
**THE CONTRIBUTION OF
AGRIBUSINESS TO
POLK COUNTY, FLORIDA**

SUPPLEMENT 3

CONCLUSIONS

What This Study Shows



January 2006

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Prepared for
Polk County Farm Bureau

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TABLE OF CONTENTS

CONCLUSIONS:

<i>What this Study Shows</i>	1
<i>Economic Interactions</i>	1
<i>Fiscal Interactions</i>	3
<i>Planning for Tomorrow</i>	7

WHAT THIS STUDY SHOWS

THE FINDINGS FROM THIS STUDY INDICATE THAT:

1. Agriculture and agribusiness make significant contributions to Polk County's economy, job base and payroll, as do mining and the production of phosphatic fertilizer.
2. Agriculture and mining are two of the engines that drive Polk County's economy.
3. For these reasons, it would make good sense for the county to take every step possible to support the continuation of these enterprises as important revenue-, employment- and payroll-generating components of the county economy.
4. Agriculture and mining also provide a surplus in revenues to county government and schools.
5. Although the proportion of total revenue that is contributed to the tax base by agriculture, mining and related industrial uses is relatively small – a little less than 5% of the total – this contribution is more than enough to pay for the community services these land uses require, such as roads, police and fire protection.
6. When the revenues generated and expenses required by all land uses are combined, the contribution from agriculture and agribusiness helps improve the overall fiscal balance of county and school budgets.
7. These dynamics affect all property owners and taxpayers in the county. Without the contributions made by agriculture, mining and other commercial and industrial land uses, current levels of service would have to be reduced or revenues would have to be increased through higher impact fees or property taxes.
8. It is valuable to understand both the economic and fiscal interactions between different land uses, and to take these interactions into consideration when making decisions about future courses of action.

ECONOMIC INTERACTIONS

Consideration #1

Agriculture and mining have been major contributors to the Polk County economy for decades. Both, however, are now beginning to decline in importance.

Revenues from agricultural production have remained relatively stable over the past 10 years. In addition, employment and payroll have increased. At the same time, revenues, employment and payroll from agricultural services, agricultural processing and agricultural wholesale have declined.

The mining industry also is in decline, not only in output, but also in employment and payroll. This reflects an ongoing trend in the industry, which has steadily moved south over the last 100 years as sites mine out. In the past 10 years, mining operations on Polk County's southern fringe have wound down. Phosphate companies are now seeking permits to open new mine sites in Manatee, DeSoto and Hardee counties where the contiguous deposit of phosphate pebble is found.

There is little the county can do to reverse the decline in the mining industry. Steps can be taken, however, to improve prospects for agriculture and agribusiness.

Consideration #2

Agriculture, like any business, requires several fundamentals to remain viable. It needs:

- A place to operate,
- Favorable operating and business climate,
- Favorable market conditions, and
- Opportunity for a reasonable return on investment

Policy actions within Polk County have a direct impact on the first two items on this list. They also can influence the last item.

The ability of operators to remain in business can be undermined by conflicts with other land uses, conditions that accelerate the conversion of agricultural lands to other uses, cumbersome and expensive regulatory requirements, one-size-fits-all requirements that do not address the unique characteristics and needs of agriculture, and approaches to planning and zoning that replicate the same types of urban and suburban development patterns throughout the county, without accommodating – or helping to retain – the unique features of rural land uses.

To remain in operation – or not – is an economic decision that agriculture owners and operators contemplate every day.

As agriculture's ability to generate profits for its owners and operators diminishes, these owners and operators begin to make other economic decisions.

Because agriculture is a "base industry" – i.e., it brings new money into Polk County's economy, as opposed to a "service industry" that tends to recycle money that already is in the economy – the loss of agricultural operations causes a ripple effect throughout the county's entire economy.

Each time an agricultural operation is lost, it creates a "hole" that has to be "filled" by some other business activity that also will bring new money into the economy.

As a result, new economic development is required for Polk County's economy just to remain even.

Policies that promote and encourage agriculture, that take its needs and requirements into

consideration, and give it attention commensurate with other land uses, all are economic development policies. They will help to retain agriculture as one of Polk County's economic engines.

It often is much easier to maintain an economic activity that already is in place than it is to attract a new economic activity to take its place. It also is much easier to grow an economy when new business activities can be "added" to the existing economic base, rather than being used to "catch up" for activities that have been lost.

These points need to be considered.

When the market economy offers a choice between agriculture and other economic activities, market forces will determine which choice is made.

But this does not always have to be an either-or choice.

There is much that can be done to facilitate the continuation of agriculture, so the economy can enjoy the benefit of both agriculture and new business activities.

There is much that can be done to encourage owners and operators to stay in business, and not seek other economic alternatives.

Moreover, the benefits of promoting agriculture as an economic activity far outweigh the costs needed to support its presence.

Other industries that potentially could replace agriculture may attract more development and require more costs to support their presence.

With the right policies and operating climate, it will be possible for Polk County both to keep agriculture and attract new business activities.

Consideration #3

Some ways in which agriculture's economic and social contributions can be increased are discussed in *Supplement 5: Bio-Energy, Bio-Fuels & Bio-Waste-Removal: Can These Green Technologies Be Used as New "Crops" to Expand Agriculture's Economic & Social Contributions to Polk County?*

Consideration #4

Rapid growth that does not adequately plan for or accommodate agriculture's needs – or that plans for and accommodates the needs of other economic activities and land uses while ignoring agriculture – can have a major impact on the continued viability of agricultural operations.

Far too often, agriculture is cast as a "background" land use – just a green area on a planning map – awaiting conversion to a "higher and better" use. That's why the following observations about developed land uses have a direct bearing on agriculture.

FISCAL INTERACTIONS

This study uses employment data to determine what percentage of the working population spends time using different categories of land use. This allows costs for the services required by these people to be allocated both to the land uses where they live and the land uses where they work.

It is significant to note that, even with this allocation, all non-residential land uses, except for the *other* category, generate a large surplus of revenues over expenses.

It also is significant to note that agriculture is shown to have one of the most beneficial revenue to expense ratios of all types of land use in the county. According to this study, both the *commercial* and *agriculture & agribusiness* land use categories generate a surplus of \$0.78 for every \$1.00 of revenue generated due to their low demand for services in comparison to other land uses. Only the *vacant* land use category has a more beneficial ratio of revenues to expenses.

Consideration #1

All types of land use play important roles in our society and economy – providing places to live, work, and play; providing for health and safety; providing for transportation and the delivery of services; maintaining the integrity of the environment; and providing a place to produce food and fiber.

Consideration #2

Some types of land use that generate a deficit, such as affordable housing, are necessary to provide for the needs of certain segments of the county's population. These land uses should NOT be avoided simply because they might cause a deficit. These land uses provide many benefits to the community as a whole: They help to attract businesses and companies to the county. They provide diversity. They also accommodate people who contribute to the community in ways that benefit all residents (the people who sometimes are referred to as the “glue” that holds the rest of society together – the teachers, firemen, policemen, social workers and pastors).

Consideration #3

By taking the surpluses and deficits generated by each type of land use into consideration, it is possible for policymakers to balance one type of land use against another – and thus pair land uses that generate a surplus up with land uses that create deficits.

Consideration #4

As a result, a deficit that could create budget shortfalls and require some painful corrective measures – such cuts in the number of services offered, reductions in the levels of service, delays in maintenance, increases in fees and taxes, or ALL five – can be avoided in a fiscally sound, politically acceptable way.

Consideration #5

That is why it is important to encourage a broad *mix* of land uses, with a strong emphasis on retaining, allowing for and promoting land uses that generate a surplus in revenues over expenses. Taken together, land uses that generate a surplus in revenues can “carry” the cost of services for all of the county’s residential land uses.

Consideration #6

In addition, increasing the values of land uses inside of each category can improve the balance between revenues and expenses.

Consideration #7

Gaining an understanding of the fiscal interactions between different land uses so adjustments can be made to maintain a fiscal balance among land uses also has other advantages:

- This approach can help create a community with a diversity of land uses that complement and balance each other;
- It can encourage amenities such as open space, nature preserves, on-site and off-site recreational facilities and town centers, all of which can increase the marketability, sales price, profitability and tax revenues generated by a housing unit;
- It can enhance the quality of life and aesthetics of a local community; and
- It is a much more equitable – and painless – way of distributing costs than by raising taxes or fees to pay for required services.

Consideration #8

The major change that occurred between the 1999 and 2005 studies was in the dramatic upward swing in market values. As market values increased, and tax rates and fees caught up with these increases, more revenues were generated.

Overall, the increase in real estate values within the residential land use category did more to influence findings between the two studies than any other factor. As a result, residential land uses in the county now do a much better job of paying their way.

This helps to underscore why it is important to encourage and promote high value uses within individual land use categories – at least to the degree possible – so that each land use category can generate more revenues.

Consideration #9

Residential land uses bear the vast majority of costs for schools. Although expenses for adult education and workforce development can be attributed to other land uses, these expenses only account for 3% of the total costs for schools.

This has a significant impact on the balance of payments for residential land uses.

The most expensive public service is schools. The combined totals for county and school revenues and expenses shows that schools account for 46% of total revenues and 48% of total expenses. In other words, schools cost almost as much as all other public services combined.

Consideration #10

Here are some key points to keep in mind about school financing and school costs:

- All residents contribute to the sources of state and federal funding that support local schools through sales taxes and federal income taxes. It therefore can be argued that all sources of funding and all expenses are essentially local.
- The relationship between the amount of sales taxes and income taxes paid by each local resident and the amount of state and federal funding received back for schools is indirect and difficult to track with accuracy.
- However, federal and state contributions are allocated to the county based upon the number of Full Time Equivalent Students. So even non-local sources are based on number of school-age children.
- Since the benefits of educating children accrue not only to the child, but also to the general public in terms of better social and economic conditions that result from an educated population, it can be reasonably argued that all residents benefit from the financial contributions they make to support schools, whether they have children attending local schools or not.

Consideration #11

Demographic factors – number of school age children, age of residents, whether residents are employed or retired, number of residents per household, and whether residents live in their homes all year or just part of the year – have a MAJOR impact upon the types of services required, the costs for those services, and the peak demands that must be considered in designing adequate levels of service.

It is important to recognize that the demographic profile of a community or development can change over time. A community with retirees, seasonal residents, single professionals and young couples without children may produce a significant surplus of revenues over expenses. But, if that profile changes over time, with more full-time residents, more families with school-aged children, and an increase in the average number of people per household, the ratio of revenues to expenses can change dramatically *without any other changes being made*.

Consideration #12

These considerations underscore why it is important for policy makers and planners to fully understand the “economics of land use.”

This understanding can be improved by:

- Analyzing the fiscal impacts of the county’s current mix of land uses, to determine what has occurred as a result of past decisions, and what has occurred as a result of market economy forces;
- Identifying positive outcomes that are worth repeating,
- Identifying outcomes that can be improved by pursuing alternate approaches, and
- Identifying negative outcomes that can be avoided.

This process can inform current decision making so that today’s decisions can produce better results tomorrow.

PLANNING FOR TOMORROW

9. The county should explore ways in which the economic and fiscal considerations outlined above can be regularly incorporated into its day-to-day planning, zoning and development approval decisions.
10. Fiscal impact studies conducted by private consulting firms offer an opportunity to “take snapshots in time” and make projections based on different development scenarios. These types of analyses can benefit policy makers in the following ways:
 - They allow policy makers to see the fiscal impacts of the current mix of land uses in the local community – both as individual components standing alone, and as a whole when all the components are combined together in the local community (through a community-wide or countywide analysis of data).
 - They allow policy makers to better understand the impacts of proposed additions and changes to the local community, as a result of new applications pending review and approval, or changes in existing uses, and to see how individual projects will impact the local community as a whole and how all pending projects will impact the local community on a cumulative basis.
 - Finally, they allow policy makers to ask, “What if?” For example, what if more low-income houses were built? What fiscal impacts would result from these housing units? What could be done to offset any deficits that are generated? On the other hand, what if more expensive houses also were built at the same time? Would the two changes, taken together, balance each other out?
11. The Fiscal Impact Analysis Model (FIAM) developed by Fishkind & Associates (<http://www.fishkind.com>) and the “macro” and “micro” models developed by Tischler & Associates (<http://www.tischlerbise.com>) offer the county an opportunity to gather and maintain the data necessary to conduct these types of fiscal impact analyses on an ongoing, regular basis.

These models have the potential to provide the county with a tool that can be used

as land use changes are considered and approved for determining the fiscal impacts of each land use type, and for conducting “what if” scenarios to consider different mixes of land uses so that adjustments can be considered to attain better fiscal balance.

Unfortunately, the FIAM currently suffers from a major shortcoming: *it does not account for the operating costs of schools* and, consequently, provides incomplete findings.

The FIAM will need to be revised to include these operating costs before it can be used to make reliable cost and break-even projections.

12. This study does not answer all questions about the relationships between the revenues and expenses generated by each land use in Polk County.

This study's findings, however, do call out for serious examination of the interactions that occur between different types of land use – and the assumptions that underlie current views about agriculture, the county's mix of land uses, and the ways in which revenues can be generated to pay for future infrastructure and service costs.

13. Obviously, growth will continue, and the housing needs of people of all income levels need to be made available.
14. One of the keys to attaining fiscal balance is not to lose land uses such as agriculture that contribute to the economy *and* create a revenue surplus for the county.

Taken together, the land uses that generate a surplus in revenues can “carry” the cost of services for all of the county’s residential land uses.

This is one of the reasons why agricultural land uses are important.

15. In addition, agriculture provides economic value, open space value, ground water recharge value, environmental value, and food and fiber production value to county residents.
16. Market forces will determine to a large degree what industries can be significant contributors to Polk County’s economy, now and into the future. However, there is much that policy makers can do to encourage the continuation of land uses that generate a surplus in revenues over expenses.
17. Florida’s Rural Lands Stewardship Program (chapter 163.3177(11)(d), Florida Statutes) may offer the county a new approach to land use planning in its remaining rural areas. The Rural Lands Stewardship Program (RLSP) is designed to accommodate growth while retaining important agriculture and natural land uses. It also combines together the features (or concepts) from many other tools– transfer of development rights, conservation easements, planned unit developments – and creates new, much more effective ways of implementing these concepts. It:

- Resolves conflict between development and preservation, so development and preservation are not pitted against one another;
- Uses development to pay for natural resource protection, and for land uses that allow for the continuation of farm, ranch and timber land operations;
- Provides greater certainty about the value of rural lands;
- Does not create winners and losers among landowners – the burdens of environmental protection are shared among all landowners, as are the gains from development;
- Results in settlement patterns that generate a surplus in revenues.

An analysis of the economic and fiscal impacts of the RLSP now being implemented in Collier County show that previously approved development patterns would have created a deficit, while **the RLSP pattern creates both more economic growth and a surplus in revenues for county and school budgets.**

Additional information about the Rural Lands Stewardship Program is contained in Supplement 4 to this study.