

**THE COST OF COMMUNITY SERVICES
IN GASTON COUNTY**

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August 2008

Acknowledgements

I would like to thank the many Gaston County officials who kindly contributed information and assistance in the course of conducting this research:

Captain Bailey, Sheriff's Department

Bettina Bissell, County Police Department

Colleen Bridger, Health Director

Bill Farley, County Police Department

David Fogarty, Cooperative Extension

David Freeman, Natural Resources

Reed Goodman, Forestry

Jay Heavner, Director of Revenue

Eric Hendrix, Fire Marshal

Donny Hicks, Economic Development

Walter Israel, Travel & Tourism

Ken Jackson, Building Inspections

Willie King, Planning Department

Mark Lamphiear, Emergency Medical Services

Bryant Morehead, Budget Office

Lloyd Moskowitz, Communications

David Turbyfill, Assistant Director of Revenue

David Williams, Planning

This study was funded by the Gaston County Quality of Natural Resources Commission. Special thanks are extended to David Fogarty for initiating and facilitating the project, and to David Turbyfill and Bryant Morehead for their generosity and patience in helping unravel the intricacies of the county tax and budget data. Able research assistance was provided by Pooja Parthasarathy.

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Introduction

In counties located near fast-growing urban areas, there is considerable debate over the desirable mix of land uses and the role that local government can and should play in affecting the rate at which new land uses supplant traditional ones. Gaston County is typical of such counties. The continuing economic growth in nearby Charlotte-Mecklenburg has created unprecedented demands for residential and commercial development.

On the one hand, this situation has been welcomed by many because it has created significant economic development opportunities for the county's citizens and a significant increase in the county's revenue base. On the other hand, many of the county's citizens worry that the rapid pace of these changes will alter the character of Gaston County – particularly, the county's rural areas – in ways that are undesirable. Moreover, there is concern that the increased local government expenditures on community services needed to accommodate accelerated residential and commercial development may exceed the contribution of that development to the county's revenue base.

One important element of public debate over appropriate land use policies is whether or not increased county government expenditures on community services needed to accommodate residential and commercial development exceed the contribution of that development to the county's revenue stream. This report presents the findings of a research project aimed at addressing this specific issue. The research quantifies the contribution to local government revenues of various types of land uses (residential, commercial/industrial,¹ and agricultural), and the demands on local government financial resources of those same land uses. This “snapshot” of current revenues and expenditures allows an assessment of the costs and benefits of different land uses from the perspective of local government finance.

The analysis presented here employs a methodology established by the American Farmland Trust, one that has been used in numerous Cost of Community Services (COCS) studies throughout the U.S. Like those studies, the current research was motivated by two questions: (1) Do the property taxes and other revenues generated by residential land uses

¹ For simplicity, the term “commercial” will denote both commercial and industrial land uses for the remainder of this report. Likewise, “agricultural” will refer to farm and forest land uses.

exceed the amount of publicly-provided services supplied to them? (2) Does the fact that farm and forest lands are taxed on the basis of their Present Use Value – instead of their potential value in residential or commercial uses – mean that they are contributing less in tax revenues than the value of publicly provided services they receive?

As has been found in other COCS studies, the answer to both of these questions is “no” for Gaston County. The residential sector contributes only 81¢ to the county’s coffers for each dollar’s worth of services that it receives. Commercial and industrial land uses are the largest net contributors to the public purse, contributing \$2.41 in revenues for each dollar of publicly provided services that they receive. Despite being taxed on the basis of current land uses, property in agricultural land uses is found to be a net contributor to the local budget, generating \$1.13 in revenues for every dollar of public services that it receives.

At the outset, it is important to recognize two important limitations of analyses such as the one presented here. First, COCS studies highlight the relative demands of various land uses on local fiscal resources *given the current pattern of development*. As such, one should be cautious in extrapolating from the results of studies such as this in order to gauge the impact of future patterns of development on local public finance. Nonetheless, the results of studies such as this are useful in informing debates over such issues as whether or not alternative types of land uses are likely to contribute more in tax dollars than they demand in the way of services.

Second, the current study in no way deals with the *social* value of each of these forms of development – i.e., their contribution (positive or negative) to the well-being of the county’s citizens. Rather it focuses on the more narrow issue of whether or not these land uses “pay their own way” with regard to county revenues and expenditures. It is important to bear in mind that there is nothing sacred about an exact balance between revenues and expenditures associated with a particular land use, even when balancing the local budget is an overriding priority. Indeed, one of the primary functions of a local government is to redistribute local financial resources such that services desired by citizens are supplied, *even when those services cannot pay for themselves*. Determining the optimal distribution of those resources is a public policy issue to be resolved in the political arena. A study such as this fits into the process wherein such issues are resolved by shedding light on the relative costs and benefits of the specific distribution of financial resources implicit in the existing pattern of development.

Methodology

The basic approach used in this research was quite simple. Working from Gaston County's most recent audited financial data, revenues and expenditures were allocated among three specific land use categories: (a) residential; (b) commercial; and (c) agricultural. This process was carried out in conjunction with a series of telephone interviews and email exchanges with a variety of local officials knowledgeable about the workings of specific departments.

Once revenues and expenditures were allocated to specific land use categories, the ratio of revenues to expenditures was computed for each. A revenue-expenditure ratio greater than 1.00 indicates that that sector's contribution to the public purse exceeds its demands for public funds. Conversely, a revenue-expenditure ratio less than 1.00 indicates that the sector's demand for publicly financed services exceeds its contribution to the local budget.

The basis for the current analysis is the actual expenditures recorded for the 2006-2007 fiscal year reported by the Gaston County Finance Department . As noted above, the allocation of these data to specific sectors was done in consultation with a variety of local officials (listed in the Acknowledgements). These individuals were best equipped to assess the extent to which the various land uses partake of the services provided by their departments. Where feasible, expenditures were allocated to land use categories using available data on staff salaries and/or activities records.

Often, existing records were not easily amenable to being broken out into various land use categories. In many of these cases, we relied on a local official's best guess of how their department's efforts were allocated. Where the relevant officials were unable to make such a guess, one of two allocation schemes was used. For services that exclusively benefit households (as opposed to commercial establishments)² – for example, public schools and library services – 100% of expenditures were allocated to the residential sector.³ For departments whose activities benefited both residences and businesses (including agricultural businesses), expenditures were

² Note that the quality of "residential" services such as public schools may well have a positive influence on business formation, particularly the attractiveness of the county to firms considering relocation. These "spillover" effects are ignored here, however, because the information needs for quantifying them lie well beyond the scope of this research.

³ As is the case with other counties in North Carolina, Gaston County separates the farm business from the farm residence, assessing the property value of farm residences in the same manner as any other residences. For this reason, farm residences were included in the residential land use category throughout the analysis.

allocated based on the proportion of total property value accounted for by each land use category. This “default” breakdown of assessed property valuation for 2007 was 75.3% residential, 23.7% commercial, and 1.0% agricultural. The expenditures of most of the county’s general government departments were allocated in this manner.

Revenues were handled in a manner similar to expenditures. Property tax revenues were allocated to specific land use categories based on the 2007 property assessments. Taxes and other revenue sources that are linked directly to commercial activities – for example, Article 39 sales taxes⁴ and cable TV franchise fees – were allocated exclusively to the commercial sector. Revenues from sources associated exclusively with households (such as animal control revenues) were allocated to the residential sector. Revenues raised by specific county government departments from fees charged for services or from inter-governmental transfers were allocated in direct proportion to the allocation of expenditures by those departments, unless respondents indicated otherwise. Any remaining revenues that could not be directly allocated in these ways were allocated according to the proportion of total property value accounted for by each land use category.

Results

A detailed breakdown of revenues sources is found in Appendix Table 1. Total county general fund revenues for 2006-2007 were \$183.1 million. About 61.2% of this money came from ad valorem property taxes. Another 21.6% came from sales taxes. Most of the remainder (12.5%) came from fees for services and licenses, while the remaining 4.7% came from other miscellaneous sources (mainly investment earnings and state and federal grants).

Table 1 summarizes the overall breakdown of county expenditures for the 2006-2007 fiscal year (more detailed information is found in Appendix Table 2). Of note is the fact that Gaston County ran a significant budget surplus of over \$55 million in that year. This money was transferred out of the general fund into other funds for future uses – which, it was assumed,

⁴ The state distributes Article 39 sales tax revenues back to counties on a point-of-sale basis. Article 40 and 42 sales taxes are distributed back to counties based on county population; revenues from these sources were allocated to residential land uses. Article 44 sales taxes are distributed to counties in part on the basis of point of sale and in part on the basis of county population; accordingly, these were allocated to residential and commercial land uses on a 50-50 basis.

would be allocated to three land use categories in the same proportions that expenditures were allocated in 2006-2007.

Also of note is the fact that education and human services departments accounted for roughly one-third of the total budget (or one half of the budget if one includes likely future uses of the current budget surplus). The services provided by these expenditures are directed exclusively to the residential sector; hence the large “footprint” of these two departments in county budget has a dominant impact on the results of this study.

Table 2 summarizes revenues and expenditures by land use category. Expenditures exceeded revenues for the residential land use category, while revenues exceeded expenditures for the commercial and agricultural land use categories. The computed revenue/expenditure ratios quantify the extent to which each of the three land use categories is either a net contributor or a net drain on Gaston County’s financial resources. For comparative purposes, the bottom of the table provides the results from some 103 other Cost of Community Services studies that have been conducted throughout the U.S., as well as six studies that were conducted in Henderson, Chatham, Wake, Alamance, and Orange Counties over the course of the past decade.

The revenue/expenditure ratio for the residential land use category is 0.81; this implies that for each dollar in property tax and other revenues generated by residential land uses, the county spends \$1.23 to provide services supporting those land uses. In other words, the residential sector is on balance a net user of local public finances. On the other hand, the other two land use categories are net contributors to local fiscal resources. The revenue/expenditure ratio of 1.13 for agriculture implies that revenues exceed expenditures for this land use category by 13 percent. The commercial land use category stands out as having the highest revenue/expenditure ratio (2.41). This result indicates that the county spends only 41¢ on services benefiting commercial and industrial establishments for every public dollar generated by those establishments.

Finally, Table 3 presents an analysis which computes the residential property value needed to generate an exact balance between average revenues contributed by current housing units and the average value of public services consumed by households. This “breakeven” house price was computed assuming that any new household would consume the average amount of services reflected in the 2006-2007 budget – i.e., that they would possess the average number of school kids, consume an average amount of public health and social services, etc. The

computation further assumes that any new household would contribute the average amount of non-property tax revenues generated by existing residential properties, and takes as a benchmark the current property tax rate of 88¢ per \$100. Based on these assumptions, the breakeven property value is computed to be just under \$190,000.

Discussion

The results presented above provide answers to the two questions posed at the beginning of this report. As regards the public services provided by Gaston County, commercial and industrial land uses emerge as being the largest net contributor to local financial resources. In contrast, the value of public services provided to residential land uses exceed the property taxes and other revenues that they contribute to the county budget. This finding contrasts with claims that are sometimes made that residential development is a boon to county finances due to its expansion of the property tax base. It would appear that the very large footprint of the education and human services expenditures in the overall county budget plays a dominant role in explaining this phenomenon. Finally, agricultural lands more than pay their own way. This is true despite these properties being taxed on the basis of their current use (as opposed to their potential use were they to be transformed into commercial or residential uses).

Qualitatively, these findings for Gaston County are consistent with the findings of nearly every Cost of Community Services study that has been carried out in other communities throughout the U.S. The degree of cross-subsidization of the residential sector – in particular, the extent to which the Gaston County’s commercial sector pays for services provided to its residential sector – is somewhat lower than the median in other studies that have been conducted nationally. Closer to home, the relative balance of revenues and expenditures for the residential and commercial land use categories is qualitatively similar to that which was found in comparable studies conducted in Chatham, Wake, Alamance, Henderson, and Orange Counties.

As was stressed at the outset, some degree of subsidization of certain land uses by other land uses is to be expected in virtually every community. The distribution of revenues and expenditures among various land uses in Gaston County that has been computed here is based on current land use patterns in the county. Determining whether or not this distribution is

appropriate – either now or in the future – is an issue that can only be resolved in the local political arena.

Table 1. Gaston County Expenditures for 2006-2007

Item	Expenditure	%
Education	40,587,439	22.2%
Public Safety	39,049,521	21.3%
General Government	19,557,900	10.7%
Human Services	19,359,844	10.6%
Cultural and Recreational	3,944,040	2.2%
Economic and Physical Development	2,784,970	1.5%
Debt Service	2,308,479	1.3%
Environmental Protection	50,228	0.0%
Transfers (General Fund Surplus)	55,466,949	30.2%
Total	183,109,370	100%

Source: *Gaston County Annual Operating Budget 2006-2007*

Table 2. Revenues vs. Expenditures in Gaston County

	Residential	Commercial	Agricultural
Expenditures^a	\$160,097,509 (87.4%)	\$22,015,556 (12.1%)	\$996,305 (0.5%)
Revenues	\$128,966,360 (70.4%)	\$53,019,947 (29.0%)	\$1,123,063 (0.6%)
Revenues/Expenditures ratio^b	0.81	2.41	1.13
	Revenue/Expenditure ratios from national studies^c		
Minimum	0.47	0.96	1.01
Median	0.87	3.57	2.78
Maximum	0.99	20.00	50.00
	Revenue/Expenditure ratios from local studies		
Chatham County (1998)	0.90	2.13	1.09
Wake County (2001)	0.65	5.63	2.12
Alamance County (2006)	0.68	4.29	1.69
Orange County (2006)	0.76	4.21	1.38
Chatham County (2007)	0.87	3.01	1.72
Henderson County (2007)	0.86	2.52	1.03

a. Includes the \$55.467 million budget surplus transferred to the following year's general fund (allocated among land use categories in proportion to other expenditures).

b. This ratio measures the amount of county revenue contributed by a given land use sector for each dollar in public services used by that sector.

c. These figures are derived from 103 Cost of Community Services summarized on the American Farmland Trust website (http://farmlandinfo.org/documents/27757/FS_COCS_8-04.pdf).

Table 3. Breakeven Analysis for Residential Property Value in Gaston County

(1) Property tax rate (\$ per \$100)	0.0088
(2) Residential Non-Property Tax Revenue Contribution in 2006/2007	\$ 50,140,970
(3) Total residential expenditures in 2006/2007	\$ 160,097,509
(4) Total Expenditures needing to be paid for by property taxes [(3) - (2)]	\$109,956,539
(5) Number of residential properties in the county	65,962
(6) Per household expenditures needing to be paid for by property taxes [(4) ÷ (5)]	\$1,667
Breakeven property value [(6) ÷ (1)]	\$189,428

Appendix Table 1. Gaston County Revenues by Land Use Category for 2006-2007

	Total	Residential	Commercial	Agricultural	Breakdown
AD VALOREM TAXES:	112,127,155	78,825,390	32,404,748	897,017	
Taxes	110,853,027	77,929,678	32,036,525	886,824	Default
Penalties and Interest	1,274,128	895,712	368,223	10,193	Default
OTHER TAXES AND LICENSES	39,555,886	22,064,787	17,484,383	6,716	
One-cent tax	13,372,515	0	13,372,515	0	
Half-cent sales tax					
<i>Article 40</i>	8,928,387	8,928,387	0	0	100-0-0
<i>Article 42</i>	8,866,610	8,866,610	0	0	100-0-0
<i>Article 44</i>	6,762,104	3,381,052	3,381,052	0	50-50-0
Real estate transfer taxes	1,119,318	888,738	223,864	6,716	79.4-20.0-0.6
Hotel occupancy tax	507,257	0	507,257	0	0-100-0
Gross receipts tax	-305	0	(305)	0	0-100-0
RESTRICTED INTERGOV. REVENUE	5,355,721	4,589,101	667,963	98,657	
Federal grants	199,421	190,248	4,188	4,986	95.4-2.1-2.5
State grants	3,083,564	2,941,720	64,755	77,089	95.4-2.1-2.5
State prisoner detention reimbursements	1,241,803	872,988	358,881	9,934	Default
Federal prisoner reimbursements	379,036	266,462	109,541	3,032	Default
Court facilities fees	451,897	317,684	130,598	3,615	Default
FEES, LICENSES AND PERMITS	4,004,141	3,305,700	626,061	72,380	
Inspection fees	1,805,811	1,625,230	180,581	0	90-10-0
Register of Deeds' fees	1,423,796	1,130,494	284,759	8,543	79.4-20.0-0.6
DWI license revocations	23,503	23,503	0	0	100-0-0
Other	751,031	526,473	160,721	63,838	70.1-21.4-8.5

Appendix Table 1. Gaston County Revenues by Land Use Category for 2006-2007 (continued)

	Total	Residential	Commercial	Agricultural	Breakdown
SALES AND SERVICES	18,871,896	17,935,599	913,561	22,736	
Medical transport fees	6,129,280	5,501,029	612,928	15,323	89.75-10-.25
Library fees	67,759	67,759	0	0	100-0-0
Jail fees	197,134	138,585	56,972	1,577	Default
Animal shelter fees	767,693	767,693	0	0	100-0-0
Municipal election fees	3,844	2,702	1,111	31	Default
Central transportation fees	224,070	224,070	0	0	100-0-0
Recreation fees	80,710	80,710	0	0	100-0-0
Personal health fees	1,472,276	1,472,276	0	0	100-0-0
Environmental health fees	275,873	275,873	0	0	100-0-0
Family planning fees	564,725	564,725	0	0	100-0-0
Maternal and child health fees	3,542,512	3,542,512	0	0	100-0-0
Primary care fees	2,746	2,746	0	0	100-0-0
Gaston Family Health Service - fees	4,261,968	4,261,968	0	0	100-0-0
Gynecological clinic fees	85,052	85,052	0	0	100-0-0
Gaston Medical	21,651	21,651	0	0	100-0-0
Tap fees	216,458	216,458	0	0	100-0-0
Bessemer City public safety agreement	310,000	248,310	61,070	620	80.1-19.7-0.2
Miscellaneous	648,145	461,479	181,481	5,185	71.2-28-0.8
MISCELLANEOUS REVENUES	711,793	500,390	205,708	5,694	
Sales of surplus property	38,948	27,380	11,256	312	default
Other	672,845	473,010	194,452	5,383	default
INVESTMENT EARNINGS	2,482,778	1,745,393	717,523	19,862	70.3-28.9-0.8
TOTAL REVENUES	183,109,370	128,966,360	53,019,947	1,123,063	

a. Percentage breakdown by land use category (residential-commercial-agricultural). Default percentages were based on 2007 assessed property valuation (residential - 75.31%; commercial - 23.67%; agricultural - 1.02%).

Appendix Table 2. Gaston County Expenditures by Land Use Category for 2006-2007

	Total	Residential	Commercial	Agricultural	Breakdown^a
GENERAL GOVERNMENT	19,557,900	13,850,556	5,575,269	132,075	
County Commissioners	451,289	317,256	130,423	3,610	default
County Manager	335,712	236,006	97,021	2,686	default
County Attorney	308,238	216,691	89,081	2,466	default
Elections	417,219	293,305	120,576	3,338	default
Register of Deeds	953,500	757,079	190,700	5,721	79.4-20.0-0.6
Finance	806,723	567,126	233,143	6,454	default
Budget	321,734	226,179	92,981	2,574	default
Purchasing	106,661	74,983	30,825	853	default
Information Technology	3,142,002	2,208,827	908,039	25,136	default
ACCESS Administration	155,143	155,143	0	0	100-0-0
ACCESS Operations	608,905	608,905	0	0	100-0-0
Tax	2,770,593	1,947,727	800,701	22,165	default
Human Resources	654,373	460,024	189,114	5,235	default
Human Relations	79,188	55,669	22,885	634	default
Public Works Administration	448,423	315,241	129,594	3,587	default
Fleet Maintenance	238,061	167,357	68,800	1,904	default
Facilities Management	2,846,908	2,001,376	822,756	22,775	default
Grounds Maintenance	422,945	297,330	122,231	3,384	default
Courts	688,626	484,104	199,013	5,509	default
Print Shop	182,840	128,537	52,841	1,463	default
Cable Access	127,177	89,405	36,754	1,017	default
Public Information	146,931	103,292	42,463	1,175	default
<i>Nondepartmental Expenditures:</i>					
Medicare supplement	323,460	323,460	0	0	100-0-0
Retirees	1,918,454	1,918,454	0	0	100-0-0
Risk management fees	67,733	67,733	0	0	100-0-0
Unemployment insurance consultant	5,130	0	5,130	0	0-100-0
Penalties Program	474,140	333,320	137,026	3,793	default
Lake Wylie Marine Commission	22,500	22,500	0	0	100-0-0

Appendix Table 2. Gaston County Expenditures by Land Use Category for 2006-2007 (continued)

	Total	Residential	Commercial	Agricultural	Breakdown
Insurance reserves	652,142	458,456	188,469	5,217	default
Schiele Museum	122,500	122,500	0	0	100-0-0
United Arts Council	17,370	17,370	0	0	100-0-0
Commission on the Family	352	352	0	0	100-0-0
Criminal Justice Partnership Act Grant	154,235	108,427	44,574	1,234	default
Mountain Island Marine Commission	21,811	21,811	0	0	100-0-0
Salvation Army Homeless Shelter	17,370	17,370	0	0	100-0-0
Drug Task Force	-2,144	-2,144	0	0	100-0-0
Investment grant program	776,687	0	776,687	0	0-100-0
Community Planning Alliance	9,000	0	9,000	0	0-100-0
Stormwater fees	18,041	12,683	5,214	144	default
Workers' compensation administration	28,000	0	28,000	0	0-100-0
Business incubator setup	1,228	0	1,228	0	0-100-0
Indirect cost reimbursement from DSS	-1,283,300	-1,283,300	0	0	100-0-0
HUMAN SERVICES	19,359,844	19,359,844	0	0	
Health Department	17,322,768	17,322,768	0	0	100-0-0
Contribution to Pathways	957,599	957,599	0	0	100-0-0
Veterans Services	134,495	134,495	0	0	100-0-0
Youth Services	799,782	799,782	0	0	100-0-0
Gaston Skills	145,200	145,200	0	0	100-0-0
ECONOMIC DEVELOPMENT	2,784,970	1,059,395	1,389,859	335,716	
Planning	515,947	362,711	149,109	4,128	default
Economic Development Commission	727,835	0	727,835	0	0-100-0
Tourism	243,594	0	243,594	0	0-100-0
Court Drive Development	50,663	0	50,663	0	0-100-0
Technology Park Development	66,838	0	66,838	0	0-100-0
Cooperative Extension Service	565,922	327,103	110,355	128,464	57.8-19.5-22.7
Agricultural Stabilization	13,226	0	0	13,226	0-0-100

Appendix Table 2. Gaston County Expenditures by Land Use Category for 2006-2007 (continued)

	Total	Residential	Commercial	Agricultural	Breakdown
PUBLIC SAFETY	39,049,521	30,770,884	8,100,526	178,111	
County Police	9,513,316	7,620,166	1,874,123	19,027	80.1-19.7-0.2
County Police/Bessemer C. Agreement	878,596	703,755	173,083	1,757	80.1-19.7-0.2
Sheriff	11,596,419	8,152,283	3,351,365	92,771	default
Jail Annex	319,911	224,897	92,454	2,559	default
County Physician	1,347,845	947,535	389,527	10,783	default
Law Enforcement Special Allowance	352,084	247,515	101,752	2,817	default
Juvenile Detention Home	248,646	248,646	0	0	100-0-0
Emergency Management	248,408	174,631	71,790	1,987	default
Fire Marshal	563,889	225,556	335,514	2,819	40-59.5-0.5
Code Enforcement Administration	249,217	224,295	24,922	0	90-10-0
Building Inspection	1,167,149	1,050,434	116,715	0	90-10-0
Medical Examiner	176,782	124,278	51,090	1,414	Default
Emergency Medical Services	8,114,363	7,282,641	811,436	20,286	89.75-10-.25
Animal Control	1,145,669	1,145,669	0	0	100-0-0
Telecommunications	3,127,227	2,398,583	706,753	21,891	76.7-22.6-0.7
ENVIRONMENTAL PROTECTION	50,228	4,420	3,968	41,840	
Forestry Control Services	50,228	4,420	3,968	41,840	8.8-7.9-83.3
CULTURAL AND RECREATIONAL	3,944,040	3,944,040	0	0	
Recreation	608,120	608,120	0	0	100-0-0
Museum	336,904	336,904	0	0	100-0-0
Library Administrative and Technical Services	557,095	557,095	0	0	100-0-0
Main Library Services	1,383,701	1,383,701	0	0	100-0-0
Branch Library Services	1,041,447	1,041,447	0	0	100-0-0
Law Library	9,725	9,725	0	0	100-0-0
Historic Preservation Commission	7,048	7,048	0	0	100-0-0

Appendix Table 2. Gaston County Expenditures by Land Use Category for 2006-2007 (continued)

	Total	Residential	Commercial	Agricultural	Breakdown
EDUCATION	40,587,439	40,587,439	0	0	
Gaston College	3,423,048	3,423,048	0	0	100-0-0
County Schools	37,164,391	37,164,391	0	0	100-0-0
DEBT SERVICE:	2,308,479	2,024,666	277,047	6,765	
Principal retirement	2,148,119	1,877,456	264,219	6,444	87.4-12.3-0.3
Interest and fees	160,360	147,210	12,829	321	91.8-8-0.2
Total Current Expenditures	127,642,421	111,601,245 (70.4%)	15,346,669 (29.0%)	694,507 (0.6%)	
Transfers out (General Fund Surplus)^b	55,466,949	17,365,115	37,673,278	428,555	70.4-29.0-0.6
Total Expenditures	183,109,370	160,097,509	22,015,556	996,305	

a. Percentage breakdown by land use category (residential-commercial-agricultural). Default percentages were based on 2007 assessed property valuation (residential - 82.8%; commercial - 15.9%; agricultural - 1.3%).

b. These were allocated among land use categories in proportion to other expenditures.