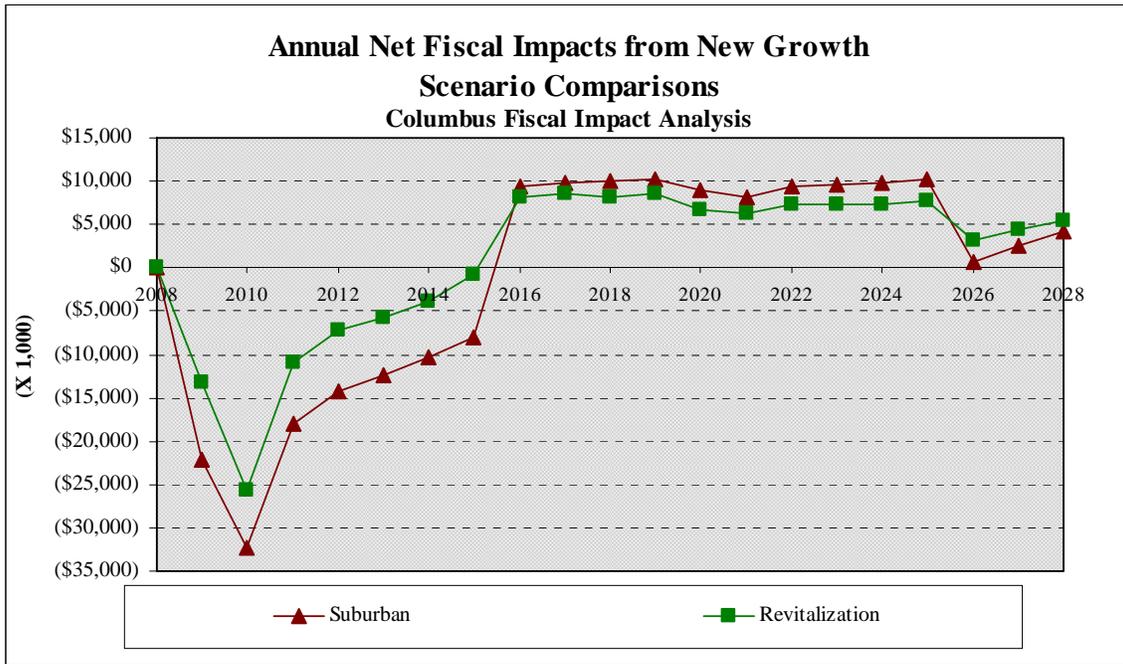
A. Annual Results

Figure 15 shows the annual (year to year) net results to the Consolidated Government for each scenario over the study time horizon. Each year reflects total revenues generated minus total expenditures incurred in the same year. Both capital and operating costs are included. By showing the results annually, the magnitude, rate of change, and timeline of deficits and revenues can be observed over time. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.*

The “bumpy” nature of the annual results during particular years represents the opening of capital facilities and/or major operating costs being incurred. Data points above the \$0 line represent annual surpluses; points below the \$0 line represent annual deficits. Each year’s surplus or deficit is not carried forward into the next year. This enables a comparison from year-to-year of the net results without distorting the revenue or cost side of the equation. In reality, those surpluses would be carried forward or deficits would be funded through other means such as debt financing for capital improvements where there is a shortfall.

As shown in Figure 15, the two scenarios produce significant annual net deficits in the early period of the analysis time frame. This is explained in large part due to the timing of the expected growth. The majority (55%) of new population is expected to arrive in Columbus through 2015. To serve this new demand, the Consolidated Government will need to build additional capital facilities with the focus of construction being during this time frame. After these expenditures flatten out, the Consolidated Government begins to generate annual net surpluses through 2028.

Figure 15: Annual Net Fiscal Impacts



B. Average Annual Results

The chart below shows the average annual net fiscal impact (revenues minus expenditures) over the 20-year development period for each scenario. The fiscal results are shown for three time periods: 1) Years 1-10, 2) Years 11-20, and 3) Years 1-20 and include both operating and capital impacts. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.*

As Figure 16 below indicates, both the Suburban and Revitalization scenarios produce net deficits during the Years 1-10 period. Deficits are more significant in the Suburban scenario during this time period as expenditures exceed those in the Revitalization scenario, particularly road construction. In the Suburban scenario, where growth is expected in Columbus’ less developed areas, road construction will total \$137.5 million through 2018. Road construction over the same period in the Revitalization scenario totals \$74.7 million. In the Revitalization scenario, road construction costs are reduced as development will be largely infill in urban areas with an already established road network. Other significant capital expenditures during this time include fire stations, new and expanded parks and expansions to general government facilities.

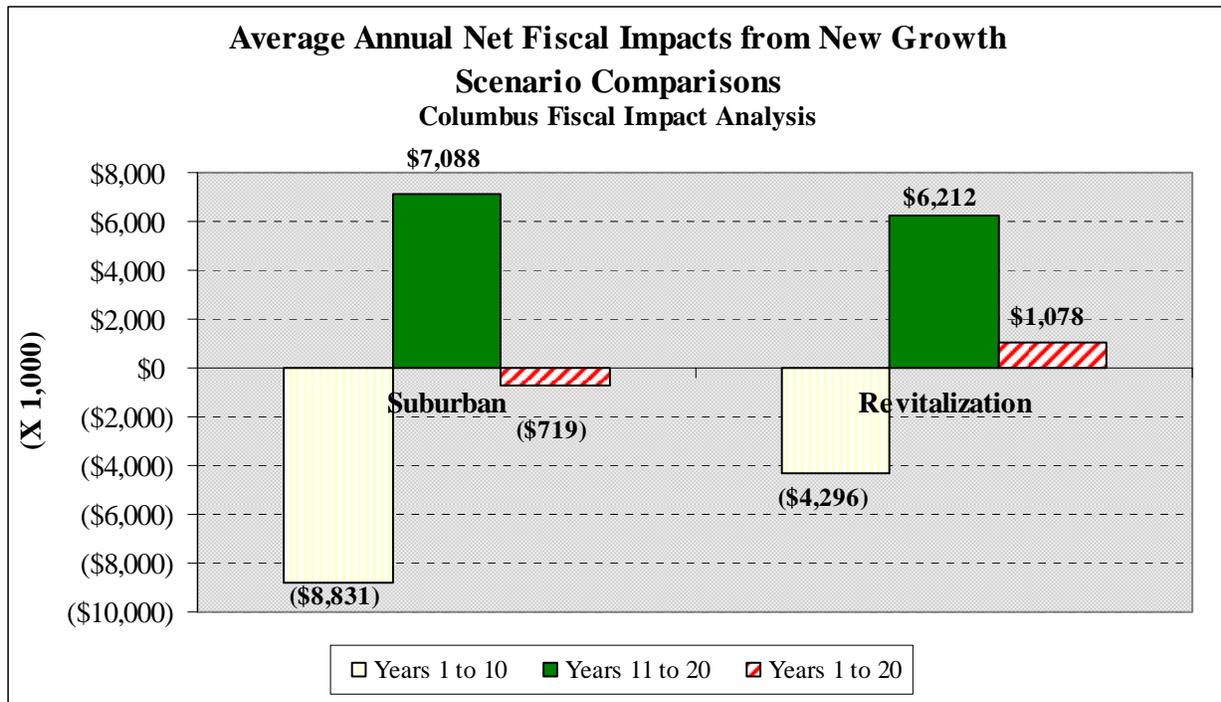
At the same time, revenue projections during this time period are impacted by the property tax millage rate differential by urban service district. For example, Urban Service District 2 covers a significant portion of NW Columbus along with the Panhandle, the focus of growth in the

Suburban growth scenario. The millage rate for District 2 is lower than that of District 1. Per the FY2008 budget, the total Columbus tax rate is \$13.05 per \$1,000 of assessed valuation in Urban District 2. In the Urban District 1, which is focused in the more urban areas of Columbus, the tax rate is \$17.91 per \$1,000. Of this, \$.91 per \$1,000 is dedicated to the Paving Fund, while \$3.36 per \$1,000 of assessed valuation is allocated to the Paving Fund from properties located in Urban District 1. Based on discussion with staff, we assume that a unified millage rate is put in place in 2018.

In Years 11-20, both scenarios produce annual net surpluses. With the millage rate unification anticipated in the model for 2018, the Suburban scenario produces the highest average annual surpluses during the period due to accumulated annual revenue from property on the tax rolls. In addition, property values are generally higher in the Suburban scenario. In addition, capital costs are less significant in the study’s later years than the Year 1-10 timeframe. For example, no fire stations are constructed during this period as the Consolidated Government’s planned fire station expansions (constructed early in the analysis timeframe) are expected to serve Columbus through 2028.

Over the Year 1-20 time frame, the Redevelopment scenario produces an average annual net surplus of \$1.07 million. This is primarily due to reduced capital costs over the Suburban scenario as Columbus can rely on its existing infrastructure in its urban areas, particularly roads and parks. The Suburban scenario produces an average annual net deficit of \$719,000.

Figure 16: Average Annual Net Fiscal Impacts

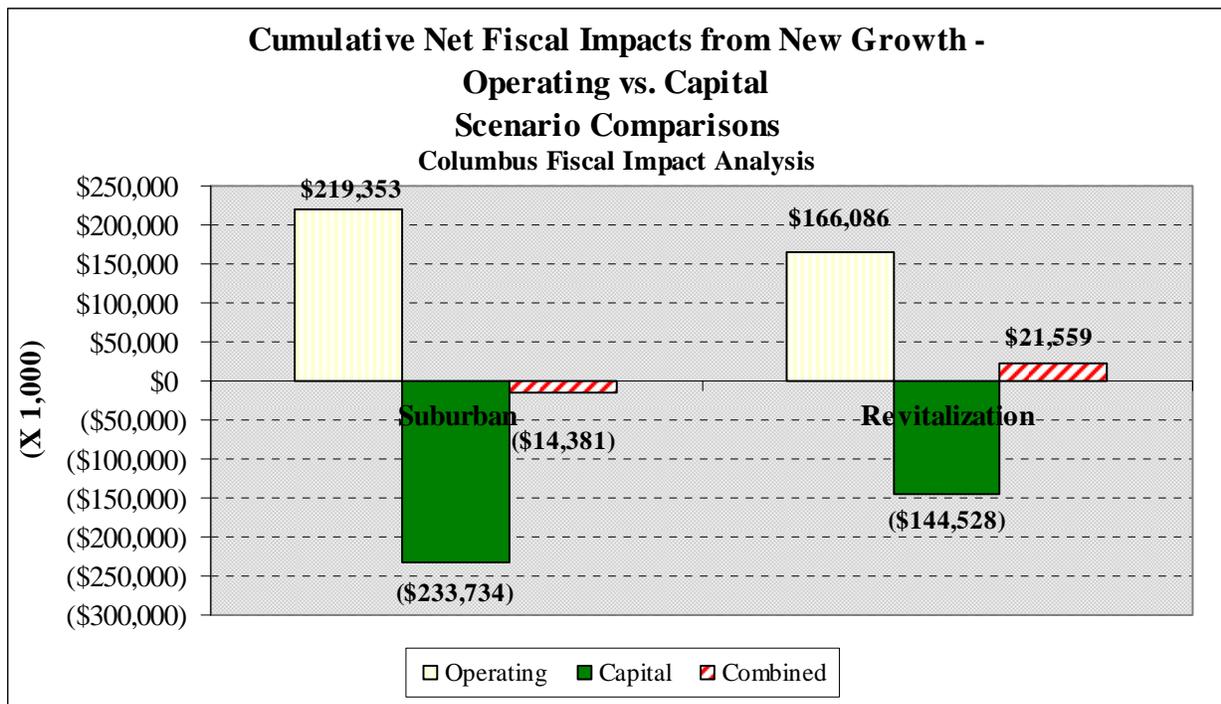


C. Cumulative Results

Figure 17 below shows the cumulative net fiscal impacts to Columbus for the Operating Budget, Capital Budget as well as the combined net impact. The cumulative impact is the total fiscal impact – total revenues minus total expenditures – over the 20-year analysis period. *All results are those accruing from new growth only, and do not include costs and revenues from the existing population and employment base of Columbus.*

The Revitalization scenario produces positive results, with a cumulative net combined *surplus* of \$21.5 million over the study period. This compares with a cumulative net combined *deficit* of \$14.3 million in the Suburban scenario. Both scenarios generate deficits for the Capital Budget over the study period. While Columbus has a dedicated millage rate for debt service, those revenues are not sufficient to cover the growth-related capital expenses projected in this analysis. Operating revenues, primarily driven by property tax, sales/use taxes and business taxes, offset deficits to the Capital Budget. New growth generates net surpluses to the Operating Budget in Columbus. This is due in large part to the relative diversity in growth-related revenue that accrues to the General Fund.

Figure 17: Cumulative Net Fiscal Impacts – Operating vs. Capital



V. REVENUE AND COST DETAIL

Further details on revenue and cost projections that are generated by growth in Columbus for both growth scenarios are presented and discussed in this section. Projections are shown as cumulative as well as percentage of the total.

A. Operating Revenue

Figure 18 shows cumulative operating revenue for the Suburban and Revitalization scenarios through 2028, broken down by Fund. These sources and the reasons for the results are then discussed briefly. As Figure 18 indicates, the Suburban scenario generates the greatest cumulative operating revenue at \$421.6 million. The Revitalization scenario generates \$365 million in cumulative operating revenues. As the total amount of development is the same in each scenario, differences are driven by the geographic distribution of growth.

Figure 18: Cumulative Operating Revenue – Scenario Comparisons

Cumulative Operating Revenue from New Growth - Scenario Comparisons (x\$1,000)
Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
General Fund	\$338,535	80%	\$292,824	80%
Paving Fund	\$51,596	12%	\$46,139	13%
Sewer Fund	\$13,348	3%	\$12,487	3%
Transportation Fund	\$18,191	4%	\$13,578	4%
TOTAL	\$421,669	100%	\$365,029	100%

Figure 18 above illustrates Columbus’ reliance on revenue from the General Fund. The largest revenues to the General Fund are Property Tax, Sales/Use Tax and Business Tax, which are discussed in more detail below.

As Figure 19 indicates, the majority of growth-related revenue (50%) from the General Fund comes from Property Taxes, including revenues projected for Urban Service District 1 and 2, personal property and motor vehicle property taxes. Property tax revenues are projected based on appraised values for residential and nonresidential development. A database of appraised values by planning area for recently constructed development was provided by the Columbus Tax Assessor. Detail can be found in Section VII of this report. Information on Urban Service Districts, exemptions and millage rates can be found in Section VI (General Fund Revenue).

Cumulative operating revenue in the Suburban scenario exceeds the Revitalization scenario by \$56.6 million, or \$2.8 million annually. This is primarily explained by higher appraised values in the less developed areas of Columbus. For example, based on recent construction, the average

appraised value for a single family home is \$307,028 in the NW Columbus planning area. This compares with \$128,294 in Midtown/Uptown. Property tax revenues are calculated based on assessed valuation (40% of appraised).

The second largest source of growth-related revenue comes from Sales and Use Taxes, which consists primarily of the Local Option Sales Tax. Local sales tax was projected on a marginal basis using Columbus’ tax rate of 1%, less a 1% administrative charge to the State. This is applied to projections of retail sales (projected new retail space multiplied by average sales per square foot of \$258). This figure is from the 2006 Urban Land Institute *Dollars and Cents of Shopping Centers* publication and is updated to 2008 dollars.

The third largest source of revenue to the General Fund is Business Taxes, which include occupational taxes and insurance premium taxes. Occupational taxes are projected to grow on the basis of additional employment while population and jobs drives insurance premium revenue projections.

Figure 19: Cumulative General Fund Revenue – Scenario Comparisons

Cumulative General Fund Revenue from New Growth - Scenario Comparisons (x\$1,000)
Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
Ad Valorem Taxes - District 1	\$77,021	23%	\$82,821	28%
Ad Valorem Taxes - District 2	\$73,711	22%	\$29,452	10%
Personal Property - Non Vehicle	\$12,084	4%	\$12,533	4%
Motor Vehicle	\$4,974	1%	\$4,983	2%
Property Not on Digest (Personal and Real)	\$0	0%	\$0	0%
Recording Intangibles	\$0	0%	\$0	0%
Franchise (Public Utility Taxes)	\$31,151	9%	\$31,207	11%
General Sales and Use Taxes	\$53,997	16%	\$47,459	16%
Selective Sales and Use Taxes	\$5,767	2%	\$5,769	2%
Other Taxes	\$0	0%	\$0	0%
Business Tax	\$49,427	15%	\$49,571	17%
Licenses and Permits	\$1,557	0%	\$1,558	1%
Charges for Services	\$21,322	6%	\$20,044	7%
Charges for Services - Prison	\$7,029	2%	\$6,931	2%
Court Fines and Forfeitures	\$0	0%	\$0	0%
Intergovernmental	\$0	0%	\$0	0%
Investment Income	\$0	0%	\$0	0%
Miscellaneous Revenues	\$495	0%	\$495	0%
Transfer In	\$0	0%	\$0	0%
TOTAL	\$338,535	100%	\$292,824	100%

Property tax revenues also support the three growth-related tax-supported Funds considered in this analysis: Paving, Sewer and Transportation (METRA). These revenues are shown below in Figure 20. Enterprise funds (i.e., self-funded operations) and internal services funds are not included in this analysis since revenues generated from fees are assumed to cover costs to provide those services.

Figure 20: Cumulative Special Fund Revenue – Scenario Comparisons

Cumulative Special Fund Revenue from New Growth - Scenario Comparisons (x\$1,000)
 Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
Paving Fund	\$51,596	62%	\$46,139	64%
Sewer Fund	\$13,348	16%	\$12,487	17%
Transportation Fund (METRA)	\$18,191	22%	\$13,578	19%
TOTAL	\$83,134	100%	\$72,204	100%

B. Operating Expenditures

Figure 21 shows cumulative operating expenditures for the Suburban and Revitalization growth scenarios through 2028 by major category. The largest share of operating expenditures are for Public Safety (including Fire/EMS, Police and Sheriff), followed by General Government Administration, Parks and Recreation, Courts, and the Paving Fund. In many cases, operating costs are driven by capital expenditures which are calculated by planning area. For example, lane miles drive operating costs for Engineering, the Paving Fund and Other General Fund (street lighting). Park acres is the demand factor for additional park services (parkland maintenance) while stormwater acres drive Sewer Fund operating expenditures. Prison expenditures are driven by increases in all of the above (lane miles, stormwater acres and park acres) along with facility square feet for new General Government facilities. For other categories, costs are generally comparable between the two scenarios as demand is driven on a countywide basis. There are some exceptions. In the Revitalization scenario, the Fire/EMS Department anticipates the need for an additional fire station to serve the urban area of Columbus, thus operating costs are higher in the Revitalization scenario. This impacts Public Services costs as well as it maintains facilities, including fire stations. Additionally, demand for METRA transit services is more significant in the Revitalization scenario as its service area is focused on Columbus’ urban areas.

Figure 21: Cumulative Operating Expenditures – Scenario Comparisons

Cumulative Operating Expenditures from New Growth - Scenario Comparisons (x\$1,000)
 Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
Administration	\$17,424	9%	\$17,436	9%
Community Development	\$1,015	0.5%	\$1,017	0.5%
Planning	\$108	0.1%	\$108	0.1%
Community Reinvestment	\$77	0.0%	\$78	0.0%
Engineering	\$2,938	1%	\$1,870	1%
Public Services	\$8,981	4%	\$9,340	5%
Parks and Recreation	\$16,205	8%	\$14,296	7%
Police	\$27,298	13%	\$27,059	14%
Fire and EMS	\$36,908	18%	\$43,612	22%
Prison	\$7,523	4%	\$6,547	3%
Courts	\$15,083	7%	\$15,088	8%
Sheriff	\$35,750	18%	\$35,754	18%
Other General Fund	\$7,273	4%	\$5,626	3%
Sewer Fund	\$8,808	4%	\$5,292	3%
Paving Fund	\$14,718	7%	\$10,224	5%
Transportation Fund (METRA)	\$2,235	1%	\$5,603	3%
TOTAL	\$202,346	100%	\$198,949	100%

C. Capital Revenue

Dedicated capital revenue is shown below in Figure 22 for the Debt Service Fund. The primary growth-related revenue source for this fund is Property Tax. Property tax was projected on a marginal basis using appraised value assumptions for new construction, based on a sample of data obtained from the Columbus Tax Assessor (see Section VII for further detail). Intergovernmental Funds is the distribution from Columbus Water Works, which is projected on the basis of population and employment growth.

Figure 22: Cumulative Capital Revenue – Scenario Comparisons

Cumulative Capital Revenue from New Growth - Scenario Comparisons (x\$1,000)
 Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
Ad Valorem Taxes	\$26,877	87%	\$19,624	83%
Personal Property - Non Vehicle (est.)	\$1,842	6%	\$1,911	8%
Personal Property - Motor Vehicle	\$755	2%	\$756	3%
Property Not on Digest (Real and Personal)	\$0	0%	\$0	0%
Recording Intangibles	\$0	0%	\$0	0%
Other Taxes	\$0	0%	\$0	0%
Intergovernmental	\$1,316	4%	\$1,318	6%
Investment Income	\$0	0%	\$0	0%
Miscellaneous	\$0	0%	\$0	0%
TOTAL	\$30,790	100%	\$23,609	100%

D. Capital Expenditures

Figure 23 shows cumulative growth-related capital expenditures incurred by Columbus for both of the scenarios through 2028, broken down by category. These categories and the reasons for the results are then discussed briefly. A detailed discussion of capital expenditure projection methodologies can be found in Section VI.

Figure 23: Cumulative Capital Expenditures – Scenario Comparisons

Cumulative Capital Expenditures from New Growth - Scenario Comparisons (x\$1,000)
 Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
General Government	\$13,238	5%	\$13,238	8%
Roads	\$198,200	75%	\$106,575	63%
Police	\$4,705	2%	\$4,611	3%
Fire	\$14,188	5%	\$15,988	10%
Sheriff	\$7,246	3%	\$7,246	4%
Marshall	\$330	0.1%	\$330	0.2%
Recreation and Parks	\$26,817	10%	\$20,298	12%
TOTAL	\$264,724	100%	\$168,287	100%

As shown in Figure 23, road improvements represent the largest single capital cost item for Columbus. To project future road capacity needs, TischlerBise examined the Columbus' existing inventory of arterial and collector roads by planning area to determine the current demand on the existing road network. The fiscal impact model projects additional lane miles based on the average trip length in each planning area. As Columbus' road network is largely built-out in its core areas, new lane miles are added in the suburban areas of the Consolidated Government.

The next largest capital expenditure is for parks and recreation. As with roads, future growth-related parkland needs are projected by planning area. As capacity improvements in the urban areas of Columbus are anticipated to include upgrades and additional amenities for existing parks, parkland acquisition is anticipated only in suburban planning areas. Improvements to parks, including new square footage for recreational facilities, new amenities and additional vehicles, are calculated on a countywide basis.

Unlike other capital facility categories that show comparable or reduced costs for the Revitalization scenario as the Suburban scenario, the Fire/EMS Department anticipates increased capital expenditures in the Revitalization scenario. With increased development in the Medical Center area, the Fire/EMS projects that it will need to relocate and expand Station #2 as a result of anticipated increases in density in that area. This improvement is in addition to the fire station construction costs considered in the Suburban scenario.



VI. REVENUE AND COST ASSUMPTIONS

The information in this section establishes the baseline standards on which revenue and cost projections are based. For example, when the methodology calls for projections based on population growth, the current level of service standard is based on the current spending divided by the current population served. Future costs will then be projected based on the population projected in each growth scenario multiplied by the per person cost.

A. *Major Assumptions*

This fiscal impact analysis can be regarded as a snapshot of the current budget. The adopted Fiscal Year 2008 Budget has been used to represent a “snapshot” of the Consolidated Government’s current costs, revenues and levels of service. In summary, the “snapshot” approach does not attempt to speculate about how services, costs, revenues and other factors such as productivity will change through 2028. Instead, it evaluates the fiscal impact to the Consolidated Government as it currently conducts business under the present budget.

The following major assumptions regarding the fiscal methodology should be noted.

1. Variable versus Fixed Costs and Revenues

For this analysis, costs and revenues that are directly attributable to new development are included. Some costs and revenues are not expected to be impacted by demographic changes, and may be fixed in this analysis. To determine fixed costs and revenues, TischlerBise reviewed in detail the FY2008 budget and all available supporting documentation. Based on this review, preliminary assumptions were developed that were reviewed and discussed with appropriate Consolidated Government department representatives.

Examples of budget items that have generally been allocated as fixed, or non-growth related include:

- Salaries and benefits of department heads
- Salaries and benefits for certain support personnel (varies by department)
- One-time costs for special studies or services unrelated to growth and development
- Revenue sources that are not growth-related

2. Level of Service

The cost projections are based on the "snapshot approach" in which it is assumed the current level of service, as funded in the FY2008 budget, will continue through the 20-year analysis period. The current level of spending is referred to as the current level of service (LOS) in this type of analysis.

3. Revenue Structure and Tax Rates

Revenues are projected assuming that the current revenue structure and tax rates, as defined by the FY2008 budget, will not change during the analysis period. However, if it is known that a particular revenue source will change in the near-term, it has been noted and reflected in the fiscal model.

4. Inflation Rate

The rate of inflation is assumed to be zero throughout the projection period, and cost and revenue projections are in constant 2008 dollars. This assumption is in accord with current budget data and avoids the difficulty of speculating on inflation rates and their effect on cost and revenue categories. It also avoids the problem of interpreting results expressed in inflated dollars over an extended period of time.

B. General Methodology for Operating Costs

Annual costs attributable to new development will be projected by applying the applicable cost factors to new development. In general, four different methodologies are used to determine how various Consolidated Government services are impacted by new development. For example, some Government services have a clearly defined relationship to a particular land use or have workload measure that indicate different service/cost requirements for specific types of development. Other services have a more general relationship and are impacted proportionately by all types of development. And other services are essentially administrative or are provided in support of other Consolidated Government departments and have an indirect relationship to new development. With this in mind, the following cost distribution methods have been used to determine the applicable cost and revenue factors:

- ***General Land Use Distribution Method*** – Costs are distributed to both residential and nonresidential land use. When it is determined that operating costs are impacted by *general growth* within the Consolidated Government, including both residential and nonresidential land uses, costs are allocated to both population and jobs.
- ***Proportionate Share Distribution Method*** – Costs are distributed to each land use based upon the proportion of total workload or demand for service that is attributable to each land use. This distribution is typically based on an analysis of available records. Examples include Fire costs that are distributed to land uses based on actual calls for service data.
- ***Direct Relationship Distribution*** – Costs are distributed to each land use based upon a known, direct relationship to one or more land uses. An example would be Parks and Recreation costs distributed directly to residential land uses.

- **Indirect Relationship Distribution** – This method is used for departments that provide services that correlate to overall increases in other department’s services. An example of this method is a support department such as human resources. Personnel management and administration costs may be tied to the number of employees within the organization rather than to development.

C. *Columbus Consolidated Government Revenue and Operating Expenditure Factors*

General Fund categories are discussed first. This section also discusses revenue and expenditure levels of service related to the following Funds:

- Sewer Fund (Stormwater)
- Paving Fund
- Debt Service Fund
- Transportation Fund (METRA Transit)

All other Funds excluded from the analysis are assumed to be either: (1) self-sustaining (i.e., generating sufficient revenue to offset costs); or (2) unaffected by growth in Columbus.

1. General Fund Revenue

Figure 24 provides an inventory of General Fund revenue factors used in the Fiscal Impact Analysis of Comprehensive Plan Growth Scenarios. The table shows revenue category, specific revenue type, base year budget amount, projection methodology, and the level of service (LOS) standard, or dollar per demand unit. For instance, for those categories projected based on “POPULATION AND JOBS,” the current budget amount is divided by the current estimated total population and jobs in the Consolidated Government. Specifically, Personal Property Motor Vehicle: the current budget of \$2,488,190 is divided by 305,700 persons and jobs to yield a level of service standard of \$8.14, which is then used to project future Personal Property Motor Vehicle revenues from new growth. Fixed revenue items are those that are one-time only or are not projected to increase due to new development. For those items that are custom calculated (marked in yellow), further detail is provided below the figure.

Figure 24. General Fund Revenues: Level of Service Factors/Projection Methodologies

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit	
General Property Taxes	Ad Valorem - District 1	\$21,103,831	CUM AV DISTRICT 1 WITH EXEMPTION	1,000	\$8.18	
	Ad Valorem - District 2		CUM AV DISTRICT 2 WITH EXEMPTION	1,000	\$6.72	
	Personal Property - Non Vehicle	\$5,237,725	COMMERCIAL AND OFFICE JOBS	1.00	\$64.19	
	Personal Property - Motor Vehicle	\$2,488,190	POP AND JOBS	1.00	\$8.14	
	Property Not on Digest (Personal and Real)	\$77,000	FIXED	1.00	\$0.00	
	Recording Intangibles	\$1,019,171	FIXED	1.00	\$0.00	
Penalties & Interest	Penalties & Interest - Ad Valorem	\$600,000	FIXED	1.00	\$0.00	
	Penalties & Interest - Autos	\$168,500	FIXED	1.00	\$0.00	
	FIFA's	\$36,009	FIXED	1.00	\$0.00	
Franchise (Public Utility Taxes)	Georgia Power	\$8,520,170	POP AND JOBS	1.00	\$27.87	
	Atmos Co.	\$1,300,000	POP AND JOBS	1.00	\$4.25	
	Bell South Telephone	\$930,000	POP AND JOBS	1.00	\$3.04	
	Charter Communications	\$280,000	POP AND JOBS	1.00	\$0.92	
	AT&T/TCI Cable Services	\$800,000	POP AND JOBS	1.00	\$2.62	
	Knology Cable Services	\$650,000	POP AND JOBS	1.00	\$2.13	
	Troup Electric	\$107,427	POP AND JOBS	1.00	\$0.35	
	Flint Electric	\$71,421	POP AND JOBS	1.00	\$0.23	
	Columbus Water Works - 6% of Sales	\$2,922,320	POP AND JOBS	1.00	\$9.56	
	Public Service Telephone	\$150	FIXED	1.00	\$0.00	
	Knology Telephone Franchise	\$200,000	FIXED	1.00	\$0.00	
General Sales and Use Taxes	Local Option Sales Tax	\$36,372,804	RETAIL SALES	1.00	\$0.01	
Selective Sales and Use Taxes	Beer Tax	\$1,785,764	POPULATION	1.00	\$9.98	
	Wine Tax	\$228,914	POPULATION	1.00	\$1.28	
	Liquor Tax	\$308,931	POPULATION	1.00	\$1.73	
	Auto Rental Tax	\$327,167	POPULATION	1.00	\$1.83	
	3% Alcohol Excise Tax	\$341,023	POPULATION	1.00	\$1.91	
Other Taxes	Other Taxes	\$75,000	FIXED	1.00	\$0.00	
Business Tax	Occupation Tax	\$13,870,726	TOTAL JOBS	1.00	\$109.39	
	Insurance Premium Tax	\$10,152,087	POP AND JOBS	1.00	\$33.21	
Licenses and Permits	Beer License	\$110,090	POPULATION	1.00	\$0.62	
	Wine License	\$45,450	POPULATION	1.00	\$0.25	
	Liquor License	\$523,180	POPULATION	1.00	\$2.92	
	Alcohol Application ID Permits	\$29,070	FIXED	1.00	\$0.00	
	Insurance License	\$94,600	FIXED	1.00	\$0.00	
	Animal Permits	\$125,000	POPULATION	1.00	\$0.70	
	Zoning Petition Permits	\$25,000	FIXED	1.00	\$0.00	
	Judge of Probate - Licenses	\$35,000	FIXED	1.00	\$0.00	
	Certificates of Occupancy	\$57,661	POP AND JOBS	1.00	\$0.19	
	Burial Permits	\$35,000	FIXED	1.00	\$0.00	
	Mobile Home Registration Permits	\$9,000	FIXED	1.00	\$0.00	
	Penalties - Tag Fees	\$93,446	FIXED	1.00	\$0.00	
	Charges for Services	Auto Tag Fees	\$194,297	POP AND JOBS	1.00	\$0.64
		Auto Tag Postage Fees	\$45,102	POP AND JOBS	1.00	\$0.15
Data Processing Services		\$2,000	FIXED	1.00	\$0.00	
Insurance Fees		\$50,000	FIXED	1.00	\$0.00	
Police False Alarm Fees		\$15,000	POP AND JOBS	1.00	\$0.05	
EMS Collections		\$2,108,375	POPULATION	1.00	\$11.79	
EMS Special Events		\$12,000	FIXED	1.00	\$0.00	
Jail Fees		\$702,634	FIXED	1.00	\$0.00	
Jail Medical Reimbursement		\$40,000	FIXED	1.00	\$0.00	
Bad Check Fees		\$11,500	FIXED	1.00	\$0.00	
Credit Card Service Fees		\$9,000	FIXED	1.00	\$0.00	
Fuel Surcharge		\$25,000	FIXED	1.00	\$0.00	
Refund Bldg. Maint. - Retardation Ctr.		\$23,631	FIXED	1.00	\$0.00	
Cost Allocation Service Fees		\$2,367,352	FIXED	1.00	\$0.00	
Municipal Court Fees		\$58,600	POPULATION	1.00	\$0.33	
Recorders Court Fees		\$2,500	POPULATION	1.00	\$0.01	
Magistrate Court Fees		\$63,108	POPULATION	1.00	\$0.35	
Superior Court Fees		\$342,264	POPULATION	1.00	\$1.91	

Figure 24. General Fund Revenues: Level of Service Factors/Projection Methodologies (cont.)

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit
Charges for Services (cont.)	Superior Court Misc. Fees	\$50,000	POPULATION	1.00	\$0.28
	Probate Court Misc. Fees	\$17,013	POPULATION	1.00	\$0.10
	Probate Court Estate Fees	\$141,651	POPULATION	1.00	\$0.79
	Adult Probation	\$20,627	FIXED	1.00	\$0.00
	Recorders Ct. Admin Fees	\$93,520	POPULATION	1.00	\$0.52
	DUI Photo Fees	\$300	FIXED	1.00	\$0.00
	DA URESA Uniform	\$1,700	FIXED	1.00	\$0.00
	Real Estate Transfer Fees	\$654,243	CUM APPRAISED VALUE	1,000	\$1.00
	Indigent Defense Fee	\$45,000	FIXED	1.00	\$0.00
	Juvenile Ct. Supervisory Fees	\$15,985	FIXED	1.00	\$0.00
	Miscellaneous	\$60,000	FIXED	1.00	\$0.00
	Building Permits	\$1,716,345	POP AND JOBS	1.00	\$5.61
	School Tax Commissions	\$1,978,683	POP AND JOBS	1.00	\$6.47
	School Tax - Auto Commissions	\$203,010	POP AND JOBS	1.00	\$0.66
	State of GA - Commissions	\$50,453	POP AND JOBS	1.00	\$0.17
	Bid - Commissions	\$15,824	FIXED	1.00	\$0.00
	Recordings	\$455,005	POPULATION	1.00	\$2.54
	Coroner Transports	\$400	FIXED	1.00	\$0.00
	Sheriff - Fees	\$445,000	POP AND JOBS	1.00	\$1.46
	Qualifying Fees	\$15,000	FIXED	1.00	\$0.00
	Recycling Fees	\$3,500	FIXED	1.00	\$0.00
	Spay/Neuter Voucher Fees	\$4,500	POPULATION	1.00	\$0.03
	Pound Fees	\$30,350	POPULATION	1.00	\$0.17
	Lot Cleaning/Maintenance Fees	\$42,674	FIXED	1.00	\$0.00
	Ordained Building Demolition	\$37,952	FIXED	1.00	\$0.00
	Sale of Salvage	\$1,300	FIXED	1.00	\$0.00
	Sale of Engineering Documents	\$1,500	FIXED	1.00	\$0.00
	Sale of Police Reports	\$230,000	POP AND JOBS	1.00	\$0.75
	Sale of Fire Reports	\$35,000	POP AND JOBS	1.00	\$0.11
	Voter Lists	\$1,000	FIXED	1.00	\$0.00
	Sale of Planning and Dev. Doc	\$20,000	POP AND JOBS	1.00	\$0.07
	Sales of Misc. Coroner's Reports	\$400	FIXED	1.00	\$0.00
	Signage Sales - Developers	\$30,000	POP AND JOBS	1.00	\$0.10
	Sale of Tax Commissioner Reports	\$2,500	FIXED	1.00	\$0.00
	Tennis Fees	\$155,000	POPULATION	1.00	\$0.87
	Swimming Pools	\$80,000	POPULATION	1.00	\$0.45
	Concessions	\$22,000	POPULATION	1.00	\$0.12
	Pool Concessions	\$42,000	POPULATION	1.00	\$0.23
	After School Program	\$1,400,000	POPULATION	1.00	\$7.83
	Youth Program Fees	\$27,500	POPULATION	1.00	\$0.15
	Cultural Arts Program Fees	\$36,000	POPULATION	1.00	\$0.20
	Sr. Citizen Program Fees	\$12,500	POPULATION	1.00	\$0.07
Athletic Program Fees	\$56,000	POPULATION	1.00	\$0.31	
Fee Based Programs	\$22,000	POPULATION	1.00	\$0.12	
Charges for Services - Prison	MCP Inmate Subsidy	\$3,773,000	PRISON INMATES	1.00	\$6,550.35
	MCP Inmate Subsidy - Releases	\$17,500	FIXED	1.00	\$0.00
Court Fines and Forfeitures	Recorders Court - Fines	\$2,471,980	FIXED	1.00	\$0.00
	Juvenile Court - Fines	\$14,000	FIXED	1.00	\$0.00
	Environmental Court - Fines	\$55,000	FIXED	1.00	\$0.00
	Tree Replacement Fines	\$100	FIXED	1.00	\$0.00
	Recorder's Court - Muscogee Surcharge	\$111,965	FIXED	1.00	\$0.00
	Superior Court - Muscogee Surcharge	\$15,000	FIXED	1.00	\$0.00
	State Ct. - Muscogee Surcharge	\$15,000	FIXED	1.00	\$0.00
	Municipal Ct. - Muscogee Surcharge	\$2,400	FIXED	1.00	\$0.00
	Harris County Surcharge	\$20,000	FIXED	1.00	\$0.00
	Talbot County Surcharge	\$11,500	FIXED	1.00	\$0.00
	Marion County Surcharge	\$3,500	FIXED	1.00	\$0.00
	Chattahoochee County Surcharge	\$23,535	FIXED	1.00	\$0.00
	Taylor County Surcharge	\$15,500	FIXED	1.00	\$0.00
	Superior Ct. - Fines and Forfeit	\$200,308	FIXED	1.00	\$0.00
	Municipal Ct. - Fines and Forfeit	\$325,500	FIXED	1.00	\$0.00
	State Ct. - Fines & Forfeit	\$410,500	FIXED	1.00	\$0.00

Figure 24. General Fund Revenues: Level of Service Factors/Projection Methodologies (cont.)

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit	
Intergovernmental	Emergency Mgmt. Assist	\$53,157	FIXED	1.00	\$0.00	
	Miscellaneous Rev.	\$2,200	FIXED	1.00	\$0.00	
	Payment Lieu Taxes Housing Auth	\$32,521	FIXED	1.00	\$0.00	
	Administrative Office of Court	\$131,350	FIXED	1.00	\$0.00	
	Harris County	\$60,000	FIXED	1.00	\$0.00	
	Talbot County	\$11,007	FIXED	1.00	\$0.00	
	Marion County	\$9,784	FIXED	1.00	\$0.00	
	Chattahoochee County	\$3,669	FIXED	1.00	\$0.00	
	Taylor County	\$13,543	FIXED	1.00	\$0.00	
Investment Income	Investment Interest	\$2,075,000	FIXED	1.00	\$0.00	
	Interest 9-hole Addition	\$999	FIXED	1.00	\$0.00	
Miscellaneous Revenues	Memorial Stadium	\$22,500	POPULATION	1.00	\$0.27	
	Golden Park	\$48,000	POPULATION	1.00	\$0.04	
	Facilities Rental	\$8,000	POPULATION	1.00	\$0.03	
	Facilities Rental - Promenade	\$5,500	POPULATION	1.00	\$0.10	
	Facilities Rental - Commercial Ctr	\$18,000	POPULATION	1.00	\$0.00	
	Facilities Rental - Rugby	\$400	POPULATION	1.00	\$0.02	
	Facilities Rental - Lake Oliver Marina	\$3,500	POPULATION	1.00	\$0.17	
	South Complex - Softball Complex	\$30,000	POPULATION	1.00	\$0.77	
	Rental of City Property	\$58,634	POPULATION	1.00	\$0.03	
	Rental/Lease Income	\$4,800	FIXED	1.00	\$0.00	
	800 MHz System Annual Maintenance	\$9,300	FIXED	1.00	\$0.00	
	Pay Phone - MCP	\$138,374	FIXED	1.00	\$0.00	
	Detox/Major Building Repair	\$16,502	FIXED	1.00	\$0.00	
	Detox/Mental - Insurance	\$670	FIXED	1.00	\$0.00	
	Naval Center Reimbursement	\$230,817	FIXED	1.00	\$0.00	
	Transfer In	Transfers In - County Jail Penalty	\$1,720,000	FIXED	1.00	\$0.00
		TOTAL	\$137,697,140			

Customized/Marginal Calculations

- Ad Valorem Taxes (Property): Revenues are projected based on assessed value of real property multiplied by the current Consolidated Government property tax rate by urban service district. The Tax Assessor provided market and/or sales values for residential and nonresidential development by planning area. The property tax rate for Urban Service District #1 is \$17.91 per \$1,000 of assessed valuation, of which \$8.18 is allocated to the General Fund. The property tax rate for Urban Service District #2 is \$13.05 per \$1,000 of assessed valuation, of which \$6.72 is allocated to the General Fund. Per discussions with Planning staff, Urban Service Districts are expected to dissolve and the mil rate unified in 2018. After 2018, the mil rate for Urban Service District #1 is used for all projections.
 - Assessed value is 40% of market value. For residential projections, a homestead exemption of \$13,500 is deducted from the housing unit’s assessed value for homeowners. The exemption applies to all but the debt service portion of the millage rate. No assumptions are made regarding future sales or change in ownership. The 2000 Census reported 76% of single family and 8% of multi-family housing was owner-occupied. The same distribution is assumed for future residential projections.
 - The Comprehensive Plan growth scenarios indicate new residential and nonresidential development by planning area. For the purposes of this analysis, it is assumed that development will be spread evenly throughout the planning

area. Overlaying planning areas with urban service districts, JJG determined the acreage within each planning area associated with each major urban service districts. Development projections in each scenario are allocated to the respective urban service district based on this distribution (see Figure 25 below).

Figure 25. Planning Areas and Urban Service Districts

<u>Planning Area</u>	<u>Name</u>	<u>Urban Service District</u>	<u>Acres</u>	<u>%</u>
A	NW Columbus	USD1	17,634	54%
A	NW Columbus	USD2	14,730	46%
<i>Total planning area acres</i>			<i>32,364</i>	
B	Panhandle	USD1	6,717	26%
B	Panhandle	USD2	18,842	74%
<i>Total planning area acres</i>			<i>25,560</i>	
C	S. Columbus	USD1	4,552	74%
C	S. Columbus	USD2	1,560	26%
<i>Total planning area acres</i>			<i>6,112</i>	
D	Midtown/Uptown	USD1	6,742	100%
D	Midtown/Uptown	USD2	0	0%
<i>Total planning area acres</i>			<i>6,742</i>	
E	SE Columbus	USD1	15,778	89%
E	SE Columbus	USD2	2,031	11%
<i>Total planning area acres</i>			<i>17,809</i>	
F	Bibb City	USD1	3,131	100%
F	Bibb City	USD2	0	0%
<i>Total planning area acres</i>			<i>3,131</i>	

- Personal Property Taxes (Non-Vehicle): FY2008 revenues are derived from the total Ad Valorem tax revenues based on the personal property digest as provided by the Tax Assessor and the distribution by urban service district. Future revenues are projected based on future commercial and office jobs. Revenue is not considered from industrial employment due the Government’s Freeport exemption for manufacturers. Institutional jobs are also excluded as government property is exempt from taxes.
- Local Option Sales Tax (LOST): The 1% LOST (enacted in 1976) is collected at point-of-sale, with sales generated in Columbus being returned to the Consolidated

Government, less a 1% administrative charge to the State. Revenues are calculated by multiplying projected retail square footage by anticipated retail sales by square foot. Beginning in January 2009, Columbus will begin to collect an additional 1% LOST that was approved by voters in July 2008. Columbus plans to use these funds toward public safety and road improvements. These expenditures are not reflected in the FY2008 budget which serves as the basis for this report. To attempt to reflect new 2008 LOST would require a significant number of assumptions regarding future levels of service. Discussion with Planning and Finance staff indicated a desire to isolate new growth's fiscal impact based on a snapshot of existing levels of service. As such, the 2008 LOST is not included in the revenue projections.

- Real Estate Transfer Tax: Revenues are projected based on appraised value of real property multiplied by Real Estate Transfer Tax of \$1.00 per \$1,000 appraised valuation. Projections consider the transfer tax as one-time revenue.
- Prison Inmates: Revenues from the Muscogee County Prison inmate subsidy are projected to reflect the anticipated increase in prison inmates. Prisoners provide a variety of services for the Consolidated Government, including custodial services and maintenance of parks, roads and stormwater systems. Staff indicates that additional prisoners will be needed to meet the demand for services generated by new development. Projected increases in inmates is driven by increases in facility square feet, park acres, lane miles and stormwater acres in both scenarios.

2. General Fund Operating Expenditures

The following figures provide an inventory of General Fund expenditure factors used in the Fiscal Impact Analysis of Comprehensive Plan Growth Scenarios. The tables provide the departmental budget broken down into salaries and wages, operating and capital outlay, along with projection methodology and the level of service (LOS) standard, or dollar per demand unit to be used to project future expenditures.

As shown in Figure 26, most operating expenditures (salaries and wages and operating expenses) are projected based on an increase in population or population and jobs. For personnel costs, the projections are marked as “customized” as these budget items will be customized based on position type and existing capacities. For example, no matter the growth in the Consolidated Government, Columbus will not hire an additional City Manager. However the growth may precipitate a need for additional staff in the City Manager’s office. Personnel expenditures are projected separately and the approach is described following Figure 26.

While capital costs are noted as fixed in the figure, capital costs are projected on a marginal basis. This is discussed in detail later in this section.

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>COUNCIL</i>	Salaries and Wages	\$246,352	FIXED	\$0.00
	Operating	\$74,990	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>CLERK OF COUNCIL</i>	Salaries and Wages	\$181,543	FIXED	\$0.00
	Operating	\$20,319	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>MAYOR</i>	Salaries and Wages	\$286,084	FIXED	\$0.00
	Operating	\$35,685	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>CITY ATTORNEY</i>	Salaries and Wages	\$298,228	FIXED	\$0.00
	Operating	\$364,550	POP AND JOBS	\$1.19
	Capital Outlay	\$2,664	FIXED	\$0.00
<i>CITY MANAGER</i>	Salaries and Wages	\$1,223,431	CUSTOMIZED*	\$0.00
	Operating	\$112,039	POP AND JOBS	\$1.02
	Capital Outlay	\$0	FIXED	\$0.00
<i>FINANCE</i>	Salaries and Wages	\$1,880,677	CUSTOMIZED*	\$0.00
	Operating	\$391,451	POP AND JOBS	\$1.28
	Capital Outlay	\$0	FIXED	\$0.00
<i>HUMAN RESOURCES</i>	Salaries and Wages	\$706,149	CUSTOMIZED*	\$0.00
	Operating	\$119,170	POP AND JOBS	\$0.39
	Capital Outlay	\$0	FIXED	\$0.00
<i>HUMAN RESOURCES BENEFIT</i>	Salaries and Wages	\$728,610	FIXED	\$0.00
	Operating	\$110,000	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>TAX ASSESSOR</i>	Salaries and Wages	\$1,001,439	CUSTOMIZED*	\$0.00
	Operating	\$131,121	POP AND JOBS	\$0.43
	Capital Outlay	\$0	FIXED	\$0.00
<i>ELECTIONS AND REGISTRATION</i>	Salaries and Wages	\$367,065	FIXED	\$0.00
	Other Expenses	\$290,204	POPULATION	\$1.62
	Capital Outlay	\$10,000	FIXED	\$0.00
<i>TAX COMMISSIONER</i>	Salaries and Wages	\$1,290,576	CUSTOMIZED*	\$0.00
	Other Expenses	\$206,325	POP AND JOBS	\$0.67
	Capital Outlay	\$0	FIXED	\$0.00
<i>INTERNAL AUDIT</i>	Salaries and Wages	\$68,149	FIXED	\$0.00
	Other Expenses	\$10,000	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>INFORMATION TECHNOLOGY</i>	Salaries and Wages	\$1,434,526	CUSTOMIZED*	\$0.00
	Other Expenses	\$1,972,754	POP AND JOBS	\$6.45
	Capital Outlay	\$498,242	FIXED	\$0.00
<i>INSPECTION AND CODES/PRINT SHOP</i>	Salaries and Wages	\$1,576,256	CUSTOMIZED*	\$0.00
	Operating	\$507,910	POP AND JOBS	\$1.66
	Capital Outlay	\$359,200	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>PLANNING</i>	Salaries and Wages	\$186,799	CUSTOMIZED*	\$0.00
	Other Expenses	\$53,797	POP AND JOBS	\$0.18
	Capital Outlay	\$0	FIXED	\$0.00
<i>COMMUNITY REINVESTMENT</i>	Salaries and Wages	\$43,192	FIXED	\$0.00
	Other Expenses	\$40,199	POPULATION	\$0.22
	Capital Outlay	\$0	FIXED	\$0.00
<i>TRAFFIC ENGINEERING</i>	Salaries and Wages	\$1,030,201	CUSTOMIZED*	\$0.00
	Other Expenses	\$299,822	LANE MILES	\$128.83
	Capital Outlay	\$204,375	FIXED	\$0.00
<i>GIS</i>	Salaries and Wages	\$160,276	FIXED	\$0.00
	Other Expenses	\$253,259	POP AND JOBS	\$0.83
	Capital Outlay	\$65,000	FIXED	\$0.00
<i>RADIO COMMUNICATIONS</i>	Salaries and Wages	\$214,222	CUSTOMIZED*	\$0.00
	Other Expenses	\$166,675	LANE MILES	\$71.62
	Capital Outlay	\$25,000	FIXED	\$0.00
<i>PUBLIC SERVICES ADMINISTRATION</i>	Salaries and Wages	\$261,969	FIXED	\$0.00
	Operating	\$65,597	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>FLEET MGMT.</i>	Salaries and Wages	\$1,649,840	CUSTOMIZED*	\$0.00
	Other Expenses	\$174,260	POP AND JOBS	\$0.57
	Capital Outlay	\$160,000	FIXED	\$0.00
<i>SPECIAL ENFORCEMENT</i>	Salaries and Wages	\$997,301	CUSTOMIZED*	\$0.00
	Other Expenses	\$191,350	POPULATION	\$1.07
	Capital Outlay	\$52,000	FIXED	\$0.00
<i>CEMETERIES</i>	Salaries and Wages	\$221,498	FIXED	\$0.00
	Other Expenses	\$34,795	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>FACILITIES MAINTENANCE</i>	Salaries and Wages	\$1,268,757	CUSTOMIZED*	\$0.00
	Other Expenses	\$1,501,156	FACILITY SF	\$1.13
	Capital Outlay	\$48,000	FIXED	\$0.00
<i>OTHER MAINTENANCE/ REPAIRS</i>	Bldg. Maintenance - Parks and Rec	\$115,000	PARKS SF	\$0.63
	Bldg. Maintenance - Public Safety	\$200,000	PUBLIC SAFETY SF	\$0.93
	Bldg. Maintenance - Gen. Govt.	\$606,335	GEN GOVT SF	\$1.28
	Gas	\$12,000	POP AND JOBS	\$0.04
	Water	\$3,395	POP AND JOBS	\$0.01
	Electricity	\$70,600	POP AND JOBS	\$0.23
<i>PARKS AND RECREATION ADMIN</i>	Salaries and Wages	\$395,234	FIXED	\$0.00
	Operating	\$57,944	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>RECREATION SERVICES</i>	Salaries and Wages	\$896,457	CUSTOMIZED*	\$0.00
	Other Expenses	\$545,436	POPULATION	\$3.05
	Capital Outlay	\$236,772	FIXED	\$0.00
<i>GOLDEN PARK</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$93,109	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>MEMORIAL STADIUM</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$58,720	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>ATHLETICS</i>	Salaries and Wages	\$235,852	CUSTOMIZED*	\$0.00
	Other Expenses	\$153,136	POPULATION	\$0.86
	Capital Outlay	\$8,000	FIXED	\$0.00
<i>COMMUNITY SCHOOLS OPERATION</i>	Salaries and Wages	\$1,408,747	CUSTOMIZED*	\$0.00
	Other Expenses	\$408,454	POPULATION	\$2.28
	Capital Outlay	\$0	FIXED	\$0.00
<i>COOPER CREEK TENNIS CENTER</i>	Salaries and Wages	\$209,566	CUSTOMIZED*	\$0.00
	Other Expenses	\$55,452	POPULATION	\$0.31
	Capital Outlay	\$6,395	FIXED	\$0.00
<i>AQUATICS</i>	Salaries and Wages	\$151,601	CUSTOMIZED*	\$0.00
	Operating	\$355,339	POPULATION	\$1.99
	Capital Outlay	\$0	FIXED	\$0.00
<i>THERAPEUTICS</i>	Salaries and Wages	\$112,311	CUSTOMIZED*	\$0.00
	Other Expenses	\$15,133	POPULATION	\$0.08
	Capital Outlay	\$0	FIXED	\$0.00
<i>POTTERY SHOP</i>	Salaries and Wages	\$126,582	CUSTOMIZED*	\$0.00
	Other Expenses	\$42,253	POPULATION	\$0.24
	Capital Outlay	\$0	FIXED	\$0.00
<i>SENIOR CITIZENS CENTER</i>	Salaries and Wages	\$299,448	CUSTOMIZED*	\$0.00
	Other Expenses	\$91,142	POPULATION	\$0.51
	Capital Outlay	\$54,200	FIXED	\$0.00
<i>PARK SERVICES</i>	Salaries and Wages	\$2,901,063	CUSTOMIZED*	\$0.00
	Other Expenses	\$1,302,068	PARK ACRES	\$713.07
	Capital Outlay	\$322,355	FIXED	\$0.00
<i>CHIEF OF POLICE</i>	Salaries and Wages	\$676,708	CUSTOMIZED*	\$0.00
	Operating	\$97,171	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>INTELLIGENCE/ VICE</i>	Salaries and Wages	\$928,260	CUSTOMIZED*	\$0.00
	Other Expenses	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>SUPPORT SERVICES</i>	Salaries and Wages	\$2,161,552	CUSTOMIZED*	\$0.00
	Other Expenses	\$641,409	TOTAL POLICE CALLS	\$4.39
	Capital Outlay	\$152,375	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>FIELD OPERATIONS</i>	Salaries and Wages	\$12,677,352	CUSTOMIZED*	\$0.00
	Other Expenses	\$245,504	TOTAL POLICE CALLS	\$1.68
	Capital Outlay	\$0	FIXED	\$0.00
<i>OFFICE OF PROFESSIONAL STANDARDS</i>	Salaries and Wages	\$377,024	FIXED	\$0.00
	Other Expenses	\$8,438	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>METRO DRUG TASK FORCE</i>	Salaries and Wages	\$145,186	FIXED	\$0.00
	Other Expenses	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>SPECIAL OPERATIONS</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$78,975	TOTAL POLICE CALLS	\$0.54
	Capital Outlay	\$0	FIXED	\$0.00
<i>ADMINISTRATIVE SERVICES</i>	Salaries and Wages	\$1,236,515	CUSTOMIZED*	\$0.00
	Other Expenses	\$60,650	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>MOTOR TRANSPORT</i>	Salaries and Wages	\$1,041,787	TOTAL POLICE CALLS	\$7.12
	Operating	\$1,260,294	TOTAL POLICE CALLS	\$8.62
	Capital Outlay	\$0	FIXED	\$0.00
<i>INVESTIGATIVE SERVICES</i>	Salaries and Wages	\$6,442,609	CUSTOMIZED*	\$0.00
	Other Expenses	\$117,373	TOTAL POLICE CALLS	\$0.80
	Capital Outlay	\$82,000	FIXED	\$0.00
<i>CHIEF OF FIRE AND EMS</i>	Salaries and Wages	\$465,484	FIXED	\$0.00
	Operating	\$295	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>FIRE/EMS OPERATIONS</i>	Salaries and Wages	\$19,738,158	CUSTOMIZED*	\$0.00
	Other Expenses	\$732,297	TOTAL FIRE CALLS	\$24.40
	Capital Outlay	\$0	FIXED	\$0.00
<i>FIRE/EMS SPECIAL OPERATIONS</i>	Salaries and Wages	\$777,341	CUSTOMIZED*	\$0.00
	Other Expenses	\$390,055	TOTAL FIRE CALLS	\$13.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>FIRE/EMS ADMIN SERVICES</i>	Salaries and Wages	\$824,024	CUSTOMIZED*	\$0.00
	Other Expenses	\$340	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>LOGISTICS/SUPPORT</i>	Salaries and Wages	\$172,207	FIXED	\$0.00
	Other Expenses	\$891,246	TOTAL FIRE CALLS	\$29.70
	Capital Outlay	\$1,507,626	FIXED	\$0.00
<i>EMERGENCY MANAGEMENT</i>	Salaries and Wages	\$113,463	FIXED	\$0.00
	Other Expenses	\$30,078	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>WARDEN</i>	Salaries and Wages	\$5,137,479	CUSTOMIZED*	\$0.00
	Operating	\$1,475,228	PRISON INMATES	\$2,561.16
	Capital Outlay	\$53,500	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>SUPERIOR COURT</i>	Salaries and Wages	\$697,176	CUSTOMIZED*	\$0.00
	Operating	\$485,533	POP AND JOBS	\$1.59
	Capital Outlay	\$0	FIXED	\$0.00
<i>DISTRICT ATTORNEY</i>	Salaries and Wages	\$1,584,015	CUSTOMIZED*	\$0.00
	Other Expenses	\$67,646	POP AND JOBS	\$0.22
	Capital Outlay	\$0	FIXED	\$0.00
<i>ADULT PROBATION</i>	Salaries and Wages	\$133,994	CUSTOMIZED*	\$0.00
	Other Expenses	\$15,830	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>JUVENILE COURT</i>	Salaries and Wages	\$559,310	CUSTOMIZED*	\$0.00
	Other Expenses	\$158,632	POPULATION	\$0.89
	Capital Outlay	\$0	FIXED	\$0.00
<i>CIRCUIT WIDE JUVENILE COURT</i>	Salaries and Wages	\$242,671	FIXED	\$0.00
	Other Expenses	\$16,450	POPULATION	\$0.09
	Capital Outlay	\$0	FIXED	\$0.00
<i>JURY MANAGER</i>	Salaries and Wages	\$113,037	FIXED	\$0.00
	Other Expenses	\$339,580	POPULATION	\$1.90
	Capital Outlay	\$0	FIXED	\$0.00
<i>DISTRICT ATTORNEY VICTIM/WITNESS ASSISTANCE</i>	Salaries and Wages	\$198,617	CUSTOMIZED*	\$0.00
	Other Expenses	\$29,816	POPULATION	\$0.17
	Capital Outlay	\$0	FIXED	\$0.00
<i>CLERK OF SUPERIOR COURT</i>	Salaries and Wages	\$1,785,333	CUSTOMIZED*	\$0.00
	Other Expenses	\$479,994	POP AND JOBS	\$1.57
	Capital Outlay	\$0	FIXED	\$0.00
<i>STATE COURT JUDGES</i>	Salaries and Wages	\$521,897	CUSTOMIZED*	\$0.00
	Operating	\$18,651	POP AND JOBS	\$0.06
	Capital Outlay	\$0	FIXED	\$0.00
<i>STATE COURT SOLICITOR</i>	Salaries and Wages	\$951,536	CUSTOMIZED*	\$0.00
	Other Expenses	\$48,116	POP AND JOBS	\$0.16
	Capital Outlay	\$0	FIXED	\$0.00
<i>PUBLIC DEFENDER</i>	Salaries and Wages	\$383,608	CUSTOMIZED*	\$0.00
	Other Expenses	\$803,574	POPULATION	\$4.49
	Capital Outlay	\$0	FIXED	\$0.00
<i>MUSCOGEE COUNTY PUBLIC DEFENDER</i>	Salaries and Wages	\$101,282	FIXED	\$0.00
	Other Expenses	\$192,000	POPULATION	\$1.07
	Capital Outlay	\$0	FIXED	\$0.00
<i>MUNICIPAL COURT JUDGE</i>	Salaries and Wages	\$270,372	CUSTOMIZED*	\$0.00
	Other Expenses	\$27,776	POPULATION	\$0.16
	Capital Outlay	\$0	FIXED	\$0.00
<i>CLERK OF MUNICIPAL COURT</i>	Salaries and Wages	\$652,748	CUSTOMIZED*	\$0.00
	Other Expenses	\$27,176	POPULATION	\$0.15
	Capital Outlay	\$25,000	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>MARSHAL'S OFFICE</i>	Salaries and Wages	\$1,095,927	CUSTOMIZED*	\$0.00
	Other Expenses	\$96,301	POPULATION	\$0.54
	Capital Outlay	\$216,972	FIXED	\$0.00
<i>PROBATE COURT</i>	Salaries and Wages	\$384,575	CUSTOMIZED*	\$0.00
	Other Expenses	\$60,545	POPULATION	\$0.34
	Capital Outlay	\$59,267	FIXED	\$0.00
<i>SHERIFF ADMINISTRATION</i>	Salaries and Wages	\$919,985	FIXED	\$0.00
	Operating	\$407,068	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>UNIFORM DIVISION</i>	Salaries and Wages	\$3,112,871	CUSTOMIZED*	\$0.00
	Other Expenses	\$15,893	POPULATION	\$0.09
	Capital Outlay	\$40,000	FIXED	\$0.00
<i>CRIMINAL DIVISION</i>	Salaries and Wages	\$1,146,761	CUSTOMIZED*	\$0.00
	Other Expenses	\$69,064	POP AND JOBS	\$0.23
	Capital Outlay	\$35,000	FIXED	\$0.00
<i>TRAINING</i>	Salaries and Wages	\$218,035	CUSTOMIZED*	\$0.00
	Other Expenses	\$45,453	POP AND JOBS	\$0.15
	Capital Outlay	\$0	FIXED	\$0.00
<i>MOTOR TRANSPORT</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$205,500	POP AND JOBS	\$0.67
	Capital Outlay	\$0	FIXED	\$0.00
<i>RECORDER'S COURT</i>	Salaries and Wages	\$752,699	FIXED	\$0.00
	Other Expenses	\$156,218	POPULATION	\$0.87
	Capital Outlay	\$0	FIXED	\$0.00
<i>JAIL</i>	Salaries and Wages	\$11,451,294	CUSTOMIZED*	\$0.00
	Other Expenses	\$2,301,400	JAIL INMATES	\$2,152.85
	Capital Outlay	\$158,520	FIXED	\$0.00
<i>MEDICAL DIRECTOR</i>	Salaries and Wages	\$1,673,735	CUSTOMIZED*	\$0.00
	Other Expenses	\$2,002,135	JAIL INMATES	\$1,872.90
	Capital Outlay	\$0	FIXED	\$0.00
<i>ENVIRONMENTAL COURT</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Operating	\$11,425	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>COOPERATIVE EXTENSION</i>	Salaries and Wages	\$118,105	FIXED	\$0.00
	Operating	\$34,620	FIXED	\$0.00
	Capital Outlay	\$1,242	FIXED	\$0.00
<i>CORONER</i>	Salaries and Wages	\$263,831	CUSTOMIZED*	\$0.00
	Operating	\$19,526	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00

Figure 26. General Fund Expenditures: Level of Service Factors/Projection Methodologies (cont.)

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
NON-DEPARTMENTAL GENERAL FUND	Health Department Services	\$813,475	POPULATION	\$4.55
	Health Department Rent	\$282,643	POPULATION	\$1.58
	Dept. of Family & Children Svcs.	\$80,000	POPULATION	\$0.45
	Airport Commission	\$40,000	FIXED	\$0.00
	Planning Commission (RDC)	\$100,000	FIXED	\$0.00
	Keep Columbus Beautiful	\$65,784	FIXED	\$0.00
	New Horizons Community Service Board	\$234,823	POPULATION	\$1.31
	Lower Chattahoochee Direct Service Corp.	\$43,029	FIXED	\$0.00
	Uptown Columbus	\$81,000	FIXED	\$0.00
Literacy Alliance	\$16,200	FIXED	\$0.00	
MISCELLANEOUS	Contingency	\$539,203	FIXED	\$0.00
INTERFUND TRANSFERS	Transfers	\$13,423,246	FIXED	\$0.00
NAVAL MUSEUM	Salaries and Wages	\$396,059	FIXED	\$0.00
	Operating	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
MISCELLANEOUS NON-CATEGORICAL	Salaries and Wages	\$167,595	FIXED	\$0.00
	Street Lighting Energy	\$2,232,820	LANE MILES	\$959.44
	Other	\$735,047	FIXED	\$0.00
	Capital	\$164,612	FIXED	\$0.00
TOTAL		\$155,586,022		

*Personnel costs are projected on a per position basis, using existing staffing levels, capacities and likelihood of additional staff due to new growth. For example, the Consolidated Government will not add another City Manager regardless of how much growth occurs. Staff LOS is addressed in the following section. Capital costs are marked as "fixed" for this examination of operating costs, but are addressed later in this report.

Customized/Marginal Calculations

- Facilities maintenance operating costs are projected based on the increase in Columbus’ facility square feet, including future general government, parks and public safety buildings.
- The following road-related General Fund operating expenditures categories are projected based on the increase in lane miles from new growth in each scenario: traffic engineering, radio communications and street lighting energy. New roads include arterials and collectors projected by scenario based on analysis of the existing road inventory and the capacity for road expansion in each planning area. This is discussed in detail in the “Capital Cost Methodology” discussion of this report (Section VI). To calculate future operating costs, lane miles also include an estimate of developer-built local roads that will be maintained by the Consolidated Government.
- Future operating expenditures for Police and Fire/EMS are based on projected calls for service. Future calls for service are projected based on the existing call volume and an allocation of calls to residential and nonresidential land uses. These assumptions are discussed in more detail in the “Demographic and Data Assumptions” section of this report (Section VII).

- Future operating expenditures for the Jail and Prison are based on projections of future inmates. These assumptions are discussed in more detail in the “Demographic and Data Assumptions” section of this report (Section VII).
- Park Services is responsible for the maintenance of Columbus’ parks. Future park maintenance operating expenditures are projected based on future park acres by planning area in each scenario. These projections are discussed in detail in the “Capital Cost Methodology” section of this report.
- Personnel costs marked as “customized” are projected on a per position basis accounting for existing staffing levels, capacities, and the likelihood of additional staff due to new development. Staff projections are discussed below.

3. General Fund Staffing Expenditures

Figure 27 shows all General Fund positions by department and current FTEs. TischlerBise has identified those positions expected to be variable due to growth. For these positions, a projection methodology is shown.

Figure 27: General Fund Staff: Projection Methodologies

Dept./Division	Position	FTE	Projected Expenditure	Current Demand
			Calculation Based on	Units Served Per Position
COUNCIL	Mayor Pro Tem	1.0	FIXED	0
	Councilors	9.0	FIXED	0
CLERK OF COUNCIL	Clerk of Council	1.0	FIXED	0
	Deputy Clerk of Council	1.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
MAYOR	Mayor	1.0	FIXED	0
	Executive Assistant to the Mayor	1.0	FIXED	0
	Administrative Specialist	1.5	FIXED	0
CITY ATTORNEY	City Attorney	1.0	FIXED	0
	Assistant City Attorney	1.0	FIXED	0
	Legal Assistant	1.0	FIXED	0
	Legal Administrative Clerk	1.0	FIXED	0
CITY MANAGER	City Manager	1.0	FIXED	0
	Deputy City Manager	2.0	FIXED	0
	Assistant to the City Manager	1.0	FIXED	0
	Risk Manager	1.0	FIXED	0
	Administrative Assistant	2.0	FIXED	0
	TV Station Manager	1.0	FIXED	0
	Internal Auditor	1.0	FIXED	0
	Records Specialist	1.0	FIXED	0
	Citizen Service Center Coordinator	1.0	FIXED	0
	Citizen Service Center Technician	4.0	POP AND JOBS	76,425
	Communications Technician	1.0	FIXED	0
	Mail Clerk	1.0	FIXED	0
FINANCE	Finance Director	1.0	FIXED	0
	Administrative Supervisor	1.0	FIXED	0
	Budget and Management Analyst	1.0	FIXED	0
	Accounting Manager	1.0	FIXED	0
	Grant Compliance Accountant	1.0	FIXED	0
	Payroll Supervisor	1.0	FIXED	0
	Payroll Coordinator	1.0	FIXED	0
	Accounts Payable Technician	4.0	POP AND JOBS	76,425
	Purchasing Manager	1.0	FIXED	0
	Buyer Specialist	2.0	POP AND JOBS	152,850
	Buyer	2.0	POP AND JOBS	152,850
	Purchasing Technician	1.0	FIXED	0
	Purchasing Clerk	1.0	FIXED	0
	Revenue Manager	1.0	FIXED	0
	Investment Officer	1.0	FIXED	0
	Tax Supervisor	1.0	FIXED	0
	Collections Supervisor	1.0	FIXED	0
	Revenue Auditor	2.0	POP AND JOBS	152,850
	Collections Technician	3.0	POP AND JOBS	101,900
	Accounting Technician	2.0	POP AND JOBS	152,850
	Budget Analyst	2.0	POP AND JOBS	152,850
	Customer Service Representative	3.0	POP AND JOBS	101,900
	Financial Analyst	1.0	FIXED	0
Administrative Secretary	1.0	FIXED	0	

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
HUMAN RESOURCES	Human Resources Director	1.0	FIXED	0
	Assistant Human Resources Director	1.0	FIXED	0
	Human Resources Analyst	2.0	FIXED	0
	Human Resources Specialist	4.0	POP AND JOBS	76,425
	Human Resources Technician	6.0	POP AND JOBS	50,950
	Technical Trainer/Developer	1.0	FIXED	0
TAX ASSESSOR	Chief Tax Appraiser	1.0	FIXED	0
	Personal Property Manager	1.0	FIXED	0
	Administrative Manager	1.0	FIXED	0
	Residential Property Manager	1.0	FIXED	0
	Commercial Property Manager	1.0	FIXED	0
	Appraiser I	12.0	POP AND JOBS	25,475
	Appraisal Technician	5.0	POP AND JOBS	61,140
ELECTIONS AND REGISTRATION	Elections and Registration Director	1.0	FIXED	0
	Elections Coordinator	1.0	FIXED	0
	Registrations Coordinator	1.0	FIXED	0
	Elections Technician	2.0	FIXED	0
	Board Members	5.0	FIXED	0
TAX COMMISSIONER	Chief Deputy Tax Commissioner	1.0	FIXED	0
	Accounting Operations Administrator	1.0	FIXED	0
	Deputy Tax Commissioner	3.0	FIXED	0
	Administrative Technician ¹	1.5	FIXED	0
	Tax Clerk	21.0	POP AND JOBS	14,557
	Support Clerk	1.0	FIXED	0
INFORMATION TECHNOLOGY	Tax Commissioner	1.0	FIXED	0
	Information Technology Director	1.0	FIXED	0
	Technical Operations Manager	1.0	FIXED	0
	Application Dev. & Support Manager	1.0	FIXED	0
	Local Area Network Manager	1.0	FIXED	0
	Web Development Manager	1.0	FIXED	0
	Application Development Project Leader	1.0	FIXED	0
	Application Support Project Leader	1.0	FIXED	0
	Application Support Analyst	3.0	POP AND JOBS	101,900
	Application Developer	2.0	POP AND JOBS	152,850
	Web Developer	2.0	POP AND JOBS	152,850
	Host Operation Supervisor	1.0	FIXED	0
	Telecommunications Technician	1.0	FIXED	0
	Host Computer Operator	3.0	FIXED	0
	Data Control Technician	2.0	POP AND JOBS	152,850
	Personal Computer Services Supervisor	1.0	FIXED	0
	Personal Computer Technician	2.0	FIXED	0

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
COMMUNITY DEVELOPMENT	Inspection and Codes Division Director	1.0	FIXED	0
	Inspection & Codes Div. Assist. Dir.	1.0	FIXED	0
	Plans Examiner	2.0	POP AND JOBS	152,850
	Inspection Services Coordinator	1.0	FIXED	0
	Inspector	15.0	POP AND JOBS	20,380
	Zoning Technician	1.0	FIXED	0
	Administrative Assistant	1.0	FIXED	0
	Permit Technician	2.0	POP AND JOBS	152,850
	Print Shop Supervisor	1.0	FIXED	0
	Duplicating Service Technician	1.0	FIXED	0
	Graphics Designer	1.0	FIXED	0
	Print Shop Technician	1.0	FIXED	0
	PLANNING	Planning Director	1.0	FIXED
Planning Manager		1.0	FIXED	0
Planner		2.0	POP AND JOBS	152,850
ROW/Trans. Planning Coordinator		1.0	FIXED	0
Graphics Designer		1.0	FIXED	0
Administrative Secretary		1.0	FIXED	0
Planning Technician		2.0	POP AND JOBS	152,850
COMMUNITY REINVESTMENT	Community Reinvestment Director	1.0	FIXED	0
GIS	GIS Coordinator	1.0	FIXED	0
	GIS Technician	1.0	FIXED	0
	CAD Technician	1.0	FIXED	0
TRAFFIC ENGINEERING	Traffic Engineer (Division Manager)	1.0	FIXED	0
	Traffic Operations Supervisor	1.0	FIXED	0
	Traffic Signal Supervisor	1.0	FIXED	0
	Traffic Analyst	1.0	FIXED	0
	Traffic Engineer	2.0	LANE MILES	1,164
	Traffic Engineer Technician	2.0	LANE MILES	1,164
	Traffic Signal Technician	2.0	LANE MILES	1,164
	Traffic Operations Technician	1.0	FIXED	0
	Signal Pavement Marker	1.0	FIXED	0
	Traffic Construction Technician	5.0	LANE MILES	465
	Traffic Construction Specialist	3.0	LANE MILES	776
	Signal Construction Specialist	1.0	FIXED	0
	Sign/Paving Marking Specialist	1.0	FIXED	0
	Administrative Specialist II	1.0	FIXED	0
RADIO COMM.	Radio Communications Foreman	1.0	FIXED	0
	Radio Technician	3.0	LANE MILES	776
PUBLIC SERVICES	Public Services Director	1.0	FIXED	0
	Administrative Supervisor	1.0	FIXED	0
	Safety Coordinator	1.0	FIXED	0
	Public Services Coordinator	1.0	FIXED	0

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
RECREATION SERVICES	Administrative Technician ¹	0.5	FIXED	0
	Recreation Specialist	8.0	POPULATION	22,363
	Recreation Program Supervisor	2.0	FIXED	0
	Recreation Center Leaders ¹	16.5	POPULATION	10,842
ATHLETICS	Athletic Program Supervisor	2.0	FIXED	0
	Athletic Program Specialist	1.0	POPULATION	178,900
	Athletic Chief ¹	1.0	FIXED	0
COMMUNITY SCHOOLS	Community Schools District Sup.	1.0	FIXED	0
	Finance Manager	1.0	FIXED	0
	Admin Specialist	1.0	FIXED	0
	Site Supervisor ¹	18.0	POPULATION	9,939
	Program Leader ¹	49.0	POPULATION	3,651
COOPER CREEK TENNIS CENTER	Tennis Specialist	3.0	POPULATION	59,633
	Park Maintenance Worker ¹	2.5	FIXED	0
AQUATICS	Aquatics Supervisor ¹	1.0	FIXED	0
	Swimming Pool Mgr. ¹	2.0	FIXED	0
	Assistant Swimming Pool Mgr. ¹	2.0	FIXED	0
	Head Guard/Lifeguard ¹	6.0	POPULATION	29,817
	Concessionaire ¹	2.0	FIXED	0
	Laborer ¹	1.0	FIXED	0
	Concessionaire Mgr. ¹	2.0	FIXED	0
	Administrative Assistant ¹	1.0	FIXED	0
THERAPEUTICS	Recreation Program Supervisors	1.0	FIXED	0
	Recreation Specialist	1.0	POPULATION	178,900
	Recreation Leader ¹	0.5	FIXED	0
POTTERY SHOP	Recreation Program Supervisor	1.0	FIXED	0
	Pottery Specialists ¹	3.0	POPULATION	59,633
SENIOR CITIZEN'S CENTER	Recreation Program Specialist	3.0	POPULATION	59,633
	Custodian ¹	2.5	FIXED	0
	Recreation Center Leaders ¹	1.5	FIXED	0
PARK SERVICES	Park Services Division Manager	1.0	FIXED	0
	Correctional Supervisor	13.0	PARK ACRES	140
	Administrative Specialist	1.0	FIXED	0
	Chemical Applications Technician	1.0	FIXED	0
	Park Maintenance Supervisor	13.0	PARK ACRES	140
	Park Maintenance Worker ¹	29.5	PARK ACRES	62
	Park Crew Leader	1.0	FIXED	0
	Motor Equipment Operator	13.0	FIXED	0
	Custodian ¹	2.5	FIXED	0
	Inmate Labor	144.0	PARK ACRES	13

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure	Current Demand
			Calculation Based on	Units Served Per Position
CHIEF OF POLICE	Chief of Police	1.0	FIXED	0
	Assistant Chief of Police	1.0	FIXED	0
	Police Lieutenant	1.0	FIXED	0
	Police Technician	1.0	FIXED	0
	Administrative Specialist	3.0	TOTAL POLICE CALLS	48,751
	Administrative Technician	1.0	FIXED	0
	Budget Manager	1.0	FIXED	0
	Fiscal Technician	1.0	FIXED	0
INTELLIGENCE/ VICE	Police Captain	1.0	FIXED	0
	Police Sergeant	2.0	FIXED	0
	Police Detective	9.0	TOTAL POLICE CALLS	16,250
	Police Officer	3.0	TOTAL POLICE CALLS	48,751
	Drug Enforcement Program Admin.	1.0	FIXED	0
SUPPORT SERVICES	Police Major	1.0	FIXED	0
	Police Captain	1.0	FIXED	0
	Police Sergeant	2.0	FIXED	0
	Police Technician	5.0	FIXED	0
	Police Officer	9.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
	Custodian	3.0	FIXED	0
	Criminal Records Technician	15.0	TOTAL POLICE CALLS	9,750
	Public Safety Records Supervisor	2.0	FIXED	0
	Cadet	1.0	FIXED	0
	Custodian Crew Leader	1.0	FIXED	0
FIELD OPERATIONS	Police Major	1.0	FIXED	0
	Police Captain	3.0	FIXED	0
	Police Lieutenant	8.0	FIXED	0
	Police Sergeant	30.0	TOTAL POLICE CALLS	4,875
	Police Technician	1.0	FIXED	0
	Police Officer	190.0	TOTAL POLICE CALLS	770
	Administrative Specialist	1.0	FIXED	0
	Administrative Technician	1.0	FIXED	0
OFFICE OF PROFESSIONAL STANDARDS	Police Major	1.0	FIXED	0
	Police Lieutenant	1.0	FIXED	0
	Police Sergeant	2.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
METRO DRUG TASK FORCE	Police Sergeant	1.0	FIXED	0
	Police Detective	1.0	FIXED	0
ADMINISTRATIVE SERVICES	Police Major	1.0	FIXED	0
	Police Captain	1.0	FIXED	0
	Police Lieutenant	1.0	FIXED	0
	Police Sergeant	4.0	TOTAL POLICE CALLS	36,563
	Police Officer	8.0	TOTAL POLICE CALLS	18,282
	Fiscal Technician	2.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
	Administrative Technician	1.0	FIXED	0
	Facility Maintenance Technician	1.0	FIXED	0

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
INVESTIGATIVE SERVICES	Police Major	1.0	FIXED	0
	Police Captain	1.0	FIXED	0
	Police Lieutenant	8.0	FIXED	0
	Police Sergeant	18.0	TOTAL POLICE CALLS	8,125
	Police Detective	48.0	TOTAL POLICE CALLS	3,047
	Police Technician	10.0	TOTAL POLICE CALLS	14,625
	Police Officer	11.0	TOTAL POLICE CALLS	13,296
	Administrative Specialist	4.0	TOTAL POLICE CALLS	36,563
	Criminal Record Technician	1.0	FIXED	0
CHIEF OF FIRE AND EMS	Chief of Fire and EMS	1.0	FIXED	0
	Deputy Fire Chief	2.0	FIXED	0
	Fire Captain	1.0	FIXED	0
	Fiscal Technician	1.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
FIRE/EMS OPERATIONS	Deputy Chief of Operations	1.0	FIXED	0
	Battalion Chief	9.0	FIXED	0
	EMS Division Chief	1.0	FIXED	0
	Fire Captain	25.0	FIXED	0
	Fire Lieutenant	45.0	FIXED	0
	Fire Engineer	58.0	FIXED	0
	Firefighter/EMT ²	148.0	DIRECT ENTRY	
	Firemedic	40.0	FIXED	0
	Paramedic ^{1,2}	15.0	DIRECT ENTRY	
	Administrative Specialist	2.0	FIXED	0
FIRE/EMS SPECIAL OPERATIONS	Deputy Chief of Special Operations	1.0	FIXED	0
	Division Chief of Training	1.0	FIXED	0
	Fire and EMS Training Captain	1.0	FIXED	0
	Fire and EMS Training Lieutenants	6.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
	Administrative Technician	1.0	FIXED	0
FIRE/EMS ADMIN SERVICES	Deputy Chief	1.0	FIXED	0
	Div. Comm. of Prevention (Fire Marshal)	1.0	FIXED	0
	Assistant Fire Marshal/Fire Captain	1.0	FIXED	0
	Fire Inspectors/Fire Lieutenant	5.0	TOTAL FIRE CALLS	6,002
	Administrative Specialist	1.0	FIXED	0
	Investigator	3.0	TOTAL FIRE CALLS	10,004
LOGISTICS/ SUPPORT	Civilian Logistics Tech	1.0	FIXED	0
	Maintenance Technician (Sergeant)	1.0	FIXED	0
	Maintenance Technician (Firefighter)	1.0	FIXED	0
EMERGENCY MANAGEMENT	Emergency Management Coordinator	1.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept/Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
PRISON	Warden	1.0	FIXED	0
	Deputy Warden - Administration	1.0	FIXED	0
	Deputy Warden - Security	1.0	FIXED	0
	Lieutenant - Corrections	3.0	PRISON INMATES	192
	Sergeant - Corrections	5.0	PRISON INMATES	115
	Counselor - Corrections	1.0	FIXED	0
	Technician - Corrections	2.0	FIXED	0
	Correctional Officer	93.0	PRISON INMATES	6
	Administrative Coordinator	1.0	FIXED	0
	Accounting Technician	1.0	FIXED	0
	Accounting Clerk	1.0	FIXED	0
	Administrative Clerk	1.0	FIXED	0
	Inmate Labor	80.0	PRISON INMATES	7
	SUPERIOR COURT	Senior Judge Superior Court	4.0	FIXED
Judge Superior Court		6.0	FIXED	0
Court Reporters		6.0	FIXED	0
Law Clerk		2.0	POP AND JOBS	152,850
Administrative Technician ¹		0.5	FIXED	0
DISTRICT ATTORNEY	Assistant District Attorney	10.0	FIXED	0
	Investigator Supervisor - District Attorney	1.0	FIXED	0
	Investigator - District Attorney	6.0	FIXED	0
	Victim Advocate	0.0	FIXED	0
	Administrative Assistant	1.0	FIXED	0
	Legal Administrative Clerk	5.0	POP AND JOBS	61,140
	Victim Witness Program Administrator	0.0	FIXED	0
	Paralegal	1.0	FIXED	0
	District Attorney	1.0	FIXED	0
ADULT PROBATION	Child Support Enforcement Manager	1.0	FIXED	0
	Fiscal Technician	2.0	POPULATION	89,450
JUVENILE COURT	Juvenile Court Coordinator	1.0	FIXED	0
	Senior Deputy Clerk - Juvenile	2.0	POPULATION	89,450
	Custody Investigator	1.0	FIXED	0
	Deputy Clerk - Juvenile	2.0	POPULATION	89,450
	Judge of Juvenile Court	1.0	FIXED	0
	Legal Administrative Specialist	1.0	FIXED	0
CIRCUIT WIDE JUVENILE COURT	Presiding Judge	1.0	FIXED	0
	Associate Judge ¹	1.5	FIXED	0
JURY MANAGER	Jury Manager	1.0	FIXED	0
	Deputy Clerk II - Jury Management	1.0	FIXED	0
	Administrative Clerk I ¹	0.5	FIXED	0
DISTRICT ATTORNEY VICTIM/WITNESS ASSISTANCE PROGRAM	Victim Witness Program Administrator	1.0	FIXED	0
	Victim Witness Program Assistant	1.0	FIXED	0
	Victim Witness Advocate	4.0	POPULATION	44,725

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
CLERK OF SUPERIOR COURT	Chief Deputy Clerk	1.0	FIXED	0
	Assistant Chief Deputy Clerk	1.0	FIXED	0
	Senior Deputy Clerk - Administration	1.0	FIXED	0
	Senior Deputy Clerk - Real Estate	1.0	FIXED	0
	Senior Deputy Clerk	3.0	POP AND JOBS	101,900
	Deputy Clerk	27.0	POP AND JOBS	11,322
	Senior Deputy Clerk - Civil	1.0	FIXED	0
	Senior Deputy Clerk - Criminal	1.0	FIXED	0
	Clerk of Superior Court	1.0	FIXED	0
STATE COURT JUDGES	State Court Judges	2.0	FIXED	0
	Court Reporter	2.0	POP AND JOBS	152,850
	Judicial Administrative Technician	2.0	POP AND JOBS	152,850
STATE COURT SOLICITOR	Solicitor State Court	1.0	FIXED	0
	Assistant Solicitor General	4.0	FIXED	0
	Victim Witness Program Administration	1.0	FIXED	0
	Court Coordinator - Solicitor General	1.0	FIXED	0
	Investigator Supervisor - Solicitor General	1.0	FIXED	0
	Victim Advocate Investigator	0.0	FIXED	0
	Investigator -Solicitor General	3.0	POP AND JOBS	101,900
	Deputy Clerk II - Solicitor General	2.0	POP AND JOBS	152,850
PUBLIC DEFENDER	Assistant Public Defender	2.0	FIXED	0
	Investigator	7.0	POPULATION	25,557
	Legal Administrative Specialist	2.0	POPULATION	89,450
MUSCOGEE COUNTY PUBLIC DEFENDER	Investigator - Public Defender	1.0	FIXED	0
	Legal Administrative Clerk	1.0	FIXED	0
MUNICIPAL COURT JUDGE	Municipal Court Judge	1.0	FIXED	0
	Court Coordinator	1.0	FIXED	0
	Judicial Administrative Technician	2.0	POPULATION	89,450
CLERK OF MUNICIPAL COURT	Clerk of Municipal Court	1.0	FIXED	0
	Court Coordinator	1.0	FIXED	0
	Judicial Administrative Technician	11.0	POPULATION	16,264
	Executive Assistant	1.0	FIXED	0
MARSHAL'S OFFICE	Municipal Court Marshal	1.0	FIXED	0
	Deputy Marshal Lieutenant	1.0	FIXED	0
	Deputy Marshal Sergeant	1.0	FIXED	0
	Deputy Marshal	12.0	POPULATION	14,908
	Administrative Assistant	1.0	FIXED	0
	Communication Technician III	1.0	FIXED	0
	Chief Deputy Marshal	1.0	FIXED	0
PROBATE COURT	Probate Law Clerk/Hearing Officer	1.0	FIXED	0
	Deputy Clerk II - Probate Court	4.0	POPULATION	44,725
	Probate Judge	1.0	FIXED	0

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
SHERIFF ADMIN	Sheriff	1.0	FIXED	0
	Chief Deputy Sheriff	1.0	FIXED	0
	Sheriff Captain	1.0	FIXED	0
	Deputy Sheriff Lieutenant	1.0	FIXED	0
	Deputy Sheriff Sergeant	2.0	FIXED	0
	Deputy Sheriff	2.0	FIXED	0
	Fiscal Technician	1.0	FIXED	0
	Administrative Technician	2.0	FIXED	0
	Administrative Specialist	2.0	FIXED	0
Public Safety Record Supervisor	1.0	FIXED	0	
UNIFORM DIVISION	Sheriff Captain	1.0	FIXED	0
	Deputy Sheriff Lieutenant	2.0	FIXED	0
	Deputy Sheriff Sergeant	5.0	POPULATION	35,780
	Deputy Sheriff	33.0	POPULATION	5,421
	Deputy Sheriff - Investigations	1.0	FIXED	0
	Communication Technician	3.0	POPULATION	59,633
	Security Guards	2.0	POPULATION	89,450
CRIMINAL DIVISION	Sheriff Captain	1.0	FIXED	0
	Deputy Sheriff Sergeant	2.0	POP AND JOBS	152,850
	Deputy Sheriff Investigator	3.0	POP AND JOBS	101,900
	Deputy Sheriff	8.0	POP AND JOBS	38,213
	Administrative Specialist	2.0	POP AND JOBS	152,850
	Deputy Sheriff Technician	2.0	POP AND JOBS	152,850
	Record Supervisors	2.0	POP AND JOBS	152,850
	Administrative Specialist ¹	1.0	FIXED	0
TRAINING	Deputy Sheriff Lieutenant	2.0	POP AND JOBS	152,850
	Deputy Sheriff Sergeant	1.0	FIXED	0
RECORDER'S COURT	Recorder's Court Judge ¹	2.5	FIXED	0
	Sheriff Captain	1.0	FIXED	0
	Deputy Sheriff Sergeant	1.0	FIXED	0
	Record Supervisor	1.0	FIXED	0
	Administrative Technician	8.0	POPULATION	22,363
	Fiscal Technician	2.0	POPULATION	89,450
JAIL	Deputy Sheriff - Warden	1.0	FIXED	0
	Sheriff Captain	2.0	FIXED	0
	Deputy Sheriff Lieutenant	6.0	JAIL INMATES	178
	Deputy Sheriff Sergeant	22.0	JAIL INMATES	49
	Deputy Sheriff	126.0	JAIL INMATES	8
	Sheriff Correctional Officer ³	79.0	JAIL INMATES	14
	Criminal Records Technician	6.0	JAIL INMATES	178
	ID Technician	8.0	JAIL INMATES	134
	Administrative Technician	1.0	FIXED	0
	Fiscal Technician	2.0	JAIL INMATES	535

Figure 27: General Fund Staff: Projection Methodologies (cont.)

Dept./Division	Position	FTE	Projected Expenditure	Current Demand
			Calculation Based on	Units Served Per Position
MEDICAL DIRECTOR	Health Service Administrator	1.0	FIXED	0
	Registered Nurse	4.0	JAIL INMATES	267
	Licensed Practical Nurse	19.0	JAIL INMATES	56
	Medical Technician	2.0	JAIL INMATES	535
	Medican Records Technician	2.0	JAIL INMATES	535
	Corrections Counselor	1.0	FIXED	0
ENVIRONMENTAL COURT	Recorders Court Judge ¹	2.0	FIXED	0
CORONER	Deputy Coroner ¹	2.5	POPULATION	71,560
	Administrative Assistant	1.0	FIXED	0
	Coroner	1.0	FIXED	0
TOTAL		2,313		
TOTAL LESS INMATE LABOR¹		2,038		

Source: FY08 Adopted Operating Budget, Personnel Summary by Division/Department.

¹ The number of positions varies from the FY08 Budget Personnel Summary which presents total positions (full- and part-time). Full-time equivalents (FTEs) are shown in this table for the noted positions. Based on direction from Finance, all part-time positions are considered to be .5 FTE.

² Additional Fire/EMS operations personnel is linked to the capital facility projections. For each new fire station (or new engine for relocated/expanded stations), 15 additional personnel are added. For each new ambulance, an additional 8 personnel are added.

³ Based on conversation with the Sheriff's Office, new Jail Correctional Officers are hired at the salary for a Deputy Officer.

4. Staffing Methodology Example

Figure 28 shows the Recreation positions in the Parks and Recreation Department. In order to project the marginal personnel cost increases that will occur as a result of new growth, TischlerBise has documented the current level of service in terms of population served by each employee. It was determined that population is most appropriate indicator of demand for additional Recreation Specialists and Recreation Center Leaders. For example, there are currently 16.5 Recreation Center Leaders (FTE). For purposes of the fiscal impact analysis, it is assumed that one new Recreation Center Leader is hired for every 10,842 persons (178,900 residents divided by 16.5 positions). However, in order to help maintain the current level of service, it is assumed the next position is hired when the 5% level of service threshold is reached (542 additional persons). It is assumed these personnel are hired with a salary package of \$27,816 plus benefits. This same methodology is used for all growth-related staffing needs indicated as variable to growth in Figure 27. The demand base used for each type of position varies. For example, the park maintenance staff is a function of additional park acres added to the Consolidated Government's inventory, whereas road maintenance staffing needs are based on additional lane miles added to the inventory.

Figure 28: Staffing Projection Methodology Example

RECREATION SERVICES STAFFING INPUT						
Category	2008 FTE Positions	Project Using Which Demand Base?	Current Demand Units Served Per Position	% Estimate of Available Capacity	Remaining Capacity/ Initial Hire Threshold	Estimated Service Capacity Per Position
Administrative Technician	0.5	FIXED	0	0%	0	0
Recreation Specialist	8.0	POPULATION	22,363	5%	1,118	20,002
Recreation Program Supervisor	2.0	FIXED	0	0%	0	0
Recreation Center Leaders	16.5	POPULATION	10,842	5%	542	10,254
Staff Type 5	0.0	FIXED	0	0%	0	0
Staff Type 6	0.0	FIXED	0	0%	0	0
Staff Type 7	0.0	FIXED	0	0%	0	0
Staff Type 8	0.0	FIXED	0	0%	0	0
Staff Type 9	0.0	FIXED	0	0%	0	0
Staff Type 10	0.0	FIXED	0	0%	0	0
Staff Type 11	0.0	FIXED	0	0%	0	0
Staff Type 12	0.0	FIXED	0	0%	0	0
TOTAL	27.0					

5. Sewer Fund Revenue

Figure 29 provides an inventory of Sewer Fund revenue factors used in the fiscal impact analysis. The table shows revenue category, specific revenue type, base year budget amount, projection methodology, and the level of service (LOS) standard, or dollar per demand unit. Fixed revenue items are those that are one-time only or are not projected to increase due to new development. For those items that are custom calculated (marked in yellow), further detail is provided below the figure.

Figure 29. Sewer Fund Revenues: Level of Service Factors/Projection Methodologies

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit
General Property Taxes	Ad Valorem Taxes - District 1	\$2,617,951	CUM AV DISTRICT 1 WITH EXEMPTION	1,000	\$1.07
	Ad Valorem Taxes - District 2		CUM AV DISTRICT 2 WITH EXEMPTION	1,000	\$0.12
	Personal Property - Non Vehicle (est.)	\$647,058	COMMERCIAL AND OFFICE JOBS	1.00	\$7.93
	Personal Property - Motor Vehicle	\$313,318	POP AND JOBS	1.00	\$1.02
	Property Not on Digest - Real and Personal	\$12,000	FIXED	1.00	\$0.00
	Recording Intangibles	\$109,709	FIXED	1.00	\$0.00
Other Taxes	Penalties & Interest - Ad Valorem	\$78,000	FIXED	1.00	\$0.00
	Penalties & Interest - Auto	\$20,000	FIXED	1.00	\$0.00
Intergovernmental	In Lieu of Tax Payment - Housing Auth	\$4,378	FIXED	1.00	\$0.00
Charges for Services	Land Disturbance Fees	\$35,000	FIXED	1.00	\$0.00
	Erosion Control	\$75,000	FIXED	1.00	\$0.00
Investment Income	Investment Interest	\$39,241	FIXED	1.00	\$0.00
	TOTAL	\$3,951,655			

Customized/Marginal Calculations

- Ad Valorem Taxes (Property): Revenues are projected based on assessed value of real property multiplied by the current Consolidated Government property tax rate by urban service district. The Tax Assessor provided market and/or sales values for residential and nonresidential development by planning area. The property tax rate for Urban Service District #1 is \$17.91 per \$1,000 of assessed valuation, of which \$1.07 is allocated to the Sewer Fund. The property tax rate for Urban Service District #2 is \$13.05 per \$1,000 of assessed valuation, of which \$.12 is allocated to the Sewer Fund. Per discussions with Planning staff, urban service districts are expected to dissolve and the mil rate unified in 2018. After 2018, the mil rate for Urban Service District #1 is used for all projections.

 - Assessed value is 40% of market value. The standard homestead exemption is deducted from the housing unit’s assessed value for homeowners. See discussion of exemption assumptions under General Fund Revenues.
 - Development projections in each scenario are allocated to the respective urban service district based on the distribution discussed earlier under General Fund Revenues.
 - Personal Property Taxes (Non-Vehicle): FY2008 revenues are derived from the total Ad Valorem tax revenues allocated to the Sewer Fund based on the personal property digest as provided by the Tax Assessor and the distribution by urban service district. Future revenues are projected based on future commercial and office jobs. See discussion of assumptions under General Fund Revenues.

6. Sewer Fund Operating Expenditures

Figure 30 provides an inventory of Sewer Fund expenditure factors used in the fiscal impact analysis. The tables provide the fund’s budget by division broken down into salaries and wages, operating and capital outlay, along with projection methodology and the level of service (LOS) standard, or dollar per demand unit to be used to project future expenditures.

As shown in Figure 30, sewer maintenance “other expenditures” are projected based on an increase in stormwater acres. For drainage and sewer maintenance personnel costs, the projections are marked as “customized” as these budget items will be customized based on position type and existing capacities. Capital costs are marked as fixed as future growth-related stormwater capital expenditures will be borne by developers.

Figure 30. Sewer Fund Expenditures: Level of Service Factors/Projection Methodologies

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>DRAINAGE</i>	Salaries and Wages	\$357,322	CUSTOMIZED*	\$0.00
	Operating	\$52,302	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>STORMWATER</i>	Salaries and Wages	\$112,549	FIXED	\$0.00
	Other Expenses	\$44,622	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>SEWER MAINTENANCE</i>	Salaries and Wages	\$2,061,369	CUSTOMIZED*	\$0.00
	Other Expenses	\$478,499	STORMWATER ACRES	\$17.04
	Capital Outlay	\$366,369	FIXED	\$0.00
<i>OTHER MAINTENANCE/ REPAIRS</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$3,395	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>NONCATEGORICAL</i>	Cost Allocation Services	\$188,751	FIXED	\$0.00
<i>INTERFUND TRANSFERS</i>	Transfers	\$2,331,877	FIXED	\$0.00
TOTAL		\$5,997,055		

*Personnel costs are projected on a per position basis, using existing staffing levels, capacities and likelihood of additional staff due to new growth. For example, the Consolidated Government will not add another City Manager regardless of how much growth occurs. Staff LOS is addressed in the following section. Capital costs are marked as "fixed" as future growth-related stormwater improvements will be constructed by developers.

Customized/Marginal Calculations

- Public Services is responsible for the maintenance of sewer (stormwater) facilities. Future stormwater maintenance operating expenditures are projected based on future stormwater acres by planning area in each scenario. In accordance with Columbus’ zoning regulations, acreage projections assume 1 unit/acre for single family, 14.5 units/acre for multi-family and 7.25 units/acre for all other units. Given that future housing units constructed in urban areas are expected to be largely redevelopment in nature, new stormwater acres are projected only in the following planning areas: NW Columbus, Panhandle and SE Columbus.

7. Sewer Fund Staffing Expenditures

Figure 31 shows the Sewer Fund positions by division and current FTEs. TischlerBise has identified those positions expected to be variable due to growth. For these positions, a projection methodology is shown.

Figure 31: Sewer Fund Staff: Projection Methodologies

Dept./Division	Position	FTE	Projected Expenditure	Current Demand
			Calculation Based on	Units Served Per Position
DRAINAGE	Engineer	3.0	FIXED	0
	Engineer Inspector	2.0	STORMWATER ACRES	14,040
	Engineer Technician	1.0	FIXED	0
	Survey Crew Worker	2.0	STORMWATER ACRES	14,040
SEWER MAINTENANCE	Stormwater Manager	1.0	FIXED	0
	Assistant Stormwater Manager	2.0	FIXED	0
	Stormwater Crew Supervisor	2.0	STORMWATER ACRES	14,040
	Stormwater Drainage Technician	1.0	FIXED	0
	Correctional Officer - Stormwater	11.0	STORMWATER ACRES	2,553
	Crew Leader - Stormwater	5.0	STORMWATER ACRES	5,616
	Equipment Operator	15.0	STORMWATER ACRES	1,872
	Chemical Application Technician	2.0	STORMWATER ACRES	14,040
	Maintenance Worker	12.0	STORMWATER ACRES	2,340
	Equipment Operator Crew Leader	0.0	FIXED	0
	Chemical Application Supervisor	1.0	FIXED	0
	Secretary	1.0	FIXED	0
	Inmate Labor	70.0	STORMWATER ACRES	401
	TOTAL		131	
TOTAL LESS INMATE LABOR		61		

Source: FY08 Adopted Operating Budget, Personnel Summary by Division/Department.

8. Paving Fund Revenue

Figure 32 provides an inventory of Paving Fund revenue factors used in the fiscal impact analysis. The table shows revenue category, specific revenue type, base year budget amount, projection methodology, and the level of service (LOS) standard, or dollar per demand unit. Fixed revenue items are those that are one-time only or are not projected to increase due to new development. For those items that are custom calculated (marked in yellow), further detail is provided below the figure.

Figure 32. Paving Fund Revenues: Level of Service Factors/Projection Methodologies

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit
General Property Taxes	Ad Valorem Taxes - District 1	\$8,318,774	CUM AV DISTRICT 1 WITH EXEMPTION	1,000	\$3.36
	Ad Valorem Taxes - District 2		CUM AV DISTRICT 2 WITH EXEMPTION	1,000	\$0.91
	Personal Property - Non Vehicle (est.)	\$2,058,627	COMMERCIAL AND OFFICE JOBS	1.00	\$25.23
	Personal Property - Motor Vehicle	\$992,415	POP AND JOBS	1.00	\$3.25
	Property Not on Digest - Real and Personal	\$43,000	FIXED	1.00	\$0.00
	Recording Intangibles	\$395,407	FIXED	1.00	\$0.00
Other Taxes	Penalties & Interest - Ad Valorem	\$276,014	FIXED	1.00	\$0.00
	Penalties & Interest - Auto	\$67,500	FIXED	1.00	\$0.00
Intergovernmental	In Lieu of Tax Payment - Housing Auth	\$13,400	FIXED	1.00	\$0.00
Charges for Services	Street Repair Reimbursement	\$37,594	FIXED	1.00	\$0.00
	Maintain State Highways	\$325,893	FIXED	1.00	\$0.00
Investment Income	Investment Interest	\$194,000	FIXED	1.00	\$0.00
	TOTAL	\$12,722,624			

Customized/Marginal Calculations

- Ad Valorem Taxes (Property): Revenues are projected based on assessed value of real property multiplied by the current Consolidated Government property tax rate by urban service district. The Tax Assessor provided market and/or sales values for residential and nonresidential development by planning area. The property tax rate for Urban Service District #1 is \$17.91 per \$1,000 of assessed valuation, of which \$3.36 is allocated to the Sewer Fund. The property tax rate for Urban Service District #2 is \$13.05 per \$1,000 of assessed valuation, of which \$.91 is allocated to the Sewer Fund. Per discussions with Planning staff, urban service districts are expected to dissolve and the mil rate unified in 2018. After 2018, the mil rate for Urban Service District #1 is used for all projections.
 - Assessed value is 40% of market value. The standard homestead exemption is deducted from the housing unit’s assessed value for homeowners. See discussion of exemption assumptions under General Fund Revenues.
 - Development projections in each scenario are allocated to the respective urban service district based on the distribution discussed earlier under General Fund Revenues.
 - Personal Property Taxes (Non-Vehicle): FY2008 revenues are derived from the total Ad Valorem tax revenues allocated to the Paving Fund based on the personal property digest as provided by the Tax Assessor and the distribution by

urban service district. Future revenues are projected based on future commercial and office jobs. See discussion of assumptions under General Fund Revenues.

9. Paving Fund Operating Expenditures

Figure 33 provides an inventory of Paving Fund expenditure factors used in the fiscal impact analysis. The tables provide the fund's budget by division broken down into salaries and wages, operating and capital outlay, along with projection methodology and the level of service (LOS) standard, or dollar per demand unit to be used to project future expenditures.

As shown in Figure 33, most operating expenditures (salaries and wages and operating expenses) are projected based on an increase in lane miles. For personnel costs, the projections are marked as "customized" as these budget items will be customized based on position type and existing capacities. Capital costs are marked as fixed for this examination of operating costs, but are addressed later in this report.

Figure 33. Paving Fund Expenditures: Level of Service Factors/Projection Methodologies

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
HIGHWAYS AND ROADS	Salaries and Wages	\$744,144	CUSTOMIZED*	\$0.00
	Operating	\$239,787	LANE MILES	\$103.04
	Capital Outlay	\$51,800	FIXED	\$0.00
STREET IMPROVEMENTS	Salaries and Wages	\$1,348,399	CUSTOMIZED*	\$0.00
	Other Expenses	\$489,864	LANE MILES	\$210.50
	Capital Outlay	\$480,000	FIXED	\$0.00
LANDSCAPING AND FORESTRY	Salaries and Wages	\$938,789	CUSTOMIZED*	\$0.00
	Other Expenses	\$1,146,016	LANE MILES	\$492.44
	Capital Outlay	\$153,809	FIXED	\$0.00
REPAIRS AND MAINTENANCE	Salaries and Wages	\$1,784,929	CUSTOMIZED*	\$0.00
	Other Expenses	\$314,740	LANE MILES	\$135.24
	Capital Outlay	\$7,040	FIXED	\$0.00
RIGHT OF WAY MAINTENANCE	Salaries and Wages	\$2,278,612	CUSTOMIZED*	\$0.00
	Other Expenses	\$624,142	LANE MILES	\$268.19
	Capital Outlay	\$120,450	FIXED	\$0.00
COMMUNITY SERVICES RIGHT OF WAY MAINTENANCE	Salaries and Wages	\$170,824	FIXED	\$0.00
	Other Expenses	\$68,774	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
OTHER MAINTENANCE/ REPAIRS	Bldg. Maintenance	\$5,000	FIXED	\$0.00
	Other Expenses	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
NON-CATEGORICAL	Pre-employment testing	\$2,425	FIXED	\$0.00
	Drug Testing	\$1,164	FIXED	\$0.00
	Cost Allocation Services	\$648,254	FIXED	\$0.00
	GA Forestry Association	\$2,500	FIXED	\$0.00
INTERFUND TRANSFERS	Interfund Transfers	\$2,474,058	FIXED	\$0.00
TOTAL		\$14,095,520		

*Personnel costs are projected on a per position basis, using existing staffing levels, capacities and likelihood of additional staff due to new growth. Capital costs are marked as "fixed" for this examination of operating costs, but are addressed later in this report.

Customized/Marginal Calculations

- Variable Paving Fund operating expenditures categories are projected based on the increase in lane miles from new growth in each scenario. New roads include arterials and collectors projected by scenario based on analysis of the existing road inventory and the capacity for road expansion in each planning area. This is discussed in detail in the "Capital Cost Methodology" section of this report (Section VI). Lane miles also include an estimate of developer-built local roads that will be maintained by the Consolidated Government. Consistent with Columbus zoning regulation, local lane mile assumptions reflect 125 feet of road front footage for each single family housing unit, 50 feet per multi-family housing unit, and 125 feet for all other housing.

10. Paving Fund Staffing Expenditures

Figure 34 shows the Paving Fund positions by division and current FTEs. TischlerBise has identified those positions expected to be variable due to growth. For these positions, a projection methodology is shown.

Figure 34: Paving Fund Staff: Projection Methodologies

Dept/Division	Position	FTE	Projected Expenditure	Current Demand
			Calculation Based on	Units Served Per Position
LANDSCAPING AND FORESTRY	ROW, Landscape and Forestry Manager	1.0	FIXED	0
	Assistant Manager - Forestry	1.0	FIXED	0
	Assistant Manager - Beautification	0.0	FIXED	0
	Forestry Administrator	1.0	FIXED	0
	Urban Forestry Supervisor	1.0	FIXED	0
	Public Services Supervisor	0.0	FIXED	0
	Chemical Application Supervisor	0.0	FIXED	0
	Contract Administrator	1.0	FIXED	0
	Correctional Officer - Forestry	0.0	FIXED	0
	Public Services Crew Leader	0.0	FIXED	0
	Tree Trimmer Crew Leader	4.0	FIXED	0
	Administrative Technician	0.0	FIXED	0
	Tree Evaluator	1.0	FIXED	0
	Equipment Operator	6.0	LANE MILES	388
	Tree Trimmer	5.0	LANE MILES	465
	Inmate Labor	6.0	LANE MILES	388
	Maintenance Worker	2.0	FIXED	0
REPAIRS AND MAINTENANCE	Street Division Manager	1.0	FIXED	0
	Street Division Assistant Manager	1.0	FIXED	0
	Correctional Supervisors	3.0	FIXED	0
	Public Service Crew Leaders	5.0	LANE MILES	465
	Motor Equipment Operator	9.0	LANE MILES	259
	Maintenance Worker	25.0	LANE MILES	93
	Administrative Specialist	1.0	FIXED	0
	Inmate Labor	15.0	LANE MILES	155
ROW MAINTENANCE	ROW Maintenance Assistant Division Manager	1.0	FIXED	0
	Administrative Specialist	1.0	FIXED	0
	Chemical Application Crew Leader	1.0	FIXED	0
	Chemical Application Technician	3.0	FIXED	0
	Corrections Supervisor	8.0	LANE MILES	291
	Tree Trimmer	1.0	FIXED	0
	Motor Equipment Operator	20.0	LANE MILES	116
	Maintenance Worker	13.0	LANE MILES	179
	Maintenance Crew Supervisor	1.0	FIXED	0
Maintenance Supervisor	4.0	FIXED	0	

Figure 34: Paving Fund Staff: Projection Methodologies (cont.)

Dept/Division	Position	FTE	Projected Expenditure		Current Demand
			Calculation Based on	Position	Units Served Per
COMMUNITY SERVICES ROW MAINTENANCE	Community Service Coordinator	1.0	FIXED		0
	Maintenance Crew Leader	1.0	FIXED		0
	Maintenance Worker	1.0	FIXED		0
TOTAL		189			
TOTAL LESS INMATE LABOR		168			

Source: FY08 Adopted Operating Budget, Personnel Summary by Division/Department.

11. Transportation Fund Revenue

Figure 35 provides an inventory of Transportation Fund revenue factors used in the fiscal impact analysis. The table shows revenue category, specific revenue type, base year budget amount, projection methodology, and the level of service (LOS) standard, or dollar per demand unit. Fixed revenue items are those that are one-time only or are not projected to increase due to new development. For those items that are custom calculated (marked in yellow), further detail is provided below the figure.

Figure 35. Transportation Fund Revenues: Level of Service Factors/Projection Methodologies

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit
General Property Taxes	Ad Valorem Taxes	\$2,143,028	CUM AV DISTRICT 1 AND 2 WITH EXEMPTION	1,000.00	\$0.82
	Personal Property Taxes - Non Motor Vehicle (est.)	\$532,394	COMMERCIAL AND OFFICE JOBS	1.00	\$6.52
	Personal Property Taxes - Motor Vehicle	\$251,771	POP AND JOBS	1.00	\$0.82
Intergovernmental	FTA UMTA Capital Grant	\$1,422,676	FIXED	1.00	\$0.00
	FTA Section 9A - Planning (5307)	\$129,484	FIXED	1.00	\$0.00
	DOT Capital Grant	\$177,834	FIXED	1.00	\$0.00
	DOT Section 9 - Planning	\$75,794	FIXED	1.00	\$0.00
	In Lieu of Tax Payment - Housing Authority	\$3,500	FIXED	1.00	\$0.00
Operations	Handicap ID Cards	\$9,000	FIXED	1.00	\$0.00
	Recycling Fees	\$500	FIXED	1.00	\$0.00
	Subscription Farebox Revenue	\$14,000	FIXED	1.00	\$0.00
	Passenger Services	\$853,808	FIXED	1.00	\$0.00
	Dial-A-Ride Service	\$51,175	FIXED	1.00	\$0.00
	Misc. Transportation Revenue	\$5,633	FIXED	1.00	\$0.00
Investment Income	Investment Interest	\$10,000	FIXED	1.00	\$0.00
	TOTAL	\$5,680,597			

Customized/Marginal Calculations

- Ad Valorem Taxes (Property): Revenues are projected based on assessed value of real property multiplied by the current Consolidated Government property tax rate by urban service district. The Tax Assessor provided market and/or sales values for residential and nonresidential development by planning area. The METRA portion of

the millage rate for both Urban Service District #1 and Urban Service District #2 is \$.82 per \$1,000 of assessed valuation.

- Assessed value is 40% of market value. The standard homestead exemption is deducted from the housing unit's assessed value for homeowners. See discussion of exemption assumptions under General Fund Revenues.
- Development projections in each scenario are allocated to the respective urban service district based on the distribution discussed earlier under General Fund Revenues.
- Personal Property Taxes (Non-Vehicle): FY2008 revenues are derived from the total Ad Valorem tax revenues allocated to the Transportation Fund based on the personal property digest as provided by the Tax Assessor and the distribution by urban service district. Future revenues are projected based on future commercial and office jobs. See discussion of assumptions under General Fund Revenues.

12. Transportation Fund Operating Expenditures

Figure 36 provides an inventory of Transportation Fund expenditure factors used in the fiscal impact analysis. The tables provide the fund's budget by division broken down into salaries and wages, operating and capital outlay, along with projection methodology and the level of service (LOS) standard, or dollar per demand unit to be used to project future expenditures.

As shown in Figure 36, most operating expenditures (salaries and wages and operating expenses) are projected based on the increase in the transit service area population. For personnel costs, the projections are marked as "customized" as these budget items will be customized based on position type and existing capacities. Capital costs for METRA are considered fixed as METRA's capital costs are largely borne by the Federal Transportation Administration and the Georgia Department of Transportation.

Figure 36. Transportation Fund Expenditures: Level of Service Factors/Projection Methodologies

Dept./Division	Expenditure Category	Base Year Budget Amount	Projected Expenditure Calculation Based on	LOS Standard (\$ per Demand Unit)
<i>NON-CATEGORICAL</i>	Cost Allocation Services	\$104,821	FIXED	\$0.00
<i>INTERFUND TRANSFERS</i>	Interfund Transfers	\$115,000	FIXED	\$0.00
<i>DIRECTOR</i>	Salaries and Wages	\$47,487	FIXED	\$0.00
	Other Expenses	\$99,159	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>METRA OPERATIONS</i>	Salaries and Wages	\$1,875,090	CUSTOMIZED*	\$0.00
	Other Expenses	\$29,187	TRANSIT POPULATION	\$0.24
	Capital Outlay	\$0	FIXED	\$0.00
<i>MAINTENANCE</i>	Salaries and Wages	\$667,481	CUSTOMIZED*	\$0.00
	Other Expenses	\$675,711	TRANSIT POPULATION	\$5.54
	Capital Outlay	\$0	FIXED	\$0.00
<i>DIAL-A-RIDE</i>	Salaries and Wages	\$237,842	CUSTOMIZED*	\$0.00
	Other Expenses	\$15,930	POPULATION	\$0.09
	Capital Outlay	\$0	FIXED	\$0.00
<i>FTA</i>	Salaries and Wages	\$117,482	FIXED	\$0.00
	Other Expenses	\$445,260	FIXED	\$0.00
	Capital Outlay	\$1,537,902	FIXED	\$0.00
<i>CHARTER SERVICES</i>	Salaries and Wages	\$0	FIXED	\$0.00
	Other Expenses	\$22,000	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>PLANNING - FTA 5303</i>	Salaries and Wages	\$66,232	FIXED	\$0.00
	Operating	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>PLANNING - FTA 5307</i>	Salaries and Wages	\$149,372	FIXED	\$0.00
	Other Expenses	\$4,900	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
<i>OTHER MAINTENANCE/ REPAIRS</i>	Bldg. Main. - Gen Govt.	\$12,000	FIXED	\$0.00
	Other Expenses	\$0	FIXED	\$0.00
	Capital Outlay	\$0	FIXED	\$0.00
TOTAL		\$6,222,856		

*Personnel costs are projected on a per position basis, using existing staffing levels, capacities and likelihood of additional staff due to new growth. Staff LOS is addressed in the following section. Capital costs are marked as "fixed " for this examination of operating costs as transit capital costs are grant-funded.

Customized/Marginal Calculations

- Variable Transportation Fund operating expenditures categories are projected based on the increase in population within the transit service area. The transit service area excludes the NW Columbus and Panhandle planning areas, which in large measure are not served by METRA.

13. Transportation Fund Staffing Expenditures

Figure 37 shows the Transportation Fund positions by division and current FTEs. TischlerBise has identified those positions expected to be variable due to growth. For these positions, a projection methodology is shown.

Figure 37: Transportation Fund Staff: Projection Methodologies

Dept./Division	Position	Projected Expenditure		Current Demand Units Served Per Position
		FTE	Calculation Based on	
METRA OPERATIONS	Grants Planning Division Manager	1.0	FIXED	0
	Assistant Director of Transportation	1.0	FIXED	0
	Transit Manager	1.0	FIXED	0
	Transit Supervisor	3.0	TRANSIT POPULATION	40,680
	Transit Specialist	1.0	FIXED	0
	Bus Operator (with CDL)	39.0	TRANSIT POPULATION	3,129
	Administrative Secretary	3.0	TRANSIT POPULATION	40,680
FLEET MAINTENANCE	Maintenance Crew Leader	1.0	FIXED	0
	Maintenance Manager	1.0	FIXED	0
	Fleet Maintenance Technician	15.0	TRANSIT POPULATION	8,136
DIAL-A-RIDE	Bus Operator (Dial-A-Ride)	5.0	POPULATION	35,780
TOTAL		71		

Source: FY08 Adopted Operating Budget, Personnel Summary by Division/Department.

14. Debt Service Fund Revenues

Figure 38 provides an inventory of Debt Service Fund revenue factors used in the fiscal impact analysis. The table shows revenue category, specific revenue type, base year budget amount, projection methodology, and the level of service (LOS) standard, or dollar per demand unit. Fixed revenue items are those that are one-time only or are not projected to increase due to new development. For those items that are custom calculated (marked in yellow), further detail is provided below the figure.

Figure 38. Debt Service Fund Revenues: Level of Service Factors/Projection Methodologies

Revenue Category	Revenue Name	Base Year Budget Amount	Project Using Which Demand Base?	Demand Unit Multiplier	LOS Std \$ per Demand Unit
General Property Taxes	Ad Valorem Taxes	\$3,756,138	CUM AV DISTRICT 1 AND 2 WITHOUT EXEMPTION	1,000	\$1.23
	Personal Property - Non Vehicle (est.)	\$798,591	COMMERCIAL AND OFFICE JOBS	1.00	\$9.79
	Personal Property - Motor Vehicle	\$377,656	POP AND JOBS	1.00	\$1.24
	Property Not on Digest (Real and Personal)	\$11,760	FIXED	1.00	\$0.00
	Recording Intangibles	\$108,898	FIXED	1.00	\$0.00
Other Taxes	Penalties & Interest - Ad Valorem	\$107,364	FIXED	1.00	\$0.00
	Penalties & Interest - Autos	\$19,000	FIXED	1.00	\$0.00
Intergovernmental	In Lieu of Tax Payment - Housing Authority	\$5,400	FIXED	1.00	\$0.00
	Columbus Water Works - 6%	\$658,170	POP AND JOBS	1.00	\$2.15
	Bull Creek Golf Course	\$93,455	FIXED	1.00	\$0.00
Investment Income	Investment Interest	\$72,114	FIXED	1.00	\$0.00
Miscellaneous	Bay St. Parking Garage	\$405,000	FIXED	1.00	\$0.00
	TOTAL	\$6,413,546			

Customized/Marginal Calculations

- Ad Valorem Taxes (Property): Revenues are projected based on assessed value of real property multiplied by the current Consolidated Government property tax rate by urban service district. The Tax Assessor provided market and/or sales values for residential and nonresidential development by planning area. The Debt Service portion of the millage rate for both Urban Service District #1 and Urban Service District #2 is \$1.23 per \$1,000 of assessed valuation.
 - Assessed value is 40% of market value. No further deductions are made from assessed value as the standard homestead exemption does not apply to the debt service portion of the millage rate.
 - Development projections in each scenario are allocated to the respective urban service district based on the distribution discussed earlier under General Fund Revenues.
 - Personal Property Taxes (Non-Vehicle): FY2008 revenues are derived from the total Ad Valorem tax revenues allocated to the Debt Service Fund based on the personal property digest as provided by the Tax Assessor and the distribution by urban service district. Future revenues are projected based on future commercial and office jobs. See discussion of assumptions under General Fund Revenues.

D. Capital Cost Methodology

This section discusses the major capital cost assumptions used in the fiscal impact analysis.

1. Parks and Recreation

The significant increase in Columbus' population is expected to create demands for additional park facilities and services. Growth-related parks and recreation improvements are projected using current countywide levels of service (i.e. acres per capita for parkland, square feet per capita for recreation facilities, park amenities per capita and park vehicles per capita). For parkland, in order to forecast the need for future acres, the fiscal model applies the level of service standard to the population increases in each scenario and constructs an acre of parkland when new growth triggers the need. The same methodology is used for the other types of park capital improvements provided by Columbus, including recreation facilities, park amenities and park vehicles.

Discussions with parks and recreation staff indicate that park capacity improvements in the urban areas of Columbus (Midtown/Uptown, South Columbus and Bibb City) would involve adding additional park amenities and facilities to existing sites as additional acreage is not available in these areas. Additional acreage would need to be acquired in the NW Columbus, Panhandle and SE Columbus planning areas depending on the amount of projected residential development in these areas. As a result, the parkland acquisition expenditures are calculated by planning area.

Regional and district parks are considered in the parkland level of service, as these parks serve a countywide-service area. Smaller parks (mini and neighborhood) are not included due to the limited service area of these facilities. Regional parks are typically at least 75 acres and district parks range from 16 to 74 acres. The current countywide level of service for regional parkland is 3.84 acres per 1,000 persons (687 acres divided by population of 178,900 multiplied by 1,000) and 6.36 acres per 1,000 persons for district parkland (1,138 acres divided by population of 178,900 multiplied by 1,000). Columbus estimates a parkland acquisition cost of \$68,000/acre (the weighted average of three recent appraisals for general/light industrial land), bringing the total cost of land acquisition for a 75-acre regional park to \$5.1 million. Columbus is projected to acquire 280 parkland acres through 2028 in the Suburban scenario for a total of \$19.4 million and 184 acres in the Revitalization scenario for a total of \$12.5 million. Parkland needs by planning area and park type through 2028 are shown for each scenario in Figure 39.

Figure 39: Additional Parkland Acres Due to New Growth by Scenario and Planning Area Through 2028

PROJECTED ADDITIONAL PARKLAND ACRES

Scenario: **SUBURBAN**

Facility	Additional Park Acres through 2028 by Fiscal Analysis Zone						TOTAL
	NW Columbus	Panhandle	South Columbus	Midtown/ Uptown	SE Columbus	Bibb City	
Regional Park	42	51	0	0	12	0	105
District Park	70	85	0	0	20	0	175
TOTAL	112	136	0	0	32	0	280

Scenario: **REVITALIZATION**

Facility	Additional Park Acres through 2028 by Fiscal Analysis Zone						TOTAL
	NW Columbus	Panhandle	South Columbus	Midtown/ Uptown	SE Columbus	Bibb City	
Regional Park	21	11	0	0	37	0	69
District Park	35	19	0	0	61	0	115
TOTAL	56	30	0	0	98	0	184

The current level of service (LOS) for park facilities and amenities (facility sq. ft. or number of amenities per person), and projected facilities/amenities needed to serve new growth are shown in Figure 40. The LOS analysis is based on inventories provided by the Parks and Recreation Department. New facilities/amenities are calculated by multiplying the LOS by the net increase in population through 2028 of 28,600 persons. For example, additional recreation space is projected based on the current level of service of 1.03 sq. ft. per person (183,494 square feet divided by current population of 178,900 persons). New growth generates the need for 29,332 square feet of additional space (1.03 square feet per person multiplied by a net increase of 28,600 persons). New and replacement amenities are “purchased” by the model once the useful life of 15 years is reached. Given the existing relationship between residents and pools (.00002 pools per person), new growth does not generate enough demand to trigger the construction of a new pool.

The unit cost for recreation centers of \$156/sq. ft. is from Marshall-Swift (Community Recreation Center, Class D, Excellent). The unit cost for concession stands, outside restroom facilities and pavilions is from the Consolidated Government’s Real Personal Property Schedule. Other amenity costs are from studies conducted by TischlerBise in other Georgia communities.

Figure 40: Park Facilities and Amenities LOS, Cost Factors and Projected Expenditures

PARKS/RECREATION PROJECTED CAPITAL EXPENDITURES
Facilities and Amenities

Park Facility/Amenity	Existing Level of Service		Facilities For New Growth		
	LOS Per Person	Unit	No.	Cost Per Unit	Total Cost
Recreation Center	1.03	Square Feet	29,332	\$156	\$4,575,792
Pavilion	0.02	Square Feet	647	\$41	\$26,527
Tennis Court	0.0002	Amenity	8	\$80,000	\$640,000
Basketball Court	0.0001	Amenity	1	\$25,000	\$25,000
Multipurpose Court	0.00004	Amenity	1	\$25,000	\$25,000
Baseball Field	0.0002	Amenity	7	\$120,000	\$840,000
Softball Field	0.0001	Amenity	4	\$120,000	\$480,000
Soccer Field	0.0001	Amenity	1	\$120,000	\$120,000
Football Field	0.00004	Amenity	1	\$120,000	\$120,000
Playground	0.0001	Amenity	4	\$30,000	\$120,000
Concession Stand	0.0002	Amenity	4	\$85,000	\$340,000
Outside Restroom Facility	0.0002	Amenity	4	\$85,000	\$340,000
Pool	0.00002	Amenity	0	\$2,635,438	\$0
TOTAL					\$7,652,319

As shown in Figure 41, parks and recreation vehicles are factored based on the projected increase in population. It is expected that as the Consolidated Government’s population increases as a result of new development, it will purchase additional parks and recreation vehicles. New and replacement vehicles are “purchased” by the model once the useful life of 10 years is reached. Vehicle replacement costs are provided by Public Services based on the FY2009 budget for vehicle and equipment purchases. Given the existing LOS for park SUVs, 7 yd dump trucks and prisoner buses, new growth does not generate enough demand to trigger the purchase of these vehicles.

Figure 41: Park Vehicles LOS, Cost Factors and Projected Expenditures

PARKS/RECREATION PROJECTED CAPITAL EXPENDITURES
Vehicles

Vehicle Type	Existing Level of Service		Facilities For New Growth		
	LOS Per Person	Unit	No.	Cost Per Unit	Total Cost
Medium Trucks	0.0001	Vehicle	1	\$29,000	\$29,000
Inmate Vans	0.0001	Vehicle	3	\$32,000	\$96,000
SUVs	0.000006	Vehicle	0	\$23,000	\$0
7 yd Dump Trucks	0.00002	Vehicle	0	\$65,000	\$0
Prisoner Bus	0.00001	Vehicle	0	\$32,000	\$0
TOTAL					\$125,000

2. Roads

Methodology

Columbus anticipates that as population and employment increases, it will need to add additional lane miles to its arterial and collector road network in order to accommodate new development. Additional local roads are expected to be built by developers, though the maintenance of those roads will become the responsibility of the Consolidated Government. This is reflected in the operating cost projections.

To project future major road construction as a result of new growth, Columbus’ inventory of arterial and collector roads is paired with the existing development base by planning area to determine the current demand on the existing road network. Based on projected new residential and nonresidential development, along with adjustments for commuting patterns, pass-by trips and average trip length variation by land use (discussed below), additional Vehicle Miles of Travel (VMT) by planning area is projected in each scenario. Given road capacity standards by road classification, VMT is converted into lane miles needed to serve new development through 2028 by planning area.

As Columbus’ road network is largely built-out in its core areas, staff indicated that new lane miles would be added primarily in the suburban areas of the Consolidated Government. This includes the following planning areas: NW Columbus, Panhandle and SE Columbus.

Calculating Future Growth-Related Vehicle Miles of Travel

VMT is the product of the number of vehicle trips multiplied by the average trip length. Vehicle trips are discussed below. To derive average trip length by planning area in Columbus requires an inventory of current lane miles and a lane capacity standard by road classification type. Each of these components is discussed in turn.

Lane Miles

To determine the lane miles needed in each growth scenario in order to maintain existing levels of service, TischlerBise first examined Columbus’ existing inventory of arterials and collector roads by planning area. Using GIS, JJG overlaid a Columbus road map with the Comprehensive Plan planning areas, producing centerline miles by road classification in each planning area. JJG then excluded those roads that were likely State roads. For purposes of the analysis, it was assumed that arterial roads are 4-lane and collector roads 2-lane. The resulting lane mile inventory by planning area is shown in Figure 42. It is estimated that the Consolidated Government owns 425 arterial lane miles and 264 collector lane miles.

Figure 42: Columbus Lane Miles by Functional Classification – Arterials and Collectors

Planning Area	Lane Miles		
	ARTERIAL	COLLECTOR	TOTAL
NW Columbus	130	64	194
Panhandle	45	93	138
South Columbus	43	6	49
Midtown/Uptown	75	46	121
SE Columbus	130	44	174
Bibb City	2	11	13
Lane Miles	425	264	688

Lane Capacity

The analysis assumes a capacity standard of 5,350 vehicles per lane for a 4-lane divided arterial based on the State of Florida’s average daily volumes for major city/county roadways, Level of Service C. For collectors, a capacity standard of 4,550 vehicles per lane is used.

Vehicle Trips Associated with Development in Columbus

Vehicle trip generation rates are from the reference book *Trip Generation* (Institute of Transportation Engineers, 2003). Future trips are projected based on average weekday vehicle trip ends. A vehicle trip end represents a vehicle either entering or exiting a development (as if a traffic counter were placed across a driveway). To calculate future vehicle trips, trip generation rates are adjusted to avoid double counting each trip at both the origin and destination points. Therefore, the basic trip adjustment factor is 50%. As discussed further below, additional adjustments are made to reflect the infrastructure demand for particular types of development.

Adjustment for Journey-To-Work Commuting

Residential development has a higher trip adjustment factor of 52% to account for commuters leaving Columbus for work (see calculation in Figure 43). According to the National Household Travel Survey (see Table 29, Federal Highway Administration, 2001) home-based work trips are

typically 31% of production trips (i.e., all out-bound trips, which are 50% of all trip ends). Also, Census 2000 data from Table P27 in Summary File 3 indicates that 13% of Columbus’ workers travel outside the Consolidated Government for work. In combination, these factors ($0.31 \times 0.50 \times 0.13 = 0.02$) account for 2% of production trips. The total adjustment factor for residential includes attraction trips (50% of trip ends) plus the journey-to-work commuting adjustment (2% of production trips) for a total of 52%.

Figure 43: Trip Adjustment for Journey to Work Commuting

Share of Home Based Trips for Work	31%
Outbound Trips	50%
Workers Traveling Outside Columbus for Work	13%
Journey to Work Commuting Adj.	2%
<hr/>	
Attraction Trips	50%
Journey to Work Commuting Adj.	2%
Residential Adjustment Factor	52%

Source: National Household Transportation Survey (2001) and U.S. Census Table P27.

Adjustment for Pass-by Trips

A simple factor of 50% has been applied to the industrial, office and institutional categories. The commercial/retail category has a trip factor of less than 50% because this type of development attracts vehicles as they pass-by on arterial and collector roads. For example, when someone stops at a convenience store on their way home from work, the convenience store is not their primary destination. As documented in *Trip Generation*, there is an inverse relationship between shopping center size and pass-by trips. Therefore, appropriate trip adjustment factors have been calculated according to shopping center size. For this type of development, the trip adjustment factor is less than 50 percent because retail uses attract vehicles as they pass by. For example, when someone stops at a convenience store on the way home from work, the convenience store is not the primary destination. For example, the ITE Manual indicates that on average 45% of the vehicles entering shopping centers under 25,000 square feet are passing by on the way to some other primary destination and 55% of the attraction trips have the shopping center as their primary destination. Therefore, the adjusted trip factor is 28% (0.55×0.50).

Figure 44: Commercial/Shopping Center Trip Rates and Pass-By Adjustments

Floor Area in thousands (KSF)	Commercial Pass-by Trips*	Commercial Trip Adj Factor**	Weekday - 2003 Data			
			Shopping Centers (ITE 820)		General Office (ITE 710)	
			Trip Ends	Rate/KSF	Trip Ends	Rate/KSF
10	52%	24%	1,520	152.03	227	22.66
25	45%	28%	2,758	110.32	459	18.35
50	39%	31%	4,328	86.56	782	15.65
100	34%	33%	6,791	67.91	1,334	13.34
200	29%	36%	10,656	53.28	2,275	11.37
400	23%	39%	16,722	41.80	3,879	9.70
800	18%	41%	26,239	32.80	6,615	8.27

Source: *Trip Generation*, Institute of Transportation Eng

* Based on data published by ITE in *Trip Generation Handbook* (2004), the best trendline correlation between pass-by trips and floor area is a logarithmic curve with the equation $(-7.6812 \cdot \ln(\text{KSF})) + 69.293$.

** To convert trip ends to vehicle trips, the standard adjustment factor is 50%. Due to pass-by trips, commercial trip adjustment factors are lower, as derived from the following formula $(0.50 \cdot (1 - \text{passby pct}))$.

Average Trip Length Adjustment by Type of Land Use

The average trip length is weighted to account for trip length variation by type of land use. As documented by the National Household Travel Survey (see Table 6 in the 2001 publication by the Federal Highway Administration), vehicle trips from residential development, for home-based work trips, social and recreation purposes, are approximately 122% of the average trip length. Conversely, shopping trips associated with commercial development are roughly 68% of the average trip length while other nonresidential development typically account for trips that are 75% of the average trip length.

Construction Cost

Construction cost per lane mile is estimated by Columbus staff at approximately \$1.25 million per lane mile for arterials and \$1 million/lane mile for collectors. This includes road and sidewalk construction. It does not include the cost to construct bike lanes. Right of way acquisition costs are not included due to variability by project and geographic area.

Average Trip Length

The average trip length on Columbus’ arterials and collectors is determined through a series of iterations using spreadsheet software. The VMT calculations include the adjustment factors discussed above, including residential journey-to-work, commercial pass-by and average trip length by type of land use. Knowing current vehicle trips by planning area, lane miles currently

accommodating the existing travel by planning area and lane capacity by road classification, it is possible to derive the average trip length by planning area. The basic formula for calculating the average trip length is to multiply the lane miles by the capacity and divide by the number of trips. Average trip length by planning area is shown below in Figure 45. The longest trips are found in the Panhandle and NW Columbus, while the shortest trips are found in Bibb City and Midtown/Uptown.

Figure 45: Average Trip Length by Planning Area and Road Classification

Planning Area	Average Trip Length	
	ARTERIAL	COLLECTOR
NW Columbus	3.92	1.64
Panhandle	3.35	5.90
South Columbus	3.45	0.41
Midtown/Uptown	2.20	1.15
SE Columbus	3.08	0.89
Bibb City	0.15	0.69

Projected Road Improvements by Planning Area

Given the future development projections in each scenario (discussed in more detail Section III) and the VMT assumptions discussed above, TischlerBise projected the future arterial and collector roads needed to serve new growth in Figure 46. In the Suburban scenario, Columbus is expected to add 171 lane miles (81 arterial and 90 collector). Significantly less lane miles are constructed in the Revitalization scenario: 52 arterial lane miles and 35 collector lane miles for a total of 87 lane miles. As discussed previously, new road construction is projected in the following planning areas: NW Columbus, Panhandle and SE Columbus. It is not anticipated that additional road capacity will be added to the remaining planning areas as the road network in these planning areas is largely built out.

Figure 46: Additional Lane Miles Due to New Growth by Scenario and Planning Area Through 2028

PROJECTED ADDITIONAL LANE MILES
 Scenario: **SUBURBAN**

Facility	Additional Lane Miles through 2028 by Planning Area						TOTAL
	NW Columbus	Panhandle	South Columbus	Midtown/Uptown	SE Columbus	Bibb City	
Arterials	34	33	0	0	14	0	81
Collectors	17	69	0	0	5	0	90
TOTAL	51	102	0	0	19	0	171

PROJECTED ADDITIONAL LANE MILES

Scenario: **REVITALIZATION**

Facility	Additional Lane Miles through 2028 by Planning Area						TOTAL
	NW Columbus	Panhandle	South Columbus	Midtown/ Uptown	SE Columbus	Bibb City	
Arterials	20	8	0	0	24	0	52
Collectors	10	17	0	0	8	0	35
TOTAL	30	25	0	0	32	0	87

Road Improvements Due to Nonresidential Growth on Ft. Benning

The lane mile projections shown in Figure 46 reflect infrastructure demanded by new development in Columbus proper. Nonresidential development on Ft. Benning is expected to have an impact on Columbus’ road network as well. To project arterial and collector lane miles needed as a result of growth on-base, the analysis considered new VMT on Columbus’ entire arterial and collector road network (excluding State roads) as a result of new employment on base. Following the same VMT methodology discussed earlier in this chapter, Columbus will need to construct 5.7 additional lane miles as a result of on-base nonresidential development (3.6 arterial lane miles and 2.1 collector lane miles) through 2028.

3. Fire/EMS

Growth-related fire stations and apparatus considered in the study were provided by the Fire/EMS Department based on its Strategic Action Plan. The Department anticipates building additional fire station capacity and acquiring additional apparatus as a result of new growth. In either the Suburban or Revitalization scenario, the Department anticipates the need to build two new stations (Stations #16 and #17) and relocating Station #9 to provide an additional bay. In the Revitalization scenario, the Department anticipates the need to also relocate and expand Station #2. These new/expanded facilities are expected to serve the Consolidated Government through 2028. All other stations are considered to have existing capacity to handle increased demands resulting from new growth.

Construction cost is estimated at \$1.8 million per station. Stations are approximately 9,000 sq. ft. and are located on two acres of land. In addition, land acquisition costs are estimated at \$700,000/acre (needed for all stations except Station #2 where land has already been acquired).

In addition to new facilities, the Department anticipates the need to purchase additional apparatus to serve new growth. This includes new engines for fire stations #16, #17 and #2 and an ambulance for station #9. In addition, the Department indicates a need for a quint to be added to Station #10 under both the suburban and revitalization scenario. Engine cost is estimated at \$360,000/engine, quints at \$1 million/unit and ambulances (including equipment) at \$214,000/unit. Apparatus/vehicles are expected to have a useful life of 10 years. Additional

Fire/EMS facilities and apparatus (including replacement vehicles) needed as a result of new growth are shown in Figure 47.

Figure 47: Additional Fire/EMS Facilities and Apparatus Due to New Growth through 2028 By Scenario

FIRE/EMS PROJECTED CAPITAL EXPENDITURES

Scenario: SUBURBAN GROWTH			
Facility/Equipment	No.	Cost/Unit	Total Cost
Stations	3	\$1,800,000	\$5,400,000
Acres	6	\$700,000	\$4,200,000
Engines	6	\$360,000	\$2,160,000
Quints	2	\$1,000,000	\$2,000,000
Ambulances	2	\$214,000	\$428,000
TOTAL			\$14,188,000

Scenario: REVITALIZATION			
Facility/Equipment	No.	Cost/Unit	Total Cost
Stations	4	\$1,800,000	\$7,200,000
Acres	6	\$700,000	\$4,200,000
Engines	6	\$360,000	\$2,160,000
Quints	2	\$1,000,000	\$2,000,000
Ambulances	2	\$214,000	\$428,000
TOTAL			\$15,988,000

4. Police

Additional pursuit cars are factored on a marginal basis, based on the projected need for new officers on a countywide basis (patrol officers, corporals, tactical squad officers, and sergeants assigned to the Patrol Division). It is projected that as the Department hires an additional officer (based on increased calls for police service), the Consolidated Government will purchase an additional pursuit vehicle. A unit cost of \$47,000 is provided by the Department, including the cost of the vehicle and technology package (radar, in car video and mobile data). New sedans for other officers are added using the same methodology at a cost of \$18,000 per vehicle. New and replacement vehicles are “purchased” by the model once the useful life of 6.5 years is reached.

The Police Department anticipates the need to construct a new facility in order to provide additional space for training new officers. Space in the existing Public Safety building is limited. As the new facility is expected to serve both existing and new growth, the growth-related share of the construction cost is considered in the fiscal study. The facility is estimated to total \$6.5 million, with growth’s share estimated by TischlerBise at \$910,000. The Department does not anticipate adding some additional precinct space, those this space will be leased and therefore is not included in this analysis of capital costs.

Additional police vehicles and facilities needed as a result of new growth are shown in Figure 48. The two scenarios, Suburban and Revitalization, vary the geographic distribution of new growth, though the total amount of new growth is the same. As these police vehicles and facilities are needed regardless of where new growth is located, the results are comparable in the Suburban and Revitalization scenario.

Figure 48: Additional Police Vehicles and Facilities Due to New Growth through 2028

Facility	Unit	No.	Cost/Unit	Total Cost
Pursuit Cars	Vehicles	75	\$47,000	\$3,525,000
Sedans	Vehicles	15	\$18,000	\$270,000
Training Facility ¹	n/a	n/a	n/a	\$910,000
TOTAL				\$4,705,000

¹ Growth's share of the \$6.5 million facility.

5. Sheriff

Future growth-related capital costs for the Sheriff’s Office are anticipated to include expansions to jail and office space, along with the purchase of additional pursuit cars. New facilities and the purchase of vehicles are factored on a marginal basis, based on the current level of service. The Sheriff’s Office anticipates that new growth will require an expansion to the jail facility. The Office indicated that a new jail facility will need to be built to higher building specifications than the existing facility. The Sheriff’s Office is in the preliminary stages of planning for a new facility, so cost information is not currently available. In lieu of that, the cost per bed from 2002 is included in this analysis, adjusted for inflation and including an estimate for demolition for a total of \$31,735/bed. Additional jail beds are projected based on the estimated increase in jail inmates, given the existing relationship between inmates and Columbus’ population. The jail has 1,069 beds, resulting in 5.98 inmates per 1,000 persons (1,069 jail inmates / 178,900 Columbus population = .0059 per person, or 5.98 per 1,000 persons). This results in an estimated increase of 170 new inmates, for a total construction cost of \$5.3 million.

The Sheriff’s Office is located in the Government Center, including operations and administration. The Office reports that it occupies approximately 22,000 square feet. Conversations with the Sheriff’s Office indicate that additional office space will be needed if the Office is to continue to provide the same level of service in the future. Additional Sheriff’s Office space is projected based on the current level of service of .07 sq. ft. per person and job (22,000 square feet divided by current population and jobs of 305,701). New growth generates the need for 3,094 square feet of additional space (.07 square feet per person and job multiplied by a net increase of 42,997 persons and jobs). The cost per square foot is assumed at \$188 (Marshall-Swift Index for Government Buildings, Class D, Excellent), for a capital cost of \$581,708.

Additional Sheriff pursuit cars are factored based on the projected increase in Deputy Officers. It is projected that as the Sheriff’s Office hires an additional officer (based on increased population and employment), the Consolidated Government will purchase an additional pursuit vehicle. A cost of \$47,000 was provided by the Police Department and is also used for the Sheriff’s Office, including the cost of the vehicle and technology package (radar, in car video and mobile data). New and replacement vehicles are “purchased” by the model once the useful life of 6.5 years is reached.

Additional sheriff facilities and vehicles needed as a result of new growth are shown in Figure 49. As these sheriff vehicles and facilities are needed regardless of where new growth is located, the results are the same in the Suburban and Revitalization scenario.

Figure 49: Additional Sheriff Office Space and Vehicles Due to New Growth through 2028

SHERIFF PROJECTED CAPITAL EXPENDITURES

Facility	Unit	No.	Cost/Unit	Total Cost
Jail	Beds	170	\$31,735	\$5,394,893
Office Space	Square Feet	3,094	\$188	\$581,708
Pursuit Cars	Vehicles	27	\$47,000	\$1,269,000
TOTAL				\$7,245,601

6. Marshal

The Marshal’s Office is located in the Government Center, with approximately 4,400 sq. ft. including its primary office and recent expansion. Conversations with the Marshal’s Office indicate that additional office space will be needed if the Office is to continue to provide the same level of service in the future. Additional Marshal’s Office space is projected based on the current level of service of .02 sq. ft. per person (4,400 square feet divided by current population of 178,900 persons). New growth generates the need for 703 square feet of additional space (.02 square feet per person multiplied by a net increase of 28,600 persons). The cost per square foot is assumed at \$188 (Marshall-Swift Index for Government Buildings, Class D, Excellent), for a capital cost of \$132,172.

Additional Marshal pursuit cars are factored based on the projected increase in Deputy Marshals. It is projected that as the Marshal’s Office hires an additional officer (based on increased population), the Consolidated Government will purchase an additional pursuit vehicle. A cost of \$33,000 was provided by the Marshall’s Office, including the cost of the vehicle and equipment. New and replacement vehicles are “purchased” by the model once the useful life of 6.5 years is reached.

Additional Marshal office space and vehicles needed as a result of new growth are shown in Figure 50. As the Marshal office space and vehicles are needed regardless of where new growth is located, the results are the same in the Suburban and Revitalization scenario.

Figure 50: Additional Marshal Office Space and Vehicles Due to New Growth through 2028

MARSHAL PROJECTED CAPITAL EXPENDITURES

Facility	Unit	No.	Cost/Unit	Total Cost
Marshal Office Space	Square Feet	703	\$188	\$132,172
Pursuit Car	Vehicles	6	\$33,000	\$198,000
TOTAL				\$330,172

7. General Government

Conversations with staff indicate that additional general government space will be needed if the Columbus Consolidated Government is to continue to provide the same level of service to new residents and employees in the future. The Government currently has an inventory of 473,620 square feet dedicated to General Government activities, including the Government Center, Government Center Annex, Public Services Administration and various other buildings. Additional General Government space is projected based on the current level of service of 1.54 square feet per person and job (473,620 square feet divided by current population and jobs of 305,701). New growth generates the need for 66,615 square feet of additional space (1.54 square feet per person and job multiplied by a net increase of 42,997 persons and jobs). The cost per square foot is assumed at \$188 (Marshall-Swift Index for Government Buildings, Class D, Excellent), for a capital cost of \$12.5 million.

Additional general government vehicles are also factored based on the projected increase in population and jobs. It is expected that as the Consolidated Government’s population and employment increases as a result of new development, it will purchase additional general government vehicles. New and replacement vehicles are “purchased” by the model once the useful life of 10 years is reached. Vehicle inventory includes vehicles for Engineering, Inspection and Codes and Public Services. The inventory excludes garbage trucks, recycling trucks and trash loaders as the Integrated Waste Management Fund is an Enterprise activity, and thus is not considered in the fiscal analysis. Vehicle replacement costs are provided by Public Services based on the FY2009 budget for vehicle and equipment purchases.

Additional General Government office space and vehicles needed as a result of new growth are shown in Figure 51.

Figure 51: Additional General Govt. Office Space and Vehicles Due to New Growth through 2028

Facility	Unit	No.	Cost/Unit	Total Cost
General Govt. Facilities	Square Feet	66,615	\$188	\$12,524,386
SUVS	Vehicles	8	\$23,000	\$184,000
Medium Trucks	Vehicles	6	\$29,000	\$174,000
7 yard Dump Trucks	Vehicles	2	\$65,000	\$130,000
Inmate Vans	Vehicles	5	\$32,000	\$160,000
Utility Body Trucks	Vehicles	2	\$33,000	\$66,000
TOTAL				\$13,238,386

8. Prison

Staff indicates that to serve new growth, additional Muscogee County prisoners will be needed to support the Consolidated Government’s operations. Prisoners maintain the Government’s parks, stormwater, and road facilities and provide custodial services for Government buildings, among other responsibilities. This study projects the additional number of prisoners needed given the additional park acres to maintain, buildings to clean, etc. in each scenario. See the Demographic and Data Assumptions section for more detail on these projections.

Conversations with the Prison Warden indicate that an addition to the prison will be needed in order to support a prisoner population increase. The Prison is owned by the State and leased to the Consolidated Government. The Warden anticipates that a facility expansion would be paid in full by the State. He indicated that a political effort would be needed by the Consolidated Government to ensure that the State budgets for this expansion in a timely manner.

9. METRA Transit

METRA’s capital costs are largely borne by the Federal Transportation Administration and the Georgia Department of Transportation, and as such, the focus of this report is on the transit system’s growth-related operating costs.



VII. DEMOGRAPHIC AND DATA ASSUMPTIONS

The following section summarizes the demographic and data assumptions used in this fiscal impact analysis.

Major Data Assumptions

Major data used in the analysis such as current population, housing units, employment levels and residential and nonresidential vehicle trips are shown in Figure 52 and are used to calculate unit costs and service level thresholds. Major demographic factors (population and employment) are from the Comprehensive Plan *Technical Addendum* (November 2007). Other sources are indicated. To establish police levels of service and factor future Columbus road construction as a result of nonresidential development on Ft. Benning, it was necessary to also consider the demographics of Columbus including on-base housing and nonresidential development. This is shown in the Figure 53.

¹Source: Columbus Comprehensive Plan Technical Addendum, Figures 2-7 (Population) and 3-7 (Employment).

²Source: Transit population includes the following planning areas: South Columbus, Midtown/Uptown, SE Columbus and Bibb City.

³Source: 2000 US Census updated with Columbus building permit data through March, 2008.

⁴Source: Columbus Comprehensive Plan Technical Addendum, Figure 3-7. Employment allocated to commercial, industrial, office and institutional job categories by TischlerBise.

⁵Source: Nonresidential square footage and vehicle trips estimated using Institute of Transportation Engineers *Trip Generation* manual based on 3 prototypes: 50,000 sq. ft. shopping center (retail), 50,000 sq. ft. office building (office and institutional), light industrial use (industrial). Residential vehicle trips calculated using ITE trip rates for the applicable housing type.

⁶Source: Total Fire/EMS calls in 2007 provided by the Columbus Fire/EMS Department. Allocation to residential/nonresidential land use by TischlerBise based on a functional population analysis.

⁷Source: Muscogee County Prison.

⁸Source: Muscogee County Sheriff's Office.

⁹Sources: Lane mile estimate from JIG analysis of major Columbus arterials and collectors along with Engineering Department estimate of local roads. Lane miles also include state-owned roads as Columbus is responsible for their maintenance. Park acres from the Parks and Recreation Department, including district and regional parks. Facility square feet from the Public Services Department, excluding body shop, storage, golf clubhouse and gazebos/pavilions. Stormwater acres from JIG analysis of acres by residential land use types.

Figure 53. Major Data Assumptions – Columbus, GA and Ft. Benning

	Year->	Base 2008
	POPULATION WITH BASE ¹	189,900
	POP AND JOBS WITH BASE ²	331,300
Housing Units by Type	SINGLE FAMILY	58,928
	TOWNHOUSE	1,640
	MULTIFAMILY	23,660
	MOBILE HOME	1,838
	TOTAL UNITS WITH BASE ³	86,066
Jobs by Type	COMMERCIAL JOBS	28,900
	INDUSTRIAL JOBS	21,500
	OFFICE JOBS	52,700
	INSTITUTIONAL JOBS	38,300
	TOTAL JOBS WITH BASE ²	141,400
Non-Residential Floor Area	COMMERCIAL SF	10,115,000
	INDUSTRIAL SF	9,315,638
	OFFICE SF	13,469,649
	INSTITUTIONAL SF	9,789,137
	TOTAL NR KSF WITH BASE ⁴	42,689,424
Public Works Factors	RESIDENTIAL TRIPS	369,321
	NONRES TRIPS	485,887
	VEHICLE TRIPS WITH BASE ⁴	855,208
Police Factors	RES POLICE CALLS	109,827
	TRAFFIC/OTHER POLICE CALLS	12,318
	NONRES POLICE CALLS	24,108
	TOTAL POLICE CALLS ⁵	146,253

¹ Source: Columbus Comprehensive Plan Technical Addendum, Figures 2-6 (population), including Fort Benning.

² Source: Columbus Comprehensive Plan Technical Addendum, Figure 3-7. To this is added an estimate of institutional employment from Fort Benning from the Bureau of Economic Analysis (BEA). BEA indicates that there were 14,600 military and federal civilian jobs in 2006 in Chattahoochee County. It is assumed that these positions are all located on base. Employment allocated to commercial, industrial, office and institutional job categories by TischlerBise.

³ Source: 2000 US Census housing for Columbus and for Fort Benning, updated with Columbus building permit data through March, 2008.

⁴ Source: Nonresidential square footage and vehicle trips estimated using Institute of Transportation Engineers *Trip Generation* manual based on 3 prototypes: 50,000 sq. ft. shopping center (retail), 50,000 sq. ft. office building (office and institutional), light industrial use (industrial). Residential vehicle trips calculated using ITE trip rates for the applicable housing type.

⁵ Source: Total police calls in 2007 provided by the Columbus Police Department. Allocation to residential/nonresidential land use by TischlerBise based on a functional population analysis.

1. Police Calls for Service

A custom methodology is used to allocate police costs based on total calls for service reported in Columbus. The Columbus Police Department reported a total of 146,253 calls in 2007. Of this, 12,318 were traffic calls. The Department could not provide a breakdown of the remaining calls for service by land use type (residential/nonresidential). In lieu of this, non-traffic calls for service were allocated based on a functional population analysis conducted by TischlerBise which distinguishes time at home from time at work based on commuting patterns in the U.S. Census. This analysis indicated that 82% of person hours in Columbus are associated with residential uses, and 18% of person hours with nonresidential uses.

To project future police calls for service, this data is used to determine a call per person and call per nonresidential trip. Calls per nonresidential trip are factored to include development on Ft. Benning, as future nonresidential development on base is expected to impact police service as employees leave the base. Growth projections are then used in conjunction with the calls for service factors to project future calls for service. (E.g., for every new person in Consolidated Government, .61 police calls for service are generated.) See Figure 54.

Figure 54. Police Calls for Service 2007

Police Calls for Service Data ¹		
Land Use	2007	Percent
Residential	109,827	75%
Nonresidential	24,108	16%
Traffic	12,318	8%
TOTAL CALLS FOR SERVICE	146,253	92%
Calls for Service Projection Factors		
Current Population		178,900
Current Nonresidential Vehicle Trips incl. Base		485,887
Current All Vehicle Trips incl. Base		848,375
Calls per Capita		0.61
Calls per Nonres. Trip		0.05
Calls per All Vehicle Trip		0.01

¹ Total calls provided by the Police Department.
 The Department was not able to provide calls by land use type.
 Non-vehicle calls are allocated based on a functional population analysis.

2. Fire/EMS Calls for Service

A custom methodology is used to allocate Fire/EMS costs based on total calls for service reported in Columbus. The Columbus Fire/EMS Department reported a total of 30,012 calls in 2007. The Department could not provide a breakdown of the calls for service by land use type (residential/nonresidential). In lieu of this, calls for service were allocated based on a functional population analysis conducted by TischlerBise which distinguishes time at home from time at work based on commuting patterns in the U.S. Census. This analysis indicated that 82% of person hours in Columbus are associated with residential uses, and 18% of person hours with nonresidential uses.

To project future Fire/EMS calls for service, this data is used to determine a call per person and call per nonresidential trip. Calls per nonresidential trip do not factor development on Ft. Benning, as future nonresidential development on base is not expected to impact Fire/EMS service due to the bases' own emergency services. Columbus growth projections are then used in conjunction with the calls for service factors to project future calls for service. (E.g., for every new person in Consolidated Government, .14 Fire/EMS calls for service are generated.) See Figure 55.

Figure 55. Fire/EMS Calls for Service Projection Factors

Fire/EMS Calls for Service Data ¹		
Land Use	2007	Percent
Residential Land Uses	24,610	82.0%
Nonresidential Land Uses	5,402	18.0%
TOTAL CALLS FOR SERVICE	30,012	100.0%
 Calls for Service Projection Factors		
Current Population		178,900
Current Nonresidential Vehicle Trips		456,687
 Calls per Capita		 0.14
Calls per Nonres. Trip		0.01

¹Total calls provided by the Fire/EMS Department.
The Department was not able to provide calls by land use type.
Calls are allocated based on a functional population analysis.

3. Detention Facility Inmates

The Jail is operated by the Muscogee County Sheriff’s Office. The existing jail population is 1,069 inmates. Growth in the inmate population is projected based on the existing relationship between inmates and County population. As shown in Figure 56, there are 5.98 inmates per 1,000 persons in Columbus.

Figure 56. Jail Inmate Projection Factor

Jail			
2008 Inmates			1,069
2008 Population	÷	178,900	
Inmates Per 1,000 Persons	=	5.98	

The Muscogee County Prison is operated by the County on behalf of the State. Prison inmates provide a wide variety of services for the County, including custodial services and maintenance of parks, roads and stormwater systems. The County expects that the prison inmate population will grow along with increased demand for these facilities as a result of new development. The existing prison population is 576 inmates. Of these, 80 work within the prison maintaining the jail property and 286 inmates work on supervised “outside details” for various Columbus departments. The projected increase in inmates is driven by increases in demand units applicable to the Department/Division. For example, increases in lane miles drive a need for additional inmate labor within the Landscaping and Forestry and Street Repairs/Maintenance Divisions (Paving Fund). Other projection methodologies are shown in Figure 57.

Figure 57. Prison Inmate Projection Methodologies

Dept./Division	Position	FTE	Projected Expenditure Calculation Based on	Current Demand Units Served Per Position
<i>Fleet Mgmt.</i>	Inmate Labor	14.0	POP AND JOBS	21,836
<i>Facilities Maintenance</i>	Inmate Labor	37.0	FACILITY SF	35,783
<i>Park Services</i>	Inmate Labor	144.0	PARK ACRES	13
<i>Prison</i>	Inmate Labor	80.0	PRISON INMATES	7
<i>Landscaping and Forestry</i>	Inmate Labor	6.0	LANE MILES	388
<i>Street Repairs/Maint.</i>	Inmate Labor	15.0	LANE MILES	155
<i>Sewer Maintenance</i>	Inmate Labor	70.0	STORMWATER ACRES	401
TOTAL		366		

Source: FY08 Adopted Operating Budget, Personnel Summary by Division/Department.

4. Nonresidential Building Area

In lieu of current data on nonresidential building area by industry type, an estimate of building area is made based on current employment. To convert the employment estimate to gross floor area of nonresidential development, average square feet per employee multipliers are used.

Figure 58 show square footage per employee by land use type and size. These multipliers are derived from national data published by the Institute of Transportation Engineers (ITE) and the Urban Land Institute (ULI). The prototypes used in this study are comparable with existing development in Columbus, anticipating that future development will be of similar scale, and are highlighted in grey. The General Office category is used for both Office and Institutional development.

Figure 58. 2006 Floor Area Per Employee and Nonresidential Average Daily Trip Rates

Land Use	Wkdy Trip Ends Per 1,000 Sq Ft ¹	Wkdy Trip Ends Per Employee ¹	Emp Per 1,000 Sq Ft	Sq Ft Per Emp ²
Commercial / Shopping Ctr (820)				
25K gross leasable area	110.32	na	3.33	300
50K gross leasable area	86.56	na	2.86	350
100K gross leasable area	67.91	na	2.50	400
200K gross leasable area	53.28	na	2.22	450
400K gross leasable area	41.80	na	2.00	500
General Office (710)				
10K gross floor area	22.66	5.06	4.48	223
25K gross floor area	18.35	4.43	4.14	241
50K gross floor area	15.65	4.00	3.91	256
100K gross floor area	13.34	3.61	3.70	271
200K gross floor area	11.37	3.26	3.49	287
400K gross floor area	9.70	2.95	3.29	304
Industrial				
Business Park (770)***	12.76	4.04	3.16	317
Mini-Warehouse (151)	2.50	56.28	0.04	22,512
Light Industrial (110)	6.97	3.02	2.31	433
Warehousing (150)	4.96	3.89	1.28	784
Manufacturing (140)	3.82	2.13	1.79	558
Lodging (per Room)				
Hotel (310)	8.92	14.34	0.90	1,111
Motel (320)	9.11	12.81	0.71	1,406

¹ Trip Generation, Institute of Transportation Engineers, 2003.

² Square feet per employee calculated from trip rates except for Shopping Center data, which are derived from the Urban Land Institute's Development Handbook and Dollars and Cents of Shopping Centers.

*** According to ITE, a Business Park is a group of flex-type buildings served by a common roadway system. The tenant space includes an average mix of 20-30% office/commercial and 70-80% industrial/warehousing.

5. Trip Generation Rates

Average Weekday Vehicle Trip Ends by type of development (or trip generation rates) are from the reference book, *Trip Generation, 7th Edition*, published by the Institute of Transportation Engineers (ITE), in 2003. A “trip end” represents a vehicle either entering or exiting a development (as if a traffic counter were placed across a driveway). Trip rates have been adjusted to avoid overestimating the number of actual trips because one vehicle trip is counted in the trip rates of both the origination and destination points. A simple factor of 50 percent has been applied to the Industrial, Office and Institutional categories. The Retail category has a trip factor of less than 50 percent because this type of development attracts vehicles as they pass-by on arterial and collector roads. For example, when someone stops at a convenience store on their way home from work, the convenience store is not their primary destination. The ITE Manual indicates that on average 39 percent of the vehicles entering shopping centers from 25,001 to 50,000 square feet are passing by on the way to some other primary destination and 61 percent of the attraction trips have the shopping center as their primary destination. Therefore, the adjusted trip factor is 31 percent (0.61×0.50).

Figure 59. Nonresidential Trip Rates and Adjustment Factors

Average Weekday Vehicle Trip Ends per 1,000 Sq. Ft.	Trip Rate	Adjustment
Commercial	86.56	31%
Industrial	6.97	50%
Office	15.65	50%
Institutional	15.65	50%

Source: Institute of Transportation Engineers (ITE) Trip Generation Manual (2003)

A summary of trip generation rates and adjustments for residential land uses in this analysis are shown in Figure 60.

Figure 60. Residential Trip Generation Rates

Average Weekday Vehicles Trip Ends Per Housing Unit	Trip Rate	Adjustment
Single Family	9.57	50%
Townhouse	5.86	50%
Multifamily	6.59	50%
Mobile Home	4.99	50%

Source: Institute of Transportation Engineers (ITE) Trip Generation Manual (2003)

6. Real Property Appraisal Values

Appraised values are used to project property tax revenues for each growth scenario in the fiscal impact analysis. TischlerBise reviewed data provided by the Tax Assessor to determine appraised value for the development types considered in the study by planning area. Assessed value is 40% of appraised value. Detail on property tax revenue assumptions, including exemptions, millage rates and urban service districts are discussed in the revenue section of this report.

To determine appraised values for single family residential development, the Tax Assessor provided a database of single family homes constructed during the 2007 and 2008 tax year. The residential database included the sales value for a total of 1,202 new single family homes (728 for '07 and 474 for '08). According to the Tax Assessor, sales value is comparable to appraised value. Thirty-two (32) homes with extremely high values (\$700,000-\$3,000,000) were removed from the file. The remaining single family units are presented with average appraised values by planning area in Figure 61. The Tax Assessor indicated that multi-family units (greater than 50 units) are typically valued between \$80,000-\$110,000/unit countywide.

Figure 61. Average Appraised Value by Planning Area - Single Family

Planning Area	Average	
	Total SF Units	Appraised Value
A - NW Columbus	285	\$307,028
B - Panhandle	405	\$273,158
C - S. Columbus	16	\$66,178
D - Midtown/ Uptown	39	\$128,294
E - SE Columbus	413	\$167,138
F - Bibb City	10	\$94,128
TOTAL	1,168	

Source: Columbus, GA Tax Assessor database of single family homes constructed in 2007 and 2008. Excludes 33 high value homes ranging from \$700K to \$2.7 million (3% of records).

For nonresidential development, the Tax Assessor provided a database of 283 nonresidential properties constructed from 2003-2007 along with appraised value, building square feet and planning area. A small number of properties (<15) were noted as “borderline” between more than one planning areas. These properties were allocated to planning areas.

The Tax Assessor database identified properties that fell within the general categories of office, retail, warehousing and apartments. TischlerBise narrowed the records to 157, including 83 retail buildings, 55 office buildings and 19 warehouses. Records that were excluded include: apartments (as a countywide value was provided by the Tax Assessor), properties with incomplete values, bond-funded developments, unique land uses (mortuary, cell towers, etc.), multi-use facilities, land uses too specific to align with employment projections considered in the study (garage, mini storage, carwash, day care and hotel/motel), along with a limited number of outliers (<10) with extremely low or high values. The results are shown by planning area in Figure 62.

Appraised values were not available for recent office development in Bibb City or South Columbus as there has not been recent office construction in these planning areas. In lieu of that, the countywide average is used in these planning areas and the Panhandle where only one office property was included in the database. The countywide average is also used for retail in Bibb City due to a low number of records. The Tax Assessor indicated that a countywide average for warehouses would be appropriate due to the small number of records for that particular building type.

Figure 62. Average Appraised Value by Planning Area and Countywide – Retail, Office and Warehouse

Planning Area	Average Appraisal Value/SF ¹		
	Retail ²	Office ³	Warehouse ⁴
NW Columbus	\$135	\$120	\$55
Panhandle	\$111	\$52	\$43
South Columbus	\$127		\$32
Midtown/Uptown	\$169	\$100	\$29
SE Columbus	\$114	\$79	\$32
Bibb City	\$186		\$37
Countywide	Retail	Office	Warehouse
	\$134	\$107	\$41

¹ Source: The Columbus Tax Assessor provided a database of commercial properties developed from 2003-2007. The table shows the weighted average of the 2008 appraisal value by building square foot for each comprehensive plan planning area. 157 commercial properties were considered in the analysis. Values are shown by three land use categories: retail, office and warehouse.

Grey boxes indicate no development in the planning area during the 2003-2007 period. In place of recent construction data, the countywide average is used. The countywide average is also used where only a small number of records are available, including warehousing, retail in Bibb City, and office in the Panhandle (noted in italics).

² Eighty-three retail properties constructed in Columbus from 2003-2007 were considered, including retail (15), restaurant-fast food (12), shopping center-neighborhood strip-no anchor (12), restaurant (9), banks/credit unions (8), shopping center-neighborhood (7), convenience stores (6), auto dealerships (4), department/discount stores (4), pharmacies (4), retail-unfinished (1) and a veterinary clinic (1). The distribution by planning area is as follows: Northwest - 51, Panhandle - 3, S. Columbus - 7, Midtown/Uptown - 11, SE Columbus - 10 and Bibb City - 1.

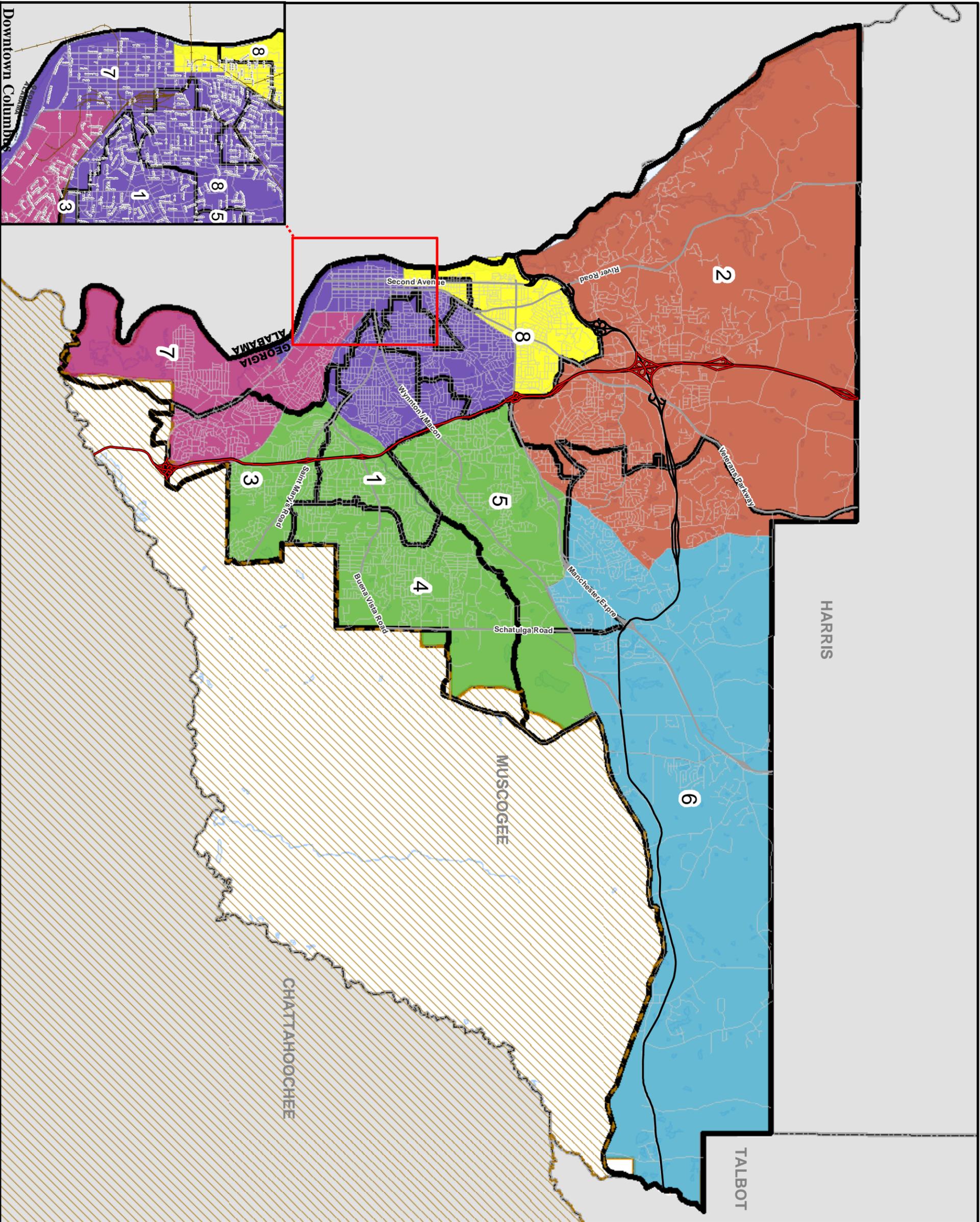
³ Fifty-five office properties constructed in Columbus from 2003-2007 were considered, including office-commercial (6), office-medical (16), office-condo (12) and a shell building (1). The distribution by planning area is as follows: Northwest - 34, Panhandle - 1, S. Columbus - 0, Midtown/Uptown - 15, SE Columbus - 5, Bibb City - 0.

⁴ Nineteen warehouse properties constructed in Columbus from 2003-2007 were considered, including warehouse (12) and warehouse/office combo > 35% office (7). The distribution by planning area is as follows: Northwest - 9, Panhandle - 2, S. Columbus - 1, Midtown/Uptown - 1, SE Columbus - 4, Bibb City - 2.

7. Retail Sales

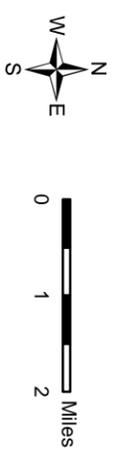
The source for retail sales per square feet is the 2006 Urban Land Institute *Dollars and Cents of Shopping Centers* publication. The category selected is Super Community/Community Shopping Centers in the South. Data is updated for inflation using the Consumer Price Index, resulting in retail sales of \$258 per square foot for 2008. Future retail sales from commercial development in Columbus is used to project revenues from the 1976 local option sales tax, which is collected at point of sale.





City of Columbus 2008 - 2028
Comprehensive Plan

Planning Areas



- Planning Areas**
- NW Columbus
- Panhandle
- South Columbus
- Midtown/Uptown
- SE Columbus
- Bibb City
- Council Districts
- I-185
- JR Allen / US 80
- Major Roads
- Streets (Centerline)
- Railroad
- City Boundary
- Other Counties
- Fort Benning

Map 1-1



Revenue Strategies Report

Prepared for:

Columbus, Georgia Consolidated Government

November 6, 2008

Prepared by:



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-EXECUTIVE SUMMARY-

TischlerBise, Inc. evaluated the fiscal impact to the Columbus Consolidated Government of two future growth scenarios as part of the Comprehensive Plan 2028 Update conducted by Jordan, Jones and Goulding, Inc. The growth scenarios were prepared to illustrate two growth alternatives: Suburban (a continuation of current development patterns) and Redevelopment (focusing development in Columbus' core areas). The fiscal impact analysis determined whether revenues generated by new growth are sufficient to cover the resulting costs to the Consolidated Government.

Results of the fiscal impact analysis showed a cumulative surplus from new development in the Redevelopment scenario and a cumulative deficit in the Suburban scenario (See *Fiscal Impact Analysis of Comprehensive Plan Growth Scenarios: Columbus, Georgia*, TischlerBise, Inc., November 6, 2008). In the Redevelopment scenario, net surpluses to the operating budget offset deficits to the Capital Budget, resulting in a cumulative surplus of \$21.5 million over the 20-year analysis time frame. The Suburban scenario produces a cumulative net deficit of \$14.3 million, or average annual net deficits of \$719,000. This is primarily due to increased capital costs in the Suburban scenario as development is focused in greenfield areas that require more significant infrastructure investments, particularly for new roads and parks.

Unlike the fiscal findings from most communities, new growth generates net surpluses to the operating budget in Columbus. This is due in large part to the relative diversity in growth-related revenue that accrues to the General Fund. In addition to property tax, the Consolidated Government also receives sales tax revenue from new development along with occupation and insurance premium taxes. Both scenarios resulted in deficits for the Consolidated Government's Capital Budget.

As a supplement to the fiscal impact analysis, TischlerBise evaluated potential revenue sources and funding mechanisms to close the funding imbalance that occurs in the Consolidated Government's revenue structure. This report, together with the fiscal impact results, is intended to foster discussion about revenue enhancement, finance and budgetary issues.

FINANCING MECHANISMS AND EVALUATION CRITERIA

Specifically, this report provides a framework of financing options which can be systematically evaluated using a variety of considerations including financial factors, fair cost sharing between public and private sectors, and marketplace considerations.

Figure 1 below shows the financing mechanisms evaluated in this report indicating those mechanisms TischlerBise recommends that the Consolidated Government consider and/or enhance.

Figure 1. Recommended Financing Mechanisms

Financing Mechanism	Has Revenue Potential	Recommended
Property Tax	√	
General Obligation Bonds	√	
Revenue Bonds	√	
Development Impact Fees	√	√
Special Purpose Local Option Sales Tax	√	√
Tax Allocation Districts	√	√
Special Assessment Districts	√	
Excise Taxes	√	
Charges for Services (User Fees)	√	√
Franchise Fees	√	

The potential financing mechanisms were evaluated according to a defined set of evaluation criteria. The evaluation criteria include:

- Revenue Potential
- Proportionality
- Technical Ease
- Public Acceptability

SUMMARY OF EVALUATION FINDINGS

An overall evaluation of the potential revenue sources and funding mechanisms for Columbus is illustrated in Figure 2. It is important to note that TischlerBise’s review does not include an analysis of legal considerations.

Figure 2: Evaluation of Potential Revenue Sources and Financing Mechanisms

Financing Mechanism	Revenue Potential	Proportionality	Technical Ease	Public Acceptance
Property Tax	Positive	Negative	Positive	Negative
General Obligation Bonds	Positive	Negative	Neutral	Negative
Revenue Bonds	Positive	Negative	Neutral	Neutral
Development Impact Fees	Positive	Positive	Negative	Positive
Special Purpose Local Option Sales Tax	Positive	Negative	Positive	Negative
Tax Allocation Districts	Positive	Neutral	Negative	Neutral
Special Assessment Districts	Positive	Positive	Negative	Positive
Excise Taxes	Positive	Positive	Positive	Neutral
Charges for Services (User Fees)	Positive	Positive	Positive	Negative
Franchise Fees	Positive	Negative	Neutral	Neutral

SUMMARY OF FISCAL FINDINGS

As noted in our previously issued fiscal impact report, the analysis shows that growth pays for itself in the Redevelopment scenario. Both scenarios resulted in deficits for the Consolidated Government’s Capital Budget. The following provides a summary of the major findings from the fiscal impact report.

- It is important to note that the net surplus generated by new growth in the Redevelopment scenario leaves little room for level of service increases. This is particularly relevant as cost reductions in recent years have reduced levels of service particularly for Parks and Recreation and Public Services. Relatively minor increases in certain levels of service will certainly reduce any net surpluses generated by new growth.
- The average annual net deficits generated in the Suburban scenario indicate that the Consolidated Government’s existing revenue structure cannot fully provide current levels of service to new growth if current development patterns continue.
- The FY08 Adopted Budget indicates that Columbus has difficulty meeting existing capital equipment and infrastructure needs, with many justified capital requests going unfunded. There will be increasing demand on the Capital Budget as infrastructure continues to age. Separate funding sources need to be developed to pay for this.
- The fiscal impact analysis shows that future road construction and new park and recreation facilities represent the largest growth-related capital expenditures for the Consolidated Government during the 20-year study period.

- The funding “gap” in the Capital Budget, or the difference between the costs incurred versus revenue that is generated is estimated at \$233.9 million in the Suburban scenario and \$144.6 million in the Redevelopment scenario through 2028.
- The Consolidated Government’s major dedicated sources for funding capital improvements are the Special Purpose Local Option Sales Tax, which expires this year, and General Obligation bonds. Other capital needs are met by way of transfers from the Operating Budget.

OPPORTUNITIES FOR REVENUE ENHANCEMENT

The following bullet points reflect TischlerBise’s recommendations regarding potential funding mechanisms and strategies to correct the projected imbalance in the Consolidated Government’s Capital Budget as shown in the fiscal analysis study. Working within the parameters set out in State law on municipal and county revenue and taxation, there are opportunities for Columbus to enhance its existing revenue structure and add new revenue sources.

Given increased capital costs due to new development and future infrastructure replacement needs, the Consolidated Government will face increased demand on its General Fund. This report evaluates potential revenue sources and financing mechanisms the Consolidated Government may want to consider in order to enhance its revenue structure, with a focus on capital revenue sources. The options presented below provide the Consolidated Government with a number of opportunities to raise revenue.

- The property tax rate is capped by the Columbus Charter at 9 mills for “ordinary current expenses,” which includes the general, urban and transportation (transit) components of the millage rate. The Consolidated Government can increase other components of the of the millage rate not subject to the cap, including growth-impacted funds such as Debt Service, Paving and Sewer (stormwater), though increases to property tax rates are politically unattractive. The fiscal impact analysis found that revenues to the Operating Budget offset future growth-related operating expenditures. Given these results, we recommend that the Consolidated Government focus on non-property tax revenue enhancements to the Capital Budget. Potential financing mechanisms include development impact fees, the Special Purpose Local Option Sales Tax and Tax Allocation Districts. To enhance its General Fund, Columbus should also examine its charges for services so that user fees cover a greater share of the cost of programs and services. These recommendations are discussed in the bullet points below and in more detail in the “Potential Revenue Sources” section of this report.
- Owing to Columbus’ structure as a Consolidated Government, there are three urban service districts which have different millage rates. The districts were established at the time of consolidation in 1971. The urban component of the millage rate falls under the

9 mil cap and varies by service district. The sewer and paving components, which are not subject to the cap, also vary by service district. The rates for these three components – urban, sewer and paving – are lower in urban service district #2 (which primarily covers the NW Columbus and Panhandle portions of Columbus) than in urban service district #1 (which covers the more developed areas of the Consolidated Government). Over time, the level of service assumptions that lead to the creation of these districts have changed. With more development in urban service district #2, City services and infrastructure have followed. If Columbus follows the Suburban scenario of growth (a continuation of current development trends), development will continue to focus in district #2. As a result, Columbus would make significant investment in additional infrastructure and services in these areas. It will be important for Columbus to regularly reexamine its urban service districts, particularly as the majority of growth is expected in the short term (through 2015). The fiscal impact analysis assumes that the mil rate is unified in 2018. To the extent that a unified rate can be implemented earlier, the fiscal results found in the study will improve, particularly in the Suburban growth scenario.

- The Consolidated Government should consider adopting development impact fees as a dedicated source of capital revenue. The State authorizes development impact fees for the following facility categories: water and wastewater, roads (including local components of state or federal highways), storm-water facilities, parks, public safety facilities (including police, fire, emergency medical and rescue facilities) and libraries. If the Consolidated Government were to adopt development impact fees at 100% of the maximum supportable amount, up to 95% of growth-related capital expenditures identified in the fiscal impact study would have a dedicated source of revenue. Development impact fee revenues would provide a significant source of dedicated capital revenue for growth projects, freeing up other dollars for repair and rehabilitation.
- Tax allocation district (TAD) financing can be a viable tool to the Consolidated Government as situations present themselves where targeted investment in a geographic area would be beneficial. This funding mechanism identifies increases in property, sales tax or special assessment district revenue within a geographic area that are due to new development or redevelopment. The incremental increases in revenue are earmarked for infrastructure improvements or services needed in that same geographic area. The Georgia Supreme Court recently ruled that school taxes cannot be used for future TAD bond offerings, which may limit to some extent the revenue potential of TADs.
- From an implementation perspective, it is in the Consolidated Government's best interest to encourage or incentivize redevelopment. Redevelopment has the potential to significantly increase property tax values as a result of new infill development, adding to the tax digest. Revenue projections in the fiscal impact analysis are based on a snapshot of new construction property tax value over the last few years. Columbus has

begun to see some redevelopment in its Midtown planning area indicating that redevelopment projects may have significantly higher sales prices than development seen in the last few years. For example, the average sales price for the Eagle and Phenix condominiums was \$325,000. The smallest of these units (680 sq. ft.) sold for \$170,000. This compares with a countywide average of \$95,000 for multi-family housing units. Even a relatively small increase in property tax values in one planning area can have a significant impact on the fiscal results. For example, a 30% increase in property tax values in Midtown in the Redevelopment scenario results in a cumulative revenue increase of \$7 million over the analysis timeframe.

- The Consolidated Government recently received approval from voters for a new, permanent 1% Local Option Sales Tax. These General Fund revenues are expected to be used for public safety, including the hiring of new officers and construction of new public safety facilities (70% of revenues) and roads and other infrastructure (30% of revenues). Columbus' 1% Special Purpose Local Option Sales Tax (SPLOST) expires this year. Columbus may in the future want to consider another SPLOST, with the benefit being that these revenues are dedicated to capital improvements. As a levy on sales tax, a jurisdiction has considerable discretion in its use and is not bound by the use requirements associated with development impact fees. The Consolidated Government may want to consider a combination of SPLOST and development impact fees. With development impact fees dedicated to fund growth-related capital projects, SPLOST funds can be used for capital projects that address existing infrastructure deficiencies and/or raise level of service standards for both existing and new development.
- The Consolidated Government should examine its current fee schedule and recalibrate as needed and evaluate other services for which user fees are appropriate in order to cover a greater share of the cost of programs and services. For example, in FY2008 the Consolidated Government expected to gain \$155,000 in tennis fees. At the same time, cost for the Cooper Creek Tennis Center were expected to total \$271,413. TischlerBise recommends increasing some current fees and evaluating other services for which user fees are appropriate to cover a greater share of the cost of programs and services. Increasing and adding new fees will free up General Fund revenue to be used elsewhere, decreasing pressure on the Operating Budget to address both operating and capital needs.
- The Consolidated Government should lobby to ensure continuation of Community Development Block Grant dollars, which are used to leverage other capital revenues for redevelopment.

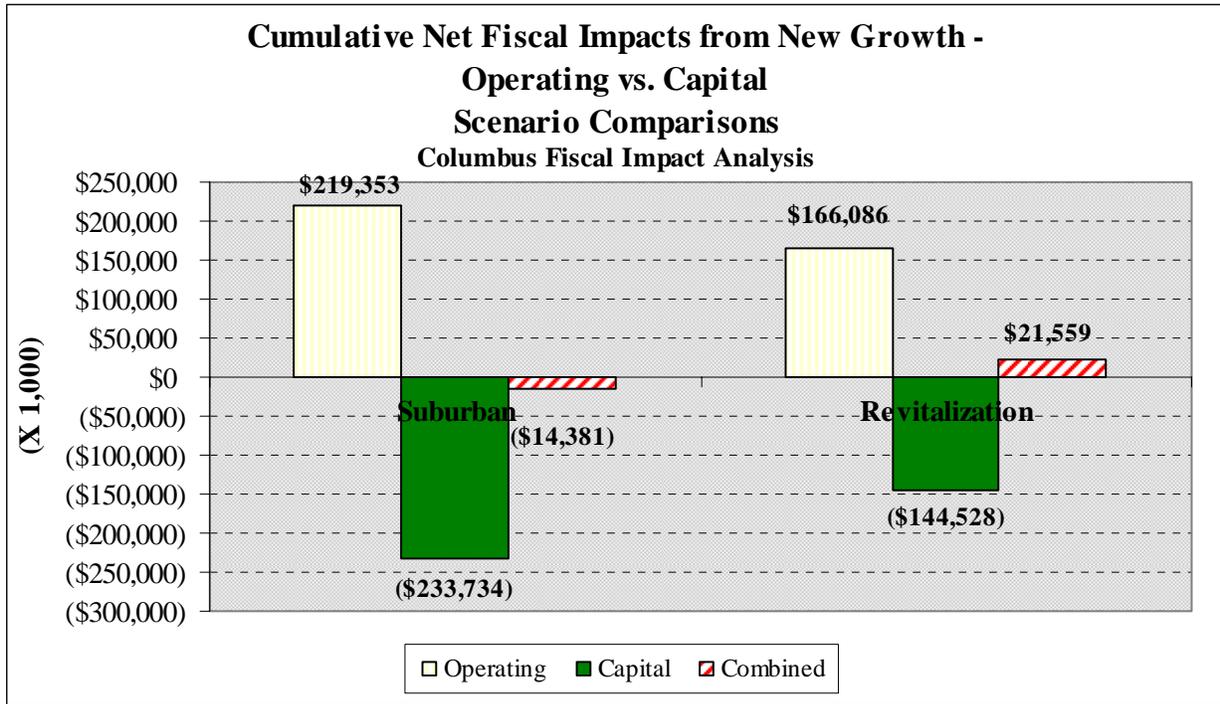
-FISCAL IMPACT RESULTS-

As noted in our previously issued fiscal impact report, the analysis shows that growth pays for itself in the Redevelopment scenario. The findings show that Columbus is in a position to provide current levels of service to new development in the Redevelopment scenario under the current revenue structure. The average annual net deficits generated in the Suburban scenario indicate that the Consolidated Government's existing revenue structure cannot fully provide current levels of service to new growth if current development patterns continue without finding new or enhanced revenue sources.

It is important to note that the net surplus generated by new growth in the Redevelopment scenario leaves little room for level of service increases. This is particularly relevant as cost reductions in recent years have reduced levels of service particularly for Parks and Recreation and Public Services. Relatively minor increases in certain levels of service will certainly reduce any net surpluses generated by new growth. Additionally, given that Columbus faces obstacles in meeting the current demand for infrastructure replacement and maintenance, there will be increasing demand on the Capital Budget as infrastructure continues to age. Separate funding sources need to be developed to pay for this. This report addresses mechanisms to fund growth-related capital expenditures. To the extent that new or enhanced revenue sources address growth-related capital projects, dollars currently allocated to capital projects can be used to focus on improvements to Columbus' existing infrastructure.

Based on Columbus' current funding structure, both scenarios examined in the fiscal analysis study resulted in deficits to the Consolidated Government's Capital Budget. As shown in Figure 3, the cumulative deficit to the Capital Budget for the Suburban scenario was \$223.9 million over the 20-year study period and \$144.6 million for the Redevelopment scenario.

Figure 3: Fiscal Impact Analysis Study Results - Cumulative Net Fiscal Impacts (x \$1,000)



The fiscal impact analysis shows that future road construction and new park and recreation facilities represent the largest projected capital expenditures for the Consolidated Government during the study period. Cumulative capital expenditures by category and scenario are presented in Figure 4. In the Suburban scenario, capital expenditures total \$198.2 million for roads and \$26.8 million for parks and recreation over the study period. In the Revitalization scenario, capital expenditures total \$106.5 million for roads and \$20.2 million for parks and recreation over the 20-year analysis timeframe.

Figure 4: Cumulative Capital Expenditures by Scenario (x \$1,000)

Cumulative Capital Expenditures from New Growth - Scenario Comparisons (x\$1,000)
Columbus, GA Fiscal Impact Analysis

Category	SCENARIO			
	Suburban	%	Revitalization	%
General Government	\$13,238	5%	\$13,238	8%
Roads	\$198,200	75%	\$106,575	63%
Police	\$4,705	2%	\$4,611	3%
Fire	\$14,188	5%	\$15,988	10%
Sheriff	\$7,246	3%	\$7,246	4%
Marshall	\$330	0.1%	\$330	0.2%
Recreation and Parks	\$26,817	10%	\$20,298	12%
TOTAL	\$264,724	100%	\$168,287	100%

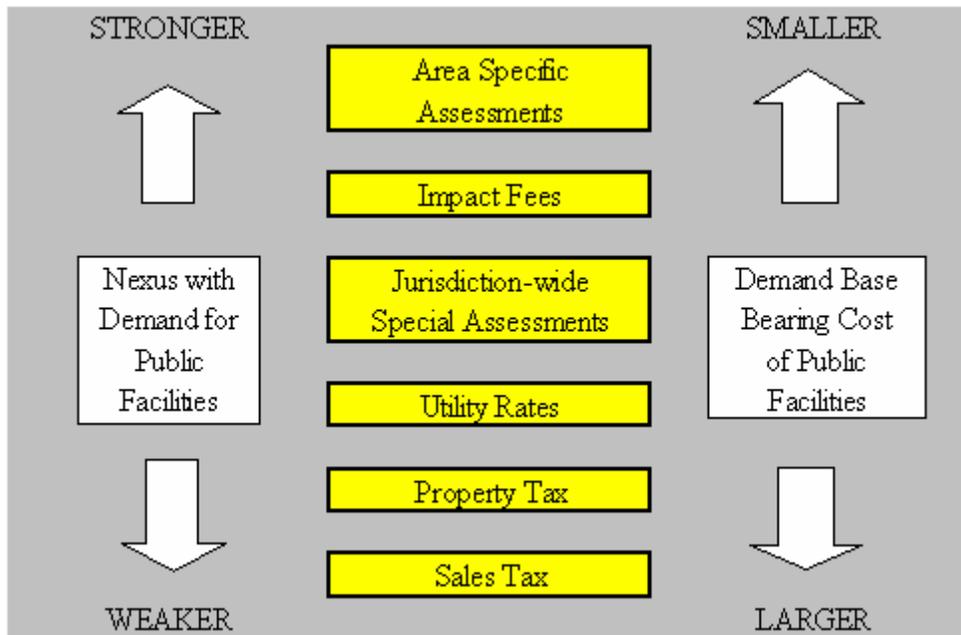
The Consolidated Government’s major dedicated sources for funding capital improvements are the Special Purpose Local Option Sales Tax, which expires this year, and General Obligation bonds. General obligation bonds are financed over a period of 15-20 years and paid back through the debt service millage of the property tax. Other capital needs are met by way of transfers from the Operating Budget. The FY08 Adopted Budget indicates that Columbus has difficulty meeting existing capital equipment and infrastructure needs, with many justified capital requests going unfunded. As documented in the fiscal impact study, new growth in Columbus will place significant demand on the Consolidated Government for new capital facilities. Without financing mechanisms identified, these growth-related demands may go unmet, resulting in level of service reductions for existing residents.

This report evaluates potential revenue sources and financing mechanisms the Consolidated Government may want to consider in order to enhance its revenue structure. The majority of revenue sources and financing mechanisms evaluated in this analysis are for the funding of capital facilities. This is because it is much easier to solve deficits generated to the Capital Budget because 1) capital costs are one-time in nature and are frequently debt financed, and 2), the larger on-going operating expenses associated with capital facility construction are typically funded by some form of a tax (i.e. property tax, sales tax, etc.), which elected officials are hesitant to raise.

-EVALUATION CRITERIA-

Infrastructure funding alternatives force decision-makers to wrestle with a dynamic tension between two competing desires. As shown on the left side of Figure 5, various funding options have a strong to weak connection between the source of funds and the demand for public facilities. For instance, area-specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, property tax revenue may be used by the Consolidated Government to fund infrastructure with very little, if any, connection between those paying the tax and the need for capital improvements. It is unfortunate that the funding options with the closest nexus to the demand for public facilities also have the smallest demand base to bear the cost of the public facilities (see the right side of the diagram). Using sewer as an example, only new utility customers pay capacity fees, which are similar to development impact fees. In contrast, all existing customers, plus the new customers that are added each year, pay sewer user charges. Therefore, the base of utility user charges continues to increase over time, but the increase in new development is relatively constant from year to year.

Figure 5: Conceptual Framework for Funding Alternatives



EVALUATION CRITERIA

An array of potential funding tools to address cost-of-growth issues are available to the Consolidated Government, some of which Columbus already has in place or has utilized in the past. They include property taxes, general obligation bonds, revenue bonds, development

impact fees, special purpose local option sales tax, tax allocation districts, special assessment districts, excise taxes, charges for services (user fees) and franchise fees. An important consideration for the Consolidated Government is whether it is maximizing its current revenue, given statutory limits. This is discussed for each revenue category examined.

In focusing on a funding strategy to address the funding imbalance in the Capital Budget generated by new development, it is important to begin by prioritizing or identifying the funding tools that provide the most realistic opportunities to achieve the goals of the Consolidated Government. It is suggested that in considering which tools are most appropriate, four principle criteria be considered:

- Revenue Potential: Whether the tool can generate substantial sums of monies to fund capital infrastructure;
- Proportionality: The relationship between the source of funds and demand for public facilities;
- Technical/Administrative Ease: The ease of administering the tool; and,
- Public Acceptability: How residents will accept the funding mechanism.

The funding needs and funding “gap” for infrastructure is substantial, consequently, it is important when considering revenue tools that they have the capacity to generate substantial revenue over time. Usually, revenue tools that can be applied across the Consolidated Government have the capacity to generate more substantial sums of revenue. As discussed previously, it is important to consider the connection between those paying the tax and the need for capital improvements. Some revenue tools are easier to administer than others, in terms of the time and resources that have to be committed from staff to keep the program current. Finally, the public acceptability of a revenue tool is important, especially when it has to be approved by voters.

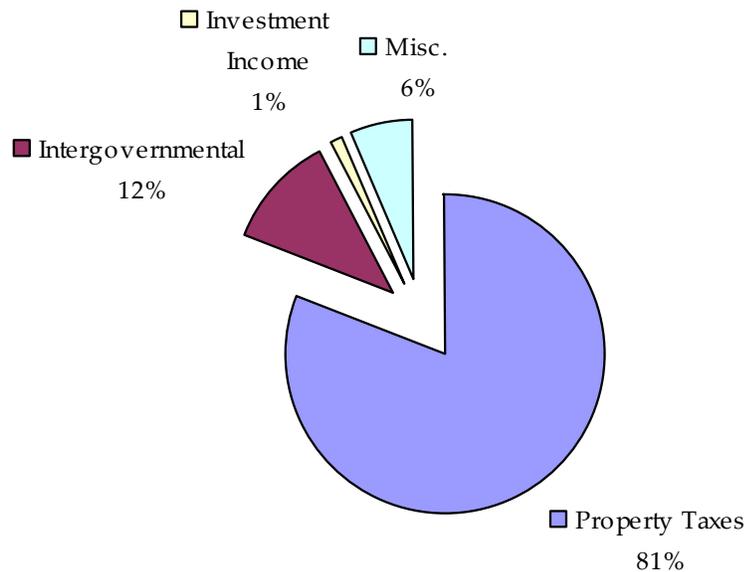
-POTENTIAL REVENUE SOURCES-

In this section, potential funding mechanisms are discussed in order to address the projected deficits to the Capital Budget as identified in the fiscal impact analysis. The funding “gap” in the Capital Budget, or the difference between the costs incurred versus revenue that is generated is estimated at \$233.9 million in the Suburban scenario and \$144.6 million in the Redevelopment scenario through 2028. Before addressing potential mechanisms to address this funding gap, we first examine the Consolidated Government’s current capital funding sources.

CURRENT CAPITAL REVENUE SOURCES

Columbus’ FY08 capital projects were funded using operating funds, the 1999 Special Purpose Local Option Sales Tax (expires in 2008) and the Debt Service Fund. At present, Columbus’ only dedicated capital revenue is the debt service portion of the property tax millage (\$1.23 per \$1,000 assessed valuation for all urban service districts). The property tax revenues from the debt service millage totaled \$5.05 million in FY08. Other debt service revenues include intergovernmental transfers from Columbus Water Works, Bull Creek Golf Course, and the Housing Authority along with investment income and miscellaneous revenues, totaling \$829,139 in FY08. This brings Debt Service Fund revenues (excluding fund balance transfers) in FY2008 to \$6.4 million. The distribution of funds by source is shown in Figure 6 below, illustrating that Debt Service Fund revenues are predominately from property tax.

Figure 6. Columbus FY 2008 Debt Service Fund Revenue Distribution - \$6,413,546



While Debt Service revenues in FY08 totaled \$6.4 million, the fiscal impact analysis projected *annual* capital expenditures of \$13.2 million in the Suburban scenario and \$8.4 million in the

Redevelopment scenario for *growth-related* projects through 2028. Combined with the Consolidated Government's backlog of capital projects for its existing infrastructure, the current capital revenue structure does not support existing or growth-related demand for capital improvements. Given these results, the focus of this report is on methods to maximize the Consolidated Government's capital revenues in order to address the anticipated capital funding gap. To the extent that capital revenues can be enhanced, this can relieve pressure on the Operating Budget and prevent diminishing levels of service. The following presents potential funding mechanisms along with a discussion of each revenue source's advantages and disadvantages.

PROPERTY TAX

When a community needs to increase revenue, the first source usually considered is the community's largest revenue source, which is generally property tax. This is true with Columbus, as property tax is the largest revenue source, totaling \$66.8 million in FY08 including all operating funds. Of this, \$5.05 million was dedicated to the Debt Service Fund. Given the significant amount of development expected in Columbus, the property tax will increasingly be looked to as a source for capital dollars for growth-projects in lieu of other dedicated revenues for capital. This is particularly problematic given that the Consolidated Government struggles to meet demand for infrastructure replacement, which will likely accelerate in the years to come.

Columbus faces significant hurdles related to raising property taxes. First, the property tax rate is capped by the Columbus Charter at 9 mils for "ordinary current expenses," which includes the general, urban and transportation (transit) components of the millage rate. Components of the millage rate not subject to the cap are the Medical Center, Debt Service, Paving, Sewer (stormwater), and Economic Development Authority Funds. The cap is required by the Columbus Charter as a condition of collecting a Local Option Sales Tax, which is the 3rd largest source of revenue for Columbus.

Another unique characteristic, owing to Columbus' structure as a Consolidated Government, are urban service districts which have different millage rates. The urban component of the millage rate varies by service district. For example, while urban service district #1 is at the 9 mil cap for "ordinary current expense," urban service district #2 is 7.54 mils. In addition, the Sewer and Paving components, which fall outside the cap, vary by urban service district. The fiscal impact analysis assumes that the millage rate will be unified in 2018. Given that growth in the Suburban growth scenario is focused in planning areas that largely fall with urban service district #2 where the millage rate is significantly lower, fiscal results will improve in the Suburban growth scenario if the rate is unified earlier.

Property tax revenues are also limited by a number of exemptions, including the standard homestead exemption, which freezes the fair market value of homeowner occupied residential properties. The exemption does not apply to the Debt Service portion of the millage rate.

Advantages

- Property tax is a stable and predictable source of revenue.
- The monies collected from property tax can be used for any governmental purpose, including construction, maintenance, and operation of new public facilities.
- Redevelopment efforts may encourage growth in property values and a commensurate increase in tax revenues as a result, without increase to the property tax rate.

Disadvantages

- Increases to property tax rates are politically unattractive.
- There is a poor relationship between the source of funds and demand for public facilities, while other capital funding sources such as development impact fees pass on specific capital costs to future development.
- Exemptions from property tax can lead to a shrinking tax base (for example, non-profits, governments, schools and churches). In Tax Year 2008, the gross non-taxable assessed value in Columbus totaled \$584.8 million. If these properties were to be included in the tax digest, they would represent 14% of Columbus' assessed value. In addition, the Tax Assessor indicated that recent changes to State law regarding property exemptions for non-profits may encourage the use of the exemption and result in decreases to the taxable assessed digest.

GENERAL OBLIGATION BONDS

If a locality is not paying cash for infrastructure, a primary consideration is probably general obligation or revenue bonds. General obligation bonds are secured by property taxes and other General Fund revenue. Accordingly, they are backed by the "full faith and credit" of the jurisdiction.

The State of Georgia mandates that a local government's debt cannot exceed 10% of its assessed valuation. In FY08, that equated to a debt limit of \$418 million for Columbus. As of FY08, the Consolidated Government had \$20.7 million in general obligation bonds, which represents only 5% of this debt limit. As discussed in the FY08 Budget, this is well within the threshold considered acceptable by credit industry standards (below 20%).

The fiscal impact analysis reflects the cash flow to the Consolidated Government. Depicting cash flow captures the actual cost to Columbus during the projection period, which includes the assumption that capital costs are pay-as-you-go. The cash flow analysis allows policymakers and staff to further discuss financing options and tradeoffs regarding pay-as-you-go versus debt financing as it relates to operating and capital needs. As an example, of the \$14.8 million in

growth-related Fire/EMS capital expenditures shown in the Suburban scenario of the fiscal impact analysis, \$9.6 million of that was for new or expanded stations and land acquisition. If the Consolidated Government were to finance the cost of these facilities over 30 years at 4.5% interest rate, annual debt service payments would be \$589,000/year, with total payments through 2028 of \$11.7 million. Through 2038, totally payments would be \$17.6 million, including \$8 million in interest. While the Consolidated Government benefits from the upfront cash needed to built the facilities, its total costs are increased due to interest payments. At the same time, the payments are deferred to future years when growth has stabilized. If the Consolidated Government were to finance these improvements over a shorter time frame, interest payments would be reduced. Assuming the same interest rate and a 20-year bond, annual debt service payments are \$738,000 and total debt service payments for the Fire/EMS improvements through 2028 would total \$14.7 million. Of that, \$5.6 million of that would go toward interest. While annual payments are higher, the Consolidated Government would save \$2.4 million in interest with a 20-year bond. These are among many considerations local governments take into account when weighing the use of bond financing versus pay-as-you-go.

The following addresses the advantages and disadvantages of general obligation bonds.

Advantages

- General obligation bonds lessen the need for the Consolidated Government to upfront its own General Fund dollars.
- General obligation bonds provide a significant infusion of revenues to fund large capital projects.

Disadvantages

- State law requires that a general obligation bond referendum must be approved by voters in a special election.
- With general obligation bonds, costs to individual property owners will be proportional to property value rather than demand for the facility and will be applied to all Consolidated Government property owners.
- While interest rates are typically low for municipalities, there are trade-offs in using general obligation bonds versus pay-as-you-go.

REVENUE BONDS

In contrast to general obligation bonds which are secured by property tax and other General Fund revenue, revenue bonds are retired with revenue received from the users of the capital improvement. These bonds are backed by revenue from sources more specifically defined than those backing general obligation bonds. Examples include user fees, sales taxes, development impact fees, special district assessments, etc. State law identifies the revenue-producing activities of a local government that can be used to secure a revenue bond, including bridges,

causeways, tunnels, transportation facilities, water supply and treatment, wastewater collection, gas and electric generating and distribution facilities, public parking and other activities.

State law authorizes local governments to create public authorities to promote the development of trade, commerce, industry and employment opportunities, or for other purposes deemed by the General Assembly. These authorities are able to issue tax-exempt revenue bonds for capital projects that fit specific categories, such as air and water control facilities, sewer facilities, airports, sport facilities, convention or trade show facilities, mass commuting facilities, among other categories. Jurisdictions are able to enter into intergovernmental contracts with public authorities, such as a lease. The jurisdiction then leases the facility from the authority, with the revenues going toward retiring the revenue bond. The Consolidated Government currently has such a relationship with the Columbus Building Authority and the Board of Water Commissioners for revenue-back bond issuances by these entities. The Consolidated Government services the Building Authority's debt in lieu of making rental payments. Payments to the Board of Water Commissioners are made to satisfy Columbus' share of debt service for River Walk.

Advantages

- Revenue bonds lessen the need for the Consolidated Government to upfront its own General Fund dollars.
- Revenue bonds do not affect the Consolidated Government's debt capacity since they are not backed by the "full faith and credit" of the jurisdiction.
- Revenue bonds can be used in conjunction with another financing mechanism (i.e. special assessment district revenue), with that mechanism pledged to retire the debt.
- In most cases, revenue bonds do not require voter approval.

Disadvantages

- Since dedicated revenue streams are sometimes less predictable and less stable than general revenue, interest rates may be higher for revenue bonds versus general obligation bonds.
- While not considered as part of the jurisdiction's debt capacity limit, the revenue bonds may be perceived as either directly or indirectly guaranteed by the jurisdiction.

DEVELOPMENT IMPACT FEES

Development impact fees can be defined as new growth's fair share of the cost to provide necessary capital facilities. In determining the reasonableness of these one-time fees, the fee must meet three requirements: 1) needed capital facilities are a consequence of new development; 2) fees are a proportionate share of the local government's cost; and 3) revenues are managed and expended in such a way that new development receives a substantial benefit.

Development impact fees cannot be imposed on new development to pay for or provide public improvements needed by existing development. Capital improvements funded by development impact fees must enable the Consolidated Government to accommodate new development by adding facility capacity. To be proportionate, new development should pay for the capital cost of infrastructure according to its “fair” share of impact on a particular public facility. To ensure development impact fees are proportionate, the cost allocation methodology should consider variations by type of development and type of public facility. As appropriate, capital cost assumptions must consider the net cost of facilities after accounting for grants, intergovernmental revenues and other funding sources. The reasonable connection between the development impact fees and the benefit requires that funds be earmarked for use in acquiring capital facilities to benefit the new development. Substantial benefit also requires consideration of when the fees are spent. This substantial benefit test often leads communities to set up collection and expenditure zones for public facilities that have general geographic service areas.

The State of Georgia authorizes development impact fees in the Georgia Development Impact Fee Act. The Act specifies the specific types of facilities categories that can be included in a development impact fee. Those are: water and wastewater, roads (including local components of state or federal highways), storm-water facilities, parks, public safety facilities (including police, fire, emergency medical and rescue facilities) and libraries. Consistent with the development impact fee requirements discussed above, the Act requires that development impact fees only fund system improvements, i.e., those projects that increase service capacity or extend distribution systems to new development. The Act also limits capital improvements to facilities with useful lives of at least 10 years. Currently, the Consolidated Government does not charge any development impact fees.

The fiscal impact analysis identified growth-related capital expenditures through 2028 of \$264.7 million in the Suburban growth scenario and \$168.2 million in the Revitalization scenario. The most significant of these capital costs are roads and parks, totaling \$198.2 million and \$26.8 million respectively in the Suburban scenario. While the Consolidated Government would not be able to enact development impact fees for general government facilities, as it is not allowed in the State Act, other capital facilities considered in the fiscal impact study would be eligible development impact fee categories. This includes roads, parks and public safety facilities. If the Consolidated Government were to adopt development impact fees at 100% of the maximum supportable amount, up to 95% of growth-related capital expenditures identified in the fiscal impact study would have a dedicated source of revenue. Development impact fee revenues would provide a significant source of dedicated capital revenue for growth projects, freeing up other dollars for replacement and rehabilitation projects.

Advantages

- Development impact fees can help meet local capital facility needs due to new growth with less pressure on the tax rate.
- Development impact fees are politically attractive to existing residents and businesses since they pass on specific capital costs to future development.
- Development impact fees coordinate new growth with the facilities demanded.
- Development impact fees are more predictable and equitable than informal systems of negotiated exactions and are likely to generate considerably more revenue.

Disadvantages

- Development impact fees are typically not due until development occurs. As a result, this makes it difficult for the Consolidated Government to use the fees to construct capital improvements prior to or in conjunction with new development.
- Development impact fees are often politically unattractive to developers who can be vocal opponents to the fees.
- Technical studies are required to develop and justify the adopted development impact fee amount. Additionally, the State requires that findings in the technical study be incorporated in the capital improvement element of the Comprehensive Plan. This includes the identification of existing service levels, projections of needed system improvements, a schedule of capital improvements and a discussion of funding for these improvements.
- Rational nexus requirements impose a set of earmarking and accounting controls that limit the use of development impact fee revenue to the categories identified in the study.

SPECIAL PURPOSE LOCAL OPTION SALES TAX

Sales tax is generally used as a source for general fund operating revenue, but when dedicated to capital facilities it can be a significant source of capital revenue. In Georgia, counties and school districts are authorized to enact a Special Purpose Local Option Sales Tax (SPLOST) to fund capital projects. A SPLOST is a 1% tax on sales, excluding motor fuels. Columbus's most recent SPLOST, enacted in 1999 to renew the 1993 SPLOST, expires this year.

State law authorizes SPLOST revenues to be used for a variety of capital projects, including administrative buildings, bridges and roads (including rehabilitation and repairs), coliseums, civic centers, courthouses, cultural facilities, jails, major equipment, public safety facilities, recreation facilities, transportation facilities, water and sewer facilities and other projects defined in the Georgia Code. SPLOST revenues cannot be used to address current expenditures or maintenance expenses.

Advantages

- As a levy on sales tax, a jurisdiction has considerable discretion in its use and is not bound by the use requirements associated with development impact fees.
- While State law defines the capital facilities categories eligible for SPLOST funding, the list is comprehensive. The list includes the future growth-related capital facilities identified in the fiscal impact analysis, including roads, parks, public safety and general government facilities.
- As a consolidated city/county government, Columbus is at liberty to enact a SPLOST without the distribution negotiations and intergovernmental contracts required for a county containing municipalities.

Disadvantages

- Sales tax levies are subject to voter approval. The Consolidated Government must strictly define the use of the funds in order to secure approval, reducing the flexibility inherent in sales tax revenues.
- Levies are approved for a short time frame of 5-6 years or after such period that the State Commissioner of Revenue determines that the tax has raised the revenue projected upon adoption of the SPLOST. Capital improvement plans may extend over a longer time period.
- There is little relationship between the source of funds and demand for public facilities.

TAX ALLOCATION DISTRICTS

The Georgia Redevelopment Powers Law gives local governments the authority to sell bonds to finance infrastructure and other redevelopment costs within a geographically defined area called a Tax Allocation District (TAD). The designated area must currently suffer from blight or other “economic or socially distressed conditions” and have the potential for redevelopment. This funding mechanism identifies increases in property, sales tax or special assessment district revenue within a geographic area that are due to new development or redevelopment. The incremental increases in revenue are earmarked for infrastructure improvements or services needed in that same geographic area. Throughout the lifetime of the TAD, the tax contribution from the properties in the district remains at the original “baseline.” Meanwhile, the increases in tax revenue that is due to the incremental increase in value over the “baseline” tax assessments is deposited in the TAD fund, which pays for necessary infrastructure improvements.

Advantages

- Tax Allocation District financing is usually accepted by the community and the developers alike as capital improvements are financed using anticipated future tax revenues that would not otherwise be collected were it not for the TAD.

- Tax Allocation District debt does not count against state debt ceiling requirements and does not have to be backed by the full faith and credit of the jurisdiction.
- Unlike some other financing techniques, such as development impact fees, Tax Allocation District financing is not limited to new development only.
- Tax Allocation District financing can encourage new, private investment in an area that may not otherwise have been developed and can be used to promote redevelopment.
- Investments in TADs may reduce jurisdiction service delivery costs by reducing crime as the blighted area improves.

Disadvantages

- There are a number of potential hurdles in obtaining the authority to implement TAD. A local government must receive authorization from the State General Assembly to exercise powers under the law. Then, voters must approve a local act in order to authorize the Consolidated Government to establish TADs. A special election must be held for the purpose of voting on the TAD act.
- Since the Consolidated Government will not receive the tax benefits from the property improvements for an extended period of time, public concern over funding may hamper the approval of a TAD district.
- The Georgia Supreme Court recently ruled that school taxes cannot be used for future TAD bond offerings, which may limit the revenue potential of TADs.
- The jurisdiction is limited in the total area that can be served by TADs, as Georgia law requires that taxable value in the TAD(s) not exceed 10% of the jurisdiction's total current taxable value.
- New development in a TAD is likely to create additional demands for public services, but the jurisdiction will not receive the increased tax revenue from the TAD until the TAD-backed bonds are retired.
- As TAD-backed bonds are not backed by the full faith and credit of the jurisdiction, the bond is likely to have a higher interest rate than a general obligation or revenue bond.
- Despite being backed by the TAD and not the full faith and credit of the jurisdiction, if the jurisdiction were to default on the bond, bond rating agencies may penalize the jurisdiction.
- As with general obligation bonds, costs to individual property owners will be proportional to property value rather than demand for the facility.

SPECIAL ASSESSMENT DISTRICTS

A special assessment district is created by a local government to provide one or several specific public services or improvements. These districts are generally created to link costs and benefits resulting from new or upgraded infrastructure. Typically, the property owners in the benefiting area agree to establish a special district or assessment area. Infrastructure improvements may be bond financed and paid over time by the benefiting property owners, usually by means of an additional charge on the property tax bill. In general, special assessment districts are easier to implement in areas where relatively few property owners control large tracts of land.

Columbus has a Business Improvement District (BID) that was created in 1999 and renewed in 2004. Property owners in the area agreed to assess themselves in order to supplement Consolidated Government services in the way of advertising, promotion, sanitation, security, and business recruitment and retention. BID assessments are for operational purposes and not for capital projects. In addition, Columbus' Downtown Development Authority has the authority to levy and collect taxes, fees or assessments to support capital improvements or services in the downtown area. Georgia law also authorizes the creation of Community Improvement Districts, which like BIDS are for commercial areas, though assessments can be for government services and facilities.

Advantages

- Special assessment districts may be more politically acceptable and equitable because they confine levies to the local users of benefits.
- Special assessment districts have fewer restrictions imposed by federal or state law than development exactions, development impact fees and user fees.
- Unlike some other financing techniques, such as development impact fees, special assessment districts are not limited to new development only.
- The revenue stream from special assessment districts may be more reliable than other financing mechanisms, since it is based on an annual levy.
- Due to the amortization of the debt, an assessment typically results in a lower annual payment.
- The revenue generated from the special assessment district can be used to pay the debt service on a bond issue. With a dedicated revenue stream from the assessment, the Consolidated Government could issue revenue bonds that would not impact its debt capacity.

Disadvantages

- Special assessment districts may be inappropriate to finance projects with far-reaching benefits that are not confined to the assessment area.
- Special assessment districts often require detailed studies to document the direct benefits to each member of the district who will pay the assessment, and to document a

fairly concrete connection between the payment of the assessment and the receipt of the benefit.

- The creation of too many independent special assessment districts in a community can result in the fragmentation of decision-making and lack of government coordination.

EXCISE TAXES

Although usually restricted by state authority, the Consolidated Government is able to levy excise taxes for fund-specific purposes. An example of a special purpose excise tax includes the hotel-motel tax which is dedicated to the Columbus Iron Works Trade and Convention Center Fund and the Civic Center Fund. State law requires that revenues from the hotel-motel tax be used for projects that promote tourism. Columbus collects a 7% hotel-motel tax, the maximum as allowed by State law. The Consolidated Government collects other excise taxes such as on alcohol and car rentals, with these revenues being deposited into the General Fund.

Advantages

- Like user fees, excise taxes may be politically successful because they are restricted to a specific purpose.
- In the case of the hotel-motel tax, the tax burden is shifted almost entirely to nonresidents.

Disadvantages

- Use of hotel-motel tax revenues is strictly limited to supporting a civic center, performing arts facility and/or promoting tourism, convention and trade shows.
- The State requires that funds be accounted for separately.

CHARGES FOR SERVICES (USER FEES)

The Consolidated Government has implemented a number of charges for services, or user fees, to help recover the cost of providing various services. These charges for services include such things as ambulance transports, court fees, report sales and program fees. Like most local governments around the country, the Consolidated Government has had to rely more heavily on this type of revenue over the past several years. These user fees ensure that those who benefit from specific governmental services bear the cost. This is one reason why they are becoming increasingly popular with jurisdictions. Currently, user fees do not cover the costs associated with many of the services provided. For example, in 2008 the Consolidated Government expected to gain \$155,000 in tennis fees. At the same time, cost for the Cooper Creek Tennis Center were expected to total \$271,413. TischlerBise recommends increasing some current fees and evaluating other services for which user fees are appropriate to cover a greater share of the cost of programs and services. Increasing and adding new fees will free up General Fund revenue to be used elsewhere, decreasing pressure on the Operating Budget to address both operating and capital needs.

FRANCHISE FEES

Franchise fees are fees charged to utility companies by a local government for the right to do business in a community. The Consolidated Government currently levies franchise fees to electric, gas, water, cable and telecommunication utility providers. The largest of these revenues is Georgia Power with \$8.5 million in franchise fee receipts in FY 2008. The Consolidated Government has franchise agreements with the various providers. In some cases, State law prescribes the maximum. For example, a 5% gross receipts tax is applicable to cable providers. In the case of natural gas, the Consolidated Government has franchise agreement in which a 4% tax is assessed for the first 4 years of the agreement (through 2009) and that raises to 5% for the following 10 years.

-RESULTS OF EVALUATION-

A general evaluation was conducted of the potential financing mechanisms using the four criteria discussed earlier: revenue potential, proportionality, technical ease and public acceptance. It is important to note again that TischlerBise’s review does not include an analysis of legal considerations. Figure 7 summarizes the evaluation results for each potential revenue source and financing mechanism.

Figure 7: Evaluation of Potential Revenue Sources and Financing Mechanisms

Financing Mechanism	Potential Revenue Yield	Proportionality	Technical Ease	Public Acceptance
Property Tax	High	Negative	Positive	Negative
General Obligation Bonds	High	Negative	Neutral	Negative
Revenue Bonds	High	Negative	Neutral	Neutral
Development Impact Fees	High	Positive	Negative	Positive
Special Purpose Local Option Sales Tax	High	Negative	Positive	Negative
Tax Allocation Districts	Medium	Neutral	Negative	Neutral
Special Assessment Districts	Medium	Positive	Negative	Positive
Excise Taxes	Low	Positive	Positive	Neutral
Charges for Services (User Fees)	Low	Positive	Positive	Negative
Franchise Fees	Low	Negative	Neutral	Neutral

REVENUE POTENTIAL

All of the potential financing mechanisms considered in this report have revenue potential. For the Consolidated Government, selecting a revenue strategy will involve consideration of the amount of potential revenue for each mechanism in light of its proportionality, technical ease and public acceptance. These issues are discussed below.

PROPORTIONALITY

In terms of proportionality, only development impact fees, special assessment districts, excise taxes (hotel/motel) and charges for services relate the amount paid to the direct impact on services. Tax allocation districts are considered neutral. While the revenues collected within the TAD are spent within the district, as a property tax instrument, revenue does not correspond with demand for services. The remaining financing mechanisms do not relate to the direct impact on services and therefore receive a negative score.

TECHNICAL EASE

Property taxes, special purpose local option sales tax, excise taxes and charges for services all rate high on technical ease. Bonds and franchise fees have a neutral rating due to their administrative and legal requirements. Because of the required technical studies and administrative and accounting requirements, development impact fees and special assessment districts score negatively in terms of technical ease. Tax allocation districts receive a negative score as well, due to the administrative burden placed on the jurisdiction.

PUBLIC ACCEPTANCE

Development impact fees score positively because they place the costs of growth on new development. Special assessment districts also score positively because those who pay their assessments know that their assessment is proportionate to the direct benefits received. In our experience, revenue bonds, tax allocation districts, excise taxes and franchise fees are likely to generate a neutral response. Property taxes, general obligation bonds, special purpose local option sales tax and charges for services tend to be less acceptable because they are viewed as causing higher taxes and fees for the general public.

RECOMMENDATIONS

Figure 8 below shows the financing mechanisms evaluated in this report, all of which have the potential to provide additional revenues for the Consolidated Government. The figure also indicates the specific financing mechanisms TischlerBise recommends that the Consolidated Government consider and/or enhance. These recommendations are based on the evaluation criteria discussed above. In addition, the fiscal impact analysis found that revenues to the

Operating Budget offset future growth-related operating expenditures. Given these results, we recommend that the Consolidated Government focus on non-property tax revenue enhancements to the Capital Budget. Potential financing mechanisms include development impact fees, the Special Purpose Local Option Sales Tax and Tax Allocation Districts. To enhance its General Fund, Columbus should also examine its charges for services to cover a greater share of the cost of programs and services.

Figure 8. Recommended Financing Mechanisms

Financing Mechanism	Has Revenue Potential	Recommended
Property Tax	√	
General Obligation Bonds	√	
Revenue Bonds	√	
Development Impact Fees	√	√
Special Purpose Local Option Sales Tax	√	√
Tax Allocation Districts	√	√
Special Assessment Districts	√	
Excise Taxes	√	
Charges for Services (User Fees)	√	√
Franchise Fees	√	

Columbus, Georgia



Columbus Consolidated Government Fiscal Year 2011 Operating Budget



COLUMBUS CONSOLIDATED GOVERNMENT

Georgia's First Consolidated Government

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Jim Wetherington, Mayor

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July 1, 2010

To The Citizens of Columbus, Georgia and the Columbus City Council

Dear Fellow Citizens:

During my campaign for Mayor of Columbus, I promised our citizens that I would be actively involved in the budget process for our government. I believe I have lived up to that with the preparation of this budget. This budget has been, by far, the most difficult of the four I have presented.

The adopted budget is presented to you in the amount of \$223,744,022, plus the Other Local Option Sales Tax (LOST) of \$56,340,063 for a total budget of \$280,084,085. The citizens approved the Other LOST with an effective date of January 1, 2009. As I committed and the Columbus City Council confirmed, 70 percent is allocated to Public Safety including a \$3,000 annual supplement to all sworn officers and 30 percent to Infrastructure. A total of \$30,145,848, which represents the Other LOST collections for calendar year 2009, will be used for the 2011 property tax rollback requirement and \$3,092,016 for the debt service on the 2010 Columbus Building Authority Bonds. The FY11 Adopted Budget is 19.22% over the FY10 Adopted Budget, but only 4.59% increase excluding the Other LOST budget.

The millage tax rate for funding this budget has decreased in Urban Service District 1 decreased from 17.91 mills to 10.62 mills for FY11. The tax rate for Urban Service District 2 will decrease from 12.99 mills to 7.06 mills and for Urban Service District 4 will decrease from 11.70 mills to 5.82 mills. This change in millage rate is due to the property tax rollback required by the implementation of the Other Local Option Sales Tax in 2009.

This budget includes various factors which were considered to ensure our city government meets the challenges we continue to face during difficult economic times. Departments were held to their FY10 operational budget with only slight modifications in the departmental operating budgets. We will, however, continue to provide high level and quality services to the citizens we serve.

October 1, 2008, the UGA Pay Plan was adjusted to 100 percent of the July 1, 2008 market including longevity increases for our current employees of one step for two to nine years of service, and two steps for 10 or more years of service. Advancement or adjustment to the UGA Pay Plan has been postponed for FY11 until revenue can support and sustain any additional increases. Employee health care contributions will remain the same in FY11.

The adopted budget includes one additional General Fund position in Public Services Department. In accordance with the staffing commitments anticipated by the Other LOST, fifteen additional positions in FY11 are funded. Three positions for the Muscogee County Prison, one position for the District Attorney's Office, two positions for the Municipal Court Clerk's Office, three positions for the Marshal's Office, and six positions for the Sheriff's Office. One additional position is funded in Integrated Waste. Additional positions committed from this funding source will be allocated in future years.

In the area of capital purchases, this budget recommends no General Fund capital purchases, \$1,649,333 across all other operating funds and \$2,649,428 from the Other LOST. We plan to revisit our capital needs at mid-year, and may request additional capital to be funded from the General Fund-Fund Balance based on the year-end closeout of FY10 if funds are available. The same holds true for the Capital Improvement Program, with only one amount funded from the General Fund for \$198,715 for the Baker Village project, \$1,672,477 across all operating funds and \$7,215,150 from the Other LOST. Currently, we are not able to fund crucial facility and infrastructure requirements at the desired level.

This adopted budget is a balanced budget, using the General Fund-Fund Balance to meet commitments to several economic development projects, including the Baker Village Revitalization project, NCR, and a first-time commitment to the River Restoration project. The commitment to the River Restoration project is \$1.66 million for each of the next three years. This project will return some \$42 million annually to our area when it is completed in 2012 and will create more than 700 new jobs. Also included in the budget are subsidies for the Integrated Waste Fund, Bull Creek Golf Course, Oxbow Creek Golf Course, Civic Center Fund and Emergency 911 Funds. The Employee Pension Fund requires an additional \$4 million annual contribution, and the adopted budget uses \$1,610,044 from the General Fund-Fund Balance towards the additional requirement. The administrative policy of the Columbus Consolidated Government is to maintain 90 days in the General Fund-Fund Balance. The undesignated fund balance at June 30, 2009 after FY10 budget commitments was 90.67 days. With the intentional absence of a mid-year budget amendment for FY10, this excess over the 90 days was preserved for the FY11 budget to compensate for any declines in select revenue sources. Another mechanism used in the current fiscal year to preserve the General Fund-Fund Balance was to postpone any hiring the last quarter of FY10. Also, \$561,933 of the Transportation Fund's reserves is used to balance the Transportation Fund as its operations are evaluated for the future. You will see \$145,366 of the Parking Management Fund's reserves has been used to balance the Parking Management Fund as its operations are evaluated in the future. Some \$72,584 of the

Trade Center Fund's reserves is used to balance the Trade Center Fund, as well, pending future developments.

This budget was prepared to be able to sustain the level of funding in future years and is fiscally responsible. To Budget Chair Skip Henderson and other members of Council, I would like to thank each of you on what is included in this adopted budget to meet the needs and desires of the citizens and of our great city today while preparing for future growth and its impact.

I want to thank City Manager Isaiah Hugley, Finance Director Pamela Hodge and the staff from each of their departments for their work in preparing this budget.

This is the adopted budget for FY11.

Sincerely,

A handwritten signature in black ink that reads "Jim Wetherington". The signature is written in a cursive style with a prominent loop at the beginning of the first name.

Jim Wetherington, Mayor
City of Columbus, Georgia



Columbus, Georgia
Georgia's First Consolidated Government
P.O. Box 1340, Columbus, Georgia 31902-1340



ISAIAH HUGLEY
City Manager

Telephone (706) 653-4029
FAX (706) 653-4032

July 1, 2010

Dear Ladies and Gentlemen:

Columbus, Georgia is in a unique situation as we continue to prepare for the growth of our community and meet the increased demands of the citizens, with limited revenue growth potential and the expected decline in select revenue sources. The nation is continuing to experience unprecedented times in the housing and financial markets, which has not left Columbus, Georgia untouched. The Columbus Consolidated Government is committed to providing services to meet the demands of our citizens and be prepared for the expected growth as we continue to stand for "PAST", Performance, Accountability, Service, and Trust.

In preparing this FY11 Adopted Budget, the needs and demands of the citizens we serve were at the root of our concerns. The goal for the FY11 Operating Budget was to live within our means, meet the citizen's requirements, and maintain the current staffing levels. With the local, regional and national economy experiencing contractions in consumer spending and housing, this budget cycle experienced challenges. The FY11 Operating Budget is balanced at \$280,084,085 (\$223,744,022 plus the Other Local Option Sales Tax (LOST) of \$56,340,063, including \$30,145,848 for the rollback requirement). In order to balance the budget, \$6,655,464 of fund balance across all operating funds was used plus \$26,040,063 of the Other LOST Fund Balance. Fund Balance of \$198,715 was used from the General Fund for the approved commitment to the Baker Village Revitalization project, \$948,000 for the commitment to the Development Authority-NCR Project, \$1,666,667 for the River Restoration Project, \$1,243,895 was used from the General Fund for subsidies to the Integrated Waste Fund, Bull Creek Golf Course, Oxbow Creek Golf Course, Civic Center Fund and Emergency 911 Funds, \$1,818,304 was used from the General Fund towards the additional pension contribution of \$4,000,000, \$561,933 was used from the Transportation Fund, \$145,366 was used from the Parking Management Fund, and \$72,584 for the Trade Center Fund. Fund Balance of \$26,040,063 was used from the Other LOST to include \$21,849,062 of the funds set aside for the rollback requirement and \$4,191,001 of funds reallocated from FY10. The staffing for the government in the General Fund for FY11 was increased by two positions; one position in the Elections office by downgrading two positions to create three positions with no budgetary impact and a second position in Public Services. The expected slow growth in the City's digest provided only minimal operation changes in a few key areas, with most departments operating budget remaining the same as FY10 in the General Fund. The growth does not meet the increased demands for capital and infrastructure repair and replacement.

The millage rate is reduced from 17.91 mills to 10.62 mills for USD #1, 12.99 mills to 7.06 mills for USD #2 and 11.70 mills to 5.82 mills for USD #4. The total General and Urban district subject to the 9 mill cap was reduced to 1.71 mills in USD #1, 1.61 mills in USD #2, and 1.49 mills in USD #4 due to the Other Local Option Sales Tax rollback requirement. The millage was reduced by the appropriate millage based on the 2009 calendar year LOST collection of \$30,145,848.

Challenges

We continue to struggle for replacement of capital equipment and infrastructure. This has been somewhat alleviated with the approval of the 2009 Other Local Option Sales Tax on July 15, 2008. The new LOST became effective January 1, 2009. The Columbus City Council confirmed by resolution to dedicate 70% of the tax to Public Safety and 30% of the tax to Infrastructure. In this budget, we were not able to fund requests for equipment and infrastructure in the General Fund. We were able to fund minimal capital requests in other

operating funds, but left many justified equipment requests and projects unfunded. If funding is available, additional capital and infrastructure will be requested out of fund balance during the mid year budget amendment, once FY10 year end accounting has been completed. Costs of operations remains at a minimal level. Pension costs continue to escalate. The requirements of the pension fund will continue to have a significant impact on the personnel costs now and in the future with the requirement of governments to quantify post employment health benefits. In FY09, the pay and classification study conducted by the University of Georgia was adjusted to 100% of the July 1, 2008 market rate and was implemented on October 1, 2008. An advancement or adjustment to the UGA Pay Plan has been postponed for FY11 until revenue can support and sustain any additional increases.

Budget Process

Early in the budget preparation period, we forecasted that growth in revenues would not fully support the operations of the government but the combination of reduction in expenditures, delaying capital and infrastructure purchases, preserving General Fund-Fund Balance, and one-time revenues allowed us to balance the budget during this difficult economic time. No growth of the tax digest for FY11 is estimated and a 96% collection rate is projected. Departments were held to the FY10 operating budgets with a select few departments allocated additional resources to meet operational and service requirements. With departments essentially operating at minimal funding levels, departments will have the extraordinary challenge of providing more, in most cases, with continued less financial resources and no additional human resources.

The chart below details the Adopted Budget for FY11. The left column identifies the funding for each fund, and the right column shows the appropriation for each fund in comparison with the adopted budget for FY10. The Fund Balance column identifies those funds, which requires fund balance to balance their appropriations: General Fund, Transportation Fund, Parking Management Fund, Trade Center Fund and Other LOST Fund.

FISCAL YEAR 2011						
SUMMARY OF FUNDS AND APPROPRIATION						
FUNDS	TOTAL FUNDING			TOTAL APPROPRIATION		
	FY11 REVENUE	FUND BALANCE	TOTAL	FY11 BUDGET	FY10 ADOPTED	% CHANGE
General	\$145,238,609	\$5,725,581	\$150,964,190	\$150,964,190	\$145,771,599	3.56%
Stormwater (Sewer)	4,781,819	0	4,781,819	4,781,819	5,301,171	-9.80%
Paving	13,676,754	0	13,676,754	13,676,754	13,692,120	-0.11%
Medical Center	12,606,257	0	12,606,257	12,606,257	12,426,041	1.45%
Integrated Waste	9,864,049	0	9,864,049	9,864,049	9,973,491	-1.10%
E911	3,264,640	0	3,264,640	3,264,640	3,206,271	1.82%
Debt Service	10,584,797	0	10,584,797	10,584,797	6,076,917	74.18%
Transportation	5,593,029	561,933	6,154,962	6,154,962	6,186,556	-0.51%
Parking Management	185,500	145,366	330,866	330,866	331,120	-0.08%
Trade Center	2,676,854	72,584	2,749,438	2,749,438	2,735,869	0.50%
Bull Creek	1,643,970	0	1,643,970	1,643,970	1,639,079	0.30%
Oxbow Creek	557,515	0	557,515	557,515	570,507	-2.28%
Civic Center	5,556,264	0	5,556,264	5,556,264	5,017,622	10.74%
Economic Development	1,008,501	0	1,008,501	1,008,501	994,083	1.45%
Sub-TOTAL	\$217,238,558	\$6,297,204	\$223,744,022	\$223,744,022	\$213,922,446	4.59%
Other LOST	30,300,000	26,040,063	56,340,063	56,340,063	21,000,000	168.29%
TOTAL	\$247,538,558	\$32,337,267	\$280,084,085	\$280,084,085	\$234,922,446	19.22%

FUNDS	FY11 REVENUE	FUND BALANCE	TOTAL	FY11 BUDGET	FY10 ADOPTED	% CHANGE
Health	\$19,200,000	0	\$19,200,000	\$19,200,000	\$19,059,283	0.74%
Risk Management	3,740,000	0	3,740,000	3,740,000	3,387,000	10.42%
Community Development	1,959,970	0	1,959,970	1,959,970	1,798,257	8.99%
WIA	1,525,740	0	1,525,740	1,525,740	1,614,134	-5.48%

The total operating budget is \$223,744,022, excluding the Other Local Option Sales Tax, WIA, Community Development, Risk Management and Health Insurance Fund and \$280,084,085 with the Other LOST. WIA and Community Reinvestment have different budget cycles due to federal regulations; an estimated budget is incorporated in the regular budget process. Budget adjustments for these funds will be forwarded to Council in the Fall.

Assessment

The Columbus Consolidated Government offers an array of services to its residents including public safety, judicial, parks and recreation, sanitation and general government operations. At the time of consolidation in 1971, the government recognized that not all citizens within Muscogee County would receive equivalent levels of service. In recognition of this disparity, specific tax districts were established to levy taxes in direct proportion to services provided within each taxing district.

Currently, there are three urban service districts (USD1, USD2, and USD4), not including the special districts created for the Business Improvement District. The assessment and millage set for the primary three districts are distinguished by the services provided to each district: general services and urban services. The general services are provided to the total area of Muscogee County as fixed and established on the effective date of the last amendment to the charter. Functions and services provided to the general service district are commonly available and accessible or otherwise provided to all residents throughout the total area of the county. Examples are judicial services, parks and recreation, city administration, certain police services, health facilities and incarceration facilities. Urban service districts provide more comprehensive and intensive levels of governmental duties. Examples are fire protection, police patrol services and street maintenance. The total millage for urban and general service plus transportation services has a nine-mill cap not including debt service, Medical Center appropriation, and road and stormwater (sewer) millages.

The criterion for calculating the millage rate in each district is outlined below.

General Service - Services are of equal level throughout the county. Taxes are levied on all Muscogee County property owners.

Medical Center Tax - A three-mill levy is assessed with revenue paid to the Hospital Authority for medical care of county residents who cannot afford medical treatment.

METRA - This tax is levied to subsidize mass transit in the city. Taxes are levied after all other income from fares and other service charges and other governmental entities are calculated.

Urban Service - Services are diverse in various sections of the county. Taxes are levied proportionately on property owners of each district based on the level of service.

Fire Tax - The millage rate is dependent on the Fire Department's ISO rating for each district. They are proportional to the relative cost to insure a classified rated brick - veneer single family dwelling of average value of all such family dwellings throughout the county.

Patrol Services - The tax rate is calculated according to the median response time on all police calls.

Stormwater (Sewer) - The tax rate is calculated according to the number of miles of public roads and streets in the district, which are maintained at local expense.

Street Maintenance - The tax rate is calculated according to the number of miles of public roads in each district per acre of land. Taxes are levied in the Paving Fund for this activity.

The chart below shows the distribution of the millage among districts.

TAX MILLAGE COMPARISON FY10 ADOPTED TO FY11 ADOPTED									
	URBAN SERVICE DISTRICT #1			URBAN SERVICE DISTRICT #2			URBAN SERVICE DISTRICT #4		
	FY10 Adopted	FY11 Adopted	Change	FY10 Adopted	FY11 Adopted	Change	FY10 Adopted	FY11 Adopted	Change
Total General and Urban	8.18	1.01	-7.17	6.72	0.91	-5.81	6.55	0.79	-5.76
METRA	0.82	0.70	-0.12	0.82	0.70	-0.12	0.82	0.70	-0.12
Total Subject to Cap	9.00	1.71	-7.29	7.54	1.61	-5.93	7.37	1.49	-5.88
Stormwater (Sewer)	1.22	1.22	0.00	0.21	0.21	0.00	N/A	N/A	N/A
Paving	3.36	3.36	0.00	0.91	0.91	0.00	N/A	N/A	N/A
Medical Center	3.00	3.00	0.00	3.00	3.00	0.00	3.00	3.00	0.00
Total M & O	16.58	9.29	-7.29	11.66	5.73	-5.93	10.37	4.49	-5.88
Debt Service	1.08	1.08	0.00	1.08	1.08	0.00	1.08	1.08	0.00
Economic Development	0.25	0.25	0.00	0.25	0.25	0.00	0.25	0.25	0.00
Total Tax Rate	17.91	10.62	-7.29	12.99	7.06	-5.93	11.70	5.82	-5.88

In Urban Service District #1, which encompasses most of the community's land area, the millage rate will reduce from 17.91 mills to 10.62 mills. Funding is continued for economic development activities. In Urban Service District #2, which extends along the northern boundary of Columbus, the tax rate will decrease by 5.93 mills to 7.06. In Urban Service District #4, which is presently limited to some small parcels near the Fort Benning reservation, tax rate will decrease by 5.88 mills to 5.82. The decrease is due to the Other Local Option Sales Tax rollback requirement of \$30,145,848, which represents the 2009 calendar year collections of the Other LOST. Under the requirements of the Taxpayer Bill of Rights, three public hearings will be held in order for citizens to discuss the changes in the tax rate.

Personnel Changes and Employee Compensation

Each year, a major portion of the budget is allocated to personnel costs. In FY11, that percentage will reach over 54%. This budget postpones any advancement or adjustment of the University of Georgia pay and classification plan. The pay plan was advanced to 100% of the July 1, 2008 market rate on October 1, 2008. The city will maintain its annual contribution of \$5,400 per employee for health care and the employee's premium will remain the same also. A preferred rate is offered to those employees who are not tobacco users. There is an additional premium for employees with spouses who have access to employer sponsored health insurance. Staff will continue to pursue development of "tools" to help our employees make better health choices based on education and cost cutting strategies. Pay adjustment for constitutional officers and those employees affected by the State of Georgia pay system will not receive an increase in FY11.

There is a net increase of two positions in the General Fund one for the Elections Office by downgrading two positions and creating three positions with no budgetary impact and the other in Public Services. There is an increase of 15 positions in the Other Local Option Sales Tax Fund. There is one position in the Integrated Waste Fund. Other personnel adjustments are outlined in Section C of this document.

Capital Projects and Capital Outlay

The FY11 budget includes \$9,086,342 in capital improvements projects (\$7,215,150 for Other LOST) and \$4,298,761 for capital outlay (\$2,649,428 for Other LOST). Funding has been included for road resurfacing, and pipe rehabilitation and replacement. Details of the capital improvement projects are found in Section E. The capital outlay is detailed in the Appendix – Section F.

Departmental Highlights

Listed below are the major budget highlights for each department. In the interest of brevity, only substantial operational changes are identified. Some departmental budgets have increases in personnel costs because of the increase in pension costs. Major changes beyond personnel are identified with additional details contained in the following sections of the document.

- ◆ The Legislatives' FY11 funding level is \$523,149, a 2.24% increase from the FY10 adopted budget. This department includes the Council and the Clerk of Council divisions.
- ◆ The Executive's FY11 funding level is \$465,121, a 2.58% increase from the FY10 adopted budget. This department includes the Mayor's Office, the Mayor's Committee for Persons with Disabilities, and the Internal Auditor Department. The Crime Prevention/Intervention program will also receive funding from the Other Local Option Sales Tax in the amount of \$1,000,000.
- ◆ The City Attorney's Office FY11 funding level is \$722,467, a 1.36% increase from the FY10 adopted budget.
- ◆ The City Manager's FY11 funding level is \$1,570,783, a 1.38% increase from the FY10 adopted budget. This department includes the City Manager's Office, Mail Room, Public Information, Criminal Justice Coordination, Risk Management, and Citizen Service Center divisions. The Recorder's Court division moved from the Sheriff's Office to the City Manager's Office in FY10. The funding for Recorder's Court increased by 0.08% in FY11 to \$842,183.
- ◆ Finance's FY11 funding level is \$2,454,321, a 2.26% increase from the FY10 adopted budget. This department includes the Director's Office, Accounting, Revenue, Financial Planning, and the Purchasing divisions.

- ◆ Information Technology's FY11 funding level is \$3,595,690, a 0.89% increase from the FY10 adopted budget. The Information Technology Department will also receive funding from the Other Local Option Sales Tax in the amount of \$250,000.
- ◆ Human Resources' FY11 funding level is \$1,718,925, a 3.30% increase from the FY10 adopted budget. This department includes the Director and Employee Benefits divisions.
- ◆ Inspections and Code Enforcement's FY11 funding level is \$1,822,490, a 0.02% decrease over the FY10 adopted budget. This includes the Inspections and Code Enforcement Department and Print Shop.
- ◆ The Planning Department's FY11 funding level is \$326,693, a 6.01% decrease from the FY10 adopted budget.
- ◆ Engineering Department's FY11 funding level is \$2,175,694, a 0.47% increase over the FY10 adopted budget. This department includes Traffic Engineering, Geographic Information Systems and Radio Communications divisions. In addition to the aforementioned divisions, which are funded in the General Fund, this department manages divisions funded in the Stormwater (Sewer) and Paving Funds. Engineering Department's Drainage Division will operate with \$708,886; a 1.86% decrease from FY10's adopted budget and the Highways & Roads Division will operate with \$1,070,256, a 2.52% decrease from FY10's adopted budget.
- ◆ Public Services' FY11 funding level is \$8,125,496, a 3.74% increase from the FY10 adopted budget. This department includes the Director's Office, Fleet Management, Special Enforcement, Cemeteries, Facilities Maintenance, and Other Maintenance & Repairs divisions. Besides managing the aforementioned divisions, which are funded in the General Fund, the department manages divisions in other Operating Funds that are listed below: Two divisions, Sewer Maintenance and Other Maintenance & Repairs, operate with \$3,245,670 in the Stormwater (Sewer) Fund. This allocation is a 13.18% decrease from the FY10 adopted budget for Public Services' sewer construction and maintenance activities. The Public Services' Department will also receive funding from the Other Local Option Sales Tax in the amount of \$118,935 for personnel and \$300,000 for Facility Improvements.
 - ◆ Five divisions; Street Improvements, Street Repairs & Maintenance, Urban Forestry and Beautification (Right-of-Way Maintenance and Landscape & Forestry combined), ROWM Community Services, and Other Maintenance & Repairs, operate with \$10,638,744 in the Paving Fund. This allocation is a 1.68% increase over the FY10's adopted budget for Public Services' paving and maintenance activities.
 - ◆ Seven divisions; Solid Waste Collection, Recycling, Granite Bluff Inert Landfill, Oxbow Meadow Inert Landfill, Pine Grove Landfill, Recycling Sustainability Center and Other Maintenance & Repairs, operate with \$8,906,187 in the Integrated Waste Management Fund. This allocation is a 2.42% decrease from the FY10 adopted budget for Public Services' waste management program and maintenance activities.
 - ◆ Other Maintenance & Repairs is budgeted in the Metra Fund for \$12,000 and in the Civic Center Fund for \$100,000.
- ◆ Parks & Recreation's FY11 total funding level is \$10,252,778, a 1.29% increase from the FY10 adopted budget. This department includes the Director's Office, Park Services, Recreation Services, Community Schools, Athletics, Therapeutics, and Special Facilities (Memorial Stadium, Golden Park,

Cooper Creek Tennis Center, Aquatics, Pottery Shop, Lake Oliver Marina and Senior Citizen's Center divisions). In addition to the aforementioned divisions, which are funded in the General Fund, the department also manages the program listed below:

- ◆ Parks Refuse Collection operates with \$75,369 in the Integrated Waste Management Fund. This allocation is 4.01% increase over last year's budget for Parks & Recreation waste management program activities.
- ◆ The Parks & Recreation Department will also receive funding from the Other Local Option Sales Tax in the amount of \$51,539 for personnel.

- ◆ Cooperative Extension Services' FY11 funding level is \$143,196, no change from the FY10's adopted budget. The staff members are state employees, but the Consolidated Government supplements seven salaries.

- ◆ Boards & Commissions' FY11 funding level is \$2,489,785, a 35.66% increase over the FY10 adopted budget due to FY11 being a general election year. This department includes the Board of Tax Assessors and the Board of Elections and Registration.

- ◆ Police Services' FY11 funding level is \$28,271,253, a 0.09% increase over the FY10 adopted budget. This department includes the Chief of Police, Intelligence/Vice, Support Services, Field Operations, Office of Professional Standards, Administrative Services, and Investigative Services divisions. Besides managing the aforementioned divisions, which are funded by the General Fund, the department manages the emergency call center (E911).
 - ◆ The Police Department will also receive funding from the Other Local Option Sales Tax in the amount of \$8,309,868 for personnel and capital outlay.

 - ◆ The Emergency Call Center (E911) operates with \$3,264,640 in the Emergency Telephone Fund. This allocation is 1.82% more than last year's budget for E-911 activities. Operational costs continue to grow more rapidly than funding appropriated from the \$1.50 surcharge on land-based telephone lines. Additionally, the \$1.00 surcharge on cellular telephones, effective November 1, 1998, has helped offset the expenditures needed to keep pace with operational costs. The transfer from the General Fund in FY11 is \$300,640. The E911 operations will also receive funding from the Other Local Option Sales Tax in the amount of \$380,324 for personnel.

- ◆ Fire and Emergency Services' FY11 funding level is \$25,178,119, a 2.48% increase from the FY10 adopted budget. This department includes the Chief of Fire and EMS, Suppression and EMS, Training, Prevention, Hazardous Materials Response Team, Maintenance, Special Operations, Administrative Services, Logistics/Support, and Emergency Management divisions. The Fire Department will also received funding from the Other Local Option Sales Tax in the amount of \$1,946,215 for personnel and capital outlay.

- ◆ The Muscogee County Prison's FY11 funding level is \$7,221,617, a 1.83% increase from the FY10 adopted budget. The Muscogee County Prison will also receive funding from the Other Local Option Sales Tax in the amount of \$682,243 for personnel and capital outlay.

- ◆ The Superior Court Judges' FY11 funding level is \$1,156,534, a 1.64% increase from the FY10 adopted budget.

- ◆ The District Attorney's FY11 funding level is \$1,863,152, a 0.22% decrease from the FY10 adopted budget. The District Attorney's Office manages the Victim/Witness Assistance Program, which is partially funded by the Crime Victim Surcharge. The Victim Witness Program's FY11 funding level is \$181,224. This allocation reflects a 2.41% increase from FY10's adopted budget. The remaining balance of the 5% surcharge will be carried forward at the end of the fiscal year. A portion of this budget is funded by proceeds of a 5% surcharge assessed on all court fines levied in the Chattahoochee Judicial Circuit. The District Attorney will also receive funding from the Other Local Option Sales Tax in the amount of \$70,629 for personnel.
- ◆ Adult Probation's FY11 funding level is \$139,388. This allocation reflects a 0.68% increase from the FY10 adopted budget.
- ◆ The Jury Manager's FY11 funding level is \$433,625. This allocation reflects a 0.71% increase above FY10's adopted budget.
- ◆ The Juvenile Court Judge's FY11 funding level is \$460,240, a 0.76% decrease from the FY10 adopted budget.
- ◆ The Circuit wide Juvenile Court's FY11 funding level is \$270,367, a 2.13% increase from the FY10 adopted budget.
- ◆ The Clerk of Superior Court's FY11 funding level is \$2,068,439, a 6.32% increase from the FY10 adopted budget.
- ◆ State Courts' FY11 funding level is \$1,640,875, a 2.92% increase from the FY10 adopted budget. This department includes State Court Judges and the State Court Solicitor's Office. The State Court Solicitor's Office will also receive funding from the Other Local Option Sales Tax in the amount of \$98,328 for personnel.
- ◆ The Public Defender's FY11 funding level is \$1,369,719, a 0.77% decrease from the FY10 adopted budget. The Indigent Defense Act was effective on January 1, 2005, which required the consolidation of Public Defender services in Superior and Juvenile Courts. This includes the Circuit wide Public Defender and the Muscogee County Public Defender. The Circuit wide Public Defender will also receive funding from the Other Local Option Sales Tax in the amount of \$61,826 for contractual services.
- ◆ Municipal Court's FY11 funding level is \$2,333,185, a 3.95% increase from the FY10's adopted budget. This department includes Municipal Court Judge, Clerk of Municipal Court and the Municipal Court Marshal. Their budgets are detailed below:
 - ◆ The Clerk of Municipal Court's FY11 appropriation is \$736,621, a 6.91% increase from the FY10 adopted budget. The Clerk of Municipal Court will also receive funding from the Other Local Option Sales Tax in the amount of \$98,128 for personnel.
 - ◆ The Municipal Court Marshal's FY11 appropriation is \$1,222,609, a 1.86% increase from the FY10's adopted budget. The Marshal will also receive funding from the Other Local Option Sales Tax in the amount of \$395,463 for personnel and capital.
 - ◆ The Municipal Court Judge's budget is \$373,955, a 5.26% increase above the current adopted budget.

- ◆ The Probate Court Judge's FY11 funding level is \$464,772, a 4.04% increase over the current adopted budget.
- ◆ The Muscogee County Sheriff's Office's FY11 funding level is \$25,130,495 a 2.17% increase over the FY10 adopted budget. This department includes the Sheriff Administration, Operations, Detention, and Motor Transport divisions. The Sheriff's Office will also received funding from the 2009 Other Local Option Sales Tax in the amount of \$2,548,300 for personnel.
- ◆ The Tax Commissioner's Office's FY11 funding level is \$1,570,002, a 4.60% increase from the current adopted budget.
- ◆ The Coroner's Office's FY11 funding level is \$279,593, a 1.23% increase above the FY10 adopted budget. The Coroner's Office will also receive funding from the Other Local Option Sales Tax in the amount of \$45,440.
- ◆ The Consolidated Government provides funding to diverse community organizations. The Agency's FY11 funding level is \$1,848,356. A detail listing is included on D-46.
- ◆ The Medical Center's FY11 funding level is \$12,606,257. This appropriation reflects a 1.45% increase above the FY10 adopted budget. The Consolidated Government provides this funding to account for care to its indigent citizens.
- ◆ Debt Services' FY11 funding level is \$10,584,797, a 74.18% increase from the FY10 adopted budget. This appropriation is scheduled to fund general bond obligations, lease contracts with the Columbus Building Authority, and other debt obligations. The increase is due to debt service on the 2010 Columbus Building Authority Bonds.
- ◆ Transportation Services' FY11 funding level is \$6,154,962, a 0.51% decrease from FY10's adopted budget. This department includes the Director's Office, Operations, Maintenance, Dial-A- Ride, and Grant Management and Planning divisions. Besides managing the aforementioned divisions, which are funded by the Transportation Fund, Metra also manages parking activities. The Transportation Services Department will also receive funding from the Other Local Option Sales Tax in the amount of \$3,965.
- ◆ Parking Management's FY11 funding level is \$330,866, a 0.08% decrease from the FY10 adopted budget. This fund was balanced using \$145,366 of the Parking Management Fund-Fund Balance. This division is responsible for the Parking Garage and Parking Enforcement. This division has taken on the management responsibility of the Front Avenue Parking Garage and Bay Street Parking Garage.
- ◆ The Columbus Ironworks Convention and Trade Center's FY11 funding level is \$2,749,438, a 2.80% increase from the FY10's adopted budget. This department is budgeted as an enterprise fund, where \$818,500 and \$608,754 in revenue are projected from Beer and Hotel/Motel Taxes respectively. The remainder of the budget will be funded by various activities and events.
- ◆ Columbus' Golf Authority's FY11 funding level is \$2,201,485, a slight decrease over the FY10 adopted budget. The authority includes Bull Creek and Oxbow Creek Golf Courses. This budget includes an operational subsidy of \$893,917 to Oxbow Creek and Bull Creek from the General Fund.
- ◆ The Civic Center's FY11 funding level is \$5,556,264, a 10.74% increase over FY10's adopted budget. The Civic Center receives a percentage of the Hotel/Motel Tax collected, totaling \$1,217,507. This

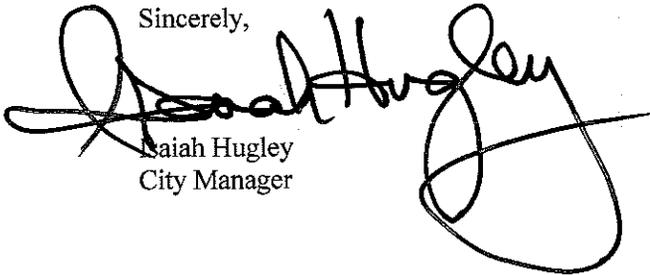
budget includes an operational subsidy of \$150,000 to the Civic Center from the General Fund. The Civic Center will also receive funding from the Other Local Option Sales Tax in the amount of \$3,965 for personnel.

- ◆ Employee Health Insurance Fund's FY11 funding level is \$19,200,000, slightly above the FY10 adopted budget. The City's contribution will be \$5,400 per employee.
- ◆ Risk Management's FY11 funding level is \$3,740,000, a 10.42% over the FY10 adopted budget.
- ◆ Economic Development' budget increased to \$1,008,501. The amount is determined by an estimate of a quarter of a mill. Council will decide each year whether to make this appropriation.
- ◆ Workforce Investment Act (WIA), also formerly known as the Job Training Partnership Act (JTPA) will have a budget of \$1,525,740. Since this is a federally funded program, its program year overlaps with the City's fiscal year. Revisions will be forthcoming in the fall to adjust the funding levels when contracts are finalized.
- ◆ The Community Development Block Grant (CDBG) Fund FY11 funding level will be \$1,959,970. This is another federally funded program that overlaps the City's fiscal year where program adjustments will be needed in the fall.

Conclusion

The budget reflects the very challenging times we now confront. It is essential that we are realistic about the budget decisions ahead of us. The goal is to remain financially stable to endure such extraordinary changes in the economy. As we strive to find more creative ways to deliver services, we will also strive to plan today for a better tomorrow and meet the demands of the expected growth. The dedication and commitment of the staff to deliver services and sustain the City in these lean times is commendable.

Sincerely,



Saiah Hugley
City Manager

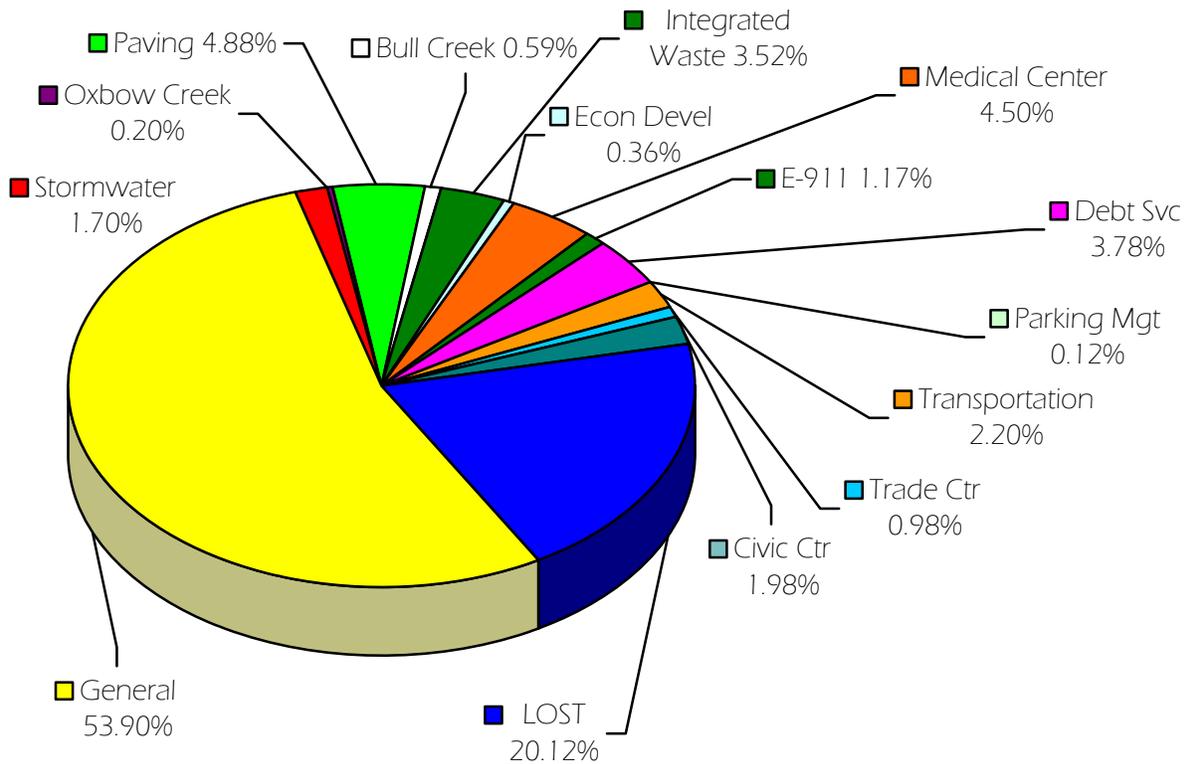
FINANCIAL SUMMARY / OPERATING FUNDS

The Big Picture

The Consolidated Government's Annual Operating Budget addresses only the principal operating funds of the city. The budgets for capital programs, most grant-funded programs, and similar operations are adopted separately.

The Operating Budget consists of several funds as illustrated on this page. The Financial Summary of this budget document is intended to display revenue sources and service areas for these operating funds. Following the Big Picture each fund is presented in more detail.

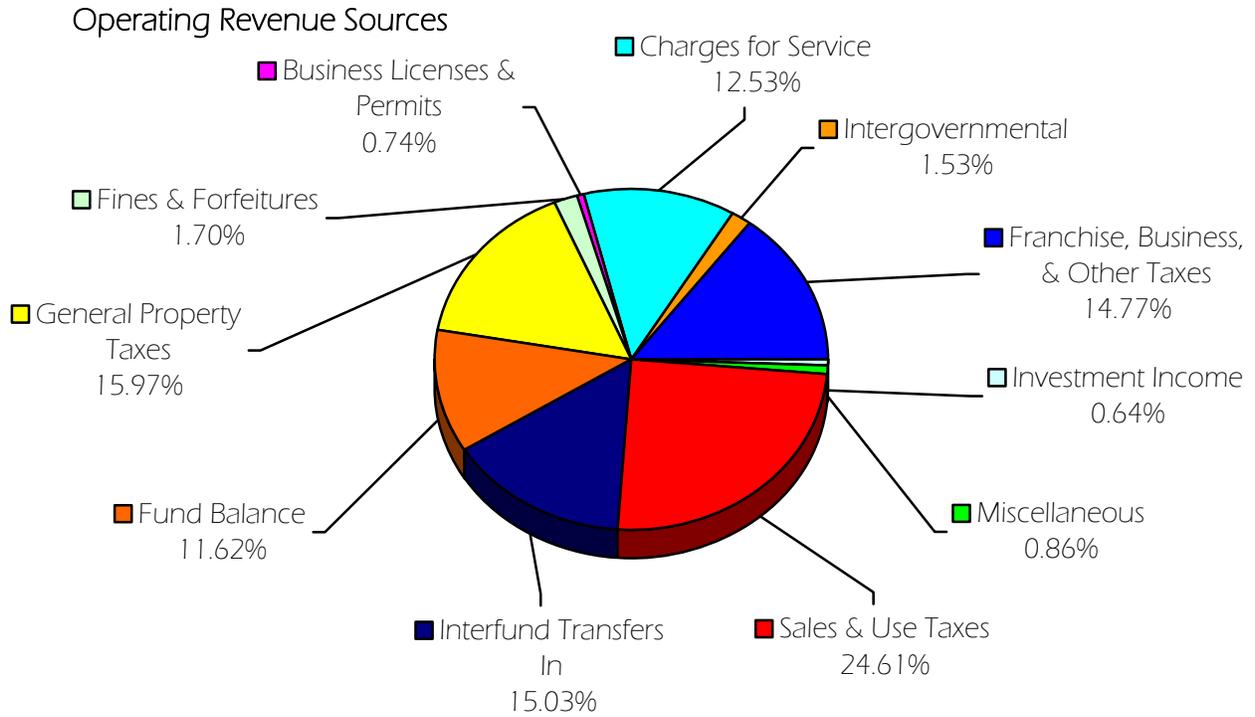
FY11 Operating Funds \$280,084,085



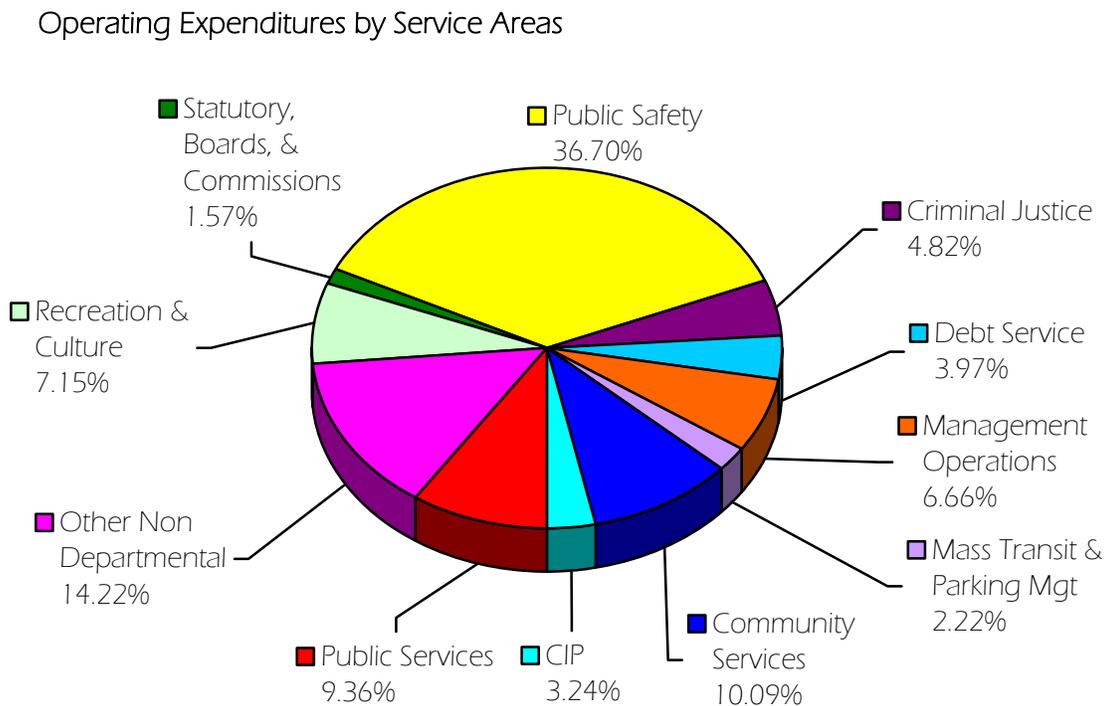
FINANCIAL SUMMARY / OPERATING FUNDS

The Big Picture

Where the money comes from . . .



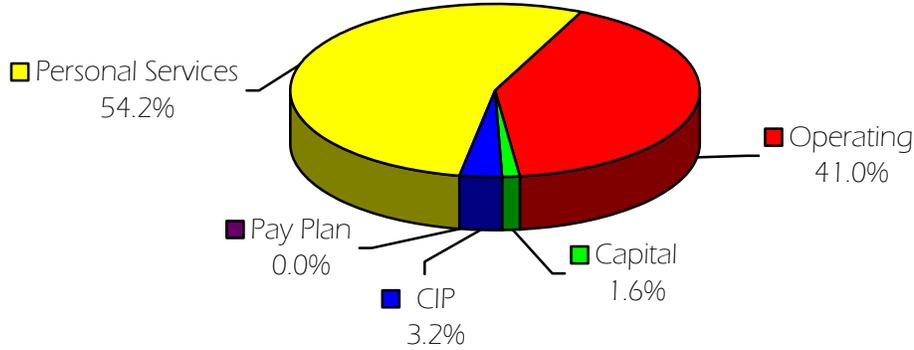
Where the money goes . . .



FINANCIAL SUMMARY / OPERATING FUNDS

The Big Picture

Operating Budget Expenditures by Categories

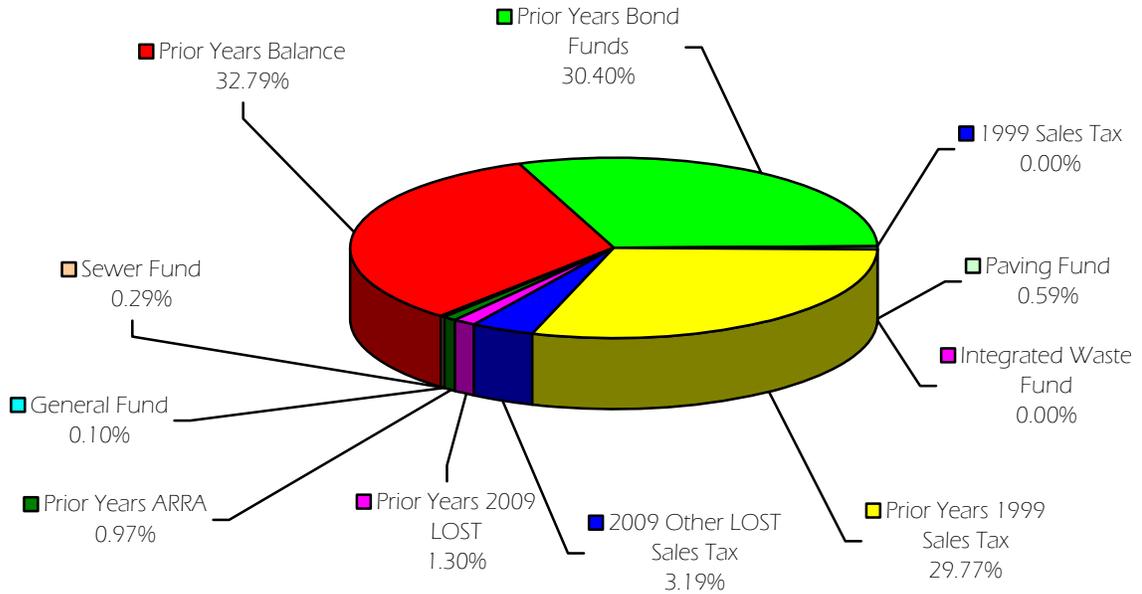


Fund	FY11 Expenditures				Total	Authorized Positions by Fund*
	Personal Services	Operating	Capital Outlay	Capital Improvement Projects		
General	\$113,882,373	\$36,833,102	\$50,000	\$198,715	\$150,964,190	2,147
Other-Local Opt Sales Tax	\$11,686,018	\$34,789,467	\$2,649,428	\$7,215,150	\$56,340,063	127
Stormwater (Sewer)	\$3,021,695	\$973,850	\$240,120	\$546,154	\$4,781,819	66
Paving	\$7,922,062	\$4,107,799	\$520,570	\$1,126,323	\$13,676,754	172
Medical Center	\$0	\$12,606,257	\$0	\$0	\$12,606,257	0
Integrated Waste	\$5,035,120	\$4,828,929	\$0	\$0	\$9,864,049	105
Emergency Telephone	\$2,573,079	\$691,561	\$0	\$0	\$3,264,640	56
Economic Development Authority	\$0	\$1,008,501	\$0	\$0	\$1,008,501	0
Debt Service	\$0	\$10,584,797	\$0	\$0	\$10,584,797	0
METRA	\$3,631,457	\$1,706,855	\$816,650	\$0	\$6,154,962	75
Parking Management	\$193,815	\$137,051	\$0	\$0	\$330,866	5
Trade Center	\$1,256,506	\$1,420,939	\$71,993	\$0	\$2,749,438	32
Bull Creek	\$686,917	\$957,053	\$0	\$0	\$1,643,970	29
Oxbow Creek	\$259,981	\$297,534	\$0	\$0	\$557,515	8
Civic Center	\$1,697,007	\$3,859,257	\$0	\$0	\$5,556,264	31
Total Operating Funds	\$151,846,030	\$114,802,952	\$4,348,761	\$9,086,342	\$280,084,085	2,853
CDBG	\$290,821	\$1,374,854	\$294,295	\$0	\$1,959,970	5
WIA/JTPA	\$0	\$3,610,891	\$0	\$0	\$3,610,891	14
Risk Management	\$2,340,000	\$1,400,000	\$0	\$0	\$3,740,000	0
Health Management	\$0	\$19,200,000	\$0	\$0	\$19,200,000	0
Total Funds	\$154,476,851	\$140,388,697	\$4,643,056	\$9,086,342	\$308,594,946	2,872

*Does not include the personnel listed as "other funds" in personnel section

FINANCIAL SUMMARIES / OPERATING FUNDS

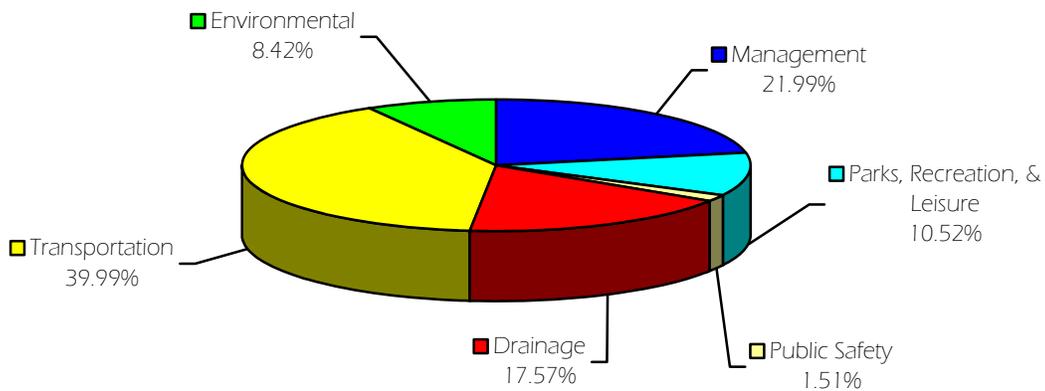
CIP Financing Sources \$190,404,899



FY11 CIP Financing Sources Overview	
Project	Financing Sources
General Fund	\$198,715
Sewer Fund	\$546,154
Paving Fund	\$1,126,323
Integrated Waste	\$0
1999 SPLOST	\$0
Prior Years' 1999 SPLOST	\$49,188,434
2009 LOST	\$7,215,150
Prior Years' 2009 LOST	\$2,468,290
Prior Years' ARRA	\$1,846,119
Prior Years' Balance	\$30,564,197
Prior Years' Bond Funds	\$97,251,517
Total	\$190,404,899

FINANCIAL SUMMARIES / OPERATING FUNDS

CIP Projects Costs by Type
\$ 190,440,899



FY11 CIP Projects Overview		
Project	FY11 Cost	Impact on Operating Budget
Management	\$41,877,528	Neutral to Positive – Overall, no impact on the FY11 budget is expected. In the long term, projects will reduce personnel time on some projects and streamline processes, so that resources can be used more effectively.
Parks, Recreation, & Leisure	\$20,030,384	Nominal – No overall impact on FY11 budget. There may be moderate long-term issues such as long-term increase on operating of an amount less than \$100,000. Current resources will be spread out to minimize impact to operating costs as budgets are being held to a minimum.
Public Safety/ Criminal Justice	\$2,883,782	Nominal – Overall, these projects will increase operating costs by less than \$100,000. No foreseeable impact on FY11 budget.
Drainage	\$33,450,350	Neutral to Positive – Overall, these projects will reduce maintenance and repair costs and freeing labor and budget to cover other needed projects. No expected impact in FY11.
Transportation	\$76,139,550	Neutral to Positive – Overall, these projects will reduce personnel time freeing labor for other projects and programs. No quantitative change expected. In long run, better roads will reduce service calls and require less maintenance for a few years allowing work on additional projects.
Environmental	\$16,023,305	Nominal to Slight – Overall, the projects will increase operating costs by less than \$50,000. There are offsetting intangible benefits of preventing fines and reducing impacts on the economy.
TOTAL	\$190,404,899	Overall, the CIP projects will have a minimal impact on the City's FY11 Operating Budget based on timing of project completion. Long-term expectations are that with the offsetting positive improvements, the majority of negative impacts will be slight.

FINANCIAL SUMMARY / OPERATING FUNDS

Capital Improvement Projects (Continued)

Further information on Capital Improvement Projects is located on B-15 through B-16 in the Financial Summaries of the Operating Budget and the *FY11 Capital Improvement Program Budget Book*. The impact is discussed for each individual project in the accompanying CIP book; however, we have tried to give an overview of the budget impact for the categories and total budgets.

Depreciation expense is not included in this analysis, but needs such as staffing, daily operating costs and maintenance are considered. Some projects are difficult in defining the actual impact on the operating budget. However, we have attempted to give an educated projection to what the impact will be to our operating budget. The process of capital project updating has changed including a database for maintaining project status, notes and changes. We are hoping that as this becomes established, we will be able to better quantify and qualify future impact on budgets.

Trend Analysis and Projections

In preparing the annual budget, financial planning completes a financial trend analysis and five-year projection that is refined throughout the year with continuing analysis. Our budget book and analysis is based on our operating funds and 4 additional funds, CDBG, WIA, Risk Management and Employee Insurance Funds. This differs from the CAFR, in that it includes all funds. This analysis and forecast includes:

Revenues:

Revenues are based on a combination of historical trends, economic, demographic and financial conditions and expectations, and any pending legislation that will impact the flow of revenues. In the financial summaries narrative following, the trends and projection techniques used are mentioned for the various categories.

Expenditures:

Expenditure projections are completed prior to budget requests, but are updated during the budget process. Incorporated into the projections are expectations and assumptions based on historical trends, pending legislation impacts, and economic and financial trends and conditions.

This long-term approach to budget analysis and preparation accomplishes three purposes. First, it allows advanced planning and the identification of challenges early so that preventive plans and actions can be enacted. Second, fund balance can be maintained at an acceptable level to maintain cash flow and handle contingencies. The third purpose is that CCG policy makers can make informed decisions.

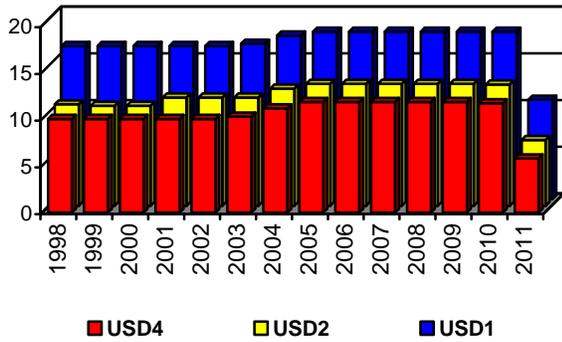
The following pages of the financial summaries include a breakdown of each fund. This is also where the revenues are reported. Our format is to summarize the categories with the detail of what makes up the category.

For the 2011 Budget Book, the revenue categories have been renamed and some categories have changed slightly to better match the uniform chart of accounts for Georgia. For example, Ad Valorem taxes are now General Property Taxes. Commissions have been moved from Commissions, Utility and Other Taxes category to be part of Charges for Service. Cost allocation has moved from a separate category to Charges for Services as well. Our goal is to ease analysis when comparing actuals in the CAFR with budgeted information in the Budget Book.

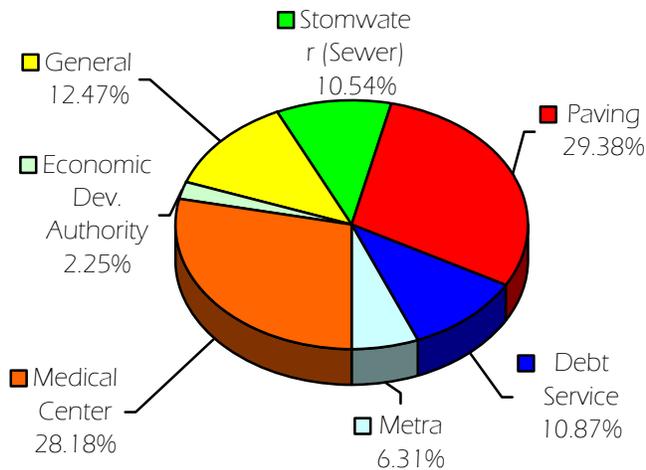
FINANCIAL SUMMARIES / OPERATING FUNDS

History of Millage

Mills



Ad Valorem Tax Distribution Among Funds



History of CCG's Millage

As reflected in the History of Millage chart (above), the millage rate remained relatively consistent from FY1996 to FY2003 and remained unchanged from FY2005 to present. There were small increases to the in the General Fund, the Paving and Debt Service Funds in FY2004 and FY2005. The Columbus Charter stipulates a 9-mill cap on "ordinary current expenses" which is the total of net general and urban millage and the transportation millage. The remaining millage includes the medical center, debt service, paving, sewer, and economic development authority fund. The current millage rates are listed in the Millage Table in the City Manager's message.

Sources Total: \$280,084,085

General Property Taxes: \$44,731,168, 15.97%

General Property Taxes are Ad Valorem taxes, penalties and interest on real and personal property, motor vehicles, mobile homes, intangible taxes, and all penalties, interest and FIFAs related to these taxes. They are projected based on estimated growth of the state approved tax digest at millage rates ordained by Council. The current trend reflects a modest increase in Ad Valorem taxes based on the natural growth of the digest. Projected Ad Valorem taxes are based on assumption of a 9% collection rate and the projected growth of the digest. The Medical Center fund is the one exception to the 96% collection rate assumption as contractually they receive 3.00 mills based on the value of a mill rather than actual collections. The *Ad Valorem Tax Distribution among Funds* Chart, on the left, shows the distribution of Ad Valorem taxes among the applicable operating funds.

In FY03, a new fund was established for Economic Development funded by a 0.25 millage rate as approved by Council. The funding is appropriated to the Economic Development Authority to promote growth in the City. Each fiscal year during budget deliberations, Council will decide whether to continue to appropriate monies for this fund.

Property Tax Primer

Ad Valorem or Property Tax is a large source of revenue for CCG. The basis of the taxation is the Fair Market Value (FMV) of the property established as of January 1 of each year.

The tax is levied on the assessed value of the property, which by GA state law is 40% of FMV.

The amount of tax is determined by the tax rate (millage) levied by City Council).

A mill is equal to \$1 for each \$1,000 of assessed value.

An additional challenge in our property tax structure is the property tax freeze, which freezes the FMV valuation of a property at purchase.

FINANCIAL SUMMARIES / OPERATING FUNDS

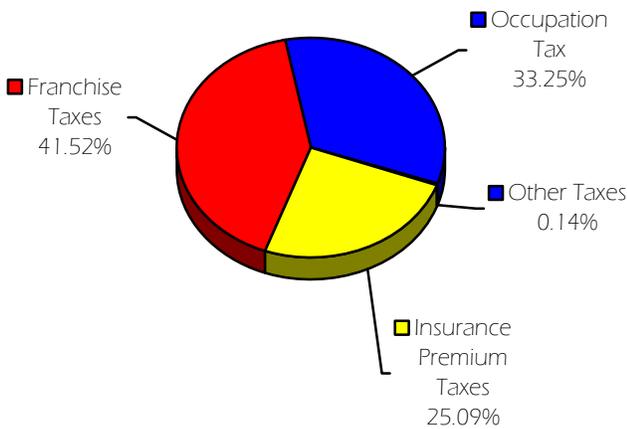
Franchise (Utility), Business and Other Taxes:
\$41,378,671, 14.77%

These revenues are sensitive to economic conditions and are projected based on historical trends and expected economic growth. Trends for franchise taxes have seen steady overall growth.

Business Taxes include Occupation Taxes, based on the gross income of certain businesses, and Insurance Premium Taxes. These taxes have had a steady growth overall and are sensitive to economic conditions.

See the Franchise, Business, and Other Taxes pie chart (below) for a breakdown of this category.

Franchise, Business and Other Taxes

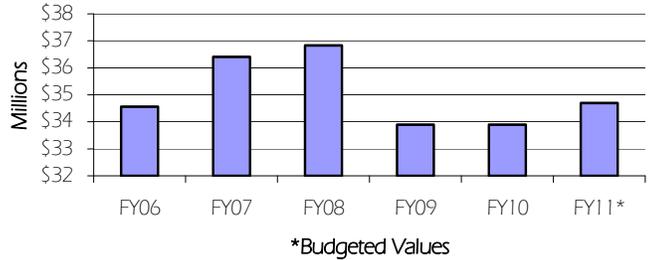


Sales and Use Taxes:
\$68,891,649, 24.60%

A Local Option 1¢ Sales Tax is levied to keep the ad valorem tax as low as possible. The taxes are projected based on economic indicators (employment rate, consumer confidence, etc.) and estimated growth in sales. The State of Georgia limits local jurisdictions to one cent (1¢) for general purposes. The trend of growth of sales tax has leveled off. It has cycled up and down in recent years, but is anticipated to increase modestly over the next fiscal year or two. The *Local Option Sales Tax Chart* reflects the trend in Sales Tax.

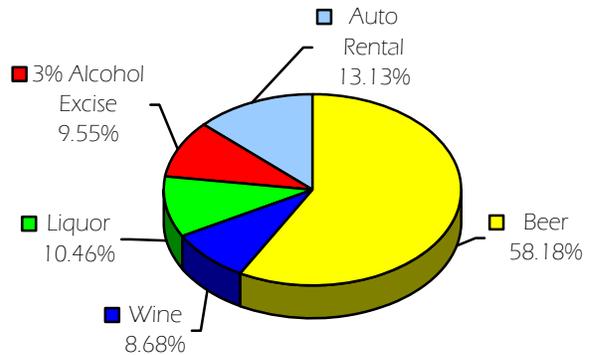
Also included in this category are use taxes. Use taxes include taxes on various rental, advertising,

Local Option Sales Taxes



and merchandising charges, as well as taxes on Beer, Wine, Liquor, and a 3% Alcohol Excise tax. This revenue is projected based on current indicators and tax rates set by Council. There has been some growth to Auto rental and the 3% Alcohol (Mixed Drinks) excise tax in the past couple of years. Modest growth was projected for this fiscal year. This subcategory reflects less sensitivity to economic conditions.

Selective Sales and Use Taxes



Charges for Service:
\$35,101,396, 12.53%

Service Charges include collections for government services, such as solid waste management fees, fees for use of public recreational facilities, emergency medical service fees and fees for the operation of the E-911 system and the city pound. Also included in this category are court fees and commissions. Commissions include the fees collected by the Tax Commissioner as well as the commissions paid on pay telephones. This revenue is projected based on historical trends and

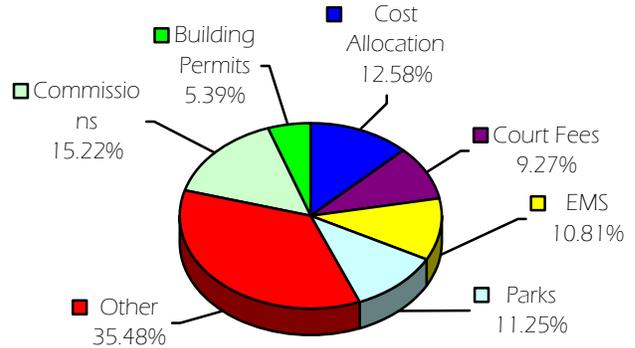
FINANCIAL SUMMARIES / OPERATING FUNDS

anticipated growth. Overall, commissions have increased nominally. However, for the current fiscal year we budgeted a decrease to encompass decreasing pay telephone and state commissions.

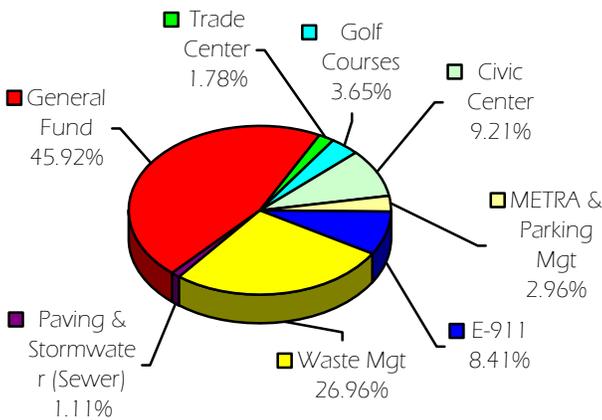
Also in service charges is cost allocation. Established in the FY93 Budget, cost allocation revenues reflect levels of service provided by the general fund central administrative functions (such as accounting, purchasing) to other fund, grant, and authority activities. The trend in cost allocation has increased but only slightly.

Charges by Area pie chart.

General Fund Charges for Service



Service Charges by Area



Projections for Service charges are based on rates set by Council, historical trends, and economic indicators. The current trend has seen a modest increase in the past 5 years with the exception of last year, the current budget shows a decrease in park services fees for facility rentals and the after school program. See the *Service*

Fines and Forfeitures:

\$4,771,294, 1.70%

This category consists primarily of fines and charges imposed by the various courts of Muscogee County. Council sets some of these charges, while others are mandated by State. Overall, court fees, fines and forfeitures have slightly decreased. Within the last 3 calendar years, there have been some additions to the court system including an environmental court and a circuit-wide juvenile court, which will impact trending as they begin building a history of revenues.

Licenses & Permits:

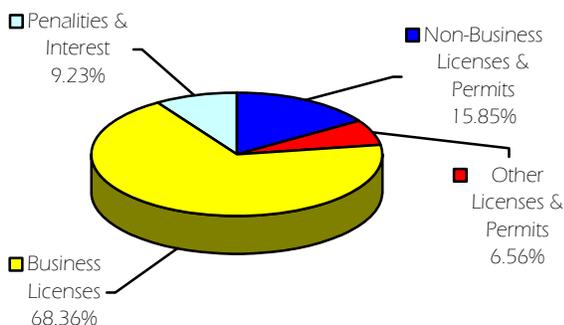
\$2,064,406, 0.74%

This category is derived from permits, business and professional license fees. Business Licenses include Beer, Wine and Liquor Licenses, Alcohol Application ID Card Permits and Insurance Licenses.

Non Business Licenses and Permits include permits for pet ownership, zoning petitions and marriage and gun licenses. Other Licenses and Permits include Certificates of Occupancy, burials, mobile home registrations and Hazardous Materials Permits. See *Business Licenses & Permits* (below) for a breakdown by type. Council sets the fees for these charges. By far the largest category falls in insurance and alcohol licenses.

Projections are based on historical trend analysis, economic indicators, and anticipated economic growth. Some of these fees and permits that are

Licenses & Permits By Type



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sensitive to economic conditions are trending upward. Overall, licensing is remaining steady, whereas fees and permits are growing. Projections have followed these trends.

Intergovernmental:

\$4,275,899, 1.53%

This category consists of Federal, State and local government agency reimbursements for funding of local and statewide programs. Trends show a decrease in state and federal funding, which is reflected in projections.

The revenues (and expenditures) for cooperatively funded various Federal, State, and Local grant activities is located in an unpublished, Multi-Governmental fund.

Additionally, there are two published funds that are listed with the operating funds, but not included in these numbers. The Community Development Block Grant (CDBG) and Workforce Investment Act (WIA) are separate grant programs with different budget cycles because of federal regulations. An estimated budget is included in the budget process, and is adjusted by Council in the fall. Details about CDBG can be found on pages B-49 and D-138 and WIA can be found on pages B-50 and D-140.

Investment Income & Miscellaneous:

\$4,216,054, 1.51%

This category includes revenue from investment of City reserves. Revenues are based on projected rates of return on invested fund equity. This category also includes rents from City-owned property and sales of land, surplus equipment and various reports and databases. These revenues are projected based on fee schedules and current indicators. In addition, various one-time revenues, not categorized elsewhere, are included in this category. These revenue projections are based on historical trends.

Interfund Transfers In/ Fund Balance:

\$74,653,548, 26.65%

Interfund Transfers In: **\$42,108,021, 15.03%**

Transfers-in account for the operating interfund transfers between the various funds to provide funding assistance and matching funds for Federal and State grants. This category accounts for the transfers of funds allocated to the Capital Improvement Program. For FY10, the transfers from the General Fund include transfers to Oxbow Creek Golf Course and E911 funds. The Hotel-Motel tax provides a source of revenue as a transfer in to the Civic Center and the Columbus Convention and Trade Center.

Fund Balance:

\$32,545,527, 11.62%

To balance the General Fund and Debt Service Fund, fund balance has been programmed to cover expenditures for each of these funds. For the General Fund, \$198,715 was programmed for the Baker Village Project. The fund balance usage is calculated based on the anticipated fund balance for year-end FY10. See *FY11 Summary of Revenues, Expenditures, & Change in Fund Balance* for details. (p. B-18 through B-19).

FINANCIAL SUMMARIES / OPERATING FUNDS

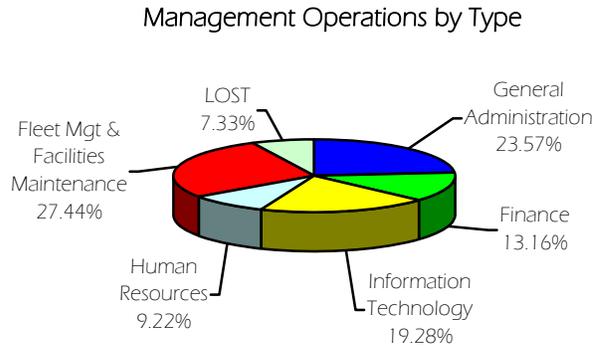
Service Areas Total: \$280,084,085

Management Operations:
\$18,653,105, 6.66%

Activities and management needed to administer the daily operations of the Consolidated Government.

These activities are distributed through such offices as the City Manager, Human Resources, IT (Information Technology), Finance, Facilities Maintenance, and Fleet Maintenance. These offices provide support for line operations in their efforts to provide quality services to the citizens of the community.

See *Management Operations by Type* on right for expenditure breakdown of support offices.

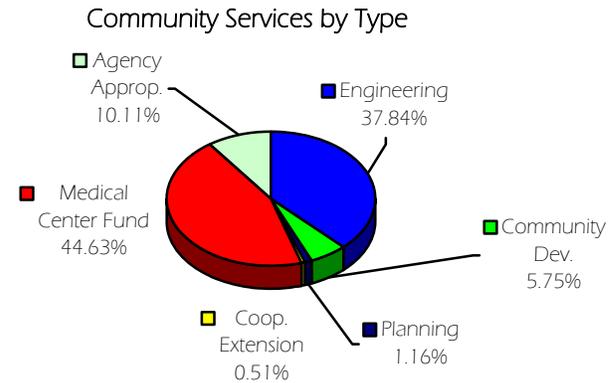


Community Services:
\$28,247,759, 10.09%

Community Services includes services that affect all citizens indirectly through the coordination of construction and development activities to ensure safety and a better quality of life. These services are distributed through such offices as Engineering, Inspections and Codes, Planning, and the Cooperative Extension division, which is operated in cooperation with the University of System of Georgia. Funds for other services are provided to various organizations in the community by Council approval through agency appropriations. See the Chart of *Community Services By Type* on right for breakdown by Department.

In addition, the City's Medical Center appropriations are budgeted at a value of three (3) mills to reimburse the Medical Center for indigent care. These are accounted for in the Medical Center Fund.

Although CDBG funds are not reflected in the General Fund's expenses, the City's Department of Community Reinvestment administers the CDBG (Community Development Block Grant) Program.



Public Services:
\$26,209,989, 9.36%

This category includes the divisions involved in delivering and administering essential services such as refuse collection, public cemeteries, and landfill operations. Certain paving and sewer maintenance such as ditch cleaning, road patching, etc. is managed by this function. Environmental activities are coordinated through divisions grouped here.

Statutory Boards & Commissions:
\$4,384,820, 1.57%

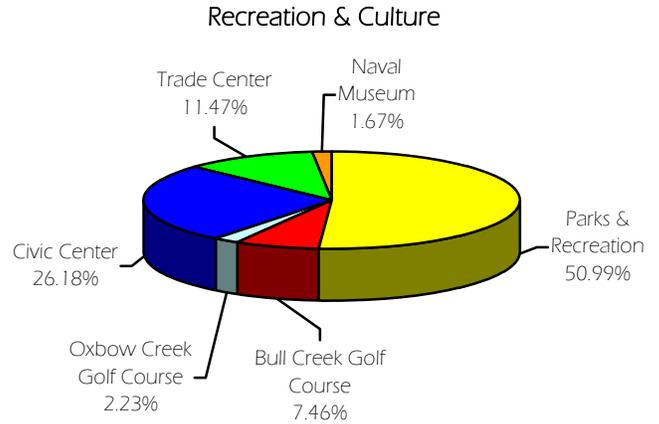
This area provides miscellaneous services to the community. The Board of Elections and Registrations maintains the official eligible voters file and conducts elections in Muscogee County. The Tax Commissioner's Office and the Board of Tax Assessors appraise property and collect due taxes in the county. The operations of the Coroner are included here.

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Recreation & Culture:

\$20,016,095, 7.15%

Recreation and cultural activities are provided almost exclusively through the Department of Parks and Recreation. The Parks and Recreation department provides outdoor activities, youth and senior programs, while operating the city's major arena facilities (Golden Park, Memorial Stadium). This category also includes Bull Creek Golf Course, Columbus Ironworks Convention and Trade Center and the Columbus Civic Center. See *Recreation & Culture* Chart on the right.



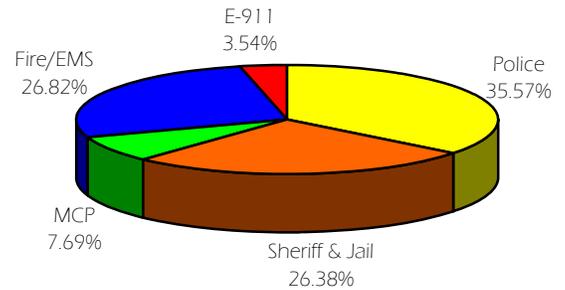
Public Safety:

\$102,828,382, 36.70%

Public Safety encompasses those departments and divisions actively involved in the direct protection or support of protection of Columbus' citizens and visitors. In addition to Police, Fire & Emergency Medical Services, and Emergency Management, the operations of the Sheriff's office and incarceration facilities are incorporated.

See *Public Safety Appropriations by Agency* on right for breakdown of FY11 budget proportions.

Public Safety Appropriations by Agency



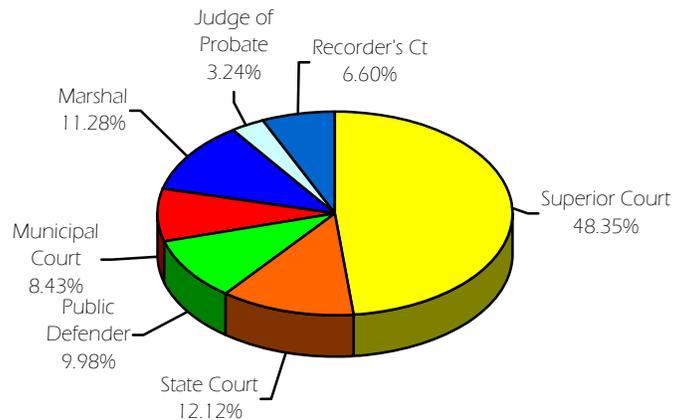
Criminal Justice:

\$13,503,319, 4.82%

The Criminal Justice system operated by the City consists of all municipal and traditionally county courts. The support functions include probation, legal and clerk's offices.

The *Judicial & Statutory* pie chart on right shows breakdown by court.

Judicial & Statutory



Debt Service:

\$11,111,354, 3.97%

The Debt Service Fund accounts for the retirement of general obligation bond issues, Columbus Building Authority lease contracts, and the Water Commission revolving loan contract.

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Overview and Debt Financing Principles

All local governments must determine how capital projects will be financed. It is the policy of the Columbus Consolidated Government (CCG) to use debt sparingly to retain the capacity to issue additional debt if the need arises. Currently, CCG is currently well below the 20% level that is considered by the credit industry to be a danger signal. In addition, the CCG is well below the legal debt ceiling for general obligation debt (detailed on right).

The Columbus Consolidated Government maintains two debt service funds - Debt Service Fund and Sales Tax Proceeds Account Fund. These Funds are used to service debt from four sources: General Obligation Debt, Columbus Building Authority contractual debt, the Board of Water Commissioners revolving loan contract, and lease purchase programs with the Georgia Municipal Association. Proceeds of a dedicated property tax is the primary source of revenue for the Debt Service Fund. See pages B-53 through B-55 and D-156-158 for Debt service pages.

Debt Margin

The Columbus Consolidated Government remains well below the debt ceiling of 10% of assessed value of taxable property established by the State of Georgia's constitution. CCG is only using 5.0% of this established legal debt limit.

Debt Service: Bond Principal & Interest

In 1991, the Columbus Consolidated Government used \$4,650,000 of a \$41,850,000 bond issue by the Board of Water Commissioners to pay costs of the River Walk incurred in conjunction with the Combined Sewer Overflow project. The Consolidated Government makes annual payments to the Board of Water Commissioners to defray the agency's annual debt service on the portion of bond proceeds used for the River Walk. In FY11, the payment to the Water Works will be \$534,141. After this payment, there will be an outstanding balance of \$400,000 at an interest rate of 6.75% for the following year (FY12) and will be paid off in 2012.

Debt Service: Other Obligations

The Consolidated Government has directly or indirectly guaranteed the debt issued by the Bull Creek Golf Course Authority, the Columbus Iron Works Convention and Trade Center Authority, the Columbus Airport Commission, and the Hospital Authority of Columbus. However, because the debt is self-supporting, it is generally not considered debt of the CCG. In addition, the annual debt service payments of these issues are not budgeted in debt service funds.

Computation of Legal Debt Margin For Fiscal Year Ending June 30, 2009

Assessed value of taxable property*	\$ 4,502,105,591
Debt Limit: 10% of assessed value	450,210,559
Less: Amount of debt applicable to debt limit	0
Legal Debt Margin Available	\$450,210,559

*Based on 2010 State Approved Gross Digest as of 08/02/10

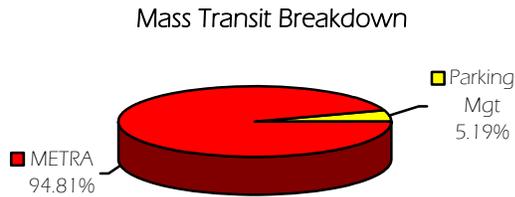
FINANCIAL SUMMARIES / OPERATING FUNDS

Mass Transit:

\$6,222,606, 2.22%

METRA is the City of Columbus' mass transit system of buses with financial assistance provided by the local, State and Federal governments.

In FY00, the Parking Management Fund was added to accommodate the parking garage and downtown parking. It is categorized here because it is managed by METRA.



Other Non-Departmental Expense:

\$39,820,314, 14.22%

This category consists of expenditures that are not applicable to a specific department. Examples of the various non-departmental expenses include operating subsidies provided to the Integrated Waste and E911 Funds, contingency funds, and various other non-categorical expenses.

Capital Improvement Projects (CIP):

\$9,086,342, 3.24%

The capital improvement program has been in operation since 1971 with the City consolidation. Funding comes from a variety of sources including transfers-in from the General, Paving, Sewer, and Integrated Waste Funds; 1999 1C Special Purpose Local Option Sales Taxes (1993, 1999), Columbus Building Authority (CBA) – Contractual Debt (1997A, 1999B, 1999C, 2003A and 2003B Series) and Prior Years Balances. The program has historically been used for infrastructure projects such as road construction, drainage improvements, technology support and advancement, and miscellaneous project fund

reserves. The number listed above includes only the transfers from the General, Sewer, and Paving funds into CIP projects. Additional funding includes the Integrated Waste Fund, 1999 Sales Tax and Prior Year's funding.

The General Fund support is funded from property, utility, sales and other taxes, as well as other miscellaneous revenues. Integrated Waste support is based on service charges from residential and commercial waste.

The City's share of Road Projects is funded wholly from the Paving Fund. The road projects are treated as a transfer-out to the CIP Fund where it is matched with a greater share of State dollars. Drainage projects are located in the Sewer fund and located here due to the length of the projects and expense. Integrated Waste Management was added in 1994 to account for capital projects related to the construction, expansion or closing of landfills. The balance of projects, recreation and sidewalks, are financed with equally distributed revenues and constructed as SPLOST cash flow allows.

The total financing for a given project may be available at one time, while the project may take multiple fiscal years for completion. At the end of the fiscal year, the total financing sources are earmarked and recorded for that project and the balance is carried forward to the next fiscal year.

Capital Improvement Projects project budgets may include any of the following basic costs that are commonly associated with a capital improvement project: the renovation or expansion of existing facilities; an initial feasibility study for infrastructure and/or new facilities; site improvement and/or development and land acquisition; construction of infrastructure and/or a new facility; related management and/or administrative costs; and equipment and furnishings associated with the project. The capital projects are grouped by service type:

Management The Management service type includes projects impacting the general function and management of the Consolidated Government. The projects may also include land acquisition and development, facilities and infrastructure construction and renovation not directly associated with any of the other service classification. Typically, these projects are

FINANCIAL SUMMARIES / OPERATING FUNDS

funded with contributions to the CIP from the operating funds.

Parks, Recreation & Leisure: This type of project includes all costs associated with land acquisition, park development, facilities construction and renovation of gymnasiums, museums, recreation centers, marinas, tennis courts, fields and other facilities and infrastructure that are associated with recreational and leisure activities. These projects are primarily financed by the SPLOST, but also receive funding from the General Fund, grants and private contributions.

Public Safety / Criminal Justice: All projects related to the delivery of Courts, Police, Fire, Sheriff, Marshal, Emergency Medical and Correction services are recorded in this section. These projects are typically funded by the General Fund, but may be financed through debt and other sources.

Drainage: The projects classified as drainage are primarily concerned with storm water control, flood prevention, erosion control and soil conservation, sewer construction and renovation, open ditch and stream bank stabilization; and detention/retention pond improvements.

Transportation: Projects may be land and right-of-way acquisition, traffic signalization, roads, sidewalks, and path or trail construction. Road projects are primarily funded through contributions from the Paving Fund; however, other financing sources may include SPLOST or bond issues.

Environmental: This category primarily encompasses projects associated with the landfills. Other projects may include urban reforestation, streetscapes and gateway projects. Detailed information of the financing, expenditures, and project description for the various projects is in the *FY11 Capital Improvement Program Budget Book*.

as possible. This will have implications on future budgets. Currently, funding for our projects is primarily from sources other than operating budgets, so there is minimal impact on the operating budget for FY11.

The alternative funding sources are providing funding to many repair and maintenance and infrastructure projects. These projects will reduce the cost of maintenance and repairs to aging infrastructure within the City.

Long term, we are going to see some reduction in operating costs to the City. We are unable to determine at this time if this will be offset by projects we are unable to fund, although it is believed the savings at this time will be greater. Any reduction will allow additional funding to be allocated to other operating costs or projects within the City.

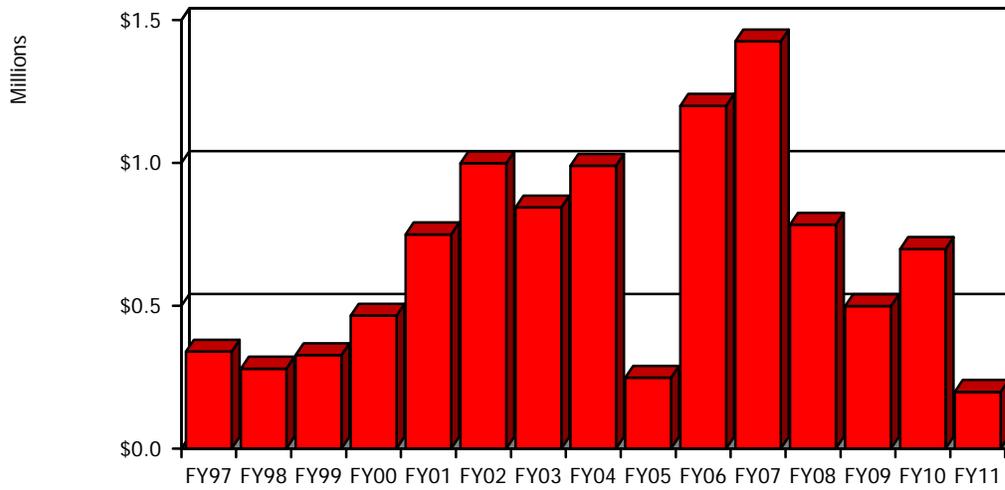
CIP impacts on the Operating Budget

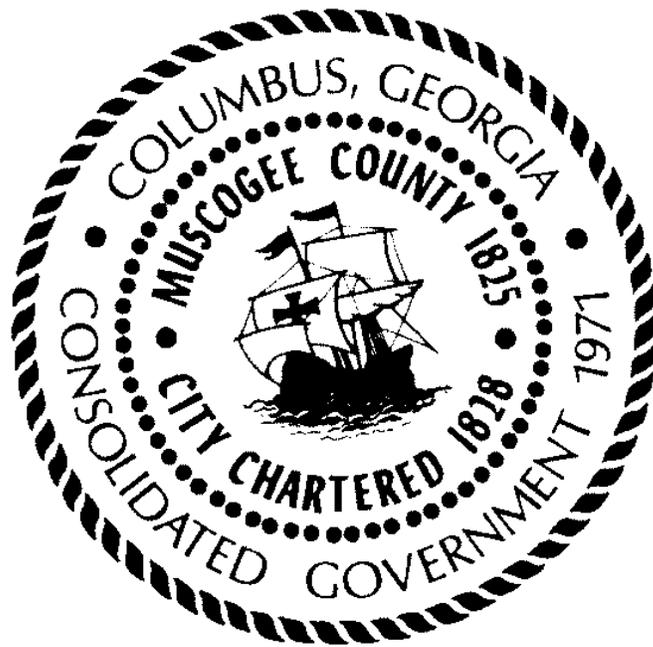
Because of lack of funding of the past few years, we have been unable to meet the demand for many worthy projects. Prioritizing has been essential to stretch a tight dollar as far

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Associated with the completion of various projects, there will be an impact of less than \$200,000 of operating costs on the FY11 operating budget. An overview of the costs and expenditures are on pages B-4 through B-5; Specific details are in the *FY11 Capital Improvement Program Budget Book* in the detail pages for each project.

Trends in Approved Capital Improvement Projects
(General Fund)





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FY11 SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

OPERATING FUNDS								
	General Fund (incl LOST)	Stormwater (Sewer) Fund	Paving Fund	Medical Center Fund	Integrated Waste Fund**	Emergency Telephone Fund	Economic Development Fund	Debt Service Fund
Beginning Fund Balance as of 7/01/10 (undesignated, unreserved, & unaudited)	\$68,076,059	\$1,912,667	\$8,475,871	(\$4,357,104)	\$8,247	\$710,357	\$204,139	\$3,375,294
REVENUES								
General Property Taxes	5,576,089	4,713,806	13,138,965	12,606,257			1,008,501	4,863,748
Franchise, Business & Other Taxes	41,378,671							
Sales & Use Taxes	68,073,149							
Business Licenses & Permits	2,064,406							
Fines & Forfeitures	4,651,294							
Charges for Service	16,116,793	26,210	362,695		9,464,711	2,952,000		
Intergovernmental	327,745	5,433	15,094					2,168,400
Investment Income	1,140,000	36,370	160,000		350,000	12,000		19,000
Miscellaneous Revenues	414,614							441,632
Transfers-in	35,795,848				49,338	300,640		3,092,017
Total Revenues	175,538,609	4,781,819	13,676,754	12,606,257	9,864,049	3,264,640	1,008,501	10,584,797
Total Available Resources	243,614,668	6,694,486	22,152,625	8,249,153	9,872,296	3,974,997	1,212,640	13,960,091
EXPENDITURES*								
Management Operations	18,653,105	0	0	0	0	0	0	0
Community Services	12,853,859	708,886	1,070,256	12,606,257	0	0	1,008,501	0
Public Services	3,307,388	3,245,670	10,638,744	0	8,906,187	0	0	0
Recreation & Culture	10,308,282	0	0	0	75,369	0	0	0
Public Safety	99,563,742	0	0	0	0	3,264,640	0	0
Criminal Justice	13,503,319	0	0	0	0	0	0	0
Statutory, Boards & Commissions	4,384,820	0	0	0	0	0	0	0
Capital Improvements	7,413,865	546,154	1,126,323	0	0	0	0	0
Other Non-Departmental	37,311,908	281,109	841,431	0	882,493	0	0	0
Debt Service	0	0	0	0	0	0	0	10,584,797
Mass Transit	3,965	0	0	0	0	0	0	0
Total Expenditures	207,304,253	4,781,819	13,676,754	12,606,257	9,864,049	3,264,640	1,008,501	10,584,797
Transfer to Other Funds***	(189,841)	0	0	(180,216)	0	0	0	0
TOTAL	207,114,412	4,781,819	13,676,754	12,426,041	9,864,049	3,264,640	1,008,501	10,584,797
Projected Ending Fund Balance: 6/30/11	\$36,500,256	\$1,912,667	\$8,475,871	(\$4,176,888)	\$8,247	\$710,357	\$204,139	\$3,375,294
Change in total Fund Balance projected for FY11	(\$31,575,803)	\$0	\$0	\$180,216	\$0	\$0	\$0	\$0

Note: General Fund Balance includes LOST Fund Balance of \$30,066,554.

** Proprietary (Enterprise) funds - fund equity. These funds show negative fund balances due to contributed capital.

***Excluding transfers to the CIP Fund included in the Capital Improvements line.

FY11 SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

OPERATING FUNDS							
	Transportation Fund**	Parking Management Fund**	Trade Center Fund**	Bull Creek Golf Fund**	Oxbow Creek Golf Fund**	Civic Center Fund**	Total Operating Funds
Beginning Fund Balance as of 7/01/10 (undesignated, unreserved, & unaudited)	(\$8,054,827)	(\$1,701,267)	(\$1,199,405)	(\$2,445,486)	(\$1,615,973)	(\$7,248,817)	\$56,139,755
REVENUES							
General Property Taxes	2,823,802	0	0	0	0	0	44,731,168
Franchise, Business & Other Taxes	0	0	0	0	0	0	41,378,671
Sales & Use Taxes	0	0	818,500	0	0	0	68,891,649
Business Licenses & Permits	0	0	0	0	0	0	2,064,406
Fines & Forfeitures	0	120,000	0	0	0	0	4,771,294
Charges for Service	975,000	64,000	625,000	1,102,895	179,335	3,232,757	35,101,396
Intergovernmental	1,759,227	0	0	0	0	0	4,275,899
Investment Income	35,000	1,500	40,000	0	0	0	1,793,870
Miscellaneous Revenues	0	0	584,600	25,338	0	956,000	2,422,184
Transfers-in	0	0	608,754	515,737	378,180	1,367,507	42,108,021
Total Revenues	5,593,029	185,500	2,676,854	1,643,970	557,515	5,556,264	247,538,558
Total Available Resources	(2,461,798)	(1,515,767)	1,477,449	(801,516)	(1,058,458)	(1,692,553)	303,678,313
EXPENDITURES*							
Management Operations	0	0	0	0	0	0	18,653,105
Community Services	0	0	0	0	0	0	28,247,759
Public Services	12,000	0	0	0	0	100,000	26,209,989
Recreation & Culture	0	0	2,334,158	1,519,086	454,893	5,324,307	20,016,095
Public Safety	0	0	0	0	0	0	102,828,382
Criminal Justice	0	0	0	0	0	0	13,503,319
Statutory, Boards & Commissions	0	0	0	0	0	0	4,384,820
Capital Improvements	0	0	0	0	0	0	9,086,342
Other Non-Departmental	247,096	8,091	70,987	30,259	14,983	131,957	39,820,314
Debt Service	0	0	344,293	94,625	87,639	0	11,111,354
Mass Transit	5,895,866	322,775	0	0	0	0	6,222,606
Total Expenditures	6,154,962	330,866	2,749,438	1,643,970	557,515	5,556,264	280,084,085
Transfer to Other Funds***	0	0	0	0	0	0	(370,057)
TOTAL	6,154,962	330,866	2,749,438	1,643,970	557,515	5,556,264	279,714,028
<i>Projected Ending Fund Balance: 6/30/11</i>	<i>(\$8,616,760)</i>	<i>(\$1,846,633)</i>	<i>(\$1,271,989)</i>	<i>(\$2,445,486)</i>	<i>(\$1,615,973)</i>	<i>(\$7,248,817)</i>	<i>23,964,285</i>
Change in total Fund Balance projected for FY11	(\$561,933)	(\$145,366)	(\$72,584)	\$0	\$0	\$0	(\$32,175,470)

Note: General Fund Balance includes LOST Fund Balance of \$30,066,554. Change in Fund Balance is (\$32,545,527).

** Proprietary (Enterprise) funds - fund equity. These funds show negative fund balances due to contributed capital.

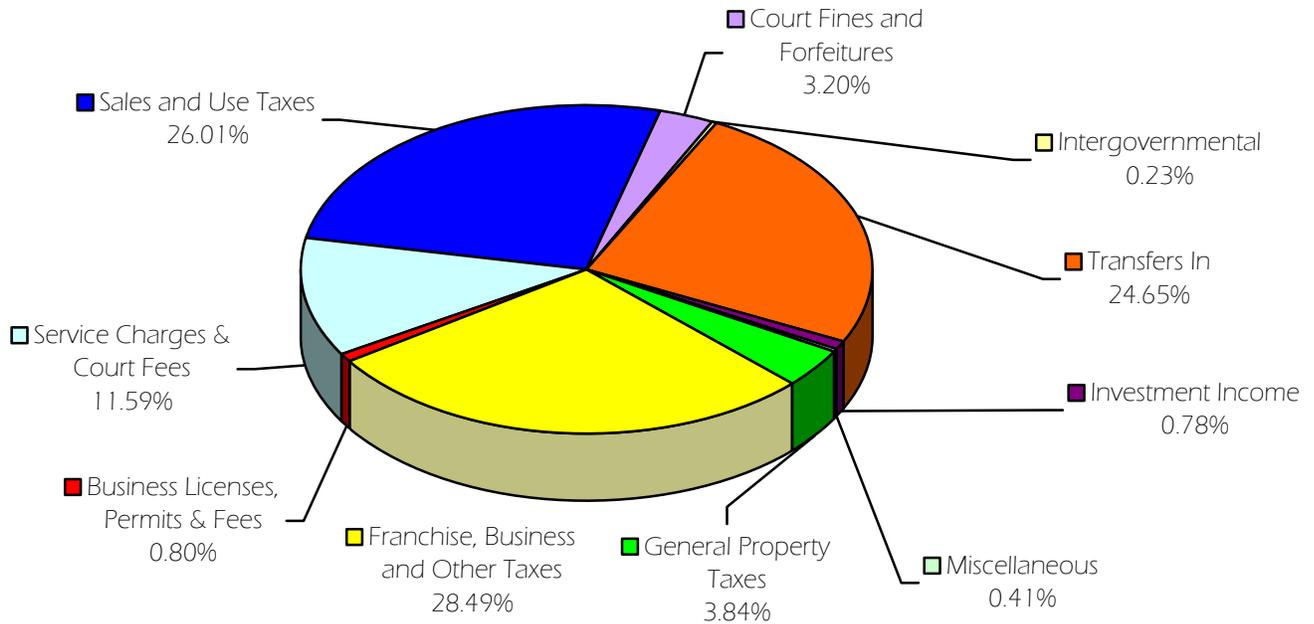
***Excluding transfers to the CIP Fund included in the Capital Improvements line.

SCHEDULE OF REVENUES / GENERAL FUND 0101

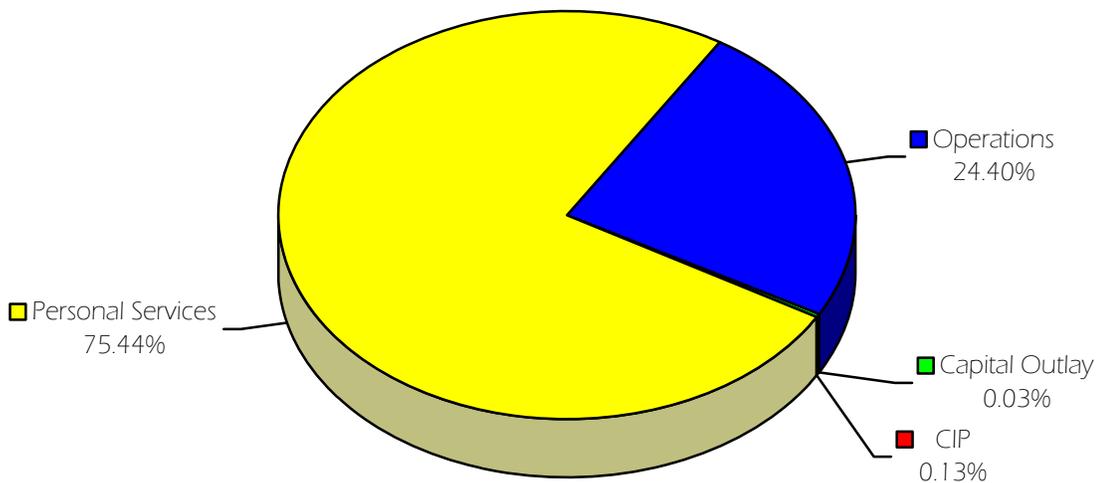
General Fund \$145,238,609

The General Fund accounts for all financial resources and expenditures that are not accounted for in specific purpose funds. It is the major operating fund of the government. The expenditures incurred are for current day-to-day expenses, operating equipment, and special appropriations.

Budget by Revenue Source



Budget by Expense Category



SCHEDULE OF REVENUES / GENERAL FUND 0101

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
TAXES						
General Property Taxes						
4001	Real Property - Current Year	\$23,795,630	\$25,039,433	\$26,012,169	\$3,632,052	-86.04%
4002	Public Utility	26,923	0	57,209	0	-100.0%
4003	Timber	1,163	204	433	0	-100.0%
4005	Personal Property - Current Year	4,697,406	4,745,134	4,723,757	0	-100.0%
4006	Personal Property - Motor Vehicle	3,043,815	2,981,940	2,796,928	365,330	-86.94%
4007	Mobile Homes	78,963	63,302	51,934	0	-100.0%
4012	Not On Digest - Real & Personal	125,642	148,212	92,171	85,219	-7.54%
4015	Recording Intangibles	859,343	661,665	537,773	654,686	21.74%
	Subtotal	\$32,628,885	\$33,639,890	\$34,272,374	\$4,737,287	-86.18%
Penalties & Interest						
4150	Penalties & Interest - Ad Valorem	577,396	775,718	627,785	634,618	1.09%
4151	Penalties & Interest - Auto	186,467	185,519	178,121	179,072	0.53%
4153	Breach Of Covenant	0	0	0	0	N/A
4154	FIFA's	31,648	27,194	28,728	25,112	-12.59%
	Subtotal	\$795,511	\$988,431	\$834,634	\$838,802	0.50%
Franchise (Public Utility Taxes)						
4020	Georgia Power	8,746,796	9,589,929	9,128,455	9,219,740	1.00%
4021	Atmos Energy (Formerly United Cities)	1,634,767	1,815,825	1,488,193	1,740,000	16.92%
4022	Southern Bell	836,779	773,534	715,191	712,000	-0.45%
4023	Charter Communications	349,839	371,875	417,826	380,000	-9.05%
4024	TCI	944,994	920,504	929,374	900,000	-3.16%
4025	Knology Cable Franchise	806,824	867,780	1,018,158	960,000	-5.71%
4026	Troup Electric	119,378	151,423	152,816	154,344	1.00%
4027	Flint Electric	76,135	79,803	82,280	83,103	1.00%
4028	Water Works - 6% Sales	2,833,709	2,825,492	2,854,208	2,791,430	-2.20%
4029	AT&T	6,227	0	12,453	6,226	-50.00%
4030	Public Service Telephone Co.	358	247	160	160	0.00%
4114	American Communication Svc.	61,938	38,341	48,904	43,049	-11.97%
4115	Knology Telephone Franchise	205,170	190,853	194,417	192,390	-1.04%
4116	Lightwave, LLC - Fiber Optics	0	0	0	0	N/A
	Subtotal	\$16,622,914	\$17,625,606	\$17,042,435	\$17,182,442	0.82%
Business Tax						
4100	Occupation Tax	15,285,213	14,104,621	13,791,906	13,756,692	-0.26%
4110	Insurance Premium Tax	10,182,458	10,426,375	10,328,554	10,380,197	0.50%
	Subtotal	\$25,467,671	\$24,530,996	\$24,120,460	\$24,136,889	0.07%
General Sales and Use Taxes						
4040	Local Option Sales Tax	36,837,193	32,109,725	35,441,149	34,694,972	-2.11%
	Subtotal	\$36,837,193	\$32,109,725	\$35,441,149	\$34,694,972	-2.11%

SCHEDULE OF REVENUES / GENERAL FUND 0101

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Selective Sales and Use Taxes					
4052 Beer Tax	\$1,822,214	\$1,838,443	\$1,787,177	\$1,791,000	0.21%
4053 Wine Tax	252,926	267,228	275,755	267,161	-3.12%
4054 Liquor Tax	314,022	329,100	328,372	322,000	-1.94%
4058 Auto Rental Tax	405,753	385,763	403,063	404,040	0.24%
4059 3% Alcohol Excise Tax	328,226	310,020	313,376	293,976	-6.19%
Subtotal	\$3,123,141	\$3,130,554	\$3,107,743	\$3,078,177	-0.95%
Other Taxes					
4140 Other Taxes	70,006	62,463	63,850	59,340	-7.06%
Subtotal	\$70,006	\$62,463	\$63,850	\$59,340	-7.06%
TOTAL TAXES	\$115,545,321	\$112,087,665	\$114,882,645	\$84,727,909	-26.25%
<u>LICENSES AND PERMITS</u>					
Business License					
4200 Beer License	96,820	96,470	92,860	95,060	2.37%
4201 Wine License	42,905	43,350	39,335	40,350	2.58%
4202 Liquor License	528,942	517,905	545,764	530,214	-2.85%
4204 Alcohol Application I.D. Card Permits	24,745	27,260	22,735	27,510	21.00%
4210 Insurance License	97,344	106,406	107,859	98,188	-8.97%
Subtotal	\$790,756	\$791,391	\$808,553	\$791,322	-2.13%
Non-Business Licenses and Permits					
4250 Animal Permits	133,532	126,998	125,954	125,000	-0.76%
4253 Zoning Petition Permits	15,978	35	-892	1,000	N/A
4255 Judge Of Probate - Licenses	72,618	101,377	80,446	57,525	-28.49%
Subtotal	\$222,128	\$228,410	\$205,508	\$183,525	-10.70%
Other Licenses and Permits					
4252 Certificates Of Occupancy	50,335	44,790	44,820	38,010	-15.19%
4256 Burial Permits	38,350	67,210	28,450	27,900	-1.93%
4257 Mobile Home Registration Permits	9,120	5,922	5,863	5,015	-14.46%
4259 Hazardous Materials Permits	13,450	12,100	6,450	5,000	-22.48%
Subtotal	\$111,255	\$130,022	\$85,583	\$75,925	-11.28%
Penalties and Interest					
4271 Penalties - Tag Fees	100,329	112,641	113,560	106,790	-5.96%
Subtotal	\$100,329	\$112,641	\$113,560	\$106,790	-5.96%
TOTAL LICENSES AND PERMITS	\$1,224,468	\$1,262,464	\$1,213,204	\$1,157,562	-4.59%
<u>CHARGES FOR SERVICES</u>					
Charges for Services					
4450 Auto Tag Fees	209,806	193,501	196,383	199,876	1.78%
4452 Auto Tag Postage Fees	45,813	47,839	48,487	49,200	1.47%
4456 Lot Cleaning Maintenance Fees	1,916	0	0	0	N/A
4459 Data Services	1,455	1,755	2,091	1,750	-16.31%
4465 Insurance Fees	54,660	59,115	69,880	64,265	-8.04%
4501 Police False Alarm Fees	13,200	8,875	11,150	10,000	-10.31%

SCHEDULE OF REVENUES / GENERAL FUND 0101

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
4502 Fire False Alarm Fees	\$450	\$600	\$0	\$0	N/A
4505 Hazmat Cleanup Fees	1,046	0	0	0	N/A
4506 EMS Collections	2,803,636	3,219,045	271,554	1,800,000	562.85%
4508 EMS Special Events	21,585	26,640	29,505	20,736	-29.72%
4510 Police - Conditional Discharge	0	0	0	0	N/A
4512 Jail Fees	498,157	596,185	654,142	569,397	-12.96%
4513 Alarm Registration	0	30	12,060	300	-97.51%
4515 MCP Inmates - Subsidy	3,765,020	3,766,440	3,781,960	3,683,060	-2.62%
4516 MCP Inmates - Releases	15,261	18,318	17,240	17,245	0.03%
4517 Muscogee County Jail Medical Reimbursement	71,500	629,772	66,102	65,000	-1.67%
4610 Bad Check Fees	8,225	9,368	8,899	8,500	-4.48%
4611 Credit Card Service Fees	6,277	4,361	4,156	3,500	-15.78%
4620 Fuel Surcharge	41,838	43,359	38,306	36,000	-6.02%
4682 Marina Concessions	38,581	51,819	84,597	50,000	-40.90%
4683 Marina Fees	13,010	18,556	18,237	18,000	-1.30%
4684 South Commons-Concessions	6,489	9,503	11,576	9,500	-17.93%
4838 Returned Check Recoveries	823	2,129	232	0	-100.00%
4844 Refund Bldg Maint Retardation Center	23,631	23,631	23,631	23,631	0.00%
4848 Fuel	0	0	20,331	14,000	-31.14%
Subtotal	\$7,642,379	\$8,730,841	\$5,370,519	\$6,643,960	23.71%
Cost Allocation					
4461 Cost Allocation Service Fees	2,044,782	1,819,985	1,916,152	2,118,247	10.55%
Subtotal	\$2,044,782	\$1,819,985	\$1,916,152	\$2,118,247	10.55%
Court Fees					
4430 Municipal Court - Court Fees	110,225	94,432	116,811	103,444	-11.44%
4431 Recorders Court - Court Fees	2,624	3,017	325	500	53.85%
4432 Magistrate Court-Court Fees	78,953	79,586	69,244	70,984	2.51%
4433 Superior Court - Court Fees	515,179	597,335	590,399	559,764	-5.19%
4434 Superior Ct - Misc. Fees	43,839	35,194	38,587	30,385	-21.26%
4435 Probate Ct - Misc. Fees	18,780	18,005	19,885	14,130	-28.94%
4436 Probate Court - Estates	147,688	137,324	140,350	125,646	10.48%
4437 Adult Probation	21,076	20,223	18,683	16,434	-12.04%
4438 Recorders Court - Admin Fees	103,180	115,205	135,025	130,935	-3.03%
4439 Juvenile Court - Court Fees	0	135	45	0	-100.00%
4440 D.U.I. Photo Fees	0	0	0	0	N/A
4442 District Attorney URESA Uniform	0	0	0	0	N/A
4443 Public Defenders Recovery	180	0	0	0	N/A
4449 Real Estate Transfer Fees	685,096	437,128	410,727	419,479	2.13%
4466 CW Public Defend - Admin Fees	0	0	0	0	N/A
4467 Noncompliance Fees - Juvenile Drug Court	3,245	4,240	4,188	3,510	-16.19%

SCHEDULE OF REVENUES / GENERAL FUND 0101

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
4471	Verification Fees	\$2,035	\$3,630	\$3,905	2,900	-25.74%
4472	Council Variance Fees	1,000	1,000	0	1,000	100.00%
4473	Subdivision Plat Fees	13,740	24,796	22,845	20,775	-9.06%
4474	Zoning Fees	15,600	24,560	30,750	23,100	-24.88%
4496	Indigent Defense Fee	31,275	21,252	34,205	27,492	-19.63%
4537	Juvenile Ct - Supervisory Fees	11,920	11,055	11,314	10,000	-11.61%
	Subtotal	\$1,805,635	\$1,628,117	\$1,647,288	\$1,560,478	-5.27%
Miscellaneous						
4837	Miscellaneous	140,321	164,575	115,332	60,000	-47.98%
	Subtotal	\$140,321	\$164,575	\$115,332	\$60,000	-47.98%
Special Assessments						
4595	Street Assess & Demo Interest	1,530	4,315	3,930	22,154	463.72%
	Subtotal	\$1,530	\$4,315	\$3,930	\$22,154	463.72%
Regulatory Fees						
4251	Building Permits	1,669,612	1,030,505	993,774	906,844	-8.75%
	Subtotal	\$1,669,612	\$1,030,505	\$993,774	\$906,844	-8.75%
Other Fees – Commissions						
4532	School Tax Commissions	2,106,840	2,142,173	2,388,876	2,285,523	-4.33%
4533	School Tax - Auto Commissions	219,894	214,993	202,833	207,066	2.09%
4534	State Of GA - Commissions	29,855	48,117	60,467	56,133	-7.17%
4536	Bid - Commissions	13,676	15,153	14,021	14,148	0.91%
	Subtotal	\$2,370,265	\$2,420,436	\$2,666,197	\$2,562,870	-3.88%
Other Fees						
4448	Recordings	448,975	380,558	338,881	309,454	-8.68%
4518	Coroner Transports	1,300	1,120	1,650	1,000	-39.39%
4530	Sheriff - Fees	492,501	519,385	597,452	508,686	-14.86%
4531	Qualifying Fees	27,700	13,991	14,674	0	-100.00%
4558	Recycling Fees	5,843	12,252	6,436	6,000	-6.77%
4559	Sale of Recycled Materials	0	3,169	5,328	1,500	-71.85%
4570	Spay/Neuter Voucher Fees	2,695	2,035	1,740	1,000	-42.53%
4571	Pound Fees	36,004	37,710	35,625	30,765	-13.64%
4591	Lot Cleaning/Maintenance Fees	23,375	20,453	23,518	23,880	1.54%
4594	Ordained Building Demolition	19,407	21,701	25,975	0	-100.00%
4599	Public Service Clean-Up Fees	0	0	0	0	N/A
4862	Sale Of Salvage	9,411	4,995	3,876	4,500	16.10%
4867	Sale Of Engineering Documents	2,154	6,895	10,709	5,000	-53.31%
4869	Sale Of Police Reports	188,874	175,971	163,262	150,000	-8.12%
4870	Sale Of Fire Reports	31,820	29,702	22,627	16,077	-28.95%
4871	Voter Lists	233	268	662	0	-100.00%
4879	Sale Of Planning & Develop Doc	18,447	14,622	11,896	7,000	-41.16%
4881	Sale Of Misc. Coroner's Reports.	820	515	110	400	263.64%
4884	Signage Sales - Developers	15,050	6,734	16,500	5,000	-69.70%

SCHEDULE OF REVENUES / GENERAL FUND 0101

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
4885	Sale Of Tax Commissioner Reports	\$5,000	\$0	\$0	\$0	N/A
	Subtotal	\$1,329,609	\$1,252,076	\$1,280,921	\$1,070,262	-16.45%
Culture and Recreation						
4658	Tennis Fees	170,380	169,217	176,962	167,525	-5.33%
4659	Swimming Pools	61,899	70,659	67,975	65,000	-4.38%
4660	Concessions	29,012	28,019	26,086	28,019	7.41%
4661	Concessions – Memorial Stadium	0	0	6,576	6,575	-0.02%
4664	Pool Concessions	33,579	38,738	40,305	35,053	-13.03%
4671	After School Program	1,471,973	1,453,531	1,475,376	1,450,000	-1.72%
4674	Youth Program Fees	21,266	22,220	22,953	20,000	-12.87%
4676	Cultural Arts Program Fees	43,738	35,970	40,581	37,987	-6.39%
4677	Sr. Citizens Program Fees	11,401	8,524	9,172	8,500	-7.33%
4678	Athletic Program Fees	68,320	74,899	70,094	70,000	-0.13%
4681	Fee Based Program Fees	0	0	775	5,000	545.16%
	Subtotal	\$1,911,568	\$1,901,777	\$1,936,855	\$1,893,659	-2.23%
TOTAL CHARGES FOR SERVICES		\$18,915,701	\$18,952,627	\$15,930,968	\$16,838,474	5.70%
<u>COURT FINES AND FORFEITURES</u>						
4740	Recorders Court - Fines	2,676,133	3,020,876	3,617,589	3,395,950	-6.13%
4741	Juvenile Court - Fines	14,974	10,448	6,450	6,800	5.43%
4743	Environmental Court - Fines	38,500	49,140	49,030	39,348	-19.75%
4744	Tree Replacement Fines	1,750	0	0	0	N/A
4753	Recorders Ct. - Muscogee Surcharge	110,924	123,316	147,265	122,634	-16.73%
4754	Superior Ct. - Muscogee Surcharge	625	1,853	5,652	3,927	-30.52%
4755	State Ct. - Muscogee Surcharge	35,502	29,952	20,825	14,205	-31.99%
4756	Municipal Ct. - Muscogee Surcharge	6,028	5,449	7,161	5,472	-23.59%
4757	Harris County Surcharge	33,017	37,016	50,428	39,535	-21.60%
4758	Talbot County Surcharge	8,856	5,250	6,609	5,079	-23.15%
4759	Marion County Surcharge	7,399	4,629	9,053	6,000	-33.72%
4760	Chattahoochee County Surcharge	17,259	22,355	25,081	21,186	-15.53%
4761	Taylor County Surcharge	22,851	17,001	12,557	10,700	-14.79%
4762	Superior Ct - Fines & Forfeit	205,548	213,948	203,054	202,115	-0.46%
4763	Municipal Ct - Fines & Forfeit	312,259	313,181	327,873	304,924	-7.00%
4764	State Ct - Fines & Forfeitures	464,372	454,417	412,958	454,417	-10.04%
4767	Crime Victims - Adult Probation	8,637	4,131	0	0	N/A
4768	Forfeitures/Condemnation Police	0	19,854	0	0	N/A
4769	Magistrate Court-Fines & Forfeitures	0	4,099	18,277	19,002	3.97%
4861	Sale Of Unclaimed Property	23,469	0	15,683	0	-100.00%
TOTAL COURT FINES AND FORFEITURES		\$3,988,103	\$4,336,915	\$4,935,545	\$4,651,294	-5.76%
<u>INTERGOVERNMENTAL</u>						
4315	Department of Justice	0	0	7,147	0	-100.00%
4343	Emergency Management Assist	47,364	55,887	55,887	47,364	-15.25%
4359	Miscellaneous Revenues	3,929	4,028	6,574	1,500	-77.18%
4400	Payment Lieu Taxes Housing Auth	44,522	33,350	38,540	38,540	0.00%
4402	Administrative Office Of Court	132,651	132,651	132,651	132,651	0.00%
4414	Harris County	60,000	67,491	67,031	69,754	4.06%

SCHEDULE OF REVENUES / GENERAL FUND 0101

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
4422 Dept Of Public Health	\$0	\$0	\$0	\$0	N/A
4423 MCSD (School District)	0	0	143,060	0	-100.00%
4426 Talbot County	10,878	10,532	11,014	11,014	0.00%
4427 Marion County	9,775	9,362	9,790	9,790	0.00%
4428 Chattahoochee County	3,627	3,516	3,670	3,671	0.03%
4429 Taylor County	13,296	12,873	13,461	13,461	0.00%
TOTAL INTERGOVERNMENTAL	\$326,042	\$329,690	\$488,825	\$327,745	-32.95%
<u>INVESTMENT INCOME</u>					
4772 Gains/Losses On Investments	(24,578)	211,959	-114,026	0	-100.00%
4780 Investment Interest	3,288,148	2,077,449	1,850,327	1,140,000	-38.39%
4796 Interest - Tax Commissioner	0	0	0	0	N/A
4846 Interest 9hole Addition	999	0	0	0	N/A
TOTAL INVESTMENT INTEREST	\$3,264,569	\$2,289,408	\$1,736,301	\$1,140,000	-34.34%
<u>MISCELLANEOUS REVENUES</u>					
Rents and Royalties					
Culture and Recreation					
4654 Memorial Stadium	19,804	19,429	5,940	4,000	-32.66%
4655 Golden Park	48,000	12,700	4,936	2,000	-59.48%
4665 Facilities Rental	8,584	4,279	5,427	3,855	-28.97%
4666 Facilities Rental -Promenade	6,300	6,781	8,045	7,062	-12.22%
4667 Facilities Rental -Commercial Ctr	15,836	13,164	13,294	13,454	1.20%
4668 Facilities Rental -Rugby	590	400	400	400	0.00%
4669 Facilities Rental -Lake Oliver Marina	0	0	0	0	N/A
4680 South Commons -Softball Complex	14,902	14,254	39,626	20,000	-49.53%
Subtotal	\$114,016	\$71,007	\$77,668	\$50,771	-34.63%
Other Rents and Royalties					
4873 Legacy Terrace Rental	0	4,844	57,219	0	-100.00%
4877 Rental Of City Property	73,072	27,841	12,909	10,700	-17.11%
4878 Rental/Lease Income	51,073	109,811	110,754	62,178	-43.86%
4882 800 MHz System Annual Maint	0	0	0	0	N/A
Subtotal	\$124,145	\$142,496	\$180,882	\$72,878	-59.71%
Subtotal Rents and Royalties	\$238,161	\$213,503	\$258,550	\$123,649	-52.18%
Commissions					
4815 Pay Phone - Jail	0	552,880	264,025	288,000	9.08%
4816 Pay Phone - MCP	148,036	138,564	134,971	132,000	-2.20%
Subtotal	\$148,036	\$691,444	\$398,996	\$420,000	5.26%
Other Miscellaneous Revenue					
4821 Detox/Major Building Repairs	16,427	16,427	16,427	16,427	0.00%
4822 Detox/Mental - Insurance	670	670	670	670	0.00%
4843 Naval Center Reimbursement	9,768	15,875	11,393	39,031	242.59%
Subtotal	\$26,865	\$32,972	\$28,490	\$56,128	97.01%
Reimbursement for Damaged Property					
4851 Damage To City Property	6,063	(1,364)	7,416	0	-100.00%

SCHEDULE OF REVENUES / GENERAL FUND 0101

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
4852	Repairs To City Vehicles	\$759	\$723	\$358	\$0	-100.0%
4853	Claims/Settlements	34,790	3,472,387	13,200	0	-100.0%
4854	Damaged/Lost Equipment Reimbursement	0	0	0	0	N/A
	Subtotal	\$41,612	\$3,471,746	\$20,974	\$0	-100.0%
	TOTAL MISCELLANEOUS REVENUES	\$454,674	\$4,409,665	\$707,010	\$599,777	-15.17%
 CONTRIBUTIONS						
4802	Donations	2,642	0	2,496	0	-100.0%
	TOTAL CONTRIBUTIONS	\$2,642	\$0	\$2,496	\$0	-100.0%
 OTHER FINANCING SOURCES						
Sale of General Fixed Assets						
4907	Sale Of General Fixed Assets	100,679	144,105	30,667	0	-100.0%
	Subtotal	\$100,679	\$144,105	\$30,667	\$0	-100.0%
 Interfund Transfers In						
4947	Transfer In – County Jail Penalty	0	0	1,500,000	3,750,000	150.00%
4950	Transfer In – General Fund CIP	0	0	1,000,000	1,900,000	90.00%
4998	Transfer In – Other LOST	0	0	0	30,145,848	N/A
	Subtotal	\$0	\$0	\$2,500,000	\$35,795,848	1331.8%
	TOTAL OTHER FINANCING SOURCES	\$100,679	\$144,105	\$2,530,667	\$35,795,848	1331.8%
	Total General Fund Revenues	\$143,822,199	\$143,812,539	\$142,427,661	\$145,238,609	1.97%

*Unaudited

SCHEDULE OF EXPENDITURES / GENERAL FUND 0101

Department		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Council						
100-1000	City Council	\$326,351	\$303,936	\$303,169	\$300,278	-0.95%
100-2000	Clerk of Council	197,334	214,583	225,339	222,871	-1.10%
	Subtotal	\$523,685	\$518,519	\$528,508	\$523,149	-1.01%
Mayor						
110-1000	Mayor's Office	319,892	322,930	335,315	359,484	7.21%
110-2200	Mayor's Committee Handicapped	0	0	0	0	N/A
110-2600	Internal Auditor	28,888	95,644	102,693	105,637	2.87%
	Subtotal	\$348,780	\$418,574	\$438,008	\$465,121	6.19%
City Attorney						
120-1000	City Attorney	841,595	966,438	871,023	722,467	-17.06%
	Subtotal	\$841,595	\$966,438	\$871,023	\$722,467	-17.06%
City Manager						
130-1000	City Manager	590,505	653,446	665,549	693,500	4.20%
130-2200	Management/ Research & Analysis	0	0	0	0	N/A
130-2400	Real Estate	0	0	0	0	N/A
130-2500	Mail Room	50,100	47,819	63,513	74,752	17.70%
130-2600	Public Information Agency	87,559	97,035	96,329	129,193	34.12%
130-2700	Criminal Justice Coordination	180,330	189,798	183,555	192,694	4.98%
130-2800	Risk Management	59,087	61,849	62,480	66,073	5.75%
130-2850	Citizen's Service Center	333,041	352,514	366,631	414,571	13.08%
130-3710	Recorder's Court	0	0	0	842,183	N/A
	Subtotal	\$1,300,622	\$1,402,461	\$1,438,057	\$2,412,966	67.79%
Special Projects						
140-1000	Special Projects	0	0	0	0	0.00%
	Subtotal	\$0	\$0	\$0	\$0	0.00%
Finance						
200-1000	Finance Director	310,063	333,805	329,084	344,425	4.66%
200-2100	Accounting	438,075	454,313	463,102	482,754	4.24%
200-2200	Revenue	858,208	905,979	954,634	948,559	-0.64%
200-2900	Financial Planning	183,931	259,878	263,034	274,173	4.23%
200-2950	Purchasing	370,299	367,998	385,573	404,410	4.89%
	Subtotal	\$2,160,576	\$2,321,973	\$2,395,427	\$2,454,321	2.46%
Information Technology						
210-1000	Information Technology	3,598,295	3,518,584	3,519,158	3,595,690	2.17%
	Subtotal	\$3,598,295	\$3,518,584	\$3,519,158	\$3,595,690	2.17%

SCHEDULE OF EXPENDITURES / GENERAL FUND 0101

Department		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Human Resources						
220-1000	Human Resources	\$769,091	\$796,885	\$817,498	\$870,170	6.44%
220-2100	Employee Benefits	819,046	790,521	807,041	848,755	5.17%
TOTAL		\$1,588,137	\$1,587,406	\$1,624,539	\$1,718,925	5.81%
Inspections and Code						
240-2100	Planning	0	0	0	0	N/A
240-2200	Inspections & Code Enforcement	1,592,004	1,822,012	1,574,666	1,622,889	3.06%
240-2900	Print Shop	173,990	185,995	196,757	199,601	1.45%
Subtotal		\$1,765,994	\$2,008,007	\$1,771,423	\$1,822,490	2.88%
Planning						
242-1000	Planning	215,253	301,405	330,982	326,693	-1.30%
Subtotal		\$215,253	\$301,405	\$330,982	\$326,693	-1.30%
Real Estate						
245-2400	Real Estate	82,923	75,624	96,293	73,822	-23.34%
Subtotal		\$82,923	\$75,624	\$96,293	\$73,822	-23.34%
Engineering						
250-2100	Traffic Engineering	1,532,751	1,463,918	1,481,059	1,533,764	3.56%
250-2400	Geographic Information Systems	322,420	251,827	262,678	261,714	-0.37%
250-3110	Radio Communications	354,327	401,336	420,130	380,216	-9.50%
Subtotal		\$2,209,498	\$2,117,081	\$2,163,867	\$2,175,694	0.55%
Public Services						
260-1000	Public Services	248,514	280,664	282,436	295,665	4.68%
260-2300	Fleet Management	1,890,256	2,042,499	1,998,931	2,153,619	7.74%
260-2400	Special Enforcement	1,172,123	1,217,718	1,332,954	1,347,613	1.10%
260-2600	Cemeteries	216,452	272,265	272,266	277,730	2.01%
260-2700	Facility Maintenance	2,618,148	2,787,921	2,790,528	2,964,489	6.23%
260-3710	Other Maintenance/ Repairs	1,001,712	1,101,915	1,097,281	1,086,380	-0.99%
Subtotal		\$7,147,205	\$7,702,982	\$7,774,396	\$8,125,496	4.52%
Parks and Recreation						
270-1000	Parks & Recreation	446,521	408,176	406,809	436,578	7.32%
270-2100	Parks Services	4,494,084	4,738,803	4,615,364	4,689,381	1.60%
270-2400	Recreation Services	1,519,481	1,499,513	1,442,057	1,475,599	2.33%
270-3220	Golden Park	116,185	82,925	83,363	111,800	34.11%
270-3230	Memorial Stadium	55,556	55,570	50,121	66,638	32.95%
270-3410	Athletics	397,985	290,406	329,044	305,828	-7.06%
270-3505	Community Schools	1,057,907	1,684,429	1,502,129	1,593,579	6.09%
270-4048	Cooper Creek Tennis Center	262,102	290,219	318,334	259,007	-18.64%
270-4049	Lake Oliver Marina	0	80,260	113,341	145,571	28.44%
270-4413	Aquatics	553,726	442,272	406,170	486,056	19.67%

SCHEDULE OF EXPENDITURES / GENERAL FUND 0101

Department		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Parks and Recreation (continued)						
270-4433	Therapeutics	\$105,297	\$124,899	\$118,475	\$121,594	2.63%
270-4434	Pottery Shop	170,895	173,675	170,207	172,567	1.39%
270-4435	Senior Citizen's Center	344,055	344,519	384,867	388,580	0.96%
	Subtotal	\$9,523,794	\$10,215,666	\$9,940,281	\$10,252,778	3.14%
Cooperative Extension						
280-1000	Cooperative Extension	145,619	142,914	142,267	143,196	0.65%
	Subtotal	\$145,619	\$142,914	\$142,267	\$143,196	0.65%
Boards and Commissions						
290-1000	Tax Assessor	1,081,660	1,217,591	1,301,805	1,367,542	5.05%
290-2000	Elections & Registration	627,012	1,096,381	657,813	1,122,243	70.60%
	Subtotal	\$1,708,672	\$2,313,972	\$1,959,618	\$2,489,785	27.05%
Police						
400-1000	Chief of Police	727,882	781,227	860,446	866,854	0.74%
400-2100	Intelligence/Vice	1,016,228	1,301,808	1,315,706	1,372,463	4.31%
400-2200	Support Services	2,760,333	2,729,129	2,644,949	2,760,399	4.36%
400-2300	Field Operations	12,454,955	12,680,081	12,667,142	13,224,538	4.40%
400-2400	Office of Professional Stds	381,837	402,629	412,017	413,876	0.45%
400-2500	Metro Drug Task Force	152,618	239,005	228,811	230,968	0.94%
400-2700	Special Operations	21,515	60,991	30,058	33,500	11.45%
400-2800	Administrative Services	1,270,375	1,270,676	1,258,090	1,386,727	10.22%
400-3210	Conditional Discharge	0	0	0	0	N/A
400-3230	Motor Transport	2,300,572	2,319,123	1,534,154	1,348,963	-12.07%
400-3320	Investigative Services	6,468,795	6,542,940	6,398,610	6,632,965	3.66%
	Subtotal	\$27,555,110	\$28,327,609	\$27,349,983	\$28,271,253	3.37%
Fire and EMS						
410-1000	Chief of Fire & EMS	389,547	406,123	414,872	424,359	2.29%
410-2100	Fire/EMS Operations	20,434,309	20,873,963	21,300,250	21,728,433	2.01%
410-2600	Fire/EMS Special Ops	1,066,294	1,053,040	1,063,462	1,127,920	6.06%
410-2800	Fire/EMS Admin Services	767,767	791,689	793,177	804,922	1.48%
410-2900	Emergency Management	136,646	153,925	166,567	170,050	2.09%
410-3610	Logistics/Support	1,742,404	1,904,817	955,067	922,435	-3.42%
	Subtotal	\$24,536,967	\$25,183,557	\$24,693,395	\$25,178,119	1.96%
Muscogee County Prison (MCP)						
420-1000	MCP	6,625,060	7,020,711	6,962,432	7,221,617	3.72%
	Subtotal	\$6,625,060	\$7,020,711	\$6,962,432	\$7,221,617	3.72%
Homeland Security						
450-1000	Homeland Security	1,146	2,188	11,706	0	N/A
	Subtotal	\$1,146	\$2,188	\$11,706	\$0	N/A

SCHEDULE OF EXPENDITURES / GENERAL FUND 0101

Department	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Superior Court					
500-1000 Chief Judge - Superior Court	\$358,425	\$397,990	\$348,765	\$351,366	0.75%
500-2000 District Attorney	1,595,261	1,696,237	1,728,534	1,863,152	7.79%
500-2100 Adult Probation	140,232	135,468	143,583	139,388	-2.92%
500-2110 Juvenile Court	279,076	333,666	394,937	460,240	16.54%
500-2115 Juvenile Court Clerk	263,264	241,343	256,039	267,383	4.43%
500-2120 Court Intake Services	20,174	22,346	17,808	25,350	42.35%
500-2125 Circuit Wide Juvenile Court	260,648	264,892	261,873	270,367	3.24%
500-2140 Jury Manager	328,804	349,392	367,650	433,625	17.95%
500-2150 Judge Allen	200,423	179,621	161,236	189,039	17.24%
500-2160 Judge Johnston	95,508	102,917	74,032	134,215	81.29%
500-2170 Judge Pullen	154,190	146,021	150,947	143,298	-5.07%
500-2180 Judge Peters	153,917	157,296	127,477	139,629	9.53%
500-2190 Judge Jordan	130,394	206,909	198,662	198,987	0.16%
500-2200 Victim Witness Program	169,855	156,669	161,355	181,224	12.31%
500-3000 Clerk of Superior Court	1,876,586	1,882,961	2,006,244	2,068,439	3.10%
Subtotal	\$6,026,757	\$6,273,728	\$6,399,142	\$6,865,702	7.29%
State Court					
510-1000 State Court Judges	534,362	562,343	570,342	588,081	3.11%
510-2000 State Court Solicitor	979,949	1,009,264	1,031,564	1,052,794	2.06%
Subtotal	\$1,514,311	\$1,571,607	\$1,601,906	\$1,640,875	2.43%
Public Defender					
520-1000 Public Defender Muscogee	1,179,088	1,163,352	1,117,446	1,133,333	1.42%
520-2000 County Public Defender	225,111	194,191	198,457	236,386	19.11%
Subtotal	\$1,404,199	\$1,357,543	\$1,315,903	\$1,369,719	4.09%
Municipal Court					
530-1000 Municipal Court Judge	310,556	358,312	357,853	373,955	4.50%
530-2000 Clerk of Municipal Court	698,209	670,219	731,176	736,621	0.74%
530-3000 Marshal	1,293,620	1,387,403	1,282,877	1,222,609	-4.70%
530-3100 Jr. Marshal Program	42,183	1,193	4,204	0	-100.00%
Subtotal	\$2,344,568	\$2,417,127	\$2,376,110	\$2,333,185	-1.81%
Probate Court					
540-1000 Judge of Probate	447,389	445,582	463,738	464,772	0.22%
Subtotal	\$447,389	\$445,582	\$463,738	\$464,772	0.22%
Sheriff Department					
550-1000 Administration	1,184,751	2,024,593	1,917,279	1,781,909	-7.06%
550-2100 Uniform Division	3,287,715	4,549,185	4,607,791	4,355,282	-5.48%
550-2200 Criminal Division	1,068,501	35,238	0	0	N/A
550-2300 Training	264,767	6,800	144	0	-100.00%
550-2400 Motor Transport	339,749	293,696	286,027	240,000	-16.09%
550-2500 Recorders Court	876,816	885,048	971,323	104,692	-89.22%
550-2600 Jail	13,465,480	14,488,290	14,660,078	14,876,162	1.47%

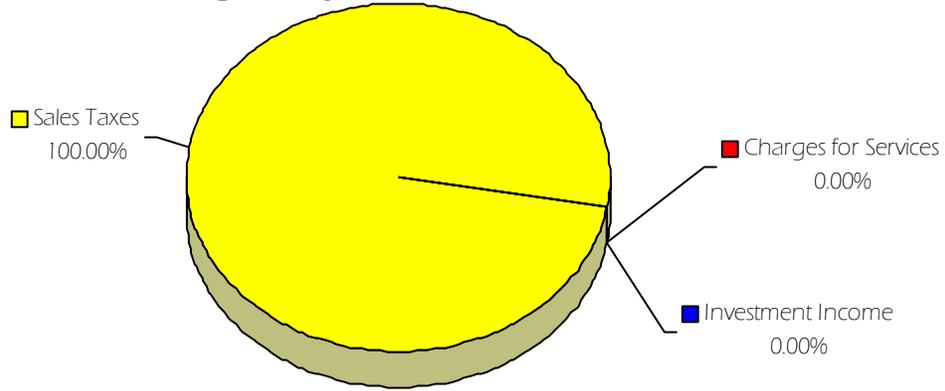
SCHEDULE OF EXPENDITURES / GENERAL FUND 0101

Department		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
550-2650	Medical Director	\$3,973,532	\$4,164,254	\$4,237,392	\$3,772,450	-10.97%
550-3510	Environmental Court	9,938	0	0	0	N/A
	Subtotal	\$24,471,249	\$26,447,104	\$26,680,034	\$25,130,495	-5.81%
Tax Commissioner						
560-1000	Tax Commissioner	1,343,296	1,406,508	1,453,943	1,570,002	7.98%
	Subtotal	\$1,343,296	\$1,406,508	\$1,453,943	\$1,570,002	7.98%
Coroner						
570-1000	Coroner	220,409	252,641	272,814	279,593	2.48%
	Subtotal	\$220,409	\$252,641	\$272,814	\$279,593	2.48%
Non-Categorical						
590-1000	Agency Appropriations	1,981,478	1,769,564	1,819,801	1,848,356	1.57%
590-2000	Contingency	306,812	213,032	53,569	235,000	338.69%
590-3000	Non-Categorical	4,242,065	5,474,454	2,432,293	5,898,342	142.50%
590-4000	Interfund Transfers	12,880,441	5,168,971	4,917,271	5,015,536	2.00%
590-6000	Airport	0	0	0	0	N/A
590-6500	Naval Museum	307,719	315,036	310,488	339,031	9.19%
590-7000	Law Library	0	0	0	0	N/A
	Subtotal	\$19,718,515	\$12,941,057	\$9,533,422	\$13,336,265	39.89%
Total General Fund		\$149,369,624	\$149,258,568	\$144,108,375	\$150,964,190	4.76%

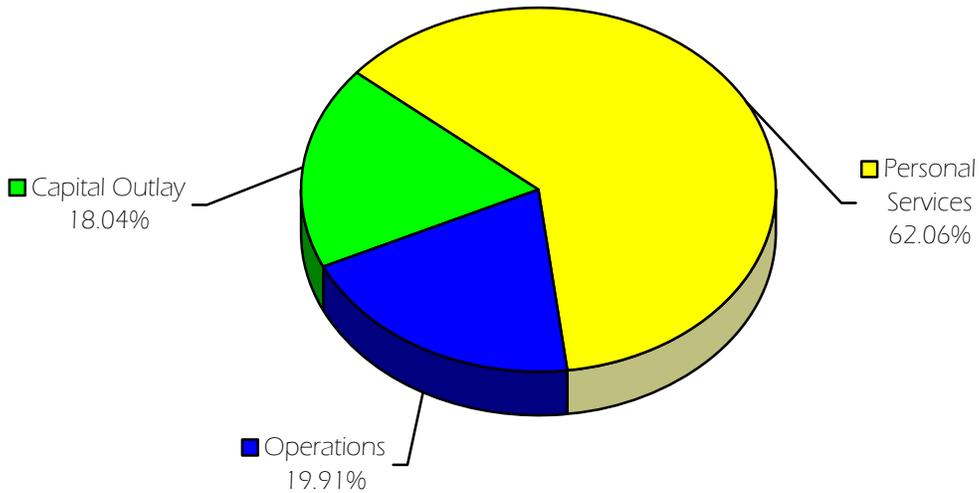
OVERVIEW / Other LOST FUND 0102/0109

Other LOST Fund \$56,340,063

Budget by Revenue Source



Budget by Expense Category



The Other Local Option Sales Tax Fund was passed by the citizens with an effective date of January 1, 2009. 70 percent is allocated to Public Safety including a \$3,000 annual supplement to all sworn officers and 30 percent to Infrastructure.

OVERVIEW / Other LOST FUND 0102/0109

SCHEDULE OF REVENUES

OTHER LOST FUND 0102/0109

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>0102-Public Safety</u>						
<u>TAXES</u>						
Sales Taxes						
4042	LOST – Public Safety/Roads	\$0	\$9,486,593	\$22,323,121	\$21,210,000	-4.99%
	Subtotal	\$0	\$9,486,593	\$22,323,121	\$21,210,000	-4.99%
	TOTAL TAXES	\$0	\$9,486,593	\$22,323,121	\$21,210,000	-4.99%
Other Charges for Services						
4837	Miscellaneous	0	31	282	0	-100.00%
	Subtotal	\$0	\$31	\$282	\$0	-100.00%
	TOTAL CHARGES FOR SERVICES	\$0	\$31	\$282	\$0	-100.00%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	0	0	(31,140)	0	-100.00%
4780	Investment Interest	0	2,843	277,607	0	-27.70%
	TOTAL INVESTMENT INCOME	\$0	\$2,843	\$246,467	\$0	-13.65%
	TOTAL 0102 PUBLIC SAFETY	\$0	\$9,489,467	\$22,569,870	\$21,210,000	-6.03%
<u>0109-Infrastructure</u>						
<u>TAXES</u>						
Sales Taxes						
4042	LOST – Public Safety/Roads	0	0	9,567,052	9,090,000	-4.99%
	Subtotal	\$0	\$0	\$9,567,052	\$9,090,000	-4.99%
	TOTAL TAXES	\$0	\$0	\$9,567,052	\$9,090,000	-4.99%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	0	0	(44,037)	0	-100.00%
4780	Investment Interest	0	0	177,867	0	-100.00%
	TOTAL INVESTMENT INCOME	\$0	\$0	\$133,830	\$0	-100.00%
	TOTAL 0109 INFRASTRUCTURE	\$0	\$0	\$9,700,882	\$9,090,000	-6.30%
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	Total Other LOST Fund	\$0	\$9,489,467	\$32,270,752	\$30,300,000	-6.11%

OVERVIEW / Other LOST FUND 0102/0109

SCHEDULE OF EXPENDITURES

OTHER LOST FUND 0102/0109

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Changes
0102-Public Safety						
Crime Prevention						
110-9900	Office of Crime Prevention	\$0	\$0	\$14,005	\$1,000,000	N/A
Total Crime Prevention		\$0	\$0	\$14,005	\$1,000,000	N/A
Civic Center						
110-9900	Civic Center	0	0	3,883	3,965	2.11%
Total Civic Center		\$0	\$0	\$3,883	\$3,965	2.11%
Public Services						
260-9900	Public Services	0	0	101,397	118,935	17.30%
Total Public Services		\$0	\$0	\$101,397	\$118,935	17.30%
Parks and Recreation						
270-9900	Parks and Recreation	0	0	49,612	51,539	3.88%
Total Parks and Recreation		\$0	\$0	\$49,612	\$51,539	3.88%
Police						
400-9900	Police	0	2,192,397	8,746,368	8,309,868	-4.99%
400-9902	E-911	0	0	177,017	380,324	114.85%
Total Police		\$0	\$2,192,397	\$8,923,385	\$8,690,192	-2.61%
Fire/EMS						
410-9900	Fire/EMS	0	0	1,576,745	1,946,215	23.43%
Total Fire/EMS		\$0	\$0	\$1,576,745	\$1,946,215	23.43%
MCP						
420-9900	Muscogee County Prison	0	0	583,346	682,243	13.01%
Total MCP		\$0	\$0	\$583,346	\$682,243	13.01%
District Attorney						
500-9900	District Attorney	0	0	0	70,629	N/A
Total District Attorney		\$0	\$0	\$0	\$70,629	N/A
State Court Solicitor						
510-9900	State Court Solicitor	0	0	73,219	98,328	34.29%
Total State Court Solicitor		\$0	\$0	\$73,219	\$98,328	34.29%
Public Defender						
520-9900	Public Defender	0	0	61,826	61,826	0.00%
Total Public Defender		\$0	\$0	\$61,826	\$61,826	0.00%
Marshal						
530-9900	Marshal	0	0	58,278	395,463	578.58%
Total Marshal		\$0	\$0	\$58,278	\$395,463	578.58%
Municipal Court Clerk						
530-9902	Municipal Court Clerk	0	0	0	98,128	N/A
Total Municipal Court Clerk		\$0	\$0	\$0	\$98,128	N/A

OVERVIEW / Other LOST FUND 0102/0109

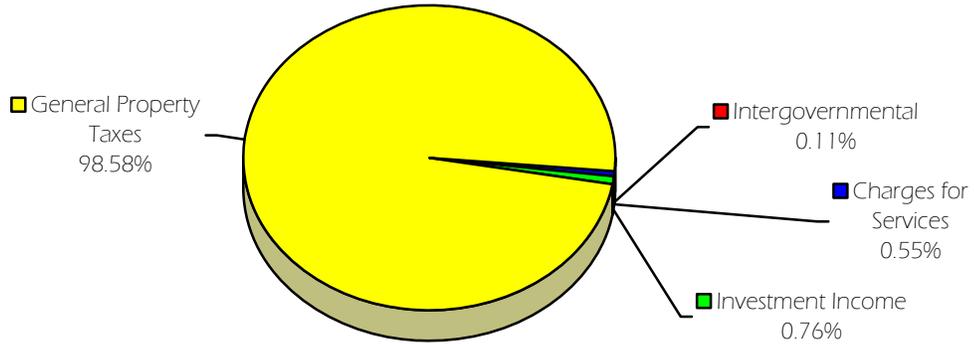
Sheriff						
550-9900	Sheriff	\$0	\$0	\$1,142,177	\$2,548,300	123.11%
Total Sheriff		\$0	\$0	\$1,142,177	\$2,548,300	123.11%
Coroner						
570-9900	Coroner	0	0	6,754	45,440	N/A
Total Coroner		\$0	\$0	\$6,754	\$45,440	N/A
Transportation						
610-9900	Transportation	0	0	3,846	3,965	3.09%
Total Transportation		\$0	\$0	\$3,846	\$3,965	3.09%
Non-Categorical						
590-9900	Non-Categorical	0	0	0	21,169,213	N/A
Total Non-Categorical		\$0	\$0	\$0	\$21,169,213	N/A
TOTAL 0102 PUBLIC SAFETY		\$0	\$2,192,397	\$12,598,473	\$36,984,381	193.6%
0109-Infrastructure						
Information Technology						
210-9900	Information Technology	0	0	250,000	250,000	0.00%
Total Information Technology		\$0	\$0	\$250,000	\$250,000	0.00%
Engineering						
250-9900	Engineering	0	0	42,318	6,737,031	N/A
Total Engineering		\$0	\$0	\$42,318	\$6,737,031	N/A
Public Services						
260-9900	Public Services	0	0	55,710	300,000	438.5%
Total Public Services		\$0	\$0	\$55,710	\$300,000	438.5%
Non-Categorical						
590-3000	Non-Categorical	0	0	0	12,068,651	100.00%
Total Non-Categorical		\$0	\$0	\$0	\$12,068,651	100.00%
TOTAL 0109 INFRASTRUCTURE		\$0	\$0	\$348,028	\$19,355,682	4561.5%
Total Other LOST Fund		\$0	\$2,192,397	\$12,946,501	\$56,340,063	335.2%

*Unaudited

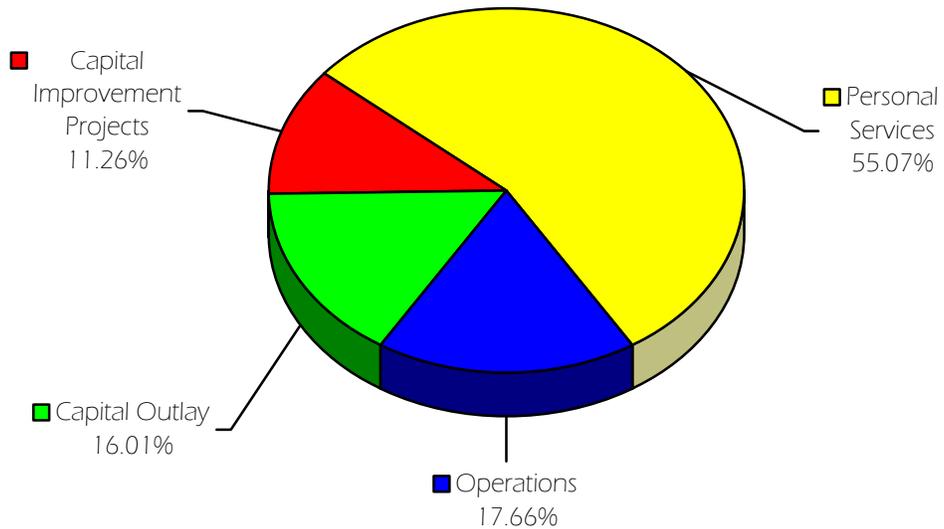
OVERVIEW / STORMWATER (Sewer) FUND 0202

Stormwater (Sewer) Fund \$4,781,819

Budget by Revenue Source



Budget by Expense Category



The Stormwater (Sewer) Fund accounts for the operations, maintenance and improvement of the stormwater and sewer systems.

OVERVIEW / STORMWATER (Sewer) FUND 0202

SCHEDULE OF REVENUES

STORMWATER (SEWER) FUND 0202

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>TAXES</u>					
General Property Taxes					
4001 Real Property - Current Year	\$2,936,081	\$3,092,283	\$3,667,301	\$4,120,466	12.36%
4002 Public Utility	3,355	0	8,065	0	N/A
4003 Timber	0	0	14	0	N/A
4005 Personal Property - Current Year	579,417	584,647	665,973	0	-100.00%
4006 Personal Prop - Motor Vehicle	382,587	374,521	402,140	416,013	3.45%
4007 Mobile Homes	10,292	8,250	7,720	0	-100.00%
4012 Not On Digest - Real & Persona	15,498	18,261	12,995	12,000	-7.66%
4015 Recording Intangibles	105,999	81,524	75,817	69,841	-7.88%
Subtotal	\$4,033,229	\$4,159,486	\$4,840,025	\$4,618,320	-4.58%
Penalties and Interest					
4150 Penalties & Interest - Ad Valorem	71,221	95,576	88,508	74,747	-15.55%
4151 Penalties & Interest - Auto	23,438	23,301	25,610	20,739	-19.02%
Subtotal	\$94,659	\$118,877	\$114,118	\$95,486	-16.33%
TOTAL TAXES	\$4,127,888	\$4,278,363	\$4,954,143	\$4,713,806	-4.85%
<u>INTERGOVERNMENTAL</u>					
4400 Payment In Lieu Taxes Housing Authority	5,492	4,109	5,433	5,433	0.00%
TOTAL INTERGOVERNMENTAL	\$5,492	\$4,109	\$5,433	\$5,433	0.00%
<u>CHARGES FOR SERVICES</u>					
Streets and Public Improvement Fees					
4464 Land Disturbance Fees	16,796	10,298	10,461	5,012	-52.09%
4596 Erosion Control	47,781	31,977	31,120	21,198	-31.88%
Subtotal	\$64,577	\$42,275	\$41,581	\$26,210	-36.97%
Other Charges for Services					
4837 Miscellaneous	303	424	511	0	-100.00%
Subtotal	\$303	\$424	\$511	\$0	-100.00%
TOTAL CHARGES FOR SERVICES	\$64,880	\$42,699	\$42,092	\$26,210	-37.73%
<u>INVESTMENT INCOME</u>					
4772 Gains/Losses On Investments	10,565	(4,179)	(8,185)	0	-100.00%
4780 Investment Interest	110,192	59,443	50,302	36,370	-27.70%
TOTAL INVESTMENT INCOME	\$120,757	\$55,264	\$42,117	\$36,370	-13.65%
<u>MISCELLANEOUS</u>					
4862 Sale of Salvage	0	0	0	0	N/A
TOTAL MISCELLANEOUS	\$0	\$0	\$0	\$0	N/A
Total Sewer Fund	\$4,319,017	\$4,380,435	\$5,043,785	\$4,781,819	-5.19%

OVERVIEW / STORMWATER (Sewer) FUND 0202

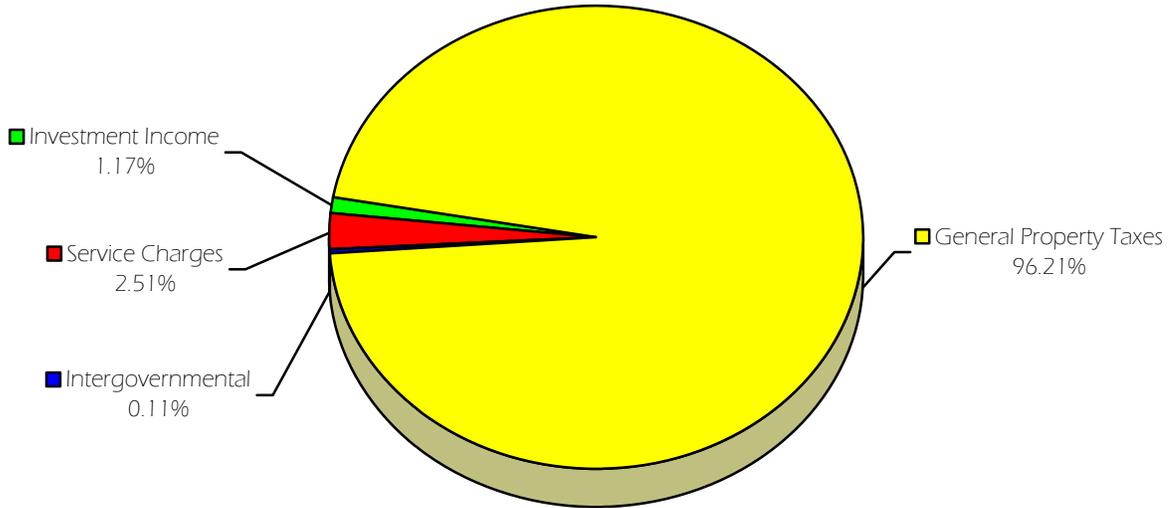
SCHEDULE OF EXPENDITURES		STORMWATER (SEWER) FUND 0202				
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Changes
Engineering						
250-2300	Drainage	\$376,433	\$396,767	\$419,966	\$425,243	12.57%
250-2600	Stormwater	134,291	151,514	237,402	283,643	19.48%
Total Engineering		\$510,724	\$548,281	\$657,368	\$708,886	7.84%
Public Services						
260-3210	Sewer Maintenance	2,725,531	2,718,387	2,849,752	3,240,670	13.72%
260-3710	Other Maintenance/Repairs	0	0	0	5,000	100.00%
Total Public Services		\$2,725,531	\$2,718,387	\$2,849,752	\$3,245,670	13.89%
Non-Categorical						
590-2000	Contingency	0	0	0	0	N/A
590-3000	Non-Categorical	188,751	205,546	193,677	187,983	-2.94%
590-4000	Interfund Transfers	2,331,877	529,668	646,913	639,280	-1.18%
Total Non-Categorical		\$2,520,628	\$735,214	\$840,590	\$827,263	-1.59%
Total Sewer Fund		\$5,756,883	\$4,001,882	\$4,347,710	\$4,781,819	9.98%

*Unaudited

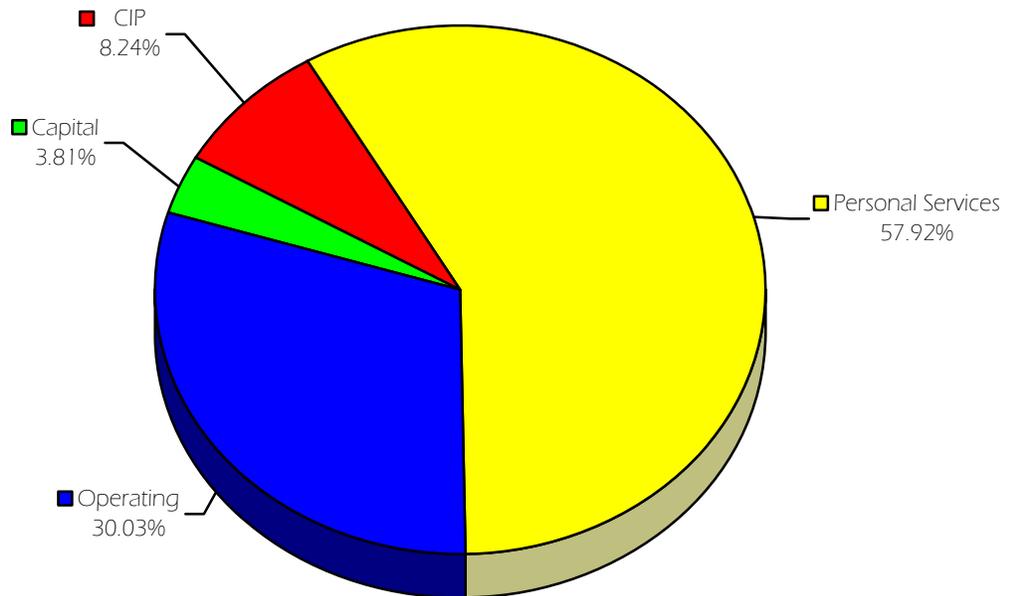
OVERVIEW / PAVING FUND 0203

Paving Fund \$13,676,754

Budget by Revenue Source



Budget by Category



The Paving Fund accounts for maintenance of and improvements to the City's roads and bridges.

OVERVIEW / PAVING FUND 0203

SCHEDULE OF REVENUES

PAVING FUND 0203

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>TAXES</u>						
General Property Taxes						
4001	Real Property - Current Year	\$9,341,746	\$9,819,883	\$10,187,504	\$11,423,936	12.14%
4002	Public Utility	10,757	0	22,405	0	N/A
4003	Timber	0	0	59	0	N/A
4005	Personal Property - Current Year	1,843,669	1,860,866	1,850,028	0	-100.00%
4006	Personal Prop - Motor Vehicle	1,212,327	1,186,980	1,113,814	1,119,945	0.55%
4007	Mobile Homes	32,344	25,927	21,272	5,147	-75.80%
4012	Not On Digest - Real & Personal	49,313	58,123	36,098	41,937	16.18%
4015	Recording Intangibles	337,281	259,481	210,615	200,000	-5.04%
	Subtotal	\$12,827,437	\$13,211,260	\$13,441,795	\$12,790,965	-7.82%
Penalties and Interest						
4150	Penalties & Interest - Ad Valorem	226,620	304,208	245,868	279,000	13.48%
4151	Penalties & Interest - Auto	74,268	73,847	70,933	69,000	-2.73%
	Subtotal	\$300,888	\$378,055	\$316,801	\$348,000	9.85%
	TOTAL TAXES	\$13,128,325	\$13,589,315	\$13,758,596	\$13,138,965	-4.50%
<u>INTERGOVERNMENTAL</u>						
4377	Sale of Timber	0	0	0	0	N/A
4400	Payment Lieu of Taxes -Housing Authority	17,474	13,078	15,094	15,094	N/A
	TOTAL INTERGOVERNMENTAL	\$17,474	\$13,078	\$15,094	\$15,094	N/A
<u>CHARGES FOR SERVICES</u>						
Charges for Services						
4837	Miscellaneous	1,331	1,394	5,262	0	-100.00%
	Subtotal	\$1,331	\$1,394	\$5,262	\$0	-100.00%
Special Assessments						
4593	Street Repair Reimbursement	23,385	18,836	35,286	19,800	-43.89%
4595	Street Assess & Demo Interest	0	0	0	0	N/A
	Subtotal	\$23,385	\$18,836	\$35,286	\$19,800	-43.89%
State Road Maintenance Fee						
4597	Maintaining State Highways	342,895	342,895	343,470	342,895	-.17%
	Subtotal	\$342,895	\$342,895	\$343,470	\$342,895	-.17%
Other Fees						
4599	Public Service Clean-Up Fees	0	0	0	0	N/A
	Subtotal	0	0	0	0	N/A
	TOTAL CHARGES FOR SERVICES	\$367,611	\$363,125	\$384,018	\$362,695	0.32%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	20,544	30,051	-41,250	0	-100.00%
4780	Investment Interest	252,148	271,084	244,429	160,000	-34.54%
	TOTAL INVESTMENT INCOME	\$272,692	\$301,135	\$203,179	\$160,000	-21.25%
	Total Paving Fund	\$13,786,102	\$14,266,653	\$14,360,887	\$13,676,754	-4.76%

*Unaudited

OVERVIEW / PAVING FUND 0203

SCHEDULE OF EXPENDITURES

PAVING FUND 0203

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Engineering					
250-2200 Highways and Roads	\$940,658	\$998,254	\$932,577	\$1,070,256	14.76%
Total Engineering	\$940,658	\$998,254	\$932,577	\$1,070,256	14.76%
Public Services					
260-2100 Street Improvements	1,918,783	2,166,991	1,897,615	2,354,617	24.08%
260-2800 Landscape and Forestry	2,077,590	2,096,290	2,055,636	0	-100.00%
260-3110 Repairs and Maintenance	2,042,863	2,161,768	2,387,584	2,353,090	-1.44%
260-3120 Right-Of-Way Maintenance	2,694,695	3,127,710	2,910,900	5,696,796	95.71%
260-3130 Community Services: Right-Of-Way Maintenance	197,256	217,695	221,485	229,241	3.50%
260-3710 Other Maintenance/Repairs	401	1,132	0	5,000	100.00%
Total Public Services	\$8,931,588	\$9,771,586	\$9,473,220	\$10,638,744	12.30%
Non-Categorical					
590-2000 Contingency	0	0	0	0	N/A
590-3000 Non-Categorical	650,060	557,313	570,513	605,063	6.06%
590-4000 Interfund Transfers	2,474,058	1,842,512	1,557,266	1,362,691	-12.49%
Total Non-Categorical	\$3,124,118	\$2,399,825	\$2,127,779	\$1,967,754	-7.52%
Total Paving Fund	\$12,996,364	\$13,169,665	\$12,533,576	\$13,676,754	9.12%

*Unaudited

OVERVIEW / MEDICAL CENTER FUND 0204

Medical Center Fund \$12,606,257

The Medical Center Fund accounts for funding indigent hospital care for the residents of Columbus. It is funded by contract based on the value of a 3.00 mill levy.

<u>SCHEDULE OF REVENUES</u>		<u>MEDICAL CENTER FUND 0204</u>				
		FY08 Actual	FY09 Actual	FY10* Actual	FY11 Adopted	% Change
<u>TAXES</u>						
General Property Taxes						
4001	Real Property - Current Year	\$8,851,528	\$9,317,259	\$9,683,155	\$11,489,237	20.05%
4003	Timber	510	75	193	0	-100.00%
4005	Personal Property - Current Year	1,747,476	1,765,696	1,758,442	0	-100.00%
4006	Personal Prop - Motor Vehicle	1,127,294	1,104,582	1,035,910	1,117,020	1.13%
4007	Mobile Homes	28,986	23,237	19,064	0	-100.00%
TOTAL TAXES		\$11,755,794	\$12,210,849	\$12,496,764	\$12,606,257	0.91%
<u>OTHER FINANCING SOURCES</u>						
Interfund Transfers In						
4931	Transfer In - General Fund	0	0	0	0	N/A
Subtotal		\$0	\$0	\$0	\$0	N/A
TOTAL OTHER FINANCING SOURCES		\$0	\$0	\$0	\$0	N/A
Total Medical Center Fund		\$11,755,794	\$12,210,849	\$12,496,764	\$12,606,257	0.91%

*Unaudited

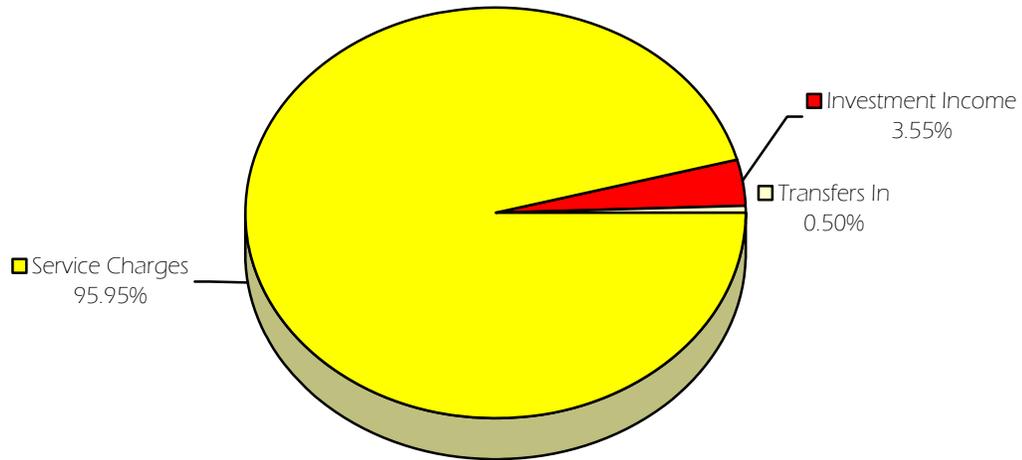
<u>SCHEDULE OF EXPENDITURES</u>		<u>MEDICAL CENTER FUND 0204</u>				
		FY08 Actual	FY09 Actual	FY10* Actual	FY11 Adopted	% Changes
Medical Center						
200-3000	Medical Center	\$12,289,363	\$13,224,671	\$12,688,954	\$12,606,257	-6.04%
Total Medical Center		\$12,289,363	\$13,224,671	\$12,688,954	\$12,606,257	-6.04%
Total Medical Center Fund		\$12,289,363	\$13,224,671	\$12,688,954	\$12,606,257	-6.04%

*Unaudited

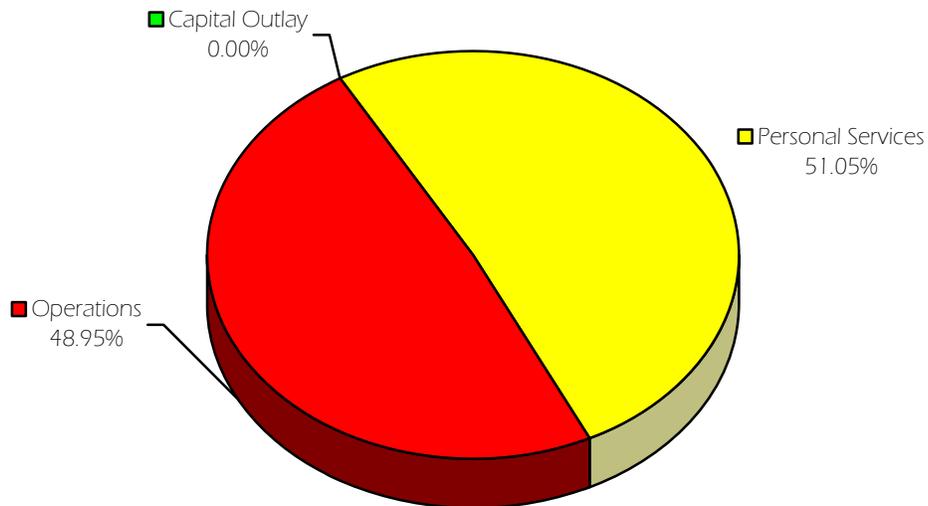
OVERVIEW / INTEGRATED WASTE MANAGEMENT FUND 0207

Integrated Waste Management Fund \$9,864,049

Budget by Revenue Source



Budget by Expense Category



The Integrated Waste Management Fund accounts for the expenses associated with the collection and disposal of solid waste and recycling in Muscogee County.

OVERVIEW / INTEGRATED WASTE MANAGEMENT FUND 0207

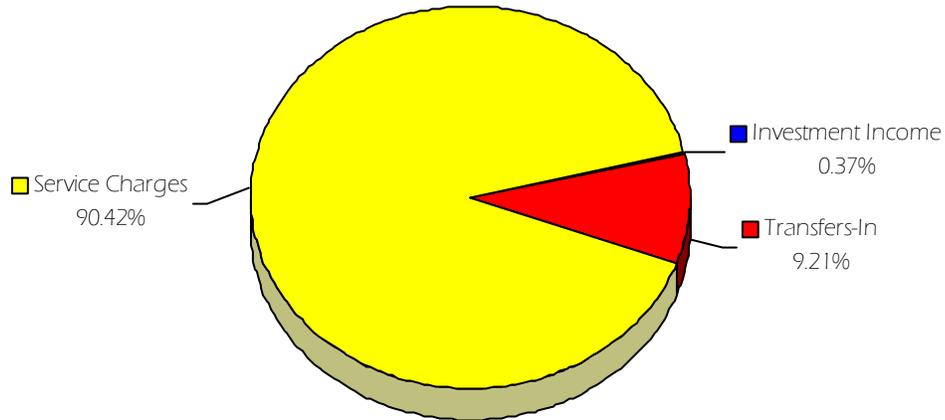
<u>SCHEDULE OF REVENUES</u>		<u>INTEGRATED WASTE MANAGEMENT FUND 0207</u>				
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>CHARGES FOR SERVICE</u>						
Sanitation						
4550	Inert Landfill Fees - Granite Bluff	\$125,029	\$79,706	\$84,549	\$48,000	-43.23%
4552	Commercial Solid Waste Collection Fees	78,855	81,497	68,820	72,485	5.33%
4553	Residential Solid Waste Collection	9,130,561	9,141,968	9,102,918	9,083,000	-0.22%
4556	Inert Landfill Fees - Oxbow Mead	12,485	21,083	5,792	9,175	58.41%
4557	Pine Grove Landfill	447,591	217,090	195,232	174,051	-10.85%
	Subtotal	\$9,794,521	\$9,541,344	\$9,475,311	\$9,386,711	-0.94%
Other Fees						
4558	Recycling Fees	35,501	7,858	108,685	50,000	-54.00%
4588	Tree Fee	30,211	24,948	35,982	28,000	-4.15%
	Subtotal	\$65,712	\$32,806	\$144,667	\$78,000	3.32%
Charges for Services						
4837	Miscellaneous	885	588	686	0	-100.00%
	Subtotal	\$885	\$588	\$686	\$0	-100.00%
TOTAL CHARGES FOR SERVICES		\$9,861,118	\$9,574,738	\$9,620,664	\$9,464,711	-1.47%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	82,251	98,972	-54,232	0	N/A
4780	Investment Interest	442,063	557,601	487,684	350,000	-79.35%
TOTAL INVESTMENT INCOME		\$524,314	\$656,573	\$433,452	\$350,000	-82.46%
<u>OTHER FINANCING SOURCES</u>						
4906	Property Sales	0	0	0	0	N/A
4908	Gain Sale Of Assets	(38,749)	33,345	0	0	N/A
TOTAL OTHER FINANCING SOURCES		(\$38,749)	\$33,345	\$0	\$0	N/A
Transfers In						
4931	Transfer in General Fund	0	0	330,514	49,338	100.00%
Total Integrated Waste Management Fund		\$10,346,683	\$10,264,656	\$10,384,630	\$9,864,049	-3.04%

*Unaudited

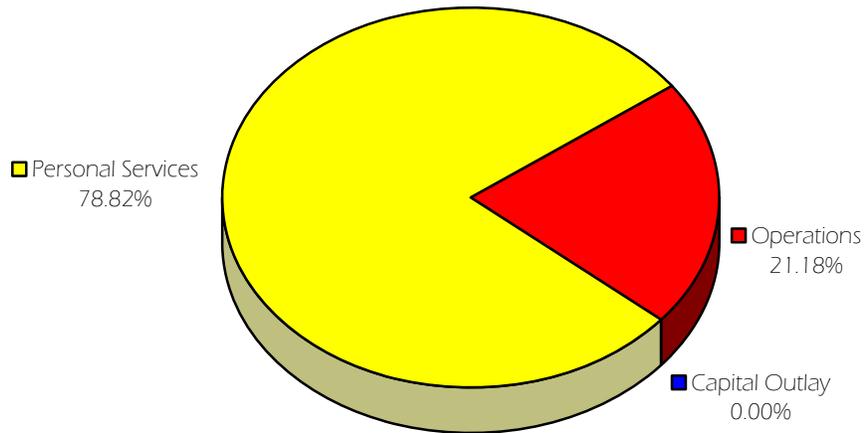
OVERVIEW / EMERGENCY TELEPHONE FUND 0209

Emergency Telephone Fund \$3,264,640

Budget by Revenue Source



Budget by Expense Category



The Emergency Telephone Fund accounts for expenses for the Emergency 911 System that ensures public safety departments respond quickly to emergency situations.

OVERVIEW / EMERGENCY TELEPHONE FUND 0209

SCHEDULE OF REVENUES

EMERGENCY TELEPHONE FUND 0209

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
CHARGES FOR SERVICE					
4500 Emergency Telephone Surcharge	\$1,499,197	\$1,454,811	\$1,421,304	\$1,372,000	-3.47%
4514 Wireless Surcharge	1,509,394	1,448,315	1,574,565	1,580,000	0.35%
TOTAL CHARGES FOR SERVICE	\$3,008,591	\$2,903,126	\$2,995,869	\$2,952,000	-1.46%
INVESTMENT INCOME					
4772 Gains/Losses on Investments	0	0	7,813	0	-100.00%
4780 Investment Interest	20,970	4,248	22,429	12,000	-46.50%
TOTAL INVESTMENT INCOME	\$20,970	\$4,248	\$30,242	\$12,000	-60.32%
OTHER FINANCING SOURCES					
Interfund Transfers In					
4931 Transfer In - General Fund	0	0	0	300,640	100.00%
Subtotal	\$0	\$0	\$0	\$300,640	100.00%
TOTAL OTHER FINANCING SOURCES	\$0	\$0	\$0	\$300,640	100.00%
Total Emergency Telephone Fund	\$3,029,561	\$2,907,374	\$3,026,111	\$3,264,640	7.88%

*Unaudited

SCHEDULE OF EXPENDITURES

EMERGENCY TELEPHONE FUND 0209

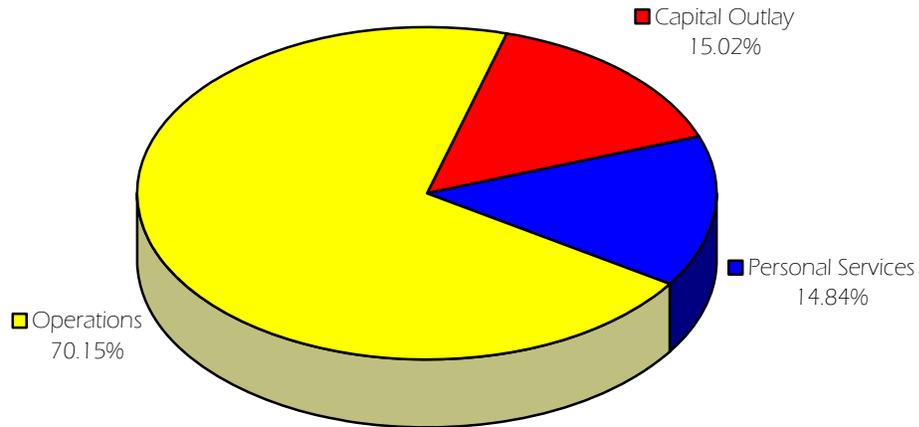
	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
E-911					
400-3220 E-911	\$3,464,279	\$2,763,663	\$3,388,400	\$3,264,640	-3.65%
Total E-911	\$3,464,279	\$2,763,663	\$3,388,400	\$3,264,640	-3.65%
Non-Categorical					
590-2000 Contingency	0	0	0	0	N/A
590-3000 Non-Categorical	0	0	0	0	N/A
Total Non-Categorical	\$0	\$0	\$0	\$0	N/A
Total Emergency Telephone Fund	\$3,464,279	\$2,763,663	\$3,388,400	\$3,264,640	-3.65%

*Unaudited

OVERVIEW / CDBG FUND 0210

CDBG Fund \$1,959,970

Budget by Expense Category



The Community Development Block Grant (CDBG) Fund accounts for grant monies received from the Department of Housing and Urban Development under the Community Development Block Grant Program.

SCHEDULE OF REVENUES

CDBG FUND 0210

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
099	Community Development Block Grant (CDBG)	\$1,561,962	\$878,074	\$1,892,542	\$1,959,970	3.56%
Total CDBG Fund		\$1,561,962	\$878,074	\$1,892,542	\$1,959,970	3.56%

*Unaudited

SCHEDULE OF EXPENDITURES

CDBG FUND 0210

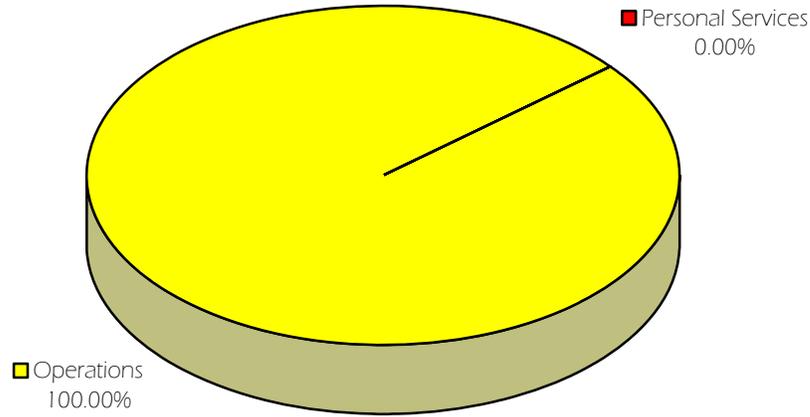
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
130	Community Development Block Grant (CDBG)	\$3,360,168	\$803,611	\$2,013,225	\$1,959,970	-2.65%
Total CDBG Fund		\$3,360,168	\$803,611	\$2,013,225	\$1,959,970	-2.65%

*Unaudited

OVERVIEW / WORKFORCE INVESTMENT ACT FUND 0220

Workforce Investment Act (WIA) Fund \$1,525,740

Budget by Expense Category



The Workforce Investment Act Program Fund accounts for grant monies received from the Department of Labor under the Job Training Partnership Act.

SCHEDULE OF REVENUES WORKFORCE INVESTMENT ACT FUND 0220

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
099 Workforce Investment Act (WIA)	\$1,698,871	\$2,147,046	\$3,195,478	\$1,525,740	-52.25%
Total WIA Fund	\$1,698,871	\$2,147,046	\$3,195,478	\$1,525,740	-52.25%

*Unaudited

SCHEDULE OF EXPENDITURES WORKFORCE INVESTMENT ACT FUND 0220

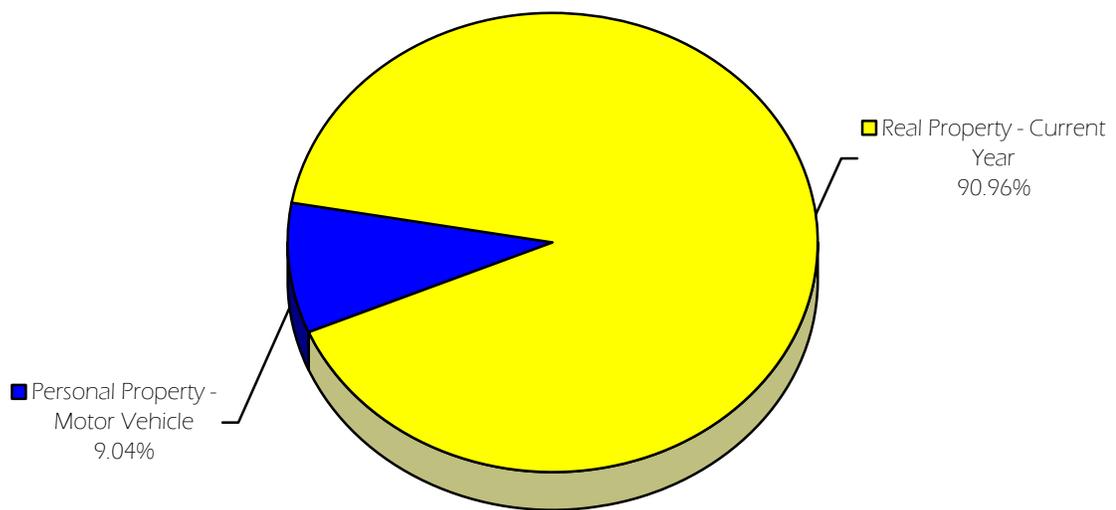
	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
670, 675 & 680 Workforce Investment Act (WIA)	\$1,698,871	\$2,147,046	\$3,195,478	\$1,525,740	-52.25%
Total WIA Fund	\$1,698,871	\$2,147,046	\$3,195,478	\$1,525,740	-52.25%

*Unaudited

OVERVIEW / ECONOMIC DEVELOPMENT AUTHORITY FUND 0230

Economic Development Authority Fund \$ 1,008,501

Budget by Revenue Source



The Economic Development Authority Fund accounts for funds utilized in economic development activities for the citizens of the City of Columbus. It is budgeted on the anticipated collection rate of 0.25 mills.

OVERVIEW / ECONOMIC DEVELOPMENT AUTHORITY FUND 0230

SCHEDULE OF REVENUES

ECONOMIC DEVELOPMENT AUTHORITY FUND 0230

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Actual	% Change
TAXES						
General Property Taxes						
4001	Real Property - Current Year	737,627	776,438	806,930	917,301	13.68%
4003	Timber	42	6	16	0	-100.00%
4005	Personal Property - Current Year	145,623	147,141	146,537	0	-100.00%
4006	Personal Prop - Motor Vehicle	93,941	92,048	86,326	91,200	5.65%
4007	Mobile Homes	2,415	1,936	1,589	0	-100.00%
TOTAL TAXES		\$979,648	\$1,017,569	\$1,041,398	\$1,008,501	-3.16%
Total Economic Development Authority Fund		\$979,648	\$1,017,569	\$1,041,398	\$1,008,501	-3.16%

*Unaudited

SCHEDULE OF EXPENDITURES

ECONOMIC DEVELOPMENT AUTHORITY FUND 0230

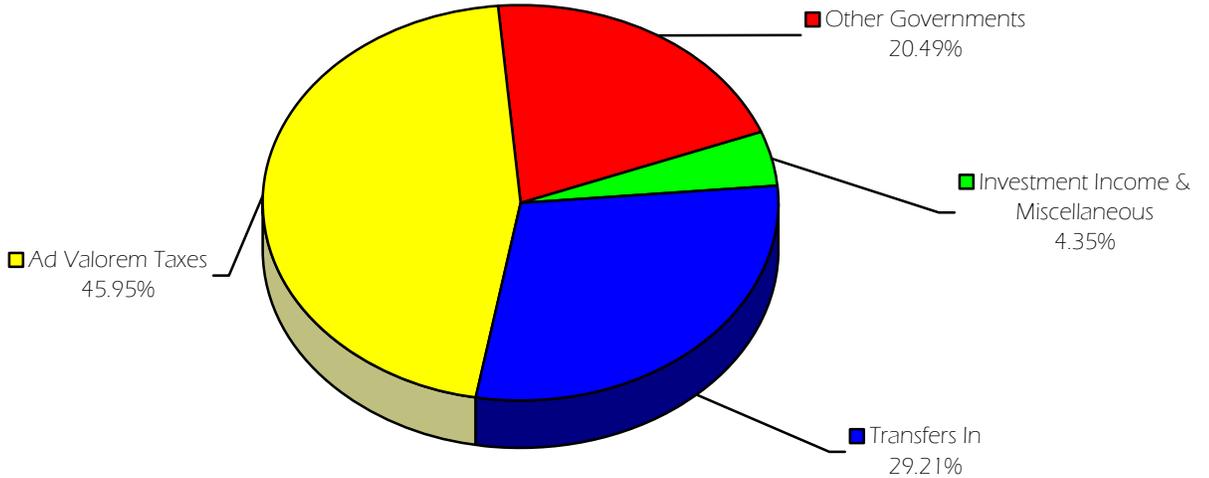
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Actual	% Change
Non-Categorical						
590-1000	Agency Appropriations	\$941,421	\$1,022,010	\$1,025,263	\$1,008,501	-1.63%
Total Non-Categorical		\$941,421	\$1,022,010	\$1,025,263	\$1,008,501	-1.63%
Total Economic Development Authority Fund		\$941,421	\$1,022,010	\$1,025,263	\$1,008,501	-1.63%

*Unaudited

OVERVIEW / DEBT SERVICE FUND 0405

Debt Service Fund \$10,584,797

Budget by Revenue Source



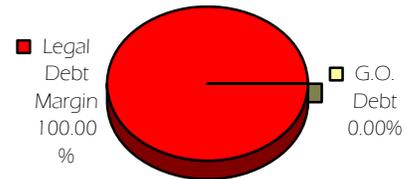
Debt Margin

The Columbus Consolidated Government remains below the debt ceiling of 10% of assessed value of taxable property established by the State of Georgia's constitution using 0% of this established legal debt limit.

Computation of Legal Debt Margin
For Fiscal Year Ending June 30, 2009

Assessed value of taxable property*	\$ 4,502,105,591
Debt Limit: 10% of assessed value	450,210,559
Less: Amount of debt applicable to debt limit	0
 Legal Debt Margin	 \$450,210,559

Debt Margin Limit



*Based on 2010 State Approved Gross Digest as of 08/02/10

The Debt Service Fund accounts for debt payments to meet the obligations for revenue bonds.

OVERVIEW / DEBT SERVICE FUND 0405

SCHEDULE OF REVENUES

DEBT SERVICE FUND 0405

		FY08	FY09	FY10	FY11	%
		Actual	Actual	Actual*	Adopted	Change
<u>TAXES</u>						
General Property Taxes						
4001	Real Property - Current Year	\$4,102,572	\$4,289,560	\$3,908,344	\$4,651,322	19.01%
4002	Public Utility	4,573	0	8,596	0	-100.00%
4003	Timber	209	31	70	0	-100.00%
4005	Personal Property - Current Year	797,871	814,399	709,750	0	-100.00%
4006	Personal Prop - Motor Vehicle	462,191	452,878	372,918	0	-100.00%
4007	Mobile Homes	11,884	9,527	6,863	0	-100.00%
4012	Not On Digest - Real & Persona	21,341	25,437	13,849	12,500	-9.74%
4015	Recording Intangibles	145,962	113,560	80,801	90,848	12.43%
	Subtotal	\$5,546,603	\$5,705,392	\$5,101,191	\$4,754,670	-6.79%
Penalties and Interest						
4150	Penalties & Interest - Ad Valorem	98,073	133,135	94,325	86,538	-8.26%
4151	Penalties & Interest - Auto	28,314	28,175	23,749	22,540	-5.09%
	Subtotal	\$126,387	\$161,310	\$118,074	\$109,078	-7.62%
TOTAL TAXES		\$5,672,990	\$5,866,702	\$5,219,265	\$4,863,748	-6.81%
<u>INTERGOVERNMENTAL</u>						
4305	BABs Subsidy	0	0	0	1,404,726	N/A
	Payment Lieu Taxes Housing					
4400	Auth	7,562	5,724	5,791	5,000	-13.66%
4415	Columbus Water Works	658,170	659,054	660,379	664,049	0.56%
4425	Bull Creek Golf Course	93,455	93,839	94,457	94,625	0.18%
TOTAL INTERGOVERNMENTAL		\$759,187	\$758,617	\$760,627	\$2,168,400	185.08%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	0	0	0	0	N/A
4780	Investment Interest	164,281	11,687	4,517	19,000	320.63%
TOTAL INVESTMENT INCOME		164,281	11,687	4,517	19,000	320.63%
<u>MISCELLANEOUS</u>						
4837	Miscellaneous	456,236	527,880	432,972	441,632	2.00%
TOTAL MISCELLANEOUS		\$456,236	\$527,880	\$432,972	\$441,632	2.00%
<u>INTERFUND TRANSFERS IN</u>						
4989	Transfers In - 2001 Co	4,043	1,000,000	4,360,000	0	-100.00%
4998	Transfers In - Other LOST	0	0	0	3,092,017	N/A
TOTAL INTERFUND TRANSFERS IN		\$4,043	\$1,000,000	\$4,360,000	\$3,092,017	-29.08%
Total Debt Service Fund		\$7,056,737	\$8,164,886	\$10,777,381	\$10,584,797	-1.79%

*Unaudited

OVERVIEW / DEBT SERVICE FUND 0405

SCHEDULE OF EXPENDITURES

DEBT SERVICE FUND 0405

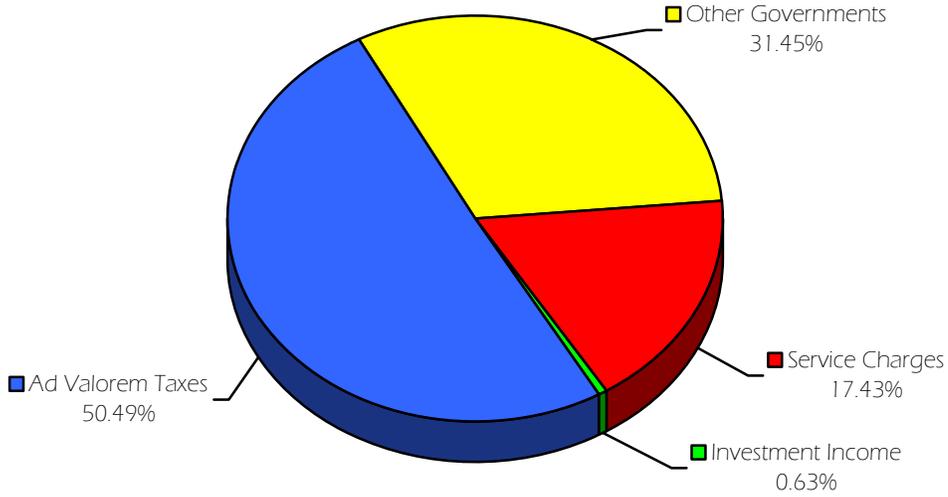
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Debt Service						
200-2000	Debt Service	\$0	\$0	\$0	\$0	N/A
200-2800	Water & Sewer Revenue Bonds	535,622	534,853	532,422	534,141	0.32%
200-3450	1997A Lease Revenue Bonds	668,339	664,976	5,005,320	0	-100.00%
200-3470	1999A Lease Revenue Refunding Bonds	1,163,030	1,163,830	1,168,030	1,174,365	0.54%
200-3472	1999C Lease Revenue Bonds	909,219	908,435	905,886	906,390	0.06%
200-3474	2003A Lease Revenue Bond	2,024,467	2,026,860	2,032,889	2,031,323	-0.08%
200-3475	2003B Taxable Lease Revenue Bond	752,339	752,989	753,089	752,639	-0.60%
200-3476	2004 Lease Revenue Bonds	0	500	0	0	-100.00%
200-3477	2010A Lease Rev Bonds	0	0	0	1,205,579	N/A
200-3478	2010B Taxable Lease Rev Bonds	0	0	0	3,864,365	N/A
200-3479	2010C Lease Rev Bonds	0	0	0	115,995	N/A
200-3610	GMA Loan Program	594,480	2,181,764	0	0	-0.00%
Total Debt Service		6,647,496	8,234,207	10,397,636	10,584,797	1.80%
Total Debt Service Fund		\$6,647,496	\$8,234,207	\$10,397,636	\$10,584,797	1.80%

*Unaudited

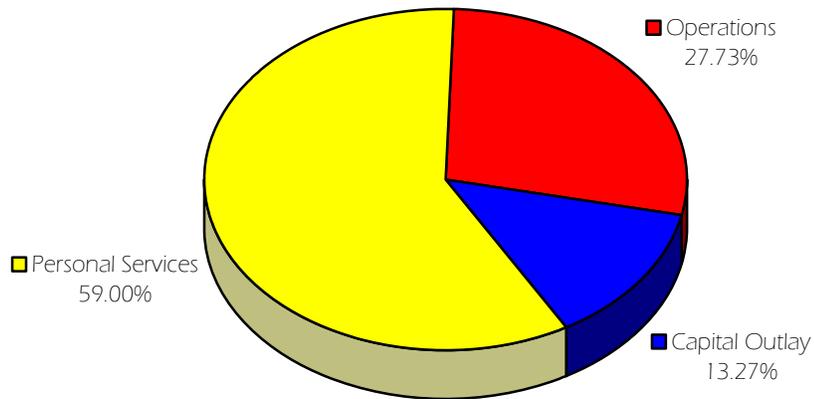
OVERVIEW / TRANSPORTATION FUND 0751

Transportation Fund \$6,154,962

Budget by Revenue Source



Budget by Expense Category



The Transportation Fund accounts for all expenses related to METRA, including administration and operations.

OVERVIEW / TRANSPORTATION FUND 0751

SCHEDULE OF REVENUES

TRANSPORTATION FUND 0751

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>TAXES</u>						
General Property Taxes						
4001	Real Property - Current Year	\$2,411,483	\$2,574,827	\$2,646,729	\$2,563,064	-3.16%
4003	Timber	139	20	53	0	-100.00%
4005	Personal Property - Current Year	477,643	482,624	480,641	0	-100.00%
4006	Personal Prop - Motor Vehicle	308,127	301,919	283,149	260,738	-7.91%
4007	Mobile Homes	7,923	6,352	5,211	0	-100.00%
TOTAL TAXES		\$3,205,315	\$3,365,742	\$3,415,783	\$2,823,802	-17.33%
<u>INTERGOVERNMENTAL</u>						
4301	FTA Capital Grant	1,543,095	932,529	1,417,972	1,306,540	-7.86%
4302	FTA Section 9 - Planning	120,279	129,697	133,392	200,748	50.49%
4330	Dot Capital Grant	220,678	573,909	191,821	163,317	-14.86%
4337	Dot Section 9 - Planning	74,071	75,422	74,577	84,701	13.58%
4400	Payment Lieu Taxes Housing Auth	4,527	3,392	3,921	3,921	0.00%
TOTAL INTERGOVERNMENTAL		\$1,962,650	\$1,714,949	\$1,821,683	1,759,227	-3.43%
<u>CHARGES FOR SERVICE</u>						
Charges for Service						
4837	Miscellaneous	343	877	743	0	-100.00%
	Subtotal	\$343	\$877	\$743	\$0	-100.00%
Transit Charges						
4560	Subscription Farebox Revenue	8,521	24,235	49,492	15,000	-69.69%
4561	Passenger Services	894,718	910,805	877,166	870,000	-8.2%
4562	Dial-A-Ride	50,107	61,548	75,242	70,000	-6.97%
4563	Advertising	4,566	16,100	11,680	10,000	-14.38%
4564	Misc. Transportation Revenue	775	446	1,085	0	-100.00%
	Subtotal	\$958,687	\$1,013,134	\$1,014,665	\$965,000	-4.89%
Other Fees						
4540	Handicap I.D. Fees	11,686	11,181	10,783	10,000	-7.26%
4558	Recycling Fees	377	350	0	0	0.00%
	Subtotal	\$12,063	\$11,531	\$10,783	\$10,000	-7.26%
TOTAL CHARGES FOR SERVICE		\$970,750	\$1,037,345	\$1,026,191	\$975,000	-4.99%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses on Investments	0	(11,105)	310	0	-100.00%
4780	Investment Interest	45,607	31,399	53,521	35,000	-34.61%
TOTAL INVESTMENT INCOME		\$45,607	\$20,294	\$53,831	\$35,000	-34.98%
<u>MISCELLANEOUS</u>						
4906	Property Sales	120	(12,550)	0	0	N/A
4908	Gain Sale of Assets	(4,755)	(8,132)	7,227	0	N/A
TOTAL MISCELLANEOUS		\$(4,635)	\$(20,682)	\$7,227	\$0	N/A
TOTAL Revenue		\$6,180,030	\$6,105,845	\$6,324,715	\$5,593,029	-11.57%

OVERVIEW / TRANSPORTATION FUND 0751

SCHEDULE OF EXPENDITURES

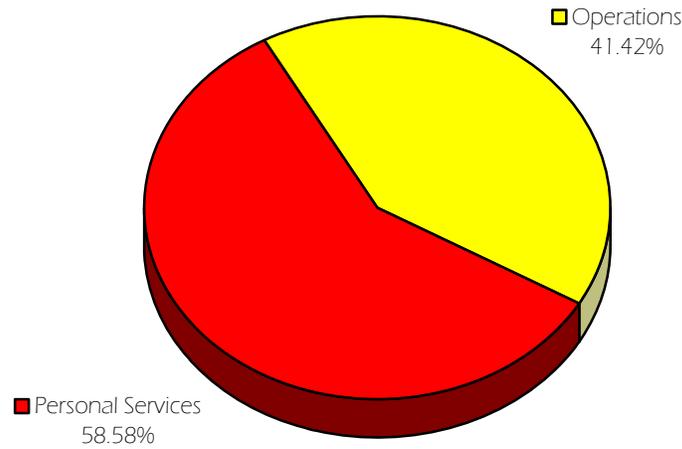
TRANSPORTATION FUND 0751

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Public Services						
260-3710	Other Maintenance/Repairs	\$0	\$0	\$3,150	\$12,000	280.95%
Total Public Services		\$0	\$0	\$3,150	\$12,000	280.95%
Non-Departmental						
590-2000	Contingency	0	0	0	0	N/A
590-3000	Non-Categorical	85,691	125,392	108,645	142,750	31.39%
590-4000	Interfund Transfers	115,000	115,000	115,000	104,346	-9.26%
Total Non-Departmental		\$200,691	\$240,392	\$223,645	\$247,096	10.49%
METRA						
610-1000	Director	148,076	166,167	170,415	164,161	-3.67%
610-2100	Operations	1,770,442	1,911,524	1,986,753	2,098,040	5.60%
610-2200	Maintenance	1,369,338	1,323,974	1,296,753	1,383,189	6.67%
610-2300	Dial-A-Ride	229,833	244,034	260,437	272,134	4.49%
610-2400	FTA	900,831	733,674	717,498	1,633,175	127.62%
610-2900	Charter Services	15,255	25,118	22,117	28,000	26.60%
610-3410	Planning-FTA (5303)	65,594	65,268	64,858	66,232	2.12%
610-3420	Planning-FTA(5307)	150,348	162,121	168,531	250,935	48.90%
610-3430	Planning-FTA (5340)	0	0	111,807	0	-100.00%
Total METRA		\$4,649,717	\$4,631,880	\$4,799,169	\$5,895,866	22.85%
Total Expenditures		\$4,850,408	\$4,872,272	\$5,025,964	\$6,154,962	22.46%

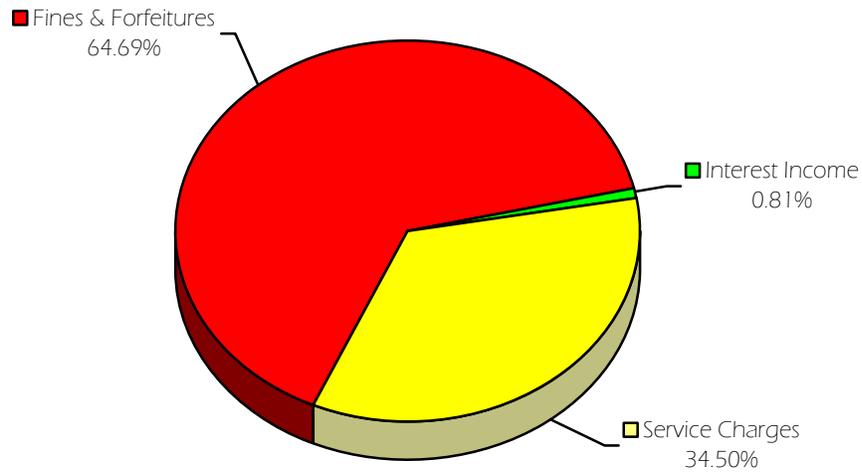
OVERVIEW / PARKING MANAGEMENT FUND 0752

Parking Management Fund \$330,866

Budget by Expense Category



Budget by Revenue Source



The Parking Management Fund accounts for all expenses related to Columbus' Uptown Parking District, including parking and enforcement.

OVERVIEW / PARKING MANAGEMENT FUND 0752

SCHEDULE OF REVENUES

PARKING MANAGEMENT FUND 0752

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>CHARGES FOR SERVICE</u>						
4568	Parking Fees	\$36,572	\$38,613	\$33,741	\$35,000	3.73%
4569	Public Parking Fees	29,207	32,693	31,297	29,000	-7.34%
TOTAL CHARGES FOR SERVICE		\$65,779	\$71,306	\$65,038	\$64,000	-1.60%
<u>FINES AND FORFEITURES</u>						
4752	Parking Violations Tickets	160,648	141,907	141,267	120,000	-15.06%
TOTAL FINES AND FORFEITURES		\$160,648	\$141,907	\$141,267	\$120,000	-15.06%
<u>INVESTMENT INCOME</u>						
4772	Gains/Losses On Investments	-255	-394	0	0	-100.00%
4780	Investment Interest	14,604	6,200	1,489	1,500	0.74%
TOTAL INVESTMENT INCOME		\$14,349	\$5,806	\$1,489	\$1,500	0.74%
Total Parking Management Fund		\$240,776	\$219,019	\$207,794	\$185,500	-10.73%

*Unaudited

SCHEDULE OF EXPENDITURES

PARKING MANAGEMENT FUND 0752

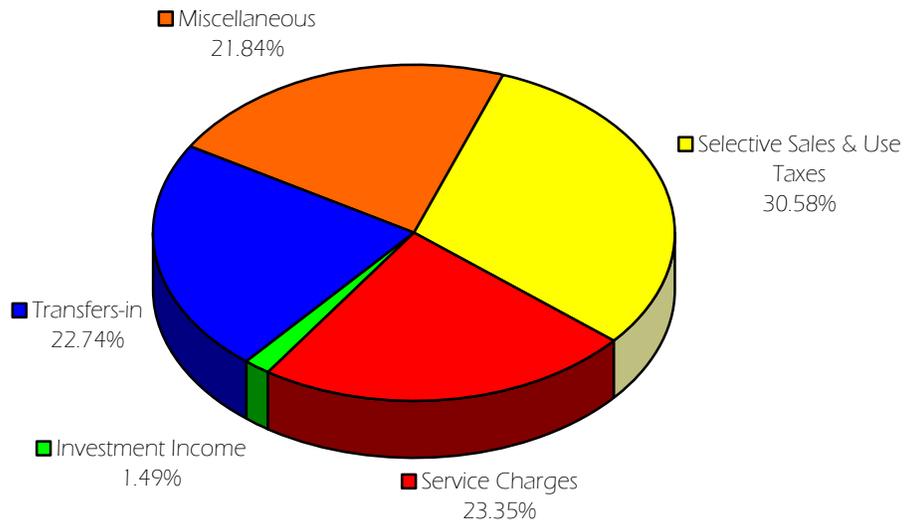
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Changes
Non-Departmental						
590-2000	Contingency	\$0	\$0	\$0	\$0	N/A
590-3000	Non-Categorical	13,900	13,328	13,519	8,091	-40.15%
Total Non-Departmental		\$13,900	\$13,328	\$13,519	\$8,091	-40.15%
Parking Management						
610-2800	Parking Management	333,164	276,903	312,762	322,775	3.20%
Total Parking Management		\$333,164	\$276,903	\$312,762	\$322,775	3.20%
Total Parking Management Fund		\$347,064	\$290,231	\$326,281	\$330,866	1.41%

*Unaudited

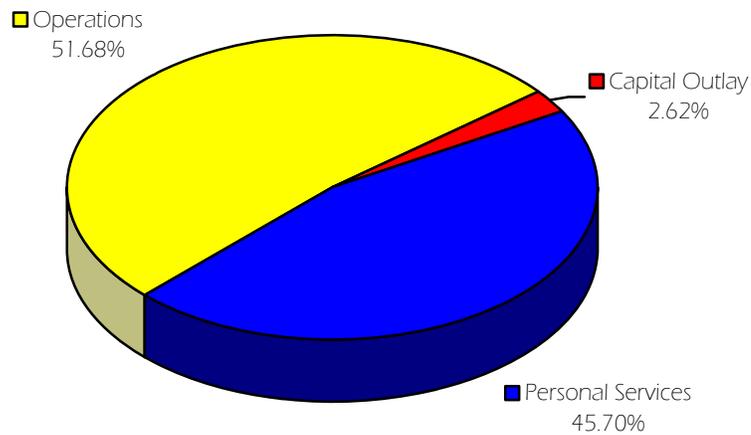
OVERVIEW / COLUMBUS IRON WORKS TRADE
& CONVENTION CENTER FUND 0753

Columbus Iron Works Trade & Convention Center Fund
\$2,749,438

Budget by Revenue Source



Budget by Expense Category



The Columbus Ironworks Convention & Trade Center Fund provides for the administration, operation, and maintenance of the Columbus Ironworks Convention and Trade Center.

OVERVIEW / COLUMBUS IRON WORKS TRADE
& CONVENTION CENTER FUND 0753

COLUMBUS IRON WORKS TRADE
SCHEDULE OF REVENUES & CONVENTION CENTER FUND 0753

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>SELECTIVE SALES & USE TAXES</u>					
4052 Beer Tax	\$780,949	\$787,904	\$765,933	\$818,500	6.86%
TOTAL SELECTIVE SALES & USE TAXES	\$780,949	\$787,904	\$765,933	\$818,500	6.86%
<u>CHARGES FOR SERVICE</u>					
Charges for Service					
4568 Parking Fees	4,904	6,121	13,180	15,000	13.81%
4837 Miscellaneous	16,508	23,156	29,211	40,000	36.93%
Subtotal	\$21,412	\$29,277	\$42,391	\$55,000	29.74%
Trade Center Operations					
4580 Convention Services Revenue	5,968	9,841	30,909	35,000	13.24%
4581 Food Service Contract - Events	603,568	650,619	526,778	575,000	9.15%
Subtotal	\$609,536	\$660,460	\$557,687	\$610,000	9.38%
Other Charges for Services					
4827 Outside Personnel Services	225	437	510	0	-100.00%
4828 Copy Work	933	1,019	417	500	19.90%
Subtotal	\$1,158	\$1,456	\$927	\$500	-46.07%
TOTAL CHARGES FOR SERVICE	\$632,106	\$691,193	\$601,005	\$665,500	10.73%
<u>INVESTMENT INCOME</u>					
4772 Gains/Losses on Investments	0	0	310	0	-100.00%
4780 Investment Interest	74,096	35,693	53,762	40,000	-25.60%
TOTAL INVESTMENT INCOME	\$74,096	\$35,693	\$54,072	\$40,000	-26.02%
<u>MISCELLANEOUS</u>					
Miscellaneous					
4842 Vendors Comp. - Sales Tax	192	148	137	100	-27.01%
Subtotal	\$192	\$148	\$137	\$100	-27.01%
Rents and Royalties					
4874 Equipment Rental	102,261	94,865	85,633	85,000	-7.4%
4875 Space Rental	381,105	412,698	479,086	459,000	-4.19%
Subtotal	\$483,366	\$507,563	\$564,719	\$544,000	-3.67%
TOTAL MISCELLANEOUS	\$483,558	\$507,711	\$564,856	\$544,100	-3.67%
<u>OTHER FINANCING SOURCES</u>					
INTERFUND TRANSFERS IN					
4943 Transfer In - Hotel/Motel Tax	591,022	611,415	613,673	608,754	-0.80%
Subtotal	\$591,022	\$611,415	\$613,673	\$608,754	-0.80%
Total Trade Center Fund	\$2,561,731	\$2,633,916	\$2,545,467	\$2,676,854	5.16%

*Unaudited

OVERVIEW / COLUMBUS IRON WORKS TRADE
& CONVENTION CENTER FUND 0753

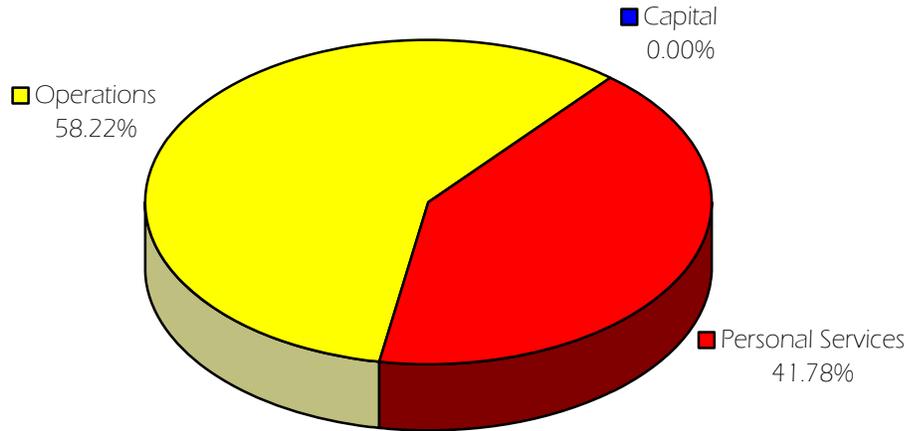
SCHEDULE OF EXPENDITURES		COLUMBUS IRON WORKS TRADE & CONVENTION CENTER FUND 0753				
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Changes
Non-Categorical						
590-2000	Contingency	\$22,000	\$0	\$0	\$0	N/A
590-3000	Non-Categorical	51,570	51,780	45,690	70,987	55.37%
Total Non-Categorical		\$73,570	\$51,780	\$45,690	\$70,987	55.37%
Trade Center						
620-1000	Trade Center	\$548,576	\$572,996	\$592,035	\$626,410	5.81%
620-2100	Sales	198,364	198,611	223,476	242,279	8.41%
620-2200	Operations	445,352	434,740	416,816	548,511	31.60%
620-2300	Building Maintenance	848,959	854,684	873,280	916,958	5.00%
620-2600	Trade Center-Bonded Debt	237,222	234,005	230,679	344,293	49.25%
Total Trade Center		\$2,278,473	\$2,295,036	\$2,336,286	\$2,678,451	14.65%
Total Trade Center Fund		\$2,352,043	\$2,346,816	\$2,381,976	\$2,749,438	15.43%

*Unaudited

OVERVIEW / BULL CREEK GOLF COURSE FUND 0755

Bull Creek Golf Course Fund \$1,643,970

Budget by Expense Category



The Bull Creek Golf Course Fund provides for administration, operation, and maintenance of Bull Creek Golf Course.

SCHEDULE OF REVENUES

BULL CREEK GOLF COURSE FUND 0755

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Approved	% Change
<u>CHARGES FOR SERVICE</u>					
4541 Golf Course Handicap Fees	\$850	\$1,400	\$1,150	\$750	-34.78%
4542 Operations - Golf Course	1,096,877	1,017,925	1,005,598	910,000	-9.51%
4543 Golf Range Fees	30,2936	30,076	29,396	24,145	-17.87%
4544 Snack Bar - Golf Course	161,763	141,363	148,597	108,000	-27.32%
4582 Sale Of Merchandise	89,811	76,139	73,427	60,000	-18.29%
TOTAL	\$1,379,594	\$1,266,903	\$1,258,168	\$1,102,895	-12.34%
<u>MISCELLANEOUS</u>					
4837 Miscellaneous	544	698	477	338	-29.14%
4878 Rental/Lease Income	27,194	18,065	25,623	25,000	-2.43%
TOTAL	\$27,738	\$18,763	\$26,100	\$25,338	-2.92%
<u>INTERFUND TRANSFERS IN</u>					
4931 Transfer In - General Fund	0	79,713	71,465	515,737	621.66%
TOTAL	\$0	\$79,713	\$71,465	\$515,737	621.66%
Total Bull Creek Fund	\$1,405,199	\$1,365,380	\$1,355,731	\$1,643,970	21.26%

*Unaudited

OVERVIEW / BULL CREEK GOLF COURSE FUND 0755

SCHEDULE OF EXPENDITURES

BULL CREEK GOLF COURSE FUND 0755

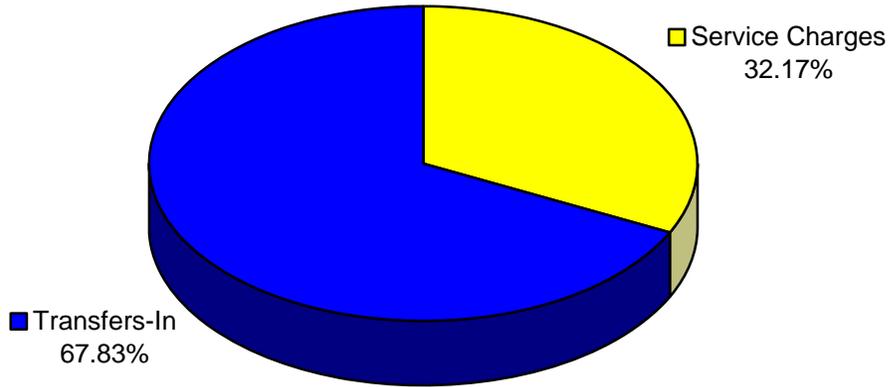
		FY08	FY09	FY10	FY11	%
		Actual	Actual	Actual*	Approved	Change
Non-Categorical						
590-2000	Contingency	\$0	\$0	\$0	\$0	0.00%
590-3000	Non-Categorical	40,653	46,300	31,961	30,259	-5.33%
Total Non-Categorical		\$40,653	\$46,300	\$31,961	\$30,259	-5.33%
Bull Creek						
630-2100	Bull Creek - Maintenance	696,388	686,996	732,926	836,137	14.08%
630-2200	Bull Creek - Operations	586,693	589,071	577,708	682,949	18.22%
630-2400	Bull Creek Debt Service	23,875	18,172	13,136	94,625	620.35%
Total Bull Creek		\$1,306,956	\$1,294,239	\$1,323,770	\$1,613,711	21.90%
Total Bull Creek Golf Course Fund		\$1,347,609	\$1,340,539	\$1,355,731	\$1,643,970	21.26%

*Unaudited

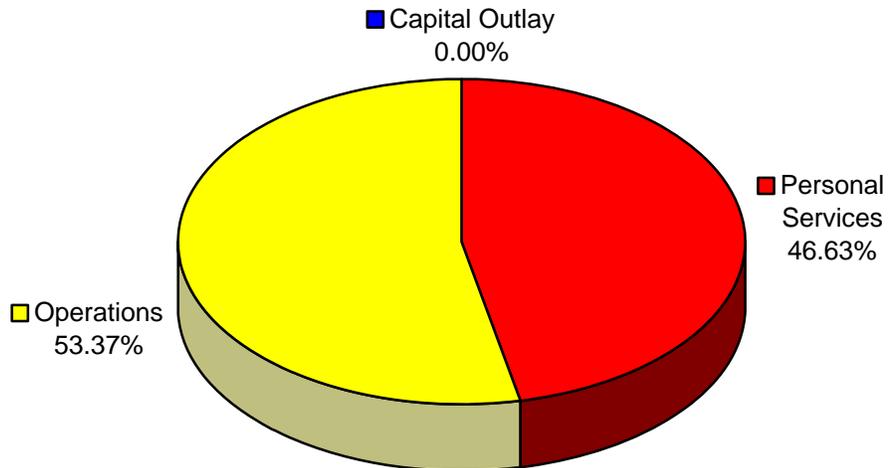
OVERVIEW / OXBOW CREEK GOLF COURSE FUND 0756

Oxbow Creek Golf Course Fund \$557,515

Budget by Revenue Source



Budget by Expense Category



The Oxbow Creek Golf Course Fund provides for administration, operation, and maintenance of Oxbow Creek Golf Course.

OVERVIEW / OXBOW CREEK GOLF COURSE FUND 0756

SCHEDULE OF REVENUES

OXBOW CREEK GOLF COURSE FUND 0756

		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Approved	% Change
<u>CHARGES FOR SERVICE</u>						
4541	Golf Course Handicap Fees	\$0	\$0	\$0	\$0	N/A
4542	Operations - Golf Course	157,629	165,953	171,097	130,000	-24.02%
4543	Golf Range Fees	10,386	12,727	15,740	12,500	-20.58%
4544	Snack Bar - Golf Course	36,786	40,458	41,845	28,800	-31.17%
4582	Sale Of Merchandise	10,344	10,530	10,531	8,035	-23.70%
TOTAL CHARGES FOR SERVICE		\$215,145	\$229,668	\$239,213	\$179,335	-25.03%
<u>OTHER FINANCING SOURCES</u>						
Interfund Transfers In						
4931	Transfer In - General Fund	150,000	227,267	226,930	378,180	66.65%
	Subtotal	\$150,000	\$227,267	\$226,930	\$378,180	66.65%
Total Oxbow Creek Golf Fund		\$365,145	\$456,935	\$466,143	\$557,515	19.60%

*Unaudited

SCHEDULE OF EXPENDITURES

OXBOW CREEK GOLF COURSE FUND 0756

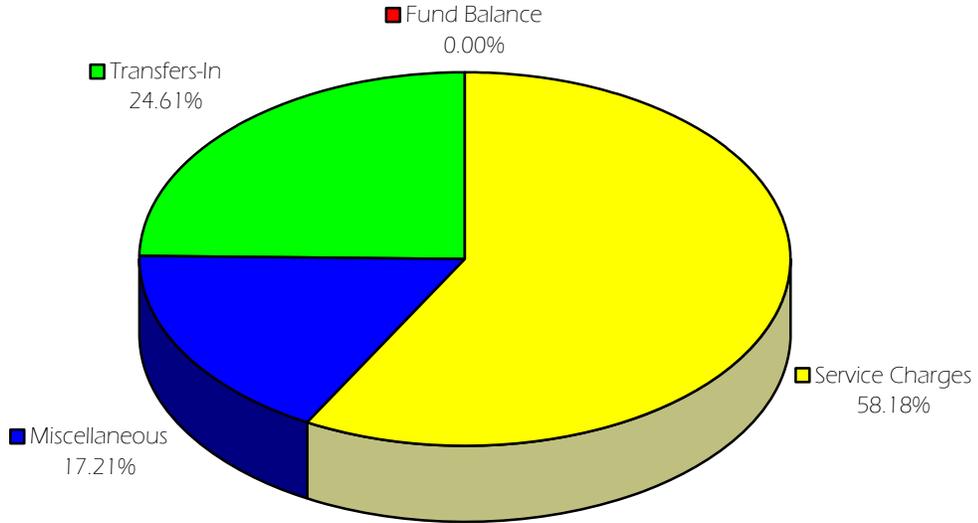
		FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Approved	% Change
Non-Categorical						
590-3000	Non-Categorical	\$14,851	\$11,504	\$11,646	\$14,983	28.32%
Total Non-Categorical		\$14,851	\$11,504	\$11,646	\$14,983	28.32%
Oxbow Creek						
640-2100	Oxbow Creek Pro Shop	195,815	201,574	213,124	238,915	12.10%
640-2200	Oxbow Creek Maintenance	184,321	207,977	206,253	215,978	4.72%
640-2300	Oxbow Creek Debt Service	45,325	41,927	35,120	87,639	149.54%
Total Oxbow Creek		\$425,461	\$451,478	\$454,497	\$542,532	19.37%
Total Oxbow Creek Golf Fund		\$440,312	\$462,982	\$466,143	\$557,515	19.60%

*Unaudited

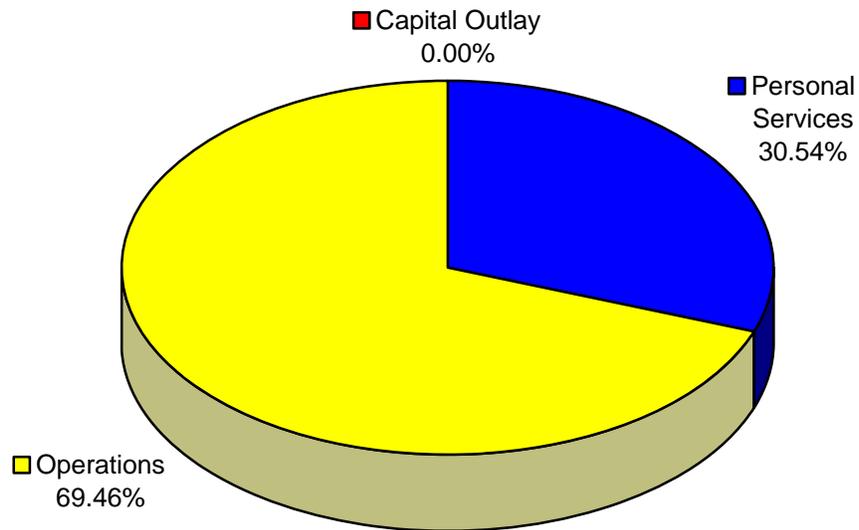
OVERVIEW / CIVIC CENTER FUND 0757

Civic Center Fund \$5,556,264

Budget by Revenue Source



Budget by Expense Category



The Civic Center Fund accounts for the operation of the multi-functional recreational facility.

OVERVIEW / CIVIC CENTER FUND 0757

SCHEDULE OF REVENUES

CIVIC CENTER FUND 0757

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
<u>CHARGES FOR CHARGES</u>					
Civic Center Charges					
4576 Catering -	\$68,787	\$44,160	\$41,165	\$55,500	34.82%
4587 Food Svc Contract	271,958	247,982	270,482	195,000	-27.91%
4582 Sale Of Merchandise	21,047	29,817	31,326	40,000	27.69%
Subtotal	\$361,792	\$321,959	\$342,973	\$290,500	-15.30%
Event Fees					
4573 Ticket Sales	2,082,651	2,545,184	3,073,856	2,773,757	-9.76%
4575 Box Office Fees	75	49	0	0	N/A
Subtotal	\$2,082,726	\$2,545,233	\$3,073,856	\$2,773,757	-9.76%
Charges for Services					
4568 Parking Fees	13,328	31,651	33,333	20,000	-40.00%
4872 Sale Of Advertisements	4,049	3,000	9,860	0	-100.00%
4837 Miscellaneous	432,999	399,277	495,410	346,000	-30.16%
Subtotal	\$450,376	\$433,929	\$538,603	\$366,000	-32.05%
Other Fees					
4862 Sale Of Salvage	0	394	0	0	-100.00%
Other Fees	\$678	\$0	\$0	\$0	N/A
TOTAL CHARGES FOR SERVICES	\$2,894,894	\$3,301,515	\$3,955,432	\$3,430,257	-13.28%
<u>INVESTMENT INCOME</u>					
4780 Investment Interest	6,907	4,574	0	0	N/A
4772 Gains/Losses On Investments	-196	-17	0	0	N/A
TOTAL INVESTMENT INCOME	\$6,711	\$4,557	\$0	\$0	N/A
<u>MISCELLANEOUS</u>					
Reimbursement for Damaged Property					
4801 Private Contributions	1,675,000	0	0	0	N/A
4853 Claims/Settlements	0	0	2,210	0	N/A
4908 Gain Sale of Assets	-10,437	-3,700	0	0	N/A
Subtotal	\$1,664,563	-\$3,700	\$2,210	\$0	N/A

OVERVIEW / CIVIC CENTER FUND 0757

SCHEDULE OF REVENUES

CIVIC CENTER FUND 0757

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Rents and Royalties					
4880 Rent - Civic Center	376,473	401,945	449,489	610,000	35.71%
4574 Facility Fee	118,944	126,213	152,469	148,500	-2.60%
Subtotal	\$495,417	\$528,158	\$601,958	\$758,500	26.01%
TOTAL MISCELLANEOUS	\$2,159,980	\$524,458	\$601,958	\$758,500	26.01%
OTHER FINANCING SOURCES					
Interfund Transfers In					
4931 Transfer In - General Fund	0	0	0	150,000	N/A
4943 Transfer In - Hotel/ Motel Tax	1,182,049	1,222,835	1,227,346	1,217,507	-0.80%
Subtotal	\$1,182,049	\$1,222,835	\$1,227,346	\$1,367,507	11.42%
TOTAL OTHER FINANCING SOURCES	\$1,182,049	\$1,222,835	\$1,227,346	\$1,367,507	11.42%
Total Civic Center Fund	\$6,243,634	\$5,053,364	\$5,786,946	\$5,556,264	-3.99%

*Unaudited

SCHEDULE OF EXPENDITURES

CIVIC CENTER FUND 0757

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Civic Center					
160-1000 Civic Center Operations	\$2,210,426	\$2,105,082	\$2,157,468	\$2,091,941	-3.04%
160-2100 Hockey	511,603	602,592	528,238	573,415	8.55%
160-2200 AF2 Football	83,077	96,473	104,048	98,913	-4.94%
160-2500 Other Events	1,922,664	2,426,008	3,030,295	2,560,038	-15.52%
160-2600 Temp Labor Pool	0	6,053	0	0	N/A
Total Civic Center	\$4,727,770	\$5,236,208	\$5,820,049	\$5,324,307	-8.52%
Public Services					
260-3710 Other Maintenance/Repairs	89,450	70,360	72,299	100,000	38.31%
Total Public Services	\$89,450	\$70,360	\$72,299	\$100,000	38.31%
Non-Categorical					
590-2000 Contingency	0	0	0	0	N/A
590-3000 Non-Categorical	122,464	116,624	114,743	131,957	15.00%
Total Non-Categorical	\$122,464	\$116,624	\$114,743	\$131,957	15.00%
Total Civic Center Fund	\$4,975,684	\$5,423,192	\$6,007,091	\$5,556,264	-7.50%

*Unaudited

OVERVIEW / HEALTH AND INSURANCE FUND 0850

Health and Insurance Fund \$ 19,200,000

The Health and Insurance Fund accounts for the self-funded employee health care program and employee life insurance program.

SCHEDULE OF REVENUES HEALTH AND LIFE INSURANCE FUND 0850

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
099 Health & Life Insurance Fund	\$18,250,954	\$15,084,443	\$17,563,299	\$19,200,000	9.32%
Total Health & Insurance Fund	\$18,250,954	\$15,084,443	\$17,563,299	\$19,200,000	9.32%

*Unaudited

SCHEDULE OF EXPENDITURES HEALTH AND LIFE INSURANCE FUND 0850

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
220 Health & Life Insurance	12,801,788	15,084,443	17,563,299	19,200,000	9.32%
Total Health & Insurance Fund	\$12,801,788	\$15,084,443	\$17,563,299	\$19,200,000	9.32%

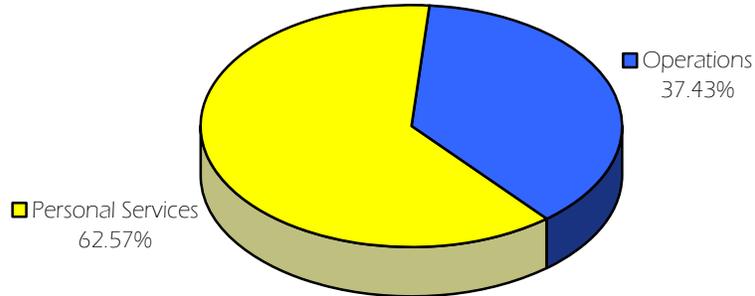
*Unaudited

Note: FY11 Budget includes the portion for retirees Other Post Employee Benefits (OPEB), which are transferred to the Pension Fund Retiree Health Care Plan at year-end.

OVERVIEW / RISK MANAGEMENT FUND 0860

Risk Management Fund \$3,740,000

Budget by Expense Category



The Risk Management Fund accounts for vehicle accidents and workers' compensation claim management, and related costs.

SCHEDULE OF REVENUES

RISK MANAGEMENT FUND 0860

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
099 Risk Management	\$3,144,191	\$3,558,951	\$3,538,686	\$3,740,000	5.69%
Total Risk Management Fund	\$3,144,191	\$3,558,951	\$3,538,686	\$3,740,000	5.69%

*Unaudited

SCHEDULE OF EXPENDITURES

RISK MANAGEMENT FUND 0860

	FY08 Actual	FY09 Actual	FY10 Actual*	FY11 Adopted	% Change
Risk Management					
130 & 220 Risk Management	\$2,879,953	\$2,987,401	\$3,514,395	\$3,740,000	6.42%
Total Risk Management Fund	\$2,879,953	\$2,987,401	\$3,514,395	\$3,740,000	6.42%

*Unaudited