







Flint Hills  
Regional Growth Plan

# Fiscal Impact Analysis







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## FISCAL IMPACT ANALYSIS

### Section Summary

#### Introduction

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*As the Flint Hills region considers implementation of recommendations made within the Regional Growth Plan, fiscal implications should be examined in order to identify cost estimates, funding requirements, funding sources, and other related financial impacts to stakeholders. This section provides a review of the fiscal implications and revisits several recommendations made in the Strategic Action Plan and Growth Impact Assessment for the Flint Hills Region (DOL Study), sponsored by the Department of Labor in 2006.*

#### Implementation

The following tables are recommended implementation actions; each action is broken out by timeframe, implementation partner, and funding sources. Additional information can be found in the Fiscal Section of this report.



Recommendation with Fiscal Implementation	Action and Benefit	Proposed Funding Approach	Cost Estimate	Capital or Operational	Next Steps
Housing					
Monitor Local Housing Conditions/Market Research	Fund Analyst Position	Regional Organization/ Shared Tax Revenues	\$75,000 - \$125,000	Operating	Examine Multi-County Cooperative
Increase Communication with Fort Riley	Increase Actions of Military Affairs Council	Regional Organization/ Shared Tax Revenues			Increase Communication for Housing Related Impacts
Create Regional Building Permit Tracking System	Create Regional Data System	Regional Organization/ Shared Tax Revenues	not specified	Capital	Examine Multi-County Cooperative
Explore Adequate Community Facility Fees	Improve Sewer Facilities	Impact Fees	None	Capital	Examine Feasibility of Fee Program
	Improve Water Facilities	Impact Fees			
	Improve Parks	Impact Fees			
	Improve Roads	Impact Fees			
	Improve Schools	Impact Fees			
	Improve Libraries	Impact Fees			
Education					
Capital Funding for On-Post School (USD 475)	Build On-Post School	Direct Funding from DOD	several million	Capital	Request DOD funding
Operational Funding for Additional Programs	Add On-Post and Off-Post Programs	Direct Funding from DOD	several thousand	Operating	Request DOD funding
Increase Educational Career Opportunities	Add/Train Educational Professionals	Funding from DOD and State of Kansas	\$100,000 - \$200,000	Operating	Form regional education working group for teacher education
Health Care and Mental Health Care					
Establish Regional Health Entity	Form and Operate Organization; Provide Additional Studies	Regional Organization/ Health Community	\$100,000 - \$250,000	Operating	Form Regional Health Care Council
Begin recruiting almost every medical specialty to the Flint Hills, especially obstetricians, cardiologists and pediatricians.	Train Additional Health Care Professionals	Regional Organization/ Health Community	\$25,000 - \$100,000	Operating	Form Regional Health Care Council



Recommendation with Fiscal Implementation	Action and Benefit	Proposed Funding Approach	Cost Estimate	Capital or Operational	Next Steps
Create education opportunities in the region for healthcare providers including nurses, dental assistants and other technicians.	Train Additional Health Care Professionals	Regional Organization/Health Community	<\$1,000,000	Operating	Form Regional Health Care Council
Build Regional Health Information Network	Increase Health Data Quality; Fund Study	Regional Organization/Health Community	not specified	Capital	Request funding from DOD; Form Regional Health Care Council
Increase Outreach/Education Efforts	Increase Education; Increase Public Health	Regional Organization/Health Community	\$75,000 - \$150,000	Operating	Request funding from DOD; Form Regional Health Care Council
Study TRI-CARE Regional Funding	Fund Study; Increase Regional Understanding	Regional Organization/Health Community	\$0 - \$50,000	Operating	Request funding from DOD; Form Regional Health Care Council
Geary Community Hospital	Expand Health Facilities	.25% Sales Tax Increase	\$34,000,000	Capital	Completed Bond
Transportation					
Increase and Improve Current Roadway System	Improved Regional Transportation	Federal and State Grants, Tax Revenues	not specified	Capital	Establish MPO to qualify for additional grant funding
Public Safety					
Increase Law Enforcement/EMS Apparatus	Upgrade and Expand Stations, Equipment, etc.	Impact Fees	not specified	Capital	Examine Feasibility of Fee Program
Implement Regional CAD/RMS System	Install CAD/RMS System	Grants and Tax Revenues	not specified	Capital	Pursue Grant Funding through DOJ
Increase Service	Expanded Public Safety	Tax Revenues	not specified	Operational	Examine County Budgets
Social Services					
Child Care	Expand Child Care Programs	Impact Fees, DOD Funding, Kansas Children's Cabinet Fund, Low Interest Loans, other Grants	not specified	Capital	Pursue Various Funding Mechanisms

Recommendation with Fiscal Implementation	Action and Benefit	Proposed Funding Approach	Cost Estimate	Capital or Operational	Next Steps
	Operate Child Care Programs	Tax Revenues, Subsidies for low-income parents, Expansion of Army Child in Your Neighborhood, Employer Provided programs.	not specified	Operational	Pursue Various Funding Mechanisms
	Fund Head Start/ Early Head Start	Grant Funding, Tax Revenues	not specified	Operational	Lobbying Effort for Additional Funding
Workforce					
Conduct Wage Survey and Identify Labor Shortages	Fund Study	Grant Funding from DOD	\$10,000 - \$30,000	One Time	Pursue Funding and Sponsor Study
Regional Planning					
Implement a Regional GIS System	Install GIS Software, Hardware	Grant Funding	not specified	Capital	Establish MPO to qualify for additional grant funding
	Operate GIS System	Regional Organization/ Shared Tax Revenues	not specified	Operational	Establish MPO to qualify for additional grant funding
Use the Community Planning Process to Identify Quality of Life Indicators	Identify and Monitor Select QoL Indicators	Regional Organization/ Shared Tax Revenues	not specified	Operational	Establish MPO to qualify for additional grant funding
Key					
CAD/RMS - Computer Aided Dispatch/Records Management System					
DOD - Department of Defense					
DOJ - Department of Justice					
MPO - Metropolitan Planning Organization					

## Implementation Table Key

### Cost Key:

- (A) \$0-\$25,000
- (B) \$25,000-\$50,000
- (C) \$50,000-\$100,000
- (D) \$100,000-\$250,000
- (E) \$250,000-\$500,000
- (F) \$500,000-\$750,000
- (G) \$1 million +
- (-) – Unknown or no cost

### IMPLEMENTATION CODES

#### PUBLIC SECTOR

CC – City or County Council/Commission  
DOC- Department of Commerce  
KACCRRRA - Kansas Resource and Referral  
KDOT - Kansas Dept of Transportation  
KSU - Kansas State University  
LG - Local Governments  
LRRRA - Local Resource & Referral Agency  
PC – Planning Commission/Department  
RPE - Regional Planning Entity  
FR - Fort Riley  
PH - Local Public Health Department  
PS - Public School System  
PP - Public Process  
WFC- Workforce Centers

#### PRIVATE SECTOR/NON-PROFIT

B - Businesses  
C – Private consultants  
CoC – Chamber of Commerce  
CVB – Convention and Visitors Bureau  
D – Private Developer  
PO – Property Owner  
V – Volunteers  
DM – Downtown Merchants/Main Street  
CNGO - Conservation Group  
RE - Realtors  
SSP - Social Service Providers

### FUNDING SOURCES

GR - General Revenue  
SMRT - Kansas Smart Start Grants  
KS - State Revenue Source  
SID - Special Improvement Districts  
BID - Business Improvement Districts  
TID - Tax Increment Districts  
CDBG - Community Development Block Grants  
KDOT - Statewide Transportation Funds  
CFF - Community Facility Fee  
OEA - Office of Economic Adjustment  
CF - Conservation Funds





## FISCAL IMPACT ANALYSIS

### A. Introduction and Methodology

As the Flint Hills region considers implementation of recommendations made within the Regional Growth Plan, fiscal implications should be examined in order to identify cost estimates, funding requirements, funding sources, and other related financial impacts to stakeholders. This section provides a review of the fiscal implications and revisits several recommendations made in the Strategic Action Plan and Growth Impact Assessment for the Flint Hills Region (DOL Study), sponsored by the Department of Labor in 2006.

All areas within the Regional Growth Plan, including Infrastructure and Utilities, Housing, Education, Transportation, Public Safety, Health Care, Social Services, Workforce, Quality of Life, and Regional Coordination were examined for identified fiscal implications. Many of the fiscal details related to specific recommendations require further examination in terms of cost estimates and timing. Once identified participants or working groups are formed, one of their first tasks will be to finalize cost estimates and initiate a process of identifying alternative funding sources. This section should not be used in lieu of a formal fiscal study, where projected public costs are directly compared to projected public revenues. Rather, this provides a starting point of evaluating the range of projected costs and potential revenue sources as they are currently identified.

Information related to costs and financing was collected from participants in the Flint Hills Regional Growth Plan, local officials, and various stakeholders. Data was also revisited from the DOL Study related to sales tax revenues and other inputs from municipal budgeting personnel.



### B. General Fiscal Implications

As the recommendations within the Regional Growth Plan are finalized, costs and revenue sources must be considered on a regional basis. These costs should be viewed as investments in the region, and range from new facilities to increased services. Most likely, few recommended investments will be paid for by a single source of funding or single entity. Rather, a mix of funding sources will probably be required, and may include federal, state, county, city, private, and other entities. This is due to the fact that the benefit of many of these recommended improvements/actions do not have a direct nexus to one group of users. In many cases, entities simply cannot provide the required level of funding without outside funding sources.

Two general categories of costs (expenditures) are identified in this analysis, and include both operating and capital costs. Operating costs are those costs required to maintain a program, governmental entity, or other organization. Operating costs typically include salaries and benefits,

maintenance, rent or lease payments, and other related expenditures. Capital costs are expenditures required to purchase land, property, or other tangible goods. These could include land for a new facility, a new building, an improvement or an expansion to a building, new vehicles, etc. As each working or implementation group goes forward, they should accurately identify both operating and capital costs because they will probably be funded through different mechanisms.

Depending on the type of funding source, revenues are often times not matched to the timeline of expenditures. Sales taxes, property taxes, and income taxes are all collected at regular intervals during the year, while expenditures are on an as-needed basis and require each governmental entity to create a budget that anticipates the surplus or deficit in cash flow. As implementation groups proceed, they should examine the timing of expenditures versus the timing of revenues and plan accordingly. While uncomfortable, it must be recognized that some costs must be incurred before revenues are available, and many local municipalities will be forced to fund the expansion of the community through the general fund and other operational funds. Alternatively, levels of service would have to be reduced or diluted, which is not advisable in areas such as public safety and utilities. It should be noted that most governmental agencies have successfully performed annual budgeting, however, these new costs may be at unprecedented levels and should be examined closely.

Different sources of revenues are used by local governments to fund their service to the local community. One source, sales taxes, typically expands in proportion to population increases. As populations increase, individuals spend money in the local economy, which increases the amount of sales tax collected by state and local governments. Sales tax is key to the budgets of local municipalities, but is not the primary source of funds. For example, in 2006, Riley County received approximately \$1.2 million in sales tax revenues.

The estimated increase of just under \$0.4 million by 2012 represents an increase in property taxes of approximately one-third.

Estimates for additional sales tax revenues specifically linked to the increase in new spending from the expansion of Fort Riley are provided in Table 1. Over \$3.9 million is expected to be collected by local municipalities by the stabilization year of 2012. This estimate assumes sales tax rates stay constant, and the majority of retail spending from new troops and other economic migrants are captured within the region.

Table 1. Estimate of Additional Sales Tax Revenue from Expansion of Fort Riley

Governmental Entity	Estimated Additional Sales Tax Revenues - Year 2012			
	(1)	(2)	(3)	(4)
Geary County	\$249,769			
Junction City	\$911,479			
Other Cities or Towns in Geary County	\$22,491			
Riley County	\$396,877			
City of Manhattan	\$1,962,127			
Other Cities or Towns in Riley County	\$33,963			
Pottawatomie County	\$95,021			
City of Wamego	\$165,551			
City of Manhattan	\$96,946			
Other Cities or Towns in Pottawatomie County	\$26,957			
Total Regional Sales Tax Revenue	\$3,961,180			

Source: Kansas Department of Revenue and RKG Associates, Inc.

(1) All values are in \$2006. (2) The adjusted forecast takes into account the distribution of sales tax shares to the State, counties, and cities. It also calculates the sales tax revenue distribution of the county tax to the county and cities within the county. (3) The City-County Revenue Sharing Fund is not calculated in this analysis. (4) Special districts and destination of goods adjustment are not calculated in this analysis.

Other municipal revenue sources will also increase with the expansion of Fort Riley. Each local municipal entity is currently (or should be) examining all tax revenue sources, including property taxes, motor vehicle revenues, and other taxes and fees.

## C. Direct Fiscal Implications

The Growth Plan examines several specific areas that will be impacted by the expansion of Fort Riley. These areas were examined in terms of estimated fiscal implications, and are listed below in order of magnitude. For several areas, the actual cost of capital and operating outlay are not yet available, and are estimated as appropriate.

- Transportation/Utilities
- Health Care
- Public Safety
- Education
- Housing
- Other Social Services/Child Care
- Other Regional Cooperative Efforts

Table 2 presents a summary of fiscal implications, the action and benefit from the recommendation, the proposed funding approach, a cost estimated, a listing of whether the recommendation will require capital funding or operational funding, and additional steps. Each of the recommendations will require supplemental efforts to estimate specific costs, magnitude, and priority. For several areas, including housing, education, and healthcare, some detailed fiscal implication data has been identified and is included at the end of this section in matrix format.

Almost all of the local municipalities have successfully met the fiscal impacts associated with the growth that has recently occurred on Fort Riley. Most cities and counties have been planning for the fiscal implications of the expansion of Fort Riley over the past few years, and are preparing for continued growth.

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Workforce					
Conduct Wage Survey and Identify Labor Shortages	Fund Study	Grant Funding from DOD	\$10,000 - \$30,000	One Time	Pursue Funding and Sponsor Study
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Implement a Regional GIS System	Install GIS Software, Hardware	Grant Funding	not specified	Capital	Establish MPO to qualify for additional grant funding
	Operate GIS System	Regional Organization/ Shared Tax Revenues	not specified	Operational	Establish MPO to qualify for additional grant funding
Use the Community Planning Process to Identify Quality of Life Indicators	Identify and Monitor Select QoL Indicators	Regional Organization/ Shared Tax Revenues	not specified	Operational	Establish MPO to qualify for additional grant funding
Key					
CAD/RMS - Computer Aided Dispatch/Records Management System					
DOD - Department of Defense					
DOJ - Department of Justice					
MPO - Metropolitan Planning Organization					

### *Transportation and Utilities*

Transportation and utilities represent the highest levels of cost associated with the expansion of Fort Riley. The largest transportation improvements the region has witnessed for decades will be completed over the next few years (e.g., the expansion of K-18, access to Interstate 70, etc.). These improvements were primarily funded through the State of Kansas. A secondary level of transportation improvements will be required to continue to deal with regional traffic.

### *Capital Costs*

Capital costs include expansion to the following intersections:

- US-77 and Rucker Road
- K-18 and Spring Valley Road
- K-18 and Miller Parkway/Davis Drive
- Tuttle Creek Boulevard and Marlatt Avenue
- Tuttle Creek Boulevard in North Manhattan
- Scenic Drive and Miller Parkway
- East Poyntz Avenue (US 24)/Tuttle Creek Boulevard/Fort Riley Boulevard

As these areas are examined in greater detail, cost estimates will be prepared. Most likely, funding will require a mix of federal, state, county and city monies in order to implement these roadway improvements. In addition, traffic signal coordination is recommended, so that peak commuter traffic can be optimized throughout the region. This will also require cooperation among all regional governmental entities, in both initial capital costs (costs required to study efficient traffic flow) and operational costs (costs incurred by traffic analysts to manage the regional flow of traffic).

Finally, a transit concept including bus and commuter express vehicles is under consideration. Junction City, Manhattan and Wamego would be the three entities primarily involved with these efforts, as well as the primary funding partners.

The local communities have been successfully providing a wide array of utilities to the local communities for some time. Recommendations within the Flint Hills Regional Growth Plan suggest that water, wastewater processing, and other public works continue to refine their processes, but there are no major recommendations with specific fiscal implications. Some staffing increases may be required in the future as communities expand, however, all local municipalities have successfully added staff in the past, and no major changes to the staffing/hiring process are recommended.

### *Health Care*

The increase in the level of health care will require significant spending over the next decade for the Flint Hills region. As the demand for health care increases, leadership will be required from all major health organizations within the region to fund a regional information exchange. A detailed table of costs, funding sources and implementation partners can be viewed in Table \_\_\_.

Capital and operating costs include the following:

**Capital Costs** – Build a regional health information network; expansions to hospital facilities.

**Operating Costs** – Establish Regional Health Organization (RHO); Recruiting efforts for almost every medical specialty; Create education opportunities in the region for healthcare providers; Increase Outreach/Education Efforts; Study TRI-CARE Regional Funding.

A Regional Health Organization (RHO) will need to be formed to: provide a clearinghouse for health related data, maintain public access to healthcare information, increase communications between the Irwin Army Community Hospital and the non-military healthcare organizations, and lobby state and local policymakers. The RHO would be funded through contributions by regional healthcare organizations and grant monies, and would cost between \$100,000 and \$250,000.

The region will also require significant recruiting efforts for physicians, nurses, and other health care professionals as the region grows. These recruiting efforts would be funded by the RHO, and would cost under \$75,000.

In addition, the region would also benefit from increasing health care related educational opportunities, and could include Kansas State University (K-State) and hospital contributions. Costs could range between \$375,000 and \$800,000.

Hospitals and the RHO will also need to increase their service capacity as the region grows. Typically, hospitals are required to fund the expansion of their facilities independently of city or county municipalities, and will be a mixture of for profit and not-for-profit financing. One private expansion of up to 60 new inpatient beds is expected to occur, and will be funded through over \$30 million in private bonds. Geary Community Hospital has recently committed to expanding their facilities through a public bond placement. Pawnee Mental Health will also be required to expand facilities in the future, and will need to begin to examine financing options presently.

In addition to hospital expansion, other facilities should be examined, and include innovative ideas like Wal-Mart clinics and other community outreach programs. Outreach programs will also be required to curb high rates of sexually transmitted diseases within the region. These recommendations are expected to be funded privately or through grant monies from federal and state health entities.

A thorough study of the TRI-CARE system in terms of a comparison of payment rates to service levels should be funded. It is recommended that a Department of Defense Agency and the RHO jointly fund a study that could cost between \$25,000 and \$75,000 to further understand the relationship between TRI-CARE payments flows and its impact on health related services to military families.

Overall, between \$750,000 and \$1.6 million will be required over the next six years, not including private placement bonds related to hospital expansion. The majority of funding will come from local and regional hospitals, with additional support from the OEA and other public health agencies.

### *Public Safety*

Public safety services include Police, Fire, and Emergency Medical Services (EMS), and are expected to increase in step with the forecast increase in population.

Capital and operating costs include the following:

**Capital Costs** – Implement Regional CAD/RMS System; Increase public safety apparatus and equipment.

**Operating Costs** – Additional public safety staff.

Recommendations within the Flint Hills Regional Growth Plan include the implementation of a Joint Powers Agreement (JPA) among Riley County, the City of Manhattan, and potentially Pottawatomie County. This JPA would operate a consolidated public safety Communications Center, which will require a new Computer Aided Dispatch System and a Records Management System (CAD/RMS). The CAD/RMS will increase the accuracy and efficiency of the various public safety agencies.

Funding for the CAD/RMS system will come from various Federal grants and contributions from local governments. Total cost has not yet been estimated.

The various municipalities should begin planning for additional costs associated with an increase in demand for public safety. Police, Fire, and EMS calls will increase as the population of the region expands, however, taxation and other public revenue sources typically lag expenditures. For critical municipal service areas such as public safety, it is advisable for increases in public safety personnel and equipment before service levels are diluted.

## *Housing*

As the housing market continues to expand within the Flint Hills Region, builders and developers would benefit from increased communication from Fort Riley related to troop arrivals, information related to the demands of military homebuyers, and general information related to changes in the regional housing market.

Capital and operating costs include the following:

**Capital Costs** – Create Regional Building Permit Tracking System

**Operating Costs** – Hire a housing analyst to monitor local housing conditions, conduct market research, and increase communication with Fort Riley.

A regional examination of the housing market will be required, as well as one point of contact for affairs having to do with off-post military housing. Therefore, a full time staff position, tentatively referred to as a housing analyst, should be created under the Regional Planning Organization. The analyst would be responsible for tracking and publishing regional housing data and could also serve as a point of contact between Fort Riley and the local building community in order to foster additional data exchange. It is expected the analyst, with benefits and other required costs (e.g., computer, office space, etc.) would cost between \$75,000 and \$125,000.

In addition, a regional building permit system should be considered in order to track regional building efforts. As many communities are experiencing housing expansion, a risk of regional overbuilding could occur. By tracking building permits regionally and sharing this information the risk could be reduced. The complexity of the system would be determined by funding amounts, but would likely require a time commitment by the housing analyst.

## *Education*

The school districts within the region have been receiving new students associated with the expansion of Fort Riley over the past few months. School districts have been working on implementing facility expansion plans, and have added new schools, reopened closed schools, and expanded current facilities. A number of school districts are expecting to add new facilities through community bonds, all of which have passed or are expected to pass. Thus, school districts are expected to be able to provide the appropriate level of classrooms and facilities for the expected off-post growth.

Capital and operating costs include the following:

**Capital Costs** – Capital Funding for On-Post School (USD 475)

**Operating Costs** – Provide funding for staffing to recruit military spouses for educational careers; Fund additional staff and programs oriented to Fort Riley families.

There will be an increase in demand for on-post school facilities, however, as Fort Riley adds several new housing developments on installation property over the next few years. Depending on the scale of on-post development, Geary County Schools (USD 475) and Fort Riley will need to closely examine the facility needs related to on-post growth. Cost estimates for new school facilities are typically in the tens of millions, and will require land to be set aside by Fort Riley, which it has tentatively agreed to provide. The construction of the actual school, however, will require funding from an outside source, as USD 475 cannot incur the cost of construction, and cannot float bonds for on-post residents. Thus, DOD should be required to provide funding for the on-post facility.

Additional teacher education training programs will also be required as schools expand in response to growth at Fort Riley. It is recommended that regional education institutions (e.g., K-State, Barton Community College, etc.) work with

Fort Riley to provide outreach services specifically targeted at recruiting military spouses into the field of education. Military spouses have worked with KSU in the past to receive education degrees, but several barriers have made it difficult for many to pursue advanced degrees. These barriers need to be examined in more detail, but typically include timing of classes, childcare, and more dedicated career counseling.

K-State and other institutions should work with the State of Kansas to provide more flexible programs for military spouses, which could be provided if funding for additional staff and additional courses were made available. Specifically, additional childcare options could also allow military spouses to pursue education related careers. Costs for these programs will be further detailed once a working group of local education institutions and Fort Riley personnel is formed. Rough estimates project costs around \$100,000, which would include staff and benefits for two additional staff dedicated to recruiting and counseling military spouses in education related careers. In addition, the working group would provide assistance to the Kansas Department of Education in examining options related to increasing the number of temporary teaching opportunities and greater acceptance of out of state teaching credentials.

### *Social Services and Child Care*

The review of social services and child care delivery in the region indicates a need for increased coordination among local providers and readily accessible and centralized sources of information for delivery entities, as well as customers.

Capital and operating costs include the following:

**Capital Costs** – Establish an information and advocacy clearinghouse for child care issues and resources;

**Operating Costs** – Conduct a Comprehensive Community Social Services Needs Assessment; Develop a multi-county Social Services Alliance to coordinate information sharing

and best practices; Hire staff to manage the child care information and data clearinghouse

### *Regional Planning*

A regional GIS system is required as the cities and counties begin to “grow together.” Many counties and cities have some level of GIS capability, but it is unclear whether this data can transfer between platforms, and is likely inconsistent in terms of data layers. The GIS system would be helpful for all planning agencies, municipal service entities, and, perhaps most importantly, would be a required base for a regional CAD/RMS system.

Capital and operating costs include the following:

**Capital Costs** – Create a Regional GIS System.

**Operating Costs** – Operate a Regional GIS System.

Specific costs for software, hardware, and maintenance would need to further examined, but costs would probably range in the tens of thousands. Local municipal staff could also be used to update and maintain the system, assuming all municipalities could work out a shared responsibility agreement, where tasks were allocated among a user group.

It has also been requested that regional quality of life indicators be addressed and updated on a regular basis. This could be accomplished through a working group composed of planners and community members from within the region, who meet on a regular basis to discuss quality of life indicators. The fiscal impact to forming this group would be minimal, assuming staff time is made available by the participating municipalities.



## D. Alternative Financing – Impact Fees

One key area of funding that should be further examined is a variety of impact fees considered under the Growth Plan. In many communities, developers (and future homeowners) are assessed impact fees as they develop and improve housing and commercial lots. Impact fees are intended to offset costs incurred by a local municipality, and can include a wide variety of areas of impact. Currently, sewer and water hookup fees are charged to new development in some communities, but broader impact fees related to roadways, drainage, or other infrastructure are not included in the impact fee bundle.

Improvements such as internal roads (i.e., roads within a new subdivision) and other infrastructure related to a specific private project are often developer funded, then purchased from the local city once a significant share of homes has been sold. This system, referred to as threshold buyback, reduces the municipality's fiscal risk of absorbing new infrastructure, as a large number of homes are available to pay for bond payments, fees, assessments or other taxes related to the new infrastructure. Because of the increased fiscal security, all local municipalities should consider implementing similar agreements for infrastructure if they have not done so.

Impact fees can also be used to pay for community amenities, of which the new resident will benefit from. For example, impact fees can be used to pay for additional libraries, parks, trails, etc. Many communities experiencing growth can fund the expansion of these amenities through impact fees, but must take into account that impact fees can increase the cost of housing, and may reduce the profit margin for homebuilders. Interviews with homebuilders consistently indicate that the recent increase in building fees in Junction City is straining the profit margin for most builders.

Homebuilders can also “pass on” the impact fee to the potential homeowner by raising prices or reducing construction costs if fees go up. By doing so, however, the builder risks losing a sale or missing the target homebuyer. Therefore, builders typically raise prices as much as they feel comfortable with, and absorb the costs of higher impact fees. As a significant amount of homebuilding has already occurred within the area, adding new impact fees may not be equitable among some developments as well as communities. Impact fees also require time to go through the public process, of which a significant amount of time will likely be spent in some form of debate or political decision making. Local municipalities must prepare for backlash from developers and builders if they increase impact fees or add new fees after a significant level of homebuilding has occurred.

Each community should examine impact fees as a possibility for funding new facilities or expand current ones and balance it with the implications of potentially straining pricing and cost within the housing market.