

S372  
1978b

.90  
S372  
1978b  
extra

THE IMPACT OF STATE SCHOOL AID ON PROPERTY TAXES IN 1977

A report prepared for the  
JOINT COMMITTEE ON THE PUBLIC SCHOOLS  
New Jersey Legislature

by the

BUREAU OF GOVERNMENT RESEARCH



August 15, 1978

New Brunswick, New Jersey

**New Jersey State Library**



THE IMPACT OF STATE SCHOOL AID ON PROPERTY TAXES IN 1977

A Report Prepared for the  
Joint Committee on the Public Schools  
by the  
Bureau of Government Research



August 15, 1978

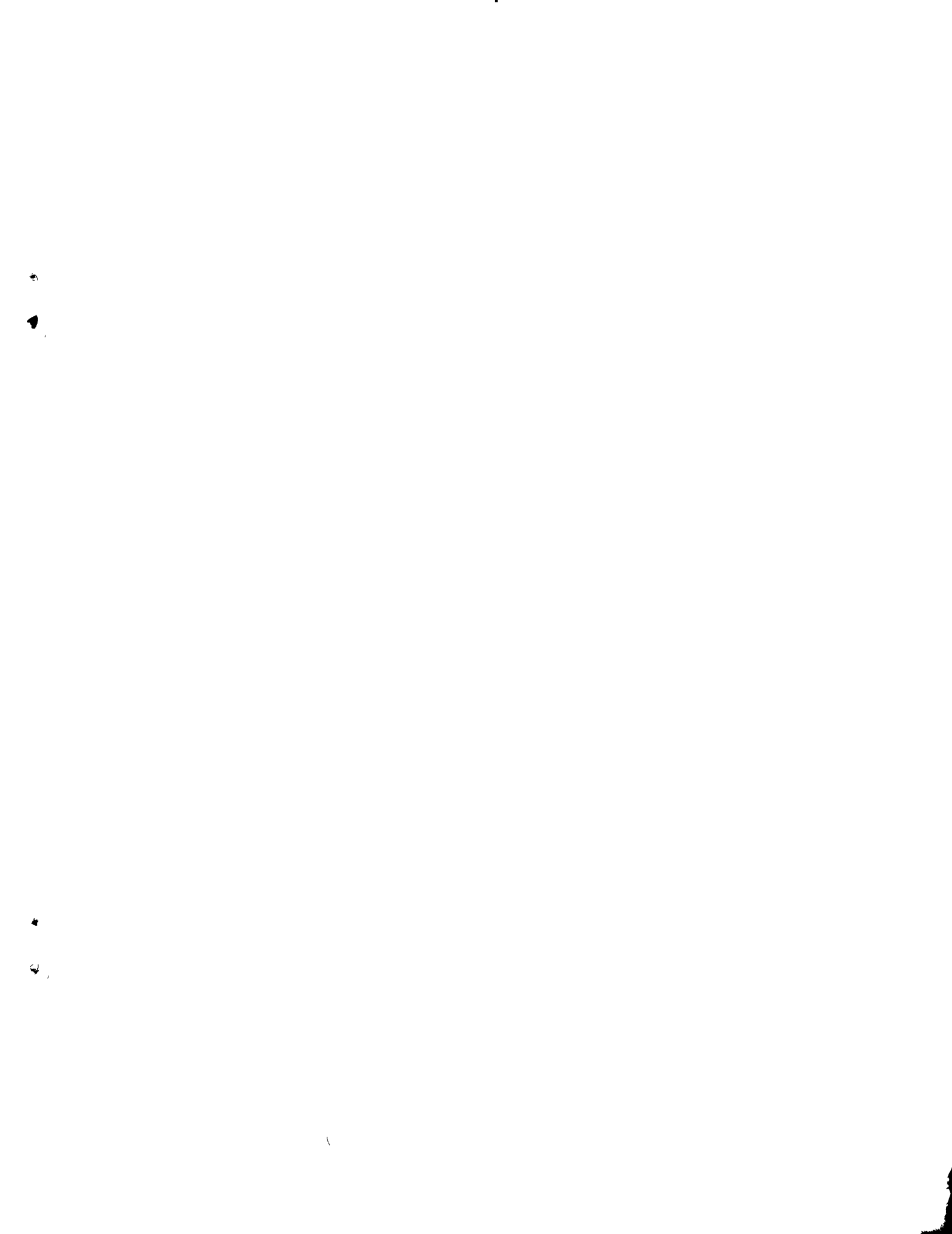
SUMMARY OF CONCLUSIONS\*

- IN GENERAL: (A) NEW JERSEY LOCAL PROPERTY TAXES DECREASED IN 1977, AND  
(B) PROPERTY TAXES FOR PUBLIC SCHOOLS CONTINUED TO MOVE TOWARD A MORE EQUITABLE DISTRIBUTION, BUT  
(C) COMPLETE FISCAL EQUITY WILL NEVER BE ATTAINED UNDER EXISTING LAW.

- 
- (1) The total of New Jersey local property taxes levied in 1977 decreased by \$297 million, or 9.2%, from the prior year. (pp. 3-13)
- (2) If inflation is taken into account, New Jersey local property taxes decreased by 14.5% in 1977. (pp. 3-13)
- (3) The statewide average equalized property tax rate declined in 1977 for all forms of local government:  
by .01 for counties;  
by .09 for municipalities;  
by .08 for schools; and  
by .46 overall, when tax rebates and refunds are considered. (pp. 3-13)
- (4) In 1977, equalized school property tax rates increased in 188 communities and decreased in 374 communities. (pp. 17-19)
- (5) School property tax rates are becoming steadily more equal. (pp. 17-19)
- (6) The number of New Jersey communities which are "heavily disadvantaged" by the school finance system has decreased from:  
157 in 1975, to  
137 in 1976, to  
88 in 1977. (pp. 20-26)

---

\* The full report on which this summary is based is available from the Secretary of the Joint Committee on the Public Schools, Room 217, State House, Trenton, N. J., 08625, or from the Bureau of Government Research, Building 4053, Kilmer Area, Rutgers University, New Brunswick, N. J., 08903.



- (7) Increased State aid has extended an equalizing effect to more communities, and has blurred the previously sharp patterns, but the generalizations of the baseline period (1975-76/1975) regarding PROPERTY TAX WEALTH remain true: (pp. 27-47)
  - (a) budgeted expenditures per pupil rise as the property tax base rises.
  - (b) equalized school tax rates decline as the property tax base rises.
  - (c) fiscal inequities in the system place poor communities at a disadvantage and provide an advantage for wealthy communities.
- (8) The first year under Chapter 212 saw heavy emphasis on tax reduction, with small increases in expenditures; the second year brought larger expenditure increases and less tax reduction. (pp. 27-47)
- (9) Fiscal inequities have been reduced for almost all groups of communities, when grouped by property tax base. (pp. 27-47)
- (10) The poorest communities increased their spending levels, and had a relative increase in tax rates, probably because State equalization aid is based on the prior year's budget. (pp. 27-47)
- (11) While most low-spending districts used State aid to raise their budgets nearer the state average, some have fallen gradually behind. (pp. 27-47)
- (12) In the very high-wealth communities, budgeted expenditures per pupil have risen faster than the state average, mostly because of:
  - (a) enrollment declines,
  - (b) increased use of surplus funds, and
  - (c) increases in debt service,which outweigh the restrictive effects of the budget cap formula. (pp. 27-47)
- (13) Increased State aid has reduced the disparities, but the general patterns of the baseline period regarding TYPE OF COMMUNITY remain true: (pp. 48-57)
  - (a) The lowest budgeted expenditures are found in the Major Urban Centers and the Rural Center-Rural places, while the highest expenditure levels are found in the Seashore Resorts and Suburban communities.
  - (b) The highest equalized school tax levels are found in the Rural Centers, and lowest tax rates in the Seashore Resorts.
  - (c) Almost all types of communities have had their fiscal advantage or disadvantage reduced, with Major Urban Centers, Rural Centers, and Rural Center-Rural places remaining the most disadvantaged, and Seashore Resorts having a reduced, but still heavy, fiscal advantage.

2

3

4

5

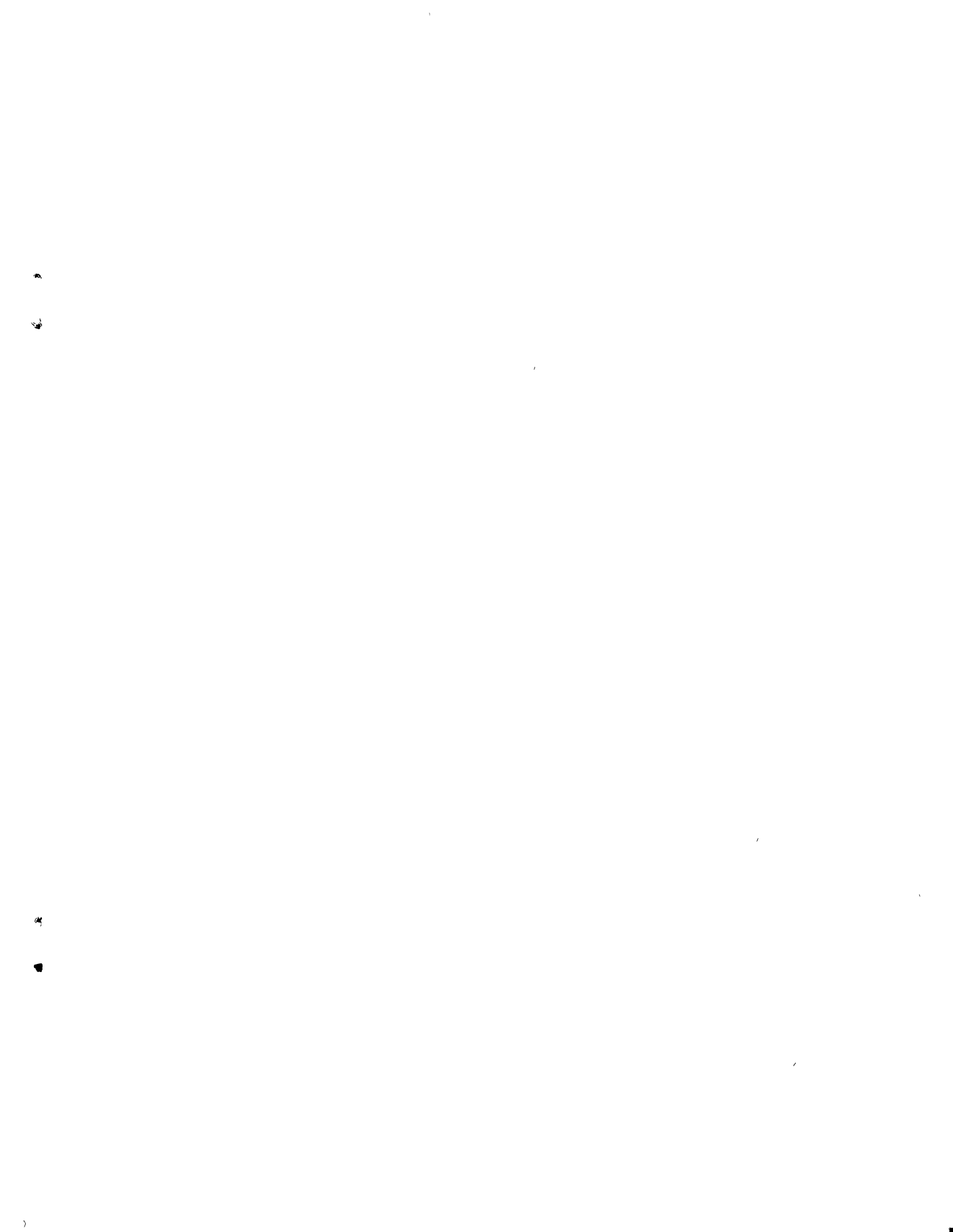
(

- (14) Increased State aid has reduced the fiscal disadvantage of low-status places and the fiscal advantage of high-status places, but the general patterns of the baseline period regarding SOCIO-ECONOMIC STATUS remain true: (pp. 57-65)
- (a) Budgeted expenditures per pupil rise as the socio-economic status of the community rises.
  - (b) Equalized tax rates also rise as the socio-economic status of the community rises, but not enough to provide full fiscal equity.
  - (c) Small wealthy communities with no schools, which send their pupils elsewhere on a tuition basis, enjoy substantial fiscal advantage.
- (15) Increased State aid has helped to improve fiscal equity for most groups of taxing districts, when grouped on the basis of PER CAPITA PERSONAL INCOME, although the patterns of the baseline period remain true: (pp. 65-73)
- (a) School budgets per pupil rise as the per capita personal income rises.
  - (b) The highest-income communities have a substantial fiscal advantage, but most other groups of communities, on a per capita personal income basis, are neither heavily advantaged nor disadvantaged.
- (16) Taxing districts which rely heavily on the payment of tuition, rather than joining in a regional district, have increased their already high fiscal advantage. (pp. 76-86)
- (17) Taxing districts which operate a full K-12 system or are members of regional districts have gradually become more disadvantaged fiscally. (pp. 76-86)
- (18) Chapter 212 contains a number of provisions which constitute obstacles to the achievement of fiscal equity. (pp. 89-92)

5. 0

TABLE OF CONTENTS

I - Introduction .....	1
II - The Property Tax - State Totals .....	3
The Property Tax Levy .....	3
Impact of Inflation .....	7
The Equalized Property Tax Rate .....	7
III - The Property Tax - Individual School Tax Rates .....	17
IV - Correlation of Equalized School Tax Rates With Budgeted Expenditures Per Pupil .....	20
V - Budgeted Expenditures and Equalized Tax Rates by Class of Taxing District .....	27
Property Tax Base .....	27
Type of Community .....	48
Socio-Economic Status .....	57
Per Capita Personal Income .....	65
Grade Pattern of Schools .....	76
Summary .....	87
Obstacles to Further Progress .....	89
Appendix A - State School Aid Refunds .....	A-1
Appendix B - Type of Community .....	B-1
Appendix C - Socio-Economic Status .....	C-1



LIST OF TABLES

1.	Statewide Total of Local Property Taxes Levied in New Jersey, 1966-1977, and Annual Percentage Change .....	4
2.	Average Consumer Price Index for New Jersey, 1966-1977 .....	8
3.	Statewide Total of Local Property Taxes Levied in New Jersey, 1966-1977, and Annual Percentage Change, in Constant 1965 Dollars .....	9
4.	Modified Equalized Valuations in New Jersey, 1966-1977 .....	14
5.	Average Statewide Equalized Local Property Tax Rates in New Jersey, 1966-1977 .....	15
6.	Distribution of Equalized School Property Tax Rates, 1975, 1976, and 1977, by Taxing District .....	18
7.	Distribution of Taxing Districts in Terms of Percentage Deviation From State Average Composite Total School Budget per Resident Pupil for Each \$1.00 of Equalized School Property Tax Rate; 1975-76/1975, 1976-77/1976, and 1977-78/1977 .....	24
8a.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	29
8b.	Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	33
8c.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	38
8d.	Weighted Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78; Taxing Districts Grouped by PROPERTY TAX BASE .....	40

4

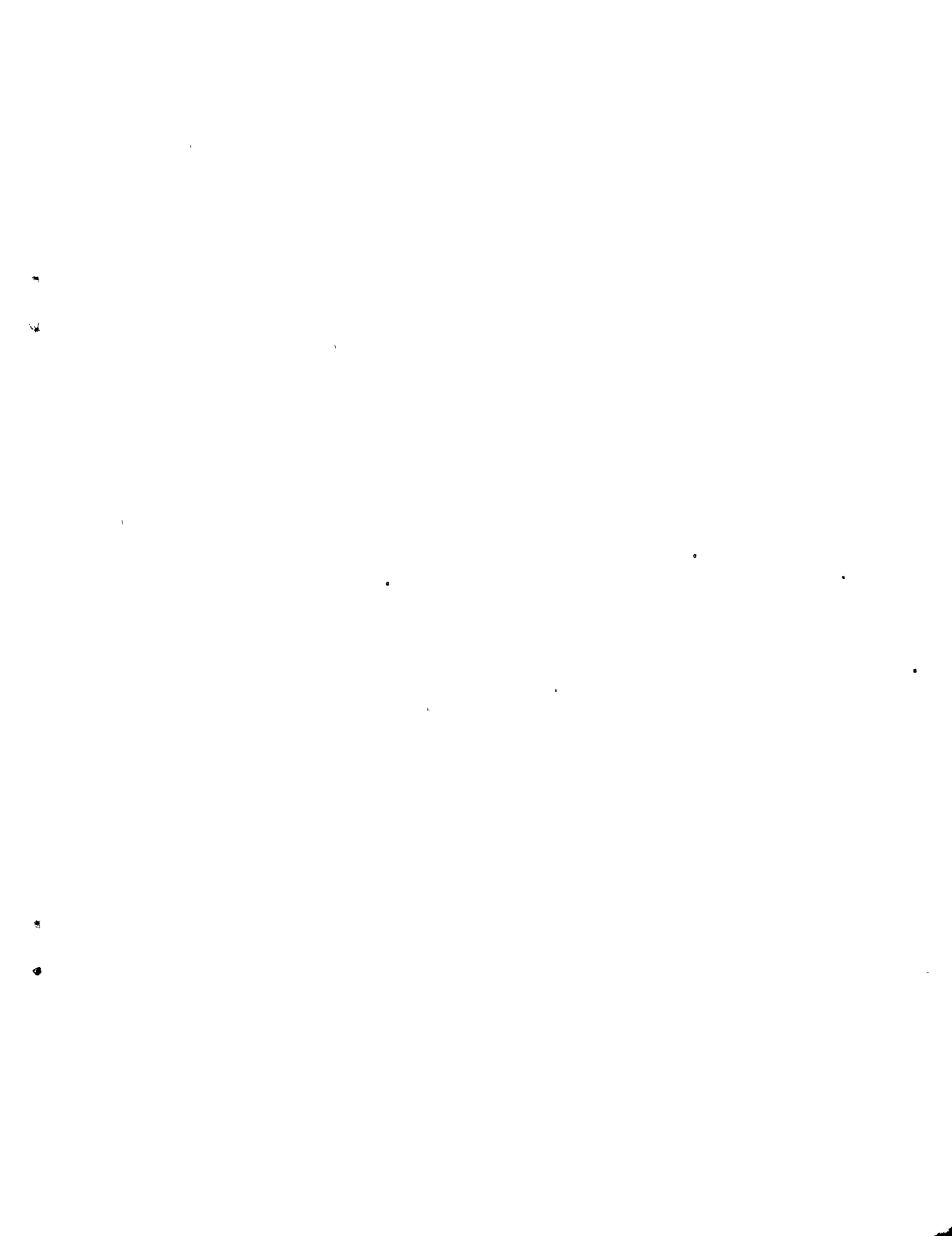
3

,

4

4

9.	Taxing Districts Which Appear to be Slipping Behind the State Average in Total Composite School Budgets per Resident Pupil; 1975-76 to 1977-78 .....	43
10.	Components of Budgetary Growth in 1977-78; State Average and 37 High-Wealth Taxing Districts .....	45
11a.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	49
11b.	Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	52
11c.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	53
12a.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by SOCIO-ECONOMIC STATUS and Given Equal Weight in Average .....	59
12b.	Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by SOCIO-ECONOMIC STATUS and Given Equal Weight in Average .....	62
12c.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by SOCIO-ECONOMIC STATUS and Given Equal Weight in Average .....	64
13a.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by PER CAPITA PERSONAL INCOME and Given Equal Weight in Average .....	68
13b.	Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by PER CAPITA PERSONAL INCOME and Given Equal Weight in Average .....	71



13c.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by PER CAPITA PERSONAL INCOME and Given Equal Weight in Average .....	74
14a.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average .....	79
14b.	Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average .....	81
14c.	Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average .....	84
15.	Distribution of Groups of Taxing Districts in Terms of Percentage Deviation from State Average Composite Total School Budget per Resident Pupil for Each \$1.00 of Equalized School Property Tax Base .....	88

1

2

3

LIST OF CHARTS

1.	Statewide Total Property Tax Levy .....	6
2.	Statewide Total Property Tax Levy in Constant 1965 Dollars .....	11
3.	Statewide Average Equalized Property Tax Rates .....	16
4a.	Baseline Data Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	30
4b.	Second Year Data Average 1977 Equalized School Property Tax Rates and 1977-78 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	34
4c.	Most Recent Year Relative Change Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average .....	36
5a.	Baseline Data Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	50
5b.	Second Year Data Average 1977 Equalized School Property Tax Rates and 1977-78 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	54
5c.	Most Recent Year Relative Change Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average .....	55

4

5

6

7

8

6a. Baseline Data  
Average 1975 Equalized School Property Tax Rates  
and 1975-76 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
SOCIO-ECONOMIC STATUS and Given Equal Weight in  
Average ..... 60

6b. Second Year Data  
Average 1977 Equalized School Property Tax Rates  
and 1977-78 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
SOCIO-ECONOMIC STATUS and Given Equal Weight in  
Average ..... 63

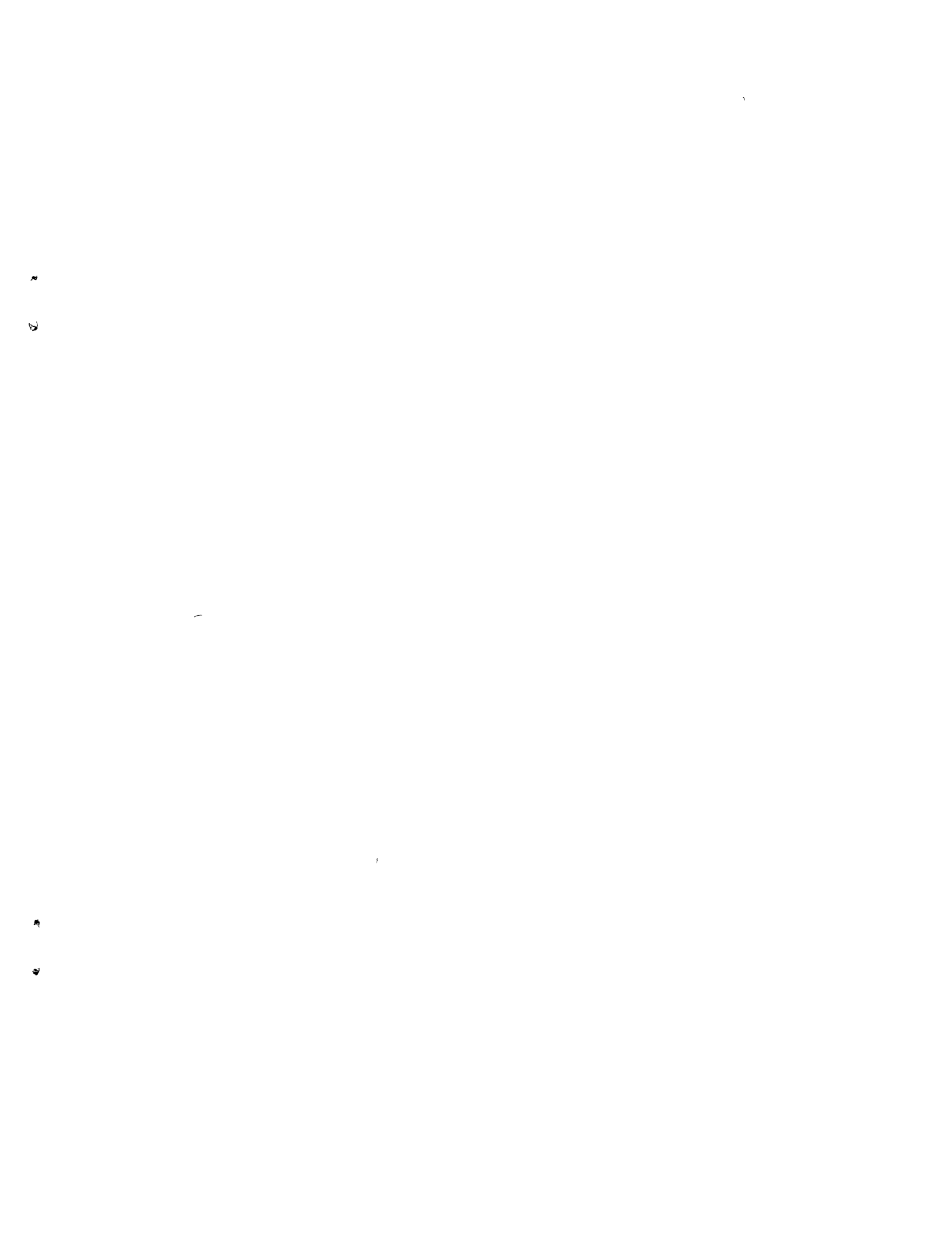
6c. Most Recent Year Relative Change  
Average Equalized School Property Tax Rates and  
Average Composite Total School Budgets per Resident  
Pupil Shown as Ratios of State Average Figures;  
Taxing Districts Grouped by SOCIO-ECONOMIC STATUS  
and Given Equal Weight in Average ..... 66

7a. Baseline Data  
Average 1975 Equalized School Property Tax Rates  
and 1975-76 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
PER CAPITA PERSONAL INCOME and Given Equal Weight  
in Average ..... 69

7b. Second Year Data  
Average 1977 Equalized School Property Tax Rates  
and 1977-78 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
PER CAPITA PERSONAL INCOME and Given Equal Weight  
in Average ..... 72

7c. Most Recent Year Relative Change  
Average Equalized School Property Tax Rates and  
Average Composite Total School Budgets per Resident  
Pupil Shown as Ratios of State Average Figures;  
Taxing Districts Grouped by PER CAPITA PERSONAL  
INCOME and Given Equal Weight in Average ..... 75

8a. Baseline Data  
Average 1975 Equalized School Property Tax Rates  
and 1975-76 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
GRADE PATTERN OF SCHOOLS and Given Equal Weight  
in Average ..... 80

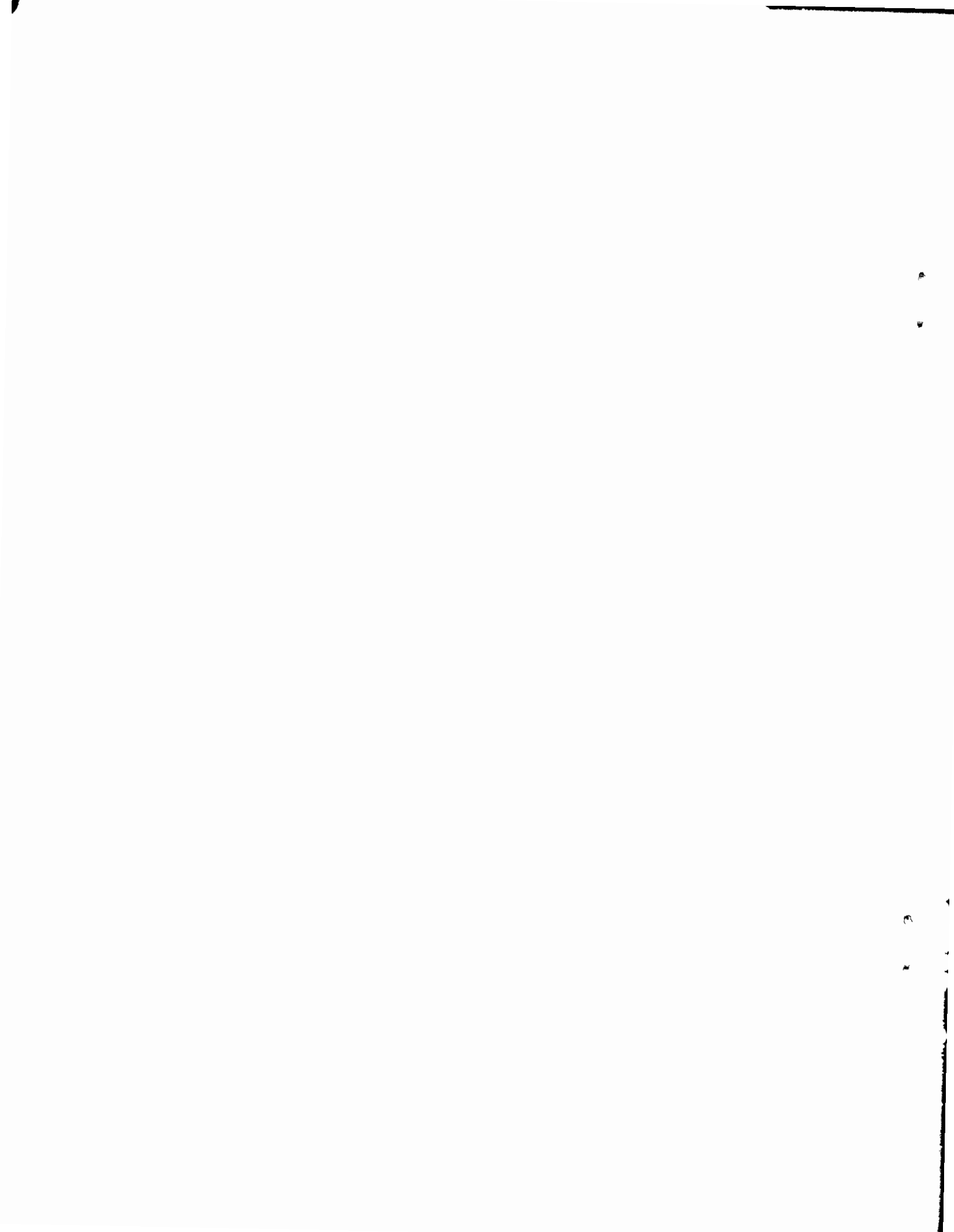


8b. Second Year Data

Average 1977 Equalized School Property Tax Rates  
and 1977-78 Composite Total School Budgets per  
Resident Pupil; Taxing Districts Grouped by  
GRADE PATTERN OF SCHOOLS and Given Equal Weight  
in Average ..... 82

8c. Most Recent Year Relative Change

Average Equalized School Property Tax Rates and  
Average Composite Total School Budgets per Resident  
Pupil Shown as Ratios of State Average Figures;  
Taxing Districts Grouped by GRADE PATTERN OF  
SCHOOLS and Given Equal Weight in Average ..... 85



INTRODUCTION

The Joint Committee on the Public Schools has a responsibility to monitor the implementation of the Public School Education Act of 1975 (Chapter 212, Laws of 1975),\* and to recommend changes in the law or its administration. This report carries the monitoring efforts of the Joint Committee forward into the 1977 property tax year and the 1977-78 school year. Earlier Committee reports in this area have included:

- (1) A Methods Report on the Impact of State Aid on Taxes, which posed certain questions, and suggested a research design describing how they might be answered; the report was completed in July, 1976.
- (2) A Baseline Report on the Impact of State Aid on Taxes, which examined the school property tax situation in 1975, the last year before implementation of Chapter 212; the report was accepted by the Joint Committee in September, 1976.
- (3) A Supplement to the Baseline Report on the Impact of State Aid on Taxes, which provided additional data on the baseline period of 1975; the report was accepted by the Joint Committee in February, 1977.
- (4) A First Periodic Report on the Impact of State Aid on Property Taxes in 1976, which examined the effect of Chapter 212 on property taxes during the first year of implementation; the report was accepted by the Joint Committee in March, 1978.

---

\*The Act hereafter will be referred to as "Chapter 212" for the sake of brevity.

These reports address the following questions:

- (a) To what extent have school, municipal and county property tax levies changed on a statewide basis?
- (b) What was the impact of inflation on the statewide total property tax levy?
- (c) To what extent have local school tax rates changed?
- (d) To what extent have equalized school property tax rates been brought closer together?
- (e) To what extent have equalized school property tax rates been brought into closer correlation with per-pupil school expenditure levels?
- (f) What patterns of equalized school property tax rates and expenditures can be ascertained for different kinds of taxing districts?

THE PROPERTY TAX -- STATE TOTALSThe Property Tax Levy

Earlier monitoring reports have provided a description of changes in school, municipal, county, and other local property tax levies on a statewide basis over the years from 1965 to 1976. Table 1 modifies the earlier format slightly, deletes data for 1965, and adds information for 1977. Chart 1 shows the 1966-77 information graphically.

Adjustments have been made in Table 1, Chart 1, and all subsequent tabulations in this report to show as deductions from the school property tax the \$208 million of State school aid for 1976-77 which was not budgeted by local school boards, but was paid directly to local property taxpayers during the Spring of 1977 (See Appendix A for details). Also shown as a deduction under "Other Taxes and Rebates" is the \$274 million of Homestead Exemption Rebates paid directly by the State government to local property taxpayers in two payments during 1977.

At the same time that the Homestead Exemption Rebate program took effect in 1977, the State government assumed responsibility for funding property tax deductions available to veterans and senior citizens, thus further reducing the total under "Other Taxes and Rebates". A third element in the tax reform package, which became effective in 1977, was the implementation of a program of revenue sharing in which the State government makes direct payments to municipal governments, thus reducing their need for property taxes. As a result, the municipal property tax levy declined from \$783 million in 1976 to \$735 million in 1977.

The results of these changes in aid programs and funding of local services in 1977 was a continued growth of county property taxes (+5.7%),

Table 1. Statewide Total of Local Property Taxes Levied in New Jersey, 1966-1977, and Annual Percentage Change

	County <sup>1</sup> Taxes	Municipal <sup>2</sup> Taxes	School <sup>3</sup> Taxes	Other <sup>4</sup> Taxes and Rebates	Total
1966	\$ 235,244,799	\$ 362,841,777	\$ 638,947,206	\$ 33,380,604	\$ 1,272,414,387
Change	+ 22,445,431	+ 14,498,972	+ 963,073	+ 691,955	+ 38,599,432
% Change	+ 10.4%	+ 4.2%	+ 0.2%	+ 2.1%	+ 3.1%
1967	263,265,360	404,736,991	742,918,942	33,729,794	1,444,651,088
Change	+ 26,020,561	+ 41,895,214	+ 103,971,736	+ 349,190	+ 172,236,701
% Change	+ 11.0%	+ 11.5%	+ 16.3%	+ 1.0%	+ 13.5%
1968	307,389,162	372,714,207	839,145,343	33,771,834	1,553,020,546
Change	+ 44,123,802	- 32,022,784	+ 96,226,401	+ 42,040	+ 108,369,458
% Change	+ 16.8%	- 7.9%	+ 13.0%	+ 0.1%	+ 7.5%
1969	335,411,231	384,583,403	956,672,342	33,864,716	1,710,531,691
Change	+ 28,022,069	+ 11,869,196	+ 117,526,999	+ 92,882	+ 157,511,145
% Change	+ 9.1%	+ 3.2%	+ 12.3%	+ 0.3%	+ 10.1%
1970	368,679,058	453,837,828	1,111,248,145	33,853,040	1,967,618,070
Change	+ 33,267,827	+ 69,254,425	+ 154,575,803	- 11,676	+ 257,086,379
% Change	+ 9.9%	+ 18.0%	+ 16.2%	--	+ 15.0%
1971	434,410,914	465,713,296	1,288,150,619	33,981,319	2,222,256,147
Change	+ 65,731,856	+ 11,875,468	+ 176,902,474	+ 128,279	+ 254,638,077
% Change	+ 17.8%	+ 2.6%	+ 15.9%	+ 0.4%	+ 12.9%
1972	477,209,732	525,351,851	1,404,171,925	34,839,440	2,441,572,946
Change	+ 42,798,818	+ 59,638,555	+ 116,021,306	+ 858,121	+ 219,316,799
% Change	+ 9.9%	+ 12.8%	+ 9.0%	+ 2.5%	+ 9.9%
1973	504,843,592	526,003,821	1,518,783,129	35,260,847	2,584,891,389
Change	+ 27,633,860	+ 651,970	+ 114,611,204	+ 421,407	+ 143,318,443
% Change	+ 5.8%	+ 0.1%	+ 8.2%	+ 1.2%	+ 5.9%
1974	552,202,466	583,719,724	1,589,947,109	35,686,746	2,761,556,046
Change	+ 47,358,874	+ 57,715,903	+ 71,163,980	+ 425,899	+ 176,664,657
% Change	+ 9.4%	+ 11.0%	+ 4.7%	+ 1.2%	+ 6.8%
1975	621,465,318	670,606,612	1,692,772,040	36,205,891	3,021,049,860
Change	+ 69,262,852	+ 86,886,888	+ 102,824,931	+ 519,145	+ 259,493,814
% Change	+ 12.5%	+ 14.9%	+ 6.5%	+ 1.5%	+ 9.4%
1976 Abstract	699,572,710	783,479,526	1,825,927,728	36,566,754	3,345,546,718
- Rebates	--	--	- 137,343,300	--	- 137,343,300
Net Levy	699,572,710	783,479,526	1,688,584,428	36,566,754	3,208,203,418
Net Change	+ 78,107,392	+ 112,872,914	- 4,187,612	+ 360,863	+ 187,153,558
Net % Change	+ 12.6%	+ 16.8%	- 0.2%	+ 1.0%	+ 6.2%
1977 Abstract	739,589,162	735,100,661	1,782,383,844	--	3,257,073,667
- Rebates	--	--	- 70,929,810	- 274,480,086	- 345,409,896
Net Levy	739,589,162	735,100,661	1,711,454,034	- 274,480,086	2,911,663,771
Net Change	+ 40,016,452	- 48,378,865	+ 22,869,606	- 311,046,840	- 296,539,647
Net % Change	+ 5.7%	- 6.2%	+ 1.4%	- 750.6%	- 9.2%

Sources listed on following page.

Source: County Abstracts of Ratables, plus Homestead Rebates as reported in the Governor's Budget Message for 1978-79.

<sup>1</sup>Includes Net County Taxes Apportioned and County Library Taxes.

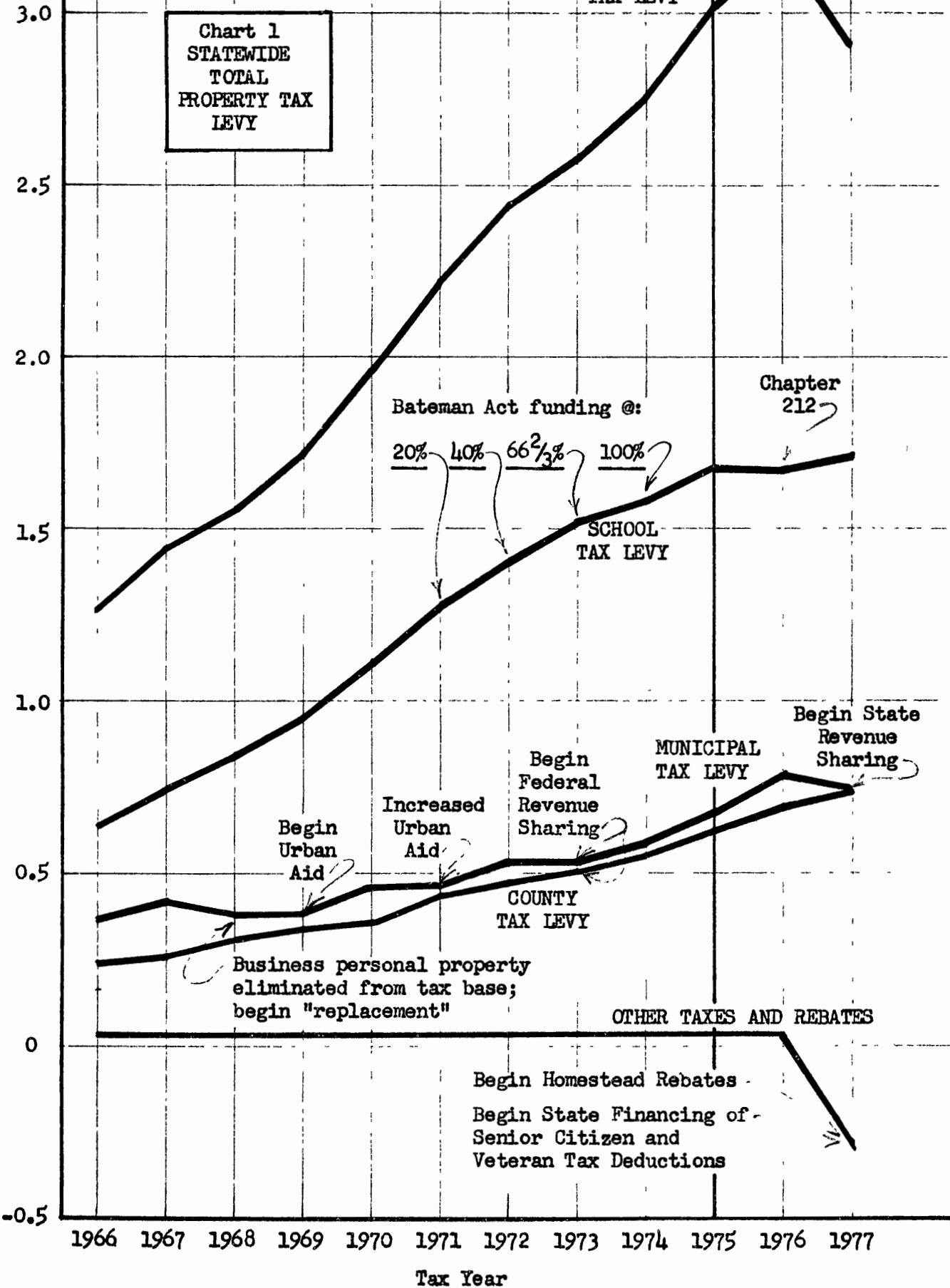
<sup>2</sup>Includes Local Taxes to be Raised for Local Municipal Purposes.

<sup>3</sup>Includes Local Taxes to be Raised for District School Purposes as Required by the District School Budget, Regional, Consolidated and Joint School Budgets, and as Required by the Local Municipal Budget.

<sup>4</sup>Includes the tax levy required to cover tax deductions for veterans and senior citizens for 1966-1976; in 1977, includes only the Homestead Exemption Rebates.

Property Tax Levy in Billions of Dollars

Chart 1 STATEWIDE TOTAL PROPERTY TAX LEVY



a reduction in municipal property taxes (-6.2%), a small increase in school property taxes (+1.4%), and a complete reversal of the "Other Taxes and Rebates" category (-750.6%). The net outcome, for all kinds of property taxes levied, was a reduction of \$297 million, or -9.2%, in 1977. In this year, for the first time, the total county property tax levy exceeded the tax levy for all municipalities.

#### Impact of Inflation

Data presented thus far is in terms of current dollar values each year. Quite a different picture is presented when the tax levies are expressed in terms of constant-value dollars. Information for the 1965-76 period was presented in earlier reports, using the average of the July Consumer Price Indexes for the New York-Northeastern New Jersey and the Philadelphia areas as the means for converting current dollars to 1965 constant-value figures. Table 2 is a modification of a table in those reports, dropping the 1965 figure and updating the CPI for 1977. Table 3, also an extension of a table in earlier reports, applies the CPI to the tax levies in Table 1 to show the levy in constant-value dollars. On this basis, in 1977 all forms of New Jersey property tax levy declined in constant dollars: county taxes by -0.5%, municipal taxes by -11.7%, school taxes by -4.6%, and "other" taxes by several hundred percent. The net effect -- in constant dollars -- was a -14.5% reduction in the New Jersey local property tax levy in 1977. These data are also presented graphically in Chart 2.

#### The Equalized Property Tax Rate

Tax levy figures can be converted to equalized tax rates by dividing them by a measure of the true value of the property taxed. In these

Table 2. Average Consumer Price Index for New Jersey, 1966-1977

<u>Year</u>	<u>Average for New York-N.E. New Jersey and Philadelphia Reduced to Base: 1965 = 100</u>	<u>Percentage Change from Prior Year</u>
1966	102.95	+ 3.0%
1967	105.55	+ 2.5%
1968	110.47	+ 4.7%
1969	116.97	+ 5.9%
1970	125.11	+ 7.0%
1971	132.23	+ 5.7%
1972	136.35	+ 3.1%
1973	144.63	+ 6.1%
1974	161.82	+ 11.9%
1975	174.98	+ 8.1%
1976	184.42	+ 5.4%
1977	195.86	+ 6.2%

Table 3. Statewide Total of Local Property Taxes Levied in New Jersey, 1966-1977, and Annual Percentage Change, in Constant 1965 Dollars

	County Taxes <sup>1</sup>	Municipal Taxes <sup>2</sup>	School Taxes <sup>3</sup>	Other Taxes <sup>4</sup> and Rebates	Total
1966	\$ 230,446,623	\$ 352,444,660	\$ 620,638,374	\$ 32,424,093	\$ 1,235,953,751
Change	+ 15,647,255	+ 4,101,855	- 17,345,759	- 264,556	+ 2,138,796
% Change	+ 7.3%	+ 1.2%	- 2.7%	- 0.8%	+ 0.2%
1967	249,422,416	383,455,226	703,854,990	31,956,224	1,368,688,857
Change	+ 18,975,793	+ 31,010,566	+ 83,216,616	- 467,869	+ 132,735,106
% Change	+ 8.2%	+ 8.8%	+ 13.4%	- 1.4%	+ 10.7%
1968	278,255,782	337,389,524	759,613,780	30,571,046	1,405,830,131
Change	+ 28,833,366	- 46,065,702	+ 55,758,790	- 1,385,178	+ 37,141,274
% Change	+ 11.6%	- 12.0%	+ 7.9%	- 4.3%	+ 2.7%
1969	286,749,791	328,788,068	817,878,381	28,951,625	1,462,367,864
Change	+ 8,494,009	- 8,601,456	+ 58,264,601	- 1,619,421	+ 56,537,733
% Change	+ 3.1%	- 2.5%	+ 7.7%	- 5.3%	+ 4.0%
1970	294,683,925	362,751,041	888,216,885	27,058,620	1,572,710,471
Change	+ 7,934,134	+ 33,962,973	+ 70,338,504	- 1,893,005	+ 110,342,607
% Change	+ 2.8%	+ 10.3%	+ 8.6%	- 6.5%	+ 7.5%
1971	328,526,744	352,199,422	974,174,256	25,698,646	1,680,599,067
Change	+ 33,842,819	- 10,551,619	+ 85,957,371	- 1,359,974	+ 107,888,596
% Change	+ 11.5%	- 2.9%	+ 9.7%	- 5.0%	+ 6.9%
1972	349,988,802	385,296,554	1,029,829,061	25,551,478	1,790,665,894
Change	+ 21,462,058	+ 33,097,132	+ 55,654,805	- 147,168	+ 110,066,827
% Change	+ 6.5%	+ 9.4%	+ 5.7%	- 0.6%	+ 6.5%
1973	349,058,696	363,689,291	1,050,116,248	24,380,037	1,787,244,271
Change	- 930,106	- 21,607,263	+ 20,287,187	- 1,171,441	- 3,421,623
% Change	- 0.3%	- 5.6%	+ 2.0%	- 4.6%	- 0.2%
1974	341,244,881	360,721,619	982,540,544	22,053,359	1,706,560,404
Change	- 7,813,815	- 2,967,672	- 67,575,704	- 2,326,678	- 80,683,867
% Change	- 2.2%	- 0.8%	- 6.4%	- 9.5%	- 4.5%
1975	355,163,629	383,247,578	967,408,870	20,691,445	1,726,511,521
Change	+ 13,918,748	+ 22,525,959	- 15,131,674	- 1,361,914	+ 19,951,117
% Change	+ 4.1%	+ 6.2%	- 1.5%	- 6.2%	+ 1.2%
1976 Abstract	379,336,683	424,834,360	990,092,033	19,827,976	1,814,091,052
- Rebates	--	--	- 74,473,105	--	- 74,473,105
Net Levy	379,336,683	424,834,360	915,618,928	19,827,976	1,739,617,947
Net Change	+ 24,173,054	+ 41,586,782	- 51,789,942	- 863,469	+ 13,106,426
Net % Change	+ 6.8%	+ 10.9%	- 5.4%	- 4.2%	+ 0.8%
1977 Abstract	377,611,131	375,319,443	910,029,533	--	1,662,960,108
- Rebates	--	--	- 36,214,546	- 140,140,961	- 176,355,507
Net Levy	377,611,131	375,319,443	873,814,987	- 140,140,961	1,486,604,601
Net Change	- 1,725,552	- 49,514,917	- 41,803,941	- 159,968,937	- 253,013,346
Net % Change	- 0.5%	- 11.7%	- 4.6%	- 706.8%	- 14.5%

Sources listed on the following page

Source: County Abstracts of Ratables, plus Homestead Rebates as reported in the Governor's Budget Message for 1978-79.

<sup>1</sup>Includes Net County Taxes Apportioned and County Library Taxes.

<sup>2</sup>Includes Local Taxes to be Raised for Local Municipal Purposes.

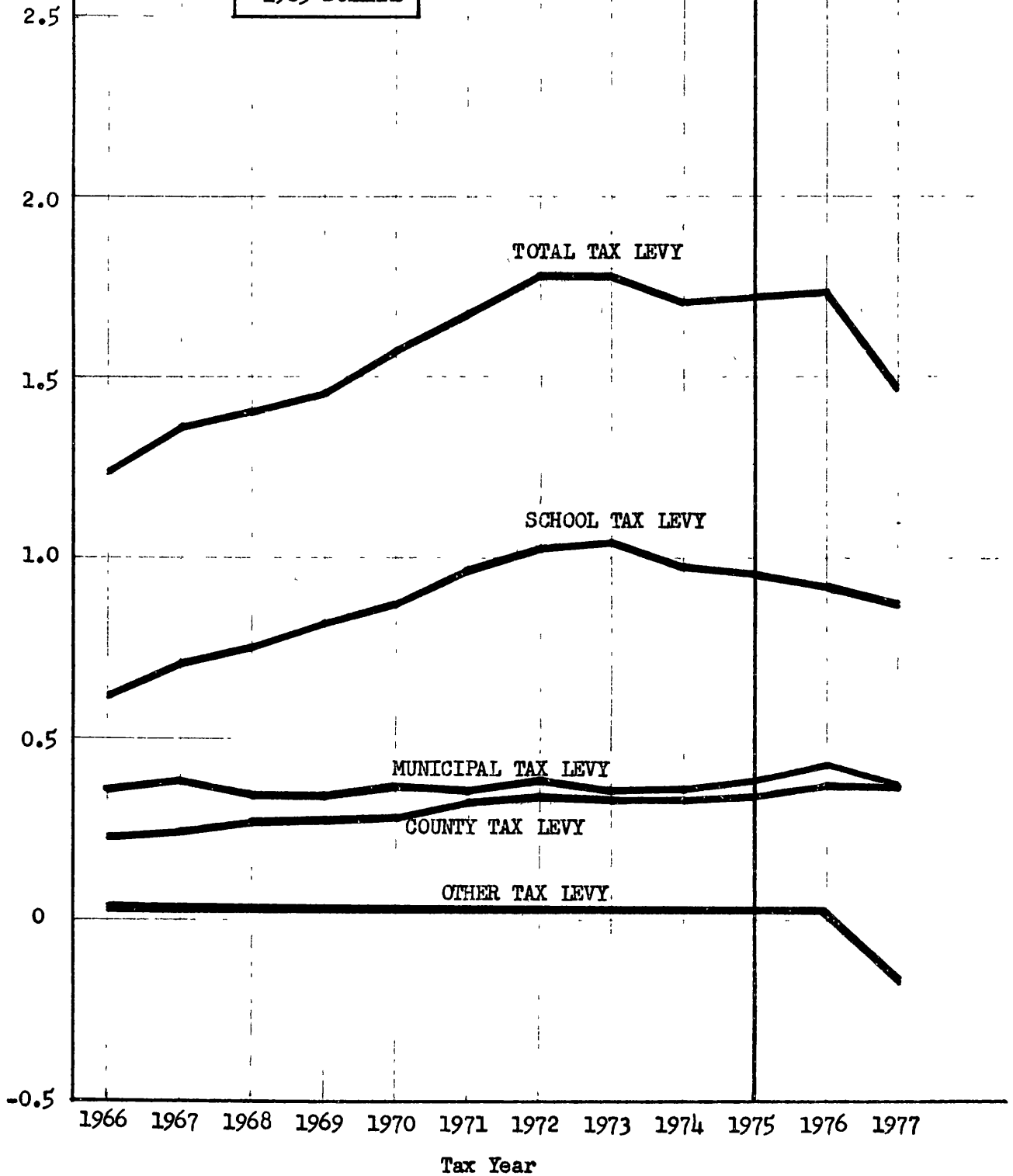
<sup>3</sup>Includes Local Taxes to be Raised for District School Purposes as Required by the District School Budget, Regional, Consolidated and Joint School Budgets, and as Required by the Local Municipal Budget.

<sup>4</sup>Includes the tax levy required to cover tax deductions for veterans and senior citizens for 1966-1976; in 1977, includes only the Homestead Exemption Rebates.

All current year data reduced to 1965 dollar value by use of consumer price index.

Property  
Tax Levy  
in  
Billions  
of  
Constant  
1965  
Dollars

Chart 2  
STATEWIDE  
TOTAL  
PROPERTY TAX  
LEVY  
IN  
CONSTANT  
1965 DOLLARS



reports, this has been done by dividing the tax levy by the modified equalized valuation of property.<sup>1</sup> Earlier reports traced the growth of modified equalized valuation on a statewide basis from 1965 to 1976. Table 4 is an update of a table in those reports, dropping the 1965 figure and adding data for 1977.

When the tax levy information in Table 1 is divided by the modified equalized valuation figures in Table 4, the result is an average statewide equalized tax rate for each level of local government.<sup>2</sup> Table 5, also updated from earlier reports, shows the statewide average equalized property tax rates for the years 1966 through 1977. The average statewide equalized property tax rate decreased for all kinds of local governmental units in New Jersey in 1977: for counties by  $-.01$ , for municipalities by  $-.09$ , for schools by  $-.08$ , for "other purposes" by  $-.29$ , and, overall, by  $-.46$ . If translated into percentage terms, this means that New Jersey property taxpayers in 1977 benefited from a 14.6% reduction in their average equalized property tax rates. Chart 3 shows these results graphically.

---

<sup>1</sup>The equalized valuation is a measure of the true value of taxable property in a taxing district, or municipality. It is calculated each year by the Division of Taxation by adding the estimated true value of taxable real property, the assessed value of all locally-taxable personal property, and the assessed value of Class II railroad property. In this report, the Class II railroad property has been eliminated from the Division's figures for the years after 1966, since such property is no longer taxable locally.

<sup>2</sup>This is a weighted statewide average, which gives importance to individual communities in proportion to the size of their tax levies. In contrast, an unweighted average would consider all communities to be equal; it would be calculated by adding the equalized tax rates for all communities and dividing by the number of communities.

The major conclusions of this Chapter are:

- (1) The total of New Jersey local property taxes levied in 1977 decreased by \$297 million, or 9.2%, from the prior year.
- (2) If inflation is taken into account, New Jersey local property taxes decreased by 14.5% in 1977.
- (3) The statewide average equalized property tax rate declined in 1977 for all forms of local government:
  - by .01 for counties;
  - by .09 for municipalities;
  - by .08 for schools; and
  - by .46 overall, when tax rebates and refunds are considered.

Table 4. Modified Equalized Valuations in New Jersey, 1966-1977

Year	Modified Equalized Valuation *
1966 Change	\$ 42,769,402,772 + 7.0%
1967 Change	45,226,642,684 + 5.7%
1968 Change	46,686,359,211 + 3.2%
1969 Change	49,617,461,388 + 6.3%
1970 Change	55,210,243,851 + 11.3%
1971 Change	61,283,280,114 + 11.0%
1972 Change	68,775,064,248 + 12.2%
1973 Change	77,557,848,176 + 12.8%
1974 Change	87,776,682,851 + 13.2%
1975 Change	95,940,012,324 + 9.3%
1976 Change	101,991,842,877 + 6.3%
1977 Change	108,043,727,023 + 5.9%

Source: Table of Equalized Valuations, as certified on October 1.

\* For 1966, the figure shown is the State total of equalized valuation as certified by the director of the Division of Taxation on October 1. For later years, it has been modified by deducting the value of Class II railroad property, on which no local taxes were paid after 1966.

Table 5. Average Statewide Equalized Local Property Tax Rates in New Jersey, 1966-1977

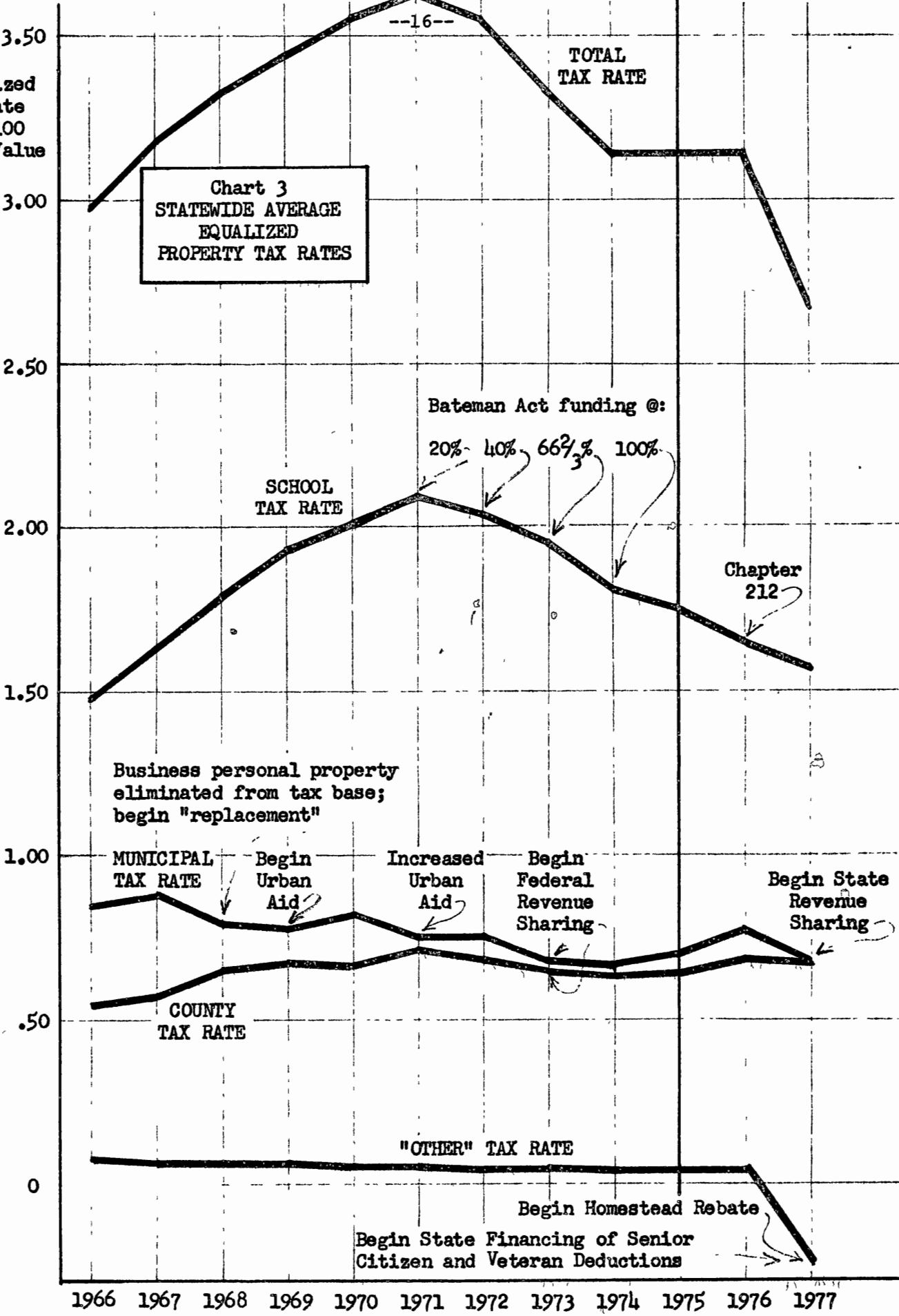
Tax Year	AVERAGE STATEWIDE EQUALIZED PROPERTY TAX RATES <sup>1</sup>				
	County	Municipal	Schools	Other	Total
1966	.55	.85	1.49	.08	2.98
Change	+ .02	- .02	- .11	- .01	- .11
1967	.58	.89	1.64	.07	3.19
Change	+ .03	+ .04	+ .15	- .01	+ .21
1968	.66	.80	1.80	.07	3.33
Change	+ .08	- .09	+ .16	--	+ .14
1969	.68	.78	1.93	.07	3.45
Change	+ .02	- .02 <sup>a</sup>	+ .13	--	+ .12
1970	.67	.82	2.01	.06	3.56
Change	- .01	+ .04	+ .08	- .01	+ .11
1971	.71	.76	2.10	.06	3.63
Change	+ .04	- .06	+ .09	--	+ .07
1972	.69	.76	2.04	.05	3.55
Change	- .02	--	- .06	- .01	- .08
1973	.65	.68	1.96	.05	3.33
Change	- .04	- .08	- .08	--	- .22
1974	.63	.67	1.81	.04	3.15
Change	- .02	- .01	- .15	- .01	- .18
1975	.65	.70	1.76	.04	3.15
Change	+ .02	+ .03	- .05	--	--
1976	.69	.77	1.66	.04	3.15
Change	+ .04	+ .07	- .10	--	--
1977	.68	.68	1.58	-.25	2.69
Change	- .01	- .09	- .08	- .29	- .46

<sup>1</sup>Equalized Property Tax Rate calculated by dividing tax levy by equalized valuation less Class II railroad property after 1966.

Equalized Tax Rate per \$100 True Value

Chart 3 STATEWIDE AVERAGE EQUALIZED PROPERTY TAX RATES

--16--



Tax Year

### III

#### THE PROPERTY TAX -- INDIVIDUAL SCHOOL TAX RATES

Earlier reports provided information on the distribution of equalized school tax rates for individual taxing districts in 1975 and in 1976. Table 6, updated from those reports, extends these data to 1977. It is obvious that there has been a general decrease each year in equalized school property tax rates. In 1975, 210 taxing districts had rates of \$2.00 or more; in 1976, the number dropped to 127; and in 1977, it declined further to 72 taxing districts. It should be noted here that this information is for taxing districts, rather than school districts. The taxing district is the municipality, and the school tax rates calculated here are based on the total of all taxes levied in that municipality for local school purposes; for regional, consolidated or joint schools; and for the school portion of the municipal budget. By using the taxing district as the unit of analysis, it is possible to focus attention on the school taxes which are levied uniformly within each geographic area to cover the educational costs of all pupils residing within that geographic area, regardless of whether they attend local schools, from kindergarten through twelfth grade, or spend some years locally and the rest in a regional high school.

The decrease in equalized school property tax rates was not universal, however. In 123 taxing districts out of the 564, the school tax rate increased in 1976, while it decreased or remained constant in the remaining 441 districts.<sup>1</sup> In 1977, equalized school

---

<sup>1</sup>Pine Valley, Tavistock, and Pahaquarry are omitted, since they had no public school pupils and no school tax rate.

Table 6. Distribution of Equalized School Property Tax Rates, 1975, 1976, and 1977, by Taxing District

Equalized School Tax Rate	Number of Taxing Districts			Cumulative Sub-Total					
	1975	1976	1977	1975		1976		1977	
Over \$3.50 .....	1	0	1	...	1 (0.2%)	....	0 ( -- )	....	1 (0.2%)
3.40 to 3.49 .....	0	0	0						
3.30 to 3.39 .....	1	0	0						
3.20 to 3.29 .....	3	1	0						
3.10 to 3.19 .....	0	0	0						
3.00 to 3.09 .....	1	0	0	...	6 (1.1%)	....	1 (0.2%)	....	1 (0.2%)
2.90 to 2.99 .....	4	1	2						
2.80 to 2.89 .....	9	2	0						
2.70 to 2.79 .....	4	2	1						
2.60 to 2.69 .....	9	3	1						
2.50 to 2.59 .....	12	3	1	...	44 (7.8%)	....	12 (2.1%)	....	6 (1.1%)
2.40 to 2.49 .....	18	4	2						
2.30 to 2.39 .....	28	21	9						
2.20 to 2.29 .....	33	19	6						
2.10 to 2.19 .....	34	22	13						
2.00 to 2.09 .....	53	49	36	...	210 (37.0%)	....	127 (22.4%)	....	72 (12.7%)
1.90 to 1.99 .....	51	53	42						
1.80 to 1.89 .....	45	44	49						
1.70 to 1.79 .....	43	46	66						
1.60 to 1.69 .....	34	59	71						
1.50 to 1.59 .....	32	44	66	...	415 (73.2%)	....	373 (65.8%)	....	366 (64.6%)
1.40 to 1.49 .....	34	44	50						
1.30 to 1.39 .....	22	31	36						
1.20 to 1.29 .....	9	20	18						
1.10 to 1.19 .....	11	19	18						
1.00 to 1.09 .....	12	8	15	...	503 (88.7%)	....	495 (87.3%)	....	503 (88.7%)
.90 to .99 .....	15	11	11						
.80 to .89 .....	9	9	9						
.70 to .79 .....	4	11	7						
.60 to .69 .....	5	4	5						
.50 to .59 .....	14	13	11	...	550 (97.0%)	....	543 (95.8%)	....	546 (96.3%)
.40 to .49 .....	2	4	2						
.30 to .39 .....	2	3	4						
.20 to .29 .....	4	6	3						
.10 to .19 .....	3	1	3						
.01 to .09 .....	1	4	3						
.00 to .01 .....	0	0	1						
Zero Tax Rate .....	2	3	2						
No Pupils .....	3	3	3	...	567 (100.0%)	....	567 (100.0%)	....	567 (100.0%)

tax rates increased in 188 taxing districts, decreased in 374 taxing districts, and remained the same in two taxing districts.

A statistical device which may be used to measure the dispersion of these tax rates is the coefficient of variation. The wider the dispersion, the higher the coefficient; if all tax rates were the same, the coefficient would be zero. In 1975, the coefficient of variation for the equalized school property tax rates was 0.336; in 1976, it was 0.321; and, in 1977, it was 0.304; indicating that, not only did tax rates, in general, decrease in 1976 and in 1977, but they also became more nearly equal to each other.

The major conclusions of this Chapter are:

- (1) In 1977, equalized school property tax rates increased in 188 communities and decreased in 374 communities.
- (2) School property tax rates are becoming steadily more equal.

CORRELATION OF EQUALIZED SCHOOL TAX RATES  
WITH BUDGETED EXPENDITURES PER PUPIL

The system of State aid included in Chapter 212 leaves budgetary decision-making primarily to local communities, but it provides financial assistance in a manner intended to equalize the property tax burden throughout the state for a given level of expenditures. Thus, if a community decides through its board of education, its board of school estimate, its municipal governing body, or at the polls, to spend \$1,500 per pupil, theoretically, its tax burden, expressed through the equalized school tax rate, should be the same as in every other community where a similar \$1,500-per-pupil decision is made. The theory will not hold perfectly in practice, of course. Numerous provisions of the Act modify this direct relationship of tax burden and educational benefit. Nevertheless, the fiscal neutrality of the financing system can be tested by measuring the degree to which such a relationship does exist.

Two pieces of information are required for each taxing district to test this relationship. One is the "equalized school tax rate," which has already been described. The other is the total budgeted expenditures per resident pupil on a taxing district basis. In K-12 districts, where the school district is coterminous with the municipality, which is the taxing district, there is no problem in calculating the budget per pupil. However, regional school districts, which cover more than one municipality, introduce a complication. The approach here has been through the calculation of a "composite total school budget per resident pupil".<sup>1</sup> This has been done by: (1) multiplying the number of

---

<sup>1</sup>Including current expenses, capital expenses, and debt service.

pupils in the local K-6 or K-8 elementary schools by the budget of those school districts per pupil; (2) multiplying the number of pupils enrolled from the taxing district in the regional 7-12 or 9-12 secondary schools by the budgeted expenditure per pupil of those regional schools; (3) adding the two figures; and (4) dividing the sum by the total number of public school pupils resident in the taxing district. An example is shown below:

<u>K-8 District</u> (Community X)		
800 pupils x \$1,000 per pupil =	\$	800,000
<u>9-12 Regional District</u>		
400 pupils (from Community X)		
x \$1,500 per pupil =		<u>600,000</u>
		1,400,000
Composite Expenditure per Pupil =	$\frac{\$1,400,000}{1,200}$	= \$1,167
(Community X)		

The end result is little different from what it would be if Community X were a K-12 district with its own high school in which it budgeted at a higher level for high school pupils than it did for elementary school pupils.

A special complication has been introduced in the 1977-78 school budget data for Federal aid. Prior to this year, the general practice had been for local school boards to omit from their budgets the Federal aid expected from Title I of the Elementary and Secondary Education Act. For 1977-78, however, the school districts were directed to budget such Federal aid, both as an anticipated revenue and an expenditure. To further complicate the picture, most school districts complied with this directive, but some, including some of the larger places, did not. In order to make the data uniform over the period from 1975-76 through 1977-78, all Federal aid has been deducted from the school budgets.<sup>1</sup>

---

<sup>1</sup>This will make the 1975-76 and 1977-78 data slightly different from the data shown in earlier monitoring reports.

The remaining figure, then, represents the portion of the composite total school budget which is financed from State and local government resources.

Once the equalized school tax rate and the composite total school budget per resident pupil are available for every taxing district, it is possible to calculate the State average for each of these figures. The unweighted average<sup>1</sup> equalized school tax rate in 1975-76 was \$1.776 per hundred dollars of true value. The unweighted average composite total school budget per resident pupil in 1975-76 was \$1,765. If the tax rate is divided into the budget per pupil, the result is a figure of \$994, which is the composite total school budget per pupil for each \$1.00 of equalized tax rate on a state-wide average basis. This figure, then, can be used as a bench mark against which any taxing district may be tested to determine whether the school finance system operated to the relative advantage or disadvantage of that taxing district. If the figure for an individual taxing district is less than \$994, that taxing district functioned at a disadvantage. If the figure is higher than \$994, the system operated to the advantage of the district, since it could raise and spend more money per pupil than the average district for a \$1.00 tax rate. Since the \$994 figure will change from year to year, it is desirable to carry the calculation one step further, and reduce any deviations from the state average figure to a percentage.

---

<sup>1</sup>The unweighted average is found by adding the tax rate or budget per pupil for all districts and dividing by the number of districts. It treats all school districts as equals, rather than weighting them in proportion to their size. The state averages shown here are based on 560 taxing districts, omitting Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operate essentially as special education districts; and Audubon Park and Winfield, which have unusual property assessment situations.

Thus, if a taxing district had a figure of \$1,200, the percentage deviation would be:

$$\frac{\$1,200 - 994}{206} \text{ divided by } \$994 = +20.7\% \text{ deviation}$$

This series of calculations has been made for every<sup>1</sup> taxing district for a baseline period consisting of the school year 1975-76, compared with the tax year 1975; and for each of the first two school years under the new law: 1976-77, compared with the tax year 1976, and 1977-78, compared with the tax year 1977. The state averages are:

	Average Composite <sup>2</sup> Total School Budget per Resident Pupil	Average Equalized School Tax Rate	Composite Total School Budget per Resident Pupil for Each \$1.00 of Equalized School Tax Rate
1975-76/1975	\$ 1,765	\$ 1.776	\$ 994
1976-77/1976	1,920	1.626	1,181
1977-78/1977	2,135	1.565	1,364

The impact of Chapter 212 and of rising property values is clear on a state-wide basis. While the average school budget per pupil went up 8.8% in 1976 from \$1,765 to \$1,920, the average equalized school property tax rate went down 8.4%, from \$1.776 to \$1.626; with the result that the expenditure per pupil possible with a \$1.00 tax rate went up 18.9%, from \$994 to \$1,181. In the second year, the average school budget per pupil rose 11.1%, while the average equalized school tax rate dropped 3.8%, and the expenditure per pupil financed by a \$1.00 tax rate increased another 15.5%, to \$1,364.

The distribution of taxing districts in relation to the state average expenditure per pupil for a \$1.00 tax rate, is shown in Table 7.

<sup>1</sup>With seven exceptions, see Footnote 1, p. 22.

<sup>2</sup>With Federal Aid deducted.

Table 7. Distribution of Taxing Districts in Terms of Percentage Deviation From State Average Composite Total School Budget per Resident Pupil for Each \$1.00 of Equalized School Property Tax Rate; 1975-76/1975, 1976-77/1976, and 1977-78/1977.

	<u>Heavily Disadvantaged Taxing Districts</u> (Negative Deviation More than 20%)	<u>Moderately Disadvantaged Taxing Districts</u> (Negative Deviation of 10 to 20%)	<u>Substantially Neutral Taxing Districts</u> (Deviation from +10% to -10%)	<u>Moderately Advantaged Taxing Districts</u> (Positive Deviation of 10 to 20%)	<u>Heavily Advantaged Taxing Districts</u> (Positive Deviation More than 20%)
1975-76/1975	157 (28.0%)	102 (18.2%)	132 (23.6%)	32 (5.7%)	137 (24.5%)
1976-77/1976	137 (24.5%)	145 (25.9%)	136 (24.3%)	28 (5.0%)	114 (20.4%)
1977-78/1977	87 (15.5%)	185 (33.0%)	160 (28.6%)	23 (4.1%)	105 (18.8%)

- Notes: 1. Omitted are Pine Valley, Tavistock, Pahaquarry, Corbin City, Longport, Audubon Park, and Winfield, See footnote, p. 22.
2. Federal Aid deducted.

Arbitrary descriptive labels have been assigned to various ranges of percentage deviation. The descriptions used here are:

- For negative deviations of more than 20% ..... The taxing districts are considered HEAVILY DISADVANTAGED
- For negative deviations of 10% to 20% ..... The taxing districts are considered MODERATELY DISADVANTAGED
- For deviations between +10% and -10% ..... The taxing districts are considered SUBSTANTIALLY NEUTRAL
- For positive deviations of 10% to 20% ..... The taxing districts are considered MODERATELY ADVANTAGED
- For positive deviations of more than 20% ..... The taxing districts are considered HEAVILY ADVANTAGED

During the baseline year, 157 taxing districts were "Heavily Disadvantaged" by the school finance system; in the first year of the new law there was a substantial improvement, with this number dropping to 137. In the second year, the improvement was even greater, only 87 taxing districts being "Heavily Disadvantaged". The number of districts in the center of the scale, listed as "Substantially Neutral", increased from 132 to 136 to 160. The upper end of the scale showed less spectacular improvement, with the number of "Heavily Advantaged" taxing districts declining from 137 to 114 to 105. So long as a significant number of taxing districts have equalized valuations per pupil exceeding the guaranteed valuation under Chapter 212, the system will never be completely neutral. These communities will always have a tax advantage. The most that can be expected is a continuing trend to eliminate the places of "Heavy Disadvantage", with a concentration of districts in the "Moderately Disadvantaged" range.

The major conclusion of this Chapter is:

- (1) The number of New Jersey communities which are "Heavily disadvantaged" by the school finance system has decreased from:
  - 157 in 1975, to
  - 137 in 1976, to
  - 87 in 1977.

BUDGETED EXPENDITURES AND EQUALIZED TAX RATES  
BY CLASS OF TAXING DISTRICT

Earlier reports have described patterns of budgeted school expenditures per pupil and equalized school tax rates during the baseline period (1975 for taxes and 1975-76 for budgeted expenditures), and during the first year of Chapter 212 implementation (1976 for taxes and 1976-77 for budgeted expenditures), with New Jersey's taxing districts grouped in five different ways:

- (1) by property tax base.
- (2) by type of community.
- (3) by socio-economic status.
- (4) by per capita personal income.
- (5) by grade pattern of schools.

The following sections will review the earlier data and will demonstrate the changes which took place during the second year of implementation of Chapter 212 (1977 for taxes and 1977-78 for budgeted school expenditures).

Property Tax Base

The level of the property tax base is a key element used in Chapter 212 to establish the wealth of each community for purposes of distributing State equalization aid, both for current expenses and for capital and debt service expenses of the public schools. Table 8a presents the basic data on average composite total budgeted expenditures per resident pupil and average equalized school tax rates, when the taxing districts are placed in groups according to the level of their property tax base. Tables 8b and 8c and Charts 4a, 4b, and 4c draw upon the basic information in Table 8a.

Ten Property Tax Base Groups have been defined in relation to the state average equalized valuation per resident pupil (See Table 8a). Of the state's 567 taxing districts, 560 have been classified into one of these Property Tax Base Groups.<sup>1</sup> Since both equalized valuation and enrollment are measures which are renewed each year, it is possible to re-calculate the level of the property tax base annually. For baseline purposes, the 1974 equalized valuation per pupil was used to classify the taxing districts, since this was the figure used in calculating State aid for the 1975-76 baseline period. The 1975 equalized valuation per pupil was used in the first year data, and 1976 figures in connection with the second year under Chapter 212. Slight variations, thus, result in the number of taxing districts in each property tax base group.

Chart 4a and the appropriate portions of Table 8a show the baseline situation, using tax rates for 1975 and budgeted school expenditures per pupil for 1975-76.<sup>2</sup> Average<sup>3</sup> budgeted expenditures per pupil were lowest in the lowest Property Tax Base Groups (1, 2, and 3), and rose steadily as the level of the tax base increased. Average equalized tax rates were highest for Groups 2 and 3, while the poorest places -- those in Group 1 -- had lower taxes to match their lower budgeted expenditures.

---

<sup>1</sup>Pine Valley, Tavistock, and Pahaquarry have been omitted because they have no public school pupils; Corbin City and Longport because they operate essentially as special education districts; and Audubon Park and Winfield because they have unusual property tax assessment situations.

<sup>2</sup>All data repeated here for earlier years will differ somewhat from data in prior reports because Federal aid has now been deducted in each year to make the data comparable; See above, p. 21.

<sup>3</sup>Unless noted otherwise, the averages used throughout this section of the report are unweighted averages, calculated by adding the budgeted expenditures per pupil or the tax rates for all districts and dividing by the number of districts. They give equal weight to all taxing districts, regardless of size.

Table 8a. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by PROPERTY TAX BASE and Given Equal Weight in Average.

Property Tax Base Group	Equalized Valuation Per Resident Pupil	Number of Taxing Districts			Average Composite Total School Budget Per Resident Pupil			Average Equalized School Tax Rate			Composite Total School Budget Per Resident Pupil for Each \$1.00 of Equalized School Tax Rate					
		1974	1975	1976	1975-76	1976-77	1977-78	1975	1976	1977	Deviation From State Average					
											1975-76 /1975	1976-77 /1976	1977-78 /1977			
State Average		560	560	560	\$1,765	\$1,920	\$2,135	\$1.776	\$1.626	\$1.565	\$ 994	\$1,181	\$1,364	--	--	--
1	Below 50% of average	36	31	31	1,480	1,647	1,894	1.986	1.786	1.757	745	922	1,078	- 25.1%	- 21.9%	- 21.0%
2	50% to 70% of average	75	66	61	1,530	1,676	1,863	2.089	1.817	1.678	732	922	1,110	- 26.4%	- 21.9%	- 18.6%
3	70% to 85% of average	74	70	74	1,571	1,747	1,944	2.076	1.807	1.661	757	967	1,170	- 23.8%	- 18.1%	- 14.2%
4	85% to 100% of average	80	85	84	1,688	1,832	2,046	2.066	1.823	1.738	817	1,005	1,177	- 17.8%	- 14.9%	- 13.7%
5	100% to 115% of average	76	74	72	1,772	1,912	2,050	1.898	1.793	1.712	934	1,066	1,197	- 6.0%	- 9.7%	- 12.2%
6	115% to 130% of average	57	68	71	1,850	1,973	2,188	1.764	1.809	1.746	1,049	1,091	1,253	+ 5.5%	- 7.6%	- 8.1%
7	130% to 150% of average	42	44	47	1,919	2,032	2,289	1.714	1.611	1.655	1,120	1,261	1,383	+ 12.7%	+ 6.8%	+ 1.4%
8	150% to 200% of average	62	63	57	1,929	2,047	2,263	1.409	1.355	1.377	1,369	1,511	1,643	+ 37.7%	+ 27.9%	+ 20.5%
9	200% to 300% of average	22	21	26	2,068	2,238	2,433	1.034	.992	1.028	2,000	2,256	2,367	+101.2%	+ 91.0%	+ 73.5%
10	Over 300% of average	36	38	37	2,320	2,491	2,840	.567	.563	.556	4,092	4,425	5,108	+311.7%	+274.7%	+274.5%

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

1975  
Equalized  
School  
Property  
Tax Rate

State Average  
Budget per Pupil  
of \$1,765

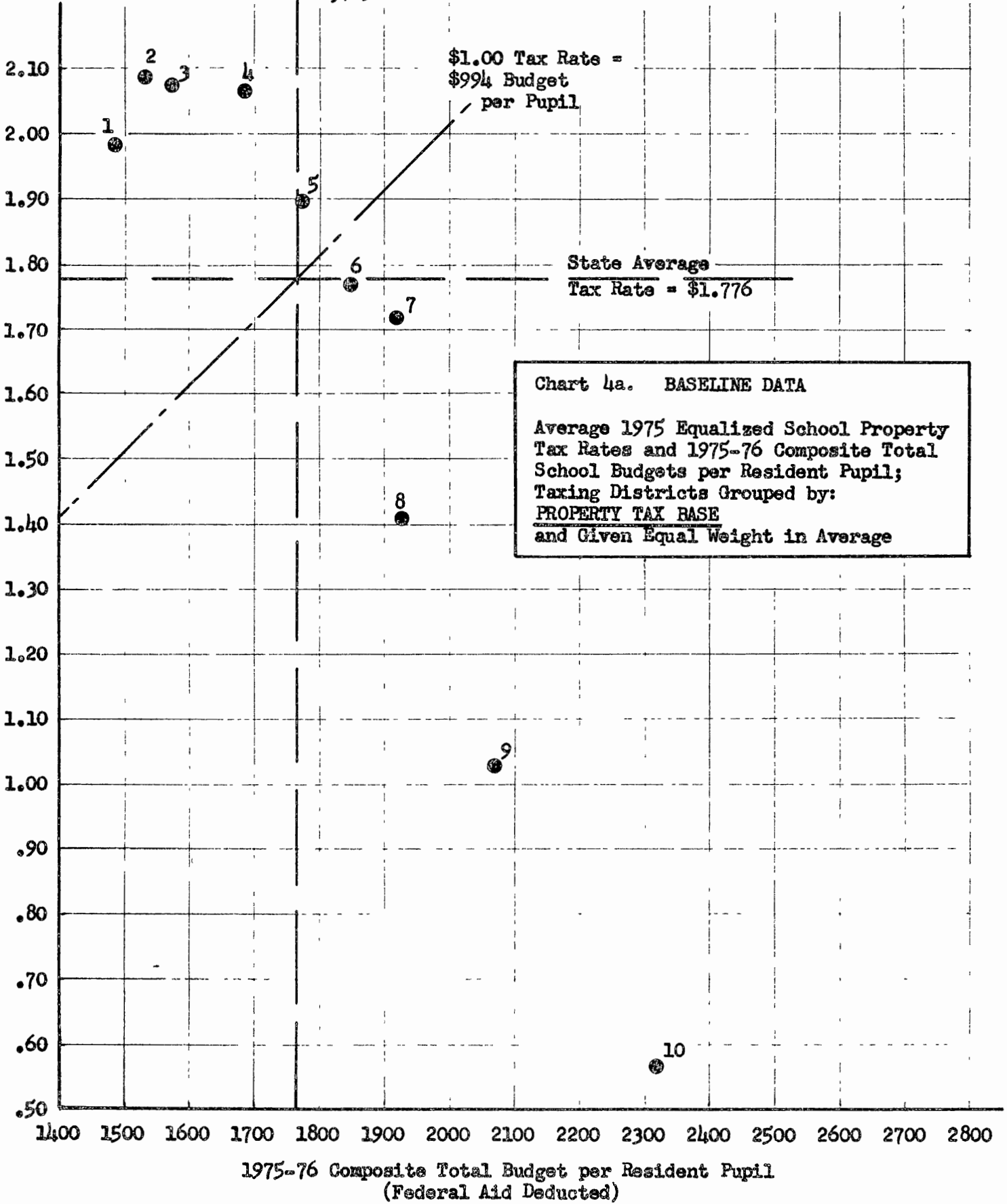


Chart 4a. BASELINE DATA

Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: PROPERTY TAX BASE and Given Equal Weight in Average

This pattern at the lower end of the scale indicated that the Bateman-Tanzman Act then in effect in modified form had an impact in equalizing resources among the lowest wealth taxing districts. Starting with Group 4, however, this impact was lost; those taxing districts with from 85% to 100% of the state average equalized valuation per resident pupil were able to budget at a higher level with about the same equalized tax rate as the poorer places of Groups 2 and 3. Above this point, increasing amounts of taxable property in Groups 5, 6, 7, 8, 9, and 10 permitted these taxing districts to budget at progressively higher levels during the baseline period, with sharply lower equalized property tax rates.

When the budget per pupil is divided by the equalized tax rate, the result is a figure for the amount of expenditure which could be financed for a \$1.00 tax rate. If perfect fiscal equity existed, this figure would be the same for all taxing districts. On a state-wide basis, such a figure is represented in Chart 4a by the diagonal line with a value of \$994 per resident pupil, which might be called a "fiscal equity line". If all of the average figures plotted in this chart were to fall somewhere on the diagonal line, a situation of fiscal equity would be indicated. Where a group of districts is plotted above the "fiscal equity line", the evidence is that they were relatively dis-  
advantaged by the system of financing the public schools then in effect; Property Tax Base Groups 1, 2, 3, 4, and 5 fell into this category. Where the group drops below the line, the indication is that they were advantaged by the system; in the baseline period this applied to Groups 6, 7, 8, 9, and 10. The degree of advantage or disadvantage is shown by the distance of the plot from the "fiscal equity line". It is also shown in the last three columns of Table 8a by the percentage deviation

from the state average. Here, a negative deviation indicates disadvantage, while a positive deviation shows advantage.

Table 8b shows the changes which have taken place in each of the two years under Chapter 212. For the state as a whole, the emphasis in the first year was on tax reduction, with budgeted expenditures being limited to a growth of only \$155 per pupil (+9%), while tax rates declined -8%. In the second year, the pattern changed, with the average tax rate being reduced only a further -4%, and budgeted expenditures increasing by \$215 per pupil (+11%).

Almost every Property Tax Base Group of taxing districts increased its average budgeted expenditures more rapidly in the second year than in the first; and almost every Group showed a smaller reduction in average equalized school property tax rate in the second year than in the first.

Chart 4b and the appropriate portions of Table 8a show the end result of the change from the baseline period to the second year of Chapter 212. The relative position of the different Property Tax Base Groups is similar to that found in the baseline period in many ways. Average budgeted expenditures per pupil still rise as the level of the property tax base increases. The lowest-wealth group (1) has now moved ahead of Group 2 in terms of their expenditure and tax rate levels. Now, however, Groups 1, 2, 3, 4, 5, and 6 are in closer proximity, indicating that Chapter 212 has extended the equalization of resources to a larger portion of the state's communities. Starting with Group 7 (130% to 150% of the state average property tax base), the effect of large amounts of property tax ratables still makes itself felt, with higher expenditure levels matched by lower tax rates. As the impact of Chapter 212 is extended over the next few years, it is reasonable to

Table 8b. Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by:  
PROPERTY TAX BASE  
and Given Equal Weight in Average.

Equalized Valuation per Resident Pupil	Annual Change in Average Composite Total School Budget per Resident Pupil		Annual Change in Average Equalized School Tax Rate	
	1975-76 to 1976-77	1976-77 to 1977-78	1975 to 1976	1976 to 1977
State Average	\$+ 155 (+ 9%)	\$+ 215 (+11%)	\$-.150 (- 8%)	\$-.061 (- 4%)
1-Below 50% of average	+ 167 (+11%)	+ 247 (+15%)	-.200 (-10%)	-.029 (- 2%)
2-50% to 70% of average	+ 146 (+10%)	+ 187 (+11%)	-.272 (-13%)	-.139 (- 8%)
3-70% to 85% of average	+ 176 (+11%)	+ 197 (+11%)	-.269 (-13%)	-.146 (- 8%)
4-85% to 100% of average	+ 144 (+ 9%)	+ 214 (+12%)	-.243 (-12%)	-.085 (- 5%)
5-100% to 115% of average	+ 140 (+ 8%)	+ 138 (+ 7%)	-.105 (- 6%)	-.081 (- 5%)
6-115% to 130% of average	+ 123 (+ 7%)	+ 215 (+11%)	+.045 (+ 3%)	-.063 (- 3%)
7-130% to 150% of average	+ 113 (+ 6%)	+ 257 (+13%)	-.103 (- 6%)	+.044 (+ 3%)
8-150% to 200% of average	+ 118 (+ 6%)	+ 216 (+11%)	-.054 (- 4%)	+.022 (+ 2%)
9-200% to 300% of average	+ 170 (+ 8%)	+ 195 (+ 9%)	-.042 (- 4%)	+.036 (+ 4%)
10-Over 300% of average	+ 171 (+ 7%)	+ 349 (+14%)	-.004 (- 1%)	-.007 (- 1%)

Notes: Averages are unweighted arithmetic means of taxing district figures.  
Federal Aid deducted from all budget figures.

1977  
Equalized  
School  
Property  
Tax Rate

State Average  
Budget per Pupil  
of \$2,135

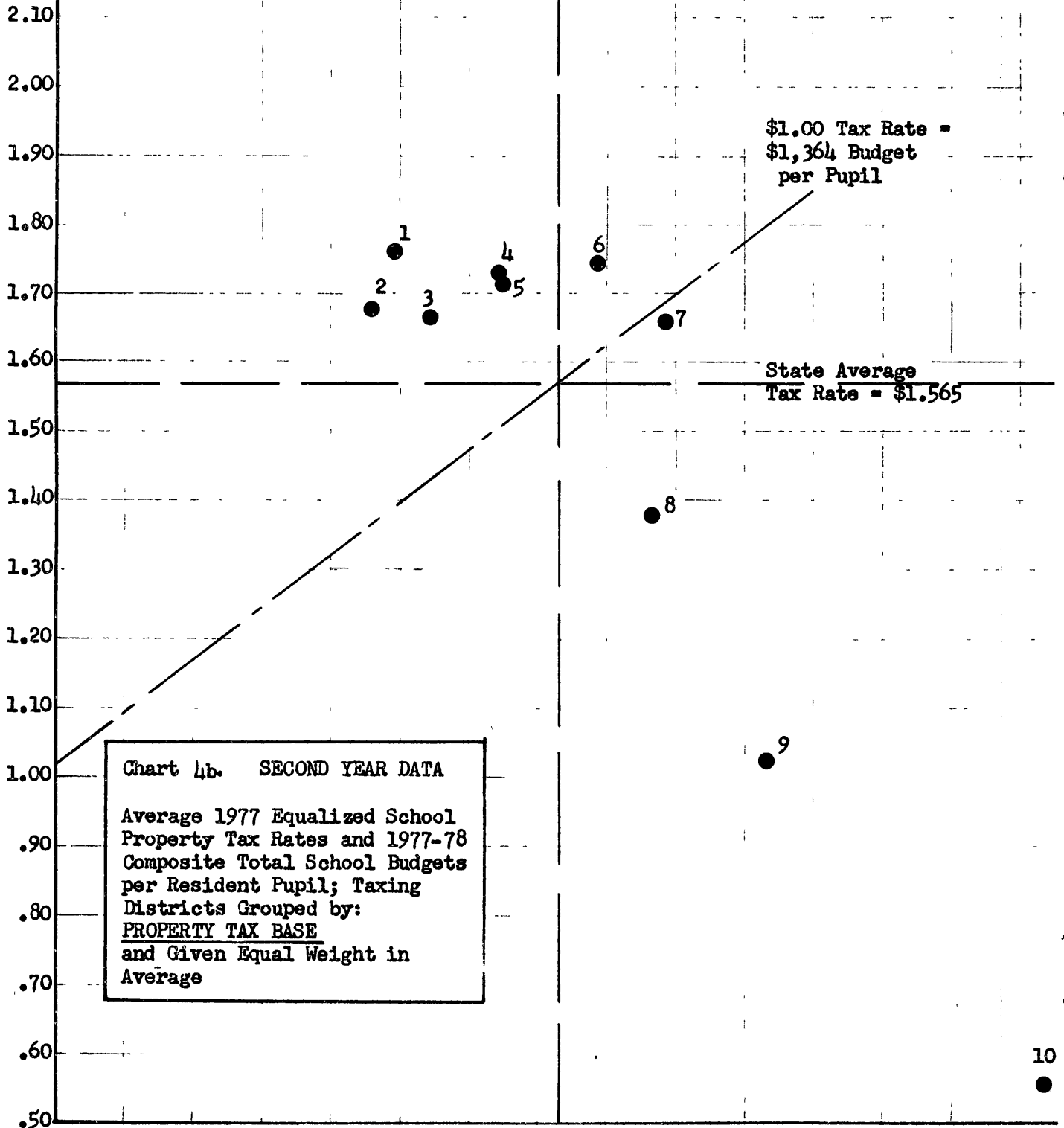


Chart 4b. SECOND YEAR DATA  
Average 1977 Equalized School Property Tax Rates and 1977-78 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: PROPERTY TAX BASE and Given Equal Weight in Average

1977-78 Composite Total Budget per Resident Pupil  
(Federal Aid Deducted)

anticipate that Groups 1, 2, 3, 4, 5, and 6 will draw closer together. So long as the guaranteed valuation under that law is kept at 1.35 times the state average,<sup>1</sup> however, the taxing districts in Groups 7, 8, 9, and 10 will continue to enjoy relatively low tax rates, regardless of the levels at which they budget for their school expenditures.

The "fiscal equity line" in Chart 4b now has a value of \$1,364 of expenditure per pupil for each \$1.00 of equalized property tax rate. The six lowest-wealth Property Tax Base Groups appear to be disadvantaged by plotting above the line, while the four high Property Tax Base Groups fall below the line and are in an advantaged situation. It is difficult to determine whether the situation has improved or deteriorated by comparing Charts 4a and 4b, since the state average figures are different in the two charts. In order to check whether there has been any improvement in equity, Chart 4c places the data for the most recent two years on a common basis. The average budgeted expenditures per pupil and the average equalized school tax rates are shown here as ratios to the state average in each year. Thus, if a group of taxing districts has moved toward the "fiscal equity line", its equity has improved, while a movement away from the line shows a loss of equity.

An earlier report in this series described changes in the first year of Chapter 212 (1976-77/1976). In that year, with few exceptions, the low-wealth (and low-spending) groups of taxing districts increased their budgeted expenditure levels as a proportion of the state average, while the high-wealth (and high-spending) groups of districts reduced their relative expenditure level in proportion to the average (See Table

---

<sup>1</sup>The guaranteed valuation was 1.30 for 1976-77 and increased to 1.35 for 1977-78, where it remains in the absence of further legislation.

Ratio to  
State  
Average  
Tax Rate

State  
Average  
Budget  
Per Pupil

1.20  
1.10  
1.00  
.90  
.80  
.70  
.60  
.50  
.40  
.30

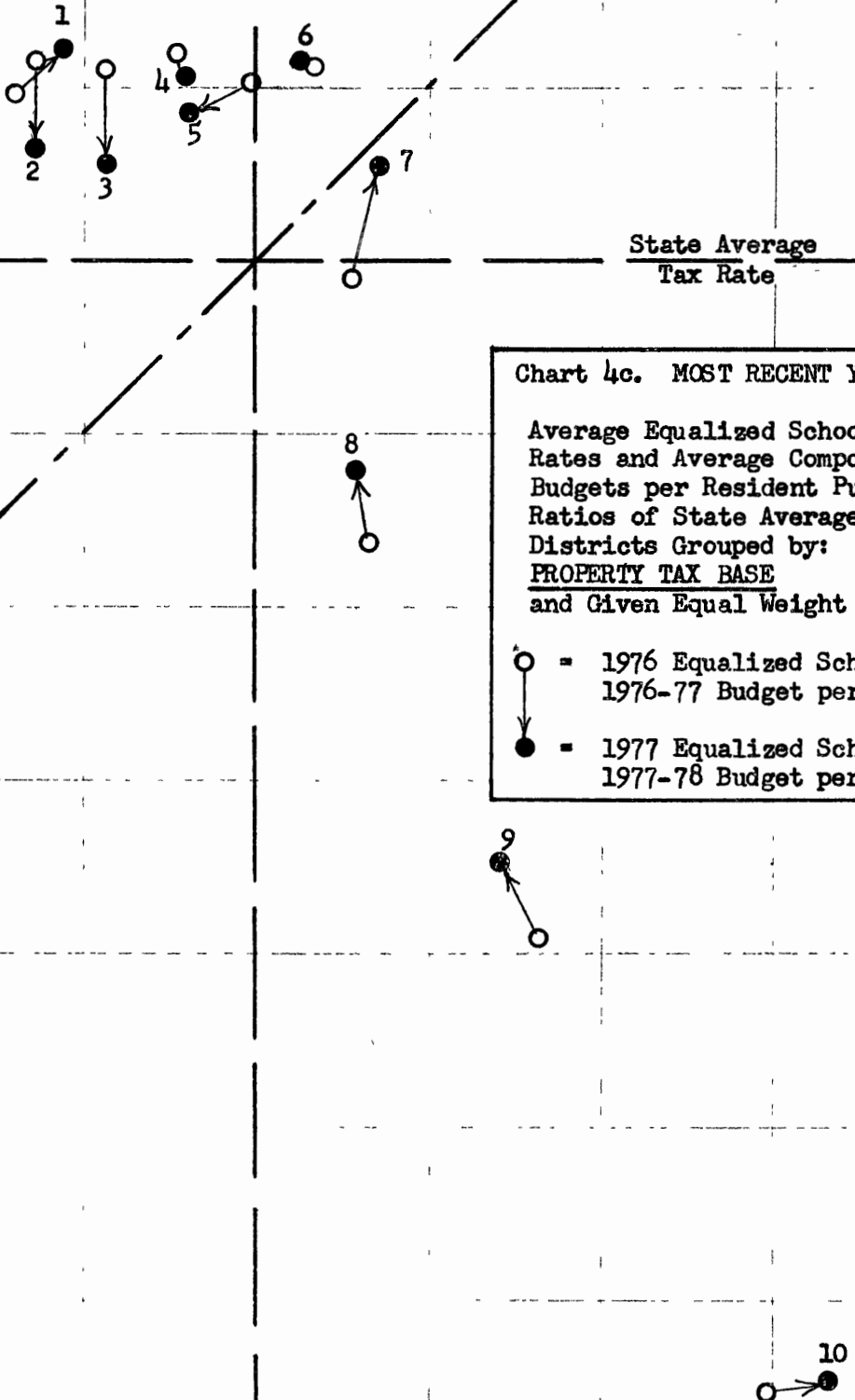
State Average  
Tax Rate

Chart 4c. MOST RECENT YEAR RELATIVE CHANGE

Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by:  
PROPERTY TAX BASE  
and Given Equal Weight in Average

- = 1976 Equalized School Tax Rate and 1976-77 Budget per Resident Pupil
- = 1977 Equalized School Tax Rate and 1977-78 Budget per Resident Pupil

Ratio to State Average Budget per Resident Pupil  
(Federal Aid Deducted)



8c). Similarly, almost all groups of districts in the first year moved toward the state average in average equalized school property tax rates. The net result, in the first year, was a substantial movement toward fiscal equity by almost all taxing districts, when grouped by level of property tax wealth.

For the second year (1977-78/1977), the changes are less substantial, and the results more mixed. Observations which may be drawn from Table 8c and Chart 4c include:

<u>Property Tax Base Group</u>	
1 - Below 50% of average wealth	Both budgeted expenditures and equalized tax rates <u>increased</u> in relation to the state average, with only minor movement <u>toward</u> fiscal equity.
2 - 50% to 70% of average wealth	Budgeted expenditures <u>remained</u> at 87% of the state average, but the equalized tax rate was <u>reduced</u> , resulting in movement <u>toward</u> fiscal equity.
3 - 70% to 85% of average wealth	Budgeted expenditures <u>remained</u> at about 91% of the state average, but the equalized tax rate was <u>reduced</u> , resulting in movement <u>toward</u> fiscal equity.
4 - 85% to 100% of average wealth	Budgeted expenditures <u>increased slightly</u> and the equalized school tax rate <u>decreased slightly</u> in relation to the state average, with a resultant small movement <u>toward</u> fiscal equity.
5 - 100% to 115% of average wealth	Budgeted expenditures <u>decreased</u> to only 96% of the state average, with a small relative <u>reduction</u> in equalized school tax rate, and a small movement <u>away</u> from fiscal equity.
6 - 115% to 130% of average wealth	A very small relative <u>reduction</u> in budgeted expenditures, and a very small relative <u>increase</u> in equalized school tax rate, resulted in a very small movement <u>away</u> from fiscal equity.
7 - 130% to 150% of average wealth	A small relative <u>increase</u> in budgeted expenditures, balanced by a substantial <u>increase</u> in equalized school tax rate compared to the average, resulted in movement <u>toward</u> fiscal equity.
8 - 150% to 200% of average wealth	A small <u>decrease</u> in the relative expenditure level, combined with an <u>increase</u> in the equalized school tax rate, resulted in movement <u>toward</u> fiscal equity.

Table 8c. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by: PROPERTY TAX BASE and Given Equal Weight in Average.

Equalized Valuation per Resident Pupil	Ratio to State Average of:					
	Average Composite Total School Budget per Resident Pupil			Average Equalized School Tax Rate		
	1975-76	1976-77	1977-78	1975	1976	1977
1-Below 50% of average	.839	.858	.887	1.118	1.098	1.123
2-50% to 70% of average	.867	.873	.873	1.176	1.117	1.072
3-70% to 85% of average	.890	.910	.911	1.169	1.111	1.061
4-85% to 100% of average	.956	.954	.958	1.163	1.121	1.111
5-100% to 115% of average	1.004	.996	.960	1.069	1.103	1.094
6-115% to 130% of average	1.048	1.028	1.025	.993	1.113	1.116
7-130% to 150% of average	1.087	1.058	1.072	.965	.991	1.058
8-150% to 200% of average	1.093	1.066	1.060	.793	.833	.880
9-200% to 300% of average	1.172	1.166	1.140	.582	.610	.657
10-Over 300% of average	1.314	1.297	1.330	.319	.346	.355

Property Tax Base <u>Group</u>	
9 - 200% to 300% of average wealth	A <u>decrease</u> in the relative expenditure level, combined with an <u>increase</u> in equalized school tax rate, resulted in movement <u>toward</u> fiscal equity.
10 - Over 300% of average wealth	A substantial <u>increase</u> in budgeted expenditures, together with a small <u>increase</u> in equalized school tax rates compared to the average, produced little noticeable improvement in fiscal equity.

Certain developments among the very poor and the very wealthy districts deserve special attention. The poorest taxing districts (Group 1) are now the most heavily disadvantaged from a fiscal equity viewpoint. One reason for this is that they have made substantial increases in their expenditure level. Under Chapter 212, equalization aid is paid as a share of the prior year's budget. Thus, a district which raises its spending level must do so in the first year with its own resources. State equalization aid eventually will catch up, but a short-run increase in taxes can be expected, with a consequent negative effect on fiscal equity.

Another aspect of the low-wealth group should also be noted. All data thus far have been presented in terms of unweighted averages; that is, all taxing districts are counted as equals, regardless of the size of their budgets, or their tax levies, or their enrollment. If weighted averages are used, however, the picture changes somewhat. To do this, the taxing districts are still grouped as before, but each entire group of districts is treated as though it were a single taxing district. To calculate the budgeted expenditures, for example, all school budgets in a given group are added, and the result is divided by the total enrollment within the group. Table 8d shows the average figures for composite total school budgets per pupil using the weighted approach to an average.

Table 8d. Weighted Average Composite Total School Budget per Resident Pupil, 1975-76 and 1977-78; Taxing Districts Grouped by: PROPERTY TAX BASE.

Equalized Valuation per Resident Pupil	Number of Taxing Districts		Average Composite Total School Budget per Resident Pupil		
	1974	1976	1975-76	1977-78	Two-Year Change
State Average	560	560	\$ 1,687	\$ 2,040	\$ + 353 (+ 21%)
1-Below 50% of average	36	31	1,511	1,827	+ 316 (+ 21%)
2-50% to 70% of average	75	61	1,522	1,821	+ 299 (+ 20%)
3-70% to 85% of average	74	74	1,541	1,915	+ 374 (+ 24%)
4-85% to 100% of average	80	84	1,666	1,996	+ 330 (+ 20%)
5-100% to 115% of average	76	72	1,741	2,067	+ 326 (+ 19%)
6-115% to 130% of average	57	71	1,847	2,220	+ 373 (+ 20%)
7-130% to 150% of average	42	47	1,902	2,262	+ 360 (+ 19%)
8-150% to 200% of average	62	57	1,901	2,263	+ 362 (+ 19%)
9-200% to 300% of average	22	26	2,089	2,530	+ 441 (+ 21%)
10-Over 300% of average	36	37	2,193	2,647	+ 454 (+ 21%)

Notes: Averages are weighted arithmetic means obtained by adding budgets for all taxing districts in group and dividing by total number of resident pupils in the group of taxing districts.

Federal Aid deducted from all budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

While the general pattern may not appear substantially different from the figures shown in Table 8b for unweighted averages, there is at least one significant difference. This is in Group 1 -- the very poor places. The unweighted average figures in Table 8b show this group increasing its average budget per pupil faster than the state average: \$414 to \$370 over a two-year period. The weighted averages in Table 8d show the low-wealth districts increasing budgeted expenditures per pupil slower than the state average: \$316 to \$353. Why the difference? The discrepancy is caused by the fact that some districts have failed to keep up with state average budgeted expenditure figures; in Group 1, Newark is the prime example. In 1975-76, Newark's budgeted expenditures per pupil were 97% of the state average. By 1977-78, the comparable figure for Newark had fallen only 89% of the average. When a weighted average is used, the actions of one place, if it is very large, can obscure what is taking place in the great majority of other communities. Thus, if Newark, which made from 30% to 40% of the budgeted expenditures, is eliminated from the sample, even the weighted average shows that the low-wealth places increased their budgeted figures faster than the state-wide average: \$402 to \$362.

In reality, however, Newark cannot be eliminated; its presence and its actions must be recognized. If Newark, and other districts with similar situations, continue to slip behind the rest of the state, a large number of public school pupils presumably will be denied the equal educational opportunity which equal expenditures are assumed to provide. In this case, modifications in the State aid formula or changes in educational administration will have to be considered by the Legislature.

In drafting Chapter 212, the assumption was that the budget review

powers of the Commissioner of Education would be used to insure that all communities budgeted at a level which was adequate to provide for the thorough and efficient system of public schools required by the State constitution. If reliance is to continue on this administrative review approach, it may be useful to identify the communities which appear to be slipping behind the state average. This has been done using the following criteria:

- (1) A composite total school budget per pupil in 1977-78 which is less than 90% of the state average.
- (2) A composite total school budget per pupil in 1977-78 which is at least five percentage points less in relation to the state average than it was in 1975-76.
- (3) 1975-76, 1976-77, and 1977-78 composite total school budgets per pupil which show a steady pattern of decline in relation to the state average.

The 24 communities identified as meeting all of the above criteria are shown in Table 9. Their inclusion here should not be taken as evidence that their budgetary provisions necessarily are inadequate; special circumstances may exist which explain the data on which this classification has been based. However, using the stated criteria, these places come to the surface as communities where some special attention might be directed by the Department of Education to the elementary, secondary, and regional schools which serve the taxing district.

At the high end of the scale, there should be concern that the average composite total school budget per pupil grew more rapidly than the state average in the wealthy taxing districts, where it already was the highest in the state, despite a budget cap formula which is intended to place relatively tight limits on high-expenditure places. In an effort to identify the reasons for this result, the budgets of the 37

Table 9. Taxing Districts Which Appear to be Slipping Behind the State Average in Total Composite School Budgets per Resident Pupil; 1975-76 to 1977-78.

Taxing District	Total Composite School Budget per Resident Pupil					
	1975-76		1976-77		1977-78	
		% of Average		% of Average		% of Average
Buena	\$ 1,739	98%	\$ 1,866	97%	\$ 1,883	88%
Buena Vista	1,739	98%	1,866	97%	1,883	88%
Egg Harbor City	1,626	92%	1,651	86%	1,735	81%
Egg Harbor Township	1,615	91%	1,661	86%	1,763	83%
Hamilton (Atlantic)	1,603	91%	1,533	80%	1,622	76%
Hammonton	1,620	92%	1,699	88%	1,780	83%
Mullica	1,355	77%	1,391	72%	1,460	68%
Port Republic	1,398	79%	1,413	74%	1,551	73%
Lumberton	1,683	95%	1,658	86%	1,820	85%
Shamong	1,461	83%	1,457	76%	1,608	75%
Oaklynne	1,595	90%	1,659	86%	1,774	83%
Lower	1,703	96%	1,823	95%	1,877	88%
Upper	1,697	96%	1,725	90%	1,835	86%
Newark	1,710	97%	1,737	90%	1,892	89%
Harrison Township (Gloucester)	1,722	98%	1,870	97%	1,898	89%
West New York	1,589	90%	1,656	86%	1,753	82%
Washington Township (Morris)	1,684	95%	1,778	93%	1,850	87%
Barnegat Township	1,615	91%	1,446	75%	1,477	69%
Little Egg Harbor	1,635	93%	1,601	83%	1,720	81%
Vernon	2,156	122%	1,908	99%	1,860	87%
Allamuchy	1,964	111%	1,900	99%	1,841	86%
Blairstown	1,605	91%	1,649	86%	1,810	85%
Lopatcong	1,507	85%	1,568	82%	1,538	72%
White	1,686	95%	1,689	88%	1,866	87%

taxing districts in Property Tax Group 10<sup>1</sup> in 1977-78 were analyzed for that year and the preceding year. During this period, there was an increase of \$291 per pupil for these high-wealth places, compared with a state average increase in budgeted expenditures of only \$213, as shown at the bottom of Table 10.<sup>2</sup>

The budget caps apply only to the portion of the budget known as the Net Current Expense Budget (NCEB). Table 10 shows that the average NCEB per pupil grew by \$187 in the high wealth districts, compared with only \$148 per pupil in the state as a whole. When the NCEB is broken down into its components, the reason is apparent. Although the budget cap formulas themselves would have limited the high-wealth places to a smaller growth per pupil (\$104 to \$118), the fact that these places declined rather sharply in enrollment (-4.4% compared with -2.9% state-wide), combined with the fact that the budget cap formula is based on the prior year's enrollment, caused a substantial net growth in NCEB per pupil (\$91 to \$48). In addition, the high-wealth places received a slightly higher per-pupil grant of waivers of the budget caps (\$12 to \$7), and they left unused a smaller proportion of the budget cap capacity which was available to them through the cap formula and the waivers (\$-25 to \$-20).

Going beyond the NCEB, which is limited by the statutory budget caps, there are several budget items which local districts can "add-on" above the NCEB. These also are shown in Table 10, as they had an impact on the growth of the total composite budget per pupil in the high-wealth

---

<sup>1</sup>Districts with more than three times the average property valuations per pupil.

<sup>2</sup>Weighted averages are used in Table 10.

Table 10. Components of Budgetary Growth in 1977-78; State Average and 37 High-Wealth Taxing Districts

Budget Component	Average Composite Total School Budget per Resident Pupil						
	State Totals			37 High-Wealth Taxing Districts			
	1976-77	1977-78	Change	1976-77	1977-78	Change	Excess Change
NET CURRENT EXPENSE BUDGET:	\$ 1,512	\$ 1,660	\$+ 148	\$ 1,908	\$ 2,095	\$+ 187	\$+ 39
Portion Permitted by Budget Cap Formula			(+ 118)			(+ 104)	(- 14)
Portion Permitted by Cap Waivers			(+ 7)			(+ 12)	(+ 5)
Portion Due to Non-Use of Caps and Waivers			(- 25)			(- 20)	(+ 5)
Portion of Change Due to Enrollment Decline			(+ 48)			(+ 91)	(+ 43)
SURPLUS BALANCE APPROPRIATED	33	43	+ 10	103	142	+ 39	+ 29
MISCELLANEOUS REVENUES	11	11	--	8	9	+ 1	+ 1
TRANSPORTATION	69	78	+ 9	108	118	+ 10	+ 1
CATEGORICAL AID	75	102	+ 27	56	81	+ 25	- 2
OTHER STATE AID	6	12	+ 6	1	6	+ 5	- 1
CAPITAL EXPENSES	8	17	+ 9	10	15	+ 5	- 4
DEBT SERVICE	132	136	+ 4	162	182	+ 20	+ 16
COMPOSITE TOTAL SCHOOL BUDGET PER RESIDENT PUPIL	\$ 1,846	\$ 2,059	\$+ 213	\$ 2,356	\$ 2,647	\$+ 291	\$+ 78

Notes: Averages are weighted arithmetic means obtained by adding budget figures for all taxing districts in group and dividing by total number of resident pupils in group of taxing districts.

State totals per pupil differ from figures in earlier tables due to inclusion of Corbin City, Longport and all county vocational-technical schools.

places. These 37 districts, when compared with the state as a whole, appropriated larger amounts of surplus funds to balance their budgets, spent more on transportation, and had higher levels of debt service. They were lower than the state average in miscellaneous revenues, categorical aid, and other state aid, and just about average in capital expenditures.

In analyzing the reasons why the high-wealth districts increased expenses faster than the state average from 1976-77 to 1977-78, the last column to the right in Table 10 is most important. This represents the "excess change" in growth of each budget component; that is, the difference between the growth in the 37 wealth districts and the growth in the state average for each component. In order of importance, the factors which led to the rapid growth of the average budgets per pupil in the high-wealth districts were:

- (1) A more rapid decline in pupil enrollment (+\$43).
- (2) A sharper increase in the amount of surplus balance appropriated (+\$29).
- (3) A larger increase in the amount budgeted for debt service (\$+16).
- (4) A slightly higher proportion of budget cap waivers (\$+5).
- (5) A somewhat higher use of the available budget cap capacity (\$+5).
- (6) A slight increase in miscellaneous revenues budgeted (\$+1).
- (7) A slightly higher rate of increase in budgeted transportation costs (\$+1).

Factors which tended to slow down the growth of the average budgets per pupil in these wealthy districts were:

- (8) The budget cap formula (\$-14).
- (9) A slower-than-average growth of budgeted capital expenses (\$-4).
- (10) A slower-than-average growth of categorical aid (\$-2).
- (11) A slightly slower-than-average growth of other state aid (\$-1).

If the net result shown here -- more rapid growth in total budgeted school expenditures in the high-wealth places than for the rest of the communities in the state -- is regarded as undesirable, two changes might be considered in Chapter 212:

- (a) the budget caps might be based on a projected enrollment, rather than the prior year's enrollment.
- (b) the budget caps might be extended to cover surplus balance appropriated, as well as the NCEB.

Each of these alternatives would have to be examined carefully, in order to avoid a solution which might have unintended consequences.

The major conclusions of this section, when taxing districts are grouped by PROPERTY TAX BASE, are:

- (1) Increased State aid has extended an equalizing effect to more communities, and has blurred the previously sharp patterns, but the generalizations of the baseline period (1975-76/1975) remain true:
  - (a) budgeted expenditures per pupil rise as the property tax base rises.
  - (b) equalized school tax rates decline as the property tax base rises.
  - (c) fiscal inequities in the system place poor communities at a disadvantage and provide an advantage for wealthy communities.
- (2) The first year under Chapter 212 saw heavy emphasis on tax reduction, with small increases in expenditures; the second year brought larger expenditure increases and less tax reduction.
- (3) Average fiscal inequities have been reduced for almost all groups of communities.
- (4) The poorest communities increased their spending levels, and had a relative increase in tax rates, with only a small gain in fiscal equity, probably because State equalization aid is based on the prior year's budget.
- (5) While most low-spending districts used State aid to raise their budgets nearer the state average, some have fallen gradually behind.
- (6) In the very high-wealth communities, budgeted expenditures per pupil have risen faster than the state average, mostly because of:

- (a) enrollment declines,
- (b) increased use of surplus funds, and
- (c) increases in debt service,

which outweigh the restrictive effects of the budget cap formula.

#### Type of Community

The state's taxing districts were classified according to the type of community in an earlier report.<sup>1</sup> In general terms, the degree of urbanization serves as the principal basis for the classification pattern. Since the data on which the classification was based were drawn largely from the last decennial census, in 1970, no changes have been made from earlier reports, and the makeup of the groups of taxing districts here remains the same throughout the survey period. Table 11a reports the basic data on average composite total budgeted expenditures per resident pupil and average equalized school tax rates, when the taxing districts are grouped by type of community. Tables 11b and 11c and Charts 5a, 5b, and 5c draw upon the basic information in Table 11a.

Chart 5a and the appropriate portions of Table 11a show the base-line situation, using tax rates for 1975 and budgeted school expenditures per pupil for 1975-76. The highest tax rates and the lowest expenditures per pupil were found in the six major urban centers (MUC), the rural centers (RC), and the handful of rural center-rural communities (RCR). At the other end of the scale, the seashore resort communities (SSR) were found to budget at a relatively high level, while benefiting from extremely low equalized school tax rates. The seashore resorts especially,

---

<sup>1</sup>See Appendix B of this report.

Table 11a. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by TYPE OF COMMUNITY and Given Equal Weight in Average.

Community Type	Number of Taxing Districts	Average Composite Total School Budget Per Resident Pupil			Average Equalized School Tax Rate			Composite Total School Budget, Per Resident Pupil for Each \$1.00 of Equalized School Tax Rate					
		1975-76	1976-77	1977-78	1975	1976	1977	1975-76			Deviation From State Average		
		/1975	/1976	/1977	/1975	/1976	/1977	1975-76	1976-77	1977-78	1975-76	1976-77	1977-78
State Average	560	\$1,765	\$1,920	\$2,135	\$1.776	\$1.626	\$1.565	\$ 994	\$1,181	\$1,364	--	--	--
Major Urban Center (MUC)	6	1,543	1,679	1,885	2.087	1.835	1.646	739	915	1,145	- 25.7%	- 22.5%	- 16.1%
Other Urban Center (OUC)	26	1,709	1,880	2,092	1.870	1.836	1.731	914	1,024	1,209	- 8.0%	- 13.3%	- 11.4%
Urban-Suburban (U-S)	123	1,716	1,881	2,124	1.703	1.606	1.571	1,008	1,171	1,352	+ 1.4%	- 0.8%	- 0.9%
Suburban (S)	157	1,862	2,028	2,272	1.800	1.683	1.603	1,034	1,205	1,417	+ 4.0%	+ 2.0%	+ 3.9%
Suburban-Rural (S-R)	63	1,737	1,886	2,084	1.952	1.761	1.670	890	1,071	1,248	- 10.5%	- 9.3%	- 8.5%
Rural (R)	107	1,720	1,849	2,008	1.767	1.545	1.523	973	1,197	1,318	- 2.1%	+ 1.4%	- 3.4%
Rural Center (RC)	43	1,680	1,825	2,059	2.140	1.878	1.784	785	972	1,154	- 21.0%	- 17.7%	- 15.4%
Rural Center-Rural (RCR)	9	1,559	1,680	1,802	2.018	1.718	1.566	773	978	1,151	- 22.2%	- 17.2%	- 15.6%
Seashore Resort (SSR)	26	1,993	2,178	2,361	.730	.681	.683	2,730	3,198	3,457	+174.6%	+170.8%	+153.4%

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

1975  
Equalized  
School  
Property  
Tax Rate

State Average  
Budget per Pupil  
of \$1,765

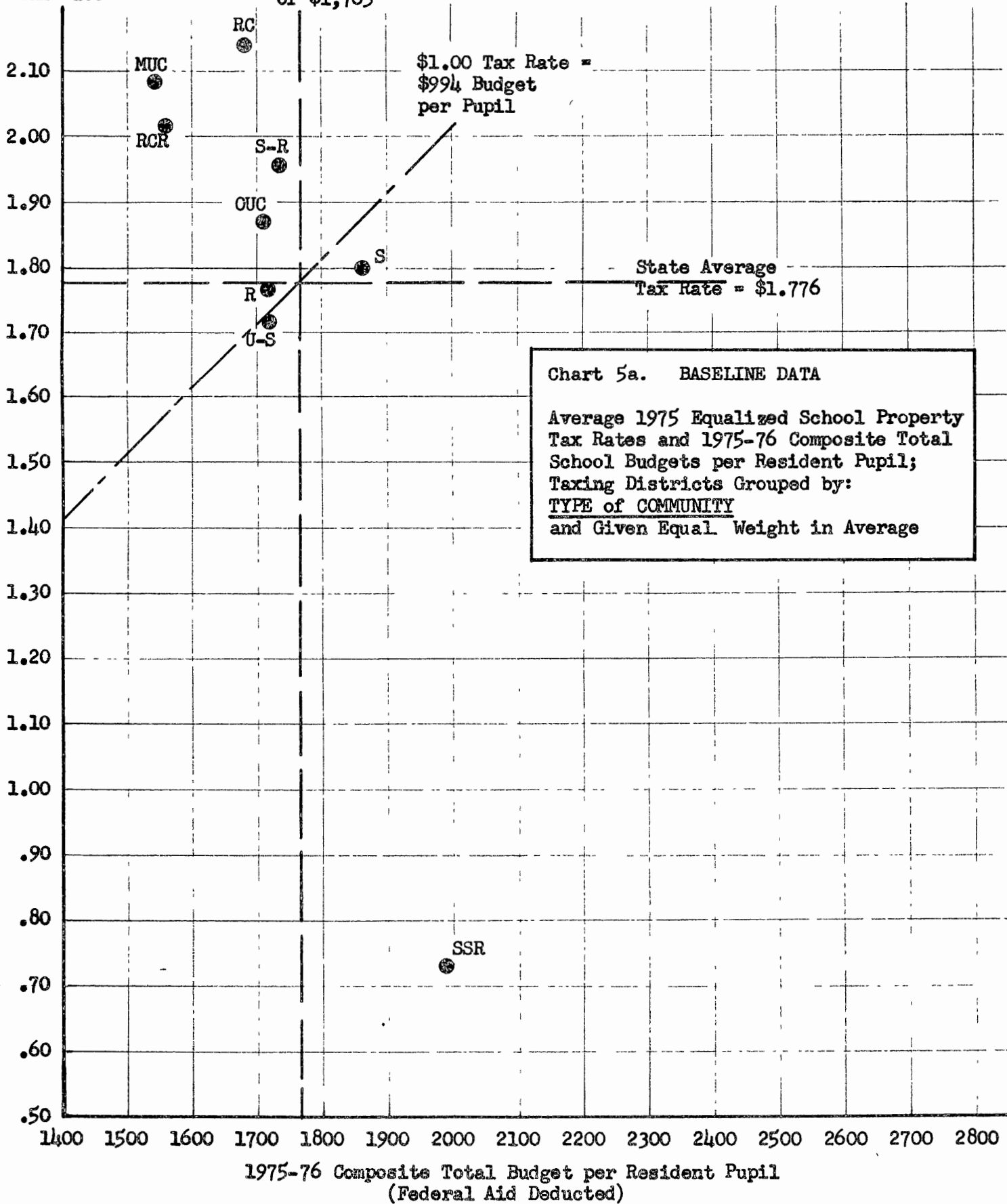


Chart 5a. BASELINE DATA  
Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: TYPE of COMMUNITY and Given Equal Weight in Average

and the suburban (S) and urban-suburban communities (U-S) to a much lesser extent, were found to be advantaged by the fiscal system, while all other types of communities suffered from some relative disadvantage.

Annual changes, both absolute and relative, in average budget per pupil and in average equalized school tax rate, are shown by type of community in Table 11b. In Table 11c, these annual figures are presented as ratios to the statewide averages. Chart 5b shows the distribution of the different types of communities after two years, while Chart 5c shows the most recent year's relative change. Patterns vary by type of community:

Major Urban Centers (MUC), the six old central cities of the state, with over 100,000 population, emphasized tax reduction in both years, with a relatively slow growth of expenditures per pupil, and a substantial improvement in fiscal equity.

The Other Urban Centers (OUC) concentrated on raising expenditures nearer the state average in the first year with some loss of equity, then shifted emphasis to tax reduction in the second year, and improved their fiscal equity.

Urban-Suburban (U-S) places, the older close-in suburbs, emphasized increased budgets both years, ending the period almost exactly at the state average per pupil level; their equalized tax rates -- second lowest of any type of community in 1975 -- dropped, but not as much as in other communities. In terms of fiscal equity, these places remained almost precisely at the state average level, with little advantage or disadvantage.

Suburban (S) communities also raised expenditures faster than the state average in both years; the school property tax rate declined in both years but, over the two-year period, not as much as in other places, and the suburban communities, which were somewhat advantaged by the system in 1975, were slightly less so by 1977.

Table 11b. Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by:  
 TYPE OF COMMUNITY  
 and Given Equal Weight in Average.

Type of Community	Annual Change in Average Composite Total School Budget per Resident Pupil		Annual Change in Average Equalized School Tax Rate	
	1975-76 to 1976-77	1976-77 to 1977-78	1975 to 1976	1976 to 1977
State Average	\$+ 155 (+ 9%)	\$+ 215 (+11%)	\$-.150 (- 8%)	\$-.061 (- 4%)
Major Urban Centers (MUC)	+ 136 (+ 9%)	+ 206 (+12%)	-.252 (-12%)	-.189 (-10%)
Other Urban Centers (OUC)	+ 171 (+10%)	+ 212 (+11%)	-.034 (- 2%)	-.105 (- 6%)
Urban-Suburban (U-S)	+ 165 (+10%)	+ 243 (+13%)	-.097 (- 6%)	-.035 (- 2%)
Suburban (S)	+ 166 (+ 9%)	+ 244 (+12%)	-.117 (- 7%)	-.080 (- 5%)
Suburban-Rural (S-R)	+ 149 (+ 9%)	+ 198 (+10%)	-.191 (-10%)	-.091 (- 5%)
Rural (R)	+ 129 (+ 8%)	+ 159 (+ 9%)	-.222 (-13%)	-.022 (- 1%)
Rural Center (RC)	+ 145 (+ 9%)	+ 234 (+13%)	-.262 (-12%)	-.094 (- 5%)
Rural Center-Rural (RCR)	+ 121 (+ 8%)	+ 122 (+ 7%)	-.300 (-15%)	-.152 (- 9%)
Seashore Resorts (SSR)	+ 185 (+ 9%)	+ 183 (+ 8%)	-.049 (- 7%)	+.002 ( -- )

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from all budget figures.

Table 11c. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by: TYPE OF COMMUNITY and Given Equal Weight in Average.

Type of Community	Ratio to State Average of:					
	Average Composite Total School Budget per Resident Pupil			Average Equalized School Tax Rate		
	1975-76	1976-77	1977-78	1975	1976	1977
Major Urban Centers (MUC)	.874	.874	.883	1.175	1.129	1.052
Other Urban Centers (OUC)	.968	.979	.980	1.053	1.129	1.106
Urban-Suburban (U-S)	.972	.980	.995	.959	.988	1.004
Suburban (S)	1.055	1.056	1.064	1.014	1.035	1.024
Suburban-Rural (S-R)	.984	.982	.976	1.099	1.083	1.067
Rural (R)	.975	.963	.941	.995	.950	.973
Rural Centers (RC)	.952	.951	.964	1.205	1.155	1.140
Rural Center-Rural (RCR)	.883	.875	.844	1.136	1.057	1.001
Seashore Resorts (SSR)	1.129	1.134	1.106	.411	.419	.436

1977  
Equalized  
School  
Property  
Tax Rate

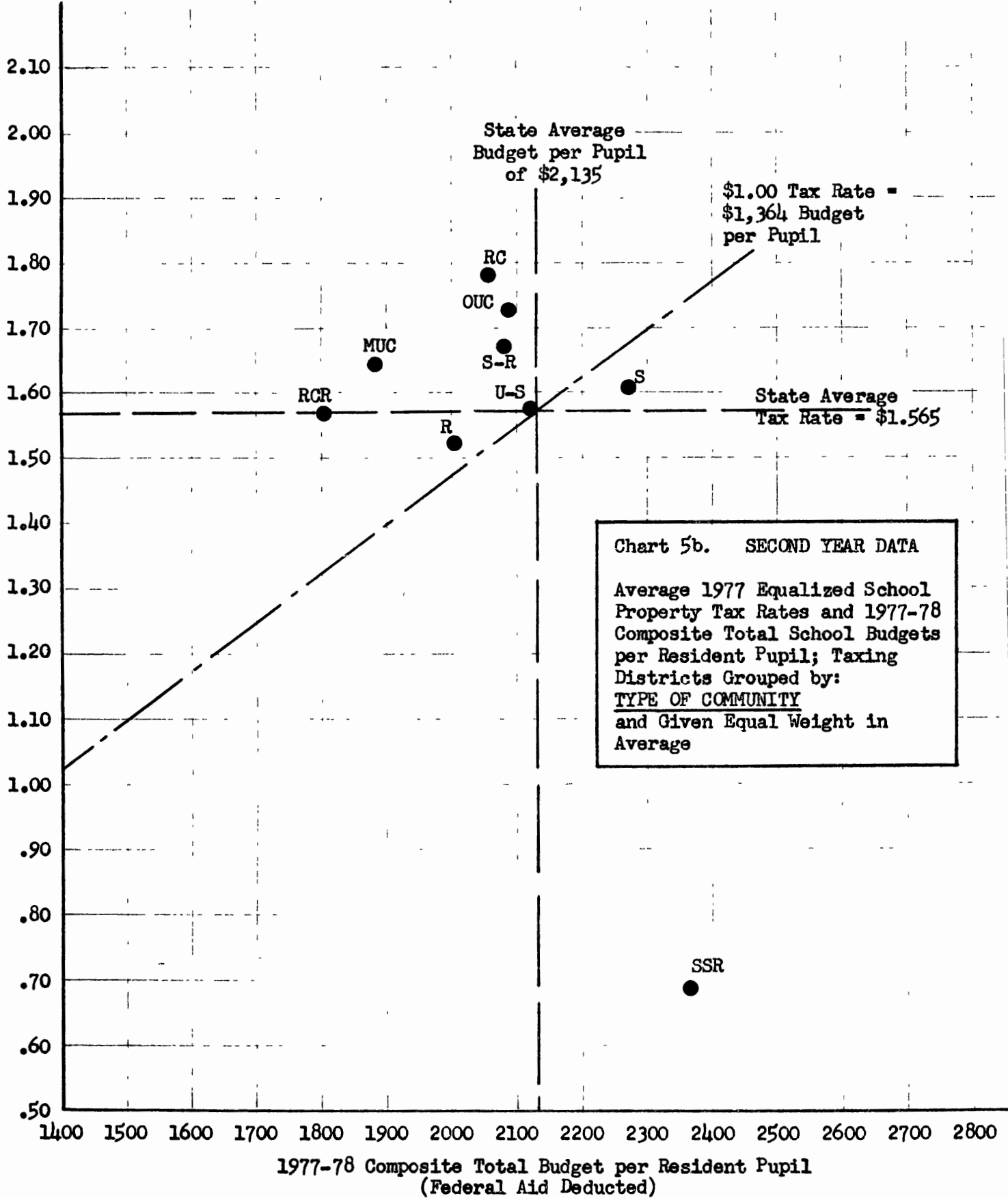
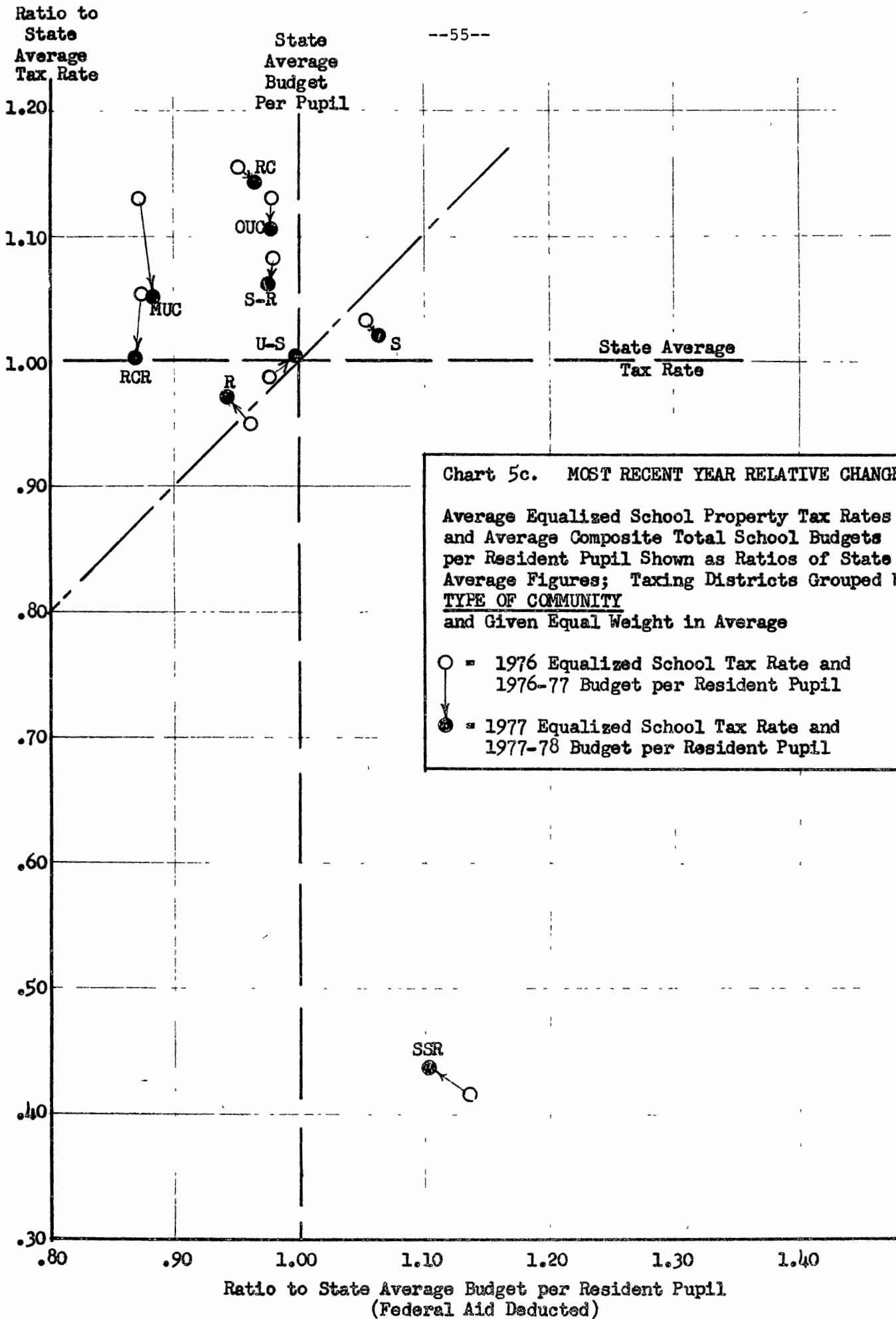


Chart 5b. SECOND YEAR DATA

Average 1977 Equalized School Property Tax Rates and 1977-78 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: TYPE OF COMMUNITY and Given Equal Weight in Average



**Chart 5c. MOST RECENT YEAR RELATIVE CHANGE**  
 Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by: TYPE OF COMMUNITY and Given Equal Weight in Average

○ = 1976 Equalized School Tax Rate and 1976-77 Budget per Resident Pupil  
 ● = 1977 Equalized School Tax Rate and 1977-78 Budget per Resident Pupil

Suburban-Rural (S-R) communities, on the fringe of the urbanized area, concentrated on tax reduction in both years. Budgeted expenditures per pupil dropped slightly behind the state average, while tax levels, which had been relatively high, became less so, with a small movement toward fiscal equity.

The Rural (R) places also placed most of their emphasis on property tax reduction, with their average budgeted expenditure level dropping from 98% of the state average to only 94%. Equalized tax rates also fell below the state average, with most of this change occurring in the first year. As a group, the Rural places moved from slight fiscal disadvantage in 1975, to advantage in 1976, back again to disadvantage in 1977.

The Rural Centers (RC), small, scattered commercial and residential communities, held back on expenditures during the first year, with considerable reduction in taxes and an improvement in the fiscal equity situation. In the second year, they increased their budgets, but again were able to achieve a better-than-average decrease in tax rates, with further improvement in fiscal equity.

Only nine places are classified as Rural Center-Rural (RCR) communities, based on the existence of a concentrated commercial area within a jurisdiction which includes much open rural area. These places, among the lowest spenders, kept their budget increases to very low levels in both years, with a marked decrease in equalized school property tax levels and a substantial improvement in fiscal equity.

Finally, the Seashore Resort (SSR) communities, which traditionally benefit from high property valuations and low off-season population, increased their per-pupil budgets faster than the state average in the first year, but slower in the second, and dropped slightly closer to

state average spending levels. Tax rates decreased somewhat in the first year and hardly changed in the second, with the net result being some modest reduction in the heavy fiscal advantage enjoyed by these places.

Overall, in the second year under Chapter 212, the changes in budget level and in the tax level show mixed patterns by type of community, but all of the groups of communities which had relatively large advantages or disadvantages made rather substantial movements toward more equitable fiscal situations.

The major conclusions of this section, when taxing districts are grouped by TYPE OF COMMUNITY, are:

- (1) Increased State aid has reduced the disparities, but the general patterns of the baseline period (1975/1975-76) remain true:
  - (a) The lowest budgeted expenditure levels are found in the Major Urban Centers and the Rural Center-Rural places, while the highest expenditure levels are found in the Seashore Resorts and the Suburban communities.
  - (b) The highest equalized school tax levels are found in the Rural Centers, and the lowest tax rates in the Seashore Resorts.
  - (c) Almost all types of communities have had the level of their fiscal advantage or disadvantage reduced, with Major Urban Centers, Rural Centers, and Rural Center-Rural places remaining the most disadvantaged, and Seashore Resorts having a reduced, but still heavy, fiscal advantage.

#### Socio-Economic Status

A third method of classifying taxing districts described in earlier reports is by socio-economic status, as defined by the combination of a wide variety of social and economic characteristics.<sup>1</sup> The result is placement of most taxing districts in one of ten District Factor Groups,

---

<sup>1</sup>See Appendix C of this report.

developed by the Department of Education for purposes of reporting results in the State Educational Assessment Program.

The District Factor Groups extend from Group A for taxing districts with the lowest socio-economic status to Group J for those with the highest status. In addition, there is a Group Z, consisting of those places too small to be classified in this manner, and Group NS, which includes 14 places with no public schools operating in 1970. The elements involved in establishing the District Factor Groups come from the 1970 census; thus, the grouping of districts remains the same as in earlier reports. Table 12a shows the basic data on average composite total budgeted expenditures per resident pupil and the average equalized school tax rates, when the taxing districts are classified by District Factor Group. Table 12b and 12c and Charts 6a, 6b, and 6c draw upon the basic information in Table 12a.

The baseline situation is shown in Chart 6a and the pertinent parts of Table 12a. With only a minor variation in District Factor Groups F and G, average budgeted expenditures in 1975-76 increased steadily as socio-economic status rose from the lowest group (A) to the highest (J). While there were some fluctuations, 1975 average equalized school tax rates also rose generally as budgets increased. With the exception of the small "no schools" group (NS), all socio-economic groupings of taxing districts were found reasonably close to the "fiscal equity line" in the baseline period, with some small disadvantage being placed on the lowest socio-economic groups (A and B), and a small advantage going to the taxing districts with the highest status (J). The taxing districts which operated no schools (NS), but relied entirely on tuition payments to other school districts, reflected a distinct

Table 12a. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by SOCIO-ECONOMIC STATUS and Given Equal Weight in Average.

District Factor Group	Socio-Economic Status	Number of Taxing Districts	Average Composite Total School Budget Per Resident Pupil			Average Equalized School Tax Rate			Composite Total School Budget Per Resident Pupil for Each \$1.00 of Equalized School Tax Rate			Deviation From State Average		
			1975-76	1976-77	1977-78	1975	1976	1977	1975-76 /1975	1976-77 /1976	1977-78 /1977	1975-76 /1975	1976-77 /1976	1977-78 /1977
			State Average	560	\$1,765	\$1,920	\$2,135	\$1.776	\$1.626	\$1.565	\$ 994	\$1,181	\$1,364	--
A	Lowest	52	1,542	1,704	1,883	1.798	1.631	1.567	858	1,045	1,202	- 13.7%	- 11.5%	- 11.9%
B	Second Lowest	48	1,552	1,707	1,924	1.786	1.562	1.492	869	1,093	1,290	- 12.6%	- 7.5%	- 5.4%
C	Third Lowest	44	1,569	1,723	1,940	1.635	1.476	1.443	960	1,167	1,344	- 3.4%	- 1.2%	- 1.5%
D	Moderately Below Median	46	1,642	1,769	1,981	1.823	1.705	1.639	901	1,038	1,209	- 9.4%	- 12.1%	- 11.4%
E	Slightly Below Median	43	1,680	1,822	2,053	1.695	1.563	1.521	991	1,166	1,350	- 0.3%	- 1.3%	- 1.0%
F	Slightly Above Median	48	1,785	1,933	2,143	1.673	1.526	1.471	1,067	1,267	1,457	+ 7.3%	+ 7.3%	+ 6.8%
G	Moderately Above Median	46	1,761	1,907	2,131	1.908	1.809	1.729	923	1,054	1,233	- 7.1%	- 10.8%	- 9.6%
H	Third Highest	54	1,849	2,014	2,224	2.007	1.805	1.714	921	1,116	1,298	- 7.3%	- 5.5%	- 4.8%
I	Second Highest	46	1,925	2,080	2,318	1.885	1.811	1.741	1,021	1,149	1,331	+ 2.7%	- 2.7%	- 2.4%
J	Highest	51	2,079	2,223	2,442	1.906	1.798	1.721	1,091	1,236	1,419	+ 9.8%	+ 4.7%	+ 4.0%
Z	Too Small to Classify	68	1,822	1,974	2,168	1.623	1.430	1.412	1,123	1,380	1,535	+ 13.0%	+ 16.9%	+ 12.5%
NS	No Schools Operated	14	2,296	2,635	2,939	1.120	1.019	.904	2,050	2,586	3,251	+106.2%	+119.0%	+138.3%

Notes: Averages are unweighted arithmetic means of taxing district figures.

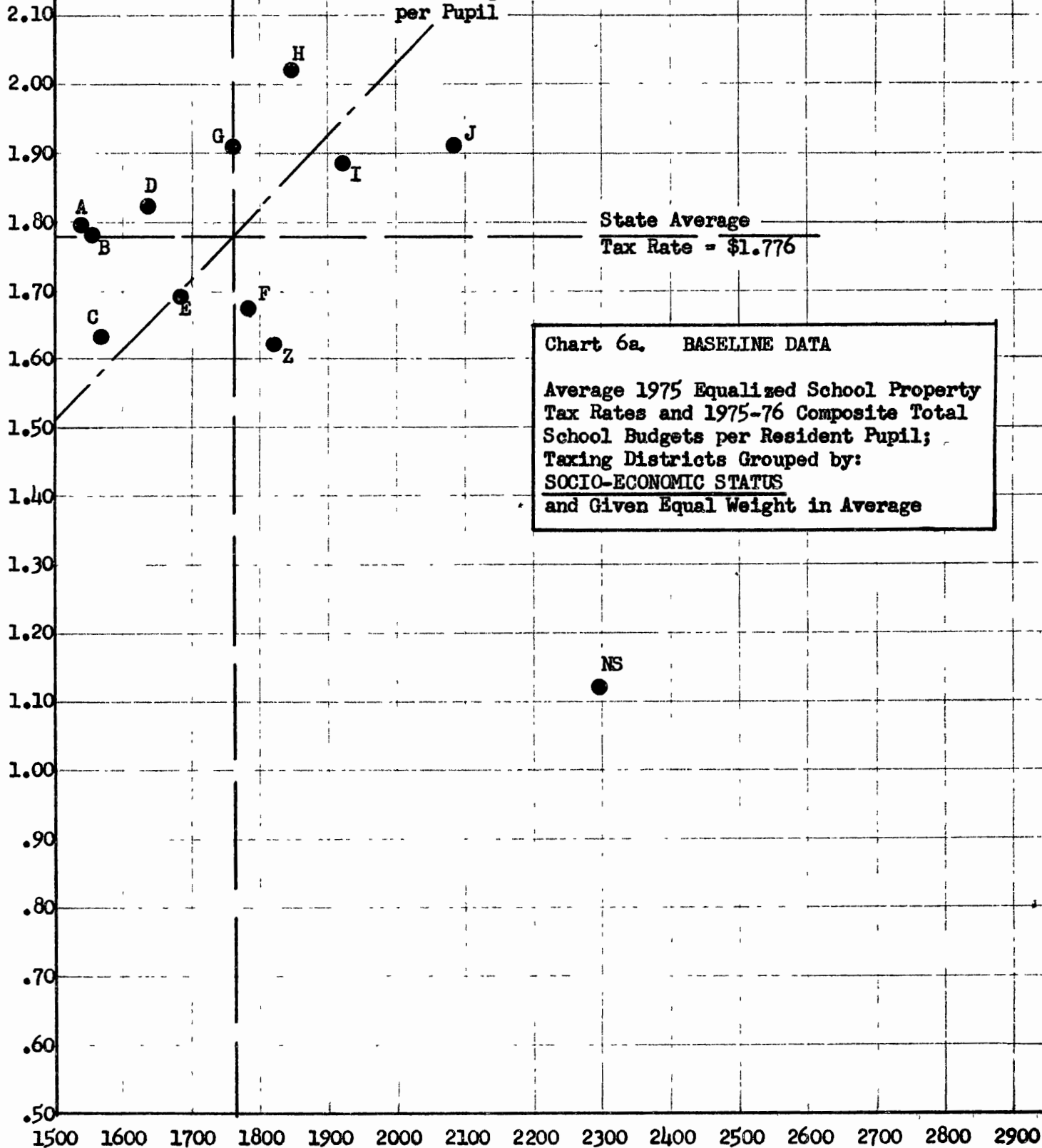
Federal Aid deducted from budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

1975  
Equalized  
School  
Property  
Tax Rate

State Average  
Budget per Pupil  
of \$1,765

\$1.00 Tax Rate =  
\$994 Budget  
per Pupil



State Average  
Tax Rate = \$1.776

Chart 6a. BASELINE DATA

Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: SOCIO-ECONOMIC STATUS and Given Equal Weight in Average

1975-76 Composite Total Budget per Resident Pupil  
(Federal Aid Deducted)

situation of advantage, with high average budgeted expenditures per pupil and low average tax rates. The cause undoubtedly was a concentration here of taxing districts with substantial tax rates, but few public school children, for whom the taxing district paid tuition only on a per-child basis, rather than making tax payments in relation to the resources of the community.

Table 12b shows the annual changes which have taken place in the first two years under Chapter 212. As seen in other groupings of taxing districts, the emphasis was on tax reduction in the first year and expenditure increase in the second year. With the exception of the small "No Schools" group, every grouping of taxing districts by socio-economic status increased its average per-pupil budgeted expenditures faster from 1976-77 to 1977-78 than it did in the prior year. At the same time, every group reduced its average equalized tax rate less between 1976 and 1977 than it did in the earlier year. It should be noted, however, that every group had an average per-pupil expenditure increase in both years and an average tax rate decrease in both years.

Chart 6b and portions of Table 12a show the distribution of taxing districts after two years of Chapter 212, when grouped by socio-economic status. The pattern is very similar to the distribution shown in Chart 6a for the baseline period. The average budgeted expenditure level, with the minor exception of Groups F and G, still rises regularly as socio-economic status rises. Group A, the taxing districts with the lowest status, still is the most disadvantaged, though less so than prior to Chapter 212. The fiscal advantage of the highest-status communities in Group J has been substantially diminished.

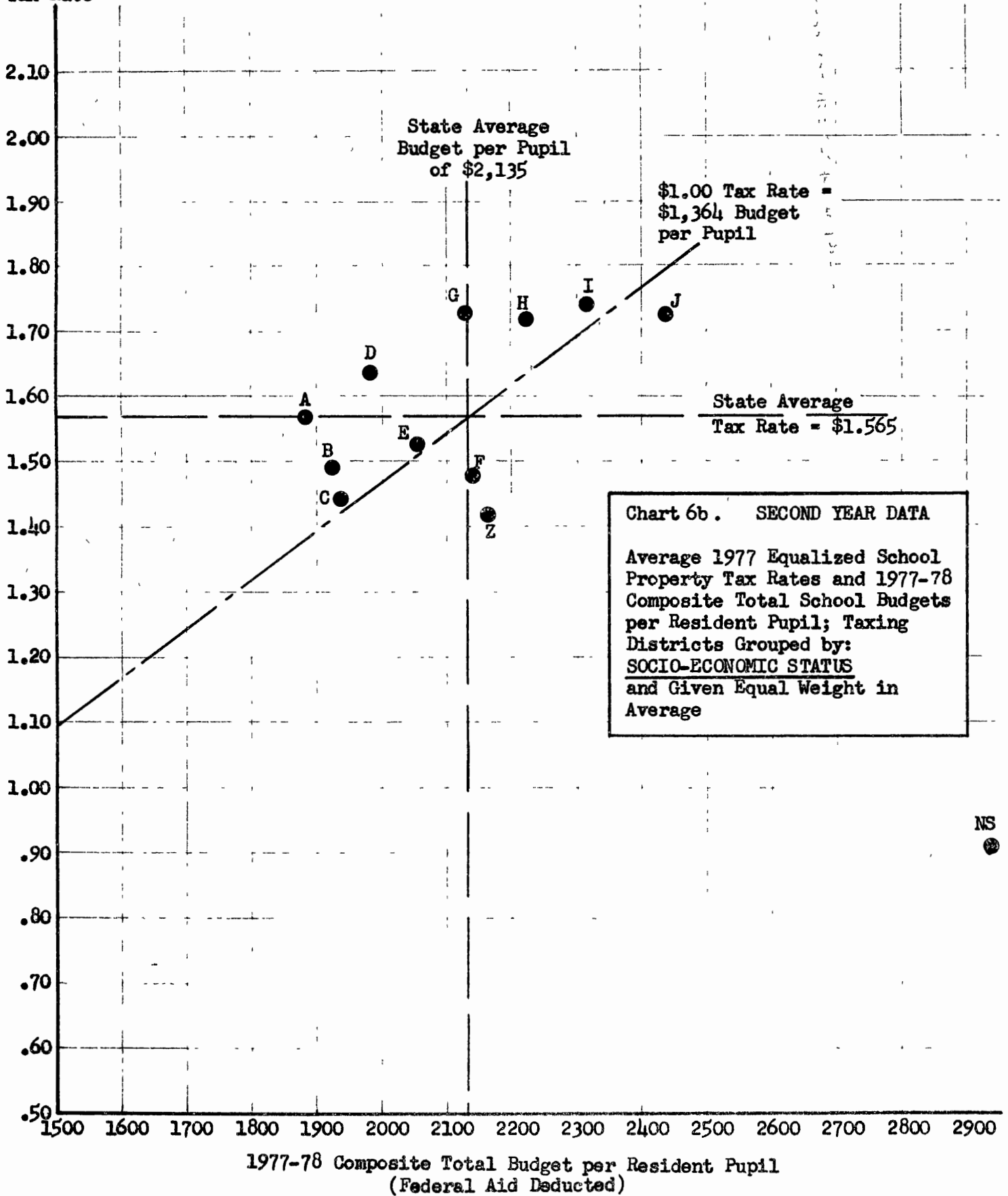
Table 12c shows the position of each group of taxing districts

Table 12b. Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by:  
SOCIO-ECONOMIC STATUS  
and Given Equal Weight in Average.

Socio-Economic Status	Annual Change in Average Composite Total School Budget per Resident Pupil		Annual Change in Average Equalized School Tax Rate	
	1975-76 to 1976-77	1976-77 to 1977-78	1975 to 1976	1976 to 1977
State Average	\$+ 155 (+ 9%)	\$+ 215 (+11%)	\$-.150 (- 8%)	\$-.061 (- 4%)
A-Lowest	+ 162 (+11%)	+ 179 (+11%)	-.167 (- 9%)	-.064 (- 4%)
B-Second Lowest	+ 155 (+10%)	+ 217 (+13%)	-.224 (-13%)	-.070 (- 4%)
C-Third Lowest	+ 154 (+10%)	+ 217 (+13%)	-.159 (-10%)	-.033 (- 2%)
D-Moderately Below Median	+ 127 (+ 8%)	+ 212 (+12%)	-.118 (- 6%)	-.066 (- 4%)
E-Slightly Below Median	+ 142 (+ 8%)	+ 231 (+13%)	-.132 (- 8%)	-.042 (- 3%)
F-Slightly Above Median	+ 148 (+ 8%)	+ 210 (+11%)	-.147 (- 9%)	-.055 (- 4%)
G-Moderately Above Median	+ 146 (+ 8%)	+ 224 (+12%)	-.099 (- 5%)	-.080 (- 4%)
H-Third Highest	+ 165 (+ 9%)	+ 210 (+10%)	-.202 (-10%)	-.091 (- 5%)
I-Second Highest	+ 155 (+ 8%)	+ 238 (+11%)	-.074 (- 4%)	-.070 (- 4%)
J-Highest	+ 144 (+ 7%)	+ 219 (+10%)	-.108 (- 6%)	-.077 (- 4%)
Z-Too Small to Classify	+ 152 (+ 8%)	+ 194 (+10%)	-.193 (-12%)	-.018 (- 1%)
NS-No Schools Operated	+ 339 (+15%)	+ 304 (+12%)	-.101 (- 9%)	-.115 (-11%)

Notes: Averages are unweighted arithmetic means of taxing district figures.  
Federal Aid deducted from all budget figures.

1977  
Equalized  
School  
Property  
Tax Rate



NS

Table 12c. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by: SOCIO-ECONOMIC STATUS and Given Equal Weight in Average.

District Factor Group	Socio-Economic Status	Ratio to State Average of:					
		Average Composite Total School Budget per Resident Pupil			Average Equalized School Tax Rate		
		1975-76	1976-77	1977-78	1975	1976	1977
A	Lowest	.874	.887	.882	1.012	1.003	1.001
B	Second Lowest	.879	.889	.901	1.006	.961	.953
C	Third Lowest	.889	.897	.909	.921	.908	.922
D	Moderately Below Median	.930	.921	.928	1.026	1.049	1.047
E	Slightly Below Median	.952	.949	.962	.954	.961	.972
F	Slightly Above Median	1.011	1.007	1.004	.942	.938	.940
G	Moderately Above Median	.998	.993	.998	1.074	1.113	1.105
H	Third Highest	1.048	1.049	1.042	1.130	1.110	1.095
I	Second Highest	1.091	1.083	1.086	1.061	1.114	1.112
J	Highest	1.178	1.158	1.144	1.073	1.106	1.100
Z	Too Small to Classify	1.032	1.028	1.015	.914	.879	.902
NS	No Schools Operated	1.301	1.372	1.377	.631	.627	.578

relative to the state average in each year. In general, the lowest status communities (Groups A, B, C) have moved upward toward the state average in budgeted expenditure level, while the highest status places (Groups H, I, J) have moved downward toward the state average. Average equalized school property tax rates generally are close to the state average. Chart 6c shows the relative movement which has taken place in the second year of the law. With few exceptions, where such movement is noticeable at all, it is in the direction of fiscal equity, represented by the diagonal line on the chart. The major exception is the "No Schools" group, where increased budgets and decreased tax levels combine to produce a steadily-increasing fiscal advantage. This situation might be remedied by steps to regionalize or consolidate these tiny districts with their neighbors, so that a broader tax base is available for a larger number of pupils.

The major conclusions of this section, when taxing districts are grouped by SOCIO-ECONOMIC STATUS, are:

- (1) Increased State aid has reduced the fiscal disadvantage of low-status communities and the fiscal advantage of high-status places, but the general patterns of the baseline period (1975-76/1975) remain true:
  - (a) Budgeted expenditures per pupil rise as the socio-economic status of the community rises.
  - (b) Equalized tax rates also rise as the socio-economic status of the community rises, but not enough to provide full fiscal equity.
  - (c) Small wealthy communities with no schools, which send their pupils elsewhere on a tuition basis, enjoy substantial fiscal advantages.

#### Per Capita Personal Income

A fourth method of classifying taxing districts is by per capita personal income. At the time that earlier monitoring reports were

Ratio to  
State  
Average  
Tax Rate

1.20  
1.10  
1.00  
.90  
.80  
.70  
.60  
.50  
.40  
.30

State  
Average  
Budget  
Per Pupil

State Average  
Tax Rate

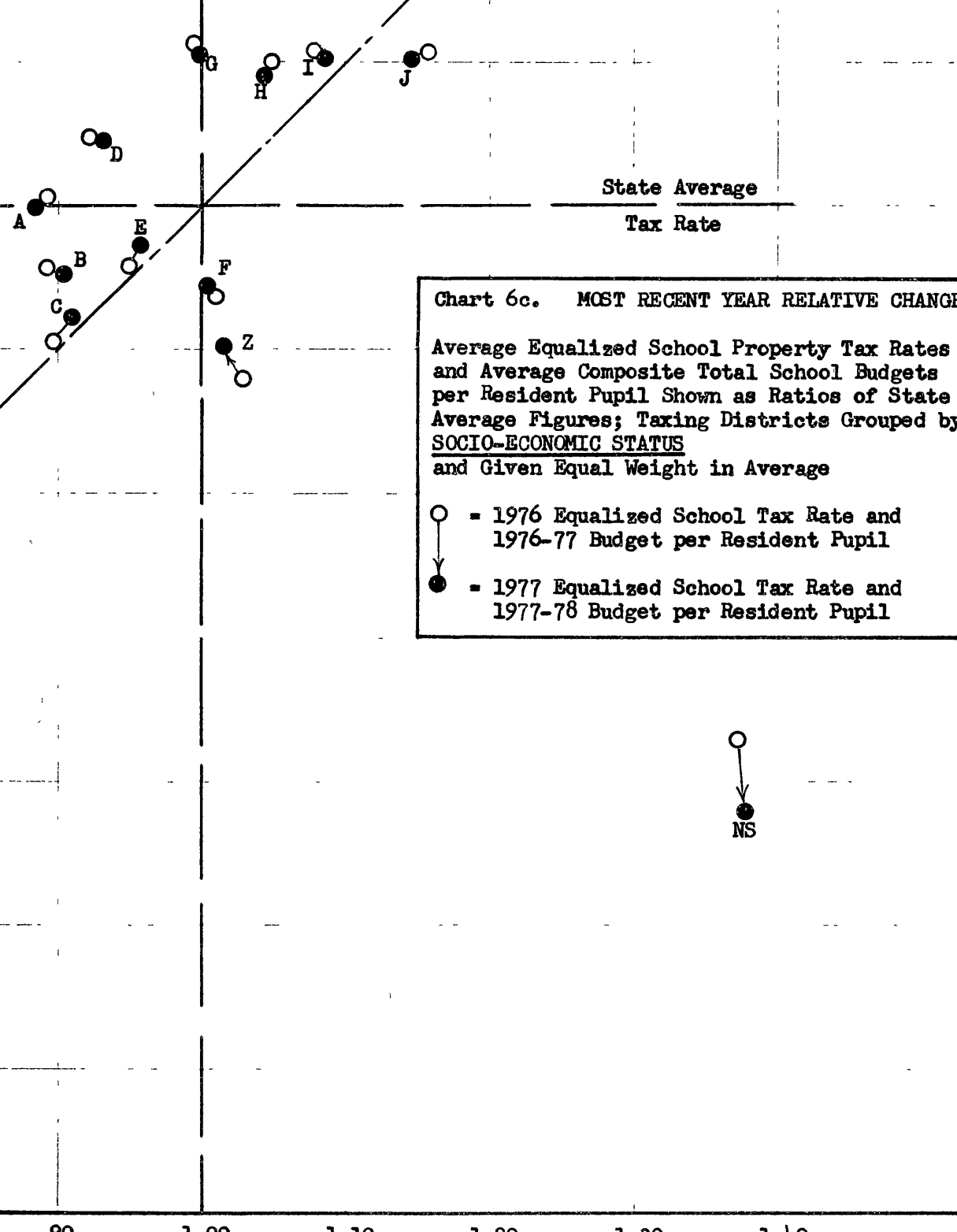
Chart 6c. MOST RECENT YEAR RELATIVE CHANGE  
Average Equalized School Property Tax Rates  
and Average Composite Total School Budgets  
per Resident Pupil Shown as Ratios of State  
Average Figures; Taxing Districts Grouped by:  
SOCIO-ECONOMIC STATUS  
and Given Equal Weight in Average

○ = 1976 Equalized School Tax Rate and  
1976-77 Budget per Resident Pupil

● = 1977 Equalized School Tax Rate and  
1977-78 Budget per Resident Pupil

Ratio to State Average Budget per Resident Pupil  
(Federal Aid Deducted)

○  
↓  
●  
NS



processed, 1972 per capita income figures were the most recent available. Since that time, 1974 data has been obtained.<sup>1</sup> In comparing the two sets of income figures, it was obvious that substantial changes were involved in the classification of districts. This may be due to improvements in procedure by Federal agencies in making calculations for revenue-sharing purposes when small jurisdictions are involved. In order to enhance the comparability of data presented here, the older classifications have been abandoned, and the 1974 classification has been used for all three years of school budget and property tax analysis.

Table 13a presents the basic data on average composite total school budgets per resident pupil and average equalized school property tax rates, when the taxing districts are classified by 1974 per capita personal income. Tables 13b and 13c, and Charts 7a, 7b, and 7c draw upon the basic information in Table 13a.

Chart 7a and the appropriate portions of Table 13a describe the baseline situation for the tax year 1975 and the school year 1975-76. With the exception of Group (3) -- the taxing districts having from 80% to 90% of the state average per capita income -- there is a steady increase in budgeted expenditures per pupil as the income level rises. Average school property tax rates show no clear pattern according to income level. When the budget and tax patterns are combined for the baseline period, most groups of taxing districts show only modest average levels of fiscal inequity. Most heavily disadvantaged are the lowest income places, but their deviation from the state average is a fairly moderate -10.1%. The highest income places in Group (8) do have a substantial fiscal advantage (+33.0%), but none of the groups between these extremes appears heavily advantaged or disadvantaged -- on the

---

<sup>1</sup>Data on 1974 per capita personal income, as reported for Federal revenue-sharing purposes, provided by Office of Demographic and Economic Analysis, Division of Planning and Research, New Jersey Department of Labor and Industry, May, 1977.

Table 13a. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by PER CAPITA PERSONAL INCOME and Given Equal Weight in Average.

Per Capita Personal Income Group	1974 Per Capita Personal Income	Number of Taxing Districts	Average Composite Total School Budget Per Resident Pupil			Average Equalized School Tax Rate			Composite Total School Budget Per Resident Pupil for Each \$1.00 of Equalized School Tax Rate					
			1975-76	1976-77	1977-78	1975	1976	1977	1975-76 1976-77 1977-78			Deviation From State Average		
			/1975	/1976	/1977	/1975	/1976	/1977	/1975	/1976	/1977	/1975	/1976	/1977
State Average		560	\$1,765	\$1,920	\$2,135	\$1.776	\$1.626	\$1.565	\$ 994	\$1,181	\$1,364	--	--	--
(1)	Below 70% of state average	20	1,565	1,766	1,938	1.751	1.579	1.554	894	1,118	1,247	- 10.1%	- 5.3%	- 8.6%
(2)	70% to 80% of state average	74	1,641	1,772	1,976	1.793	1.600	1.540	915	1,108	1,283	- 7.9%	- 6.2%	- 5.9%
(3)	80% to 90% of state average	104	1,623	1,784	1,980	1.795	1.575	1.515	904	1,133	1,307	- 9.1%	- 4.1%	- 4.2%
(4)	90% to 100% of state average	124	1,664	1,815	2,031	1.845	1.667	1.577	902	1,089	1,288	- 9.3%	- 7.8%	- 5.6%
(5)	100% to 110% of state average	85	1,810	1,965	2,170	1.715	1.602	1.554	1,055	1,227	1,396	+ 6.1%	+ 3.9%	+ 2.3%
(6)	110% to 120% of state average	46	1,836	1,994	2,227	1.683	1.635	1.587	1,091	1,220	1,403	+ 9.8%	+ 3.3%	+ 2.9%
(7)	120% to 140% of state average	54	2,003	2,144	2,389	1.878	1.785	1.728	1,067	1,201	1,383	+ 7.3%	+ 1.7%	+ 1.4%
(8)	Over 140% of state average	53	2,161	2,339	2,590	1.635	1.575	1.512	1,322	1,485	1,713	+ 33.0%	+ 25.7%	+ 25.6%

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

1975  
Equalized  
School  
Property  
Tax Rate

State Average  
Budget per Pupil  
of \$1,765

\$1.00 Tax Rate =  
\$994 Budget  
per Pupil

State Average  
Tax Rate = \$1.776

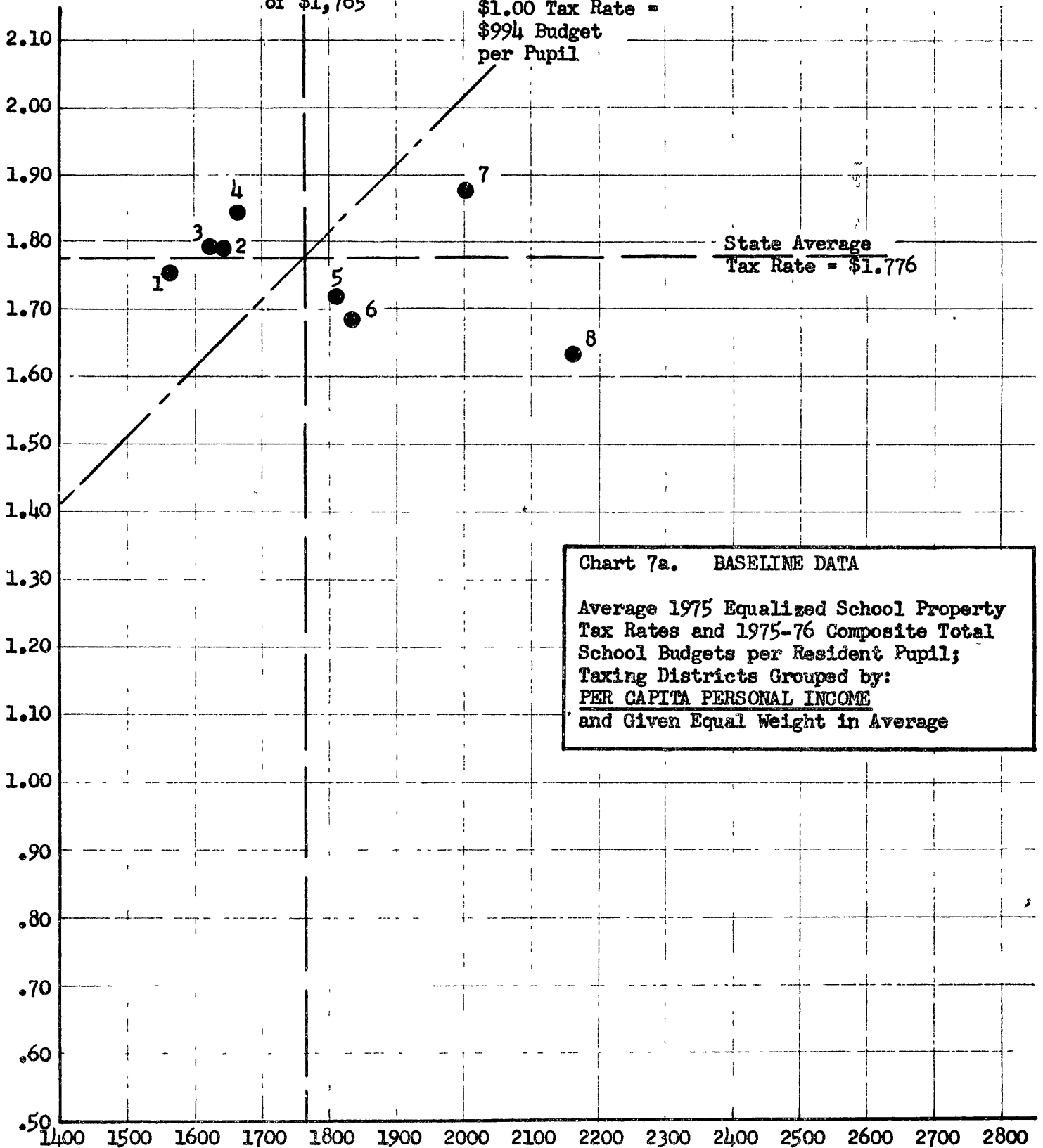


Chart 7a. BASELINE DATA  
Average 1975 Equalized School Property Tax Rates and 1975-76 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: PER CAPITA PERSONAL INCOME and Given Equal Weight in Average

1975-76 Composite Total Budget per Resident Pupil  
(Federal Aid Deducted)

basis of the average figures. This probably is due, at least to some extent, to the inclusion in some of the lower-income groups of districts of places, such as seashore resorts, where a low personal income is balanced by a substantial amount of taxable property and few all-year residents. It is also explained in some cases by the combination of low personal income and substantial amounts of special public revenues, such as Federal impacted-area aid and revenue from public utility taxes. Although the deviations are fairly moderate, it is clear that fiscal advantage lay with the higher-income communities and disadvantage with the lower-income places in the baseline period.

Table 13b shows the changes which have taken place in budgeted expenditures and property tax rates during the first two years of Chapter 212. With only minor variations, the general pattern already observed holds when taxing districts are grouped by per capita personal income. The first year was a time for tax reduction; the second year brought a shift toward expenditure increase. Slight modifications of this pattern can be seen in the lowest-income places, which increased expenditures fairly substantially between 1975-76 and 1976-77, and the highest-income communities, which achieved a greater tax reduction in the second year than in the first.

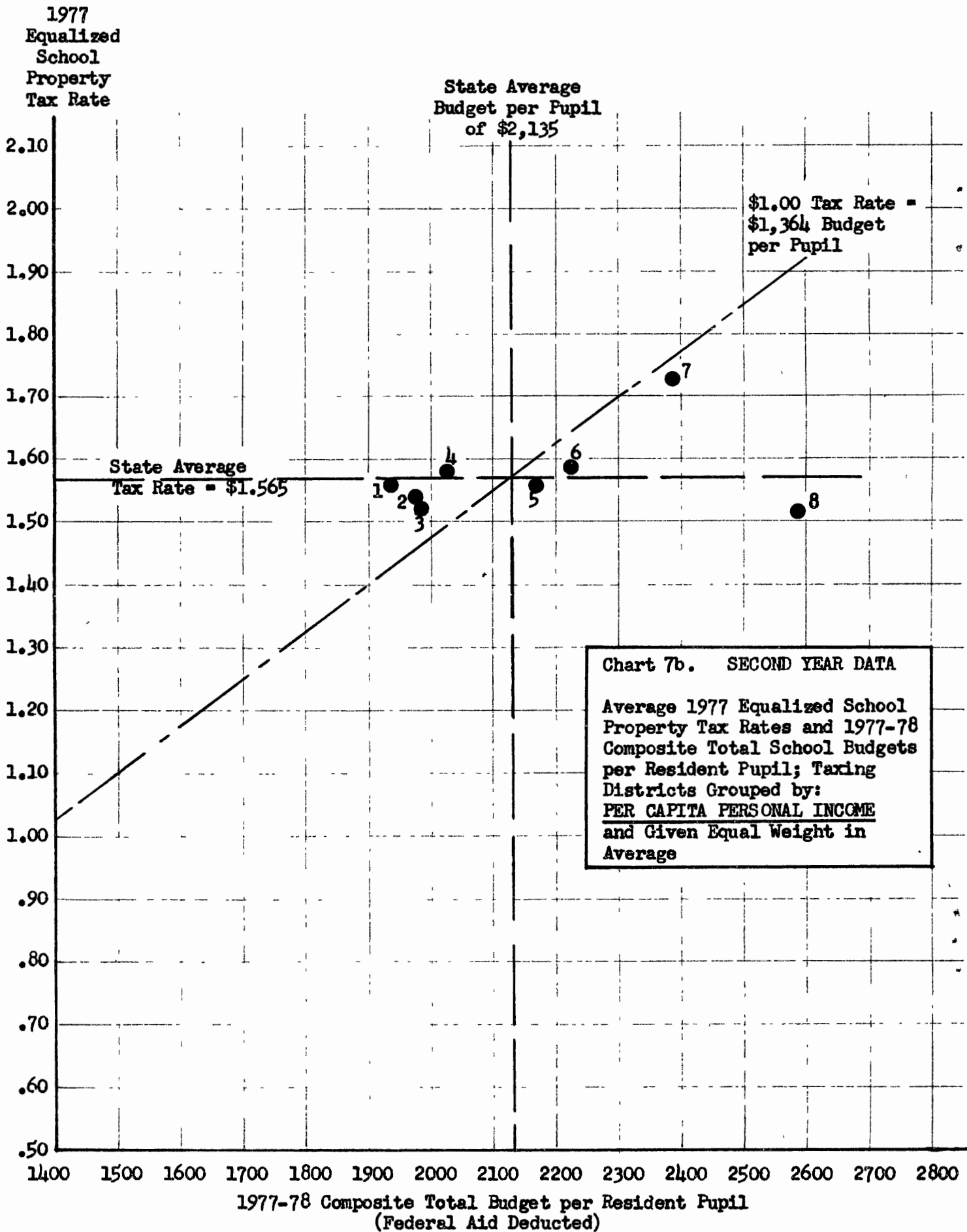
Chart 7b and portions of Table 13a show the distribution of the average budget and tax rate figures after two years of Chapter 212. Budgeted expenditure levels still rise steadily as personal income rises. Low-income places still are disadvantaged, and high-income communities have an advantage, but there is a more general alignment along the "fiscal equity" line. An exception is the very high income places -- those in Group (8) having over 140% of the state average per capita

Table 13b. Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by:  
 PER CAPITA PERSONAL INCOME  
 and Given Equal Weight in Average.

<u>1974 Per Capita Personal Income</u>	Annual Change in Average Composite Total School Budget per Resident Pupil		Annual Change in Average Equalized School Tax Rate	
	<u>1975-76 to 1976-77</u>	<u>1976-77 to 1977-78</u>	<u>1975 to 1976</u>	<u>1976 to 1977</u>
State Average	\$+ 155 (+ 9%)	\$+ 215 (+11%)	\$-.150 (- 8%)	\$-.061 (- 4%)
(1) Below 70% of state average	+ 201 (+13%)	+ 172 (+10%)	-.122 (- 7%)	-.025 (- 2%)
(2) 70 to 80% of state average	+ 131 (+ 8%)	+ 204 (+12%)	-.193 (-11%)	-.060 (- 4%)
(3) 80 to 90% of state average	+ 161 (+ 9%)	+ 196 (+11%)	-.220 (-12%)	-.060 (- 4%)
(4) 90 to 100% of state average	+ 151 (+ 9%)	+ 216 (+12%)	-.178 (-10%)	-.090 (- 5%)
(5) 100 to 110% of state average	+ 155 (+ 9%)	+ 205 (+10%)	-.113 (- 7%)	-.048 (- 3%)
(6) 110 to 120% of state average	+ 158 (+ 9%)	+ 233 (+12%)	-.048 (- 3%)	-.048 (- 3%)
(7) 120 to 140% of state average	+ 141 (+ 7%)	+ 245 (+11%)	-.093 (- 5%)	-.057 (- 3%)
(8) Over 140% of state average	+ 178 (+ 8%)	+ 251 (+11%)	-.060 (- 4%)	-.063 (- 4%)

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from all budget figures.



personal income. These taxing districts still enjoy a rather high level of fiscal advantage, with budgeted expenditures well above the state average and below-average school property tax rates.

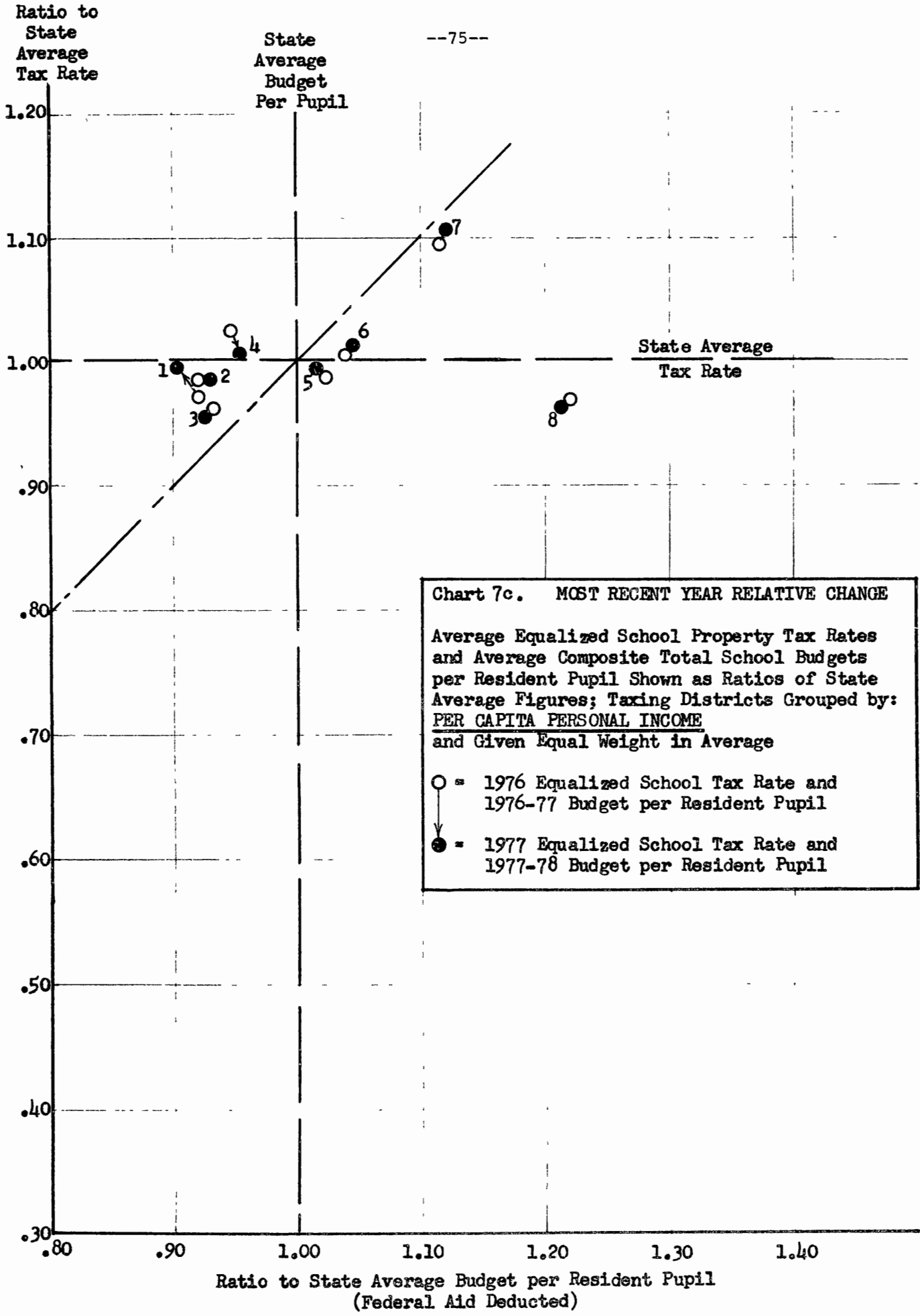
Table 13c describes the relative changes which have taken place in the two-year period, and Chart 7c shows this for the most recent year. In general, the average budget levels and average tax levels have moved somewhat toward the state average. This movement is slow and sporadic, mainly because most groups of taxing districts, when considered in terms of personal income levels, are not far from the state average. Although the situation of individual communities may vary, and Group (8) is an exception, there appears to be little systematic bias in the school fiscal system, either for or against taxing districts, on the basis of their per capita personal income.

The major conclusions of this section, when taxing districts are grouped by PER CAPITA PERSONAL INCOME, are:

- (1) Increased State aid has helped to improve fiscal equity for most groups of taxing districts, although the patterns of the baseline period remain:
  - (a) School budgets per pupil rise as the per capita personal income rises.
  - (b) The highest-income communities have a substantial fiscal advantage, but most other groups of communities are neither heavily advantaged nor disadvantaged.

Table 13c. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by: PER CAPITA PERSONAL INCOME and Given Equal Weight in Average.

1974 Per Capita Personal Income	Ratio to State Average of:					
	Average Composite Total School Budget per Resident Pupil			Average Equalized School Tax Rate		
	1975-76	1976-77	1977-78	1975	1976	1977
(1) Below 70% of state average	.887	.920	.908	.986	.971	.993
(2) 70 to 80% of state average	.930	.923	.926	1.010	.984	.984
(3) 80 to 90% of state average	.920	.929	.927	1.011	.969	.968
(4) 90 to 100% of state average	.943	.945	.951	1.039	1.025	1.008
(5) 100 to 110% of state average	1.025	1.023	1.016	.966	.985	.993
(6) 110 to 120% of state average	1.040	1.039	1.043	.948	1.006	1.014
(7) 120 to 140% of state average	1.135	1.117	1.119	1.057	1.098	1.104
(8) Over 140% of state average	1.224	1.218	1.213	.921	.969	.966



**Chart 7c. MOST RECENT YEAR RELATIVE CHANGE**  
 Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by: PER CAPITA PERSONAL INCOME and Given Equal Weight in Average

○ = 1976 Equalized School Tax Rate and 1976-77 Budget per Resident Pupil  
 ● = 1977 Equalized School Tax Rate and 1977-78 Budget per Resident Pupil

### Grade Pattern of Schools

A fifth method of classifying taxing districts is by grade pattern of schools. The availability of both comprehensive and limited purpose regional and consolidated school districts, plus the wide latitude which has been permitted to individual communities and local school boards, has resulted in the use of a wide variety of grade patterns. These have been consolidated into five<sup>1</sup> major groups for purposes of this report:

Group A - Taxing districts in which no local schools are operated, but all pupils are sent by the local board of education to some other school district, on a tuition basis. Only 13 such taxing districts have been identified.<sup>2</sup>

Group B - Taxing districts in which no local schools are operated by any school district which is coterminous with the taxing district, but the taxing district is a member of either a regional or a consolidated district which includes other taxing districts.

Several different sub-groups have been combined here, including:

Taxing districts which are members of a K-12 regional or consolidated school district (37 taxing districts);

Taxing districts which are members of a K-8 regional or consolidated school district which sends secondary pupils elsewhere on a tuition basis (4 taxing districts);

Taxing districts which are members of a K-6 regional or consolidated district which, in turn, is a member of a 7-12 regional school district (7 taxing districts);

Taxing districts which are members of a K-8 regional or consolidated school district which, in turn, is a member of a 9-12 regional school district (12 taxing districts).

---

<sup>1</sup>In an earlier report, data for communities involved in regional high school districts were split between a 7-12 grade group and a 9-12 group. In this report, the two groups have been consolidated for the sake of simplicity.

<sup>2</sup>The 13 districts included here differ from the 14 "no schools" taxing districts identified in the "Socio-Economic Status" section of this report because Chesilhurst began to operate a school after the 1970 Census, on which the SES classification was based.

Group C - Taxing districts in which a coterminous school district operates elementary schools, but secondary pupils are sent elsewhere on a tuition basis.

Two different sub-groups are included:

Taxing districts in which the local school district operates schools through grades 5 or 6 (13 taxing districts);

Taxing districts in which the local school district operates schools through grades 8 or 9 (102 taxing districts);<sup>1</sup>

Group D - Taxing districts in which a coterminous school district operates elementary schools, but the taxing district is a member of a regional secondary school district.

Four different sub-groups are included:

Taxing districts in which the local school district operates schools through grade 6 and is a member of a 7-12 regional (50 taxing districts);

Taxing districts in which the local school district operates no schools, but sends elementary pupils elsewhere on a tuition basis and is a member of a 7-12 regional district for secondary school purposes (1 taxing district);

Taxing districts in which the local school district operates schools through grade 8 and is a member of a 9-12 regional (126 taxing districts);<sup>2</sup>

Taxing districts in which the local school district operates schools through grade 6, sends grade 7 and 8 pupils elsewhere on a tuition basis, and is a member of a 9-12 regional for purposes of pupils in those grades (3 taxing districts).

Group E - Taxing districts in which a coterminous school district operates a full school system through grade 12 (192 taxing districts).

Table 14a shows the basic data on average composite total budgeted expenditures per resident pupil and the average equalized school property tax rates when the taxing districts are placed in the above five groups according to the grade pattern of the schools. Tables 14b and 14c and Charts 8a, 8b, and 8c draw upon the basic information in Table 14a.

---

<sup>1</sup>In 1975-76, there were 109 taxing districts in this category, seven of which became part of Group D with the activation of Cumberland Regional in 1976-77.

<sup>2</sup>In 1975-76, there were 119 taxing districts in this category; see Footnote 1.

Chart 8a and the appropriate sections of Table 14a show the baseline situation, using equalized tax rates for 1975 and budgeted school expenditures per pupil for 1975-76. The highest average per-pupil expenditure level was found at that time in Group A -- the handful of taxing districts where no schools were operated, but all pupils were sent elsewhere on a tuition basis. At the same time, these were the taxing districts with, by far, the lowest average school tax rates. Aside from this group, average budgeted expenditures per pupil did not vary greatly among the groups. Average equalized school tax rates during the baseline period showed greater variation. Low average tax rates were found in those districts which operated their own elementary schools, but placed their secondary school pupils elsewhere and paid tuition for them (Group C). The system of sending-receiving districts, with payments made only for the tuition of the pupils involved, permitted high wealth-low population taxing districts to finance their educational needs at a relatively low tax burden on themselves. While not all taxing districts in Group C had these characteristics, there were enough of them to keep the average tax rate for the group well below the state average, while per pupil-budgeted expenditures were approximately average. In terms of fiscal equity, Group A, operating no schools, was heavily advantaged; Group C was moderately advantaged; and all other groups were rather close to the "fiscal equity" line.

Table 14b shows the annual changes which took place during the first two years under Chapter 212 for grade pattern groups of taxing districts. Every group increased its average budgeted expenditures per pupil each year, with the "no schools" group (A), already the highest spenders, making the greatest gain. Similarly, every group of taxing districts

Table 14a. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Tax Rate, 1975 to 1977; Taxing Districts Grouped by GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average.

Grade Pattern Group	Grade Pattern	Number of Taxing Districts		Average Composite Total School Budget Per Resident Pupil			Average Equalized School Tax Rate			Composite Total School Budget Per Resident Pupil for Each \$1.00 of Equalized School Tax Rate					
		1975-1976-		1975-	1976-	1977-	1975 1976 1977			1975-76 1976-77 1977-78			Deviation From State Average		
		76	78	76	77	78	1975	1976	1977	/1975	/1976	/1977	/1975	/1976	/1977
State Average		560	560	\$1,765	\$1,920	\$2,135	\$1.776	\$1.626	\$1.565	\$ 994	\$1,181	\$1,364	--	--	--
(A)	No local schools- all pupils sent elsewhere on tuition	13	13	2,350	2,694	3,010	1.052	.939	.823	2,234	2,869	3,657	+124.7%	+142.9%	+168.1%
(B)	No local schools- member of regional or consolidated district	60	60	1,861	1,987	2,194	1.783	1.673	1.587	1,044	1,188	1,382	+ 5.0%	+ 0.6%	+ 1.3%
(C)	Operate local elementary schools-secondary pupils sent else- where on tuition	122	115	1,716	1,910	2,131	1.570	1.363	1.323	1,093	1,401	1,611	+ 10.0%	+ 18.6%	+ 18.1%
(D)	Operate local elementary schools-member of secondary school regional district	173	180	1,764	1,890	2,095	1.871	1.695	1.646	943	1,115	1,273	- 5.1%	- 5.6%	- 6.9%
(E)	Operate grades K-12	192	192	1,722	1,882	2,105	1.870	1.752	1.679	921	1,074	1,254	- 7.3%	- 9.1%	- 8.1%

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from budget figures.

Omitted are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operated essentially as special education districts; and Audubon Park and Winfield, which have unusual property tax assessment situations.

1975  
Equalized  
School  
Property  
Tax Rate

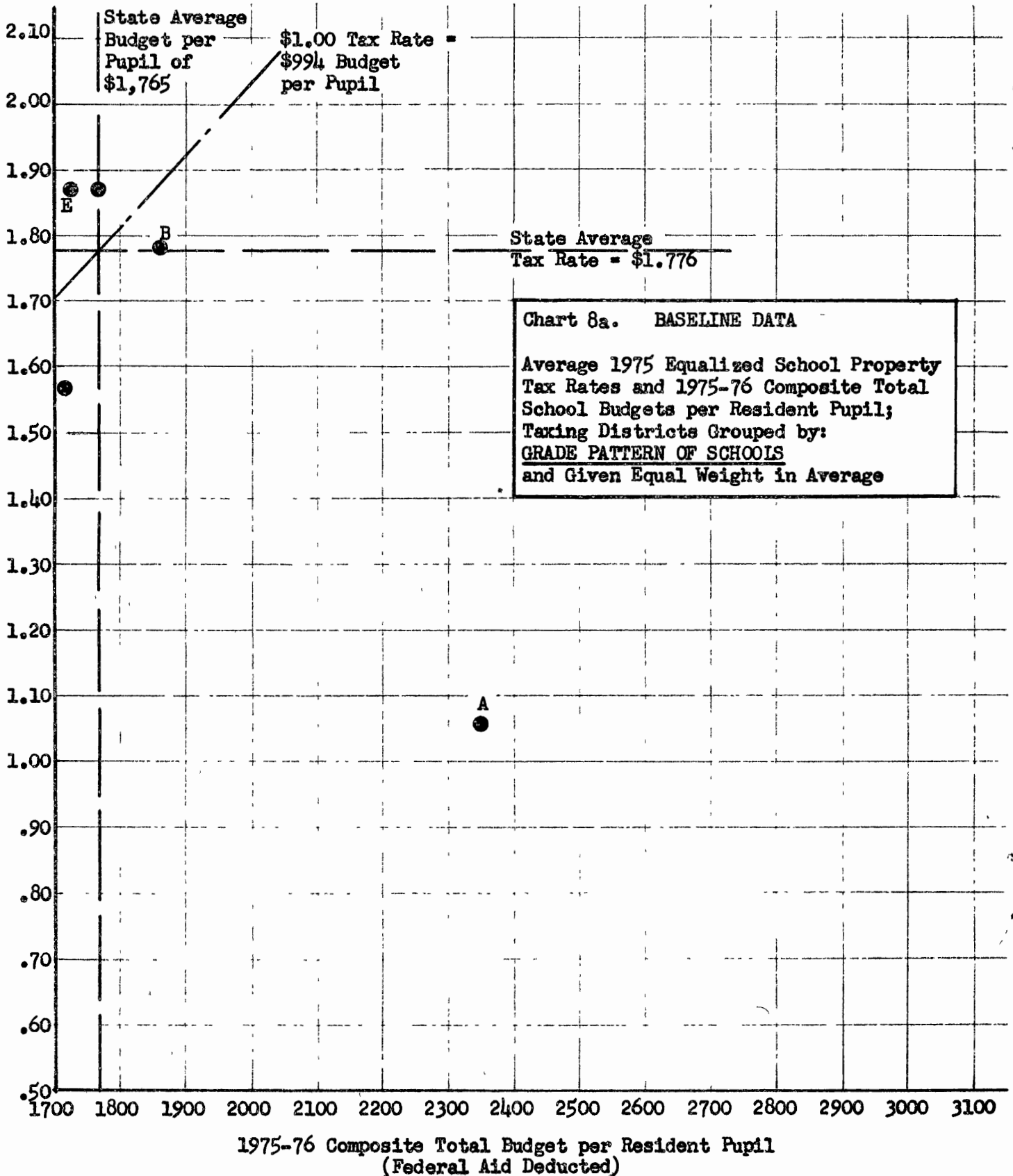


Table 14b. Annual Change in Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and in Average Equalized School Property Tax Rate, 1975 to 1977; Taxing Districts Grouped by:  
 GRADE PATTERN OF SCHOOLS  
 and Given Equal Weight in Average.

Grade Pattern of Schools	Annual Change in Average Composite Total School Budget per Resident Pupil		Annual Change in Average Equalized School Tax Rate	
	1975-76 to 1976-77	1976-77 to 1977-78	1975 to 1976	1976 to 1977
	State Average	\$+ 155 (+ 9%)	\$+ 215 (+11%)	\$-.150 (- 8%)
(A) No local schools - all pupils sent elsewhere on tuition	+ 344 (+15%)	+ 316 (+12%)	-.113 (-11%)	-.116 (-12%)
(B) No local schools - member of regional or consolidated district	+ 126 (+ 7%)	+ 207 (+10%)	-.110 (- 6%)	-.086 (- 5%)
(C) Operate local elementary schools - secondary pupils sent elsewhere on tuition	+ 194 (+11%)	+ 221 (+12%)	-.207 (-13%)	-.040 (- 3%)
(D) Operate local elementary schools - member of secondary school regional district	+ 126 (+ 7%)	+ 205 (+11%)	-.176 (- 9%)	-.049 (- 3%)
(E) Operate grades K-12	+ 160 (+ 9%)	+ 223 (+12%)	-.118 (- 6%)	-.073 (- 4%)

Notes: Averages are unweighted arithmetic means of taxing district figures.

Federal Aid deducted from all budget figures.

1977  
Equalized  
School  
Property  
Tax Rate

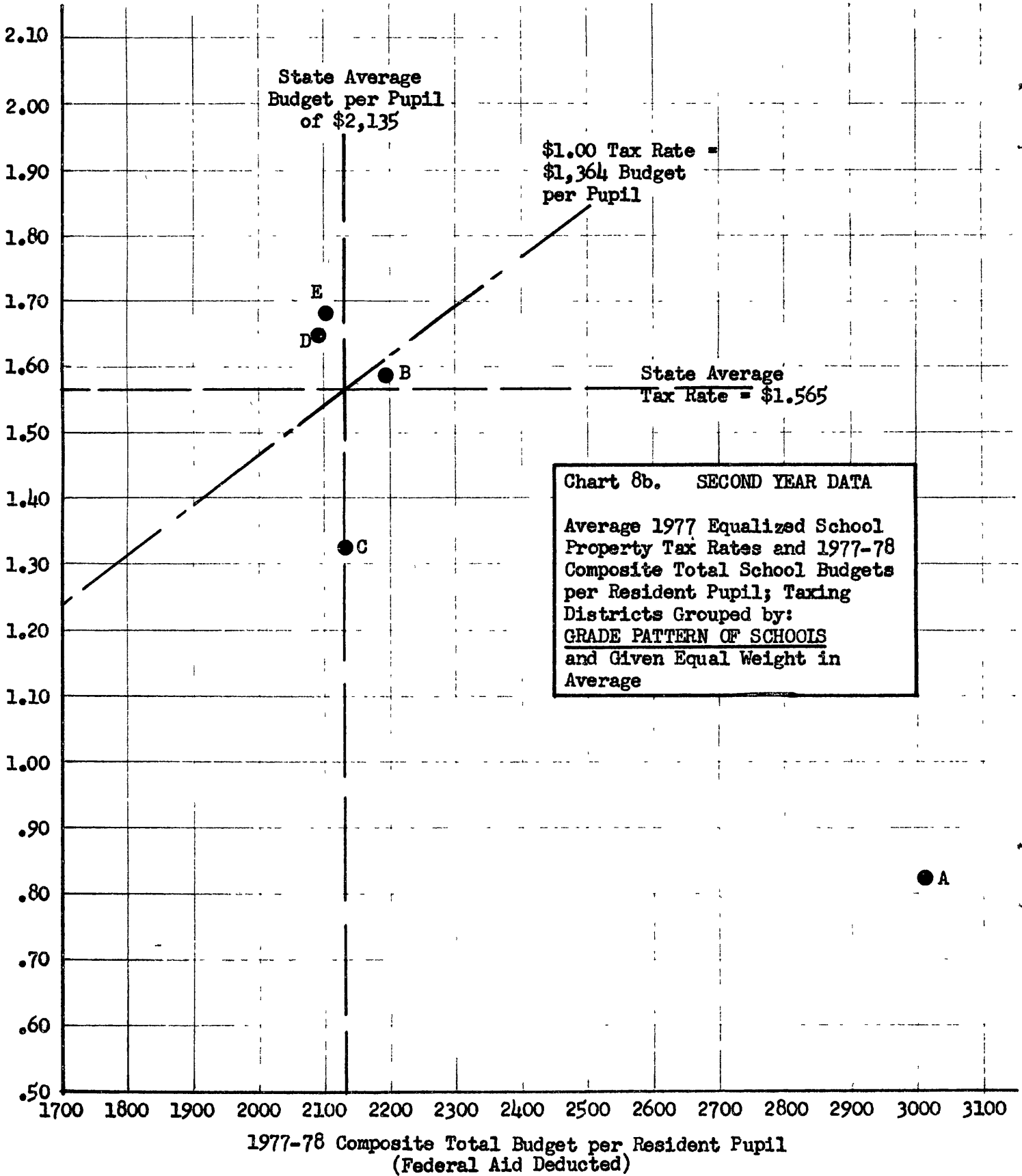


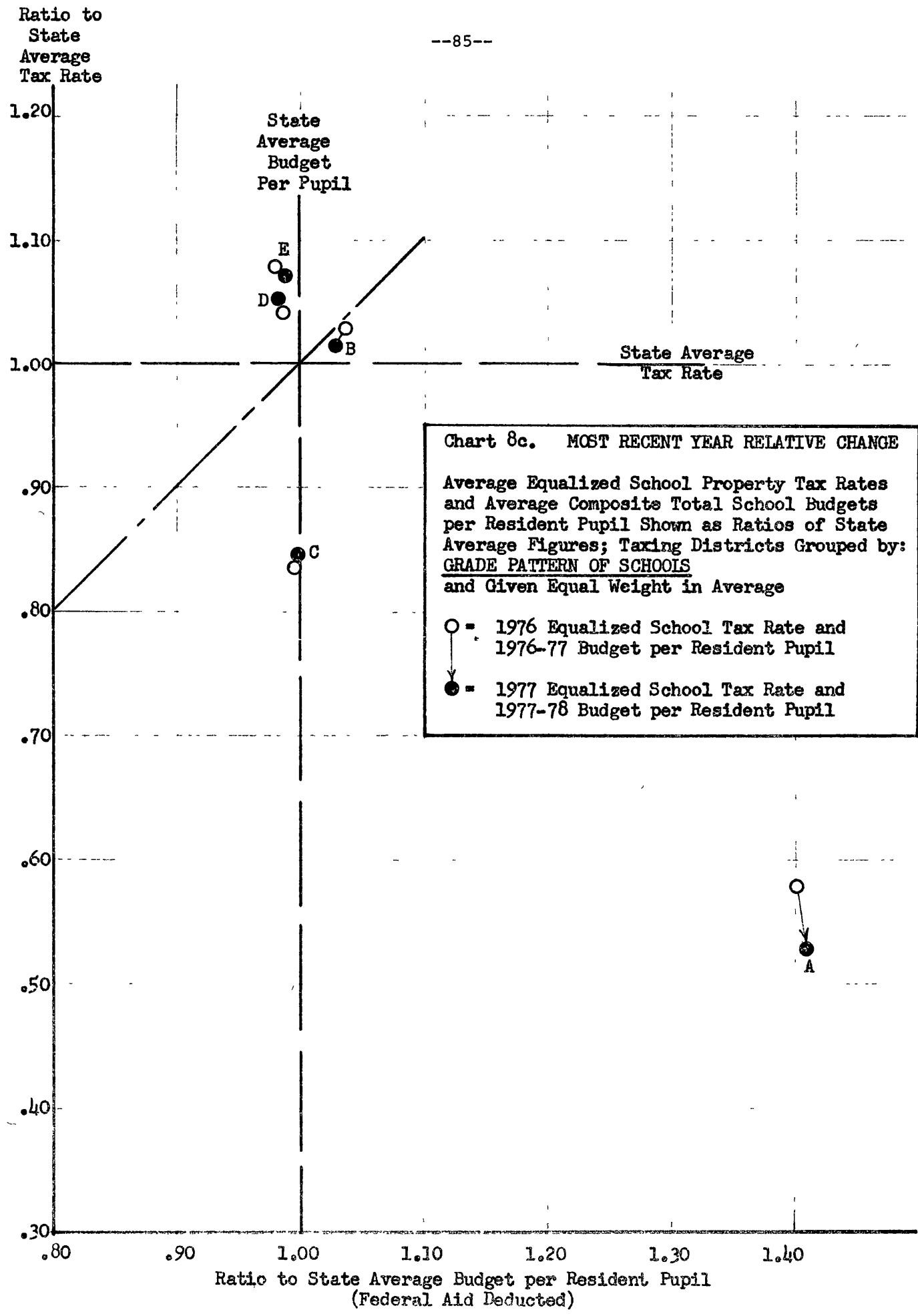
Chart 8b. SECOND YEAR DATA  
Average 1977 Equalized School Property Tax Rates and 1977-78 Composite Total School Budgets per Resident Pupil; Taxing Districts Grouped by: GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average

showed a decrease in its average equalized school tax rate, with the largest relative decrease going to those places using a tuition approach for all or some of their pupils (Groups A and C).

Table 14c reports the position of each Grade Pattern group of communities, in relation to the state average, annually since the baseline period, while Chart 8c shows the most recent year relative change. In contrast to the analyses of most classifications of taxing districts reported earlier, the grouping of communities by the grade pattern of their schools identifies a deteriorating situation. The places which operate no schools (Group A) or only elementary schools (Group C), and which send all or some of their pupils elsewhere on a tuition basis, have been able to increase their budgeted expenditures in relation to the state average while lowering their school tax rates. Starting from a baseline position of fiscal advantage, they have increased their advantage relative to the rest of the state. Conversely, those communities which are members of regional high school districts (Group D), while gaining a slight relative tax reduction, have lost even more ground in relation to the state average spending level. As a group, they are further from fiscal equity than in the baseline period. The comparable conditions of Group E -- those places operating a full K-12 school system -- are reversed, but the result is the same. Here, the average budgeted expenditure per pupil has moved up closer to the state average, but only at the expense of an equalized tax rate which is even further above the state average level than it was in 1975. The result, as with Group D, is a slight loss of fiscal equity. Of the five different classifications of grade pattern used here, only one -- the communities which do not operate their own schools, but are members of

Table 14c. Average Composite Total School Budget per Resident Pupil, 1975-76 to 1977-78 and Average Equalized School Property Tax Rate, 1975 to 1977; Shown as Ratio to State Average; Taxing Districts Grouped by: GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average.

<u>Grade Pattern of Schools</u>	Ratio to State Average of:					
	Average Composite Total School Budget per Resident Pupil			Average Equalized School Tax Rate		
	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
(A) No local schools - all pupils sent elsewhere on tuition	1.331	1.403	1.410	.592	.577	.526
(B) No local schools - member of regional or consolidated district	1.054	1.035	1.028	1.004	1.029	1.014
(C) Operate local elementary schools - secondary pupils sent elsewhere on tuition	.972	.995	.998	.884	.838	.845
(D) Operate local elementary schools - member of secondary school regional district	.999	.984	.981	1.053	1.042	1.052
(E) Operate grades K-12	.976	.980	.986	1.053	1.077	1.073



**Chart 8c. MOST RECENT YEAR RELATIVE CHANGE**

Average Equalized School Property Tax Rates and Average Composite Total School Budgets per Resident Pupil Shown as Ratios of State Average Figures; Taxing Districts Grouped by: GRADE PATTERN OF SCHOOLS and Given Equal Weight in Average

○ = 1976 Equalized School Tax Rate and 1976-77 Budget per Resident Pupil

● = 1977 Equalized School Tax Rate and 1977-78 Budget per Resident Pupil

regional or consolidated K-12 systems with other communities (Group B) -- has improved in fiscal equity under Chapter 212.

There is nothing now in Chapter 212 which can be counted on to reverse these trends. Given the limited scope of State equalization aid under this act, the small, high-property-tax-base, small-pupil-population places in Grade Pattern Groups A and C will continue to enjoy an advantaged position -- an increasingly advantaged position if present trends persist. Putting aside a complete revision of the present approach to State school aid, steps which might be taken to change this trend are:

- (1) The funding of the equalization portions of Chapter 212 might be increased. To have any major effect, this would require large amounts of new State funds, making this alternative questionable.
- (2) The sending-receiving district system now in use might be re-organized by regionalizing or consolidating some or all of such existing patterns. While this would be fiscally painful to some wealthy communities which enjoy low school tax rates, it would make better use of an under-utilized property tax base, which is now reserved exclusively for the benefit of a limited population.

The major conclusions of this section, when taxing districts are grouped by GRADE PATTERN OF SCHOOLS, are:

- (1) Taxing districts which rely heavily on the payment of tuition, rather than joining in a regional district, have increased their already high fiscal advantage.
- (2) Taxing districts which operate a full K-12 system or are members of regional districts have gradually become more disadvantaged fiscally.

### Summary

This chapter has presented in considerable detail the data on budgets per pupil and equalized school tax rates, when the taxing districts are grouped in various ways. In general, it may be said that while the broad patterns observed in the baseline period still hold, there has been movement in many different ways during the first two years under Chapter 212 which tends to bring both the tax rates and the budgeted expenditures per pupil of the almost 600 taxing districts in New Jersey closer together.

Most groupings of districts showed movement toward a position of greater fiscal equity, as measured by the percentage deviation from the state average school budget per resident pupil for each \$1.00 of equalized property tax rate. Table 15 presents a listing of the various groups of taxing districts according to the degree to which they are, in 1977-78/1977, either "advantaged" or "disadvantaged" by the fiscal system, and whether they appear to be moving toward greater or less fiscal equity. Particular attention should be directed to those groups which appear in the corners of this table -- those which are either "heavily disadvantaged" or "heavily disadvantaged". Fortunately, no such groups of districts appear in the lower left corner as "heavily disadvantaged" and moving away from fiscal equity. In the upper left corner, however, is one group -- those very poor places with less than 50% of the state average property tax base per pupil -- which show up as "heavily disadvantaged", although making some progress toward a more equitable position. Even though this group of communities is moving toward fiscal equity, it merits close attention. If the group does not move into the "moderately disadvantaged" column in 1978-79/1978, some adjustments of the law should be considered. As described in earlier reports, the "no local schools" group in the lower

Table 15. Distribution of Groups of Taxing Districts in Terms of Percentage Deviation from State Average Composite Total School Budget per Resident Pupil for Each \$1.00 of Equalized School Property Tax Base.

		1977-78/1977 Condition				
		Heavily Disadvantaged Taxing Districts Negative Dev. More than 20%	Moderately Disadvantaged Taxing Districts Negative Dev. of 10 to 20%	Substantially Neutral Taxing Districts Deviation from +10% to -10%	Moderately Advantaged Taxing Districts Positive Dev. of 10 to 20%	Heavily Advantaged Taxing Districts Positive Dev. More than 20%
Moving Toward More Fiscal Equity  (Less Dev. than in 1976-77/1976)	1-Tax Base Below 50% of average	2-Tax Base 50-70% of average	7-Tax Base 130-150% of average	Z-Too small to classify SES	8-Tax Base 150-200% of average	
		3-Tax Base 70-85% of average	S-R-Suburban-Rural	C-Operate local elem. schools; secondary pupils sent elsewhere on tuition	9-Tax Base 200-300% of average	
		4-Tax Base 85-100% of average	B-Second lowest SES		10-Tax Base Over 300% of average	
		MUC-Major Urban Centers	E-Slightly Below Median SES		SSR-Seashore Resorts	
		OUC-Other Urban Centers	F-Slightly Above Median SES		8-P/C Income Over 140%	
		RC-Rural Centers	G-Mod. Above Median SES			
		RCR-Rural Center Rural	H-Third Highest SES			
		D-Mod. Below Median SES	I-Second Highest SES			
			J-Highest SES			
			2-P/C Income 70-80% of average			
			4-P/C Income 90-100% of average			
			5-P/C Income 100-110% of average			
			6-P/C Income 110-120% of average			
			7-P/C Income 120-140% of average			
			E-Operates Grade K-12			
Moving Away From Fiscal Equity  (More Dev. than in 1976-77/1977)		5-Tax Base 100-115% of average	6-Tax Base 115-130% of average		NS-No schools operated	
		A-Lowest SES	US-Urban-Suburban		A-No local school; all pupils sent elsewhere on tuition	
			S-Suburban			
			R-Rural			
			C-Third Lowest SES			
			1-P/C Income Below 70% average			
			3-P/C Income 80-90% of average			
			B-No local school; member regional			
			D-Operate local elem. schools; member regional high school			

right corner also is a matter for concern. These places frequently have large amounts of taxable property, with very few pupils -- so few that they do not operate any schools.<sup>1</sup> There seems to be little reason for these places to continue to operate separate school districts. By combining them with some neighboring district in a regional or consolidated district, their property tax base might be made available for the benefit of a wider population. This, of course, would result in a tax increase for the property-owners who have enjoyed the privilege of an extremely low school tax rate in the past. In the upper right corner are listed those groups of taxing districts which, although heavily advantaged, appear to be moving toward less advantage. This movement sometimes is very slow. Since the standard against which each group of communities is judged is the state average, the existence of some places having heavy advantage can only result in many other places being forced to operate at some fiscal disadvantage.

#### Obstacles to Further Progress

A number of factors which are obstacles to the achievement of full fiscal equity have been mentioned in connection with the analysis of different groups of taxing districts, both in this and in earlier reports. These, and others which should again be noted, include:

- (1) The level of State equalization - The State guaranteed valuation was set under Chapter 212 at 1.30 times the state average equalized valuation per pupil in 1976-77 and 1.35 times the average in 1977-78

---

<sup>1</sup>Not all of the districts in this group are property-wealthy. In a few cases, they are very poor places, and their neighbors might have to bear some additional burden by consolidation.

and thereafter. Roughly 30% of the taxing districts in New Jersey have larger property tax bases than this level and, therefore, will continue to enjoy a position of fiscal advantage under the present law. An increase in the guaranteed valuation would require larger amounts of State funds.

(2) The system of sending-receiving districts on a tuition basis -

Closely linked with the level of State equalization is the system of sending-receiving districts based on the exchange of tuition payments among districts. A relatively wealthy district, with few pupils, may gain fiscal advantage by paying tuition only for its own pupils, rather than joining with other communities, which may be less affluent, in a consolidated or regional district which utilizes the full tax base of all constituent communities.

(3) Non-equalized State aid - The existence of some programs of State aid -- minimum aid, aid for specially-handicapped pupils, aid for transportation -- which are not based on an equalization principle, constitutes a factor which may hamper the achievement of fiscal equity.

(4) Special sources of school district revenue - In some taxing districts, special circumstances result in large amounts of money being made available from some source other than local property taxes or State school aid. Where this occurs, average or above-average school expenditures may be financed at a very low equalized property tax rate, with consequent fiscal advantage to that district. One obvious source of such revenue is public utility gross receipts and franchise taxes, which result in a zero school tax rate in a few communities, and abnormally low tax rates in some others. A second revenue source having this effect is funds from the Federal

government because of the nearby location of Federal installations.

- (5) Prior-year calculation of aid - Calculation of State equalization aid under Chapter 212 is on a prior-year basis because of administrative and technical problems considered insuperable if it were to be paid on a projected-budget basis. The result is that districts which increase their budgeted expenditures at a rate faster than the average district suffer a fiscal disadvantage. Use of the prior-year approach obviously does serve as a check on rapid increase of expenditures.
- (6) The State support limit - State equalization aid for current expenses is paid only up to the 65th percentile of expenditures per pupil, when all districts are placed in rank order. If a district budgets above that level, the entire excess cost must be financed from local tax resources, and the district functions at a fiscal disadvantage.
- (7) Regional district cost apportionment - Chapter 212, as originally enacted, provided for all regional school districts to apportion their tax levy among the constituent districts on the basis of property tax ratables, rather than residence of the pupils enrolled. This approach was consistent with a fiscal equity concept. Subsequent amendatory legislation provided for a 5-year phase-in for apportionment of taxes based on ratables. Until the end of this period, the amendatory legislation will be an obstacle to the achievement of full fiscal equity.
- (8) High unapproved transportation costs - Local transportation costs which are "unapproved" (generally, for pupils within a limited radius of the school) receive no State support. Where such costs are larger than average, they will constitute a factor causing

fiscal disadvantage.

Until all of the above factors are addressed, it is unrealistic to expect that fiscal equity will be achieved by New Jersey's system of funding the public schools. Nevertheless, the first two years under Chapter 212 did produce movement toward that goal.

The major conclusion of this section is:

- (1) Chapter 212 contains a number of provisions which constitute obstacles to the achievement of fiscal equity.

APPENDICES

## APPENDIX A -- STATE SCHOOL AID REFUNDS

The total local property tax for school purposes, as originally levied in 1975, rose sharply. However, this large increase was due to the fact that school budgets -- and the tax levy -- were determined early in 1976, at a time when full funding of Chapter 212 was uncertain. Local boards of education were advised to budget conservatively, and most of them did so, anticipating only minimal amounts of State school aid and levying relatively heavy amounts of property taxes to insure that the schools had sufficient operating funds for 1976-77. Subsequent to the determination of the property tax levy, the Legislature provided for full funding of Chapter 212, thus making substantial additional State aid funds available. Further legislation (Chapter 113 of the Laws of 1976 and Chapter 15 of the Laws of 1977) established the ground rules under which (1) school districts were permitted to reopen their budgets to permit use of some of the unbudgeted State aid funds, and (2) the balance of the unbudgeted 1976-77 State aid was returned to property taxpayers through direct refunds of a portion of their school taxes. The balance returned totalled \$208,273,110.<sup>1</sup>

It appears logical and reasonable to make a deduction from the school tax levy for these refunds. The actual deduction to make is not simple, however. If the full amount of the refunds were deducted from the 1976 tax levy, this would result in an over-statement of the tax relief in that year, since the State aid, had it been used by the school

---

<sup>1</sup>Aggregated from copies of individual notices to municipalities of the amounts to be refunded; made available by the Department of Education.

boards to reduce their taxes, would have been spread over two tax years in many school districts. In 1977, a large and artificial increase would be necessary to make up for such an over-statement of tax relief in 1976.

A distinction has been made, therefore, with all of the refund of unbudgeted State aid being deducted from the 1976 tax levy in school districts operating on a "fiscal year" basis, and one-half of the refund being deducted for districts on a "calendar year" basis.<sup>1</sup> The remaining one-half of the refund for these districts constitutes a legitimate deduction from the 1977 tax levy. When this procedure is followed, the actual tax levy for 1976 is reduced by \$137,343,300 of refunds. The remaining \$70,929,810 of refunds has been deducted from the actual 1977 tax levy.

---

<sup>1</sup>In a school district operating on a "fiscal year" basis, the full amount of taxes necessary to run the schools for 1976-77 is levied in 1976; therefore, it is legitimate to deduct the full amount of unbudgeted state aid for 1976-77. In districts on a "calendar year" basis, the 1976 tax levy, in most cases, consists of one-half of the 1975-76 required amount and one-half of the 1976-77 amount, so one-half of the unbudgeted State aid should be deducted. In a handful of districts, between 50% and 100% of the school year tax requirements are levied in the first tax year; the actual percentage has been applied also to unbudgeted State aid. And, in a few cases, constituent districts of regionals use a different fiscal year from the regional districts. In such mixed cases, 75% of the unbudgeted State aid has been deducted in calculating the 1976 tax levy, and 25% has been deducted for 1977.

## APPENDIX B -- TYPE OF COMMUNITY

The state's 567 municipalities were classified in 1972 in terms of the intensity of urbanization by the Division of State and Regional Planning of the Department of Community Affairs.<sup>1</sup> This classification plan is based largely on density of population, according to the 1970 census, but other factors, such as land use patterns, housing conditions, commuting patterns and measures of central tendency were applied in a more subjective manner.

The DCA classification has served, with some modifications suggested by local officials, as the basis for a classification of school districts used by the Department of Education in reporting reading and mathematics test results under the Educational Assessment Program. There is merit in following the DOE classifications, so that test scores can be compared with other variables. Most changes made by the Department have been accepted. However, some adjustments appear to be useful for purposes of this report:

- (a) The "Urban Center" classification used by both DCA and DOE has been subdivided into a "Major Urban Center" category and an "Other Urban Center" group.
- (b) A new classification has been devised for "Seashore Resort Communities", comprising those places along the Atlantic Ocean with large seasonal activity, but a small year-round population.
- (c) In a few cases, the modifications made by DOE appear to have intro-

---

<sup>1</sup>New Jersey Municipal Profiles: Intensity of Urbanization, New Jersey Department of Community Affairs, PT-6, January, 1972.

duced questionable classifications; therefore, the following taxing districts have been returned to their original DCA classifications:

<u>Taxing District</u>	<u>DOE Classification</u>	<u>DCA Classification Used</u>
Fieldsboro	Rural Center Rural	Suburban
Belmar	Urban Center	Suburban
Howell	Rural	Suburban-Rural
Keansburg	Urban Center	Suburban
Keyport	Urban Center	Suburban
Neptune Township	Urban Center	Suburban
Branchville	Rural Center Rural	Rural Center
Stanhope	Rural Center Rural	Suburban
Roselle	Urban Center	Urban-Suburban

- (d) In one case, both the DCA and DOE classifications appear to be in error, and Union Beach has been reclassified as "Suburban", rather than "Rural".

With these changes, the community types used in this report are:

	<u>Number of Taxing Districts</u> <sup>1</sup>
<u>Major Urban Center (MUC)</u> - a densely-populated community with extensive development and 100,000 or more total population. Example: Newark	6
<u>Other Urban Center (OUC)</u> - a densely-populated community with extensive development and less than 100,000 total population. Example: East Orange	26
<u>Urban-Suburban (U-S)</u> - a community located near an urban center, but not as highly developed, with larger residential areas. Example: Lyndhurst	123

---

<sup>1</sup>Omitted from the distribution are Pine Valley, Tavistock, and Pahaquarry, which have no resident public school pupils; Corbin City and Longport, which operate essentially as special education districts; and Audubon Park and Winfield, which have unusual property assessment situations.

Number of  
Taxing  
Districts<sup>1</sup>

<u>Suburban</u> (S) - a predominantly single-family residential community within a short distance of an urban area. Example: Cresskill	157
<u>Rural</u> (R) - an area of scattered small communities and isolated single-family dwellings. Example: Lumberton	107
<u>Suburban-Rural</u> (S-R) - a rapidly-developing area, but still with large tracts of open land available for development. Example: Brick	63
<u>Rural Center</u> (RC) - a small, high-density community which is surrounded by other communities which are rural. Example: Belvidere	43
<u>Rural Center-Rural</u> (RCR) - a community which includes a small developed core area surrounded by rural areas. Example: Hammonton	9
<u>Seashore Resort</u> (SSR) - a community located along the Atlantic Coast and having a ratio of 1970 census population to number of dwelling units of less than 1.500 (compared with a statewide average of more than 3.000). Example: Lavallette	26

APPENDIX C -- SOCIO-ECONOMIC STATUS

Another way in which taxing districts may be grouped for purposes of analyzing school expenditures and property tax levels is by the socio-economic status of their residents. An indicator of socio-economic status has been developed for each school district by the Department of Education for use with the Educational Assessment Program. This has been done through the determination of a "District Factor Group" classification which combines into a single measure a number of 1970 Census variables which, taken together, provide an indication of the community's socio-economic status. The variables and their weight in the DFG factor are:<sup>1</sup>

<u>Variable</u>	<u>Weight</u>
<u>Educational Background of the Residents</u>	
Based on the number of years of school or college completed .....	27.82%
<u>Occupational Background of the Residents</u>	
Based on studies which evaluate the prestige of various occupations .....	24.17%
<u>Per Capita Income of the District</u>	
Based on average family income .....	19.26%
<u>Poverty Level</u>	
Based on the percentage of families below the poverty level .....	13.32%
<u>Unemployment Rate</u>	
Based on the percentage of experienced unemployed males and females sixteen years and older .....	10.38%

---

<sup>1</sup>For more complete descriptions of the District Factor Group, see EAP State Report, 1975-76, Division of Research, Planning and Evaluation, New Jersey Department of Education, pp. 7-9, and "The Derivation of Socioeconomic Levels for School Districts in New Jersey," October, 1975, unpublished paper by Stephen L. Koffler, Director of Analytic Research, Division of Research, Planning and Evaluation, New Jersey Department of Education.

<u>Variable</u>	<u>Weight</u>
<u>Population Density</u>	
Based on the number of persons per housing unit .....	4.19%
<u>Degree of Urbanization</u>	
Based on the percentage of population classified as urban .....	0.83%
<u>Population Mobility</u>	
Based on the percentage of persons living in the same housing unit for at least 10 years .....	0.03%

On the basis of District Factor Grouping, the Department of Education has placed each school district in one of ten groups, of roughly equal size, designated from "A", those with the lowest socio-economic status, to "J", those with the highest ranking. In addition, a "Z" group includes those places with a student enrollment of less than 300 pupils, for which no DFG was developed.

For this report, the school district DFG's have been translated into taxing district classifications. When a K-12 district encompasses more than one taxing district, all constituent taxing districts have been placed in the same DFG. Taxing districts which operate no schools, but send all of their pupils elsewhere on a tuition basis, have been added as a separate group, although not truly a socio-economic category.



