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'Smart Growth' isn't always smart growth

By Tom Firey

In early 2001, as the stock market bubble was collapsing and companies such as Pets.com, e-Toys and Webvan were fading into oblivion, a money management firm launched an ad campaign about "the new New Economy." In the new New Economy, the ads said, investors won't be charmed by 20-somethings on scooters who put made-up words in front of ".com." Investors won't smile favorably on proposals that lack well-developed business plans. In the new New Economy, investors will make decisions based on serious analysis of market conditions and the likelihood of success.

Those ads came to mind a few weeks ago, following the Washington County Commissioners' decision to pass "Smart Growth" rural rezoning. The rezoning tightens 10-fold the housing density limits for more than three quarters of the county, though it does not address the areas where planning officials say 80 percent of development is occurring. The commissioners' decision follows three years of claims that the rezoning will hold down local taxes, prevent overcrowding in county schools, relieve congested roads, protect the local farm economy and preserve the area's rural heritage.

Though the commissioners' vote came only recently, the rezoning has, in essence, been in effect since 2002 when the county adopted a rural-area building moratorium. So far, there's little sign of Smart Growth's promised benefits - no tax cuts, no increased capacity in county schools and on county roads, no sudden boom in area agriculture.

That shouldn't be surprising. Tax increases, after all, are the result of political decisions

about how to use taxpayers' money regardless of whether the number of taxpayers is growing, shrinking or stable. Congested schools and roads are the products of poor planning by local decision-makers. The erosion of the area's farm economy and rural heritage are the consequences of Washington County's three decade-long decline in net real returns per acre of farmland. It is unclear how altering housing density limits will rectify a generation of poor local decision-making, let alone change global agricultural markets.

Perhaps, like the New Economy bubble, Smart Growth proponents are caught up in "irrational exuberance." If so, the exuberance will wear off at some point and Washington County will have to make serious decisions to contend with development. Call this a shift from Smart Growth to "smart Smart Growth."

When that day comes, here are two points to consider:

(1) Good "planning" is as much about economics as about engineering and surveying. As has often been noted, population growth means that local government must increase its spending in order to maintain the same level of services per resident. Less noted but equally important, population growth also means increased government revenue as a result of more jobs, workers and valuable properties. From 2002 to 2004, Washington County's population grew an estimated 3.6 percent - and county tax revenue grew 14.0 percent.

The higher revenues and demand for services require sound fiscal planning to ensure public monies are directed properly and used efficiently and effectively. Local government must determine the "marginal cost" of the public services it supplies - that is, the cost of providing those services to one additional household. Taxes and fees should then be assessed to recover that cost. If necessary, new construction should be assessed an appropriate impact fee that covers the newcomer's cost for new

infrastructure.

Property and income taxes should cover the costs of true public goods -services, like police protection and public parks, that can't be financed with user fees. User fees should cover the costs of government-provided nonpublic goods like sewer, water and waste disposal. Such a system would be both fair and financially sound - county residents would get what they pay for, and also pay for what they get.

(2) Establish a depreciation budget and fund. Despite the claims that growth is to blame for the county's need to increase spending on schools and roads, a good portion of that spending will go toward replacing or refurbishing existing infrastructure. (Remember, Washington County Public Schools had higher enrollments in the 1960s and 1970s than they do today.) This suggests that, for at least a generation, local political leadership may have shirked on its duty to maintain the county's capital stock.

Responsible managers - both public and private - avoid shirking by establishing depreciation budgets that require them to regularly save and spend money on renovation and replacement. Washington County should adopt that practice and establish a depreciation fund and annual depreciation budgets. In doing this, the county would be better protected from the sudden need to replace or refurbish capital, and political leaders would have to consider long-term costs when considering adding to the county's capital stock.

Population growth does not so much create problems for local government as it exposes already-present problems that have been ignored or hidden. Washington County, not unlike most growing jurisdictions, now finds itself faced with those problems. Hopefully, the county will use smart policies to deal with that growth.

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