Government Finance Associates, Inc.

REPORT TO THE

NEW JERSEY PINELANDS COMMISSION

AN ANALYSIS OF

THE FISCAL IMPACT OF THE

PINELANDS COMPREHENSIVE MANAGEMENT PLAN

ON SELECTED MUNICIPALITIES

September 2, 1982

Acknowledgement

This report and appendices were prepared for the Pinelands Commission of New Jersey by Government Finance Associates, Inc., of Princeton, New Jersey, in cooperation with the Government Finance Research Center. The statements, conclusions, and recommendations contained herein are based upon limited research and accordingly are those of the authors and do not necessarily reflect the views or policies of the Commission, GFA, Inc., or the GFRC. Several individuals assisted with this study and in the preparation of attendant reports. In particular, thanks are due to Lisa Rosenberger, of the Pinelands Commission staff, who ably assisted with the collection of data on which this study is based.

TABLE OF CONTENTS

LIST OF TABLES

OVERVIEW

This report presents the results of a study undertaken to make a preliminary determination of whether or not the Pinelands Plan might be causing significant fiscal impacts on a selected sample of municipalities within the Pinelands area. This study is limited in that there has been only a short period of time to experience effects of the Plan, and in that it is based on an examination of the finances of only four townships. These four townships were those that experienced the largest percentage increases in tax rates or declines in ratable values in the tax years 1981 and 1982. This study, therefore, was designed to analyze only one portion of the Plan's potential economic effects: those on the finances of four municipalities that evidenced certain fiscal changes since the Plan took effect.

This overview presents the general findings regarding the fiscal impacts of the Pinelands Plan on the four townships. Following this, certain general conclusions are presented.

Table i summarizes measurable fiscal impacts on the four townships in terms of effects on their ratable bases. There may, however, also be other impacts which cannot at this point be measured. These could be positive or negative and may either offset or add to the effects depicted in the Table. It is important to note that the impacts shown in this Table are based on the assumption that changes in the value of vacant land in restricted areas are entirely a result of the Pinelands Plan. To the extent that other factors (such as the national

Table i

FISCAL IMPACTS
ON FOUR TOWNSHIPS1/

	HAMILTON		LACEY		WASHINGTON		WOODLAND	
	% change in total ratables2/	equivalent equalized tax rate	% change in total ratables2/	equivalent equalized tax rate	% change in total ratables2/	equivalent equalized tax rate	% change in total ratables2/	equivalent equalized tax rate
Change in value of vacant land in restricted areas								
1980-81	N/A	--	-4.1%	$.09	-.2%	1/2¢	-12.5%	$.13
1981-82	N/A	--	N/A		-.4	1¢	-14.5	.17
Value of acquisitions by the State3/								
Total (including planned)	-.7%	$.02	-1.5%	$.03	-11.4%	$.23	-9.9%	$.12
Assessment - Appeals - (Pinelands)								
1980	-1.0%4/	$.02	-.3%	$.01	0	--	-7.8%	$.08
1981	--	--	-.2	$.00	-.1%	--	-4.0%	$.06

1/ It is assumed that changes in vacant land values are effects of the Plan. Note, however, that it is not yet possible to separate out pure Pinelands effects from other factors. (Completion of the land value study will assist with this separation.) Therefore, to the extent that other factors (such as national economic downturn) also affected vacant-land values then this assumption will overstate the Pinelands Plan effects.

2/ Effect on ratables in the following year.

3/ Estimates based on their effect once acquisitions are all complete and Green Acres payments have vanished. Effects given in terms of 1982 ratables and rates. Based on average acquisition price of $500/per acre. (Total includes '81 and'82 acquisitions).

4/ Probably offset by increases outside the Forest Area.

economic downturn) have also affected values, then the Pinelands Plan impacts shown will be overstated.

A. PINELANDS IMPACTS ON FOUR COMMUNITIES

Based on the method used in this study, the Pinelands Plan has not had a widespread fiscal effect on all four communities studied. Of the four townships, only Woodland has suffered immediate and severe fiscal impacts from Pinelands regulations in the recent period.

1. Woodland: Because so much of the Township is vacant land -- and in the taxable category -- the substantial drop in vacant-land values occurring since 1978 has shifted the burden of tax revenues proportionately onto other property owners, notably the residential category. This trend will continue in the future to the extent that vacant-land values drop further during the current reassessment. If the loss of opportunity to develop as a result of Pinelands regulations has caused the drop in vacant-land value, then the Pinelands Plan has had a severe negative effect on the Township's fiscal base.

As shown in Table i, appeals so far granted on the basis of Pinelands have resulted in a loss of over 10 percent of total ratables. During the period 1980-1982 another approximately 10 percent of total ratables disappeared as a result of losses of value in the privately held vacant-land category. Once all planned acquisitions are complete, yet another 10 percent (estimated on the basis of 1982 value) will be removed. The full impact of losses due to acquisitions, however, will not be experienced until the Green Acres payments run out.

These are far from inconsequential amounts. A significant loss in revenue-raising ability is occurring which will result in a continuation of the shift in tax burden (evident in the past) onto residential owners. Considering a 10 percent loss in total ratables during a single year as one possible indicator of potential fiscal stress, then Woodland exhibited this condition two years in a row (1980-1981 and 1981-1982). Since these losses in total ratables were evidently largely due to losses in vacant-land values (which fell by 13 and 15 percent respectively during these two periods), then use of this indicator would suggest that Woodland suffers potential fiscal stress as a result of the Plan's negative impact on ratable value.

However, since hardship measures have not yet been formulated it cannot yet be determined if Woodland has experienced exceptional hardship. It is clear, however, that a potentially serious negative fiscal impact does exist, and (assuming vacant-land value losses are Plan-related) is a result of the State's action. A determination of whether or not this is an exceptional hardship case would require a more detailed analysis of Woodland's fiscal condition vis-a-vis Pinelands communities generally.1/ Chapter II presents a brief analysis of Woodland's finances compared to the State as a whole, but the evidence there is insufficient to say whether or not exceptional hardship

---

1/ See Chapter V for a further discussion of hardship.

has resulted. In the event further evidence is collected that shows the Township to have indeed suffered exceptional hardship as a result of the Plan, then Woodland could be a candidate for temporary interim relief.

For the other three townships, Pinelands' fiscal impacts are much less significant than in Woodland. Other influences have been considerably more important to municipal finances than the Pinelands Plan.

2. Washington: While Washington Township is similar to Woodland in character, the huge proportion of acreage already under public ownership (and therefore not contributing to the tax base) has muted any effects of declining vacant-land values that may have occurred as a result of the Pinelands' enactment. Because a much smaller amount of Washington's vacant land is taxable, a change in its value will have a correspondingly reduced overall impact.1/ Since there have been few appeals in the Township, the full effects of vacant-land value changes will not be experienced until a revaluation takes place next year. However, the overall impact is expected to be relatively minor. As a result of a single large industrial assessment appeal (Mission Marine Associates) in 1980, the vacant-land share of total value has actually increased slightly. This loss of ratable value unrelated to Pinelands has exerted a much more significant effect on the Township's ratable base

---

1/ About one-tenth of Washington's ratable value is vacant land, compared to half of Woodland's. In Washington, most of the vacant land is owned by the State and therefore not included in its ratable base.

than has the Pinelands Plan.

A potentially significant impact will occur in the future once the planned program of State land acquisitions is complete. As shown in Table i, the future impact (once Green Acres payments disappear) is estimated to be equivalent to a 23 cent increase in the tax rate if it were to occur today. Furthermore, if it is reasonable to say that even although so much State lands were purchased prior to the Pinelands Plan, those acreages may still be considered Pinelands-related since the land is held by the State in support of Pinelands goals, then inequities will continue to result in the future from the small in-lieu payments (10 cents/acre) on this land.

Service levels for municipal functions are low in Washington (as shown in Table II-9), and therefore revenue-raising requirements are minimal for municipal purposes. However, per capita, tax transfers to the School District and County have been much higher than average in the State (as is the case for Woodland).

3. Lacey: Recent large tax increases in Lacey Township were largely the result of a tripling of the school tax levy in 1980 in order to construct new facilities. By comparison, Pinelands impacts have been much less important.

Reduction of land values in restricted areas means that Pinelands regulations can be held accountable for a loss of about 4 percent of total value on properties in the Forest Area. However, vacant-land value overall declined by only 2 percent following the 1981 revaluation, so part of the losses in value in Forest Area property were evidently offset by gains in vacant-land value elsewhere.

Because of the ability to obtain large amounts of utility-tax revenue the Township places much less reliance on property taxes than other townships. Thus, loss of value in ratables is less significant than it would be in a more property-tax-reliant locality. The heavy reliance on utility taxes will cushion any Pinelands-related effects on the ratable base of the Township.

The planned Pinelands acquisition of some 13,000 Township acres (23 percent of total area, or about two percent of total value) will exert a negative fiscal influence on the Township in the future. Under the current Green Acres in-lieu of tax program, the revenues from these properties will ultimately disappear, resulting in a shift of the related tax burden (approximately 1.5 percent of property tax revenues) to private-property owners.

4. Hamilton: Hamilton Township appears to be least affected by the Plan. Its designation as a growth area ensures its continued development, and since the Pinelands Plan encourages cluster development the costs of growth may well be diminished somewhat as a result of the Plan. If, however, growth is accelerated due to Pinelands, the problems of managing growth may be somewhat exacerbated as a result. Any current fiscal difficulties in the community are the result of previous revenue-spending mismatches or are related more to regional and national economic problems than to Pinelands action.

5. Other Impacts: In addition to the impacts described above, there may be others which so far cannot be quantified. The potential exists for the following types of effects which have been mentioned by township officials and others. However, these are not yet in evidence in any measurable way.

A concern was expressed by Woodland officials as to the potential for loss in value of already developed properties. This is feared if demand lessens for Woodland properties in the face of increasing residential tax bills (which result from the shifting of tax burden to residential owners). If these fears were to be borne out, then the impact of Pinelands on the Township's base would be even more marked. However, there is no evidence of this at this time. Officials also fear that the ratio of Township tax collections, which in the early seventies was significantly below acceptable levels, may drop again if owners of vacant land perceive that the value of their property is less than the cumulative taxes that will be due.

Lacey Township has been a fast-growing community whose growth potential may have been restricted by the Plan. If that is so, then there may be both positive and negative effects. On the one hand, certain facilities which were built in the past on the assumption of sustained growth may have to be operated at less than optimum capacity, thus costing on a per unit basis relatively more than if fully used.1/ On the other

---

1/ Township officials reported that the original population projections on which these facilities were based have changed since the Plan. However, population projections to substantiate this have not yet been received.

hand, it is well known that growth does not come without costs, and in the case of Lacey a continuation of past growth trends would suggest that any lost growth would probably have been largely residential. Therefore, it may be that tax burdens could actually have increased in the tracks of continued growth. In this sense, the Pinelands regulations may have "saved" the community from some of those increases. However, the measurement of fiscal impacts resulting from lost growth opportunities and the allocation of those impacts to Pinelands, are topics beyond the scope of this report.

B. GENERAL CONCLUSIONS

Based on these four case studies of communities that experience significant fiscal changes in 1980 and 1981, certain conclusions can be drawn that may be applicable to the Pinelands area as a whole. Note that there may be other (positive or negative) fiscal effects that were not measurable in this restricted sample of Pinelands communities, and about which, therefore, no general conclusions can be drawn.

- The Pinelands Plan has the potential to exert a significant fiscal impact on the revenue-expenditure balance of certain communities. The severity of the impacts will depend, to some extent, on the service-level expectations of the community residents and the ability of the community to pay for services.

- Recent large increases in tax rates in Pinelands communities are not necessarily linked to the Pinelands act. In some communities, where a large proportion of ratable value is comprised of vacant land and if that land loses value as a result of Pineland restrictions, then tax rate increases can be related to Pinelands. Elsewhere, other influences appear to have been more important.

- Negative fiscal impacts associated with Pinelands will depend on the composition of the ratable base. Where a township is comprised of a large proportion of privately-held vacant land that has been placed under development restrictions as a result of Pinelands, and if those restrictions are the source of a drop in value of vacant land the following is likely to happen. The burden of property taxes will shift commensurately to other non-vacant land property owners once declines in vacant-land values translate into reduced ratable value. Otherwise revenues will have to be obtained from other sources, or services levels will have to be reduced. The larger the proportion of privately-held vacant land the greater the potential shift in burden.

- Programs of land acquisitions by the State in which a significant amount of a township's land is targeted for State purchase will eventually have similar tax-shifting effects unless a full equivalency in-lieu of tax program is enacted.

- Although we have not covered all communities, based on this sample of four townships it appears that the distribution of fiscal impacts through the Pinelands is likely to be uneven. Some communities may be minimally affected and others significantly. Any assistance program to mitigate adverse Pinelands impacts (if found) should therefore consider this distribution of effects in its design and operation. For example, the significance of

Pinelands' impacts on a community depends on the structure of the revenue stream. Where a community has a lower than usual reliance on property taxes, impacts will be correspondingly minimized.

Based on the consultant's technical judgment and supported by comments received at the public hearing, it is apparent that this study only superficially uncovers one portion of the Plan's effects. Continued monitoring of events will be needed to measure the Plan's impacts on all jurisdictions, to assess the relative significance of impacts on any individual government, to evaluate the importance of the Plan's economic effects on private property owners, to determine the import of possible positive effects such as the avoidance of costs or expenditure reductions resulting from Plan regulations, and (most importantly) to identify specific techniques for measuring fiscal impact and the resultant positive or negative effects on local revenues, expenditures, and taxpayer burden.

Chapter I

INTRODUCTION

A. PURPOSE

This report presents the results of a study undertaken to quantify, to the extent possible, the fiscal impacts of the Pinelands Comprehensive Management Plan on certain municipalities. These municipalities are located in the Pinelands area of New Jersey which was designated as the Nation's first National Reserve in 1978.

The Pinelands is a million-acre expanse of forests with significant water resources which, over the years, have been threatened by the pressures of development. There have been several efforts to control development at local, regional and State levels. The culmination of these efforts to date was the designation of the area as a National Reserve in 1978 and the establishment, by the State of New Jersey in 1979, of the Pinelands Planning Commission as the regional planning agency with authority to carry out activities mandated by the Pinelands legislation. A moratorium was then placed on development during an 18 month planning period. Following the planning period the Comprehensive Management Plan for the Pinelands was adopted by the State legislature in 1980 and sets forth strategies to achieve the goals of the Pinelands legislation.

A major concern of local officials and area residents has been that the market value of vacant land would decline in places where development is restricted, thereby diminishing the ratable base of Pinelands municipalities. On the other hand, Pinelands restrictions may enhance the value of developed properties as well as vacant land in the designated growth areas. The plan may also exert an effect on costs and expenditures of local governments. This report presents a preliminary analysis of these differing factors based on a review of the fiscal impacts of the Plan thus far on four Pinelands townships.

B. METHODOLOGY

It is important to note, at the start, what this study is not. It does not rely on rigorous statistical analyses nor on mathematical modeling techniques. Rather, it uses essentially a case study approach in which four townships were selected for analysis and in which certain assumptions were used about the kinds of fiscal effects that would be in evidence. The approach also relies on the premise that an analysis of trends in specific municipalities would be most likely to generate the level of detail at which Pinelands fiscal effects could best be detected and (initially at least) separated from other fiscal effects.

The types of economic impacts that might result from the implementation of the Pinelands Plan fall into two major categories: public and private. This study focuses only on the public, fiscal impacts. That is, the effects on the finances of local governments. These are seen as resulting from the following effects of the Pinelands Plan:

- development restrictions may result in changes in the value of real property, thus affecting local ratable bases and the ability to raise revenues through the property tax;

- State acquisitions of vacant land will thereby make that land tax exempt; and

- development restrictions (or enhancements in designated growth areas) may affect (increase or decrease) local service level requirements and thus local expenditures.

The four townships that are the focus of this study were selected as having the largest percentage increase in tax rate or decrease in ratable base in the tax years 1981 and 1982.1/ Considering these changes as indicating significant negative fiscal changes, then these townships should include some that have been negatively affected by the Plan in any significant way. It is possible, however, that other factors might be at play elsewhere (such as property revaluations) so that there may be other jurisdictions that have been affected as significantly as any one of these four. Nonetheless, restricting the analysis to these four townships does result in a look at a variety of types of Pinelands communities and permits an initial estimation of the "price-tag" of the Pinelands Plan in its early stages for four specific townships.

1/ These four townships are: Hamilton (Atlantic County); Lacey (Ocean County); and Washington and Woodland (Burlington County).

The background for analysis used in this study depends on a straightforward examination of trends in revenues (particularly the property tax) and expenditures from 1972 to 1978, the year in which the Pinelands law was enacted. This analysis is accomplished for the four townships and for New Jersey townships as a group. Trends are then reviewed for 1979 to 1982, the period since the enactment, to detect changes that may have resulted from Pinelands. In addition, a preliminary assessement of revenue burden compares the ability of the townships to generate revenues using certain key indicators such as revenue/ income ratios.1/

A major focus of analysis is on the result of real property assessment appeals. Here the assumption is that (in the absence of a reassessment or revaluation) reductions in property values as a result of Pinelands restrictions will be captured in assessment reductions granted or stipulated through the appeals process.2/ These reductions are then reflected in cancelled or refunded property tax revenues and are measures of Pinelands fiscal impact. In addition, as property is revalued and/or reassessed, Pinelands impacts can be inferred from changes in valuation. However, a more explicit analysis of this latter aspect must wait on the results of the Pinelands land value study now underway.3/ In the meantime, for this study,

---

1/ However, this analysis is hampered by a lack of recent income data at the township level.

2/ See Appendix E for a glossary of terms used.

3/ A land value study is currently being undertaken by the Commission with the purpose of determining specifically any Pinelands Plan effects on the market value of land.

it is assumed that changes in land values in restricted areas are due to Pinelands regulations. To the extent that these changes are also a result of national and regional economic trends, then this assumption may overstate the Plan's effect.

The remainder of this report is presented as follows. Chapter II reviews the historical trends in the four townships including a brief description of their economic setting. Revenue and expenditure trends are compared to Statewide with emphasis on the property tax base where Pinelands effects are expected to be most apparent. Chapter III analyses the degree to which changes in ratables can be assigned to Pinelands by reviewing changes in assessed value and State acquisitions. Chapter IV discusses the potential for future Pinelands fiscal impacts in the four townships. In Chapter V some strategies are recommended as ways of redressing any negative fiscal impacts of the Pinelands Plan.

As part of this study, visits were made to the four townships to gather impressions from community representatives regarding the fiscal impacts of the Plan. A report of these meetings is included as Appendix A. Appendix B provides details of trend data for the four townships and State. Appendix C is a survey of research on indicators of fiscal stress. Appendix D presents an overview of in-lieu of tax programs in the various States. Appendix E gives a glossary of terms used in the report. And finally, Appendix F contains a summary of the remarks made at a public hearing held to obtain comments on an initial draft report.

Chapter II

HISTORICAL TRENDS

This chapter reviews the general trends in the township finances during the seventies until the Pinelands law took effect in early 1979 and then again until 1981, the most recently completed fiscal year. General trends in revenues, expenditures, and in the revenue base of the four townships are examined and compared to events that were occurring in the State as a whole. The trends since 1979 are examined to provide a setting for the analysis of Pinelands' impacts presented in Chapter III. Detailed tables of expenditures, revenues, and taxes are presented in Appendix B. Meetings were held with representatives of each community in July of 1982 to review preliminary findings and to gain the community perspective on Pinelands impacts. The results of these meetings are described in Appendix A.

A. DESCRIPTION OF THE FOUR TOWNSHIPS

The four townships that are the subject of this study are generally more rural and less densely populated than Pinelands townships as a group and compared to the State as a whole. Table II-1 summarizes changes in population and the economic character of the townships and of the State generally.

1. Hamilton Township (113 square miles in area) is located in the heart of Atlantic County. Its major settlement, Mays

Table II-1

Economic and Demographic Characteristics

	State	Hamilton Township	Lacey Township	Washington Township	Woodland Township
Population 1/					
70	7,171,000	6,445	4,616	673	795 6/
80	7,364,000	9,499	14,161	808	1,042
% Change	2.7%	47.2%	206.8%	20.0%	31.1%
Per Capita Income 2/					
69	3,674	2,752	2,859	2,450	1,447
77	6,492	4,910	5,055	3,996	3,130
% Change	76.7%	78.4%	76.8%	63.1%	116.3%
Building Permits Issued 4/ (average per year)					
72-78	N/A	206	239	5	21
79-81	N/A	218	110	-	3
Employment 5/					
Total (1980)	N/A	3,231	1,560	104	154
Per Capita (1980)	N/A	.34	.11	.13	.15

1/ Source: Bureau of Census
2/ Source: Bureau of Census (per capita money income)
3/ Source: NJ Division of Taxation. Population estimates based on Census figures.
4/ Source: NJ Department of Labor & Industry.
5/ Source: N.J. Department of Labor and Industry, Populations from Bureau of Census.
6/ Population excluding residents of the New Lisbon State School (1,237 residents in 1970 and 1,243 in 1980).

Landing, lies less than 20 miles west of Atlantic City. The Township has grown at a rapid pace in recent years; between 1970 and 1980 the population increased by almost 50 percent, from 6,445 to 9,499. Building permits have been issued for 2,100 dwelling units since 1972, with 665 issued in the past three years. Despite this recent growth, most of the Township remains essentially undeveloped with the overall population density in 1980 being only 84 persons per square mile. Ninety-nine percent of the Township is located within the Pinelands Protection Area. Employment is the highest among the four communities, with 3,231 jobs reported in 1980 (or .34 per capita). Per capita income, while below the State average, grew at a slightly greater rate between 1969 and 1977 than typical in the State.

2. Lacey Township in Ocean County is located in the north-eastern portion of the Pinelands Area. Of the four townships, it grew at the fastest rate during the 1970s. Its population more than tripled from 1970 to 1980, growing from 4,616 to 14,161; and as a result, by 1980, Lacey was the most densely populated community of the four with 167 persons per square mile. This was still, however, only 34th out of the 54 Pinelands municipalities on this factor. Per capita employment in 1980 was the lowest of the four townships (.11) reflecting Lacey's essentially residential nature. Per capita income was the highest among the four townships, although still below average for the State. Over 2,000 residential building permits have been issued since 1972. Relatively fewer building permits, however, have been recorded in the past three years; from

1971 through 1981, 329 permits were issued compared to 549 during the 1976-1978 period. This recent decline in the amount of authorized residential construction is also in tune with a Statewide trend caused by high interest rates and a generally sluggish economy. Throughout New Jersey, the annual number of residential permits dropped by more than 50 percent between 1978 and 1981.

Lacey is 87 square miles (55,341 acres) in area. Seventy-three percent of the Township (40,821 acres) is within the boundaries of the Pinelands Area. The remainder of the Township is included in the Pinelands National Reserve, but that development is regulated by the Division of Coastal Resources (New Jersey Department of Environmental Protection), not by the Pinelands Commission.

3. Washington Township in Burlington County is 107 square miles in area and lies in the central portion of the Pinelands Area. Seventy-three percent of its land (49,993 acres) was owned by the State prior to the enactment of the Pinelands Protection Act. Population density is very low (8 persons per square mile in 1980).

The population of Washington Township in 1980 was 808, twenty percent higher than the 1970 population of 673. Little development took place during the seventies with only 37 building permits being issued from 1972 to 1980. None are yet reported for 1981. Washington Township is the only municipality in the Pinelands Area other than Woodland Township which is located entirely within the Pinelands

Preservation Area. Future development is therefore severely restricted except in the three designated villages of Lower Bank, Green Bank, and Jenkins. In 1980 the Township provided employment for 104 people, a ratio of .13 jobs per resident. Per capita income in 1969 was only two-thirds of the average in New Jersey and fell even further behind during the '70s.

4. Woodland Township (95.4 square miles in area) occupies a central location in the Pine Barrens, and is situated entirely within the boundaries of the Pinelands Preservation Area. Population density is very low even for Pinelands communities, with approximately 11 permanent residents per square mile. Prior to the establishment of the Pinelands National Reserve, the State of New Jersey owned twenty-eight percent of the land in Woodland Township. Twenty percent of the Township's land (12,104 acres) is qualified farmland.

In 1980, the population of Woodland Township was 2,285, twelve percent higher than the 1970 population of 2,032. It should be noted, however, that these numbers include residents of the New Lisbon State School (a mental institution), who make up almost half the Township's population (1,237 in 1970 and 1,243 in 1980). The number of permanent residents grew by 31 percent during the seventies, from 795 to 1,042. Between 1972 and 1978, 133 residential building permits were issued, averaging 19 per year. Nine permits were issued in 1979, and preliminary records indicate that only one permit has been granted since the beginning of 1980. Thus, the Township's growth has come to a virtual standstill since Pinelands land use regulations went into effect.

Employment in the community is low with .15 jobs per capita in 1980. Per capita income in Woodland is also low, weighted by the State School residents. However, income growth between 1969 and 1979 significantly exceeded trends in the rest of the State and in the three other townships.

B. REVENUES

This section briefly describes trends in municipal revenues and their structure. The revenue characteristics of the four townships, and compared to Statewide, are summarized in Table II-2. The table shows per capita amounts for the major revenue categories. The negative numbers shown in the municipal purpose property tax category indicate that these three townships (Lacey, Washington and Woodland) were, in effect, subsidizing the County and School Districts out of non-property tax revenues. This situation is the result of several factors. The townships, as the tax collector, must pass on 100 percent of the taxes levied by overlapping units regardless of how much tax is collected. If the township has no local purpose property tax (as in the case of Woodland and Lacey) then any uncollected property tax must be made up from other sources. In the case of Woodland, the poor record of collections is such that the entire local purpose tax is inadequate to make up the loss from uncollected County and School taxes.

Table II-2

PER CAPITA REVENUES 1/

	State	Hamilton Township	Lacey Township	Washington Township	Woodland Township 3/
Property Tax 2/					
1972	$315	$322	$238	$397	$370
1978	441	354	282	482	533
1981	499 7/	603	563	536	582
Municipal Purpose Property Tax 4/					
1972	$ 59	$ 17	$ -3	$-13	$-46
1978	84	6	-24	-17	-33
1981	93 7/	21	-58	-56	-107
Utility Tax					
1972	$ 24	$ 35	$269	$ 22	$ 23
1978	53	63	359	39	52
1981	61 7/	89	394	43	53
Municipal Other Revenue					
1972	$ 51	$ 65	$ 68	$ 49	$ 89
1978	79	110	85	86	267
1981	93 7/	128	38	69	227
Intergovernmental Revenue 5/					
1972	$ 21	$ 14	$ 3	$ 6	$ 22
1978	62	26	44	34	66
1981	56 7/	22	39	19	117
Total Municipal Revenues 6/					
1972	$410	$436	$578	$473	$504
1978	635	553	770	641	917
1981	711 7/	842	1,033	666	980

1/ Source: N.J. Department of Community Affairs Annual Reports of the Division of Local Governmental Services, 1972, 1978 and Municipal Budgets 1982.

2/ Includes Property Tax Revenues of School and Special Districts and Counties.

3/ Excluding population living in the State School, 1980.

4/ Total Property Tax collected less transfers to Schools, County and Special Districts.

5/ Intergovernmental Revenues for Municipalities. Does not include aid to School Districts or Counties and other Special Districts.

6/ Including School and County property taxes. Totals may not agree due to rounding.

7/ 1980

In Lacey, public utility taxes (which are primarily gross receipts taxes levied on the Oyster Creek nuclear power plant) accounted for nearly 40 percent of total revenues in 1978 and contributed to much of the increase in revenues although property taxes, State and federal revenues, and miscellaneous revenues also grew substantially. The end-of-year surplus in Lacey expanded rapidly after 1974, reaching $2.7 million in 1978. The Township contributes general revenues to the School District in addition to the school tax levy. Woodland generates more revenues in the "other" category than the other townships and in the State. These are largely franchise and gross receipts revenues and interest revenues. Woodland has also been the recipient of a rapidly increasing share of intergovernmental revenues.

Hamilton revenues have followed Statewide trends the most closely of the four. Washington's limited municipal purpose budget is reflected in the lower than average level of revenues raised in every category except for the heavy school and County requirements on the property tax.

C. TAX RATES

The trends in tax rates, by themselves, do not give a true indication of trends in the aggregate tax burden, since the other half of the property tax equation (assessed value) is missing. Property tax bills are, after all, based on both the rate and the assessed value. However, a high level of visibility is accorded to tax rates in the local budget process, and the fact is that a change in any one individual property-owner's school and municipal tax bill from year to year will (in the absence of a revaluation or reassessment) directly relate to changes in the tax rate. (County tax rates are based on equalized values rather than assessed values.) Consequently, it is important to examine the trends in tax rates as indicators of fiscal changes. Table II-4 summarizes trends in tax rates for the four townships and the State.

1. Hamilton: Both the actual and equalized property tax rates increased from 1972 to 1976, and then declined substantially in 1977 and 1978. In 1976, the tax rate was $5.12, compared to $3.67 in 1978. From 1980 to 1981, following a revaluation, the Township tax rate increased by nearly 50 percent, from 2.02 cents per 100 dollar to $2.98. This was by far the largest percentage increase in the actual tax rate recorded among the fifty-two Pinelands municipalities in 1981. The 1982 tax rate in Hamilton Township increased again to $3.20 per $100.

2. Lacey: The tax rates in Lacey Township varied during the mid-1970's (after a 1974 revaluation), increasing substantially in 1975, then dropping in 1977, and rising slightly in 1978. The equalized tax rate also peaked in 1975, and declined thereafter. During this time, the Township had no local purpose tax, and the county tax levy steadily increased. The variability in the tax rates was caused by fluctuations in the School District tax levy. Lacey Township's tax rate in-

Table II-3

TAX RATES 1/

	State	Hamilton Township		Lacey Township		Washington Township		Woodland Township	
	per $100	per $100		per $100		per $100		per $100	
	assessed value	assessed value	true value	assessed value	true value	assessed value	true value	assessed value	true value
1982	N/A	$3.30	$2.06	$1.96	$1.95	$4.49	$2.20	$3.65	$2.26
1981	3.78	2.98	1.87	2.08 2/	2.07	4.25	2.09	2.83	1.75
1980	3.67	2.02 2/	1.35	1.57 3/	1.01	3.59	1.86	2.67	1.85
1979	3.60	3.66	1.88	1.53	1.07	3.35	1.73	2.46	1.55
1978	3.71	3.67	2.38	1.51	1.10	3.17	1.19	2.08	1.28
1977	3.90	4.31	2.92	1.47	1.14	3.06	2.15	2.04	1.64
1976	4.26	5.12	3.23	1.76	1.43	3.98 3/	2.72	2.25	1.90
1975	4.14	4.11 3/	2.88	1.78	1.52	3.91	2.24	1.70 2/	1.53
1974	4.13	3.91	2.65	1.20 2/	1.09	3.20 2/	1.73	3.72	2.63
1973	4.32	4.82	2.79	2.03	1.26	4.33	1.79	3.35	2.82
1972	4.75	4.57	2.54	2.03	1.43	4.39	2.68	3.68	3.13

1/ Total of County, School, Special District and Municipal Purpose Rates.

2/ Revaluation.

3/ Reassessment.

Source: New Jersey Department of Community Affairs, Annual Report of the Division of Local Government Services creased only slightly in 1979 and 1980, reflecting increases in both school and County tax levies.

In 1981, Lacey Township underwent a revaluation which increased its assessment/sales ratio from .64 to almost 100 percent. Despite the increased assessments, in response to the hugely increased school levy the Township's tax rate rose from $1.57 in 1980 to $2.08 in 1981. The equalized tax rate increased by over 100 percent (from $1.01 to $2.07). The tax rate decreased somewhat in 1982, but remains well above pre-1981 levels at $1.96, of which 11 cents is the new local purpose tax, $1.37 is the School District tax, and $.48 is levied by the County.

3. Washington: Washington Township's tax rate fluctuated in the mid-1970's due partly to a revaluation in 1974 and a reassessment in 1976. From 1976 to 1977, the rate declined from $3.98 to $3.06 and then increased slightly to $3.17 in 1978. During the Pinelands moratorium, Washington Township's tax rate increased from $3.17 in 1978 to $3.35 in 1979 and then to $3.59 in 1980. Washington Township's current tax rate is $4.49 per $100 of assessed value, the highest in the four communities.

4. Woodland: In the seven years prior to the enactment of federal and State Pinelands legislation, Woodland Township's tax rate fluctuated widely, due in part to a revaluation which took effect in 1975. The equalized tax rate, however, exhibited a fairly steady decline over the period, dropping

from \$3.13 per \$100 of true value to \$1.28 in 1978. The reason for this reduction in the equalized tax rate is that the market value of real estate rose significantly during the mid-1970's, thereby inflating the aggregate true value of real property at an average annual rate of 19.6 percent between 1972 and 1978.

Woodland Township experienced two substantial tax hikes in 1979 and 1980, with the tax rate increasing from \$2.08 in 1978 to \$2.67 in 1980. The 1981 tax rate posted yet another increase to \$2.83. The 1982 tax rate jumped substantially yet again to \$3.65 per \$100 assessed value. This includes a local purpose tax rate of .35, up from .084 in 1981.

D. PROPERTY TAXES

Table II-4 presents comparable data regarding property taxes in the four townships and compared to the State. Detailed property tax information is provided in Appendix B.

1. Hamilton: The average residential tax bill climbed from \$436 in 1972 to \$680 in 1976, and then dropped to \$512 by 1978. (Statewide, the average tax bill was \$1,214 in 1978.) The average tax bill began to rise again, however, to \$594 in 1980, reversing the trend of the previous two years. Tax bills increased despite continuing reductions of the local purpose tax, primarily because the School District tax levy

Table II-4

Property Taxes 1/

	State	Hamilton Township	Lacey Township	Washington Township	Woodland Township
Property Tax as a % of Total Revenue					
1972	76.8%	73.9%	41.1%	83.8%	73.4%
1978	69.2	64.0	36.6	75.1	58.1
1981	70.1 2/	71.7	54.5	80.4	59.4
School, County and Special District Tax as % Property Tax Collected					
1972	81.3%	94.8%	101.3%	103.2%	112.4%
1978	80.7	98.4	108.7	103.6	106.2
1981	81.3 2/	96.5	110.2	110.5	118.4
Average Property Tax Per Residence					
1972	$ 966	$ 436	$ 264	$ 407	$ 317
1978	1,214	512	401	617	456
1981	1,492	916	928	875	668
Residential Share (%) of Property Tax Levy					
1972	61.6%	42.1%	74.1%	38.7%	17.0%
1978	61.0	41.5	65.9	46.1	24.0
1981	N/A	49.4	73.2	54.6	30.4
Property Tax Collection Rate					
1972	95%	90%	90%	95%	64%
1978	N/A	91	90	93	88
1981	N/A	92	90	90	81

1/ Including Property taxes collected for County, Schools and Special Districts

2/ 1980

Source: N.J. Department of Community Affairs.

climbed from $1.9 million in 1978 to $2.5 million in 1980. The average residential tax bill climbed by more than 50 percent from $594 to $916 in 1981. The local purpose tax levy more than tripled; both school and County taxes also rose substantially.

2. Lacey: School taxes have increased significantly in this Township during the past decade, more than doubling during the 1972-1978 period and then more than tripling in the period since. The percentage of taxes collected in the township dropped from 90 percent in 1979 to 82 percent in 1975, and then returned to 90 percent in 1978 where it remains. Property tax per residence was low as a result of the high level of utility tax revenue -- also reflected in the much lower than typical share of total revenues made up by property taxes.

3. Washington: The average residential tax bill steadily increased from $407 per household in 1972 to a high of $730 in 1976. In 1977, the decline in the tax rate caused the average residential bill to drop to $564. However, taxes continued their previous upward trend again in 1978, although the average residential bill of $617 was only half the Statewide average of $1,265. By 1981 the average tax bill had grown to $875. As shown in Table II-4, the residential share of the tax burden has grown steadily during the decade, and more rapidly so since 1978.

4. Woodland: The total property tax levy increased in Woodland over the 1973-1978 period, but at the relatively modest pace of 3.2 percent per year. (Statewide, property tax levies increased by 5.6 percent annually.) County taxes grew at the fastest rate, and school taxes also rose, although not at a steady rate. Local purpose taxes, however, actually dropped by eighty percent from $133,250 to $24,186 in 1978. The overall growth in taxes caused the average residential tax bill to rise from $317 in 1972 to $456 in 1978, although Statewide the average tax bill in 1978 was $1,214, nearly three times higher than in Woodland Township. Table II-4 shows the significant shift of the tax burden to residential properties (from 17 percent in 1972 to 24 percent in 1978 and 30 percent in 1981) during the decade. This trend, in evidence before Pinelands, has continued at a greater rate since then.

As recently as 1974, the collection percentage was a meagre 61 percent of the tax levy. However, by 1978 a dramatic improvement had occurred in the percentage of property taxes collected, including delinquent tax and lien collections; and an 88 percent collection level was achieved. Consequently, while the Woodland tax levy increased at only a 3.2 percent annual rate from 1972 to 1978, property tax collections grew by 9.2 percent per year, on the average. Collections had slipped again somewhat to 80 percent by 1981. This is by far the worst collection record of the four townships.

E. RATABLE BASE

Table II-5 summarizes the characteristics of the ratable base in the four townships and the amount of publicly owned land in each. Table II-6 provides a comparison of the composition of ratables in 1982. Since probably the most readily measurable Pinelands-related fiscal impact may be seen in changes in land value, the analysis of ratable base is presented in some detail as necessary background for considering net Pinelands effects in Chapter III. Details of trends in value are given in Tables B-3 and B-4 of Appendix B.

1. Hamilton: Hamilton has 42,118 acres in the Forest Area, 840 acres in the Agricultural Production Area, 15,290 acres in the Rural Development Area, and 12,410 acres in the Regional Growth Area.

Following a reassessment which took effect in 1975, total assessed value of real property remained relatively stable until 1978, so apparently gorwth in ratables did not contribute to the tax rate decline. In 1972, vacant land accounted for only 16.7 percent of the total ratable base; this proportion increased to 29.0 percent in 1975, and decreased thereafter to 22.7 percent in 1978. The actual assessed value of vacant land dropped slightly between 1976 and 1978, from $21.9 million to $20.4 million.

Of the 1982 assessed value of real property ($210,922,990),

Table II-5

Characteristics of Ratable Base and Land Ownership

	State	Hamilton Township	Lacey Township	Washington Township	Woodland Township
Total Acreage 2/	4,793,088	72,330	55,341	68,557	61,043
Per Capita (1980)	0.7	7.6	8.9	84.8	58.6 1/
Pinelands Area 3/					
% In Pinelands area	-	98.8	73	100	100
% In Preservation area	-	0	56	98	97
Ownership 3/					
% Publicly owned (1979)	-	.9%	15.4%	72.9%	27.8%
% Acquired by state (1980-82)	-	-	1.7	1.9	7.5
% Eventually publicly owned	-	7.2	38.9	80.3	39.9
Ratable Value					
Per Capita Full Market Value 4/					
1972	$ 9,397	$13,632	$17,479	$14,764	$18,168 1/
1978	15,659	15,584	27,424	24,953	45,240
1982	N/A	33,334	27,591	26,646	34,337
Vacant Land as % of Market Value 5/					
1972	5.6%	17.9%	32.2%	2.7%	77.5%
1978	4.9	21.9	31.0	9.6	92.6
1981	5.0 6/	26.8	15.9	14.1 5/	46.6

1/ Excluding residents of the State School.
2/ Source: N.J. Division of Local Government Affairs
3/ Source: Pinelands Commission % based on acerage (includes federal).
4/ New Jersey Department of Treasury, Division of Taxation.
5/ Source: New Jersey Division of Taxation.
6/ 1980.

residential properties constitute over half the ratable base, and vacant land accounts for nearly a quarter of the total.

2. Lacey: Seventy-three percent of the Township is within the boundaries of the Pinelands Area, with 30,893 acres in the Preservation Area District, 9,014 acres in the Forest Area, and 914 acres in the Rural Development Area.

In 1979, the State of New Jersey owned 8,527 acres of land in the Preservation Area. To date, the State has acquired an additional 941 acres under the Pinelands Protection Act, and another 13,050 acres are scheduled for future purchase. These Pinelands acquisitions will bring the total amount of publicly owned land to 21,418 acres (or 39 percent of the Township), all within in the Preservation Area.

Following the 1974 revaluation, the total assessed value of real property increased at a slow but steady rate of about 3.3 percent per year. The vacant land ratable base, however, decreased steadily due to the conversion of vacant land to other uses (especially residential) to accomodate the community's rapid growth. Vacant land as a percentage of total assessed value of real property dropped from 27 percent in 1974 to 23 percent in 1978. The true (or market) value of property in the Township increased much faster than assessed value, so that the equalization ratio declined from .91 in 1974 to .73 in 1978.

The total ratable base continued to grow slowly in 1979 and 1980, as it had in previous years. The assessed value of

TABLE II-6

Composition of Ratables - 1982
000s
(figures in parentheses are percent of total)

	Hamilton Township		Lacey Township		Washington Township		Woodland Township	
Vacant Land	$ 51,980	(24.6%)	$ 68,561	(15.5%)	$ 1,365	(12.5%)	$ 10,826	(46.8%)
Residential	114,100	(54.1)	306,571	(69.5)	6,326	(57.9)	8,073	(34.8)
Farm (Regular)	4,806	(2.3)	422	(.1)	525	(4.8)	1,027	(4.4)
Farm (Qualified)	3,305	(0.6)	50	(--)	735	(6.7)	972	(4.2)
Commercial	24,868	(11.8)	26,517	(6.0)	549	(5.0)	1,387	(6.0)
Industrial	9,141	(4.3)	38,873	(8.8)	1,431	(13.1)	930	(4.0)
Apartments	4,973	(2.3)	--	(--)	--	(--)	--	(--)
Total 1/	210,993	(100)	440,994	(100)	10,931	(100)	23,216	(100)

1/ Totals may not agree due to rounding.

vacant land fell slightly in 1980, continuing a decline in the previous three years due to the conversion of vacant land to developed uses. In 1981 the Township underwent a revaluation which resulted in a loss of $4 million in assessed value (about 1 percent of the total). Only Woodland Township had a larger percentage decline in the assessed value of real property among the Pinelands municipalities that year.

The 1982 assessed value of real property is $440,993,810, of which residential properties account for the major part, and vacant land makes up about 15 percent.

3. <u>Washington</u>: Seventy-three percent of Township land (49,993 acres) was owned by the State prior to the enactment of the Pinelands Protection Act, and another 3,309 acres have been acquired by the Department of Environmental Protection since 1980. Future acquisitions are espected to total 3,745 acres, bringing the total amount of State-owned land to 55,047 acres (over 80 percent of the entire Township). Land qualifying for farmland assessment totalled 8,778 acres in 1981.

Following the reassessment of 1976, the total assessed value of real property increased only very slightly in the succeeding two years, from $11.66 million to $11.75 million. The assessed value of vacant land declined slightly, from $1.49 million to $1.44 million. Vacant land as a proportion of total ratables had grown considerably prior to 1976, from 3.4 percent of total assessed value in 1972, to 8.1 percent in 1974, and finally to 12.8 percent in 1976. It remained over twelve percent in 1977 and 1978.

The total assessed value of real property is $10,930,950 in 1982. Despite the low population density of the Township, and because of the huge amount of State-owned land, residential properties constitute the largest source of ratables. Vacant land accounts for only 12.5 percent of total assessed values. From 1980 to 1981, the total ratable base declined by 10.3 percent, for a loss of $1,257,000 in assessed value. This was the largest percentage drop in assessed value recorded among all the Pinelands municipalities in that year. In 1982, the Township also lost ratables totalling $66,000 (0.6 percent of aggregate assessed value of real property), which constituted the third largest proportionate decline among Pinelands municipalities. Vacant land ratables declined by $26,000 in 1981 and by $42,000 in 1982, although the proportion of total assessed value accounted for by vacant land remained over 12 percent in both years.

4. Woodland: Prior to the establishment of the Pinelands National Reserve, the State of New Jersey owned 16,993 acres of land in Woodland Township. Since 1979, the Department of Environmental Protection has purchased 4,574 acres, and another 2,814 acres are scheduled for acquisition in the near future. These acquisitions will bring the total area of publicly owned land to 24,381 acres (or forty percent of the Township). The remaining undeveloped land will continue in private ownership. Twenty percent of the Township's land (12,104 acres) is qualified farmland.

The total assessed value of real property in Woodland Township remained relatively stable between 1972 and 1978, except in 1975 when a revaluation doubled the ratable base. Vacant-land assessments also showed little overall change, increasing slightly in some years and declining in others. Vacant land has traditionally accounted for an extremely large percentage of the Township's total ratable base; between 1974 and 1978 the proportion hovered around 65 percent of total assessed value, compared to four percent for the State as a whole.

Growth in real property assessments in 1979 and 1980 continued at the same modest rate which prevailed in preceding years. Total assessed value of real property increased from $27.6 million in 1978 to $28.7 million in 1980; and the assessed values of vacant land declined slightly in 1979 and then rose again in 1980 to equal the 1978 value. The percentage of total ratables accounted for by vacant land generally showed a gradual decline from 1975 to 1980; however, this trend has been accelerating markedly since then.

In 1981 the ratable base shrank by 9.1 percent, with an aggregate loss of $2.6 million in ratables. The reduction in assessed valuation was due to a decrease in vacant-land assessments from $17.4 million in 1980 to $14.1 million in 1981, for a total loss of $3.3 million in ratables.

The downward trend in assessed valuation which began in 1981 continued in 1982. Total assessed value of real property dropped by $2.9 million (11.1 percent) in 1982. Again, the source of the decline was the vacant-land category, which lost another $3.4 million.

From 1980 to 1982, Woodland Township's ratable base declined by 19 percent, with a net loss of $5.5 million in assessed value. Losses were incurred entirely in the vacant-land category, which plummeted in value from $17.5 million in 1980 to $10.8 million in 1982. As a result, the proportion of total assessed value accounted for by vacant land dropped from 61 percent in 1980 to 47 percent in 1982. No other Pinelands municipality experienced such a large percentage of declines in ratables in two successive years.

The total assessed value of real property in 1982 is $23,215,824 which is broken down as shown in Table II-6. Vacant land accounts for almost half of the total ratable base. Residential properties also constitute a significant and increasing share of taxable real estate. Farm, commercial, and industrial ratables represent minor sources of property tax revenues in the Township.

F. REVENUE BURDEN

In viewing revenue trends, it is not always sufficient to look at the level of revenues alone. Extraneous factors, such as Pinelands, that may affect those revenues will also affect the burden of those revenues. If the burden is light, then perhaps a cushion may exist to absorb a portion of any negative fiscal impact. Conversely, if the revenue burden is already heavy, then a lesser impact may have a more disastrous result.

Table II-7 presents some measures of revenue burden for comparative purposes. These items are couched in terms that show, to some extent, the "ability to pay" for the townships compared to the State. Table II-7 shows that, in relation to market value of property, tax revenues are lower in these townships than generally in the State. This can be explained, at least partially, by the much higher than typical proportion of vacant land existing in these communities.

On the other hand (using per capital income as a yardstick of ability to pay), Table II-7 suggests that, in general, the revenues raised in these communities are a greater burden than is typical in New Jersey. This is a result of the fact that (as shown in Table II-1) income levels tend to be below the State average.1/

G. EXPENDITURES

The largest items of municipal expenditures are the payment of property taxes to School Districts and Counties.

1/ Note that, because per capita income after 1977 is not available at the township level, the indicators for 1978 and 1981 reflect relative changes only in the numerator. Per capita income since 1977 is estimated based on State-wide figures. Once new Census income figures are released (expected in October of 1982) these ratios should be updated.

Table II-7

INDICATORS OF BURDEN

	State	Hamilton Township	Lacey Township	Washington Township	Woodland Township
Property Tax Collected as % FMV					
1972	4.5%	2.36%	1.36%	2.69%	2.03%
1978	3.6	2.27	1.03	1.93	1.18
1981	N/A	1.83	1.90	1.97	1.47
Local Revenues as a % of Personal Income					
1972	8.3%	11.85%	15.6%	15.4%	10.24% 2/
1978	8.0	9.73	13.0	13.8	12.84
1981		10.85	11.4	10.5	9.69
Average Tax Per Residence 1/ As % of Income 3/					
1972	20.4%	12.2%	7.2%	13.4%	16.6%
1978	17.0	9.5	7.2	14.0	15.5
1981	14.9	12.1	10.6	14.2	16.3

1/ Average tax Per Residence from: New Jersey Department of the Treasury, Division of Taxation, "Average Real Estate Tax Bill in New Jersey by Taxing District - By Property Class"

2/ Including residents of the State School.

3/ In the absence of household income figures per capita income is used as the denominator for measuring comparative burden. Note that, however, per capita income is derived from the Census per capita money income figures for 1969 and 1977, with adjustments made since 1977 reflecting income changes throughout the State. Therefore, the rates for 1978 and 1981 do not reflect relative changes in township income during that period.

Other expenditures are for public safety (police and fire), roads and streets, sanitation, health and welfare, recreation, and general government. Table II-8 summarizes general trends in expenditures by character over the historical period 1972 to 1981. Table II-9 summarizes per capita expenditures by municipal function for the same period.1/ Trends in the individual communities are described below.

1. Hamilton: Expenditures for municipal services more than doubled from 1972 to 1978 with debt service and deferred charges growing substantially. The reserve for uncollected taxes also expanded rapidly until 1976, and then dropped significantly in response to the improvement in the percentage of the total tax levy collected, from only 77 percent in 1975 to 88 percent in 1977, and then to 91 percent in 1978. The reduction in the reserve for uncollected taxes was accompanied by an increase in public utility taxes and State aid revenues, so that emphasis on property taxes could decline during that period.

Hamilton spends somewhat less than typical in the State for municipal functions, but more on transfers to the County and School District. This has been reflected in large increases in the school tax levy since 1980.

2. Lacey: Between 1972 and 1978, Lacey expenditures increased at an average annual rate of 15 percent. Revenues,

---

1/ Trends in expenditures and holdings are given in more detail in Appendix B, Tables B-7 and B-8.

TABLE II-8

Per Capita Expenditures
(by character)

	State	Hamilton Township	Lacey Township	Washington Township	Woodland[1] Township
Municipal Function					
1972	$137	$108	$302	$ 76	$146
1978	252	187	384	130	249
1981	279	224	364	151	390
Debt Service					
1972	13	4	0	0	0
1978	22	12	0	0	0
1981	26	67	0	0	0
Transfers to School & Special Districts and County					
1972	262	305	241	409	416
1978	355	348	306	499	566
1981	405	582	620	592	689
Total					
1972	413	417	543	485	562
1978	630	547	690	629	815
1981	710	873	984	743	1,079
Reserve for Uncollected Taxes					
1972	23	44	24	56	158
1978	31	60	45	60	163
1981	32	67	55	97	138

1/ Excluding residents of the State School.

however, increased at an even faster rate (17.5 percent) as a result of growth in utility taxes and other categories. By 1978, the municipal surplus had reached $2.7 million. The Lacey budget for municipal functions, however, increased by $3.3 million from 1978 to 1980 (a 70 percent increase), with no growth of comparable magnitude in revenues. As a result, much of the prior year's surplus appropriated in 1980 was utilized; and the end-of-year surplus dropped from $3.4 million in 1979 to $1.9 million in 1980. This situation is attributable to increased expenditures on municipal services and facilities, made necessary by the rapid growth of the Township. The average residential tax bill jumped from $432 to $928 between 1980 and 1981 as the equalized tax rate doubled. No other Township in the Pinelands experienced an increase in the equalized tax rate of greater than 20 percent. The major cause of this large increase was the tripling of the School District property tax levy.[1/] However, the budget for municipal functions declined so as to partially offset that increase.

The unusually high level of "other" expenditures for Lacey (shown in Table IV-2) reflects contributions of general revenues to the School District -- which explains why the transfers to schools and County (shown in Table IV-1) remained somewhat lower than typical until the tripling of the school levy in 1981.

1/ School facilities were greatly expanded during that year.

TABLE II-9

Per Capita Municipal Expenditures
(by function)

	State	Hamilton Township	Lacey Township	Washington Township	Woodland[1/] Township
General Government					
1972	$ 20	$ 24	$ 66	$ 26	$ 51
1978	39	55	72	42	97
1980	49	52	82	46	145
Safety					
1972	50	19	48	7	22
1978	75	24	72	22	31
1980	92	24	92	18	52
Public Works					
1972	35	47	90	38	58
1978	54	66	79	44	67
1980	61	74	137	65	55
Health & Welfare					
1972	6	3	5	2	6
1978	10	4	6	7	10
1980	10	6	6	13	11
Other					
1972	26	15	93	1	7
1978	73	38	155	16	43
1980	68	33	247	6	57
TOTAL					
1972	137	108	302	75	145
1978	250	187	384	130	249
1980	280	188	564	148	319

SOURCE: Division of Local Government Services, Annual Reports.

1/ excluding population in the State School.

3. <u>Washington</u>: Total budget expenditures expanded at a fairly rapid pace (about 13 percent per year) from 1973 to 1976, and then dropped by 16 percent in 1977, due to a decline in the School District tax. This drop in the school tax was the cause of the tax rate reduction in 1977. The municipal budget generally increased over the 1972-1978 period, as did most sources of revenue, particularly State and federal revenues. The end-of-year budget surplus grew at an average annual rate of 21 percent over the entire period.

Washington's municipal function expenditures are low, reflecting the minimal level of municipal services aspired to by its residents. (The Township has no police service.) On the other hand, per capita expenditures for school and County services are the highest of the four townships and much higher than in the State as a whole.

4. <u>Woodland</u>: Total budget expenditures increased in Woodland at an average annual rate of 7.9 percent from 1972 to 1978. Payments for school and County taxes, which represent the largest item in the municipal budget, grew at an average annual rate of 8.2 percent. Expenses for municipal functions also expanded signficantly, particularly from 1977 to 1978. In general, however, growth in property tax revenues, accompanied by increasing public utility taxes and other miscellaneous revenues, were adquate to offset increased costs. The Township's end-of-year surplus was higher in 1978 than in

any of the previous years. One of the primary reasons for the improved fiscal balance was a dramatic improvement in the percentage of property taxes collected, including delinquent tax and lien collections. As recently as 1974, the collections percentage was a meagre 61 percent of the levy; but by 1978 an 88 percent collection level was achieved. Calculating per capita expenditures on the basis of permanent residents, Woodland expenditures on municipal functions are much closer to the State average than its similarly rural neighbor, Washington Township. Since school and County transfers are even higher than Washington, total expenditures (on a per capita basis) are significantly greater than Washington's. In fact, total expenditures per permanent resident are the highest of the four townships, well exceeding the State average.

Chapter III

PINELANDS IMPACTS

A. FISCAL IMPACTS IN GENERAL

Local government fiscal impacts associated with the Pinelands can be considered generally as falling into two categories. One, effects on local revenues and revenue raising ability; and two, effects on local government expenditures. (In addition, there are likely to be private sector impacts affecting property values and the costs of complying with environmental regulations. The focus of this paper, however, is on the former -- the fiscal impacts on local governments.)

Fiscal effects on local revenues and revenue raising capability are likely to result -- and therefore be measurable -- in several different ways.

- Revaluations and reassessments will reflect market transactions in which price may be influenced by the buyers' and sellers' perception of Pinelands effects on property value.

- Property owners will appeal their assessment values if they perceive that Pinelands has reduced the value of their property. If it can be shown by sales comparisons that this is in fact the case, then reduced assessments will be granted.

- Land will be acquired by the State, thus removing it from the ratable base.1/

- Expenditures for public services might be affected -- either reduced or increased -- by the Plan.

These effects will influence revenues -- and who pays for those revenues -- as follows. If market values change, reflecting one class of property becoming more or less valuable in relation to another class (as for example residential versus vacant land), then the property tax burden will shift proportionately onto the owners of the type of property that has become relatively more valuable. If tax refunds are granted following appeals, then revenues must be raised to provide for those refunds. If the State acquires land under the Green Acres program, then no immediate revenue loss will occur but, beginning in the second year, the revenue collected from that land will begin to decline, disappearing completely after thirteen years. Those lost revenues must in the future be offset by increases from other sources if the same level of services is to be maintained.

Expenditure effects of the Plan could include the cost savings or increases. Costs increases might come from additional planning activities, costs of complying with more stringent environmental regulations, any costs associated with changes in the value of locally owned real property, and the costs of providing additional

---

1/ Secondary effects may also occur as a result of the direct effects on the ratable base. However, only the direct effects on property tax revenue are considered here.

services as a result of increased recreation or other activities resulting from Pinelands. On the other hand, cost savings could result if the expenditure burdens of development were avoided where development is restricted by (or proceeds more efficiently because of) the Plan.

The degree to which these effects can be quantified and their significance for the four townships is discussed next. Table III-I summarizes the changes in ratable value that are identified as being related to Pinelands -- and therefore whose results can be considered as Pinelands impacts. Loss of value of vacant land may have occurred in response to Pinelands-related restrictions on use. In some cases these losses are reflected as a result of revaluations or reassessments and in some cases through assessment appeals.1/ In addition, State acquisition of land has resulted in loss of ratable value. Table III-I depicts the results since 1980. The specific effects of the Pinelands Plan on the ratable base of the four communities, and their fiscal consequences, are outlined below. Note that it is possible that, as a result of Pinelands, value of developed properties may increase as may land values in growth areas. However, a detailed analysis of any such effects must wait on the results of the land value study now in process.

B. APPEALS AND CHANGES IN VALUATION

1. Hamilton: The Pinelands moratorium had no discernable negative impact on vacant land assessments in 1980; in fact,

---

1/ For the purpose of this study, all appeals granted on the basis of Pinelands are accepted at face value. The merit of these appeals has not be examined further.

Table III-1

CHANGES IN RATABLES[1/]
($000s)
1980 - 1982

	Hamilton Township	Lacey Township	Washington Township	Woodland Township
Change in Valuation of Vacant Land[2/]				
1980-1981	$ N/A	$ -18,056[3/] (-4.1%)[5/]	$-26 (-.2%)	$-3,287 (-11.4%)
1981-1982	N/A	N/A	-42 (-.4%)[4/]	-3,363[4/] (-12.9%)
Valuation of Acquisitions by the State[6/]				
1980	0	-865 (-.2%)	-90 (-.7%)	-1,189 (-4.1%)
1981	0	-- 63	-135 (-1.2%)	-1,280 (-4.9%)
Appeals				
Pinelands related				
1980	-1,877 (-1.0%)	-1,185 (-.5%)	0	-2,030 (-7.1%)
1981	- 58	- 994 (-.4%)	-12 (-.1%)	- 935 (-3.6%)
Other reasons				
1980	-1,798 (-1.0%)	- 385 ( )	-1,263 (-10.3%)	- 0 (-0%)
1981	- ?	-8,988 (-2.0%)	- 15 (-.1%)	- 912 (-3.2%)

1/ Details of total assessed and estimated market values are given in Appendix B Tables B-3 and B-4.

2/ For Washington and Woodland, total vacant land. For Lacey and Hamilton, change in value of vacant land in the Preservation and Forest areas.

3/ Following a revaluation.

4/ Reassessment underway in 1982.

5/ Figure in parenthesis are the percentage of total assessed value in that year.

the value of vacant land as a proportion of total assessed value rose from 21.6 percent in 1979 to 27.3 percent in 1980. The revaluation which, however, did not take into account land use restrictions imposed under the moratorium, took place in 1980. Following this revaluation, true value of vacant land jumped by 46 percent, from $56.3 million in 1979 to $82.0 million in 1980. Over 500 building permits were issued in 1979 and 1980, compared to 200 in 1977 and 1978; so it appears that, in general, the moratorium had little immediate effect on the Township's rate of growth or its ratable base.

Following the revaluation (which took effect in 1980), many property owners appealed their new (higher) assessments to the Atlantic County Tax Board, some on the basis of Pinelands building restrictions. Summarized below are the judgments on appeals which cited land use regulations imposed by the Pinelands Commission:

Hamilton Township
Pinelands Appeals, 1980

	Number of Appeals	Original Assessment	New Assessment	Change
Stipulated by Assessor	64	$473,600	$204,000	-$269,600 (-56.9%)
Granted After Hearing	44	$3,252,100	$1,644,700	-$1,607,400 (-49.4%)
Total	108	$3,725,700	$1,848,700	-$1,877,000 (-50.4%)
Denied or	23	$1,581,640	$1,581,640	0

Of the 108 Pinelands appeals which were granted or stipulated (negotiated), assessments were cut in half on the average, for a total loss of $1,877,000 in assessed value. Some appeals were denied because the appellants did not adequately demonstrate that they were unable to develop their land. According to Hamilton Township's tax assessor (who was newly appointed in 1981), only 7 Pinelands tax appeals were granted in 1981. The value of these properties was reduced an average of 29.5 percent, from $197,700 to $139,300. Therefore, for 1981 only this $58,400 in lost ratables can be directly attributed to Pinelands regulations.

Factors other than Pinelands were also at play in affecting the ratable base. In 1980, tax appeals that were granted on the basis of factors other than Pinelands restrictions resulted in a reduction of $1,798,340 in assessed valuation, which represents nearly half of the total reductions that year. In spite of all the appeals, the total assessed value of real property in the Township increased by $14 million in 1981, and even the assessed value of vacant land grew by $2.4 million. Therefore, the negative impacts of Pinelands building restrictions on assessments seem to have been more than compensated for by the effects of development which was permitted to proceed (219 building permits were issued in 1980), and by an escalation of land values based on anticipated growth in the future.

A number of appeals were filed in 1981 by two development corporations resulting in losses of $439,050 in ratables (assessments were reduced from $1,069,300 to $630,250). While these parcels lie within the boundaries of the Forest Area, the reductions were granted by the assessor on the grounds that the lands are swampy and therefore unable to accomodate development, rather than specifically because of the Pinelands Plan. The total assessed value of vacant land was also reduced in 1981 due to the conversion of vacant properties to residential land use.

In summary, Pinelands related appeals in Hamilton Township in 1980 and 1981 resulted in a loss in ratables of $1,935,400 (or about 1 percent of the total assessed value). These negative impacts, however, may well have been offset by increases in land values outside the Forest Area.

2. Lacey: In 1980, several landowners in Lacey Township appealed their assessments to the Ocean County Tax Board because of building restrictions imposed under the Pinelands moratorium. The results of these appeals are summarized below:

Lacey Township
Pinelands Appeals, 1980

	Number of Appeals	Original Assessment	New Assessment	Change
Stipulated	4	$ 296,340	$ 239,250	$57,090 (-19.3%)
Granted	6	$3,728,335	$2,600,540	-$1,127,795 (-30.2%)
Total	10	$4,024,675	$2,839,790	-$1,184,885 (-29.4%)
Denied	1	$ 32,200	$ 32,200	0

A total of $1.2 million in assessed value was eliminated in 1980 due to Pinelands appeals, resulting in $18,603 in cancelled taxes. These cancelled taxes represent only 0.1 percent of the total revenues in 1980 and 0.5 percent of the total tax levy. The collection percentage, therefore, was not greatly affected and in fact remained at 91 percent in 1980, the same as in 1979. The loss of ratables associated with the 1980 appeals did not directly affect the 1981 ratable base, because the entire Township was revalued at 100 percent of market value, and all assessments were revised taking into account Pinelands regulations. The effects of the revaluation on the ratable base are discussed below.

The revaluation which took effect in 1981 took into account Pinelands building restrictions anticipated under the Comprehensive Management Plan, and used market transactions which took place during the moratorium to estimate the value of property in the Preservation and Forest Areas. Market values for vacant land were set at about $500/acre ($700/acre for properties with extensive road frontage). The Township assessor calculates that the total assessed value of land affected by Pinelands regulations in 1981 (after the revaluation) was $19,899,800. Since land was assessed at 100 percent of true value, this amount is equivalent to the market value of the land. In 1979, prior to any Pinelands appeals, these properties had been assessed at a total of $22,773,435. Since the 1979 ratio of assessed to true value of vacant land in the Township was 60 percent, the market value of this land would have been approximately $37,955,725 in 1979. Thus, in the absence of Pinelands regulations, the 1981 revised assessments on these properties in the Preservation and Forest Areas might have totalled about $38 million instead of $19.9 million, and the total ratable base of the Township could have been increased by $18.9 million (4.3 percent).

Following the 1981 revaluation, many property owners appealed their new assessments. Some landowners in restricted areas appealed on the grounds that their assessments were still too high under the building restrictions imposed under the Comprehensive Management Plan. The outcome of these appeals is summarized below:

Lacey Township
Pinelands Tax Appeals, 1981

	Number of Appeals	Original Assessment	New Assessment	Change
Stipulated	14	$3,826,800	$2,832,400	-$994,400 (-26.0%)
Granted	0	--	--	--
Total	14	$3,826,800	$2,832,400	-$994,400 (-26.0%)
Denied	6	$ 91,600	$ 91,600	0

As a result of these appeals, 14 were stipulated by the assessor resulting in a total loss of $994,400 in assessed value. Six appeals were denied by the Ocean County Tax Board.

In 1981 there were 284 Lacey tax appeals unrelated to Pinelands regulations which resulted in total reduction of $8,988,484 of assessed value. The large number of appeals is attributable to the revaluation, which increased most assessments. Many property owners typically appeal their new assessments following a revaluation, and the assessments were in many cases adjusted by the County Tax Board or the assessor.

In sum, tax appeals in 1981 resulted in a total reduction of $9,982,884 in Lacey assessed value. Pinelands-related appeals accounted for only 10 percent of this total ($994,400). The Township had a net loss of $4.1 million in total assessed value in 1982, so that evidently the losses due to appeals were partially offset by $5.9 million in increased ratables. Pinelands effects therefore exerted a relatively minor effect compared to other influences.

In addition to these impacts on the Township's fiscal base a concern exists about the loss of value to property owners. Vacant land parcels purchased in anticipation of growth are reported to have dropped in value from (in some cases) $4000 per acre to $700. However, since these are private losses, their impact is not considered in this study.

3. Washington: No tax appeals in 1980 were filed or granted in Washington on the basis of the Pinelands moratorium. Two tax appeals were filed, however, in 1981 by property owners on the basis of Pinelands land use regulations. Reductions in assessments totalling $11,800 were granted by the Burlington County Tax Board, representing a 36 percent reduction in

land value for those parcels. One of the appeals was granted because a waiver of compliance had not yet been obtained from the Pinelands Commission; the waiver was later granted.

The major source of the loss of ratables were not related to Pinelands. Four appeals were filed in 1981 by Mission Marine Associates, the owners of a boat building operation which went bankrupt in 1980. Currently, the property is being used for storage and boat repair. The total assessed value of these industrial properties was reduced by the assessor from $2,662,500 to $1,400,000, for a total loss of $1,262,500 in ratables. Reductions were granted only on the value of the improvements, not the land. The reason given by the assessor for granting the appeals is that the income-producing potential of the factory complex is limited, due to poor access and the fact that any modifications to the structures would require a permit from the Pinelands Commission (among other public agencies). Since, however, the properties are an existing industrial use, and are located within the Village of Lower Bank, Pinelands Commission approval for modifications to existing structures would almost be assured. In addition, other non-Pinelands appeals and the assessor's corrections resulted in a loss of $14,800 in assessed value in 1981.

In summary, in Washington Township Pinelands tax appeals have had a very minor effect on the ratable value of the community, and have been overshadowed by appeals for other reasons.

4. <u>Woodland</u>: In 1980, a number of property owners in Woodland Township appealed their vacant-land assessments to the Burlington County Tax Board, using the argument that their land values had diminished due to development restrictions imposed under the Governor's moratorium. The reductions which were granted were then reflected in the 1981 assessments. Summarized below are the judgments rendered by the County Tax Board and the settlements stipulated by the municipal tax assessor on the basis of Pinelands building restrictions.

Woodland Township
Pinelands Tax Appeals, 1980

	Number of Appeals	Original Assessment	New Assessment	Change
Granted	36	$2,495,600	$1,385,400	-$1,110,200 (-44.5%)
Stipulated	21	$2,618,250	$1,698,900	-$919,350 (-35.1%)
Total	57	$5,113,850	$3,084,300	-$2,029,550 (-39.7%)
Denied Pending N.J. Tax Court Decision	5	$ 590,400	Pending	Pending

Tax appeals by property owners in 1980 thus accounted for $2,029,440 in lost ratables, all of which were classified as vacant land. The County Tax Board granted an average reduction in value of 45 percent, while assessments which were stipulated by the tax assessor were reduced by an average of 35 percent. Five appeals involving $590,400 in assessments were filed in 1979 and awaiting action by the State Tax Court.

In 1981, 35 reductions in vacant-land assessments in Woodland Township were granted or negotiated based on Pinelands regulations. In addition, several 1979 appeals which had been pending before the State Tax Court resulted in reduced assessments. The outcome of these Pinelands appeals is summarized below:

Woodland Township
Pinelands Appeals, 1981

	Year	Number of Appeals	Original Assessments	New Assessments	Change
County Tax Board Appeals (Granted and Stipulated)	1981	29	$2,172,790	$1,502,210	-$670,580 (-30.9%)
State Tax[1/] Board Appeals (Negotiated)	1981	6	$ 599,950	$ 335,525	-$264,425 (-44.1%)
Total	1981	35	$2,772,740	$1,837,735	$935,005 (-33.7%)

Pinelands tax appeals therefore resulted in a net loss of $935,005 in ratables in 1981. No appeals were denied.

Another major source of lost vacant-land assessments can be attributed to two 1979 appeals to qualify for farmland assessment. The State Tax Court ruled that the assessments on these properties be reduced from $940,750 to $210,600, for a total loss of $730,150 in value. One of these appeals was retroactive to 1979, and the other was retroactive to 1980. As a result of appeals to qualify for farmland assessment, $52,401 in revenues were lost

---

1/ These include appeals pending from 1979 and 1980.

because of cancelled taxes, granted in 1981, for 1981, 1980, and 1979. In addition, assessor's corrections and a discrimination appeal in 1981 caused a $181,900 reduction in assessed value of property.

Clearly, the effect of Pinelands on Woodland's ratable base has been significant. Appeals directly related to Pinelands have resulted in a loss of over 10 percent of total ratable value, and the ratable value of vacant land has declined by approximately 40 percent since 1980.

C. ACQUISITIONS

The value of land acquired by the State as a result of Pinelands in 1980 and 1981 was previously outlined in Table III-1. The effects on the four townships' ratable base was as follows.

1. Hamilton: No lands were acquired by the Department of Environmental Protection in 1980 or 1981, so that acquisitions have (so far) had no effect on the community.

2. Lacey: The Department of Environmental Protection purchased 324 acres of land in Lacey Township in 1980. The purchase price of these properties was $865,280. An additional 65 acres were acquired in 1981 with an assessed value of $63,100. These lands can no longer be assessed for taxing purposes, but the acquisitions result in no immediate loss of revenues to the

Township due to Green Acres payments from the State. However, as the Green Acres payments expire there will be a loss of revenues from these lands -- which are estimated at less than 1 percent of total ratables.

3. Washington: The Department of Environmental Protection acquired 157 acres of land in Washington Township in 1980 with an assessed value of about $90,000. In 1981, the Department purchased another 1,150 acres of land in the Township, with an assessed value of approximately $135,000 for a total loss of assessed value of $225,000 (or about two percent of the total). Under the Green Acres Program, as State payments diminish, this will therefore result in a loss of about two percent of total property taxes. Property taxes are a more important source of revenues for Washington than typically in the State, or the other townships. Thus, these lost revenues in the future will exert a negative fiscal impact.

4. Woodland: The New Jersey Department of Environmental Protection bought 2,153 acres of land in Woodland Township in 1980 under the Pinelands Acquisition program, with a total assessed value of $1,188,900. While these acquisitions do not result in an immediate loss of revenues to the Township due to reimbursement by the State under the Green Acres Program, the payments will ultimately decline to zero over a thirteen-year period.

In 1981, the Department acquired a further 2,421 acres of land in Woodland with an assessed value of $1,279,750. Together these acquisitions represent about 9 percent of Township ratables. Thus the potential loss of revenues in the future as Green Acres payments disappear is significant.

D. NET PINELANDS EFFECTS

The net effects of these changes in the ratable base on the townships' finances are outlined below. Townships must cancel or refund taxes paid by property owners who appeal their assessments and receive reductions. Tax rates must be adjusted as total assessed value changes. Revenues must be raised to compensate for declining State payments on land acquired under the Green Acres Program. In addition, refunds appear as a reduction in the percentage of taxes collected. Since townships must forward 100 percent of the respective levies to schools and County, they are required to budget a reserve for uncollected taxes that is based on the previous year's tax collection in percentage. Therefore, a refund (affecting the collections in one year) causes a requirement the following year to raise revenues to cover the shortfall of that amount.

Note that, while the Pinelands Plan might affect expenditures (by avoiding or increasing costs), no such measurable or material effects were discovered during this study. Therefore, the net effects that can be quantified are limited to effects on revenue-raising ability.

1. Hamilton: During 1980, $1,877,000 in ratables were lost due to Pinelands appeals, and the tax rate was $2.02 per $100 assessed value. Thus, the appeals translate into a loss of

$37,915 in property tax revenues in 1980 associated with the Pinelands Plan, representing 0.6 percent of total 1980 revenues, and 1.0 percent of the total tax levy. As a result, the percent of the total tax levy collected in Hamilton Township dropped from 93 percent in 1979 to 89 percent in 1980; had there been no cancelled taxes due to Pinelands appeals, the collection percentage in 1980 would have been about 90 percent.

The reduction in assessments due to Pinelands appeals had a minor effect on the 1981 tax rate. If the $1,877,000 in lost ratables were added back to the Township's ratable base in 1981, the total taxable valuation would have been $208.4 million instead of $206.5 million. Dividing the total 1981 tax levy of $6,140,107 by $208.4 million would have yielded a tax rate of $2.95 per $100 of assessed value. In fact, the tax rate in 1981 was $2.98. Therefore, Pinelands-related reductions in assessments can be considered responsible for a 3-cent increase in the 1981 tax rate.

In addition, the loss of $37,915 in property tax revenues indirectly affected total appropriations for 1981, since the reserve for uncollected taxes is calculated on the basis of the previous year's collection percentage. If all these revenues had in fact been realized, 1980's collection percentage would have been .974 percent higher. Multiplying .974 percent by the 1981 tax levy of $6,140,107 equals $59,805, which represents the amount which could have been omitted from the reserve for uncollected taxes. (This reserve is used in determining the amount of local purpose taxes to be raised.) If the reserve had been reduced by $59,805, the local purpose levy would have been reduced from $622,916 to $563,111; and the total tax levy would have been reduced from $6,140,107 to $6,080,302.

Combining this hypothetical tax levy with the hypothetical total assessed valuation (in the absence of any Pinelands regulations) would have yielded a 1981 tax rate of $2.92, six cents lower than the actual tax rate of $2.98. Only three cents, however, is associated with a "permanent" loss in ratables; the other three cents is associated with an expected shortfall of tax revenues in 1981 due to cancellation of taxes which took place in 1980. However, this six cents represents only 6.3 percent of the total 96-cent increase in Hamilton Township's tax rate in 1981. The primary causes of the rate increase were increased expenditures on debt service payments due to road improvements and emergency equipment purchases; an expansion of municipal services, including a 33 percent increase in the size of the police department; growth in school and County taxes, and a corresponding increase in the reserve for uncollected taxes. These are primarily expenditures associated with growth in the community, rather than restrictions on development imposed by the Pinelands Commission.

Hamilton tax appeals granted in 1981 on the basis of Pinelands building restrictions resulted in a loss of $58,400 in ratables which, when multiplied by the 1981 tax rate of $2.98 per $100 assessed value, means that $1,740 in taxes were cancelled in 1981. This loss of revenues represents only .03 percent of the total tax levy, and .02 percent of total revenues. Since theoretically $59,805 were set aside as part of the 1981 reserve for uncollected taxes to account for Pinelands-related tax refunds, and since the $58,400 in lost ratables represents only .03 percent of the total ratable base, the net effect of the 1981 appeals on the 1982 tax rate was negligible. No revenue was lost as a result of acquisitions.

2. Lacey: As explained in Section C of this chapter, it is estimated that Lacey Township's ratable base could have been $18.1 million higher in 1981 in the absence of Pinelands regulations. In addition, Pinelands tax appeals that year amounted to almost $1 million. Thus, the total "loss" of assessed value in 1981 due to Pinelands restrictions was $19.1 million, which represents 4.5 percent of the total ratable base.

Using the assumption that Lacey Township's ratable base would have been $19.1 million dollars higher in 1981 in the absence of Pinelands regulations, the net valuation taxable would have been $466.8 million instead of $447.8 million. Dividing the total 1981 tax levy of $9.4 million by the increased ratable base would have yielded a tax rate of $2.01 per $100 of assessed value. The actual tax rate was $2.08. Therefore, Pinelands building restrictions may have been responsible for causing a 7-cent increase in the tax rate. The equalized rate, however, increased by $1.05, so only about 6 percent of the total increase in taxes can be traced to the Pinelands Plan.

The overwhelming cause of the tax hike was a tripling of the School District tax levy, due primarily to the construction of a high school and a junior high school. County taxes also increased, and the prior year's surplus appropriated in the 1981 municipal budget dropped by over $2 million, due to the depletion of the surplus in 1980 when the budget for municipal functions expanded. Overall, the total tax levy increased by $5.3 million (or 128 percent). This increase can be attributed to the need to provide facilities (especially schools) for the expanding population, which was by far the major cause of the growth in the Township's tax rate.

Some Township officials fear that the building restrictions imposed in the Preservation Area will cause tax delinquency to increase since property owners may feel that, over time, the value of their land is less than the continued cost of paying annual property taxes. No increase in the rate of delinquency has yet been observed, however. The collection percentage in 1981 was 90 percent, compared to 91 percent in 1980. If, in fact, the effect of the cancelled taxes due to appeals were eliminated, the collection percentage in 1981 would have been 92 percent, slightly higher than in previous years.

No immediate loss of revenue occurred as a result of acquisitions, but this will occur in the future (see Chapter IV).

3. Washington: About $90,000 in assessed value were lost in 1980 due to Pinelands acquisitions, resulting in no immediate loss of revenues to the Township because of Green Acres payments. The primary source of the decline in ratables in 1981 was the reduction in the assessed value of the industrial property owned by Mission Marine Associates. Other non-Pinelands tax appeals and assessor's corrections resulted in an additional loss of only $14,800 in assessed value.

Reductions in the 1982 ratable base were primarily caused by State acquisitions in 1981. These acquisitions result in no immediate loss of revenues to the Township, due to State payments made under the Green Acres Program. The $11,500 in ratables lost in 1981 due to Pinelands-related tax appeals resulted in a total of ~~$502 in~~ cancelled tax payments (or 0.1 percent of the total tax levy). Thus, the appeals had a negligible effect on revenues and the collection percentage.

Washington Township's tax assessor has noted that the Pinelands Plan may cause existing residential properties to rise in value, since future development will be limited. An increase in the market value of already-developed properties could result in a decline in the equalization ratio, which would mean that State school aid to the Township would be reduced and County taxes may rise. Thus far, however, there is no evidence that this has occurred, since the aggregate true value of real property declined in both 1981 and 1982, and the equalization ratio dropped by less than three percentage points in 1981, compared to about 10 points in 1978 and 1979.

4. Woodland: Of the $3.3 million in vacant-land assessments lost from 1980 to 1981, over $2 million can be attributed to Pinelands-related property assessment appeals, and another $1.2 million are a result of State Pinelands acquisitions. The land acquisitions, however, resulted in no immediate loss of revenues to the Township although this will occur in the future as Green Acres payments decline.

Taxes paid or owned by property owners who receive reduced assessments through the appeal process must be refunded or cancelled by the Township tax collector on that portion of the assessed value which has been cancelled. Pinelands appeals in 1980 resulted in a loss of $2,029,440 in assessed value. Since the 1980 tax rate was $2.67 per $100 of assessed value, $54,189 in property tax revenues were lost. These tax revenues represented 6.95 percent of the total tax levy in 1980. Therefore (had they been realized in total), the collection percentage would have been about 87 percent instead of 80 percent, and total revenues would have been 4.3 percent higher.

The 1980 tax appeals also had an effect on the 1981 tax rate. If the $2,029,440 in lost ratables were added back to the net taxable valuation in 1981 ($26,668,217), the total valuation would have been $28,697,767. Dividing the total 1981 tax levy ($753,981) by the adjusted taxable value would have yielded a total tax rate of $2.63 rather than the actual 1981 rate of $2.83. Therefore, the 1981 tax rate was about 20 cents (or seven percent) higher because of Pinelands-related ratable losses due to 1980 appeals.

In addition, the 1980 collection percentage affects the appropriation to the reserve for uncollected taxes in 1981. This reserve is calculated by multiplying the previous year's collection percentage by the current tax levy. As noted previously, the actual collection percentage in 1980 would have been 6.95 percentage points higher if all revenues associated with the tax appeals had been realized. Since the 1981 total tax levy was $753,981, about $52,400 less would have been allocated to the reserve for uncollected taxes if no taxes had been cancelled due to Pinelands appeals in 1980. This amount well exceeds the total local purpose levy in 1981. (However, the reduction in expenditures associated with a decrease of $52,400 in the reserve for uncollected taxes would probably have been offset by a similar reduction in the prior year's surplus anticipated as revenue.)

Of the additional $3.4 million reduction in vacant-land assessed value which was lost in 1982, $935,005 (28 percent) can be directly attributed to Pinelands tax appeals, and another $1,279,750 (38 percent) to Pinelands acquisitions. The remaining losses were due to the reclassification of vacant land to qualified farmland (due to two appeals), regular farmland, or developed land uses.

The revenues associated with 1981 Pinelands-related reassessments are calculated as follows:

Year	Reduction in Assessed Value	Tax Rate	Revenues Lost
1981	$935,005	.0283%	$26,460
1980	$264,425	.0267%	$ 7,060
1979	$361,900	.0246%	$ 8,903
			$42,423

Pinelands-related reassessments can therefore be held accountable for a loss of $42,423 in Township revenues in 1981, with

$15,963 of this total representing cancelled taxes for 1979 and 1980. These revenues represent 3.4 percent of total revenues and 5.6 percent of the total tax levy in 1981. Had they been realized, the collection percentage would have been increased from 81 percent to almost 87 percent.

Township officials also report that additional refunds will result from anticipated and pending appeals arising from the reassessment currently underway. The cumulative effects of appeals granted in 1980 and 1981 and in process combined with the loss of valuation in the vacant-land category are exerting a significant negative effect on the Township's fiscal base.

Chapter IV

FUTURE PINELANDS IMPACTS

This chapter reviews the potential for additional fiscal impacts on the four townships in the future. These may occur because of changes in value of vacant land, because of further acquisitions by the State, as the in-lieu of tax payments resulting from the Green Acres Program disappear, or for a variety of other reasons.

1. Hamilton: About 58 percent of the land area of Hamilton Township (42,000 acres) is within the Pinelands Forest Area, where development is substantially restricted. Over 12,000 acres of this land is currently under farmland assessment and will be unaffected by the land use regulations. Landowners in this area who have not yet appealed their assessments may do so in the future. The Township tax assessor, however, expects that future reductions will not severely disrupt the Township's ratable base in any given year, since changes will only be stipulated if the property owner has been denied permission to build by the Pinelands Commission. In addition, the Atlantic County Tax Board rejected most Pinelands-related appeals in 1981 because surrounding land sales did not justify granting reductions. Thus, unless land sales in the Township begin to show significant declines in per acre value, appeals are likely to be granted at a relatively slow rate.

Four thousand five hundred acres (6.3 percent of the Township) are scheduled for acquisition by the State. This will result in the eventual loss of roughly one percent of ratable value.

The potential negative impacts of Pinelands regulations may be partially offset by increases in property values in the Regional Growth and Rural Development Areas, which together make up about 40 percent of the Township (28,200 acres). All but about 3,000 acres of this land is still undeveloped, and land prices are expected to rise significantly (except in wetland areas), due in part to the influence of Atlantic City's growth.

Hamilton Township's total ratable base is expected to continue to expand, as it has done in the past two years. Concurrently, however, the cost of providing services and facilities to accomodate new residents will also rise, which may result in further increases in the tax rate. On the other hand, since the Pinelands Plan encourages the clustering of development in certain designated areas (where services can be provided more efficiently), the negative fiscal impacts associated with future development may be somewhat lessened. Whether the rate of development will be accelerated as a result of the designation of part of the Township as a Regional Growth Center (as suggested by Township officials) is an issue that remains to be resolved.1/

1/ See Appendix A for more detail regarding Township concerns.

2. Lacey: Township officials do not expect many Pinelands-related tax appeals in the future, since the land in the Preservation and Forest Areas has now presumably been assessed at its true value under the Comprehensive Management Plan. Indeed, it would seem that assessments so far are reasonably accurate, since the assessment/sales ratio for vacant land in 1981 was 98.4 percent (based on 48 transactions). It appears, therefore, that the impacts of the Plan on private property assessments have (for the most part) already occurred.

A significant Pinelands-related problem facing Lacey Township in the future is the expected acquisition of 13,000 acres of land in the Preservation Area (23 percent of the Township). If a Pinelands in-lieu of tax bill is passed by the State Legislature (as the Pinelands Commission has recommended), the Township will suffer no loss of revenues associated with these acquisitions. In the absence of such a law, however, payments made under the Green Acres Act will decline over a thirteen-year period, eventually eliminating all revenues associated with the land. If the land to be acquired is worth an average of $500/acre, a total of $6.5 million in ratables (1.5 percent of the ratable base) will eventually disappear as the Green Acres payments run out.

Township officials also perceive some increased costs associated with Pinelands although these are minor compared to overall expenditures.1/ The biggest impact, as perceived by Lacey

---

1/ See Appendix A for more detail regarding Township concerns.

officials will come from the restrictions on growth resulting from the Plan. The Township has been growing rapidly, and the opportunity for a continuation of that trend may now be more limited as a result of the Pinelands Plan. On the other hand, since Lacey's growth has been largely residential, the Plan may provide certain benefits to the Township in that some of the burden of the costs of growth may now be avoided. To what extent a monetary value can be assigned to the municipality for these impacts, and to what extent those losses should be allocated to the Pinelands Plan are, however, subjects beyond the scope of this report.

3. Washington: In Washington Township, 49,993 acres were owned by the State prior to the passage of the Pinelands Protection Act, and 8,778 acres are currently assessed at farm use value. Thus, assessments on these 58,771 acres (which constitute 86 percent of the Township's area) will be unaffected by Pinelands building restrictions.

Properties included in the three Pinelands Villages (which include approximately 1,400 acres) may increase in value, since they generally represent the only developed or developable , areas of the Township. Taken together, lands owned or to be owned by the State, plus lands under farmland assessment, plus developable lands within the villages, total over 95 percent of the Township. Assessments on the remaining 5 percent (4,732 acres) could be reduced when the Township is revalued next year, but the overall impact is likely to be small.

Approximately 5,050 acres (7.4 percent of the Township area) have been or will be purchased by the Department of Environmental Protection under the Pinelands Protection Act. Revenues associated with this land will not be affected <u>if</u> an in-lieu of tax law is passed by the State Legislature, as the Pinelands Commission has recommended. However, without that action, this will eventually result in a further loss of about 11 percent of the Township's ratable base (assuming a true value of approximately $500/acre).

4. <u>Woodland</u>: Any further reductions in vacant-land assessments due to Pinelands regulations should take effect next year (1983) since Woodland is currently undergoing a reassessment. All properties should then be valued at 100 percent of estimated market value (the 1981 ratio of assessed to true value was .62). Of the 61,043 acres of land in the Township, 12,104 acres (19.8 percent of area) are under farm assessment, and 16,993 acres (27.8 percent of area) were publicly owned prior to 1979. Assessments on these lands will be unaffected by Pinelands regulations or the reassessment. A total of 2,080 acres (3.4 percent of area) are to be included in the Village of Chatsworth and other infill development areas. Properties in these locations may therefore increase in value. Land acquired by the State under the Pinelands acquisition program will eventually total 7,388 acres (12.1 percent of total area). If a Pinelands in-lieu of tax bill is passed by the State Legislature (as the Pinelands Commission has recommended), the Town-

ship will lose no revenues on these lands. If no bill is passed, revenues associated with about $4 million in ratables will steadily decline and eventually be permanently lost.[1/] This represents about 17 percent of 1982 ratable value and would result in a heavy loss of revenues when Green Acres payments eventually disappear.

The remaining 22,478 acres of land (representing 36.8 percent of the Township's area) are privately owned undeveloped properties, which are (for the most part) subject to severe development restrictions. Assessments on these lands are currently highly variable. Ultimately the assessed value of this land should reflect its market value, but not enough bona fide sales have yet taken place to accurately determine market value. For large tracts, the Township tax assessor estimates that values will fall to the range of $250 to $300 per acre. Much of the land, however, has been subdivided into 25 x 100 foot parcels, and the values of these parcels is unknown. The tax assessor currently estimates that he may put the value of these parcels at $25 each ($435 per acre), although each property will be evaluated individually. If the per acre value of all the vacant land were assessed at $300/acre, on the average the total assessed value of vacant land in 1983 would drop to $6.7 million, compared to $10.8 million in 1982 (and compared to $17.5 million in 1980). The assessor, however, predicts that total assessed value will rise from $23 million to about $29

1/ Assuming an average assessed value of $550/acre, based on acquisitions already made.

million, due to increased assessments on existing housing and buildable lots. Vacant land would then have fallen to only 23 percent of the ratable base (from 61 percent in 1980), resulting in a continued shifting of the tax burden onto residential owners.

CHAPTER V

RECOMMENDATIONS

In the event that implementation of Plan actions causes adverse fiscal impacts upon local budgets, a program may be designed to redress these consequences taking any one of several forms. The essential purpose of such a program and its recipients must be clearly delineated.

- What is the purpose of the assistance program? Is it to address inequities in tax structures, to tide over governmental units during a time of transition, to partially fund a service for which the State has certain responsibilities, or to provide relief for lost tax levies?

- To whom should assistance be given? Measured by tax levies and relating negative impacts to reduced property tax capability, in the Pinelands area School Districts have the largest stake in those revenues, followed by Counties and lastly municipalities.1/

STRATEGIES FOR REDRESSING FISCAL INEQUITIES IF CAUSED BY THE PLAN

In the case of Pinelands, policy options should be considered that address the equity questions resulting from State

---

1/ For a more complete discussion of the theoretical basis for State payment in lieu of tax programs see the previous report by the Consultant, "Report to the Pinelands Commission on the Financial Component of the Comprehensive Management Plan and an Evaluation of Payments in-Lieu-of-Taxes." (Prepared by Government Finance Associates, Princeton, NJ: 1980.) For a recent survey of the types of programs operating in the various states see: Advisory Commission on Intergovernmental Relations, Payments in Lieu of Taxes on Federal Real Property: Appendix B (State Payments in Lieu of Taxes to Local Governments), Washington, D.C.: May, 1982. This material is exerpted in Appendix D.

acquisition of lands and also the shifting of tax burden that may result from Pinelands regulations. In addition, the extent to which local governments suffer hardship as a result of Pinelands land-use regulations should be addressed. Moreover, these impacts should be viewed in the total context of local government operation so that it is possible to single out Pinelands effects and tie them specifically to significant fiscal impact and/or as causative to cases of hardship.

Shifting of Burden

The issues of the shifting of tax burdens as a result of changing land values and the redress of specific hardship resulting from Pinelands Plan actions are complex. The basic question is that of who should pay for the fiscal consequences that result at the local level from a state policy _if_ that state policy restricts local land use and zoning, thereby disrupting a local fiscal base?

Pinelands regulations can be thought of as a procedural mandate by the State in which the land-use choices otherwise available to local governments have been constrained. Locally determined priorities have been displaced by State priorities. To the extent that these regulations impose fiscal hardship on the local governments, fiscal relief ought to be provided or else local public service priorities are overruled. Strategies by states to mitigate the costs of state-imposed mandates generally fall into two categories: reimbursement of new costs, and authorization to expand existing (or open up new) revenue sources at the local level.1/ Types of strategies that can be used are described later in this Chapter.

Fiscal Stress and Hardship

There is the question of what constitutes a "fiscal hardship" for a local government. Presumably it would occur as a case of fiscal stress -- or an inability to raise sufficient revenues to provide for the financing of customary public services.2/ The related issue is whether aid to severely impacted Pinelands communities (if such are identified) should be provided only when severe "hardship" is in evidence or made available in time to prevent this condition?

Fiscal stress can be considered as a continuing mismatch between revenues and expenditures over time. Revenue effort is the amount of local revenues actually raised. This may vary among communities according to the level of services required (or sought). Low effort communities raise less, on a per capita

---

1/ For a further discussion of this topic, see Catherine Lowell and Charles Tobin, "The Mandate Issue" Public Administration Review 3 (May/June 1981).

2/ Prior to the mid-1970's, only a few pioneers attempted to establish a basis for making objective determinations about the fiscal health of America's local governments. But with the arrival of New York City's multi-billion dollar crisis, the need for measures of stress to establish the 'blood pressure' of a community became apparent. The literature is now replete with studies of fiscal indicators since the topic began to receive considerable attention in the past six or seven years. Appendix C presents an overview (and Bibliography) of research on indicators that could be useful to signal instances of fiscal stress.

basis, than high effort communities. If the customary effort is insufficient to provide for continuation of customary services, then a gap will open up with revenues falling behind expenditures, or effort must be increased or service levels cut back. Regardless of the level of revenue ability, sudden <u>change</u> in revenue effort can also create a condition of fiscal stress. The question becomes, how much revenue must be produced compared to a unit's theoretical ability to raise revenues? And how sudden and substantial are any <u>changes</u> in revenue requirement?

Because of differing economic resources and prosperity in different jurisdictions there will also exist disparities in the ability to raise revenues. Revenue raising ability may be inadequate to support the revenue effort required to deliver services at certain levels. Local revenue-raising ability is a function of a community's economic base -- its taxable money flows and wealth. If a community's revenue base is small, then taxing at a standard rate will generate less revenue than in a community with a greater base.

Fiscal disparities are usually a concern from an equity standpoint. As a result of disparities, taxpayers can experience different levels of taxation for the same set of services because of where they live. Individuals with equivalent incomes or wealth will pay different amounts for those services according to their place of residence. Consequently, some jurisdictions will have greater difficulty providing for customary services than others.[1] If disparities are increased by Pinelands regulations, it may be that, as a result, the revenue-raising effort of a municipality (in order to maintain services) stretches its ability to raise revenues significantly. If such cases are identified, then they may constitute hardship cases -- as a result of Pinelands.

In order to target aid to locales suffering hardship as a result of Pinelands regulation (if such are found), some measures of fiscal stress are needed that distinguish Pinelands communities according to their level of hardship. Appendix C presents a survey of current research on indicators of fiscal stress and lists a variety of warning signals that have been described in the literature. (Refer also to Table II-7 for some preliminary measures of burden for the four communities.) For example, included below are some that might be suitable for use in identifying Pinelands communities experiencing fiscal stress (if any).

- A high and rising rate of property tax delinquency.
- A sudden and substantial decrease in assessed value.
- A high ratio of own-source revenue to the full value of the taxable property base.
- A high ratio of local taxes to personal income.
- Overall debt is a high percent of personal income.
- A high level of per capita local taxes.

1/ For a general discussion of fiscal disparities -- although on a state-by-state basis -- see Robert B. Lucke, "Rich States, Poor States: Inequities in Our Federal System." Intergovernmental Perspective, Spring, 1982. Advisory Commission on Intergovernmental Relations, Washington, D.C.

- High per capita expenditures for certain basic functions.

Other research has attempted to develop indicators that will compare actual revenue effort with the theoretical ability to raise revenues. For example, an index of fiscal stress has been developed in which per capita own-source revenues are compared to a per capita "representative revenue base." This representative revenue base is equal to the revenues that could theoretically be raised from a community's base (measured by income, sales, employment, and real property value) if it were taxed at the rate that was typical for a particular sample of communities. Thus, the index would be 100 percent for a typical ratio of effort/ability. An index greater than 100 percent for a particular community then suggests some degree of stress.1/

Measures should also allow Pinelands impacts to be separated out from other factors so that the cause of a particular hardship could be directly related to Pinelands activities. Thus, it will be necessary to distinguish the fiscal repercussions of land value changes specifically resulting from Pinelands in contrast to those occurring as a result of other extraneous factors. Completion of the land value study now underway may provide the basis for sorting out some of these Pinelands-related effects.2/

1/ John E. Petersen, Pat Watt, and Joseph Kelley, "Resource Guide on Municipal Fiscal Stress." Government Finance Research Center, Washington, D.C., 1981 (unpublished).

2/ This study is now underway by the Pinelands Commission to evaluate more fully the effects of the Plan on the sale prices of vacant-land parcels.

Any assistance program should take into account

- the loss of ratable value from tax exemptions resulting from State ownership;
- changes in the total revenue base resulting from values affected by development restrictions;
- the relative reliance of governmental units on property taxes or the affected tax bases;
- the customary service level requirements of the community; and
- its overall fiscal and economic circumstances.

Policy Options for Fiscal Assistance

For our purposes it is useful to view policy options for redressing fiscal impacts and/or inequities resulting from Pinelands as falling into categories as follows:

(1) Programs designed to compensate local governments for land that has become tax-exempt as a result of its ownership by the State.

(2) Programs that are designed to address fiscal changes resulting from economic effects of Pinelands land-use regulations on privately owned land.

- Those that attempt to address the effects on local governments and their tax base directly.
- Those that attempt to address the effects on private owners, but which can indirectly affect local governments and their tax base.

A brief description of these broad types of assistance program is given below.1/ This list is not meant to suggest that a Pinelands assistance program ought to take any one of

1/ See also the previous Consultant report and Appendix D.

these forms, but rather to describe the kinds of assistance program that are in use elsewhere and which might be considered for the Pinelands area.

- Payments in-lieu of Taxes (PILOTs)

These programs are designed to compensate local governments directly for land that is acquired by the State or Federal government and which has thus become exempt from local taxes. Within this broad category of programs are included those that:

  - make a fixed payment.
  - make a payment based on the taxes that would have been due if the property were retained in private ownership.
  - make a partial payment according to a certain formula of the taxes that would have been due had the land remained in private ownership.

A common characteristic is also a minimum and/or a ceiling requirement.

- Receipt Sharing Programs

In these type of programs a portion of the revenues obtained from economic activities that take place on State- or Federally-owned land are shared with localities within whose boundaries the activities take place. A sharing of revenues received from recreational activities or from resource development (such as forestry, mining, etc.) typify this kind of approach which is a response to the withdrawal of land from a local tax base.

- Formula Based Programs

These programs are normally designed to help defray local government costs. A variety of factors can be used in establishing entitlement for payment which is typically based on one of the following:

  - a fixed fee per acre;
  - a fixed fee per other unit (such as worker, resident student);
  - a cost of service provided or portion thereof;
  - a percentage of local government expenditures; or
  - a percentage of locally raised revenues.

- Grants

Grants are typically targeted for community assistance in areas of particular need. This approach may include State assumption of local service costs. Here the State could provide "in-kind" contributions of certain services (or payments thereof) that would otherwise be provided by the local level. Any type of service could theoretically be used, but considerations of equity suggest that contributions should relate to the basic justification of the need for State assumption.

- Tax Base Sharing

This type of program involves a regional approach to growth management so that the fiscal capacity to provide services at adequate levels throughout a region can be maintained. To the degree that the location of growth within a region is set by policy at non-local levels (as in the Pinelands) then a case can be made for sharing some of the net benefits of growth among all jurisdictions in a region. Tax base sharing is essentially a response to the problem of fiscal disparities that occurs in growth areas crossing political boundaries. The best known example of a tax base sharing program is that in Minnesota; however, a program also exists in the New Jersey Meadowlands Hackensack area.1/

- Tax Differentials and Programs to Equalize Windfalls and Wipeouts

The purpose of these types of programs is somewhat different from that of the other policy options described herein. Rather than compensating a government for fiscal changes, these approaches deal with economic changes of land owned privately and are designed to compensate owners. However, they will have a secondary, fiscal, impact on local governments. Tax differentials provide for special tax treatment for certain categories of land (qualifying farmland falls under this umbrella). Windfalls and wipeouts are increases or decreases in values that are caused by someone other than the owner -- in this case Pinelands land-use regulations. The program of development credits for the Pinelands communities is one approach to using

---

1/ See also the previous report by the consultant. In addition an evaluation of the Minnesota program may be found in the following reports: Rex Honey and Robert Erichsen, "Fiscal Disparities and Land Use," also "Locational Equity, Land Use and Minnesota's Fiscal Disparity Act." Institute of Urban and Regional Research, University of Iowa, Iowa City, 1979 (Technical Reports #115 and #116). Also see: "An Evaluation of Metropolitan Area Tax Base Sharing," National Tax Journal (June 1981).

"windfalls" in some areas to be partially offset by the "wipeouts" occurring elsewhere. However, other approaches have been used.[1/]

Summary of Recommendations

Because of the limitations of this study -- the short time period and its focus on only four of the Pinelands municipalities -- these recommendations must be couched in general terms. Based on the findings of this study and the considerations discussed above, the following specific recommendations are made:

- A full equivalency in-lieu of tax program for Pinelands acquisitions should continue to be pursued. The initial reasons for adopting this recommendation still stand, and it remains the most equitable means of addressing the impact of lost revenues associated with State land purchases. Ultimately, complete loss of payments from the Green Acres Program will have an adverse future impact on Pinelands communities.

1/ See: Donald Hagman and Dean Miscyzynski, "Windfalls for Wipeouts: Land Value Capture and Compensation." American Planning Association: Chicago, IL, 1979. This comprehensive book provides an excellent theoretical overview and practical basis for pursuing these concepts on an international level as well as within the U.S. See also: An Analysis of Differential Taxation as a Method of Maintaining Agricultural and Open Space Land Uses. Lincoln Institute: Boston, MA, 1979.

• Policy options that would redress the negative fiscal impacts (as measured by certain hardship tests) of Pinelands on its communities' economic bases, and which may inhibit their ability to continue providing customary levels of public services should be evaluated. These options should be considered as responses to the Pinelands-related diminution of the local ability to set local priorities. Policy options should be analysed in terms of their advantages and disadvantages for cushioning unique Pinelands effects on local governments, and in terms of their flexibility and administrative suitability within the framework of New Jersey State government as a unit.

• Review of policy options should be based on a wider empirical analysis of Pinelands fiscal impacts than are identified for the four townships in this study. Only in this way can the suitability of specific options for the Pinelands as a whole be properly assessed.

• Criteria should be established that will allow a determination of whether a Pinelands' jurisdiction suffers serious fiscal hardship as a result of the Plan's enactment. Hardship should be measured in terms of the material loss of a community's ability to generate the revenues needed to continue customary levels of service. This process would include the development of a checklist of criterion elements including those which can capture unique Pinelands effects. Indicators that can measure comparative fiscal ability and changes in relative fiscal stress should be developed.1/ It will also be necessary to develop a mechanism for continuous monitoring of Pinelands effects and measuring these effects against the hardship criteria that are developed.

- It will take some time to develop a program to redress any unique hardships imposed on municipalities as a result of the Plan's implementation. In the interim, it is possible that certain exceptional cases may arise in which immediate relief is warranted. Therefore, it is recommended that a temporary mechanism be developed by which a municipality could appeal for interim relief if it were able to demonstrate exceptional hardship resulting from Pinelands. Such a mechanism might incorporate the following elements:

a. an appeal procedure by the Pinelands community that would document fiscal hardship and establish action taken pursuant to the Plan as the basis of such hardship.

b. a review of procedures by a State level agency or department using guidelines for measuring exceptional hardship, for developing the dollar value of such hardship, and for validating the basis of the appeal as being a Pinelands Plan impact.

1/ Appendix C is a survey of research and literature about indicators of fiscal stress.

c. an award procedure in the event of a finding of hardship, including the identification of funds that could be made available, and the terms and conditions of payment.

Eligibility for consideration as an exceptional hardship case in the interim could be determined by factors (or a combination of factors) such as those listed below. The values to be used for this list of elements cannot be provided based on this limited study. A final determination of the "trigger" level for eligibility must rest on two steps that are yet forthcoming. These necessary steps are:

1) a statistical analysis of the various impact indicators for all Pinelands municipalities, and perhaps for municipalities Statewide (only then is it possible to measure the statistical significance of variances in the indicators); and

2) a judgmental, policy decision -- based on the statistical review -- establishing a value for each particular indicator, or combination of indicators, which will determine a potential hardship.

Once eligibility for interim relief has been established, then applications for hardship relief would be considered based on a comprehensive assessment and review of a particular applicant. Bearing this in mind, the following factors are potentially useful in determining eligibility for consideration for interim relief:

a significant loss of total ratables over a limited period.

- a significant increase in the equalized tax rate per each $100 of assessment between two consecutive tax years.

- a substantial proportion of the value of property assessment appeals is granted on the basis of the Pinelands Plan in any one year.

- a significant unexplained increase in tax delinquency between two tax years.

- a significant increase in the median residential tax bill between two tax years.

The preparation of this document was financed in part through a planning grant from the National Park Service, Department of Interior, under the provisions of the Land and Water Conservation Fund Act of 1965(Public Law 88-578, as amended).