

COST OF COMMUNITY SERVICES ANALYSIS

TYRONE, GEORGIA
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Georgia Tech Enterprise Innovation Institute
Center for Economic
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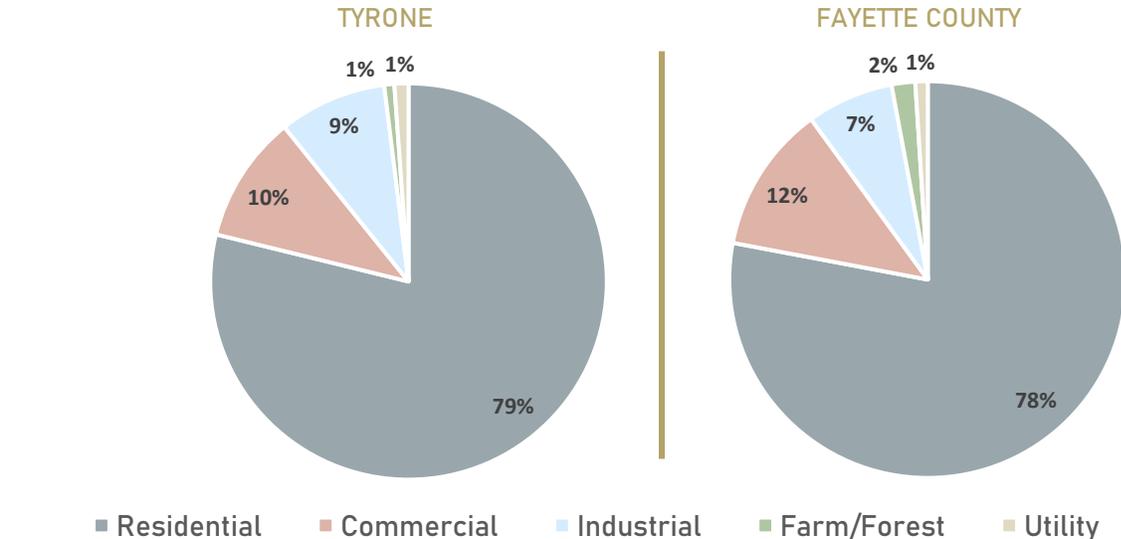
1. INTRODUCTION

Tyrone, Georgia

Tyrone is a town in Fayette County, Georgia, located in the southwestern portion of the Atlanta metropolitan area. Its population has grown by fourteen percent in the last five years, totaling 9,487 in 2024. Tyrone's population growth has outpaced that of Georgia and the nation. Over the next five years, Tyrone's population is expected to grow by another 775 people or eight percent. Total employment in Tyrone has grown by twelve percent to 5,718 in 2024. This growth in employment significantly outpaces the four percent job growth observed at the national level in the last five years. Tyrone's growth contributes to the trend observed for Fayette County as a whole, where population has grown by nine percent in the last five years and now exceeds 125,000¹.

Residential property makes up 79 percent of Tyrone's net tax digest (Figure 1). Similarly, Fayette County's net tax digest is 78 percent residential property. Commercial and industrial property also make up a combined 19 percent of the net tax digest for Tyrone and Fayette County. The Fayette County Development Authority reached out to the Center for Economic Development Research (CEDR) at Georgia Tech for a better understanding of the benefits and costs associated with this high share of residential property for Tyrone, Fayette County, and other municipalities.

FIGURE 1: NET TAX DIGESTS (2023)



Source: Georgia Department of Revenue Tax Consolidation Summaries

New developments always increase a local government's tax base, but an increased tax base does not always result in an improved financial position. Commercial and industrial developments typically improve the financial situation of local government. However, residential development

¹ Quarterly Census of Employment and Wages (QCEW), 2025. Retrieved from Lightcast - Region Economy Overview, Tyrone, Georgia.

often has the opposite effect by introducing new demand for government services. The American Farmland Trust has collected more than 150 studies across the country, with each study concluding that the average cost of providing local government services exceeds the average revenue generated by residential development.² Individual region results can and do vary quite a bit from state to state and county to county, depending on several factors. The results presented in *this* report are specific to the Town of Tyrone and Fayette County, Georgia for fiscal year 2024 (FY24).

Cost of Community Service Studies

Cost of Community Service (COCS) studies require organizing the revenues and expenditures of a local government into different classes of land use or development, such as residential, commercial, industrial, farm, etc. For example, a town's expenditures on parks and recreation programs and library services would typically be classified as all benefiting residential land use. These are easy to allocate, but most expenditures benefit multiple land uses. For example, the road network would be allocated across all types of development, as would the court system, the fire department, public works, etc. The resulting totals for revenues generated and expenses incurred can be presented as a ratio of expenditures to revenues for different land use types. To the extent that the ratio is over one (e.g., expenditures exceed revenues) that land use does not pay for the benefit it receives from the local government.

In cases where expenses are difficult to allocate to specific land use categories, the expert knowledge of government staff is used to estimate service expenditures by land use category. For this study, Tyrone's senior departmental staff provided their expert knowledge in the allocation of expenditures. In some cases, acreage, population share, and/or property value in each land use category are used in determining allocations. For "back-office" and administrative expenses (i.e., finance, human resources, legal, IT, administration, etc.), the combined share of all other expenses is calculated, and then that share is applied to these departments. The analysis results for Fayette County are also presented here for means of comparison.

It is very important to note that COCS studies look at average revenues and expenditures for a particular year, not changes at the margin. These studies should not be used to predict the impact of future decisions. Even so, they can provide insight and allow for more informed decision-making on such policies as tax abatements for farm/forestland, zoning, or commercial development. That said, COCS results can support educated guesses as to the likely marginal cost of development, as well as how land use transition might impact the financial situation of the local government. Finally, these studies look at the ongoing operational cost of growth, not one-time capital expenditure impacts.³

² American Farmland Trust (2016). *Cost of Community Service Studies*.
<https://farmlandinfo.org/publications/cost-of-community-services-studies/>

³ *The Fiscal Impacts of Land Uses in Lee County: Revenue and Expenditure Streams by Land Use Category*, Jeffrey H. Dorfman, May 2018. Used with permission.

2. ANALYSIS RESULTS

Expenditure/Revenue Ratios

This study uses the audited statements shared by Tyrone's finance department for fiscal year 2024, as well as financial information from the 2024 *Town of Tyrone, Georgia Annual Financial Report*, and the 2023 tax digest submitted to the Georgia Department of Revenue. Analogous sources for Fayette County, including audited financial statements and the 2024 *Fayette County, Georgia Annual Comprehensive Financial Report* are used in the calculation of its results shown here.

The land use categories used in this study were residential, commercial/industrial, and farm/forest. Revenues and expenditures were allocated to these land uses based on various town records and data collection from town officials and service providers. All operational revenues were included in the funds that were a part of this study, including local option sales tax (LOST).

Figures 2 and 3 below present the results for Tyrone and Fayette County, respectively. As expected, the expenditure-to-revenue ratio for residential land use came in above one for both geographies. In Figure 2, Tyrone's residential ratio is 1.15 for the actual FY2024 budget, meaning that residential property in Tyrone does not cover the costs of the services it consumes. Farm/Forest land also has a ratio above one but is a very small part of the net tax digest – \$5.3 million or 0.8 percent.

Tyrone had a budget deficit in FY2024 (see Appendix A). Conversely, Fayette County had a surplus in the same year. The balanced budget scenarios in Figures 2 and 3 show how these ratios would shift if revenues and expenditures were equal for both geographies. Tyrone's resulting ratios are reduced from the actual budget results as they are scaled accordingly, but the residential digest still does not cover the cost of services consumed. Every dollar generated by residential property is offset by the \$1.05 cost to provide services. It is important to note that this analysis includes only operational costs and does not include capital expenditure impacts or debt service expenses.

The deficit related to Tyrone's residential operational service demand is countered by the surplus generated by commercial/industrial property in the instance of a balanced budget. Although a fourth of the size of the residential digest (Figure 1), the expenditure-to-revenue ratio for commercial/industrial land use is only 0.80, meaning that for every \$1 of revenue the town brings in from commercial and industrial property, it only costs the town \$0.80 to provide services.

Figure 3 shows the expenditures-to-revenues ratios for Fayette County. In FY2024, revenues exceeded expenditures by \$10.4 million. Under a balanced budget, ratios would increase for each category of land use, but mostly for the residential category. If revenues equaled expenditures, the residential digest ratio would see the largest shift, with a new ratio of 1.14 compared to the 1.05 observed for the actual budget excluding the school system.

FIGURE 2: TOWN OF TYRONE - EXPENDITURES PER \$1 OF REVENUE BY LAND USE

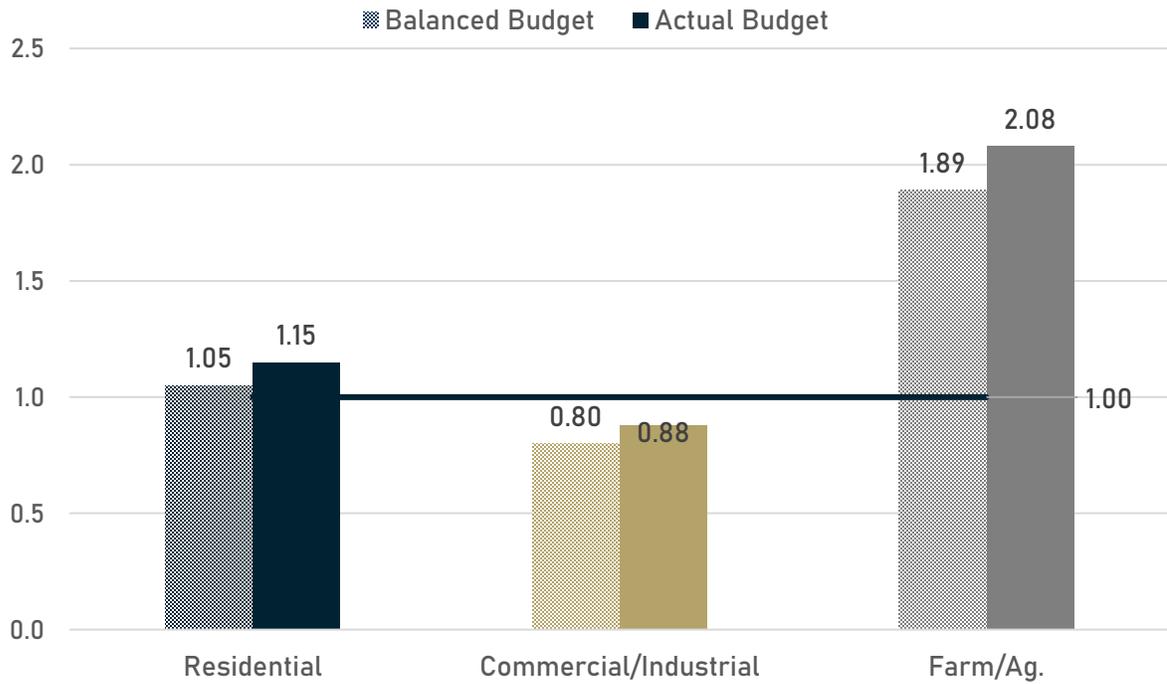
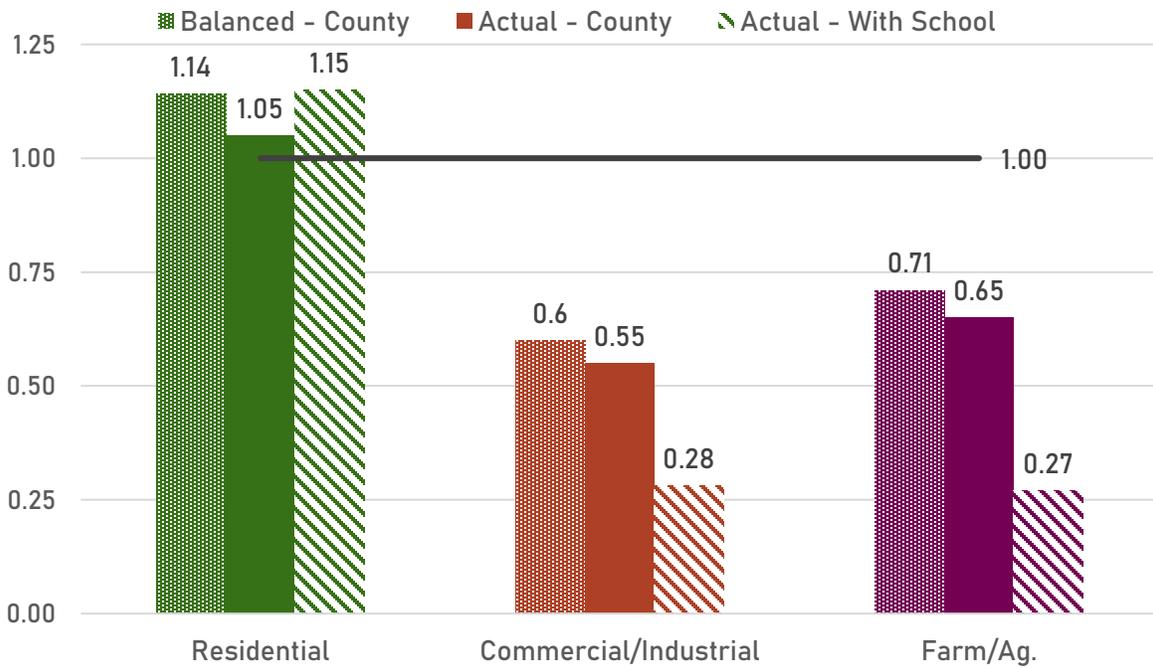


FIGURE 3: FAYETTE COUNTY - EXPENDITURES PER \$1 OF REVENUE BY LAND USE



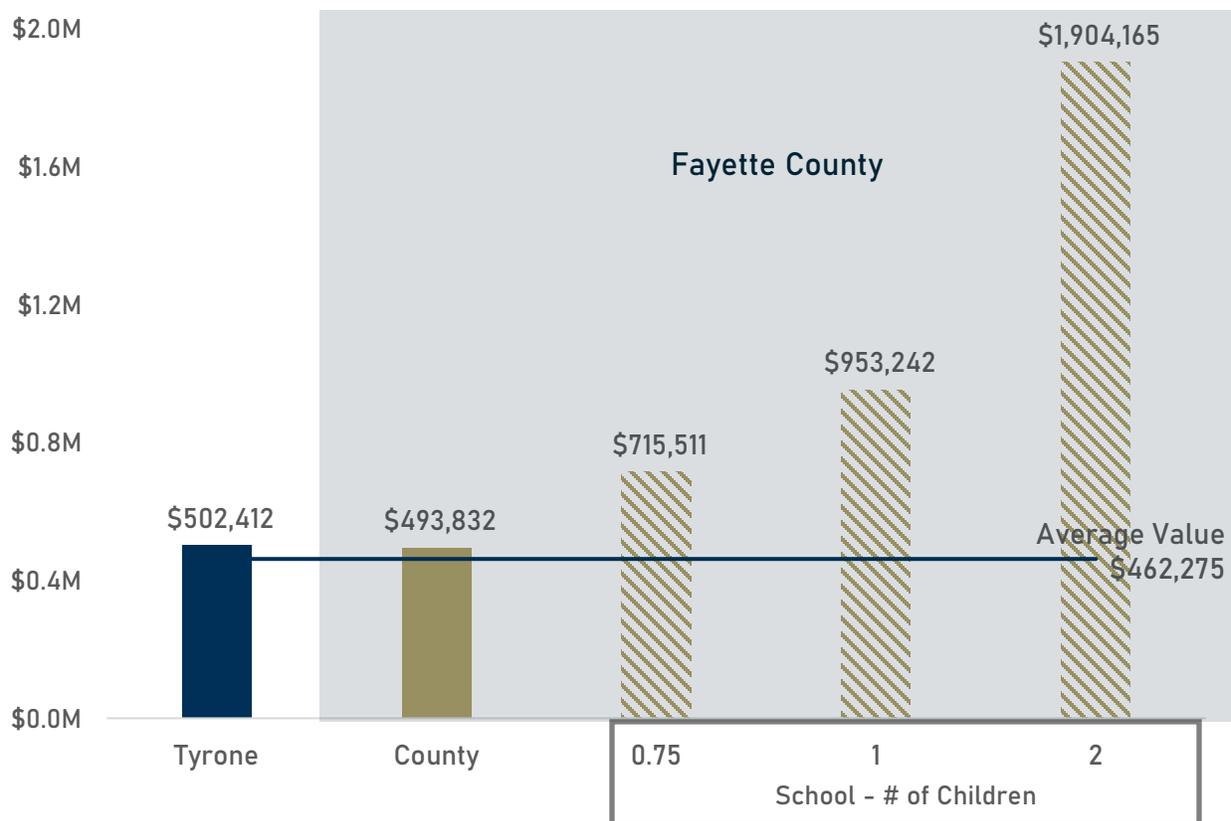
Source: Center for Economic Development Research, Cost of Community Services Model

When including the school system, the residential ratio for Fayette County increases to 1.15, meaning each dollar of revenue is offset by \$1.15 in operating expenses. Commercial/industrial land and farmland help to offset the additional service cost, as their expenditure-to-revenue ratios then drop to 0.28 and 0.27, respectively.

Break-Even Home Value

The ratios presented above can be used to calculate the home value necessary for the town, county, and/or school board to break even relative to the cost of providing their services. This assumes that the service cost is reasonably constant from house to house relative to the home value. While local government service costs will vary based on lot size, location, and, in the case of schools, the number of children in the home, they are not usually correlated with the home's value. As such, the average service cost per household can be easily calculated, as can the average non-property tax revenue per household. The difference between these two is the amount of money that an average house needs to generate to cover the service cost. Using the standard homestead exemption and the town's current millage rate, the home value that will generate enough revenue to equal service cost (the break-even value) is easily calculated.

FIGURE 4: BREAK-EVEN HOME VALUES, TYRONE & FAYETTE COUNTY



Source: Center for Economic Development Research, Cost of Community Services Model. Values do not account for dedicated capital fund revenue and expenditure.

Figure 4 shows that the break-even home value for Tyrone in FY24 is \$502,412. In other words, on average, any house valued at less than \$502,412 did not cover the cost of the town's services it consumed in FY24. For Fayette County, this value is \$493,832. According to the 2023 tax digest (which again, generated the revenue for the FY24 budget), the average price of a home in Tyrone was \$462,275 – below the break-even value for both town and county services. This means that the average home does not generate enough revenue to offset its service costs. Naturally, this value is very sensitive to the Tyrone's millage rate, which is currently 2.889. If that rate goes up, the break-even value for a home will in turn go down. Additionally, any policy changes in homestead exemptions or other property tax relief programs, which many municipalities have adopted in recent years, would also affect this calculation. As previously mentioned, this analysis does *not* include any potential new capital costs needed for infrastructure as the town grows.

As noted previously, Tyrone's growth in population and employment exceeds the growth rates of the State of Georgia and the nation. Property values are increasing, and the most recent digest (2024) shows the average single-family home value increased to \$506,163. This slightly exceeds the break-even value calculated for the 2023 digest, which generated the FY2024 budget in review for this study.

While outside of the Town of Tyrone's jurisdiction, school system expenditures can also be factored into a break-even home value calculation. When evaluating the break-even home price for schools, the starting point is the average per-pupil cost *from local tax revenue*. (For this analysis, state and federal money is excluded.) Adjustments are made for the average car value per home and the local school homestead exemption. Then, given the school millage rate, a break-even home value can be calculated that will cover the local cost given the number of children in the home.

Fayette County spends \$7,322 per student from local revenues alone. Figure 4 also shows the various break-even values for Fayette County given the number of children in the home. To generate that level of revenue, for a home with just one school-age child that attends the local public schools, the break-even home value from the school's perspective would be \$953,242. While the school would break even, clearly, the county budget would earn a fiscal surplus from this house. Based on data from the U.S. Census, a more realistic estimate of the average number of school-age children in a new home is between 0.65 and 0.75. The break-even value for a home in Fayette County with 0.75 students is \$715,511.

3. CONCLUSION

As expected, the residential digest in Tyrone does not pay for the local government services it consumes, and conversely, businesses pay more than they get back in services. In FY2024, the Town of Tyrone's operating expenditures exceeded revenues by ten percent (see Appendix A). Every dollar generated by the residential digest costs the Town of Tyrone \$1.15 in community services. However, the cost to service business is only 88 cents for every dollar of revenue.

Assuming a balanced budget, the residential digest still does not cover the cost of services consumed (\$1.05 in combined expenses for every \$1 in revenue). Further, the break-even value of a home is \$40K or nine percent higher than the average home value for the year under review.

Fayette County's FY2024 operations yield similar results. The residential digest costs the county \$1.05 in services for each dollar generated, and other land uses are less costly to service.

It is important to note that the results of this type of analysis should not be used to promote one form of land use over another, nor should it be used to support or oppose a particular development project. This analysis uses the town's averages and may not reflect the cost or revenue structure of any particular development. Further, this study looks at operating costs only. A new development may have significant marginal capital costs, which would either need to be financed using impact fees or spread to all residents through the tax process.

Finally, this type of analysis shows the importance of balanced growth. A local government must have enough commercial/industrial development to cover the costs of its residential growth. Having a well-balanced tax digest can help distribute the cost of government while keeping taxes lower for everyone.⁴

⁴ *The Fiscal Impacts of Land Uses in Lee County: Revenue and Expenditure Streams by Land Use Category*, Jeffrey H. Dorfman, May 2018. Used with permission.

4. REFERENCES

American Farmland Trust (2016). *Cost of Community Service Studies*.

Dorfman, Jeffrey H. (2018). *The Fiscal Impacts of Land Uses in Lee County: Revenue and Expenditure Streams by Land Use Category*

5. APPENDIX A

Tables 1 and 2 below provide Tyrone’s results of both the revenue and expenditure allocations, and the resulting COCS ratios in FY24. Operational revenues and expenditures are presented for Tyrone’s general fund and proprietary funds (sewer). Debt service expenditures and capital project expenses are not included in the analysis. Tables 3 and 4 provide the same information for Fayette County.

TABLE 1: TYRONE - FINAL REVENUE AND EXPENDITURE ALLOCATIONS

Revenue Allocations				
Total	Residential	Commercial/Industrial	Farm/Forest	Outside
\$7,915,038	\$5,786,451	\$1,673,901	\$65,975	\$388,710
	73.1%	21.1%	0.8%	4.9%
Expenditure Allocations				
Total	Residential	Commercial/Industrial	Farm/Forest	
\$8,703,183	\$7,010,308	\$1,548,631	\$144,243	
	80.5%	17.8%	1.7%	

Source: Center for Economic Development Research, Georgia Institute of Technology; Totals may not add due to rounding.

TABLE 2: TYRONE - COST OF COMMUNITY SERVICE RATIOS

		Residential	Commercial/Industrial	Farm/Forest
Actual	Exp/Rev	1.15	0.88	2.08
Budget	Rev/Exp	0.87	1.14	0.48
Balanced	Exp/Rev	1.05	0.80	1.89
Budget	Rev/Exp	0.95	1.25	0.53

Source: Center for Economic Development Research, Georgia Institute of Technology

TABLE 3: FAYETTE COUNTY - FINAL REVENUE AND EXPENDITURE ALLOCATIONS

Revenue Allocations				
Total	Residential	Commercial/Industrial	Farm/Forest	Outside
\$126,550,931	\$88,976,950	\$30,241,682	\$2,008,575	\$5,323,724
	70.3%	23.9%	1.6%	4.2%
Expenditure Allocations				
Total	Residential	Commercial/Industrial	Farm/Forest	
\$116,147,657	\$97,372,510	\$17,404,170	\$1,370,976	
	83.8%	15.0%	1.2%	

Source: Center for Economic Development Research, Georgia Institute of Technology; Totals may not add due to rounding.

TABLE 4: FAYETTE COUNTY - COST OF COMMUNITY SERVICE RATIOS FOR FAYETTE COUNTY

		Residential	Commercial/Industrial	Farm/Forest
No School	Exp/Rev	1.05	0.55	0.65
	Rev/Exp	0.95	1.81	1.53
With School	Exp/Rev	1.15	0.28	0.27
	Rev/Exp	0.85	3.57	3.65

Source: Center for Economic Development Research, Georgia Institute of Technology