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Gentlemen:

As you know, in its decision captioned *In the Matter of the Petition for Authorization to Conduct a Referendum on the Withdrawal of North Haledon School District from the Passaic County Manchester Regional High School District*, 181 N.J. 161, 854 A.2d 327, the New Jersey Supreme Court directed that I “develop, in consultation with the constituent municipalities, an equitable cost apportionment scheme for the Regional District” in light of the fact that North Haledon is compelled to participate in the regional district but is “justifiably concerned about the disproportional tax burden...carried by its citizens in relation to the other constituent municipalities.” Having consulted with the constituent municipalities, and having considered the written submissions filed on the municipalities’ behalf as well as the testimony offered by governing bodies and the public during meetings held on December 3 and December 14, 2004, I have developed a scheme that I believe fulfills the Court’s directive.

Initially, I wish to express my thanks to the participants in this process, all of whom understood the difficulty of the task placed before me and made every effort to be helpful and respectful as I sought information and perspective. I must also express my regret that the constituent districts were unable to agree on a cost apportionment method of their own devising, since I would have preferred to have sanctioned a scheme generated by the affected municipalities rather than

imposing one upon them. However, because such agreement proved not to be possible, I must address the charge given me by the Court.

In keeping with the Court’s language as quoted above, I have viewed that charge as the development of a cost apportionment method that would lessen the disproportionate tax burden on North Haledon while recognizing that Haledon and Prospect Park send a substantially higher percentage of students to the regional district (47% and 37%, respectively, compared to North Haledon’s 16%) yet have less ability to pay. Although, not surprisingly, Haledon and Prospect Park have consistently argued for retention of the current 100% equalized valuation method and North Haledon for a shift to 100% allocation based on pupil enrollment, under the circumstances, as I have said to the participants from the beginning, the only fair solution appears to be the third option set forth in *N.J.S.A.* 18A:13-23, apportionment based on a *combination* of equalized valuation and proportion of pupil enrollment. Only in this way is it possible to attempt to strike a balance between the constituents’ disparate tax burdens in supporting the regional district and the fact that under the laws of this State the local share a community is required to contribute to the funding of public schools is directly related to its ability to pay.

With this principle in mind, I have concluded that any fair apportionment must retain wealth as the dominant factor, with the appropriate balance being two-parts wealth to one-part pupil enrollment. Therefore, I have determined that 67% of the tax apportionment of the regional district should be derived through the equalized valuation method and 33% through proportion of pupil enrollment, and that, because a more equitable apportionment of costs between the constituent districts will necessarily result in increased costs for Haledon and Prospect Park, the new apportionment method should be phased in over a four-year period so as to give each community reasonable time to absorb its full impact. In order to effectuate the transition, I have determined that for the 2005-06 school year the allocation will be 90% equalized valuation and 10% proportion of pupil enrollment, for the 2006-07 and 2007-08 school years 80% equalized valuation and 20% proportion of pupil enrollment, and for the 2008-09 school year 67% equalized valuation and 33% proportion of pupil enrollment. For purposes of illustration based on current statistics and assuming all other factors are held constant, the following approximates how property tax levies, rates, and levies per pupil attributable to the high school district would change as a result of this plan, with per pupil levies for 2005-06 and beyond based on 9-12 enrollments for purposes of comparison with current methodology:

Under the current 100% Equalized Valuation Method:

	<u><i>HS Tax Levy</i></u>	<u><i>HS Tax Rate</i></u>	<u><i>HS Levy Per Pupil</i></u>
Haledon	2,593,486	2.050	6,898
North Haledon	3,134,619	2.050	24,878
Prospect Park	1,418,898	2.050	4,730

Under the 2005-06 transitional method of 90% Equalized Valuation/10% Enrollment:

	<u><i>HS Tax Levy</i></u>	<u><i>HS Tax Rate</i></u>	<u><i>% +/-</i></u>	<u><i>HS Levy Per Pupil</i></u>
Haledon	2,666,992	2.108	+2.8%	7,093
North Haledon	2,941,812	1.924	-6.2%	23,348
Prospect Park	1,538,200	2.222	+8.4%	5,127

Under the 2006-07 and 2007-08 transitional method of 80% Equalized Valuation/20% Enrollment:

	<u>HS Tax Levy</u>	<u>HS Tax Rate</u>	<u>% +/-</u>	<u>HS Levy Per Pupil</u>
Haledon	2,740,498	2.166	+2.8%	7,289
North Haledon	2,749,004	1.797	-6.6%	21,817
Prospect Park	1,657,501	2.394	+7.8%	5,525

Under the 2008-09 final method of 67% Equalized Valuation/33% Enrollment:

	<u>HS Tax Levy</u>	<u>HS Tax Rate</u>	<u>% +/-</u>	<u>HS Levy Per Pupil</u>
Haledon	2,836,056	2.241	+3.5%	7,543
North Haledon	2,498,354	1.634	-9.1%	19,828
Prospect Park	1,812,593	2.618	+9.4%	6,042

Anticipated Difference in High School Tax Rate at End of Phase-In:

Haledon	+9.4%
North Haledon	-20.3%
Prospect Park	+27.7%

During the transitional period, in accordance with the dates specified below, the per pupil share for each community is to be calculated based on the community's actual student enrollment in grades 8-11 as verified by the County Superintendent of Schools, and shall remain in place for a two-year cycle so as to provide clarity and certainty for purposes of budget preparation:

<u>Enrollments Reported to County Supt.</u>	<u>Share Established by County Supt.</u>	<u>For School Years</u>
February 1, 2005	February 7, 2005	2005-06, 2006-07
November 1, 2006	November 15, 2006	2007-08, 2008-09
November 1, 2008	November 15, 2008	2009-10, 2010-11

However, if at any time during this period the three constituent districts unanimously agree to a different method of calculating the per pupil share, such method may be effectuated subject to my review and approval.

It is my belief that the methodology directed herein satisfies the Court's demand for a more equitable scheme of cost apportionment for the regional district as it presently exists, given the unequal wealth and student populations of the constituent districts. Notwithstanding that belief, however, I remain committed to seeking additional State support in the amount of 75% of the difference in property tax levy that results from the apportionment change in its first year—although I must be absolutely clear that my cost apportionment directive is not contingent upon a positive response to this request. Additionally, I urge the regional district and its constituents to continue to explore ways other than cost apportionment, such as the possibility of enlarging the regional district or becoming part of another regional district, of addressing the differences that gave rise to the present dilemma.

Finally, I stress that the apportionment methodology set forth above is a unique response to the circumstances existing in the present matter, and that it is neither binding on the regional district in the event that the voters of the district and its constituents subsequently elect to approve a cost apportionment method of the regional board's own devising pursuant to *N.J.S.A.* 18A:13-23, nor intended to be precedent-setting in any other situation where cost apportionment is at issue among the constituent members of a regional district.

Accordingly, I order that, for the 2005-06 school year and beyond, the apportionment of costs for the Passaic County Manchester Regional High School District shall be as set forth above. In closing, I remind the regional board and the constituent districts of the importance of continuing to explore solutions other than cost apportionment, and I once again thank you and the members of your communities for working with me throughout this process.

Sincerely,

William L. Librera, Ed.D.
Commissioner

c: Dr. Judith Weiss, Interim Passaic County Superintendent
Rodney T. Hara, Esq., Counsel, Passaic County Manchester Regional Board of Education