FIA–Phase 3
Fiscal and Financial Analysis
New Jersey Highlands Water Protection and Planning Council
July 21, 2016
AGENDA

• Statistical Significance
  + What does statistically significant mean?

• Phase 1 and 2 Recap
  + What did previous phases conclude?

Phase 3

• Municipal Revenues
  + Equalized property values, assessed property values, and municipal property tax revenues

• 10-Year Cash Flow
FISCAL IMPACT ASSESSMENT

- Phase 1: Regional Economic Evaluation
- Phase 2: Demographic and Real Estate Analysis
- Phase 3: Fiscal and Financial Analysis
- Final Fiscal Impact Assessment Report
EXAMPLE OF VARIABILITY IN THE DATA
**Frequency of Data**

Number of Group Members

Magnitude of Change from Period 2 to 3

- **Blue Team**
- **Red Team**
95% Confidence Interval

Blue Team  Red Team
PHASE 1 AND 2 RECAP
NEW JERSEY AREA FINDINGS

• The Highlands Region had a higher employment growth rate from 2004 to 2008, and less job loss from 2008 to 2013.

• Within the Highlands Region, the Preservation Area was the only area with negative job growth rate from 2004 to 2008; It also had the highest job loss rate from 2008 to 2013. The conforming Highlands Centers generated the highest employment growth rates from 2004 to 2008 and from 2008 to 2013.

Data Source: These findings were based on analysis of the Quarterly Census of Employment and Wages (QCEW) confidential employment data.
ANNUAL RATE OF EMPLOYMENT CHANGE

Data Source: These findings were based on analysis of employment data from the US Census Bureau’s LEHD Program.
Based on the data available at this point in time, the employment analysis revealed no statistically significant basis to conclude that the Act or the RMP had a positive or negative impact on economic growth in the Highlands Region.
Building Permits by Type of Housing, Northern New Jersey

Data Source: U.S. Census Bureau.
Housing Construction Findings

• In each of the three New Jersey comparison regions, the number of building permits issued for single-family housing has been declining since 1998/2000.

• In Northern New Jersey, especially in the areas east of the Highlands Region, growth in housing construction has been in multifamily housing, which accounted for 75 percent of Northern New Jersey building permits in 2014.

• The Highlands Region is not benefitting from the regional market demand for multifamily housing.

Data Source: U.S. Census Bureau.
Demographic Findings

• Generally, the Highlands Region municipalities are following similar demographic trends to the municipalities in the comparison regions.
  + Households: number, size, and type
  + Population: number, age, race/ethnicity
  + Other: education, income

• However, where the Highlands Region is different is:
  + It is getting older, faster
  + There are fewer children
  + Households are getting smaller

Data Source: U.S. Census Bureau.
• The analysis finds that any differences at this point in time between the Highlands Region and the other comparison areas in New Jersey for average sales values for residential, commercial, industrial, farmland, and vacant property are not statistically significant.

• However, there could be a difference in the sales value per acre for vacant land, and the Council should continue to track and monitor this issue.
Phase 3
MUNICIPAL REVENUES
Fiscal Analysis

• Equalized Property Value
  + An estimate of total market value

• Real Property Assessed Value
  + The basis for property taxes

• Property Tax Revenue
  + The primary source of funds for locally-provided public facilities and services
CHANGE IN TOTAL EQUALIZED VALUE

Data Source: NJ Department of Treasury.
Average Municipal Change in Equalized Value

Data Source: NJ Department of Treasury.

-4%  0%  4%  8%  12%


- Highlands Region
- Highlands County Municipalities not in the Highlands Region

Data Source: NJ Department of Treasury.
Average Municipal Change in Equalized Value

Data Source: NJ Department of Treasury.

-4% 0% 4% 8% 12%

2000 to 2004
2004 to 2008
2008 to 2015

Highlands Region
Northern New Jersey (Excluding Highlands Region)

Data Source: NJ Department of Treasury.
Total Real Property Assessed Value

Data Source: NJ Department of Treasury.
Building Permits by Type of Housing, Northern New Jersey

Data Source: U.S. Census Bureau.
REAL PER HOUSEHOLD ASSESSED VALUE

Inflation Adjusted 2016 Dollars

- Highlands Region
- Highlands County Municipalities Not in the Highlands Region
- Northern New Jersey

Data Source: NJ Department of Treasury.
CHANGE IN REAL PROPERTY ASSESSED VALUE

Data Source: NJ Department of Treasury.
CHANGE IN REAL PROPERTY ASSESSED VALUE

Annualized Rate of Change, Average for Municipalities in Each Region

Data Source: NJ Department of Treasury.
CHANGE IN REAL PROPERTY ASSESSED VALUE

Annualized Rate of Change, Average for Municipalities in Each Region

Data Source: NJ Department of Treasury.
Property Tax Revenue

- Tax rate applied to assessed value
- Tax rate adjusted to generate budget revenue needs, less other revenue sources
- Annual budget increase limited to 2%
- Analysis uses inflation-adjusted per household property tax revenues
- Availability of household data limits the time periods that can be analyzed
CHANGE IN PROPERTY TAX REVENUE

Data Source: NJ Department of Treasury; U.S. Bureau of Economic Analysis; U.S. Census Bureau.

-2%
0%
2%
4%
6%
8%

2000 to 2010 2010 to 2015

Highlands Region
Highlands County Municipalities not in the Highlands Region

Data Source: NJ Department of Treasury; U.S. Bureau of Economic Analysis; U.S. Census Bureau.
Change in Property Tax Revenue

Data Source: NJ Department of Treasury; U.S. Bureau of Economic Analysis; U.S. Census Bureau.

Highlands Region
Northern New Jersey (Excluding Highlands Region)
Phase 3
10-YEAR CASH FLOW
Data Source: Budget of the State of New Jersey data, provided by the NJ Highlands Council.
39 Municipalities not in the Highlands Region receive 17% of the funds.

Data Source: Budget of the State of New Jersey data, provided by the NJ Highlands Council.
Phase 3
FINDINGS
2000–2004 The analysis finds the Highlands Region had
• No statistically significant difference with the two comparison regions

2004–2008 The analysis finds the Highlands Region had
• No statistically significant difference with the Highlands county municipalities not in the Highlands Region
• A statistically significant lower growth rate than Northern New Jersey

2008–2015 The analysis finds the Highlands Region had:
• A statistically significant lower rate of growth than the two comparison regions
• 2000–2004 The analysis finds that the Highlands Region had a statistically significant higher rate of growth in assessed values than the two comparison regions.

• 2004–2008 The analysis finds that the Highlands Region had no statistically significant difference in the rate of growth than the two comparison regions.

• 2008–2015 The analysis finds that the Highlands Region had a lower rate of growth than the two comparison regions. Only the difference between the Highlands Region and Northern New Jersey was statistically significant.
The analysis finds that the Highlands Region municipalities had no statistically significant difference in the rate of change in property tax revenues than the two comparison regions.
Next Steps

• Continue to monitor differences in equalized property values in Highlands and Non-Highlands municipalities

• As a secondary indicator, monitor real property assessed values and property tax revenues