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NEW JERSEY 2018 GASB-77 DATA:

School districts struggled to find the numbers

GASB-77, or Statement No. 77 of the generally accepted accounting principles, requires governments to disclose the amount of foregone tax revenue due to tax abatement programs.

Updated: September 17, 2019

COMPLIANCE

308 of the 597 public school districts surveyed acknowledged GASB 77 and included a dedicated section entitled *Tax Abatements* in their CAFR notes. The other 289 districts made no mention of tax abatements.

All 308 districts that provided a note on tax abatements cited statutes N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 in a standardized statement, pasted here:

If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54: 4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

This implies that tax abatements entered into by non-education governmental bodies create no passive revenue losses for such school districts.

278 of these 308 school districts with Statement 77 notes also cite statute N.J.S.A. 18A:7F-5(b) – which specifies the provisions for raising a minimum tax levy – in the following standardized statement:

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy, the loss of revenue from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

REVENUE LOSS

118 school districts, or roughly 20% of all school districts, provided a dollar figure for the foregone tax revenue as a result of tax abatement agreements. These reported revenue losses totaled **\$93.7 million** in fiscal year 2018.

72 school districts calculated and disclosed the amount of foregone revenue for the district itself. Some districts declared that district levy was not affected because of offsetting remittances from the municipality; others reported that revenue from PILOT agreements partially or wholly offset any tax breaks.

Some school districts claimed to not have foregone tax revenue because 1) there were no tax abatement agreements or 2) the impact on school district revenue of tax abatement agreements is immaterial.

A few school districts mentioned the amount of revenue abated by the county or municipality, but then fail to provide the amount of foregone tax revenue that was lost to the district. Regarding tax abatement agreements entered into by the municipality, some school districts referenced information provided in the “User-Friendly Budget,” which every New Jersey municipality is required to provide.

A few CAFRs contained “but-for” statements along the following lines:

It could be presumed that if these abatement agreements were not entered into, that the businesses would either have not retained their businesses within the municipality or have not moved their businesses into the municipality. (example taken from the 2018 CAFR of Magnolia Board of Education)

In reality, however, it is very difficult, if not impossible, to support such an assertion.

Financial reports are also available for 86 charter schools in New Jersey. Twelve acknowledge GASB 77 and include a section on tax abatements with one or more standardized statements like those cited above. None, however, provides any details about the programs or dollar amounts of lost revenue.

BREAKDOWN BY COUNTY

In terms of gross revenue losses – i.e. not including reimbursements or PILOT offsets, **Hudson County** and **Middlesex County** top the list at **\$15.9 and \$14.1 million** (see table below), respectively.

Middlesex county has the highest GASB 77 compliance rate in the state: 12 out of 25 school districts disclosed the dollar amount of abated taxes. Camden County has the second highest compliance rate: 16 out of 39 school districts reported a total of \$7.4 million in forgone revenue. In Hudson County, by contrast, only 2 out of 13 school districts reported this information. Counties of Passaic, Sussex, Hunterdon, Atlantic, and Warren have the next-lowest disclosure rates.

A special mention goes to **Glassboro Board of Education in Gloucester County** for providing extremely detailed disclosures that go above and beyond the GASB 77 requirements. The three abatement programs are given two whole pages listing every single agreement with clearly stated amount and purpose, such as:

A 64.05% effective abatement (no ground lease) to a developer for construction and operation of a 129 Room Courtyard by Marriott Hotel and Conference Area. The abatement amounted to \$376,830.

The same level of detail is provided for 14 other agreements.

SCHOOL DISTRICT DISCLOSURE BY COUNTY

Key to Chart Headers:

POPUL. – county population according to the 2010 census

#SD – total number of school districts (public schools only)

GROSS LOSS – amount of forgone tax revenue, not incl. reimbursements or PILOT offsets

DQ 1 – “disclosure quotient 1”: the percentage of school districts that disclosed \$ amount

DQ 2 – “disclosure quotient 2”: the percentage of school districts that mentioned GASB 77

ESTIMATED – a crude estimate of all revenue losses = gross revenue loss divided by DQ 1 (i.e. Divide the reported amount by the number of reporting districts to get the average, then assume each of the non-reporting districts abated this much.)

COUNTY	POPUL.	# SD	GROSS LOSS	DQ 1	DQ 2	ESTIMATED
Hudson	634,266	13	\$15,913,938	15.4%	69.2%	\$103,440,597
Middlesex	809,858	25	\$14,109,606	48.0%	80.0%	\$29,395,013
Mercer	366,513	11	\$10,131,368	27.3%	45.5%	\$37,148,349
Essex	783,969	23	\$9,104,264	26.1%	60.9%	\$34,899,679
Gloucester	288,288	28	\$8,953,913	39.3%	71.4%	\$22,791,779
Camden	513,657	39	\$7,432,430	41.0%	59.0%	\$18,116,548
Union	536,499	23	\$6,829,579	17.4%	43.5%	\$39,270,079

Monmouth	630,380	57	\$4,859,251	12.3%	52.6%	\$39,568,187
Morris	492,276	40	\$3,405,949	27.5%	35.0%	\$12,385,269
Passaic	501,226	21	\$3,262,561	9.5%	19.0%	\$34,256,891
Burlington	448,734	41	\$2,646,856	29.3%	82.9%	\$9,043,425
Sussex	149,265	25	\$1,675,420	4.0%	32.0%	\$41,885,500
Bergen	905,116	77	\$1,280,844	10.4%	41.6%	\$12,328,124
Hunterdon	128,349	26	\$919,675	7.7%	23.1%	\$11,955,775
Somerset	323,444	19	\$780,559	10.5%	21.1%	\$7,415,311
Ocean	576,567	29	\$749,507	10.3%	72.4%	\$7,245,234
Atlantic	274,549	26	\$429,314	7.7%	19.2%	\$5,581,082
Salem	66,083	16	\$411,271	31.3%	93.8%	\$1,316,067
Cumberland	156,898	15	\$394,731	13.3%	53.3%	\$2,960,483
Cape May	97,265	19	\$223,479	26.3%	36.8%	\$849,220
Warren	108,692	24	\$206,508	8.3%	79.2%	\$2,478,096
TOTAL	8,791,894	597	\$93,721,023	19.8%	51.6%	\$492,904,880

Source: School district CAFRs as collected by the New Jersey Department of Education.

See also:

New Jersey [GASB-77 ROADMAP](#) (institutional schematic for enforcing GASB-77 compliance)

New Jersey [ACCOUNTABLE USA profile](#) (transparency rankings, major subsidy deals, database entries, publications, and much more)

Want to know about GASB-77 disclosure in your state? Contact Christine Wen chris@goodjobsfirst.org.