Does Public Support of Urban Growth Pay Its Own Way?

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Along the Wasatch Front, counties, municipalities, and local public service districts expend substantial parts of their budgets on public infrastructure and services that attract and support urban growth. They do so with the expectation that these costs will be recovered through property taxes, sales taxes, and license fees. We ask, "Is this expectation grounded in real historical experience?" Our suspicion -- our working hypothesis -- is a conditional "No." The literature and local historical observations suggest not. Both show that in urbanized areas the cost per person for local public infrastructure and services increases as urban densities decline. We expect that, under conditions of continued urban sprawl, local public expenditures in support of urban growth will increase faster than local public revenues.

To explore this hypothesis, we examine data on local governmental expenditures and revenues in the Salt Lake-Ogden Metropolitan Area (Salt Lake, Davis and Weber Counties) during the period 1982-2002. We identify a subset of local expenditures as "growth-supporting expenditures." These include roads, water, sewer, sanitation, police, fire, libraries, parks and recreation. We find that growth-supporting expenditures per person increased by 119% from $497 in 1982 to $1,087 in 2002 (in year-2005 dollars).

We find that in 1982 the average amount of urban land required per urban dweller was 0.18 acres. Between 1992 and 2002, each new urban dweller took up an average of 0.30 additional urban acres. This meant a decline in area-wide urban densities of 18% from 5.46 to 4.66 persons per acre.

These two findings suggest that locally, for every 1% decline in gross urban densities, there is a 6.5% increase in inflation-corrected growth-supporting expenditures per capita. As a result, growth-supporting expenditures grew from 33% of total public revenues in 1982 to 61% of the total in 2002.

Had public expenditures in support of urban growth been fully recovered by increases in local public revenues, then their portion of the total budget would have remained roughly constant through time. But since their part of the total budget nearly doubled, one can infer that only about half of the growth-supporting expenditures have been recovered through increased local revenues. Even with periodic increases in tax rates and licensing fees, the un-recovered part of these expenditures had to be financed out of relative declines in maintenance, community conservation and human services budgets.

These findings suggest that a closer examination of the current approach to public support of urban growth is in order.

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