

## PILOT FAQs

### **1. What is a PILOT and how does this impact education funding?**

Municipalities use Payments in Lieu of Taxes (PILOTs) to encourage development of a project that might not otherwise be financially attractive to developers. Through a PILOT program, the developer receives a reduction of property taxes. When a property is designated as a PILOT, it no longer pays toward the local tax levy. The local tax levy is the amount we all pay in property taxes to fund all of our public schools, charter and district alike.

PILOTs negatively impact public education as PILOTs do not require payment into the local tax levy for all school districts. However, the Hoboken City Council admirably and responsibly addressed this issue in the 770 Jackson PILOT by earmarking monies for Hoboken public schools. If 770 Jackson was not PILOTed, that property would pay into the local levy and the property tax money would be allocated to all four districts under the state funding formula for public districts and public charters.

### **2. Do charter schools receive fixed funding or tuition from the state?**

No, charters do not receive tuition or fixed funding from the state. Instead, charter funding is calculated by the NJDOE in accordance with NJ Statute 18A:36A-12. Generally, charter funding is based on two variables: local tax levy and total enrollment. That amount is then discounted to 90% with the Board of Education retaining 10%. Charters are primarily funded from the local property tax levy and experience funding fluctuations both up and down, the same as the Hoboken BOE.

### **3. What does the 2016 resolution actually say?**

In 2016, the Council introduced a resolution to restore education funding for the 770 Jackson Street PILOT.

The resolution states the following:

*The Resolution (“Resolution”) requires “that the Project pays its fair share of school taxes in order to enable the School District to continue to provide a thorough and efficient education to the children of the City of Hoboken, and to relieve non-abated property owners within the City of Hoboken from subsidizing*

*any tax burden triggered by the Long Term Exemption Law, arising out of this Project.”*

PILOT funding is intended as a substitute for the local property taxes that would have been paid if the property was not subject to a PILOT. If these property taxes were paid, they would have contributed to the regular funding formula that distributes tax revenues to all four districts in order to run their public schools (each charter school is considered by the state of NJ as its own, separate district). Again, the local levy supports all public schools, including public charter schools.

#### **4. Ok, so the PILOT funds are intended as a replacement of the tax funds. Are charters school funded through these funds?**

Yes, public charters like public districts rely on local levy funds to educate students. The Hoboken Board of Education has explained this in a funding FAQ posted on their website:



It's been twenty-two years since New Jersey's first thirteen charter schools were approved by the state, yet district and charter school funding continues to be misunderstood. Here are the basics:

##### **What is the biggest misconception about charter school funding?**

It is widely believed that the State of New Jersey provides the funding for the charter schools it approves.

##### **Who funds public education in New Jersey?**

The state of New Jersey, like most states, relies on local tax dollars to fund the majority of each municipality's public schools. The people of Hoboken pay for Hoboken's public schools—both district and charter schools.

#### **5. How do you know that charter students were meant to be included in the 2016 resolution?**

The PILOT's Fiscal Analysis includes the public charter students and the charter public school budgets in projecting the impact of the PILOT on Hoboken Schools. This is accurate because PILOTS impact all public schools, district, and charter.

To not include each of the public schools that were used to calculate the payment would be a direct conflict of the resolution language.

#### **6. How does the charter enrollment cap play a role in the situation?**

The enrollment cap is irrelevant. First, not every resident at 770 Jackson is new to Hoboken; some already lived in Hoboken and moved to 770 Jackson, so they are not new students. Second, charter students already live at 770 Jackson and under the enrollment cap argument, those students would be unfunded pupils at the charter schools.

Lastly, the most important reason the enrollment cap argument fails is because the language of the resolution clearly intends this to be a replacement of the lost taxes from the PILOT, not because of a hypothetical influx of new students from one new development. All properties pay into the local levy because that's how ALL public schools are funded. The loss to the local levy because of a PILOT affects ALL of the schools--regardless of their enrollment going up or down.

#### **7. If this PILOT payment is not shared with our Hoboken charter schools, how will this impact a charter student in Hoboken?**

If these funds are not allocated, HBOE will be lowering per-pupil funding for 30% of Hoboken's public students.

Charter school funding is determined by a formula that is completely dependent on local property taxes. Under current law, any tax revenue that would have come from the PILOTed property would have been shared with charter schools. A very basic way to think of charter funding is as an algebraic equation. The per pupil funding amount is the local property tax levy divided by student enrollment.

Under the current proposal, the overall levy (numerator) will stay flat as none of the revenue will be considered local property tax levy and will instead be directed to one district as a supplemental payment outside of the local levy. Meanwhile, enrollment will be increasing (denominator). The result will be reduced per pupil funding, thus hurting every child that attends a public charter school in Hoboken.