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School-tax reformers face hard alternatives

The choice: Excellence or economy.

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What do you want, lower property taxes or local control of schools?

It's difficult to have both, as legislators around the nation are discovering as they struggle to meet the conflicting demands of residents who want the best for their children and the most for their money.

The experience of New Jersey and other states shows how hard it can be to satisfy both desires. The eight states with the highest property taxes are the eight states with the geographically smallest school districts.

New Jersey leads in both categories. With the nation's highest property taxes and smallest school districts, the state has ideal conditions for a collision of competing interests. Consolidating school districts could save money but weaken the cherished connection between communities and their schools.

States such as Florida and Maryland, where there is a single school district per county, "have tighter control on taxes, but there's also less of a connection that people feel with the school district," said Michael Griffith, a school finance consultant with the Education Commission of the States in Denver. "Hand in hand with local control is, typically, higher funding costs."

Pennsylvania, a much larger state than New Jersey, consolidated its school districts decades ago and now has 501 for its 1.8 million students compared with New Jersey's 616 districts (593 of which operate schools) for 1.4 million students. Both states have far more districts than the single-district-per-county states.

Maine Gov. John E. Baldacci recently proposed eliminating hundreds of locally elected school boards and scores of superintendents and replacing them with 26 regional boards and schools chiefs. Baldacci, a Democrat, said the consolidation would save nearly \$250 million over three years.

School-district size is not the only factor in school costs. New Jersey's lower-than-average state and federal aid for schools, above-average teacher salaries, and high costs for special education also contribute.

And balanced against the issue of costs is the quality of education. New Jersey regularly ranks well above average in measures of academic performance, such as graduation rates and standardized test scores. This month, Education Week rated New Jersey second best in the nation for academic achievement.

Bigger districts

The study ranked Massachusetts first, Vermont third, and Connecticut fourth in academic achievement. All, like New Jersey, are states with small districts and high property taxes. They were followed by Minnesota, North Dakota, South Dakota and Virginia, which have bigger districts and lower property taxes.

Pennsylvania was ranked 10th in academic achievement and 14th in property-tax level.

New Jersey is especially reliant on property taxes to pay for schools: On average, 55 percent of a homeowner's property taxes go to fund schools. In 2005, the state's property-tax take was almost \$20 billion, with school taxes representing nearly \$11 billion. The average New Jersey homeowner pays about \$6,000 a year in property taxes.

New Jersey ranked first in median property taxes on owner-occupied homes at \$5,352, in a 2005 Tax Foundation study; Pennsylvania ranked 14 at \$1,937. (Median is the mid-point value.)

So, while Gov. Corzine and legislators consider government consolidation beyond schools - including police, fire and other services - schools are under special scrutiny because they are the prime driver of property taxes.

With 616 school districts, 566 municipalities, 486 local authorities and 792 fire companies in the nation's fourth-smallest state, the clamor for consolidation is growing.

Corzine, in his State of the State address last week, said: "People understand the power of economies of scale. They shop at Sam's Club and Costco. They see cost savings in their private lives, in the economy, and in governments across the country. They see our organizational fragmentation and ask 'Why?' "

Rory Tees is one of those wondering.

"I live within two blocks of four school districts," said Tees, 59, of Haddon Township, whose home is just north of the confluence of Audubon, Haddon Heights, Haddonfield and Haddon Township School Districts, which together cover 8.7 square miles. "Each one has its own superintendent and administration. The schools are very good, and I have no objection to the teachers' salaries. But do you need all that administration? Do you need all those separate school buildings?"

The top two administrators at the four districts have combined base salaries of \$1.04 million (Audubon, \$222,715; Haddon Heights, \$229,892; Haddon Township, \$282,384; and Haddonfield, \$324,483).

Tees moved from Northeast Philadelphia three years ago. He said his annual property tax bill in Haddon Township had risen from \$4,200 to \$6,200 in that time.

"I'm in shock at what it costs to live here. They've got to combine services. But everyone has their own little fiefdom and no one wants to give that up."

Corzine is urging voluntary consolidations, with financial incentives from the state.

Some state legislators say they would support mandatory consolidations.

"If we have to give up some local control, that's what's got to go," said Assemblyman David W. Wolfe, a Republican from Brick and a member of the Legislature's Joint Committee on the Public Schools and the Joint Legislative Committee on Public School Funding Reform. "If that's the trade-off, we've got to look at it."

Sen. John Adler, a Democrat from Cherry Hill and cochairman of the joint committee on school funding reform, said: "I would vote to mandate it... I'm an advocate of consolidation." But, he said, small school districts "are not the only explanation, they're not even the leading explanation" for high school costs. Teacher salaries, special-education costs, and inadequate state aid are major factors, he said.

The average school district in New Jersey covers about 14 square miles, and many districts are much smaller. Among other states, Vermont has the next-smallest districts, at 27 square miles, followed by Massachusetts (28 square miles), Connecticut (33), Rhode Island (41), New Hampshire (52), Illinois (65) and New York (75).

After New Jersey, those seven states have the country's highest property taxes, according to the Tax Foundation, a Washington-based nonpartisan tax research group.

Pennsylvania ranks ninth in average size of school district, at 92 square miles, and 14th in property-tax level.

"Traditionally, in the Northeast and the Great Lakes, the belief in local control has been deeply ingrained," Griffith said. "In the South and the West, they have not been as big believers in local control, and they consolidated more. But along with that consolidation came state mandates and control."

"It does end up being the Catch-22," he said. "There is no pot of money or magic formula that allows you to reduce the property tax and keep local control."

'Case-by-case basis'

The New Jersey School Boards Association, which opposes mandatory mergers, said consolidations don't guarantee lower property taxes. The association said that some communities' taxes could rise, and that teacher salaries might be higher in consolidated districts and transportation costs could increase. The school boards association noted that a 1999 legislative task force recommended "the decision to regionalize... be made on a case-by-case basis since... school district regionalization does not necessarily result in cost-savings across the board."

A 2001 study by Syracuse University's Center for Policy Research examined the consolidation of rural school districts in New York. It concluded that "holding student performance constant, we find evidence that school district consolidation substantially lowers operating costs, particularly when small districts are combined." It said that savings ranged from 20 percent when merging two 300-student districts to 7 percent when merging two 900-student districts and all but vanished for districts of more than 1,500 students.

About 48 percent of New Jersey's school districts have fewer than 1,000 students.

The lead author of the Syracuse study, William Duncombe, said last week that the New York experience should apply to rural and urban states alike.

"The basic potential cost savings would apply to urban as well as rural districts," he said. "The real key is enrollment size."

Duncombe said states "should not be in the business of subsidizing districts to be small... . If you're willing to pay higher property taxes to be small, OK, but there's no reason for the state to subsidize that."

But other studies have emphasized the educational value of smaller schools, regardless of the size of a district. And some of the states with the largest districts have moved recently to create new districts and to carve small schools out of large ones to improve student performance.

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