

Central Regional Update 2019

By Kevin O’Shea, Business Administrator/Board Secretary for the Central Regional Board of Education

Overview

Superintendent Dr. Triantafillos Parlapanides, Board Member Tracy Mianulli, and I recently made a presentation at the Seaside Park Borough Council meeting. We discussed the Regional School funding formula, State aid, enrollment, and a brief update of the goings on at Central Regional. After fielding some questions at the meeting I thought it would be a good idea to submit this update to the taxpayers and residents of Seaside Park to better understand some of the financial aspects of your school system.

The Regional Tax Levy Formula

I know that this has been a point of contention for many years. But I have also found that many people do not fully understand the formula which determines the share of Central Regional’s tax levy that each of the 5 municipalities are asked to pay each year.

Recall that Central Regional’s 5 constituent municipalities are Berkeley, Island Heights, Ocean Gate, Seaside Heights, and Seaside Park. When Central Regional was formed via a referendum in the 1950’s, the formula was based on a per-pupil formula. But then in the 1970’s, the State legislator (not the Board of Education) changed the formula for Regional School Districts to base it on essentially property value.

So in order to determine the share that each town pays of the tax levy each budget year there are two primary elements that go into the equation:

- (1) The property value of each municipality – Equalized Value - as of Oct 1st of the prior year.
- (2) The student enrollments from both Central Regional and the Local Elementary Schools from each municipality as of October 15th of the prior year.

I have broken the formula down into 3 steps:

Step 1: Here is the equalized value of each Central Regional municipality as of October 1, 2018, as taken from the State of New Jersey, Department of Treasury, Division of Taxation

Exhibit A – Equalized Value as of October 1, 2018

Municipality	Equalized Value 10/1/2018
Berkeley	\$ 5,585,512,630
Island Heights	\$ 355,243,188
Ocean Gate	\$ 244,292,517
Seaside Heights	\$ 665,907,856
Seaside Park	\$ 1,161,160,521
Grand Total	\$ 8,012,116,712

Equalization is defined by Ocean County as “the process by which an appropriate governmental body attempts to ensure that property under its jurisdiction is appraised equally at market value, or as otherwise required by law”. Equalization is the process of insuring that each property carries its fair and legal share of the tax burden in every municipality. Equalization seeks to establish equity both within municipal borders and within county borders. Think of Equalized value as what the market value of your home is. This differs from your assessed value, which you see on your property tax bills. Your assessed value in many cases will vary from what the market value of your home is. So the equalized value of a municipality is, put simplistically, the sum of the market value of all the properties within that town.

Step 2: Now to illustrate the enrollment RATIO as of October 15, 2018

The next part of the formula - the enrollment portion - seems to be the part of the formula that is often more difficult to explain and can cause a lot of confusion. This is because it is not a straight per pupil amount, but rather a RATIO of enrollment.

Exhibit B – Enrollment Summary from October 15, 2018

	Elementary Enrollment K-6 10/15/2018	Central Regional Enrollment 7-12 10/15/2018	Total K-12 Enrollment 10/15/2018	Elementary Enrollment %	Central Regional Enrollment %
Berkeley	2,114.0	1,782.5	3,896.5	54.25%	45.75%
Island Heights	111.0	66.0	177.0	62.71%	37.29%
Ocean Gate	134.0	96.5	230.5	58.13%	41.87%
Seaside Heights	195.0	148.5	343.5	56.77%	43.23%
Seaside Park	30.0	31.5	61.5	48.78%	51.22%*

* Seaside Park’s Central Regional enrollment % is calculated as follows: $31.5 / 61.5 = 51.22\%$

Note: Because some high school students attend Ocean County Vocational School on a part-time basis, they are counted as a half a student for Central Regional and a half a student for Ocean County Vocational. That is why you see the 0.5 for some of the figures above.

Step 3: Now that you have the equalized value and the Central Regional enrollment percentage, we are ready to complete the formula. Take your Central Regional enrollment percentage from each municipality and multiply it by their equalized value and you will get the Regional equalized value. Divide each town’s Regional Equalized value by the total Regional Equalized value and the resulting percentage is the share that towns pays of the Central Regional tax levy.

Exhibit C – 2019-20 Tax Levy Formula for Central Regional “THE FORMULA”

	Equalized Value (Step 1)	Central Regional Enrollment % (Step 2)	Regional Equalized Valuation Step 1 x Step 2 = (Step 3)	Percent Share of Regional Equalized Valuation (Share of Tax Levy)
Berkeley	\$5,585,512,630	45.75%	\$2,555,372,028	69.58%
Island Heights	\$ 355,243,188	37.29%	\$ 132,470,185	3.61%
Ocean Gate	\$ 244,292,517	41.87%	\$ 102,285,277	2.78%
Seaside Heights	\$ 665,907,856	43.23%	\$ 287,871,966	7.84%
Seaside Park	\$1,161,160,521	51.22%	\$ 594,746,419	16.19%**
Total	\$8,012,116,712		\$3,672,745,875	

**Seaside Park’s share is calculated as follows: $594,746,419 / 3,672,745,875 = 16.19\%$

The percent share of the Regional Equalized Valuation is the percent share of Central Regional’s tax levy which each municipality is responsible for each year. A number of factors can cause change from year to year. Enrollment shifting, property value gains or declines, and the total Property Tax Levy needed are all factors that contribute to how much each town will be required to pay each year.

Lastly, here are a few questions that I would like to answer to further bolster everyone’s understanding about Central Regional and the way it is funded

- 1. Why does Seaside Park pay so much in taxes to Central Regional on a per student basis?** The primary reason is the high property values in the Borough. Because the property values are so high, it means that Seaside Park contributes a large number into the Regional Equalized value into the formula. In addition, the high property values also make it difficult for a typical family that might otherwise be interested in moving in to town to be able to afford a home and live in the Borough. The average home value in Seaside Park is over \$554,000. So when you couple high property values with low relative enrollment the calculation on a per pupil basis gets warped up very high.
- 2. So if more students attend Central Regional from Seaside Park, does it pay more in taxes?** Not necessarily. Remember the key factor is the RATIO of Regional enrollment compared to overall K-12 enrollment. So the number of students attending Central Regional is not as important as what the Ratio is.
For example, if you had 30 Elementary Students and 30 Central Regional students (for a ratio of 50%), Seaside Park would still pay the same amount in property taxes as in another scenario where there were only 2 Elementary Students and 2 Central Regional students (still a ratio of 50%). Bottom line is the RATIO is more important to consider than the actual amount of students.
- 3. If zero students attend Central Regional from Seaside Park, what would happen?** Seaside Park would pay \$0 towards Central Regional’s tax levy because their Regional enrollment percentage would be 0%, and any number when multiplied by zero is zero.

- 4. Why is Seaside Park's Taxes to Central Regional going up so much for next year (2019-20)?** The Seaside Park elementary enrollment declined from 55 students last school year to 30 students this school year - a shocking drop of 45%. At the same time, Seaside Park's enrollment at Central Regional actually increased from 29 last school year to 31.5 this school year. This meant that Seaside Park's Central Regional enrollment percentage (7-12) went from 34.52% last school year to 51.22% this school year. That is an enormous increase and literally caused a situation whereby Seaside Park went from paying 12.28% of Central Regional's tax levy for this year and will now be required to pay 16.19% of the tax levy for next year.
- 5. Why did Seaside Park's Elementary School enrollment decrease so much from last school year?** In researching this, there were two main factors that came up: (1) A large 6th grade class graduated to 7th grade (12 students) and (2) there were a number of homeless students that were counted last school year that have since moved out of town.
- 6. How will Central Regional be impacted by the State Aid law – Law S2 - that was recently passed that have impacted other Schools Like Toms River and Brick?** Thankfully, Central Regional is not expected to lose any of its base formula aid due to the new law. Districts that were impacted are going to see a loss of aid due to a decline in their enrollment over the last 10-12 years. Central Regional's enrollment has basically remained the same over that time and therefore is not considered over-funded in the eyes of the state. Finally, because Central Regional is considered a property wealthy District, the State has traditionally not provided a lot of state aid to the District compared to other neighboring towns.
- 7. Why does the State consider us property wealthy?** Central Regional's constituent towns' equalized value is a combined \$8 billion (See Exhibit A). All totaled, the 5 towns have about 4,700 students (Kindergarten through 12th grade) and are set to receive just under \$7.8 million in regular formula state aid next year.

Compare that to neighboring Lacey Township, which has about 4,100 students, is set to receive \$20.3 million in regular formula state aid next year, but only has an equalized value of \$3.8 billion.

A rough calculation shows that Central Regional's 5 towns receive approximately \$1,660 in state aid per student, and Lacey receives about \$4,951 per student. But when you consider that our 5 towns have a total property value that is more than double that of Lacey, you can see why there is such a disparity. Additionally, Lacey has seen a decline in enrollment over the last several years and as a result they are expected to see reductions to their state aid per the S2 law mentioned above.