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New Jersey Metropatterns

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A Regional Agenda for Community and Stability in New Jersey

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Foreword

New Jersey Metropatterns is a project of Ameregis and the New Jersey Regional Coalition.

Ameregis is a research and geographic information systems (GIS) firm that documents evolving development patterns in U.S. metropolitan regions and the growing social and economic disparities within them. Ameregis is dedicated to integrating GIS mapping and traditional research methods to inform decision-making and assist individuals and groups in fashioning local remedies that address these concerns. Ameregis was founded by Myron Orfield, a nationally recognized leader in land-use, social- and fiscal-equity and regional-governance reform.

New Jersey Regional Coalition is a statewide partnership of organizations promoting an anti-sprawl, pro-redevelopment, socially equitable and environmentally friendly agenda of research, organizing and policymaking. The common values of its members are:

- Deconcentrating poverty and its impacts on New Jersey communities
- Reducing sprawl
- Protecting the environment
- Rebuilding New Jersey's cities and older suburbs
- Promoting social and racial equity and opportunities for integration

NJRC partners include the Coalition for Affordable Housing and the Environment; Fair Share Housing Center; Isles, Inc.; Jubilee Interfaith Coalition; New Jersey Community Loan Fund; New Jersey Future; New Jersey Institute for Social Justice; New Jersey Public Policy Research Institute; and the Regional Planning Partnership. Isles, Inc. coordinated the study for the NJRC.

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New Jersey Metropatterns

An Overview

New Jersey is an extraordinary state. It is by most measures both the most densely populated and the most suburban in the nation.[1] Its development patterns are shaped not only by its own cities and transportation corridors, but also by proximity to two of the nation's largest cities—New York City and Philadelphia. Although slow growing compared to the rapidly growing Sunbelt states, it is among the fastest-growing states in the Northeast. The state has the highest median income, the highest school spending per student and among the highest housing prices in the country.

Subdivisions filled with large new homes are popping up across New Jersey.

Despite its overall wealth, New Jersey is not immune from patterns of social separation and sprawl that strain all states. Its communities are profoundly divided by income and race. Its cities are some of the most troubled in the country, and it has a growing group of suburbs experiencing similar social strains. New Jersey's reliance on property taxes and its high property tax rates—the highest in the nation, in fact—encourage a "ratables chase" that pits local governments against one another in a wasteful competition for tax base. This competition contributes to the great disparities among them—and their citizens.

In fact, geographic stratification is threatening every New Jersey community—from the most impoverished to the most affluent. It has already had devastating consequences for the poor, leaving many of them trapped in segregated neighborhoods with limited economic and educational opportunities. Now it has begun to diminish the quality of life and opportunities of working- and middle-class residents. The rising waves of protest against congestion and the loss of open space suggest that no group—not even the wealthiest suburbs—is fully satisfied with the status quo.

> New Jersey's reliance on property taxes pits local governments against one another in a wasteful competition for tax base.

Fulfilling the state's promise will require New Jersey to reach beyond its current efforts to change the underlying incentives shaping its social and physical landscape.

Evidence suggests that regional cooperation offers the best hope for making such changes—strengthening communities, preserving the environment and fulfilling the state's promise of equal opportunity for all.

Here are the report's main findings:

The Idea of an Affluent Suburban Monolith is a Myth

As the state grows, simple classifications that divide the state into cities, suburbs and countryside are increas-

Photo credit: M. Kathleen Kelly

Many of New Jersey's natural areas are threatened by encroaching development.

ingly out of date. At the heart of this report is a more complex typology of New Jersey's 566 municipalities. This classification system takes into account a variety of social, fiscal and physical characteristics of each place.

The classification system shows that a growing number of New Jersey suburbs are struggling with stresses typically associated with large cities. There is a group of suburbs in the state with significant and growing poverty in their schools and weak tax bases. There is another group of slow-growing places with few social needs, but whose property tax bases are below the state average and falling further behind. And a large group of fast-growing, middle-class suburbs is struggling to provide the schools and infrastructure it needs with just average resources. Just a small share of the population lives in affluent suburbs with expensive housing and plentiful commercial development.

Social and fiscal strains have now expanded into many older suburbs.

All New Jersey communities are hurt by the way the state is growing

Among New Jersey's most troubling challenges is the segregation of its residents by income and race. In particular, its cities and a growing number of suburbs are experiencing expanding areas of concentrated poverty.

The problems associated with concentrated poverty—everything from high crime to poor health—place a significant burden on municipal resources, discourage investment and dramatically limit the opportunities of residents. Ultimately people living in high-poverty neighborhoods become isolated from educational, employment and social opportunities available to residents in other areas, making it extremely difficult for them to participate fully in the regional economy.

While poverty and its consequences underlie this pattern of social separation, it is difficult to separate poverty from race and ethnicity—particularly for blacks and Latinos, who are strongly discriminated against in the housing market.[2]

Social separation is reinforced by the state's system of local-government finance. Local governments in New Jersey are highly dependent on property-tax revenues to pay for public services—everything from schools and parks to police and fire services. In fact, New Jersey municipalities receive 52 percent of their total revenues from property taxes, compared with just 27 percent nationally.[3]

This reliance on property taxes is pitting local governments against one another in a fierce competition for tax-generating developments, or "ratables." Under intense pressure to both maximize revenues and minimize costs, communities seek out developments that produce more in taxes than they cost in services. For example, communities often attempt to restrict needed land uses like low- and moderately priced homes, which require new sewers, roads, parks and schools but generate only modest tax revenue. At the same time, they often zone great tracts of land for commercial projects and high-end housing, hoping to attract land uses that generate more in tax revenue than they require in public services. Over time, this process has concentrated households with the greatest need for public services in communities that are the least able to generate sufficient revenue to provide them.

Photo credits: Newark Star-Ledger (above left) and M. Kathleen Kelly

The pressure to grow also contributes to the sprawling development threatening air and water quality, natural habitat and valuable farmland. It taxes local budgets and discourages cooperation on land use and other policies that can help rein in sprawling development. Severe traffic congestion and growing commute times threaten the quality of life for all the state's residents, and state policies on road and transit funding are exacerbating the problem.

All places would benefit from regional and statewide reforms

Driven by the "push" of poverty and decay in the urban core and the "pull" of new homes and open space on the urban fringe, New Jerseyans are building brand new communities and abandoning the old ones.

Central cities have borne the brunt of this phenomenon for decades. But social and fiscal strains have now expanded into many older suburbs. These places are often even more vulnerable to decline because they lack the strengths of cities—central business districts, attractive old homes and public spaces—that help them survive despite their troubles. Without changing the policies shaping the state's development, there is no reason to believe stress will not spread to yet another set of communities, even further away from the urban core.

But there are policies based on cooperation that can help change this destructive and wasteful pattern. Cooperative land-use planning can help communities coordinate development, revitalize stressed neighborhoods, conserve open space and protect the air and water. Tax reforms can stabilize fiscally stressed communities, help them provide needed public services and remove the incentive for local governments to engage in wasteful competition with one another for development. Institutional reforms can encourage local governments to cooperate on issues that cross municipal boundaries.

Change is possible

Many of the underpinnings of a reform agenda are already in place in New Jersey. Although hard-fought and well intentioned, current efforts to address inequalities and sprawl still fall short in enforcement or in geographic scope.

- The New Jersey State Plan espouses noble goals—including redeveloping existing communities and preserving open space—but lacks teeth.
- The Mount Laurel doctrine has produced 40,000 affordable housing units, a record that puts New Jersey well ahead of most states in affordable housing creation.[4] But these results have met only a fraction of the identified need.
- The state's system of local-government aid provides limited help to fiscally strained places, but has been losing equalizing power over time.
- The Meadowlands tax-base sharing program has encouraged environmentally sensitive development and distributed the fiscal benefits of growth, but covers only 32 square miles in 14 communities.[5]
- The New Jersey Supreme Court's Abbott decision provides needed funding and educational reform to the state's poorest school districts but leaves out other struggling communities that also serve significant shares of poor students.

Strengthened and expanded, efforts like these can encourage environmentally sensitive development, reduce inequalities among communities and expand the opportunities of the state's most vulnerable residents. They offer a powerful path for New Jersey to follow to meet its great challenges.

Problems associated with concentrated poverty discourage investment in neighborhoods like this one in Jersey City.

Community Classification

Many outlying places like Monroe Township in Middlesex County, above, are facing the stresses of rapid growth, while older suburbs like Irvington, facing page, face growing social and physical needs.

IN MANY people's minds, New Jersey is comprised of three distinct zones—large, troubled cities, blocs of affluent suburbs and sleepy rural areas. But such stereotypes disguise a far more complex reality. In fact, New Jersey communities display a diversity of fiscal and social conditions that cross traditional boundaries.

This report relied on cluster analysis to classify communities according to several fiscal, social and physical characteristics. (See sidebar on page 7 for a description of the clustering technique and pages 8-9 for a map and summary of characteristics of each group.[6])

The analysis goes far toward dispelling the myth of an affluent suburban monolith. In fact, over half of all New Jerseyans live in suburbs facing the stresses of low and stagnant tax resources; nearly one in five live in suburbs that also have high and increasing social needs. Another 12 percent live in fiscally and socially strained cities. The evidence also suggests that New Jersey is failing to meet its goals to redirect growth from outlying communities with valuable farmland and natural features to older communities where redevelopment is needed and infrastructure is already in place.

Some rural communities are experiencing growth pressures that threaten their rural way of life.

Here are the eight community types identified in this report:

LARGE CITIES: As a group, New Jersey's eight cities—Atlantic City, Camden, Elizabeth, Jersey City, Newark, New Brunswick, Paterson and Trenton—bear a disproportionate share of the state's social and physical needs. Their school poverty rates are almost three times the statewide average, their infrastructure is old and they provide a disproportionate share of the state's affordable housing. And large cities are forced to address these needs with the smallest tax bases of any community type. Their tax resources are less than half the statewide average and growing at about one-third

Photo credits: M. Kathleen Kelly (above left) and Monika Graff the average rate. The result is municipal tax rates that are, on average, more than twice the statewide norm. These factors dramatically hurt the prospects of cities by discouraging investment and limiting the opportunities of residents.

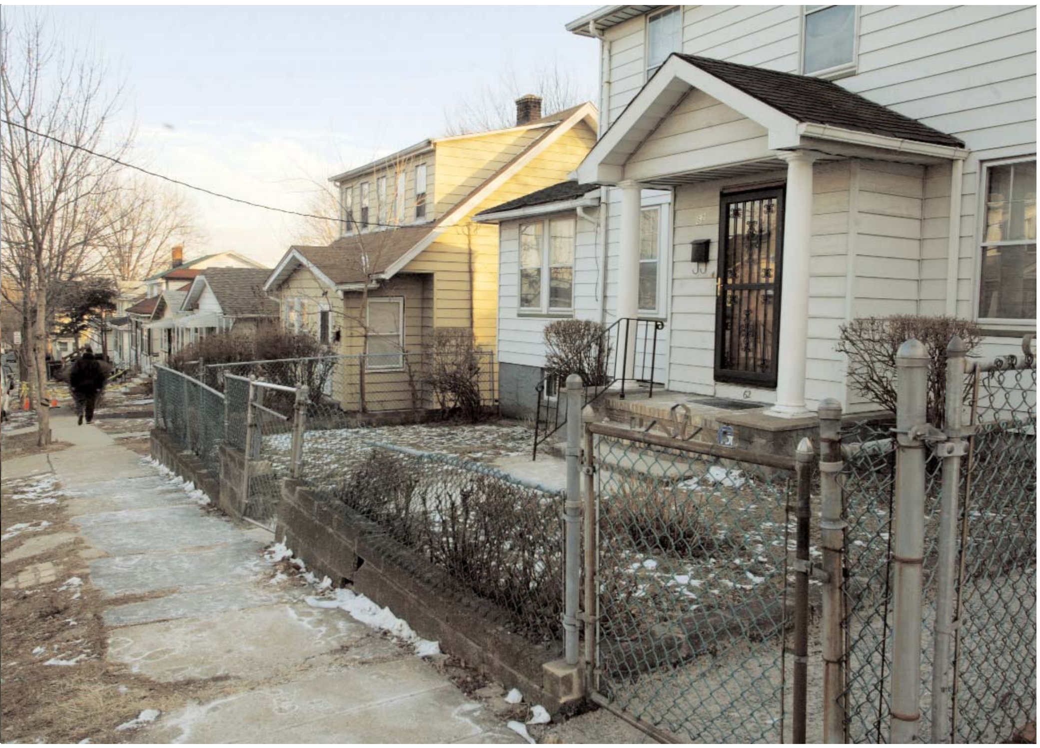
Despite these troubling traits, cities also have strengths that they can build on. Because cities are more than twice as dense as any other community type, residents have the shortest average commutes and highest rates of mass-transit use of any community type. While their old housing stock is in danger of deterioration, it can also serve as an attraction to help revitalize neighborhoods. Although slipping slightly, the state's large cities continue to have by far the greatest density of jobs of any community type, an important contributor to the local economy.

Distressed: Like large cities, distressed communities—relatively dense places filled with older homes and 18 percent of the population—offer prospective residents the advantages of convenience and affordability, with relatively short commutes and a large supply of affordable housing.

But these places are bearing problems historically associated with large cities. Poverty in their schools grew five times faster than the statewide average during the late 1990s—the fastest of any group. At the same time, because these communities have below-average tax resources growing at the slowest rate of any community type, their ability to raise revenues from their local tax base has been slipping. The number of jobs per resident worker is below the state average, and distressed communities are losing jobs at the fastest pace of any community type.

In some instances these places find themselves in an even tougher fiscal position than cities, with comparably low and slow-growing tax bases, but with few of strengths of cities, like large concentrations of jobs.

Some examples of distressed communities are Irvington, Pennsauken and Freehold.



At-risk, developed: Home to 24 percent of New Jersey residents, these places are still stable by many measures—they have relatively little poverty in their schools and tax rates just slightly above average. Their population, which grew by 3 percent in the 1990s, is relatively stable, and their housing stock continues to attract buyers and renters. On average their workers have relatively short commutes. In fact, many residents of these places would probably not consider their communities at-risk at all.

But there are signs of stress afoot. The property tax bases these communities rely on to provide public services aren't keeping pace with many neighboring communities. On average, property tax bases in at-risk developed places are already below regional averages and are growing more slowly. Their housing stock and infrastructure is nearly as old as that in distressed places. While these places have a slightly higher-than-average ratio of jobs to workers, employment is growing at a rate that is half the statewide average.

These indicators merit action because they are the same warning signs many distressed communities faced in past decades. Given the continuation of current development patterns, many at-risk developed communities may face the same fate.

At-risk developed communities include Cherry Hill, West Orange and Piscataway.

At-risk, rural: As a group these places have relatively low and steady rates of free-lunch eligibility and below-average tax bases that are growing slightly faster than average. Population growth is slightly

Despite significant revitalization efforts, like this housing development, New Jersey's large cities face serious social and fiscal stress.

below average. But such "average" measures disguise considerable variations. Most at-risk rural places in south Jersey are experiencing little population growth, and rural poverty in these places is a continuing problem. These places are at risk of being unable to provide services residents want for lack of a tax base.

In north Jersey, many at-risk rural communities are experiencing growth pressures that threaten their rural way of life. Despite state planning initiatives meant to limit development in many of these places, new residents, drawn by lower housing prices than in most of the state and relatively new housing stock, continue arriving. But there is a price to pay for their choice of residence: with very low-density settlement patterns and the fewest jobs, residents of these places face longer-than-average commutes, and are the most likely to commute alone by car. These are all factors that contribute to traffic congestion.

At-risk rural communities include Mays Landing, Williamstown and most of Salem and Cumberland counties.

Bedroom-developing: The defining characteristic of these places, home to 20 percent of the state's population, is rapid growth. In fact, this category, with an average growth rate double that of the next fastest group, includes many of the fastest growing places in the state. With their higher-achieving, middle-class schools, newer, spacious homes, less congestion and—at least initially—lower tax rates, these places appear to offer an alternative to declining communities at the core. Because of their above-average and fast-growing tax bases, on average, officials in bedroom-developing communities have been able to keep tax rates relatively low.

But the speed and scale of growth brings its own stresses—requiring huge investments in roads, sewers and schools that often strain even the hardiest tax base. As communities grow, valued open space is lost to development and traffic congestion makes getting around more and more difficult. The way the state is growing, the same problems driving people from at-risk developed municipalities may gradually reappear in many bedroom-developing places.

Although this group does include several employment centers, as a whole these places have relatively few jobs, and their workers have the longest commutes of those in any community type. Bedroom-developing communities include West Windsor, Egg Harbor Township and Manalapan.

Affluent: Home to just 9 percent of the state's population, these prosperous suburbs have a large share of the state's expensive homes, plentiful commercial and industrial development, few social strains and relatively low tax rates.

In fact, with the highest concentrations of jobs per resident worker, and the lowest free-lunch rates of any community type, affluent places appear to reap all of the benefits of regional competition with few of the costs. The already low share of poor students fell slightly during the 1990s. Their tax bases, on average, are over twice the regional average, and growing considerably faster. Their moderate rate of population growth assures that they can keep up with needed infrastructure without overtaxing local resources.

But the opportunities of these places are limited to only a lucky few. Only 14 percent of their housing units are affordable to households making 80 percent of the regional median household income or

Cluster Analysis: How It Works

Because there are 566 jurisdictions included in this study, it is impossible to measure each one individually against the others. Instead this study relies on a statistical procedure called cluster analysis to assign municipalities to groups that are as internally homogeneous and as distinct from one another as possible, based on specified social, fiscal and physical characteristics.[7]

The characteristics used to group New Jersey municipalities were tax base per capita in 1999, growth in tax base per capita from 1993 to 1999, average age of the housing stock in 1990, the percentage of elementary students eligible for free school lunches in 2000, population growth from 1990 to 2000 and the percentage of the community's land that was developed in 1995.[8]

These variables provide a snapshot of a community in two dimensions—its ability to raise revenues from its local tax base and the costs associated with its social and physical needs. Fiscal capabilities are measured by tax base and the change in tax base.

"Need" measures were selected to capture a range of local characteristics that affect the cost of providing public services. High poverty, measured by the percentage of elementary students eligible for the free lunch program, is a well-documented contributor to public service costs. It both generates greater needs for services and increases the cost of reaching a given level of service. The age of the housing stock is a commonly used proxy for the age of infrastructure—older infrastructure is more costly to maintain than newer. Population declines and large increases tend to increase the per-person costs of long-lived assets like sewers, streets or buildings. When population declines the costs of these assets must be spread across fewer taxpayers. When population is growing rapidly, the costs for new infrastructure tend to fall disproportionately on current residents (compared to future residents) because of the difficulty of spreading the costs over the full lifetime of the assets.

These variables also capture a cross-section of the socioeconomic characteristics that define the political character of a place. Housing age, school demographics and the degree of development are among the factors people examine when deciding if a community is "their kind of place."

Before clustering, three groups were created for communities facing special issues due to their unique history or location. Large cities are the eight "urban centers" designated by the New Jersey State Development and Redevelopment Plan. Resorts are coastal communities with property tax base per capita of $290,000 per capita or greater. Constrained communities are places where less than 25 percent of developable land is still undeveloped and where more than 40 percent of land is preserved for conservation and recreation or not developable due to terrain or other factors.

less—the lowest share of any community type. Although they are attracting a deep and growing pool of jobs, high housing costs mean local employers may have problems attracting low-wage workers, who cannot afford to live in the vicinity. Affluent communities include Moorestown, Cranbury, Summit and Saddle River.

Constrained: The defining characteristic of these places is their limited ability to grow. On average, over two-thirds of their land is unavailable for development, and only 14 percent of all developable land is still undeveloped. That means they are unable to expand their tax bases using the traditional method of local governments—seeking out new development. In fact, as a group, these places have relatively low per-capita tax bases that are growing more slowly than average. These places offer an example of how valuable statewide land-use goals can hurt local communities if they come without the tax reforms needed to provide more equitable fiscal relationships among municipalities.

Despite the constraints, these communities, home to 5 percent of the population, saw relatively fast growth during the 1990s—9 percent. There is little poverty in their schools. Workers in these places, which tend to have few jobs, experienced slightly shorter mean commutes than the statewide average, but a larger portion drove to work alone than in the state as a whole. Constrained communities include West Milford, Shamong Township and most communities in Cape May County.

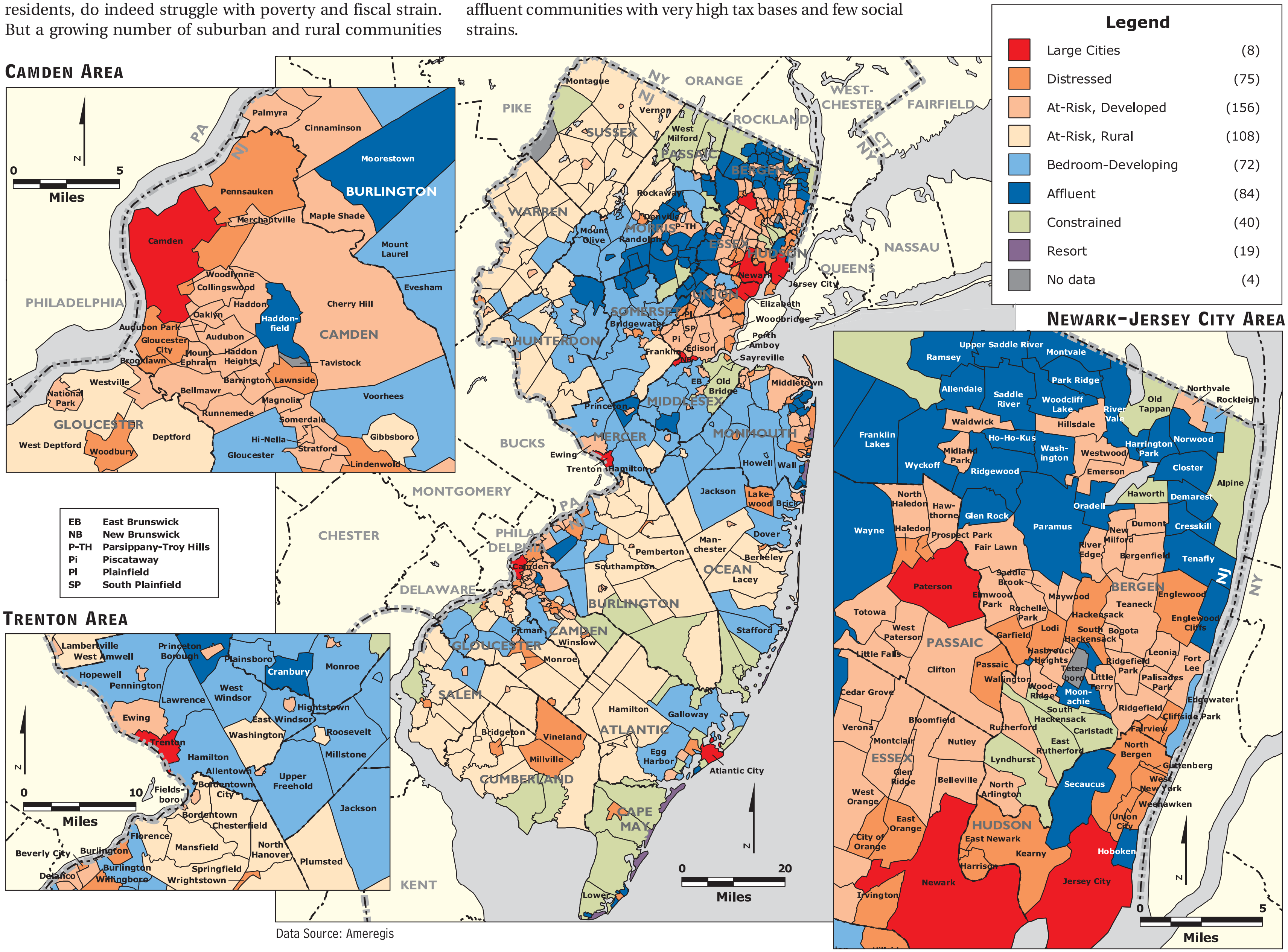
Resort communities: Supported by their supply of extremely expensive second homes, these places, home to less than 1 percent of the population (in the off season, anyway), have extraordinary property wealth. Their tax resources are eight times the statewide average and have been growing three times faster than those of the state as a whole. In addition, their many part-time residents demand little in the way of services, particularly schools. As a result, their tax rates are half the statewide average.

With tourism-based economies, resort communities have a relatively high and fast-growing ratio of jobs to residents. There is little racial diversity in their schools, and already low free-lunch rates declined during the late 1990s. Resorts include Sea Girt, Cape May and most of Long Beach Island.

Community Classification

Map 1: Community Classification

New Jersey's municipalities differ greatly in their fiscal and social condition, and these differences don't break along traditional city-suburb lines. The state's socially and fiscally stressed large cities, home to 12 percent of the state's residents, do indeed struggle with poverty and fiscal strain. But a growing number of suburban and rural communities do, too. In fact, nearly half of New Jersey residents live in distressed and at-risk communities facing the stresses of either low and stagnant tax resources or high and increasing social needs. Just a small share of the state's population lives in affluent communities with very high tax bases and few social strains.



Data Source: Ameregis

Characteristics of the Community Types

	Large Cities	Distressed	At-Risk Developed	At-Risk Rural	Bedroom-Developing	Affluent	Constrained	Resorts	State
Number	8	75	156	108	72	84	40	19	562
Population Share	12%	18%	25%	10%	20%	9%	5%	1%	100%
Variables Defining the Groups									
Property Tax Base per capita	$31,481	$41,805	$75,430	$64,153	$89,240	$162,853	$87,210	$584,203	$76,966
Growth in Property Tax Base per capita	6%	5%	16%	24%	27%	35%	15%	74%	23%
Percentage of Elementary Students Eligible for Free Lunch	76%	51%	10%	13%	6%	6%	12%	12%	27%
Population Growth	2%	7%	3%	5%	1%	6%	9%	–1%	7%
Average Age of Housing Stock	44	41	40	30	24	36	30	33	35
Percentage of Available Land Developed	98%	69%	88%	21%	43%	71%	47%	98%	43%
Fiscal and Socioeconomic Characteristics									
Municipal Property Tax Rate	1.50%	1.19%	0.64%	0.41%	0.40%	0.43%	0.52%	0.33%	.60%
Change in Free Lunch Percentage	0%	5%	0%	–1%	–1%	–1%	–1%	–3%	–1%
Percentage of Non-Asian Minority Elementary Students	88%	70%	17%	15%	10%	10%	11%	9%	35%
Change in Non-Asian Minority %	2%	7%	5%	2%	3%	1%	2%	1%	3%
Percentage of Population Immigrated Since 1990	14%	12%	7%	2%	4%	4%	4%	1%	7%
Percentage of Rural Population	0%	0%	9%	69%	40%	12%	26%	47%	26%
Land Use Characteristics									
Percentage of Housing Affordable to Households with 80% of Median Income	87%	74%	43%	50%	36%	14%	43%	22%	50%
Population per Square Mile	1,1227	4,423	3,871	284	855	1,705	472	1,439	1,140
Percentage of Land Undevelopable	16%	19%	18%	36%	29%	20%	68%	42%	35%
Economy									
Jobs per Square Mile	5,005	1,585	1,798	71	329	1,156	171	662	479
Percentage Change in Jobs	–3%	–6%	3%	22%	25%	8%	6%	13%	6%
Jobs per 100 Resident Workers	100	73	85	51	80	133	70	92	84
Median Commute Time	26	27	28	32	33	31	29	31	30
Percentage of Workers Driving Alone	47%	63%	76%	83%	81%	73%	80%	77%	73%

Social Separation and Sprawl

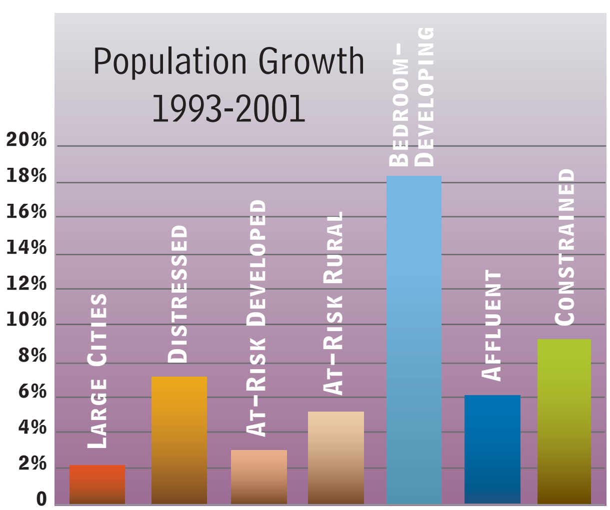
The way New Jersey is growing is largely responsible for the increasing segregation, fiscal stress and environmental damage sweeping the state.

Issues of metropolitan growth are especially significant in New Jersey, the only state in the nation considered entirely "metropolitan" by the U.S. Census Bureau. Each of its 21 counties is included in either the New York or Philadelphia regions. Situated in the middle of the vast megalopolis stretching from Boston to Washington, D.C., urban New Jersey has been expanding outwards, and at increasingly low densities, for decades.

From 1970 to 1990, the population living in urbanized areas of the state grew by 9 percent. In the same period, the amount of land considered urbanized grew by 36 percent—four times faster![9]

That outward trend continued through the 1990s. Despite pockets of revitalization in many of the state's largest cities, the strongest growth during the 1990s was in low-density places far removed from the urban core.

In fact, north Jersey's urban fringe has moved beyond the state borders into northeastern Pennsylvania. Pike and Monroe counties, those immediately bordering northwest New Jersey, are the fastest growing counties in Pennsylvania, and the first and third fastest-growing counties in the Northeast.[10]



Overall, New Jersey's population grew by 9 percent during the 1990s to reach over 8.4 million. Although below the nationwide growth rate of 13 percent, the state's growth was second fastest in the Northeast, and well ahead of neighboring New York and Pennsylvania. The state's population gains were created largely by international immigration—in fact, more people left New Jersey for other parts of the country in the 1990s than came to New Jersey from other states.[11] While immigrants are settling in communities throughout the state, they are most concentrated in the large cities and distressed communities that provide much of the state's affordable housing.

Although the state as a whole is relatively dense, its population and employment are not highly concentrated—the vast majority of residents live and work in suburban or exurban communities. In fact, in 2000, the state's major cities of Atlantic City, Camden, Elizabeth, Jersey City, Newark, New Brunswick, Paterson and Trenton together were home to only 12 percent of the state's population, down from 17 percent in 1970.[12]

Density is such an important characteristic of a place because density shapes many other aspects of life. Moderate- to high-density development can help preserve open space, reduce the length of car trips, make mass transit a more viable option for commuters and reduce housing prices by decreasing land and infrastructure costs.

Low-density development, like much of what is taking place in fast-growing New Jersey communities, exacerbates the need for roads and other infrastructure, provides few opportunities for effective mass transit and harms the environment. It is associated with increased per-person costs for services including schools, police and fire, and often, with higher housing prices.

Changing employment patterns place similar stresses on communities. While the state has traditionally provided a significant number of workers to New York City and Philadelphia, New Jersey has also built a significant employment base of its own. In all, the state added 177,000 private-sector jobs between 1990 and 1999, a 6 percent increase. In fact, in 2000, 88 percent of the New Jersey labor force worked in the state. Even

Many older suburbs like Willingboro Township are losing retailers to more affluent, newer communities.

in Hudson County, across the river from Manhattan, nearly three of every four workers commuted to jobs within the state.[13]

Like housing, employment in New Jersey is increasingly diffused, with the fastest job gains in the 1990s in outlying Somerset, Hunterdon, Gloucester and Burlington counties. Meanwhile, many core counties experienced declining employment levels.

The outward movement of population and jobs to low-density, recently rural communities has important implications for all of New Jersey. Rapid growth often burdens growing communities with significant public costs. In the places left behind, population decreases take their toll, too. Although decreases can sometimes be explained by smaller household sizes, not fewer households, they still mean fewer people—and often those with fewer personal resources—to fund public services and support local businesses.

Segregation by Income and Race

One of the most harmful consequences of this low-density growth is a devastating pattern of social stratification that divides communities by income and race. New Jersey communities are highly segregated, with poor people of color disproportionately located in its large cities and distressed communities, places with the highest shares of affordable housing and low and slow-growing tax bases.

This divide is most clearly reflected in the state's schools. Community stability depends greatly on the performance of their schools, because when the perceived quality of a school declines, it can set in motion a vicious cycle of middle-class flight and disinvestment.[14] Many schools in older suburbs are now showing the same patterns of social change that occurred a generation ago in central cities. In fact, a group of distressed suburbs is experiencing by far the fastest-growing student poverty in the state.

This socioeconomic shift has serious effects. Eventually, when schools reach certain thresholds of poverty, middle-class families with children—those of all races—leave the community, and they are eventu-

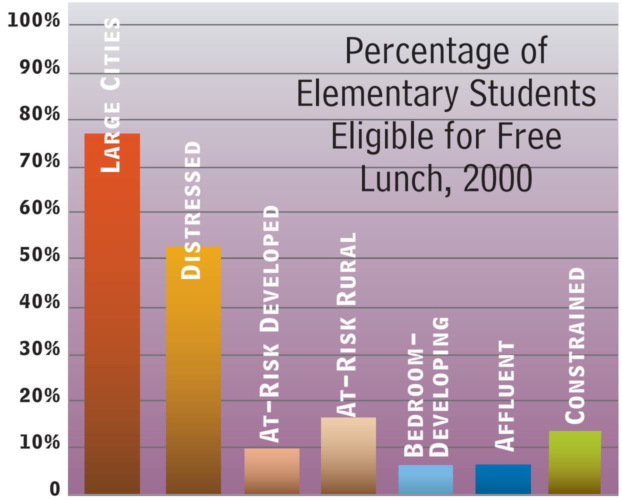


Photo credit: Paul Scully

ally followed by other middle-class segments of the housing market.

The departure of the middle class from a neighborhood strains both old and new communities. In fast-growing communities at the edge of the region, the middle class is streaming into increasingly overcrowded, underfunded schools. But its more powerful harms accrue to the people left behind in communities of concentrated poverty. Concentrated poverty destroys the lives of the people trapped in these communities, leaving them with few opportunities for good education and good jobs. Schools with concentrated poverty often suffer from risk factors—everything from inexperienced teachers to unstable enrollment—that lower educational achievement among students and diminish their prospects for the future.

The degree of segregation of poor students in New Jersey is high even when compared to major U.S. metropolitan areas. In the 25 largest metropolitan areas, an average of 54 percent of poor children would have to change schools in order to achieve an identical mix of poor and non-poor students in each one.[16] In New Jersey, 63 percent of poor children would have to change schools to achieve such a mix of students.[17]

These patterns have particularly harmful effects on blacks and Latinos, who are so strongly discriminated against in the housing market.[18] (Asian students were not included in this report's analysis of racial segregation because research has shown that they tend to experience less educational and housing segregation than other minority groups.[19]) When black and Latino students are segregated in schools where the majority of students are non-white, they are also likely to find themselves in schools where the majority of students are poor. Across the state, the percentage of non-Asian minority students attending high-poverty schools was 68 percent, compared to just 7 percent for white and Asian students, a ratio of nearly 10-to-1.[20] In fact, 69 percent of minority students would have to move to achieve an identical mix of minority and non-minority students in each school, compared to an average of 61 percent in the 25 largest metropolitan areas.

It is the state's older, distressed communities that are experiencing the fastest racial change. As racial and social change spreads through these communities, an especially distressing pattern emerges. The gradually expanding black and Latino middle class, in pursuit of the American dream, begins moving away from poverty and into the suburbs. In their search for new homes, they are frequently the subject of racial discrimination—often in more subtle forms than in the past, such as being steered to particular communities, being shown fewer units than white buyers or receiving less assistance in the financing process.[21]

When these new residents reach a critical mass in a neighborhood and its schools, many white homebuyers, *perceiving* the community to be in decline, choose not to buy there, and over time, whites already living in the neighborhood move away. The consequent decline in demand causes housing prices to stagnate, and poorer individuals of all races move into the homes vacated by middle-class whites. Earlier perceptions become reality. In a short time, the new middle-class migrants find themselves in the same kind of neighborhoods they sought to escape just a few years earlier. These patterns, leading to the resegregation of some communities, perpetuate both the outward expansion of social strain and flawed assumptions about the contributions of minority residents to a community.[22]

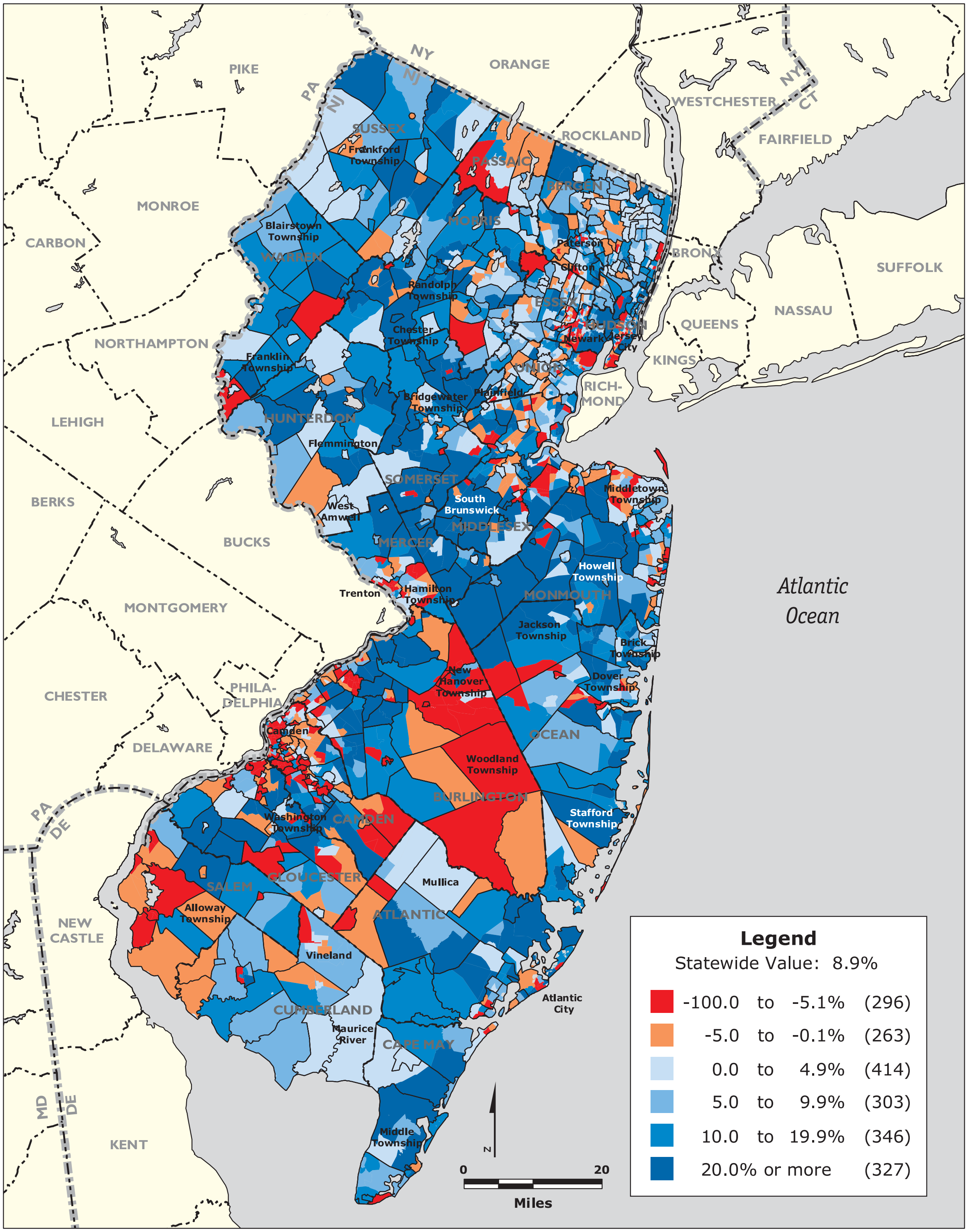
Environment and Transportation

The way the state is growing is hurting not just its citizens, but its natural and built environment as well. Sensitive natural habitats are being endangered by growth. Two special regions—the Highlands of northwestern New Jersey, an area of forested ridges, valleys, streams and wetlands, and the Pinelands of South Jersey, home to lowland pine and oak forests and hardwood swamps—are both experiencing forest loss and fragmentation and water quality declines due to development.[23] The state's agricultural industry is also feeling the squeeze. Between 1987 and 1997, New Jersey lost 62,000 acres of farmland, a 7 percent drop,[24] much of it due to new construction.

The consequence of sprawling development perhaps most apparent to New Jersey residents is the state's strained transportation systems. State transportation officials are continuing to add highway capacity, but there is growing evidence that they are failing to maintain the infrastructure that is already in place.[25] By 2000, New Jersey workers experienced mean commutes of 30 minutes, the third longest after New York and Maryland. New Jersey workers are spending more time getting to work, too—the mean commute increased 19 percent in the 1990s, compared with an increase of 14 percent in the U.S. as a whole.[26]

Considering that significant investments in infrastructure and housing have already been made in core areas, state (and often federal) investments in roads in previously undeveloped areas waste taxpayers' limited resources. Such expenditures not only encourage additional growth in outlying communities and run counter to state policies intended to curb sprawl, they further divert resources from existing communities that arguably need them the most.

Map 2. New Jersey: Percentage Change in Population by Census Tract, 1990–2000

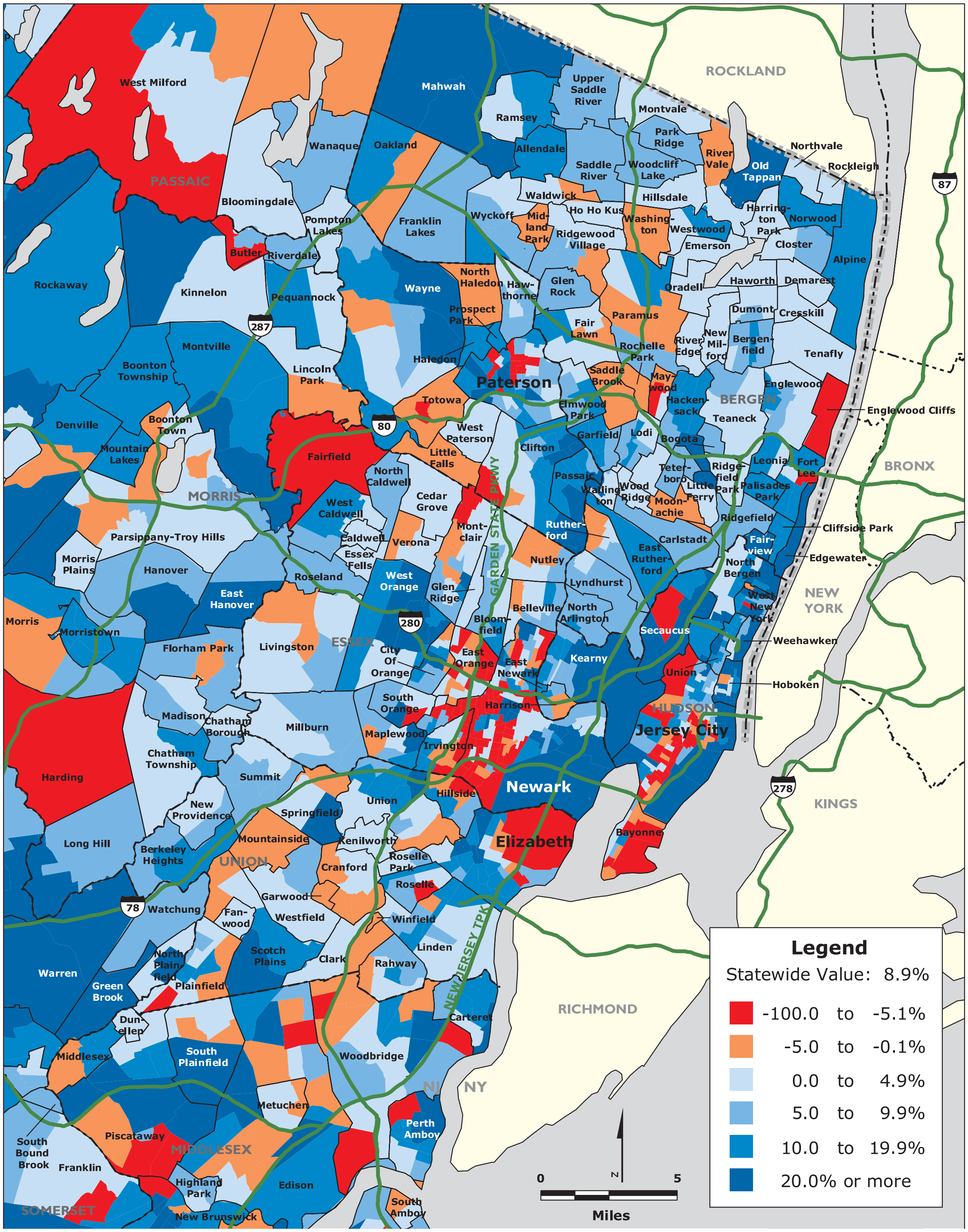


Data Source: U.S. Census Bureau

Population change is one measure of sprawl in New Jersey. During the 1990s, population growth was fastest in most parts of the so-called "Wealth Belt" of central New Jersey and along the south shore in Ocean, Atlantic and Cape May counties. Boomtowns included Bridgewater Township, in Somerset County, which grew by 32 percent and Stafford Township, in Ocean County, which grew by 69 percent.

While suburbanizing areas boomed, some neighborhoods in cities, older suburbs and the still-rural areas in the south, such as Salem and Burlington counties, declined. Atlantic City experienced modest growth of 7 percent, while Trenton lost 4 percent of its residents during the 1990s.

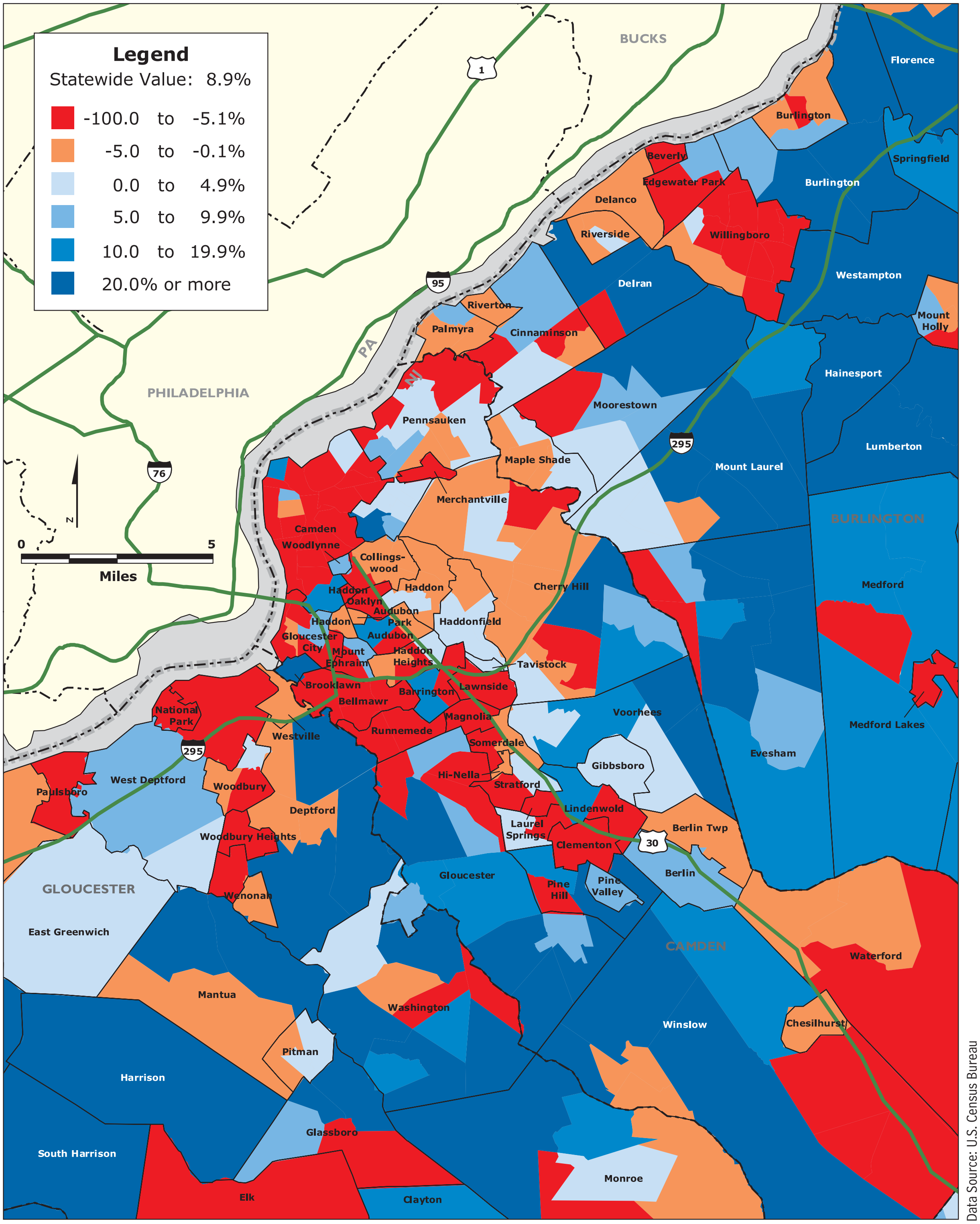
Map 3. Newark–Jersey City Area: Percentage Change in Population by Census Tract, 1990–2000



Data Source: U.S. Census Bureau

While some outlying communities saw double-digit growth in the 1990s, population in much of northern New Jersey grew more slowly than the state as a whole. In some cases it even fell. East Orange, for example, lost 5 percent of its citizens. However, many of the area's larger cities did better in the 1990s than they had for decades. Population in Newark fell just a half a percent—the smallest decline in the city's population in decades. Jersey City, Elizabeth and Paterson all experienced population gains, as did many of the older communities across the Hudson River from Manhattan, such as Hoboken, which grew 16 percent, and Fort Lee, 11 percent.

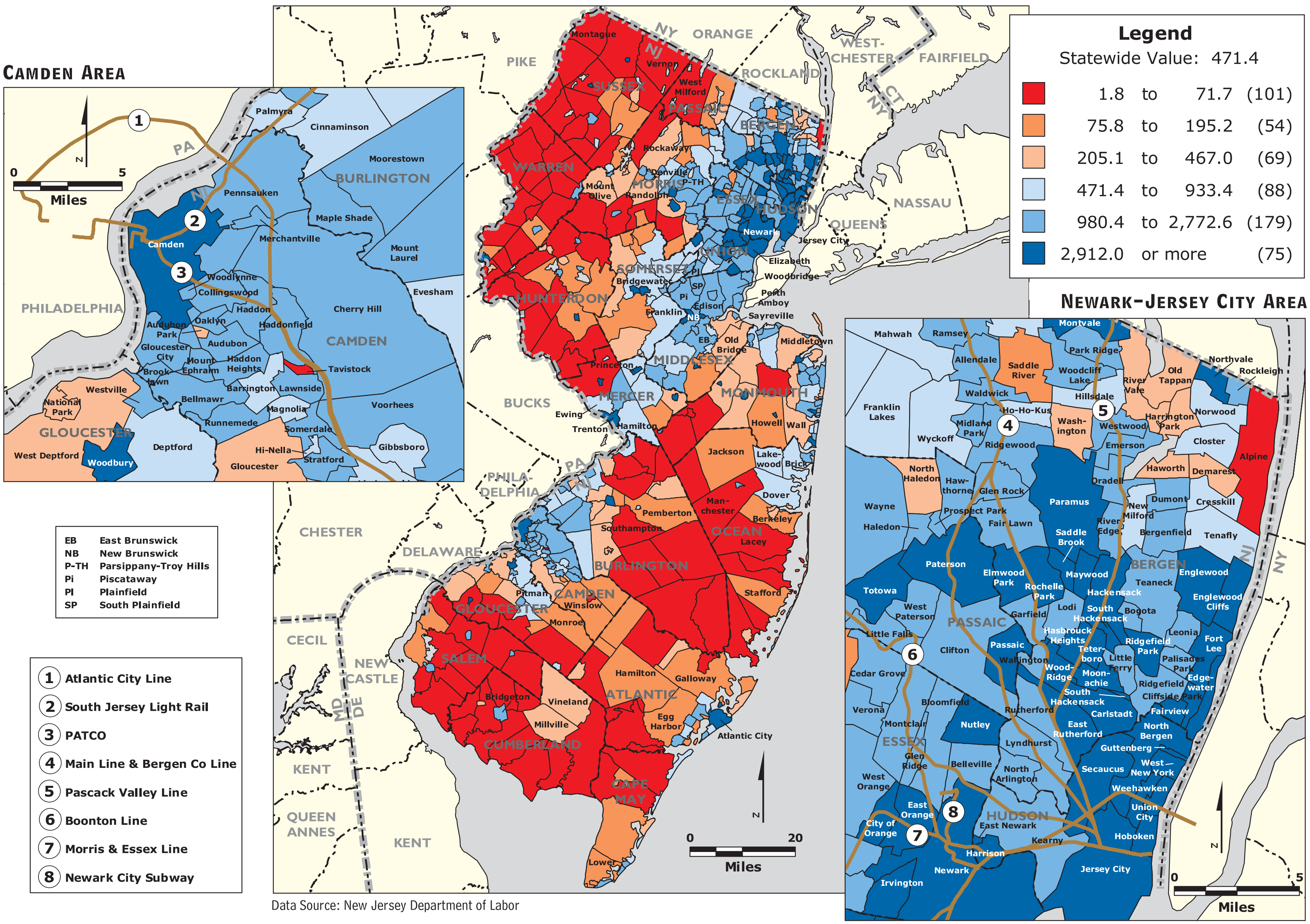
Map 4. Camden Area: Percentage Change in Population by Census Tract, 1990–2000



Many Camden-area communities—cities and suburbs alike—lost residents during the 1990s. Population in Camden dropped 9 percent; the borough of Bellmawr lost 11 percent of its population; and the borough of Lindenwold lost 7 percent of its residents, despite growth in one part of town. Outlying places tended to see population growth. Overall, Gloucester County grew by 11 percent and Burlington by 7 percent. Driven by extensive development in its northern half, Mantua, in Gloucester County, grew by 41 percent during the 1990s, and Burlington Township grew by 63 percent.

Map 5. New Jersey: Total Private-Sector Jobs per Square Mile by Municipality, 1999

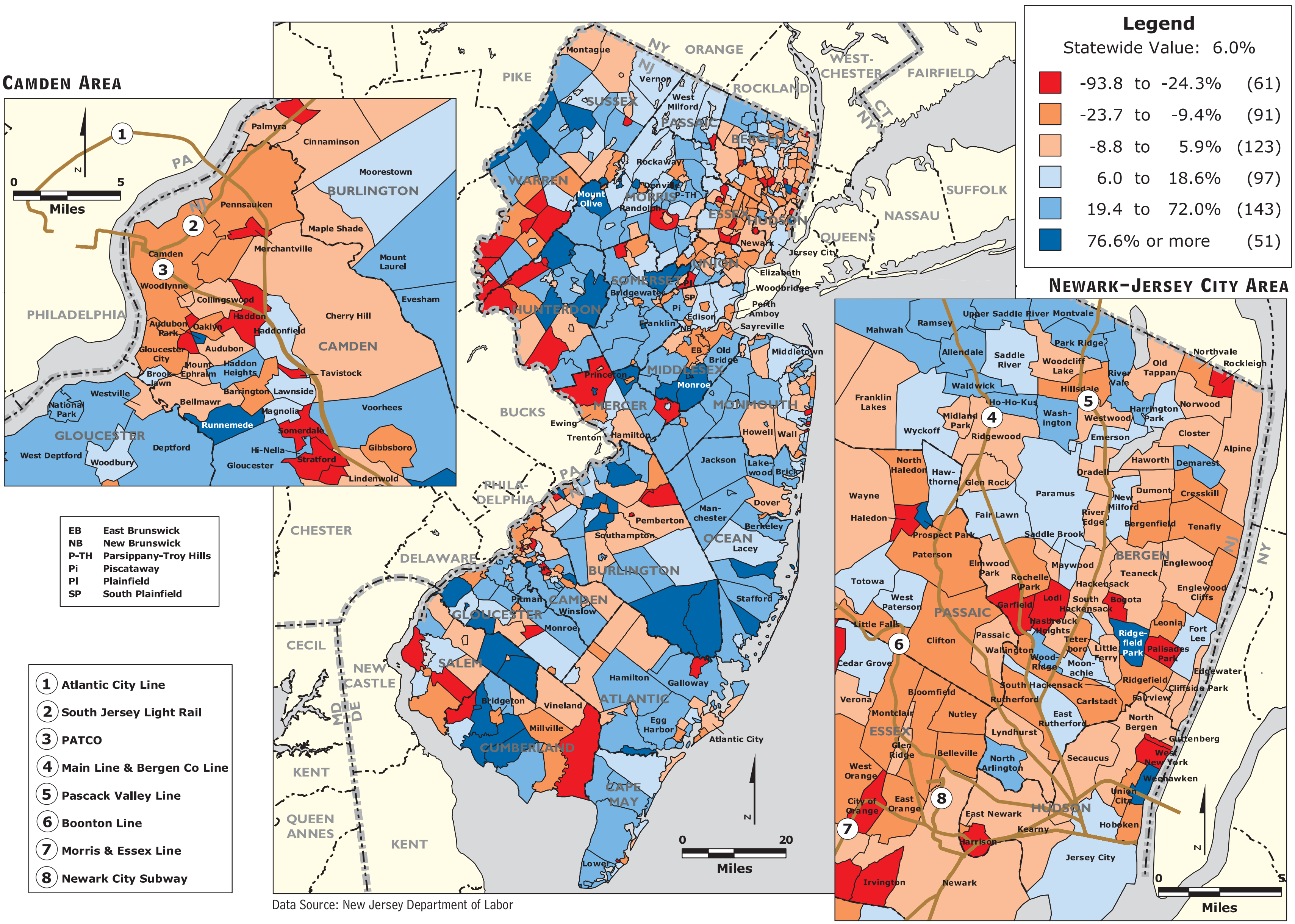
The density of employment in New Jersey closely mirrors population density. Dense places often suffer from congestion; they also offer the best environment for efficient mass transit. The greatest cluster of jobs is in older northeastern communities of Bergen, Passaic, Hudson, Essex and Union counties. There are also significant clusters of dense employment in and around Camden and Atlantic City, the corridor between Trenton and northern Middlesex and in coastal Monmouth County. Overall, Hudson County has the most jobs per square mile, 4,880, nearly twice that of the next county, Essex.



Data Source: New Jersey Department of Labor

Map 6. New Jersey: Percentage Change in Private-Sector Jobs per Square Mile by Municipality, 1990–1999

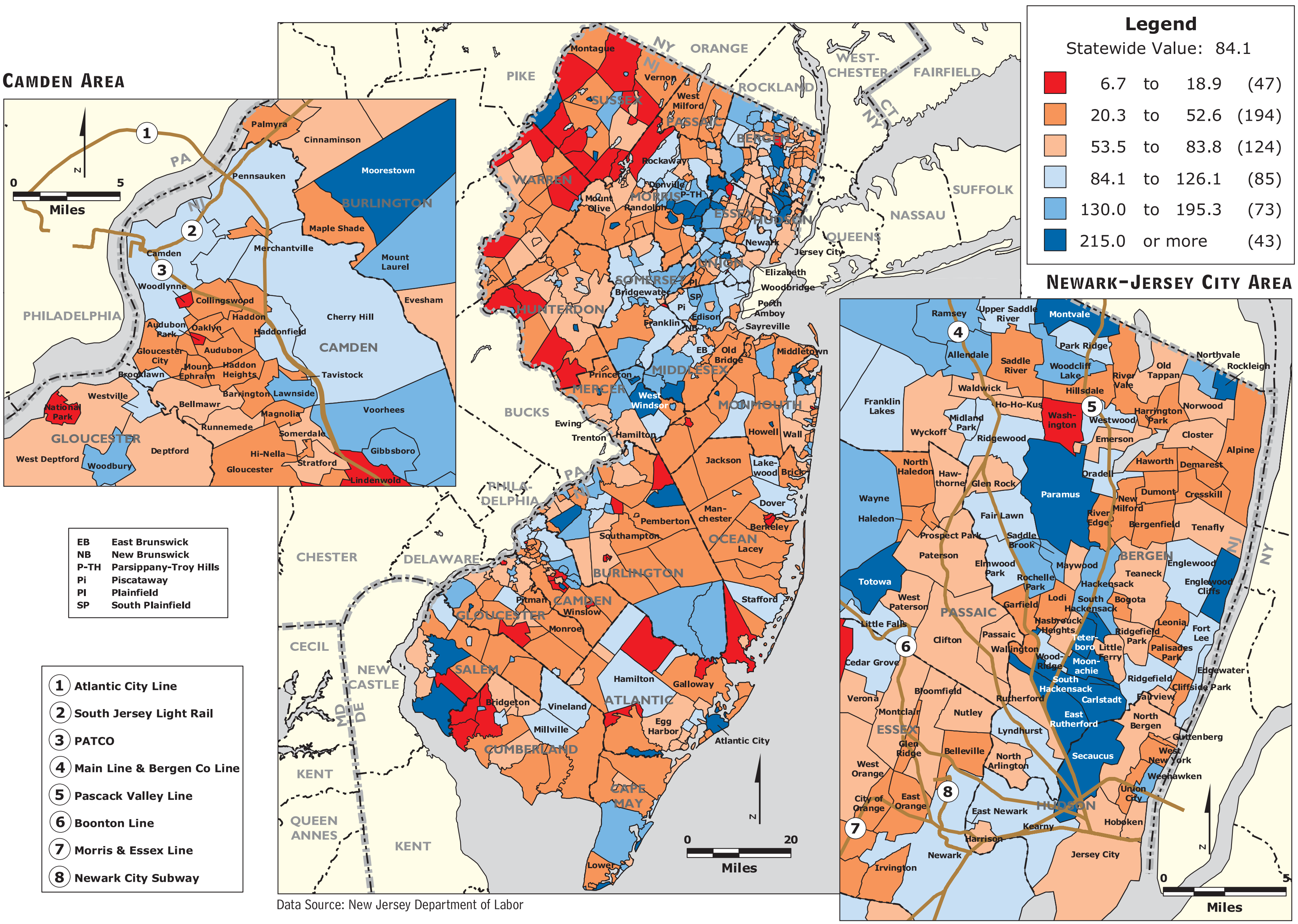
Although the greatest density of jobs is still in older communities outside New York and Philadelphia, during the 1990s many of these places experienced a net loss in employment. Essex County alone lost over 20,000 jobs, including 5,500 in Newark. Passaic, Hudson and Union counties also saw net decreases. Much of the state's job growth took place in new suburban communities, especially the "Wealth Belt" counties of Morris, Somerset and Middlesex; and outlying communities near Camden and Atlantic City. While the city of Camden and neighboring Pennsauken together lost over 10,000 jobs, employment in suburban Mount Laurel grew by nearly 12,000, an increase of 67 percent.



Data Source: New Jersey Department of Labor

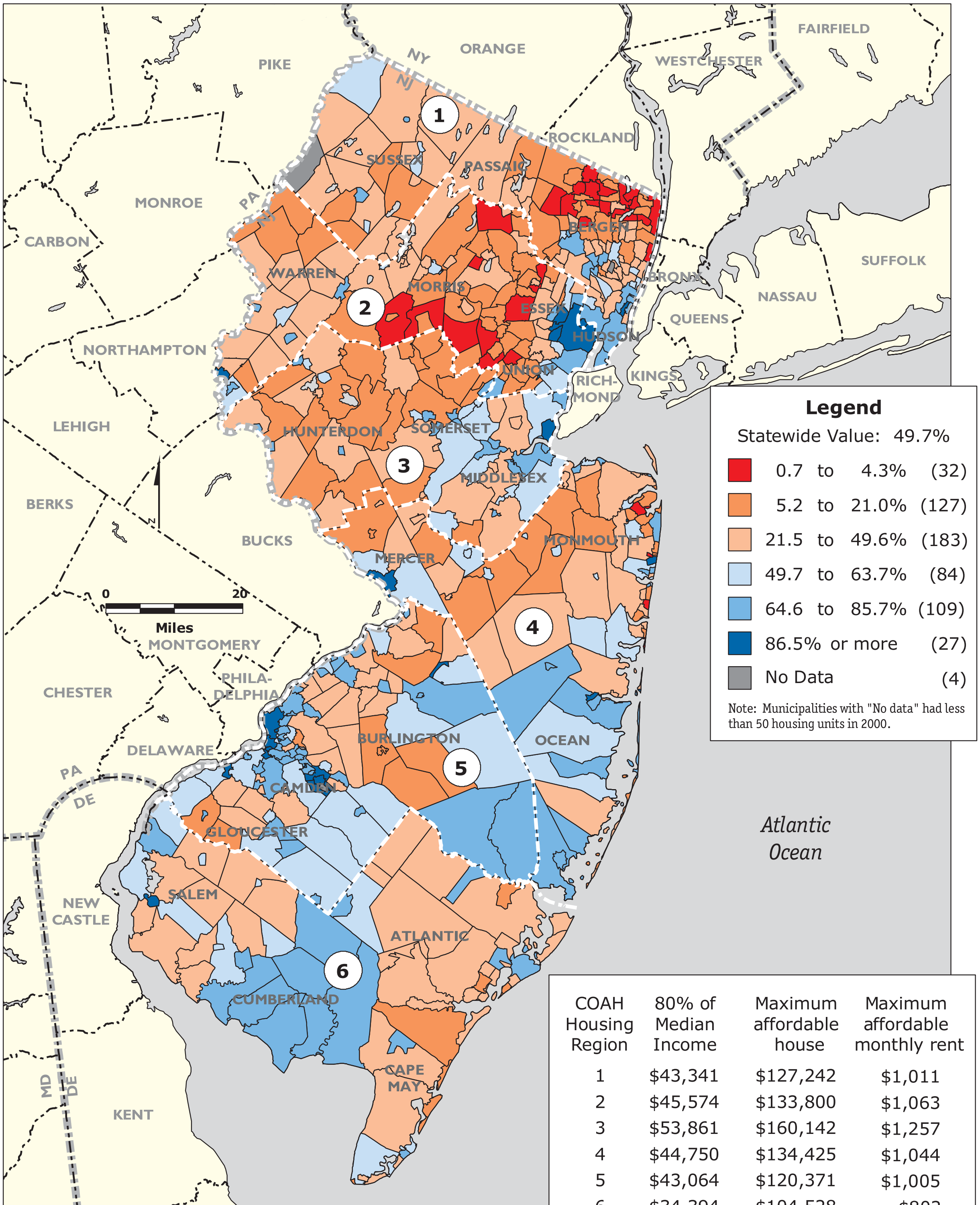
Map 7. New Jersey: Total Jobs per 100 Persons in the Labor Force by Municipality, 1999

Places with more jobs than resident workers are significant commuting destinations. There is a significant job center in the Meadowlands area, which includes portions of over a dozen cities in Bergen and Hudson counties. There are also significant corridors of job-rich cities starting in Passaic County and running south through western Essex, eastern Morris, and Middlesex counties, ending in northern Mercer. With its casino and entertainment economy, Atlantic City itself is home to three times more jobs than resident workers. Camden and Newark have slightly more jobs per resident worker than average, while Trenton, Jersey City, Elizabeth and Paterson have fewer.



Data Source: New Jersey Department of Labor

Map 8. Percentage of Housing Affordable to a Household with 80 Percent of the Regional Median Income by Housing Region and Municipality, 2000

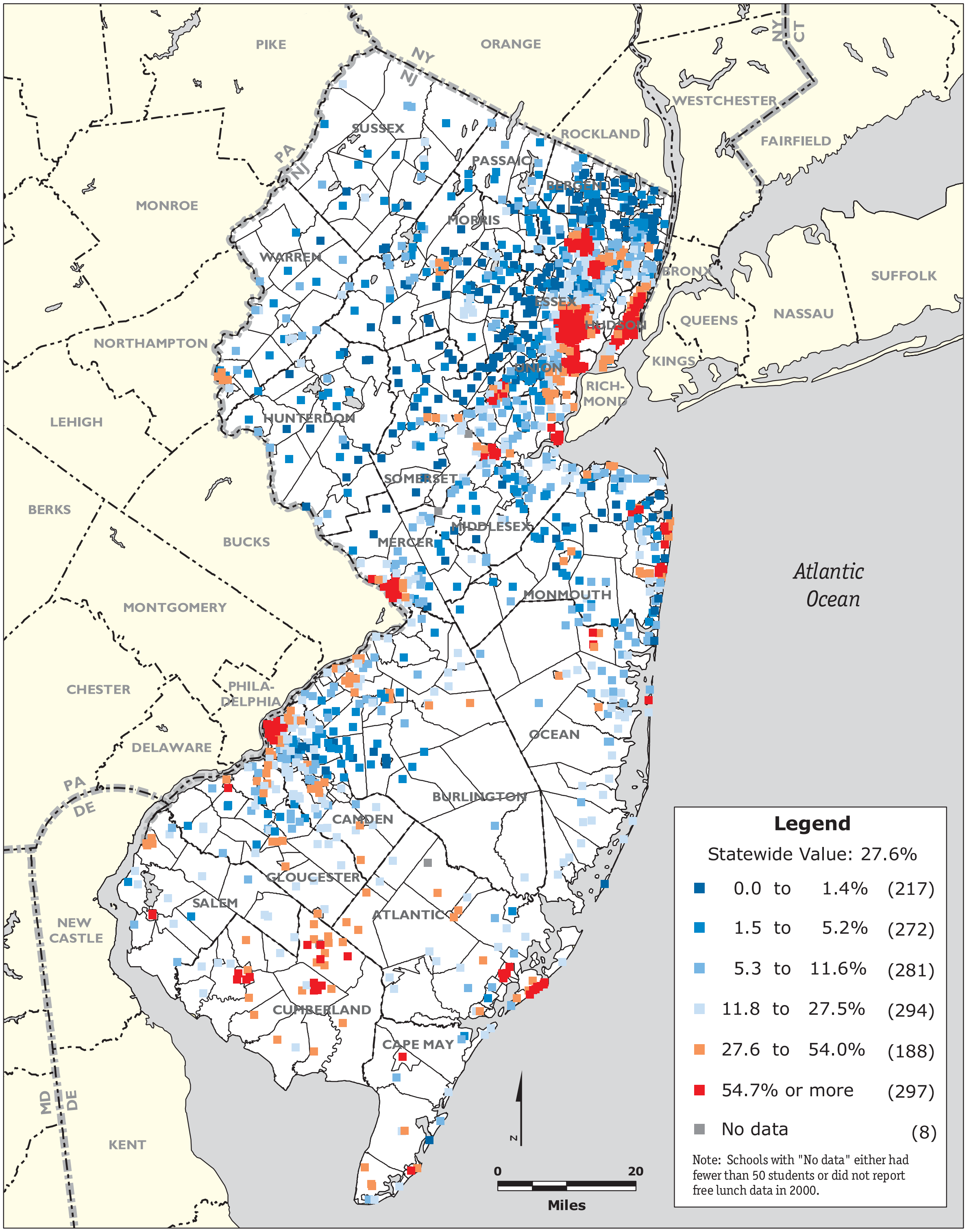


COAH Housing Region	80% of Median Income	Maximum affordable house	Maximum affordable monthly rent
1	$43,341	$127,242	$1,011
2	$45,574	$133,800	$1,063
3	$53,861	$160,142	$1,257
4	$44,750	$134,425	$1,044
5	$43,064	$120,371	$1,005
6	$34,394	$104,528	$802

Data Source: U.S. Census Bureau

An even distribution of affordable housing gives people of all incomes greater choice in where they live, reduces the costs of dealing with poverty by ensuring that it is not concentrated in just a few places and increases the chances that people live close to their jobs. Each of the six New Jersey regions established by the Council on Affordable Housing shows significant variation in the availability of moderately priced homes and apartments, although affordable housing rates are highest in cities and distressed suburbs.[27] The most serious imbalances are in Essex, Bergen and Morris counties. Many communities in this part of the state have very little housing—in many cases less than 10 percent—that is affordable to even a middle-income household. Because housing prices in the south tend to be lower compared to incomes, greater shares of the housing stock are affordable to middle-income households there.

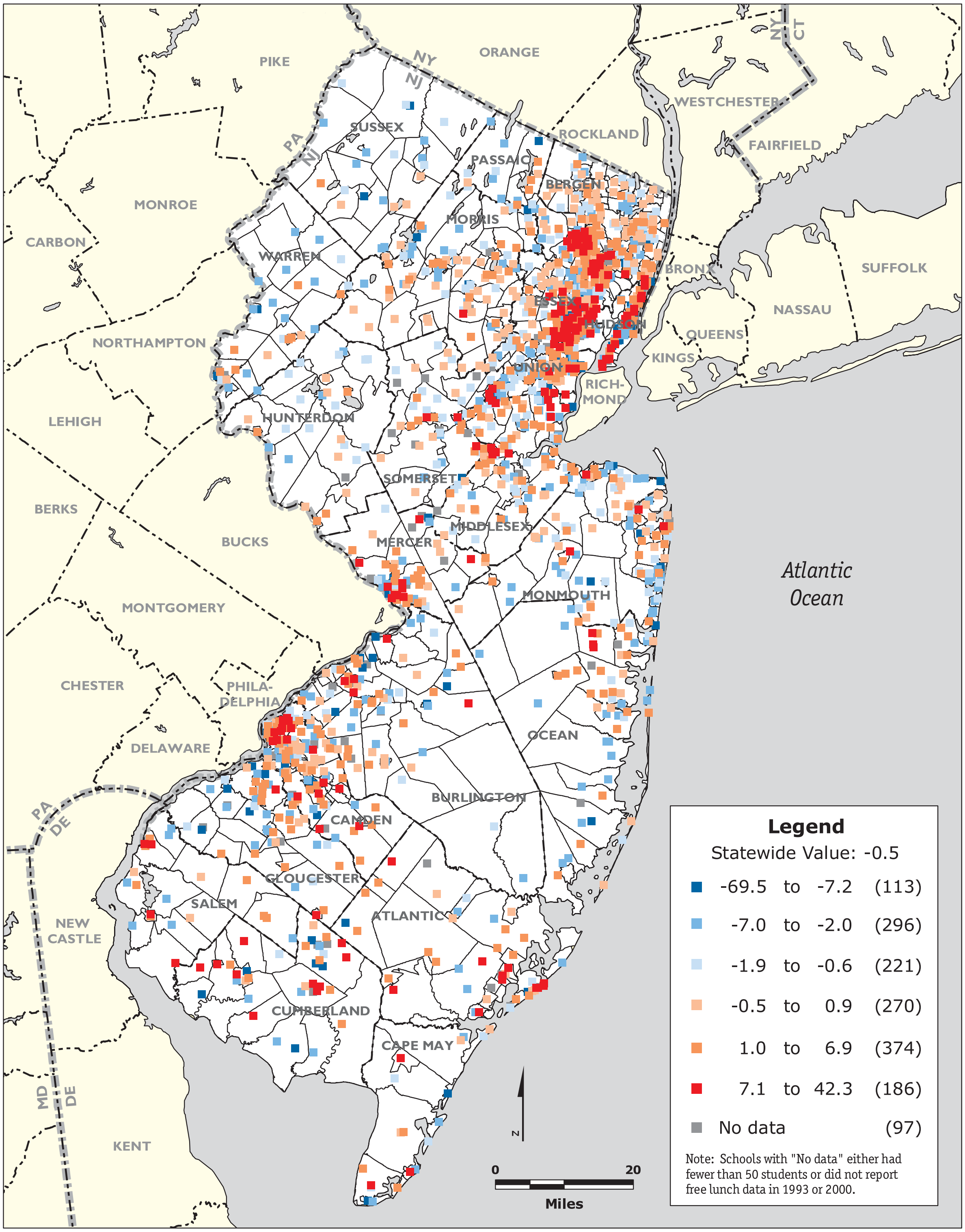
Map 9. New Jersey: Percentage of Elementary Students Eligible for Free Lunch by School, 2000



Data Source: National Center for Education Statistics

Problems associated with concentrated poverty—everything from high crime to poor health—dramatically limit the opportunities of residents and burden municipal resources. In northeast New Jersey there are dense clusters of poverty in and around Newark, Jersey City and Paterson; in the south, pockets of poverty are concentrated in Trenton, Camden, Atlantic City and in Cumberland County, where many migrant workers have clustered near the area's fruit and vegetable farms.

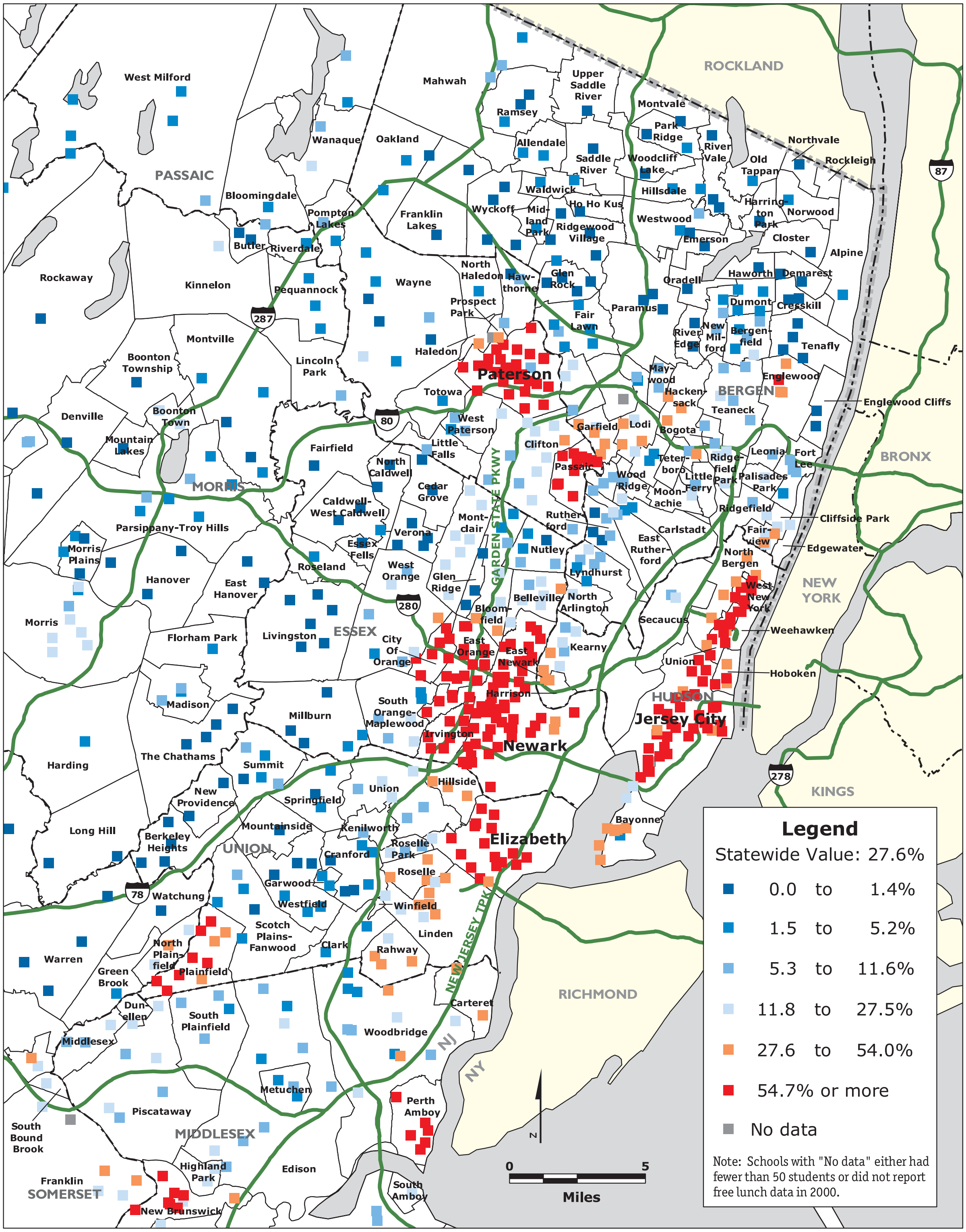
Map 10. New Jersey: Change in Percentage Points of Elementary Students Eligible for Free Lunch by School, 1993–2000



Data Source: National Center for Education Statistics

Some of the already poorest schools in the state got rapidly poorer between 1993 and 2000. These include some schools in Paterson, Bayonne, Passaic and East Orange, where poverty increased by more than 35 points. However, increases in school poverty are not limited to the urban core. Although many outlying areas still had low rates of poverty in 2000, they experienced relatively rapid increases in the preceding years.

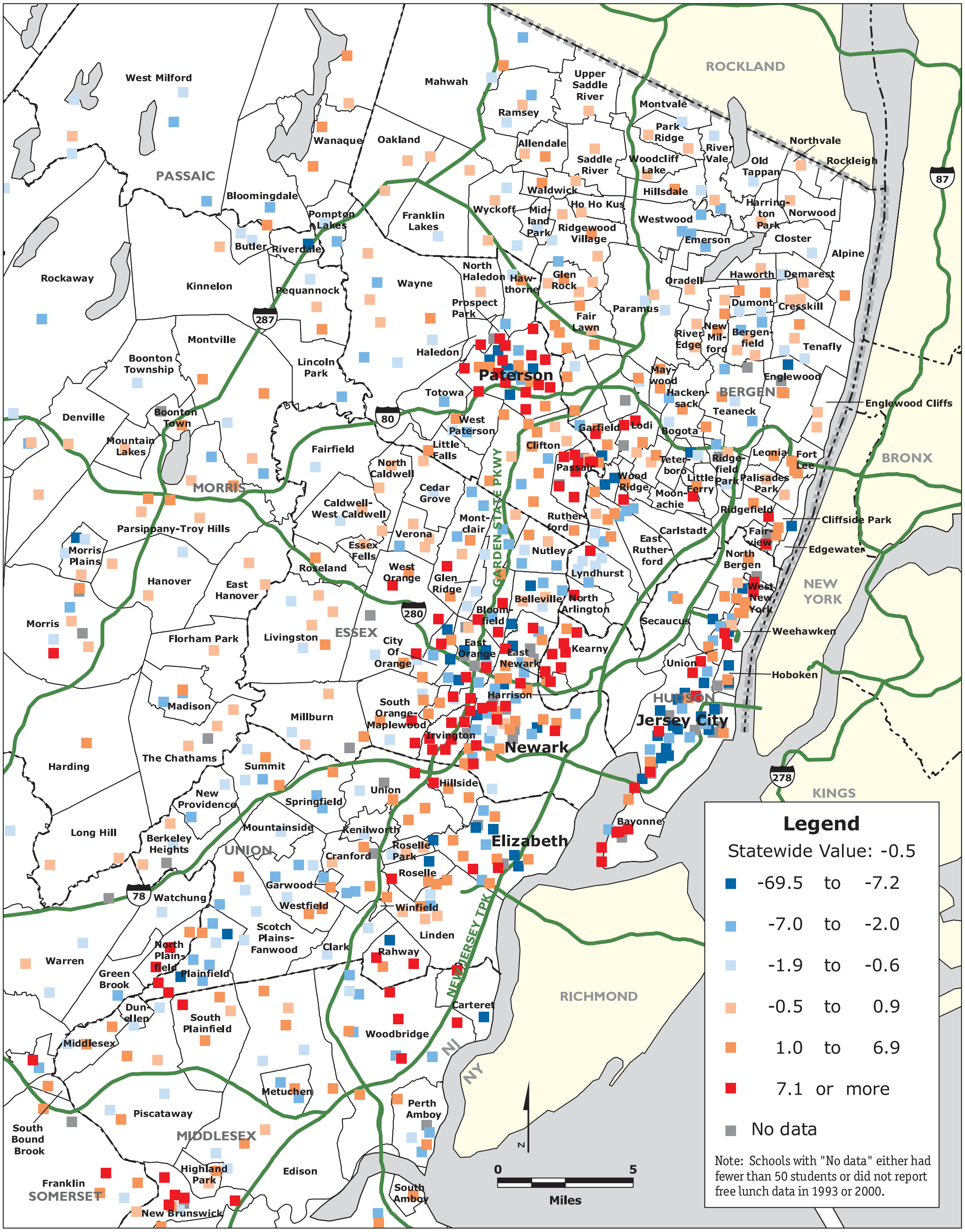
Map 11. Newark–Jersey City Area: Percentage of Elementary Students Eligible for Free Lunch by School, 2000



Data Source: National Center for Education Statistics

The Newark–Jersey City area shows clear concentrations of poverty tightly clustered around the older urban areas. Sixteen of the 25 schools in the northern counties with the highest percentages of students eligible for free lunch are in Newark. The next highest concentrations of students in poverty are in Paterson, Passaic, Elizabeth and Jersey City. The patterns show clear divisions between the cities and their suburbs.

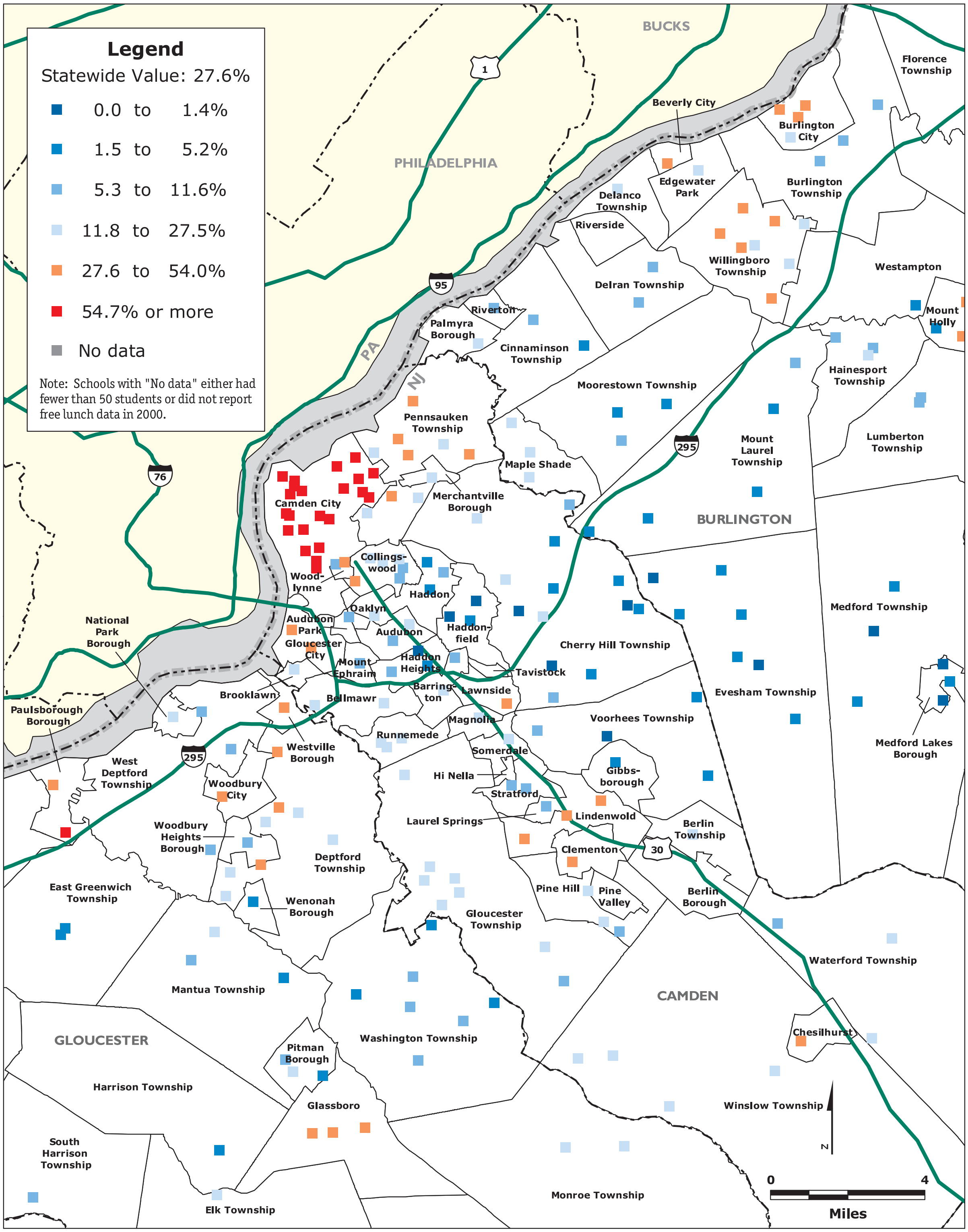
Map 12. Newark–Jersey City Area: Change in Percentage Points of Elementary Students Eligible for Free Lunch by School, 1993–2000



Data Source: National Center for Education Statistics

Poverty is both intensifying in many large cities and encroaching on adjacent areas. Paterson and Passaic, in particular, are home to many schools where already high poverty increased quickly during the 1990s. Suburban areas with increasing poverty rates included South Orange-Maplewood, Fairlawn, Clifton and South Plainfield. Although overall rates remained high at the end of the period, many schools in Jersey City saw declines in student poverty.

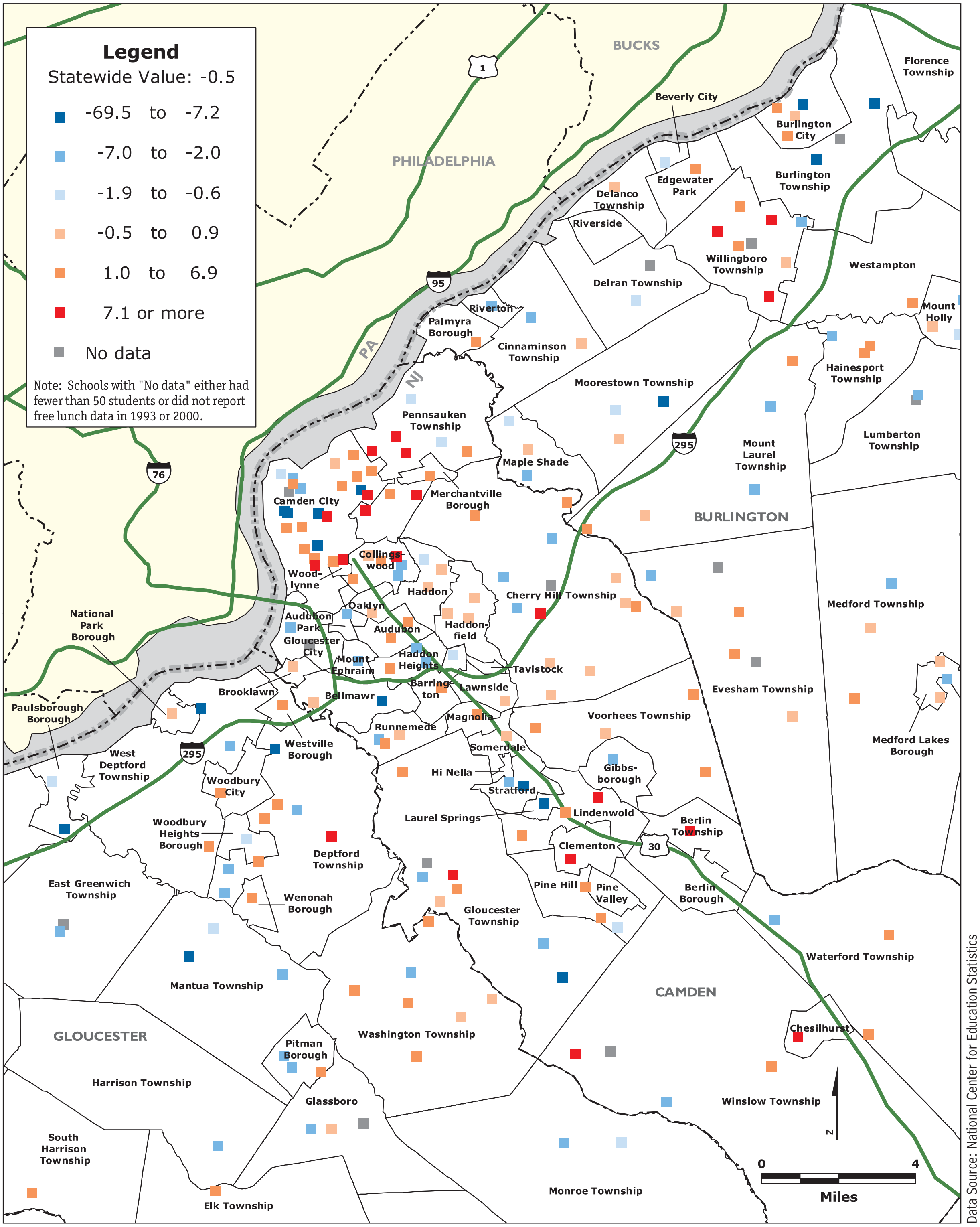
Map 13. Camden Area: Percentage of Elementary Students Eligible for Free Lunch by School, 2000



Data Source: National Center for Education Statistics

Poverty levels in Camden are staggering when considered in the context of the city's suburban neighbors. In the southern part of the state, the 21 highest-poverty schools (ranked by rates of free lunch eligibility in 2000) are all in Camden, and nearly half of the schools with free-lunch rates greater than 50 percent are there as well. The lowest poverty rate at any Camden public school in 2000 was 65 percent. Looking beyond Camden, Vineland, Millville and Bridgeton also have large shares of poor schools.

Map 14. Camden Area: Change in Percentage Points of Elementary Students Eligible for Free Lunch by School, 1993–2000

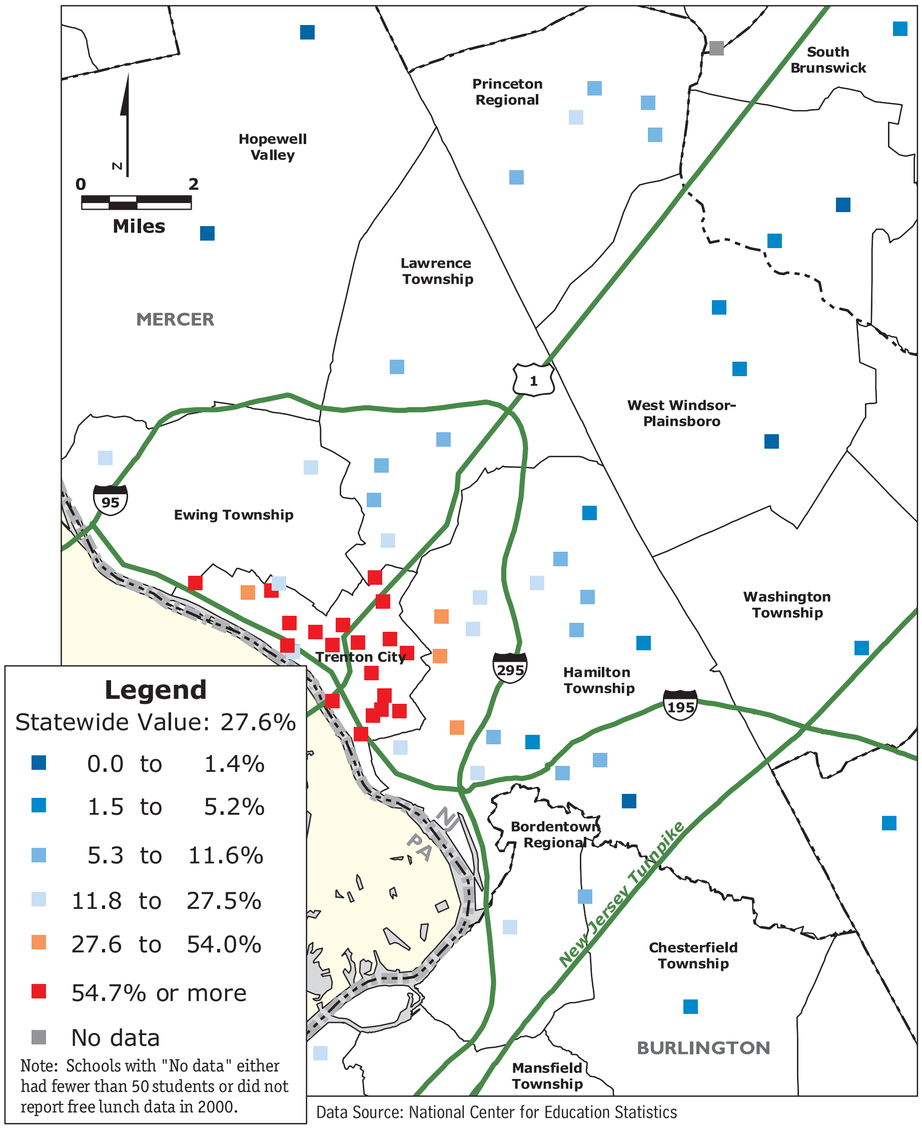


Growing school poverty is not limited to the city of Camden. Many suburban areas, including Washington, Voorhees, Evesham and Pennsauken townships, saw increasing poverty in the mid-to-late 1990s, although, in many of them, rates of poverty remained relatively low in 2000. Schools with steady and declining rates of school poverty were scattered throughout the area, and included some in the city of Camden, as well as suburban schools.

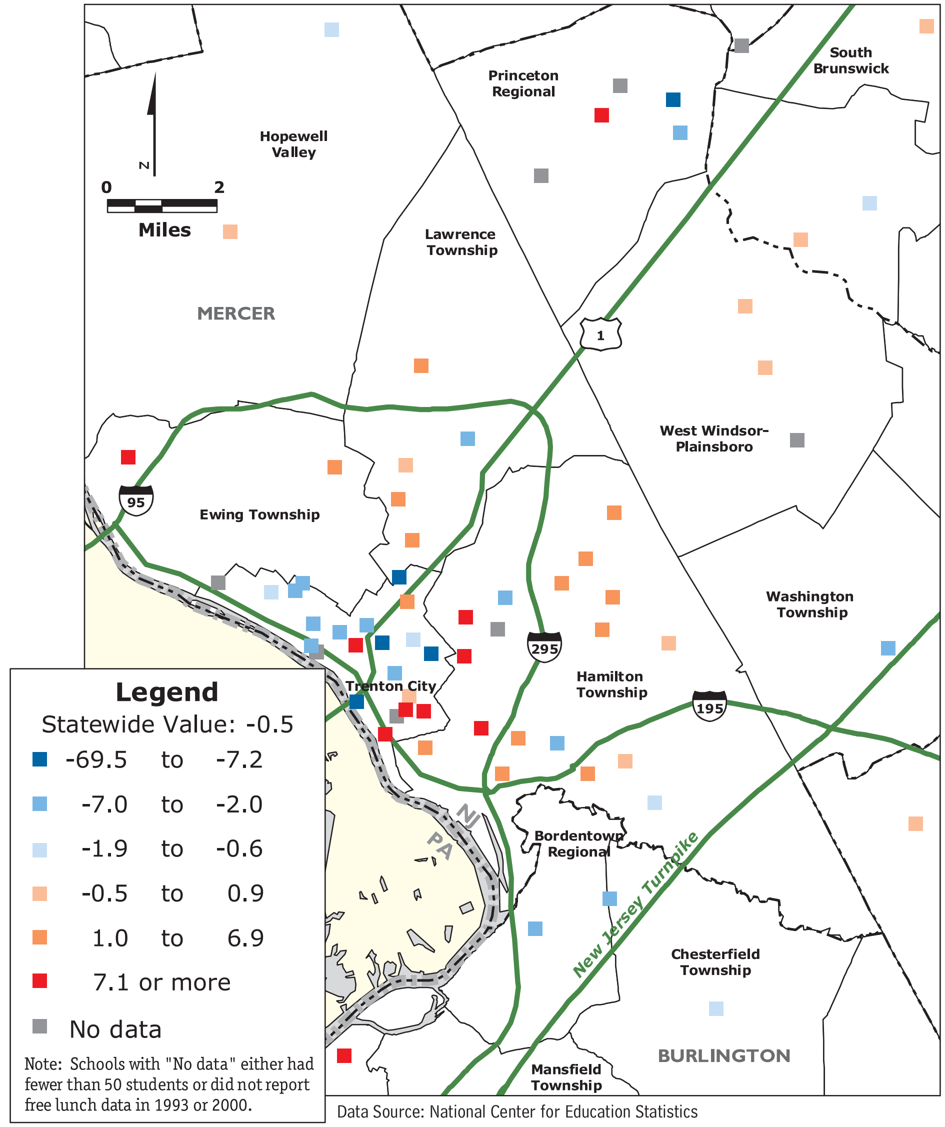
Map 15. Trenton Area: Percentage of Elementary Students Eligible for Free Lunch by School, 2000

Map 16. Trenton Area: Change in Percentage Points of Elementary Students Eligible for Free Lunch by School, 1993–2000

Student poverty in the Trenton area is highly concentrated in schools in the city and in a few schools just outside its borders. Poverty rates in most outlying suburban schools are quite low. But trends in the mid-to-late 1990s show that poverty is moving outward in the region. A number of schools within the city of Trenton actually showed stable or decreasing levels of poverty, while poverty grew in some suburban schools, including many in the Hamilton, Ewing and Lawrence Township districts.

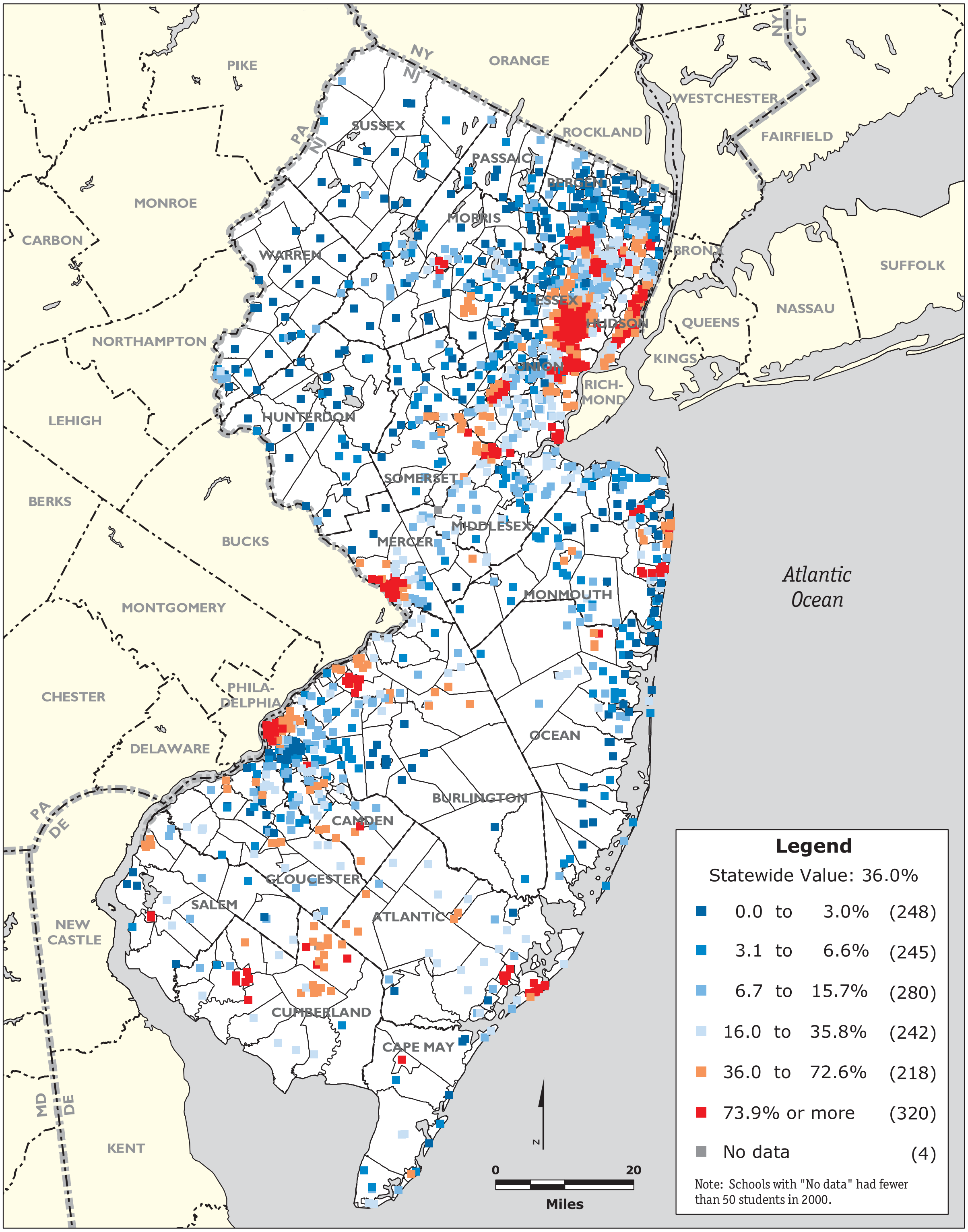


Data Source: National Center for Education Statistics



Data Source: National Center for Education Statistics

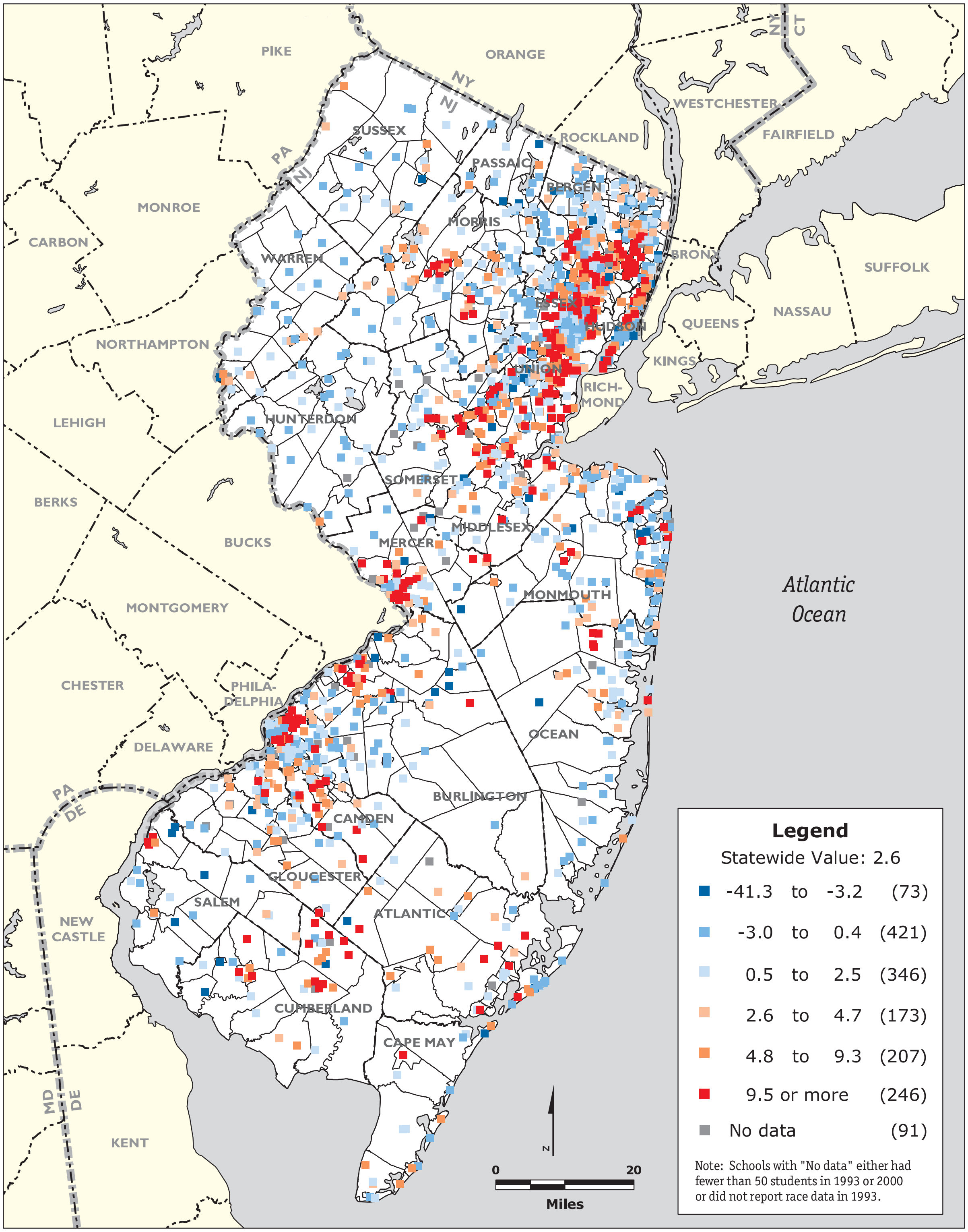
Map 17. New Jersey: Percentage of Non-Asian Minority Elementary Students by School, 2000



Data Source: National Center for Education Statistics

Schools in New Jersey are highly segregated by race. Minority students are concentrated in and around the state's large cities and other distressed communities, as well as in the rural south. Blacks and Latinos in New Jersey disproportionately suffer from the effects of concentrated poverty, a pattern often reinforced through subtle forms of housing discrimination. In fact, although the patterns tend to mirror one another, the degree of racial segregation is even more severe than the degree of segregation by income.

Map 18. New Jersey: Change in Percentage Points of Non-Asian Minority Elementary Students by School, 1993–2000



Data Source: National Center for Education Statistics

Bolstered by a growing number of immigrants, as a group, New Jersey schools are becoming more racially diverse. But gains in the enrollment of students of color are not evenly distributed across the state. While the shares of minority students in local schools are growing across the community types, the greatest increases in minority enrollments are in distressed and at-risk developed communities, places located just outside of major cities. These patterns do little to ameliorate existing trends of racial segregation.

Fiscal Disparity

THE LOCAL FISCAL landscape in New Jersey is dominated by three characteristics: a highly fragmented system of local governance, relatively heavy reliance on local taxes to finance municipal services and schools, and much greater-than-average reliance on property taxes to finance those services.

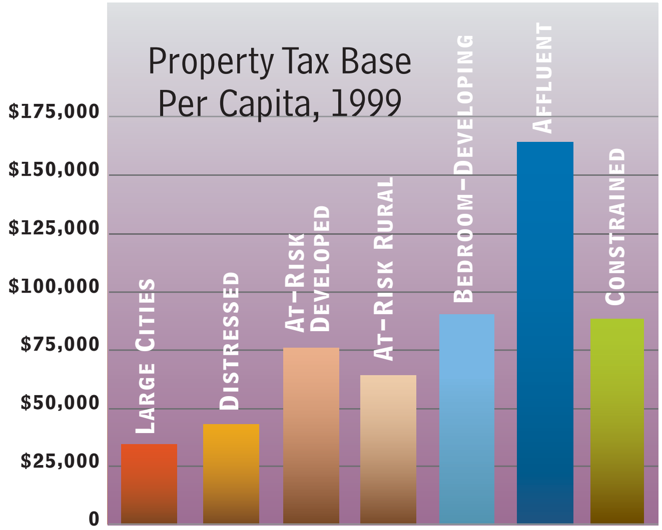
Together, these factors place tremendous pressure on communities to attract development that will expand their property-tax bases. This pressure drives local land-use planning, encourages sprawl and increases economic and social stratification—all without contributing to the regional economy.

The "Ratables Chase"

To win the most profitable land uses, local governments may offer public subsidies or infrastructure improvements. But perhaps the most common approach is "fiscal zoning"—making land-use decisions not based on the intrinsic suitability of the land or the long-term needs of the region, but on the tax revenue it can generate right away. For example, many communities lay out great tracts of land for commercial development, regardless of whether it is the most appropriate use for the location. And although a region as a whole benefits when most communities contain a mix of housing choices, individual localities can reap fiscal benefits by severely limiting the land zoned for multifamily development or by requiring very large (and therefore more expensive) homes and lots. These policies effectively exclude low- and moderate-income people from their borders.[28]

But in the end, just a few places successfully "win" the limited supply of very lucrative homes and businesses in a region. The communities that do can provide high-

The pressure to attract tax-generating development often trumps other goals like farmland preservation.



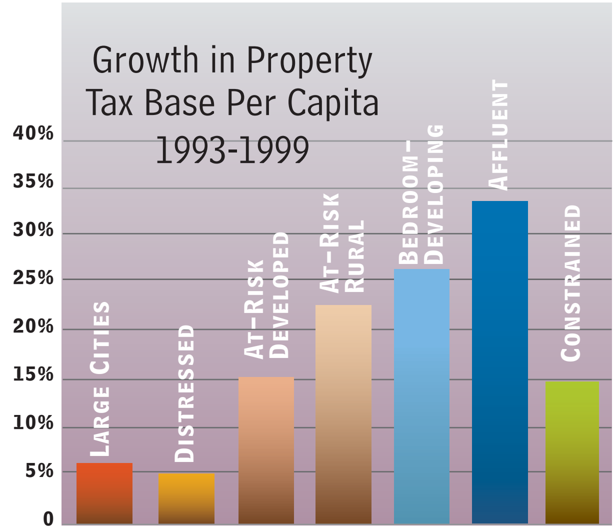
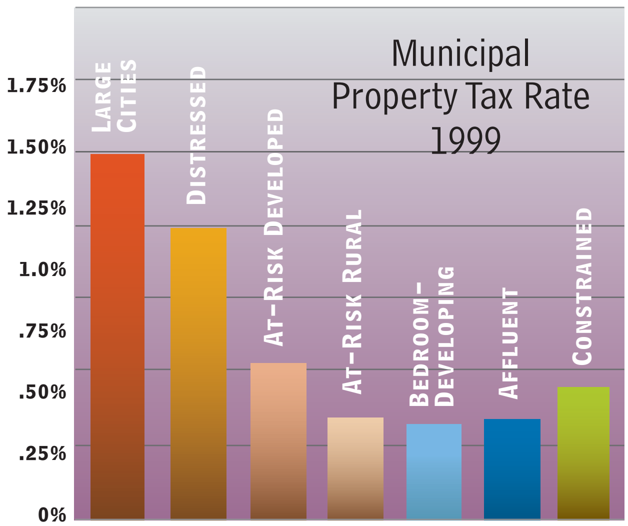


Photo credit: K. Kathleen Kelly



quality services at more reasonable rates, in turn attracting even more economic activity. But the competition creates the potential for a vicious, self-reinforcing cycle of decline in places that "lose" the competition early in the game. As a municipality loses tax base, it faces a choice—it can levy high tax rates in order to provide competitive public services or provide relatively few, or low quality, services at competitive tax rates. Either choice puts it at a disadvantage in the competition for jobs and residents, leading to further losses and further declines in its ability to compete.

The result of these efforts to attract tax base is the concentration of households with the greatest need for public services in communities that are the least able to generate the revenue to provide them.

Older communities in New Jersey's urban cores, for example, must contend with aging infrastructure, industrial pollution, concentrations of poverty, high crime and other factors that strain their limited resources. With low property values, they have few resources to provide for their great needs. They cannot reinvest to rebuild sewer systems and roads, rehabilitate housing, maintain parks or clean up polluted land. Such burdens make it even more difficult for these communities to compete with newer places offering cheaper land, newer homes and more open space.

But contrary to common wisdom, all is not well for many communities on the urban edge, either. The same patterns that hurt many older communities also discourage long-term planning that would help growing communities develop in an orderly and efficient way.

Because competition for certain land uses can be so intense—and the impact of losing so severe— newly developing communities, trying to build an adequate tax base to pay for their growing needs and pay off debts on new infrastructure, often feel they have to grab all the development they can before it leaves for another place. But low-capacity places are rarely in a good position to win the competition for the most "profitable" land uses, ending up instead with moderately priced single-family homes that generate more costs—for schools, roads and sewers—than they produce in revenues.

Disparities are growing

The effects of this competition are evident in the dramatically different abilities of New Jersey's local governments to finance services. Excluding very high-tax-base coastal resorts, property tax base per capita in the state's 95th percentile municipality—that's the one with tax base per capita greater than 95 percent of municipalities—was 6.8 times greater than tax base in the 5th percentile municipality. This means that if both places assessed the same local property tax rate, the 95th percentile place would generate nearly seven times the revenue of the 5th percentile place. That figure is up from 6.3 times in 1993.

State aid reduces these disparities significantly but its equalizing power has been declining. If all municipalities in New Jersey assessed the statewide average property-tax rate and received their actual state-aid allocations in 2000, total revenues in the 95th percentile municipality would still be 4.5 times greater than in the 5th percentile place—up from 3.9 times in 1993.

The strength of a community's tax base is reflected in its tax rates and the level of public services it can provide. In 2001, for example, the average municipal property-tax rate in the 27 New Jersey municipalities in the top 5 percentiles of the tax-base-plus-aid distribution was .38 percent. That rate generated average revenues of $910 per capita. The equivalent figures for places in the lowest 5 percentiles were .95 percent and $264 per capita. In other words, a home buyer, choosing between two equally valued homes—one in the high tax-base group, the other in the low tax-base group—could expect to get 3.5 times the services (measured by municipal spending from property-tax revenues) at about a third the price (measured by property-tax payments) in the high tax-base municipality.[29]

School finance

School districts comprise another important part of New Jersey's local fiscal landscape. In fact, the majority of property tax payments in the state go to schools—55 percent in 2001. In New Jersey, like elsewhere, state government takes a much stronger role in school finance

School District Classification: How It Works

This study created a classification system to measure the fiscal capacities and service needs in New Jersey's 527 school districts. First districts were grouped by "revenue capacity." That's a measure of the revenue a district would generate if it assessed the state's average tax rate to its own base, plus state and federal aid. Aid is included because it is a significant share of school revenues across the state. Districts with capacities per pupil at least 20 percent above the statewide average were classified as high capacity. Those with capacities at least 20 percent below average were classified as low capacity. The remaining districts—about half of the total—were considered moderate capacity.

Then districts were categorized as either low- or high-cost. High-cost districts met at least one of three criteria—a free-lunch eligibility rate among elementary students greater than 40 percent, enrollment growth exceeding 30 percent (or about 4 percent per year) over a seven-year period, or an enrollment decline of any size during the period. Districts not meeting any of these criteria were considered low-cost.

These measures reflect a range of factors that increase costs. A high rate of free-lunch eligibility, a common proxy for poverty, generates greater needs for services and increases the cost of reaching a given level of service. Enrollment declines increase costs per pupil because fixed costs are spread over fewer students and some variable costs are often difficult to reduce in a relatively short period. Quickly growing enrollments increase costs because it is often difficult to spread associated capital costs over the full lifetime of the assets.

Nearly 60 percent of New Jersey students are enrolled in school districts facing fiscal or social stress.

than in municipal finance. As a result, disparities in revenue-raising capacities among school districts tend to be narrower than among municipalities. But because the state of New Jersey provides a lower share of total school revenues than most states do, disparities among school districts remain quite large.

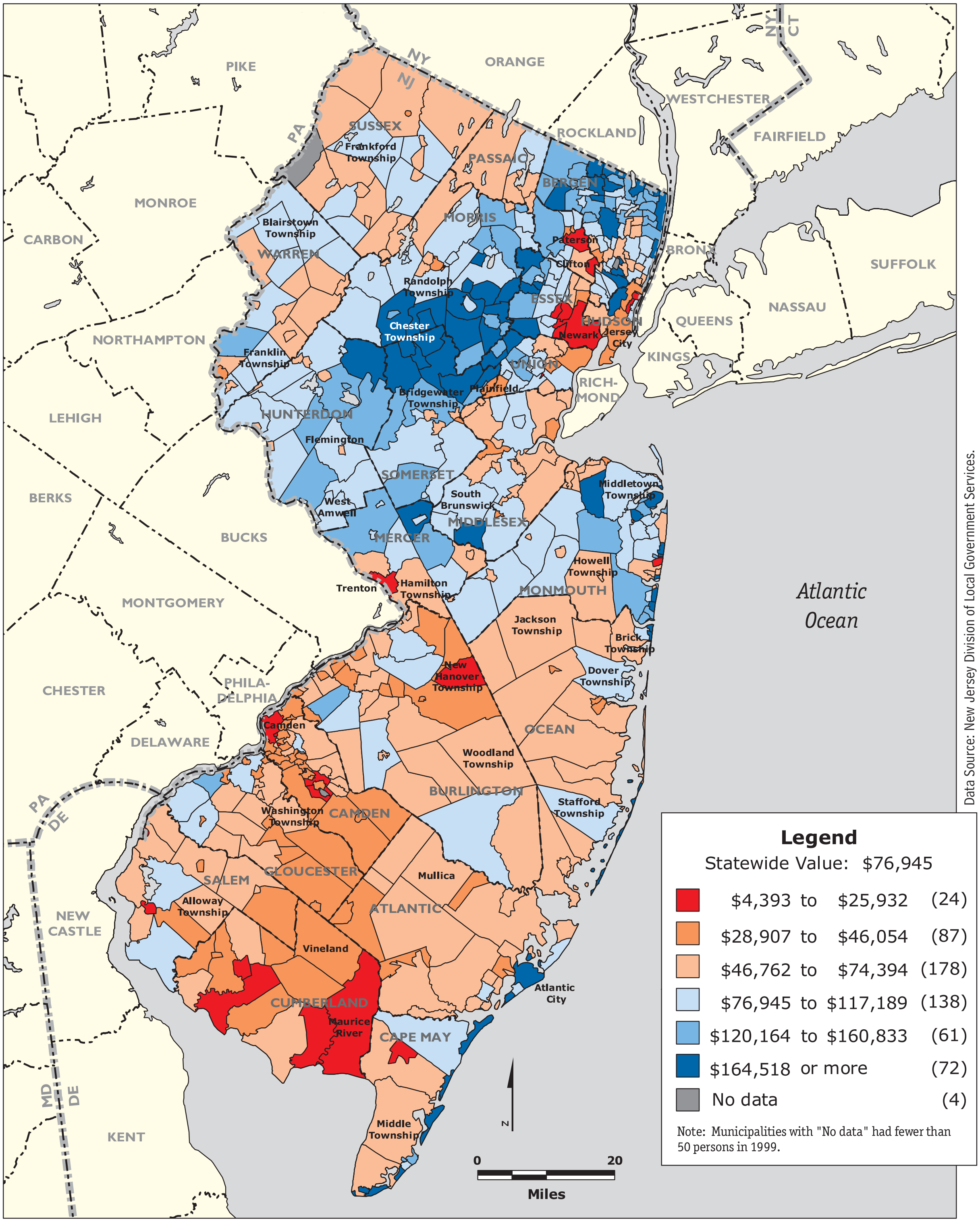
Disparities can be measured by comparing the revenue capacity of school districts. Revenue capacity is the revenue a district would generate if it assessed the state's average tax rate to its own base, plus the state and federal aid it receives. In 2000, revenue capacity in New Jersey's 95th percentile school district was 3.5 times greater than that of the 5th percentile district. The equivalent ratio for municipalities was 4.5.

When districts' needs are compared to their revenue capacities, the effects of disparities are magnified. Analysis of New Jersey school districts shows that the presence of high costs and low revenues aren't limited to just a few places (see sidebar above for a description of the analysis). In fact, 57 percent of New Jersey students are enrolled in districts showing at least one sign of stress—low fiscal capacity or high service costs resulting from social strain or rapid growth. Over half of those students are in districts displaying both significant service needs and fiscal strains. Comparing school district classifications to municipal classifications (Map 1), we see that the bulk of the high-stress municipalities—large cities, distressed and at-risk communities—are served by school districts facing at least one type of stress.

For example, elementary enrollment in Washington Township, an at-risk, rural community near Trenton, more than doubled between 1993 and 2000. As a result, the district falls into the "moderate capacity/high cost" category. A recent news article noted that many new residents were dismayed "because when they moved into the township's proliferating new subdivisions they had no idea that the surge in school enrollment would drive up their taxes. The owner of a typical new house in Washington Township, with four bedrooms and two baths, pays $8,000 to $10,000 in property taxes and could expect to pay $16,000 in five years." [30]

Photo credit: Newark Star-Ledger

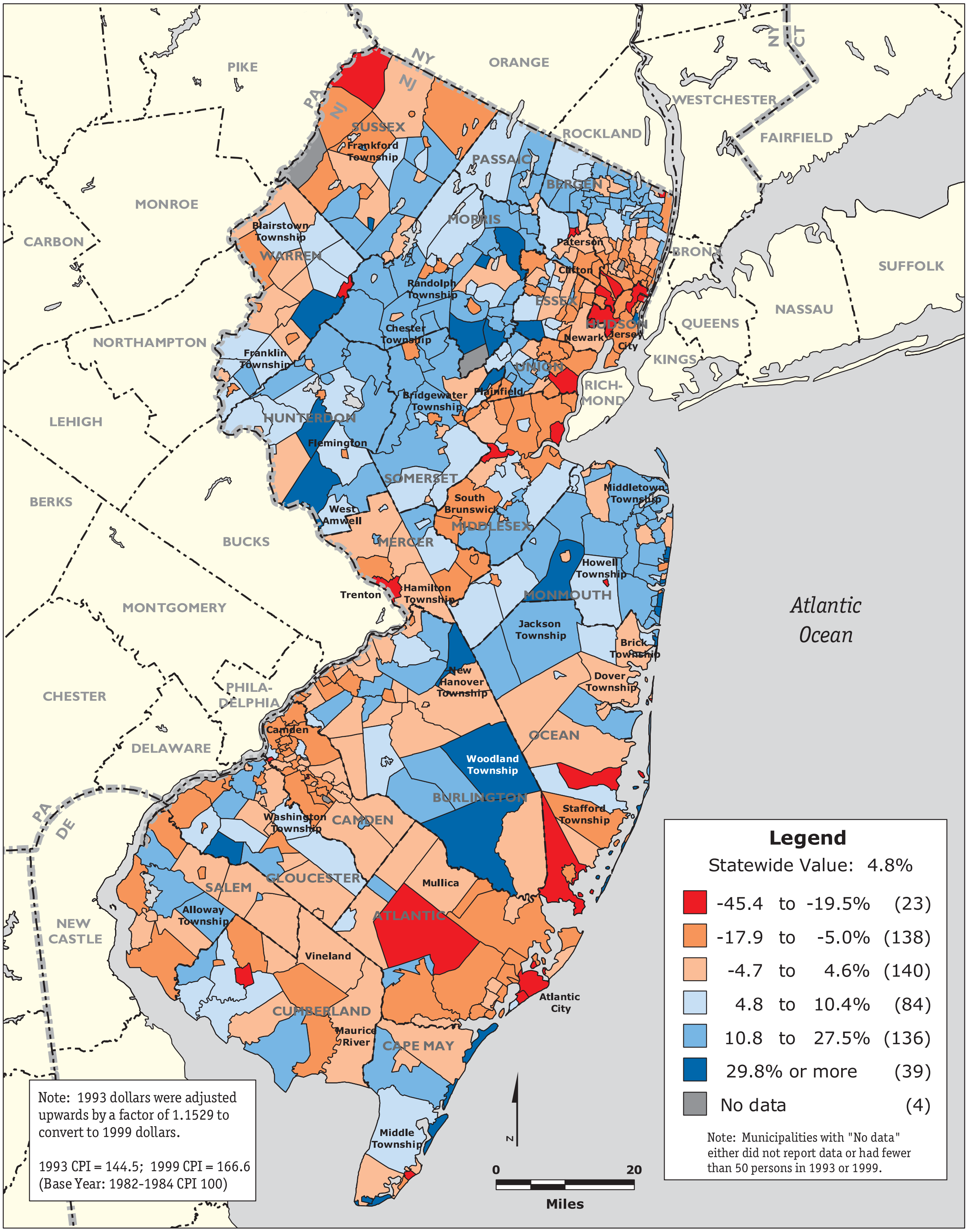
Map 19. New Jersey: Property Tax Base per Capita by Municipality, 1999



Data Source: New Jersey Division of Local Government Services.

The ability of a community to pay for needed public services depends on both the costs of providing them and its capacity to raise revenues. Many of the communities with high tax bases are affluent ones with few social needs, such as the state's affluent and resort communities. Low tax bases are found in many of the places struggling with social strain—large cities, other distressed, older places and outlying rural communities. In addition to differences among community types, great differences exist among regions. Tax base per capita in the south of the state is significantly lower than in the north, and the Camden area in particular clearly lags behind the rest of the state.

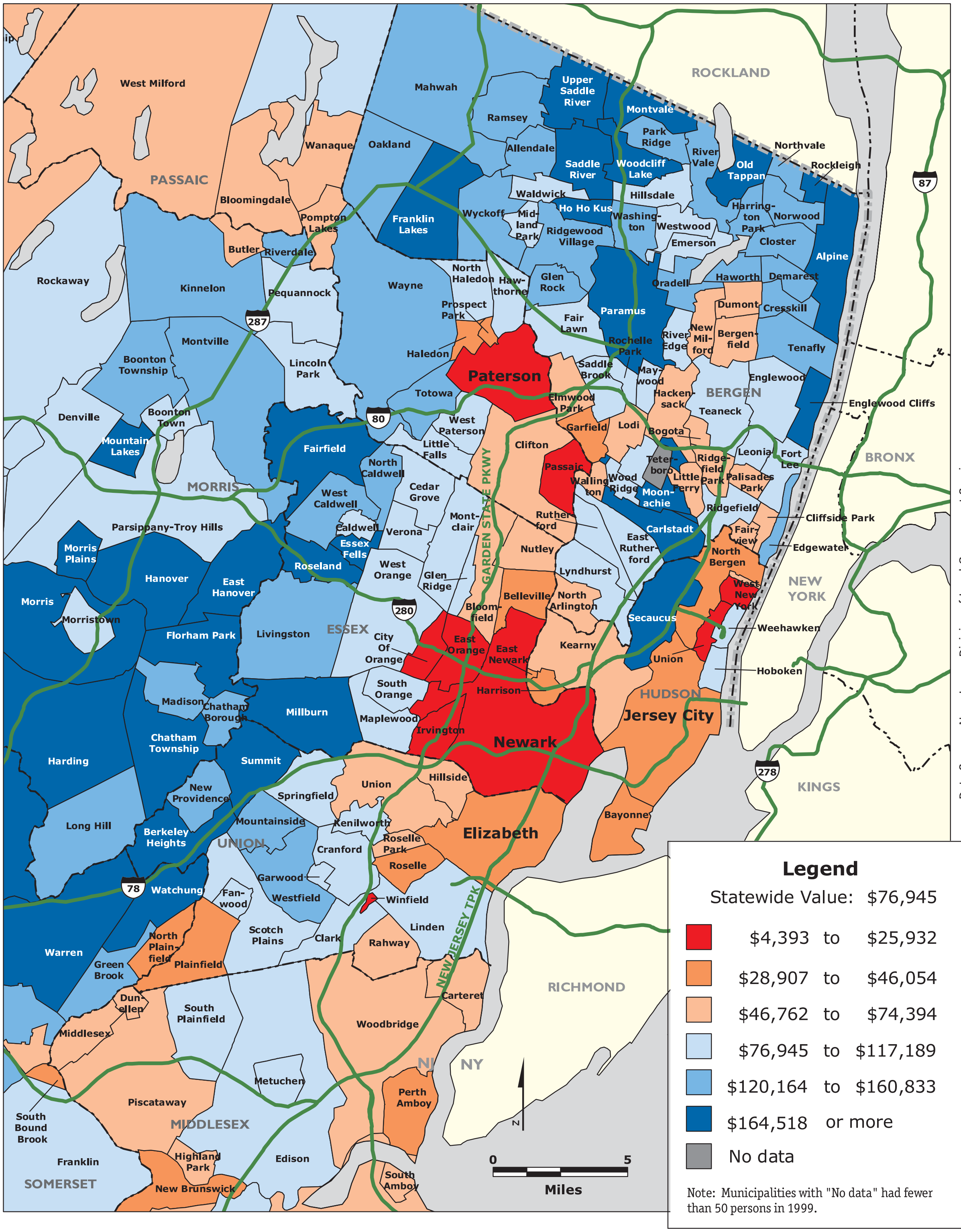
Map 20. New Jersey: Percentage Change in Property Tax Base per Capita by Municipality, 1993–1999



Data Source: National Center for Education Statistics

When a municipality's tax base shrinks, it must choose either to increase tax rates in order to maintain services or hold the line on taxes and provide fewer, or lower quality, services. Either choice puts it at a disadvantage in the regional competition for jobs and residents. This dilemma is in play in the state's large cities, and in distressed and at-risk places. Following the same pattern as the absolute tax base levels in 1999, tax base per capita in the south of the state grew more slowly than in the north.

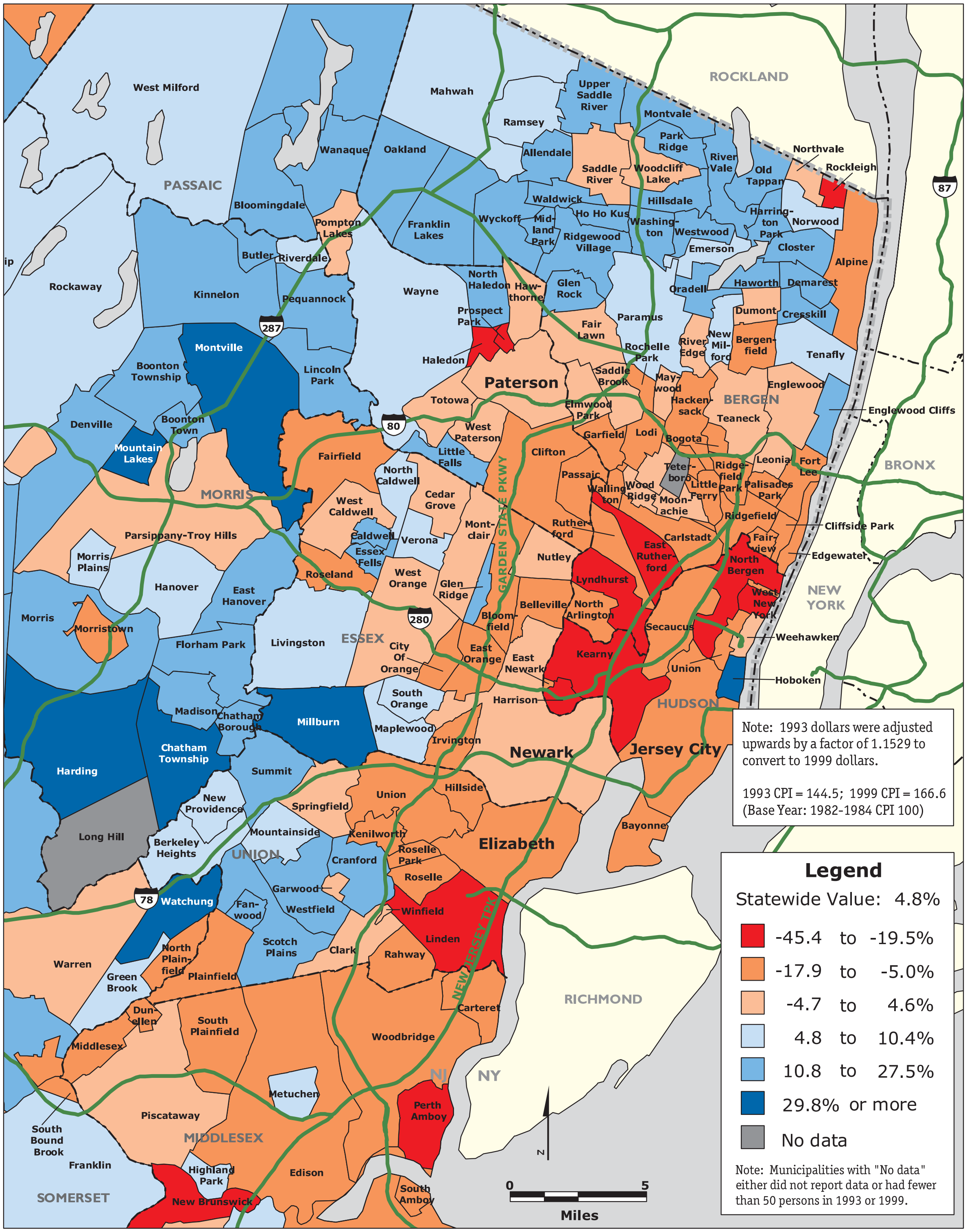
Map 21. Newark–Jersey City Area: Property Tax Base per Capita by Municipality, 1999



Data Source: New Jersey Division of Local Government Services.

Despite its relative overall wealth, the Newark-Jersey City area displays its own inequalities in the classic pattern of metropolitan areas across the country. Many municipalities in the core have below-average tax bases. The second ring of suburbs, including places like Nutley and Lodi, also shows signs of stress. High tax-base communities were concentrated in a ring around the urban core, from Alpine in the north to Warren in the south.

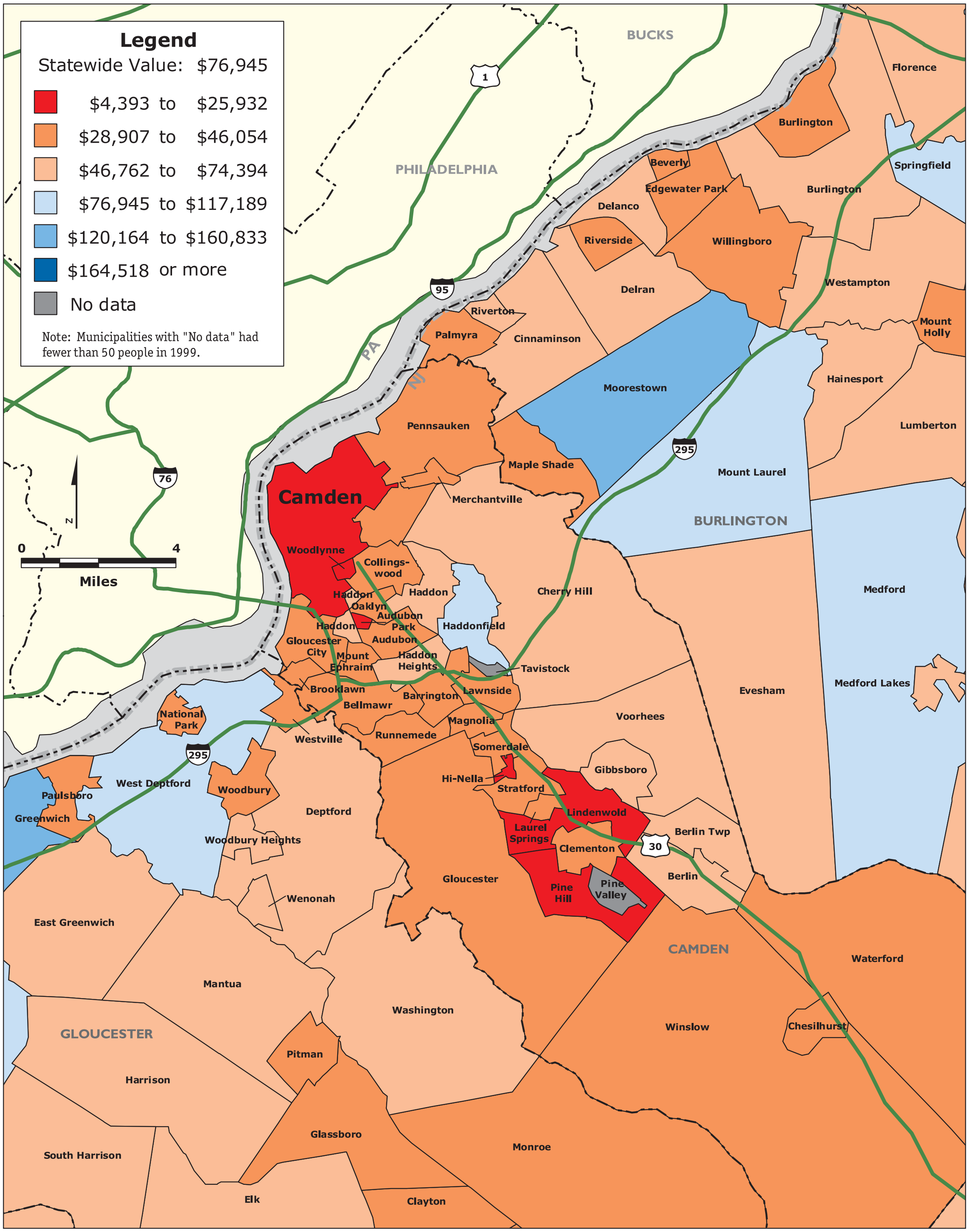
Map 22. Newark–Jersey City Area: Percentage Change in Property Tax Base per Capita by Municipality, 1993–1999



Data Source: National Center for Education Statistics

Changes in tax base in the Newark area reflect the outward movement of wealth in the region. There is a core cluster of communities with slow-growing tax bases—a cluster that is even larger than the core group of communities with below-average tax bases in 1999. This trend should signal concern in those places that still appear stable today but are losing fiscal ground to even more outlying communities. Some of the communities in this group include Hawthorne, Cedar Grove, Springfield and Piscataway.

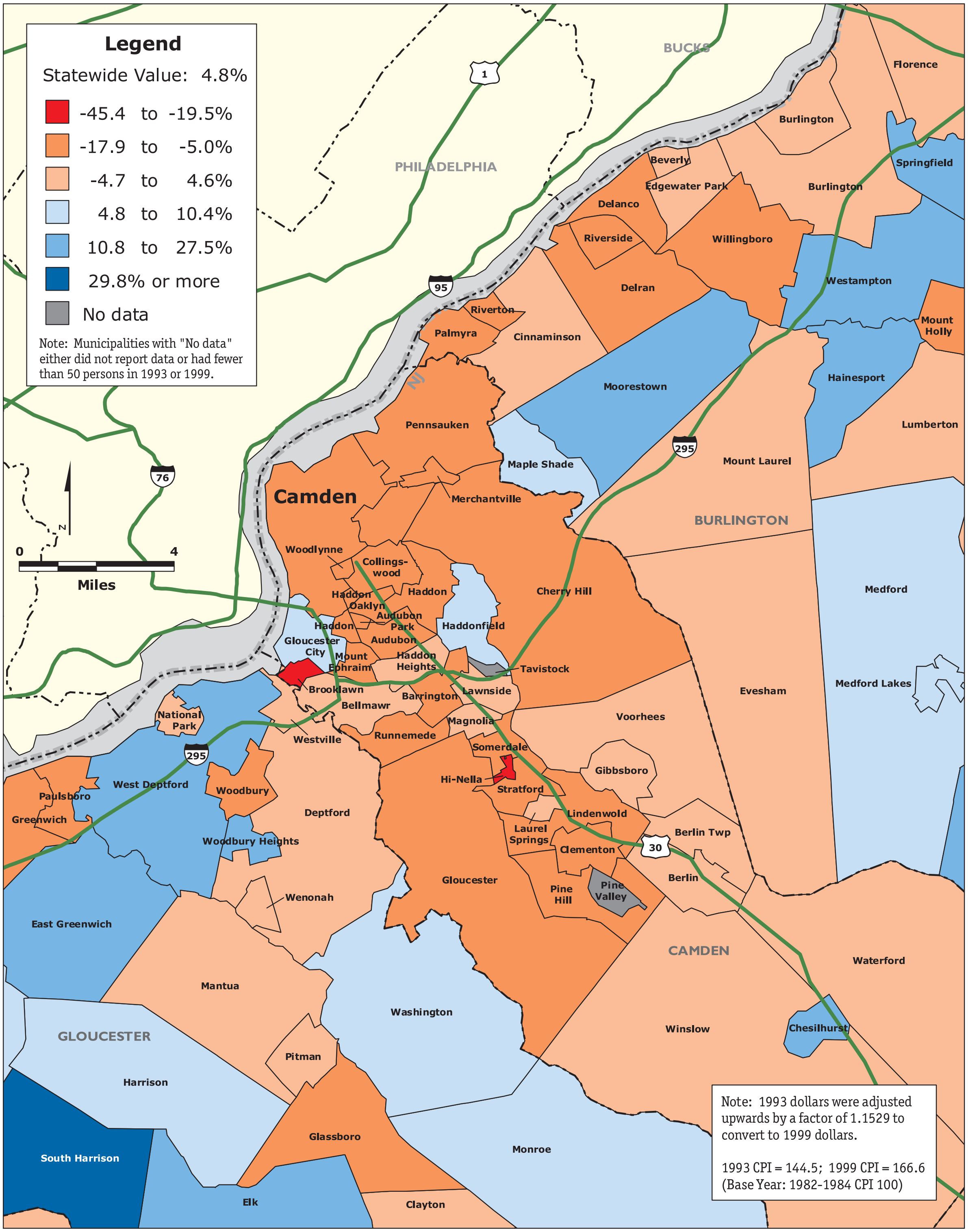
Map 23. Camden Area: Property Tax Base per Capita by Municipality, 1999



Data Source: New Jersey Division of Local Government Services.

The ability of a community to provide public services depends on its capacity to raise revenues from its tax base. Reflecting the overall lower tax base of South Jersey compared to the north, few communities in the Camden area have above-average property tax bases compared with the state as a whole. Above-average tax bases are present only in several of the region's outlying suburbs.

Map 24. Camden Area: Percentage Change in Property Tax Base per Capita by Municipality, 1993–1999



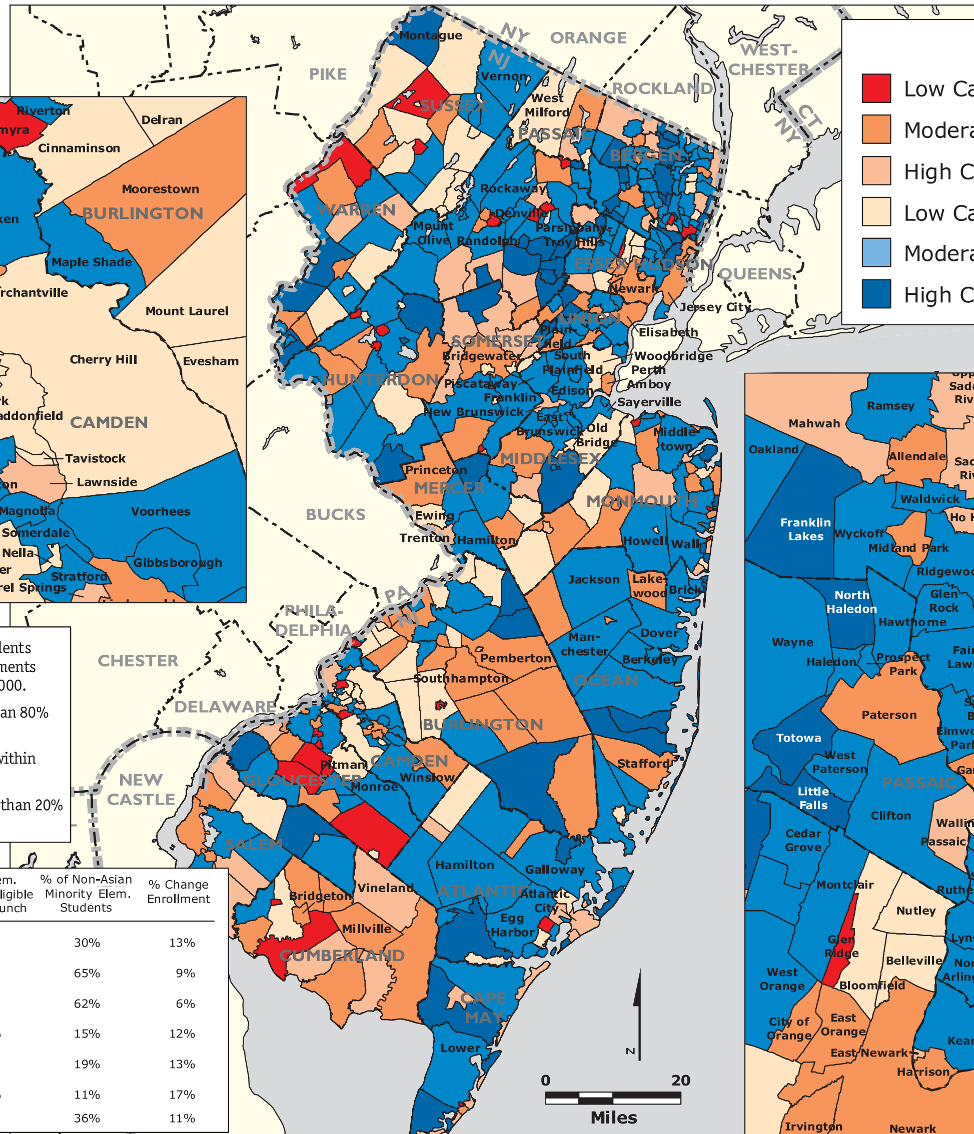
Data Source: National Center for Education Statistics

When a municipality's tax base stagnates or shrinks, officials must choose either to provide fewer, or lower quality, services or raise taxes in order to maintain services. Many communities in the Camden area—from Pennsauken and Camden to Mount Laurel and Winslow—face this dilemma. Only a handful of places gained ground relative to the state as a whole in the 1990s.

School District Classification

Map 25. New Jersey: School District Classification

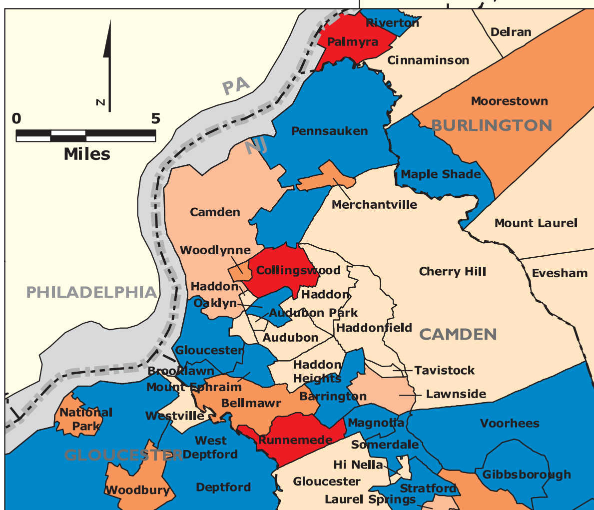
New Jersey school districts rely heavily on local tax-bases to pay for their services. In many cases there is a mismatch between their ability to pay and the level of needs they must address. Most of the school districts serving cities and other distressed places face both high costs—usually due to declining enrollment or high poverty—and have low or moderate revenue capacities. But outlying suburban districts are not immune from strains, either. A notable number of relatively affluent communities—including a cluster in Somerset and Hunterdon counties, another in Mercer and Middlesex counties and a third in the Camden area—are served by such school districts, although their fiscal stresses generally result from rapid growth.



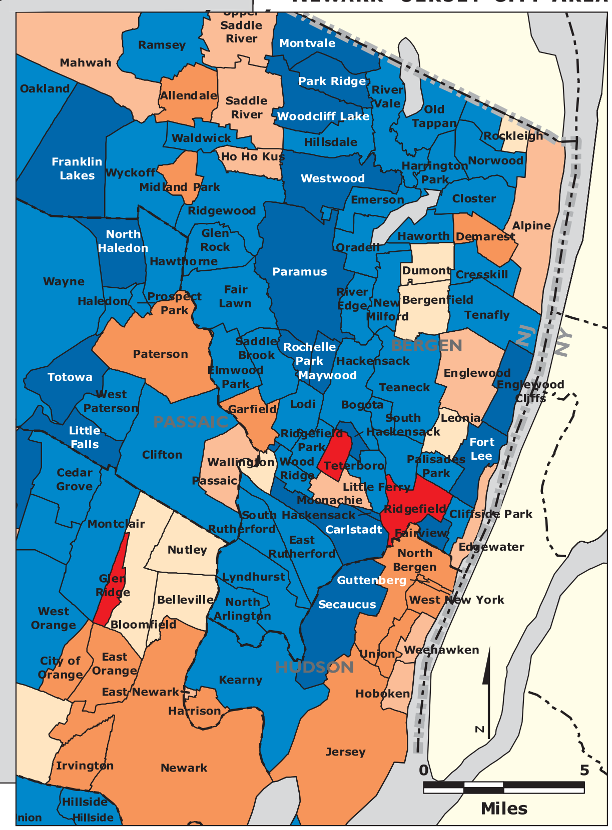
Legend

Low Capacity and High Cost	(34)
Moderate Capacity and High Cost	(95)
High Capacity and High Cost	(68)
Low Capacity and Low Cost	(84)
Moderate Capacity and Low Cost	(182)
High Capacity and Low Cost	(64)

Camden Area



Newark–Jersey City Area



"High Cost": a district with more than 40% of students eligible for the free lunch program or where enrollments grew by more than 30% or declined from 1993 to 2000.

"Low Capacity": revenue capacity per pupil less than 80% of the regional average.

"Moderate Capacity": revenue capacity per pupil within 20% of the regional average.

"High Capacity": revenue capacity per pupil more than 20% greater than the regional average.

	Number of Districts	Share of Total Students	Total Capacity per Pupil	% of Elem. Students Eligible for Free Lunch	% of Non-Asian Minority Elem. Students	% Change Enrollment
Low Capacity and High Cost	34	4%	$5,099	25%	30%	13%
Moderate Capacity and High Cost	95	26%	$10,869	53%	65%	9%
High Capacity and High Cost	68	9%	$15,185	50%	62%	6%
Low Capacity and Low Cost	84	16%	$6,801	9%	15%	12%
Moderate Capacity and Low Cost	182	40%	$9,143	12%	19%	13%
High Capacity and Low Cost	64	5%	$16,476	8%	11%	17%
State	527	100%	$10,018	28%	36%	11%

Data Source: National Center for Education Statistics

Looking Forward

Strategies For Reform

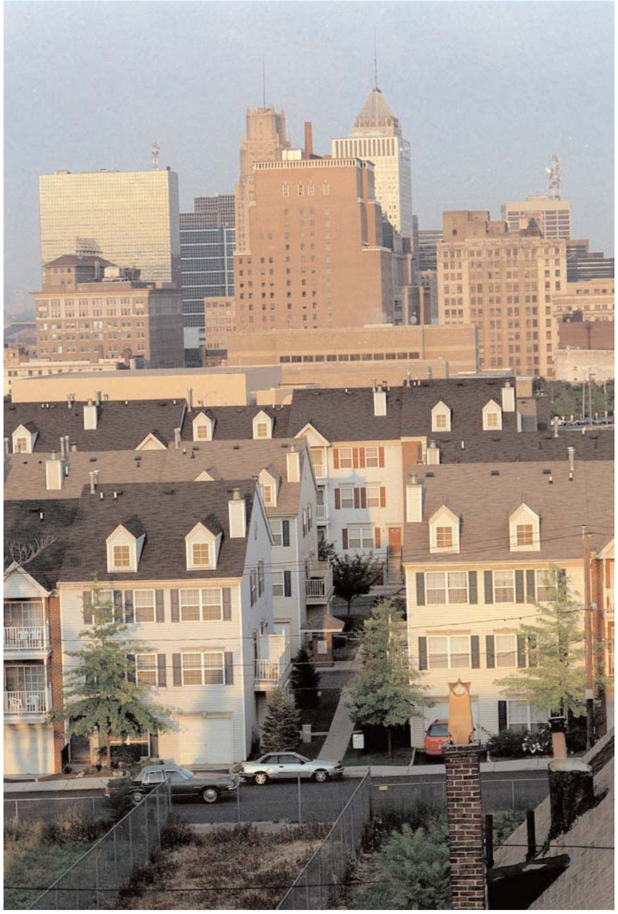
COMPETITION FOR TAX BASE and uncoordinated growth hurt almost every community in New Jersey. These practices have led to concentrated poverty and racial segregation in its large cities; growing social and fiscal strain in at-risk suburbs; and traffic snarls, overcrowded schools and degraded natural resources in communities on the urban fringe.

The fragmented nature of New Jersey's political system—21 counties, 566 municipalities, and more than 500 school districts—makes it unlikely that reform at the local level will solve these complex problems. Solutions must focus on regional and statewide initiatives.

New Jersey has implemented a variety of policies to address inequalities. But there is more it can do. Policy areas where further reforms are most needed to combat racial and economic separation and wasteful sprawl include:

- Greater tax equity to equalize resources among local governments
- Smarter land-use planning to support more sustainable development practices
- Stronger affordable housing rules to expand opportunities for low- and moderate-income residents and to promote integrated schools and neighborhoods
- Institutional reforms to encourage local governments to cooperate on regional and statewide goals

In addition to addressing individual problems, these strategies are mutually reinforcing. Successfully implementing one makes implementing others much easier, both substantively and politically.



Despite serious challenges, city neighborhoods have strengths to build on.

Tax Equity

One area ripe for reform is New Jersey's local government tax system. Municipalities' heavy reliance on the property tax drives racial and economic segregation, sprawling development and higher taxes for poor and middle-income municipalities. But there are policies available to encourage communities to work together—instead of against each other—and make the system fairer.

INCREASE THE STATE'S SHARE OF EDUCATION FUNDING

Nationwide, raising state government's share of K-12 education funding is an increasingly popular way to increase equity among school districts. A greater state role reduces the effects of unequal tax bases on districts' revenue-raising abilities. New Jersey is a prime

Photo credit: Newark Star-Ledger

candidate for this kind of reform—in the late 1990s the state ranked 40th out of the 50 states in the percentage of school spending financed with state aid.[31]

The New Jersey Supreme Court's Abbott decisions have brought relief to 30 of the state's poorest urban school districts by requiring the state to increase funding, improve facilities and support enrichment activities like preschool in these districts.[32] However, the opportunities of Abbott have not reached all of the state's poor communities. In 2000 there were 30 other school districts where more than 40 percent of elementary students were poor, and state aid in these districts supported just 42 percent of costs—barely higher than the average share statewide, 39 percent. These struggling places are slipping through the cracks of the state's school-aid system.

There are ways to expand state aid while making the tax system more equitable. If the state were simply to boost its share of school funding to 50 percent and the local savings were used entirely to reduce property taxes, the average district's property tax rate would decline 18 percent, for an average reduction of $151 per capita.[33] By raising state income taxes to cover the cost, officials could improve the equity of the system without changing overall funding levels. Such a shift would both decrease the impact of tax-base inequalities among districts and shift some taxes from regressive local property taxes to the progressive state income tax.[34]

Disparities could also be eased by replacing all or part of school district taxes with a uniform state levy. A statewide property tax that raised the same amount of money as school district levies would reduce property tax rates in 58 percent of districts—districts serving 60 percent of the state's students.

Implement tax-base sharing

Another strategy involves moving from reliance on locally generated tax revenues toward a form of tax-base sharing. In such a system, a portion of regional tax base is pooled and redistributed on a more equitable basis. Tax-base sharing can both reduce inequality among municipalities *and* decrease the fiscal incentives for them to waste resources competing for development.

New Jersey already has such a program. Since 1970 the New Jersey Meadowlands Commission has overseen a tax-base-sharing program that collects 40 percent of the growth in property-tax revenues in portions of 14 Bergen and Hudson County communities. Revenues are redistributed annually based on the share of the Meadowland district that falls in each community.[35] Because all participating communities share in revenue generated by development no matter where it takes place, the commission, which oversees land-use planning in the district, is able to plan for both conservation and development where they are most appropriate. A wider program of tax-base sharing could provide the same benefits to many more communities.

Map 26 shows the results of a statewide tax-base-sharing simulation. In this scenario, 40 percent of the growth in property-tax base from 1993 to 2001 was pooled and redistributed back to communities based on population. Each community kept 60 percent of the growth within its borders and received a portion of the pool equal to its share of population. Because property-tax-base levels are so much higher in northern New Jersey than in the south, the simulation divides the state into two areas, those counties in the New York and those in the Philadelphia consolidated metropolitan areas (CMSAs).

In this scenario, municipalities containing nearly two-thirds of the state's population—more than 5.4 million people—would see an increase in tax base. In the New York CMSA, tax base per capita would increase in municipalities home to more than 63 percent of the region's population. In the Philadelphia CMSA the results are even more dramatic—municipalities home to more than 71 percent of the region's population would see an increase.

Regional Land-Use Planning

Tax policies are only part of the reason for the inequitable and inefficient growth occurring in New Jersey. The localized nature of planning in the state also contributes to unbalanced growth. This arrangement makes it very difficult to implement coherent policies in areas with regional and statewide implications, such as housing, economic development, transportation or environmental protection.

Implement the State Plan

Recognizing the costs of this development pattern, New Jersey has been a leader in promoting statewide planning. The New Jersey State Plan, first adopted in 1992 and revised in 2001, was among the first documents to outline a development vision for an entire state. The plan and its smart growth principles—steering new development toward existing infrastructure, protecting important natural resources and encouraging human-scale development—would go far toward reducing inequalities and protecting important resources, both natural and social.

Unfortunately, few elements of the plan have actually been implemented because state agencies have failed to use it consistently in their spending and rule-making, and local officials have generally ignored it in local planning and zoning decisions. However, the recent creation of a Smart Growth Policy Council means that state agencies may give greater attention to the plan in the future. The creation of the council has also generated more serious discussions of how best to induce consistency of municipal master plans with the State Plan.

Local governments need incentives to act. Endowing the State Plan with enforcement power by making it mandatory is perhaps the most obvious, if difficult, approach. But the state has other tools at its disposal: technical assistance, streamlined permitting and, most importantly, a broad spectrum of state spending and monetary aid. Any of these could be dispensed on a priority basis, favoring municipalities that enact planning and zoning rules consistent with the State Plan, or could even be withheld from non-compliant municipalities. Such powerful incentives would ensure that local development policies consider the costs and benefits to the entire region.

Changes in how Mount Laurel is implemented could make it easier to build suburban affordable housing, like the Ethel R. Lawrence Homes in Mount Laurel.

Housing Choice

Ensuring that all communities in New Jersey, particularly those with new jobs and good schools, strengthen their commitment to affordable housing is an essential component of a reform agenda because it helps reduce the consequences of concentrated poverty and racial segregation on core communities. It allows people to live closer to work and provides them with real choices concerning where they live.

The Mount Laurel decisions issued by the New Jersey Supreme Court between 1975 and 1983 require all communities in the state to provide "realistic opportunities" for affordable housing and led to the creation of the Council on Affordable Housing (COAH). The rulings created the nation's most effective statewide affordable housing strategy—one that led to the construction or renovation of nearly 40,000 low- and moderately priced units.

But Mount Laurel efforts still fall short of the 118,000-unit obligation identified by the state and the need identified by housing advocates, who note that nearly 875,000 households are paying more than 30 percent of their income for housing.[36] There are ways to make Mount Laurel more effective, including restructuring COAH, or overhauling COAH's procedures, to ensure that more affordable units are produced and that more of them target very low-income families. This could include changing the rule that allows suburban communities to pay high-poverty cities to build or rehabilitate a share of their required affordable units. That rule has meant that relatively few Mount Laurel units have been built in areas experiencing the greatest job growth.

Other methods to expand the supply of affordable housing in economically stable communities include a state multifamily housing tax credit and a "moving to opportunity" program that assists low-income families relocating to low-poverty communities. Programs like these can help reduce housing segregation, increase opportunities for very low-income people and make Mount Laurel more effective.

Institutional Reforms

The fragmented nature of local governance in New Jersey has discouraged coordinated strategies for addressing the state's complex problems. To make meaningful changes, communities must embrace cooperative regional decision-making.

Establish effective regional institutions

Revamping existing organizations is one approach. For example, although not all have yet embraced the State Plan, counties—working alone or in coalitions—may be appropriate bodies to make some land-use and transportation decisions.

Restructured metropolitan planning organizations may also play a valuable role. The North Jersey Transportation Planning Authority, South Jersey Transportation Planning Organization, and the bistate Delaware Valley Regional Planning Commission already make billion-dollar decisions on regional transportation systems. They are hindered, however, by a lack of independence from state transportation agencies and lack of accountability to the communities they serve.

Photo credit: Courier-Post/Tina Markloe Kinslow

With a broader mandate to control sprawl, these organizations could play key roles in land-use, housing and transportation planning—for example, preserving farmland and open space while redirecting development to communities with existing infrastructure. Greater powers should be accompanied by reforms making these organizations directly accountable to constituents.

Some regions have chosen to create new regional bodies to address these issues. Portland, Oregon, and Minneapolis-St. Paul have created freestanding organizations that oversee regional services ranging from land-use planning to transit. In the Twin Cities members are appointed by the governor. In Portland, members are directly elected, an arrangement that gives them more autonomy and helps elevate regional planning issues in broader community decision-making.


Public transit programs like the Maplewood Community Shuttle help support balanced regional growth.

Encourage municipal cooperation

There are also ways the state can encourage local governments to work together. In Pennsylvania, for example, "smart growth" legislation passed in 2000 authorizes local governments to engage in joint planning and implementation efforts, and makes several tools available to help, including a transfer-of-development-rights program and tax-base and revenue sharing. It authorizes state agencies to give funding priority to these cooperative efforts.[37]

Montgomery County, Ohio, home to Dayton and 29 other localities, has established a program to share some of the benefits of new economic development.[38] The ED/GE program provides both a countywide funding pool for economic development projects and a "government equity" fund that shares a portion of growth in municipal property- and income-tax revenues. Although small in scale, the voluntary program is a mechanism for local governments to share the benefits and the responsibilities of economic development and growth.

Communities have also banded together around shared interests. The First Suburbs Consortium—an organization of older suburbs in several Ohio metropolitan areas—has undertaken a variety of activities to improve their health, including lobbying for changes to state laws that currently emphasize building new infrastructure instead of maintaining existing facilities. They also established a low-interest home-improvement loan programs for residents of member communities.[39]

> The localized nature of planning in the state makes it very difficult to implement coherent policies in areas with regional implications.

Organize and Mobilize

Meaningful regional reform will not occur by releasing a report. It will not be achieved by the goodwill of politicians. Real change will require a broad coalition of elected officials who are motivated by political self-interest and the social and fiscal health of the communities they represent.

But there are communities where opponents—waving the banner of local control—are sure to resist reform. In these places, reformers can help counter resistance by mobilizing support from the religious community and civil-rights, environmental, labor and business organizations—groups that can appeal to both self-interest and ideals. Ameregis' efforts with regional grassroots groups like Jubilee Interfaith in northern New Jersey have proven effective in linking suburban and urban constituencies around a regional equity agenda.

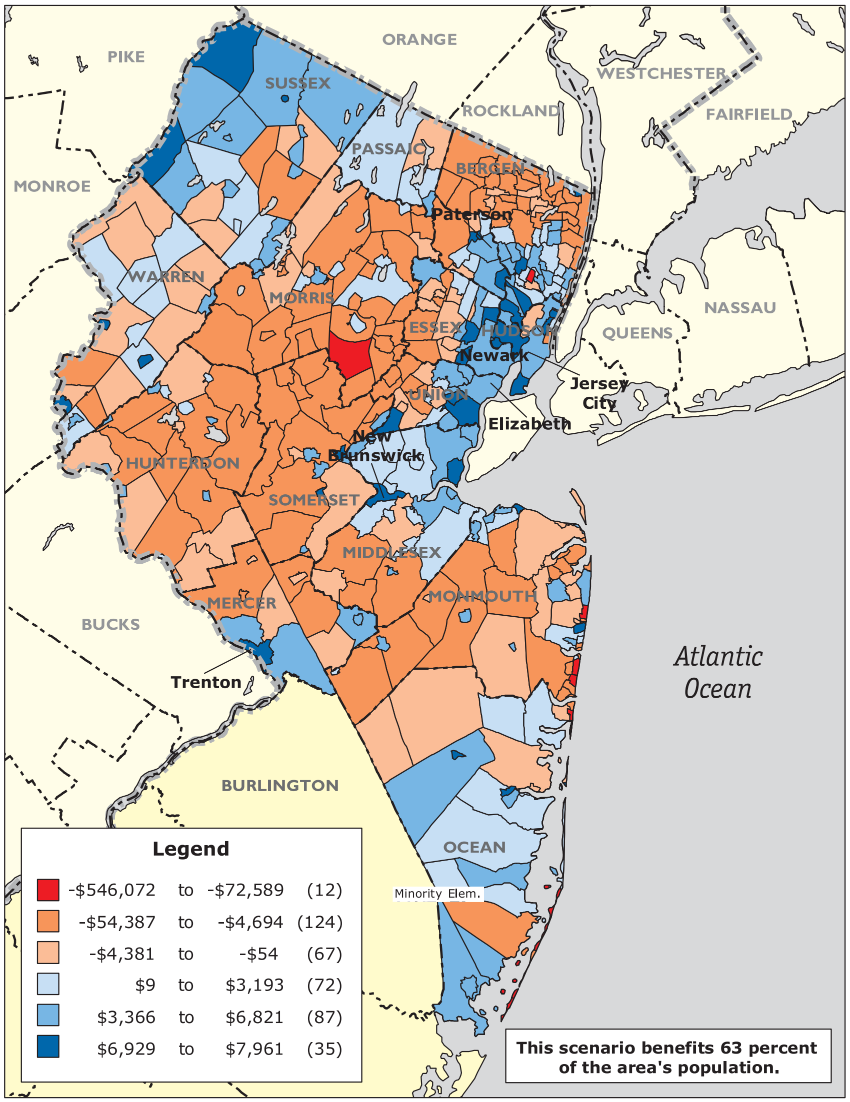
It is organizations like these, bearing a consistent message, a sustained campaign and a growing membership base, that will move legislators to make the changes New Jersey needs. Such changes will offer relief to all communities. For cities, they mean enhanced opportunities for redevelopment and for the poor. For fiscally stressed suburbs, they mean stability, community renewal, lower taxes and better services. For developing bedroom communities, they offer sufficient spending on schools and clean air and water. Affluent suburban communities also stand to gain from regional efforts that preserve open space and

Photo credit: Michael Rosenthal/NJ TRANSIT

Map 26. Simulated Change in Property Tax Base per Capita Resulting from a Tax-Base Sharing Program, 1993–1999

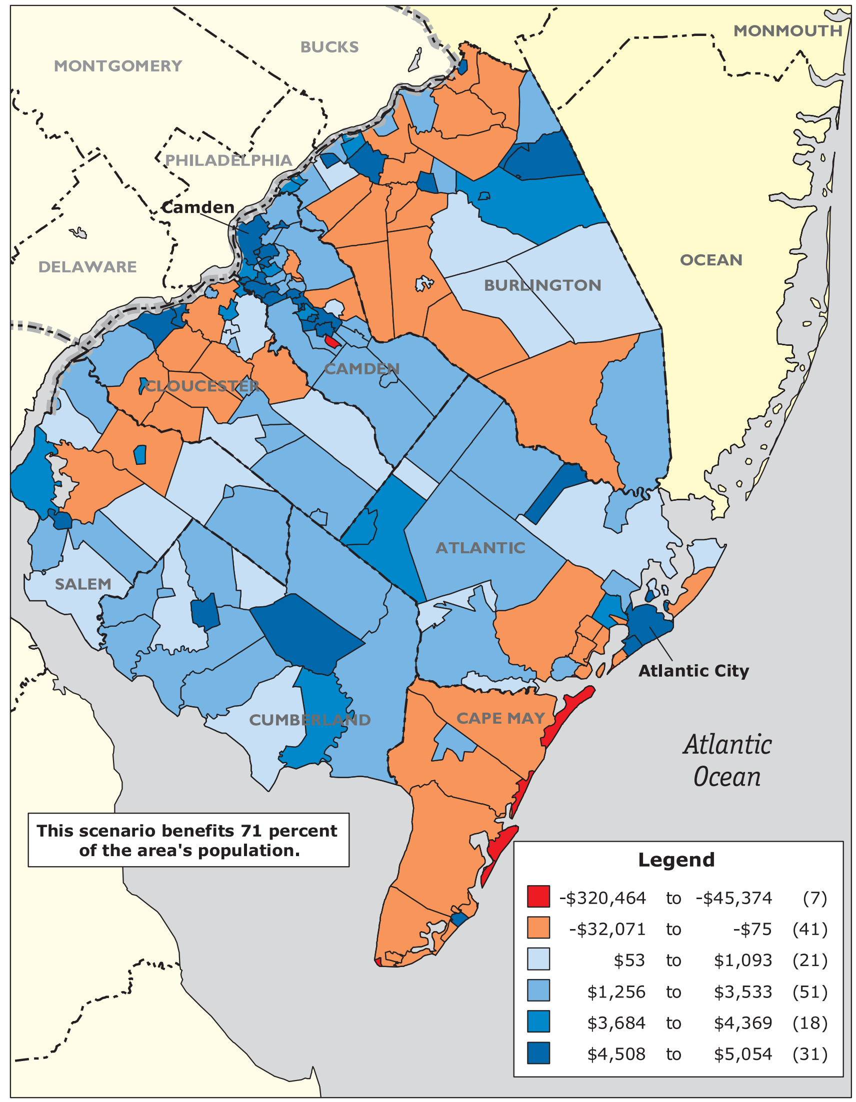
Tax base sharing is a highly effective way to narrow fiscal inequalities among communities and reduce wasteful competition for tax base. In this hypothetical tax-base sharing program in New Jersey, 40 percent of the growth in property tax base is collected and redistributed back to communities based on population. Communities keep 60 percent of their tax base growth. Because of the differences in tax base in the north and south parts of the state, New Jersey was divided into two areas for the simulation. In both areas, an overwhelming majority of residents lived in communities benefiting from tax-base sharing.

North Area



Data Source: Ameregis

South Area



Endnotes

1 Fully 39 percent of the state's land is developed, the highest share of any state, and the state's population density, 1,135 people per square mile, is the highest as well. See U.S. Census, 2000, and the National Resources Inventory, Resource Assessment Division, Natural Resources Conservation Service, U.S. Department of Agriculture, 1997.

2 For a general discussion of housing discrimination, see John Yinger, "Testing for Discrimination in Housing and Related Markets," in Michael Fix and Margery Austin Turner, eds., *A National Report Card on Discrimination in America*, (Washington D.C.: The Urban Institute, 1998).

3 U.S. Census of Government, 1999.

4 www.state.nj.us/dca/coah/about.htm

5 www.hmdc.state.nj.us/mandates.html

6 You can also visit www.ameregis.com for a detailed spreadsheet listing the characteristics of each jurisdiction.

7 Grouping was accomplished using the K-means clustering procedure in SPSS. For more on cluster analysis in general, and K-means clustering in particular, see *StatSoft, Inc. Electronic Statistics Textbook* (Tulsa, OK: StatSoft, 2002) at www.statsoft.com/textbook/stathome.html.

8 All variables except for property tax base and property tax base change were calculated as percentages of the statewide average. Because of the wide disparity in property tax base between the north and south parts of the state, those two variables were calculated as percentages of regional instead of statewide averages, with the two regions defined as the New York and Philadelphia consolidated metropolitan areas (see Map 26 for the boundaries of the regions). Finally, all values were standardized by the number of standard deviations from the mean so that that the effects of variables with very wide variations did not overwhelm the effects of variables with narrower variations.

9 An urbanized area is defined by the U.S. Census Bureau as one or more "central places" and the adjacent densely settled "urban fringe" that together have a minimum of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of at least 1,000 persons per square mile.

10 U.S. Census, 2000. Table PHC-T-4.

11 James W. Hughes, Joseph J. Seneca and Connie O. Hughes, "Anticipating Census 2000: New Jersey's Emerging Demographic Profile," (New Brunswick, NJ: Edward J. Bloustein School of Planning and Public Policy, Rutgers University, 2000).

12 U.S. Census, 1970 and 2000.

13 U.S. Census, 2000.

14 See James S. Coleman, *Equality of Educational Opportunity* (Washington, D.C.: Government Printing Office, 1966); Gary Burtless, ed., *Does Money Matter? The Effect of School Resources on Student Achievement and Adult Success* (Washington, D.C.: Brookings, 1996); James Traub, "What No School Can Do," *New York Times Magazine*, January 16, 2000.

15 Gary Orfield and John T. Yun, "Resegregation in American Schools," (Cambridge, Mass.: The Civil Rights Project, Harvard University, 1999).

16 Myron Orfield, *American Metropolitics: The New Suburban Reality* (Washington: Brookings Institution Press, 2002), p.51.

17 These percentages are dissimilarity indexes. The dis similarity index is commonly used to measure the degree to which two groups are evenly distributed in a given geographic area. In this case, they can be interpreted as the percentage of one of the groups that would have to change schools to achieve a perfectly integrated enrollment—for example, an equal mix of minority and non-minority students, or poor and non-poor students, in each building. For more on school segregation, see John R. Logan, "Choosing Segregation: Racial Imbalance in American Public Schools, 1990-2000," (Albany, NY: Lewis Mumford Center for Comparative Urban and Regional Research, University at Albany, 2002). It is available at www.albany.edu/mumford/census/.

18 See Yinger, 1998.

19 The analysis does include American Indians, although they make up less than 1 percent of New Jersey's population (U.S. Census Bureau, 2000). For more on housing discrimination, see Douglas Massey, "The Residential Segregation of Blacks, Hispanics, and Asians: 1970 to 1990," in *Immigration and Race: New Challenges for American Democracy*, ed. Gerald D. Jaynes, (New Haven: Yale University Press, 2000); and Orfield and Yun, 1999.

20 High-poverty schools are those with free lunch eligibility rates of 40 percent or greater, a commonly used cut-off to define "high poverty." Students in families below 130 percent of the poverty rate are eligible for free lunches.

21 John Yinger, *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination* (New York: Russell Sage Foundation, 1995).

22 See Gary Orfield and Carole Ashkinaze, *The Closing Door* (Chicago: University of Chicago Press, 1991) for a general discussion of these issues. Trends in the 1990s imply that this process was at work in New Jersey. In 1993, there were 36 municipalities where less than 40 percent of elementary students were eligible for free lunch (the cut-off commonly used to define "high poverty") and where the share of non-Asian minority elementary school students was more than 32 percent (the statewide average in 1993). The free-lunch percentage increased by three percentage points in these places during the next seven years, compared to a decrease of one point in the rest of the state. Similarly, the non-Asian percentage increased by 10 points in these places during that time, compared to just two points in the rest of the state. Tax base per capita also grew much more slowly in these places than in the rest of the state—14 percent compared to 24 percent. The clear implication is that places with higher-than-aver-

age non-Asian minority shares and low-to-moderate poverty in 1993 became both more segregated and poorer in subsequent years.

23 New Jersey Office of State Planning, “The New Jersey Highlands: An Interim Report for the Plan Development Committee of the New Jersey State Planning Commission,” (Trenton, NJ, October 1, 1999); and New Jersey Pinelands Commission, “A Summary of the New Jersey Pinelands Comprehensive Management Plan,” available at www.state.nj.us/pinelands/cmp.htm.

24 U.S. Census of Agriculture, 1997.

25 Janine G. Bauer, Michele S. Byers and Amy Goldsmith, “Agenda New Jersey: Saving our Land and Water,” (New Brunswick, NJ: The Fund for New Jersey, 2002).

26 U.S. Census, 1990 and 2000.

27 A housing unit is considered affordable to a household with the region’s average income if the household had no other debt, made a 10 percent down payment, had closing costs of 5 percent, a mortgage rate of 7 percent, faced statewide average property taxes, and was spending 28 percent of gross income on mortgage, taxes and home insurance (the cut-off normally used by realtors and lenders to determine affordability). A rental unit is considered affordable if its monthly rent equaled the monthly mortgage payment (including taxes) on an affordable home. Calculations were made using Fannie Mae’s Mortgage Calculator at www.fanniemae.com.

28 See William A. Fischel, “Property Taxation and the Tiebout Model: Evidence for the Benefit View from Zoning and Voting,” (*Journal of Economic Literature* 30, pp. 171-77, 1992) for a discussion of fiscal zoning and why it occurs.

29 Many efforts at tax reform have further exacerbated the disparities. For example, in the state’s school property tax homestead exemption program, NJ SAVER, “the greatest amount of tax relief goes to homeowners in high spending, high school tax rate, suburban municipalities in North Jersey. The lowest rebates go to homeowners in poor cities.” Judith C. Cambria, “New Jersey's Patchwork Property Tax Relief: How to Make A Bad System Better,” (Trenton: New Jersey Policy Perspective, 2000).

30 Laura Mansnerus, “A Word From Trenton Translates Into 3: Higher Local Taxes,” *The New York Times*, April 5, 2002.

31 See Myron Orfield, *American Metropolitics: The New Suburban Reality* (Washington D.C.: Brookings Institution, 2002), Table 5-1, p. 87.

32 For more on the Abbott decisions, see the website of the Education Law Center at www.edlawcenter.org.

33 The school funding scenarios assume a constant 3 percent federal share of New Jersey education funding.

34 A regressive tax is one that taxes a higher percentage of the income of low-income households than the income of high-income households. A progressive tax taxes high-income households more heavily (as a percentage of income) than low-income households.

35 New Jersey Meadowlands Commission, “Tax Sharing in the Meadowlands District,” available at www.hmdc.state.nj.us/tax.html

36 U.S. Census Bureau, 2000, Table QT-H4.

37 See Joanne R. Denworth, “Growing Smarter Legislation – New Options for Multi-Municipal Planning and Implementation,” (Philadelphia: 10,000 Friends of Pennsylvania, May 2001), available at www.10000friends.org.

38 Montgomery County Economic Development/Government Equity (Ed/Ge) Handbook: 2001-2010.

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