



Case Study: The Cost Benefits of Farmland Preservation for NJ Municipalities

"Cows don't go to school. Neither do chickens, pigs or sheep. Soybeans don't use the sewers. Tomatoes and peaches don't call 911...Education and municipal services just aren't something you think about when you think about farms. However, when it comes to equitable property tax policy, they go hand-in-hand"

-Excerpt from "Farm animals don't go to school: farmland assessment & open space in NJ", NJ Farm Bureau, 1994

Fast-forward to 2014, and this simple quote still tells a compelling story in New Jersey, particularly as the legislature continues to debate strategies to extend much-needed funding for farmland preservation and open space acquisitions beyond 2014.

Consider the following scenario:

If a municipality were to lose a 250-acre parcel of farmland to residential development, resulting in 100-new single-family homes assuming 2-acre zoning and +/- 50-acres that would be rendered undevelopable because of use restrictions (new roadways and easements, buffers, etc.), the following economic impact could result:

➤ Average cost of education per pupil:		\$10,818
Total cost of added per pupil expenses	=	\$2,163,600 (\$10,818 x 200 pupils ^{**})
Cost of other services per average household:		\$3,762
Total cost of additional municipal services	=	\$376,200 (\$3,762 x 100 households)
Total annual municipal expenditures		\$2,539,800
➤ Average tax revenue generated per household:		\$7,885 ^{***}
Total tax revenue generated	=	\$788,500 (\$7,885 x 100 households)
Total annual tax revenue		\$788,500
➤ Annual loss of revenue per average household	=	\$17,513
1. Total annual deficit		\$1,751,300
2. Total Per-Acre Deficit		\$7,005

Now consider that the development rights for the same parcel were acquired for permanent preservation under farmland preservation:

➤ Farmland Preservation Scenario		
3. One-time per-acre cost of permanent preservation		\$2,689 ^{****}
4. Total one-time cost of permanent preservation		\$672,250 (250 acres x \$2,689/acre)
5. Per-acre cost savings of preservation		\$4,316 (line 2 minus line 5)
6. Total cost savings in year one alone		\$1,078,950

The net result is staggering. Preserving the farm in question would have an estimated one-time upfront cost of \$672,350 for the municipality, but would defray as much as \$1,751,300 in additional annual spending obligations for municipal services were the property to be converted to 100 single-family housing units. The town would realize savings of \$1,078,950 in the first year alone, a bargain when you consider that preservation is a one-time expense with a permanent benefit for the local community.

This is just a rough sketch of one potential scenario, but it is illustrative of the broader benefit of the preservation program for farm-owners, the communities they call home, and the general public. Let's keep the farmland preservation program going strong in New Jersey for current and future generations of farm families.

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^{*}For school year 2012-13, the statewide average cost per pupil was \$18,030, according to the NJ Department of Education's "Taxpayer's Guide to Education Spending: 2013". The NJ League of Municipalities estimates that of that, roughly 40% (\$7,212/pupil) is paid by the state with the remaining 60% (\$10,818) paid by local government (http://www.njslom.org/SG-Property_Taxes.html)

^{**}Two children per household estimate based on the World Bank's fertility rate (children/women) estimate for 2013 of 1.9 (<http://data.worldbank.org/indicator/SP.DYN.TFRT.IN>)

^{***}NJ Department of Community Affairs' (DCA) estimated statewide average property taxes for NJ for tax year 2013

^{****}Total per-acre cost of farmland preservation is \$7,684, according to SADC. Of that, 35% (\$2,689) comes from some combination of local/county funds.