



State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

JON S. CORZINE
Governor

LUCILLE E. DAVY
Commissioner

June 30, 2009

Ms. Margaret Hewitt, Board President
Millstone School District
P.O. Box 854
Somerville, NJ 08876

Dear Ms. Hewitt:

Pursuant to P.L. 2007, c.63 and A-4141, signed into law by Governor Corzine on June 30, 2009, I have reviewed the enclosed plan submitted by the Somerset County Executive County Superintendent to eliminate the non-operating Millstone School District and to provide for the education of the children from Millstone in the Hillsborough Township School District.

I find that the Executive County Superintendent's plan adequately addresses the statutory requirements for the elimination of the non-operating district. In particular, the plan provides for the continuation of a nine member board of education elected for staggered three year terms. Current members of the Hillsborough Township Board of Education will continue in office until the expiration of their respective terms, at which time the successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the Executive County Superintendent will appoint a representative from Millstone to serve as a voting member of the Hillsborough Township Board of Education until the first Monday succeeding the first annual election in which a member of the Hillsborough Township Board of Education is elected at-large.

The Executive County Superintendent further recommends that for the first year (2009-10) the tax levy be allocated in the amounts that were included in the districts' 2009-10 budgets. Thereafter, the Executive County Superintendent recommends that the levy be apportioned through a five-year phase in to 50% equalized valuation and 50% pupil enrollment. I find that this recommendation results in the least-fiscally disruptive tax levy allocation as required by the statute.

I further agree with the recommendations of the Executive County Superintendent regarding the liquidation of the remaining assets and the closing of the fiscal books of the Millstone School District, and regarding the remaining issues set forth in the Executive County Superintendent's plan. I conclude that this plan will effectuate the legislative intent

behind P.L. 2007, c.63 and A-4141 while causing the least disruption to the affected districts.

For all of the foregoing reasons, I approve the plan submitted by the Somerset County Executive County Superintendent for the merger of the Millstone School District with the Hillsborough Township School District, effective July 1, 2009. I direct the Somerset County Executive County Superintendent to work closely with the two districts to ensure that this plan is implemented promptly, and that the transition to a single combined district is accomplished as seamlessly as possible.

Sincerely,



Lucille E. Davy
Commissioner

Enclosure

- c: Executive County Superintendent
- Executive County Business Administrator
- School Business Administrator, Millstone School District
- School Business Administrator, Hillsborough Township School District
- Board President, Hillsborough Township School District
- Chief School Administrator, Hillsborough Township School District

Somerset County
REPORT ON NON-OPERATING SCHOOL DISTRICT

Millstone

Submitted by:

Trudy Doyle
Executive County Superintendent

Final Report June 30, 2009

I. FOREWORD

Public Law 2007, Chapter 63, (known as “CORE legislation”) was enacted to encourage financial accountability of local units of government, including school districts. The CORE legislation serves to empower citizens, reduce waste and duplication of services, in districts, and direct shared services and consolidation consistent with amendments to existing law.

The CORE legislation established the position of Executive County Superintendent (ECS). In accordance with plans submitted to the Commissioner of Education, the ECS is required to eliminate districts located in their counties that are not operating schools (“non-operating school districts”). The accountability regulations, N.J.A.C. 6A:23A, promulgated consistent with the above law, and recently proposed under the Administrative Procedures Act with substantive amendments, reiterates the requirement for the ECS to submit such plans to the Commissioner to eliminate “non operating school districts.” N.J.A.C. 6A:23A-2.4. In addition, the Legislature has passed and the Governor intends to sign A-4141 which clarifies the procedures under which the non-operating school districts will be eliminated and merged into existing school districts.

Millstone, a Pre-K to grade 12 district, represents one of the two “non-operating school districts” within Somerset County. It sends its students to the Hillsborough Township School District in a sending-receiving relationship that has spanned many years. Accordingly, both of these districts are academically assimilated, leaving fiscal and governance as two of the major remaining issues to complete full assimilation. This report presents a plan to join Millstone and Hillsborough Township into a single school district to serve the students from both communities.

II. COMMUNITIES

A. Description

Millstone:

Millstone is on the Millstone River and the Delaware and Raritan Canal. Millstone is in the central, southern portion of Somerset County, wedged between Hillsborough and Franklin Townships. Millstone is the smallest municipality in Somerset County. It has a population of 410 and is .60 square miles.

Its form of government is that of a borough, with a mayor and a six-member council. It is primarily a residential community.

Hillsborough Township

Located in the south western portion of Somerset County, according to the United States Census Bureau, the township has a total area of 54.8 square miles (141.9 km²), of which, 54.7 square miles (141.6 km²) of it is land and 0.1 square miles (0.3 km²) of it (0.18%) is

water. In terms of area, it is the largest township in Somerset County. It is both a residential and a commercial community.

Its form of government is that of a township with a five member Township committee, including a mayor and deputy mayor.

B. POPULATION

1. Total and Trend

	Year 2000	2003	2007
Millstone	410	409	412
Hillsborough	36,634	37,355	38,597

(Source: <http://www.census.gov/popest/cities/tables/SUB-EST2007-05-34.xls>)

2. Ages (Ranges) Year 2000

Age Range	Under 5	5 to 14	15 to 19	20 and over	Total
Millstone	17	42	27	341	410
Hillsborough	2,451	6,279	3,156	26,008	37,894

(Source: U.S. Census www.factfinder.census.gov)

3. Birth Rate (1998-2004)

Year	1998	1999	2000	2001	2002	2003	2004	2005
Millstone	5	5	9	6	6	6	9	6
Hillsborough	531	553	530	477	538	463	511	465

(Source: N.J. Dept. of Health & Senior Services (www.state.nj.us/health))

C. HOUSING

1. Total

	Permanent
Millstone	173
Hillsborough	13,490

(Source: U.S. Census www.factfinder.census.gov)

2. Growth (Bldg. permits 2000-2007)

	2000	2001	2002	2003	2004	2005	2006	2007
Millstone	0	0	0	0	0	0	0	1
Hillsborough	98	204	32	8	4	15	114	186

(Source: N.J. Dept. of Labor & Workforce Development www.wnjin.state.nj.us)

D. Ratables

RATABLES AS OF 10/01/2008- INCLUDING PERSONAL PROPERTY	
MILLSTONE	\$62,416,755
HILLSBOROUGH	\$3,737,778,962

(Source: www.state.nj.us/treasury/taxation/1pt/lptvalue.shtml)

III. SCHOOL DISTRICTS

A. BOARD OF EDUCATION

Millstone is a Type II district with an elected board consisting of three members elected for staggered three-year terms.

Hillsborough Township is a Type II district with an elected board consisting of nine (9) members elected for staggered three-year terms.

Combined Board of Education

In accordance with A-4141, the new combined district would continue with an elected board consisting of nine (9) members elected for staggered three year terms. For 2009-2010 and beyond, the members of the Hillsborough Board of Education will continue in office as members of the combined district until the expiration of the respective terms for which they were elected. In any year in which the term of a member of the board of education of the new district expires, his successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the ECS will appoint a voting member from Millstone to be added to the existing Hillsborough Board of Education, thereby increasing the membership of the board temporarily to ten (10) members. Such member appointed by the ECS shall serve on the board until the first Monday succeeding the first annual school election in which a member of the board of education of the Hillsborough Board of Education is elected at-large.

B. ENROLLMENTS

The tables below present Millstone’s and Hillsborough’s individual resident enrollments by grade levels, for the four years 2005-06 through 2008-09.

Table 1: Enrollment-Non Operating School District - Millstone Borough

For Year	Total	K	1	2	3	4	5	6	MS7-8	HS9-12	Sp Ed
2005-06	60	6	5	3	5	2	3	3	7	16	10
2006-07	57	4	6	4	3	5	2	2	5	18	8
2007-08	53	6	6	5	4	3	0	0	6	14	9
2008-09	66	10	7	2	6	4	3	5	5	14	10

Table 2: Enrollment-Hillsborough Township School District

For Year	Total	K	1	2	3	4	5	6	MS7-8	HS9-12	Sp Ed
2005-06	7583.5	406	558	504	488	502	495	556	964	1616.5	993
2006-07	7497.5	364	564	478	491	487	501	496	1021	1987.5	1108
2007-08	7542	420	521	476	463	501	486	511	1052	1558	1113.5
2008-09	7533	381	582	445	475	467	505	502	1029	2073	1074

(Source: New Jersey Department of Education Application for State Aid, 2005-2008)

C. FINANCIAL

1. Budget Information

The following tables summarize Millstone and Hillsborough’s actual financial results for 2006-07, 2007-08, and budget data for 2008-09, 2009-2010.

Millstone Summarized

	MILLSTONE			
	2006-2007	2007-2008	2008-2009	2009-2010
APPROPRIATIONS	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>
GENERAL FUND	\$523,315	\$748,832	\$862,292	\$899,282
SPECIAL REVENUES	\$0	\$0	\$0	\$0
DEBT SERVICE	\$0	\$0	\$0	\$0
TOTAL	\$523,315	\$748,832	\$862,292	\$899,282
REVENUES				
LESS: STATE AID-OTHER	\$84,511	\$87,287	\$102,211	\$107,322
LESS: STATE AID-ADJUSTMEN	\$0	\$0	\$0	\$0
LESS: OTHER REVENUES	(\$29,326)	\$174,690	\$177,284	\$2,400
LESS: FEDERAL; SPECIAL; DEBT			\$0	\$0
TOTAL	\$55,185	\$261,977	\$279,495	\$109,722
TAXES TO BE RAISED	\$468,130	\$486,855	\$582,797	\$789,560
TAX AS % OF TOTAL APPROPRIATIONS	89.45%	65.02%	67.59%	87.80%

Hillsborough Summarized

	HILLSBOROUGH			
	2006-2007	2007-2008	2008-2009	2009-2010
APPROPRIATIONS	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>
GENERAL FUND	\$87,151,163	\$91,945,776	\$99,140,717	\$102,433,879
SPECIAL REVENUES	\$2,250,045	\$2,021,002	\$2,198,273	\$1,917,247
DEBT SERVICE	\$6,672,941	\$5,449,684	\$4,992,404	\$4,850,062
TOTAL	\$96,074,149	\$99,416,462	\$106,331,394	\$109,201,188
REVENUES				
LESS: STATE AID-OTHER	\$20,464,758	\$21,068,522	\$25,227,727	\$26,477,140
LESS: STATE AID-ADJUSTMENT			\$45,244	\$0
LESS: OTHER REVENUES	\$483,296	\$1,804,097	\$3,960,216	\$3,638,550
LESS: FEDERAL; SPECIAL; DEB	\$3,783,615	\$3,192,205	\$3,227,077	\$2,958,676
TOTAL	\$24,731,669	\$26,064,824	\$32,460,264	\$33,074,366
TAXES TO BE RAISED	\$71,342,480	\$73,351,638	\$73,871,130	\$76,126,822
TAX AS % OF TOTAL APPROPRIATIONS	74.26%	73.78%	69.47%	69.71%
GENERAL FUND	\$66,203,109	\$69,073,157	\$69,907,530	\$72,299,019
DEBT SERVICE	\$5,139,371	\$4,278,481	\$3,963,600	\$3,827,803
TOTAL TAX LEVY	\$71,342,480	\$73,351,638	\$73,871,130	\$76,126,822

(Source: School Districts' Budget Statements for 2008-2009 and 2009-2010)

2. Equalized Valuation

The tables below present the Millstone's and Hillsborough's assessed and equalized valuations, true values ratios and year-over-year growth, for 2004 to 2008.

Assessed and Equalized Valuations

ASSESSED AND EQUALIZED VALUATIONS						
MILLSTONE						
HISTORY	ASSESSED	EQUALIZED	RATIO	YEAR OVER YEAR		
				ASSESE	EQUALIZE	
2004	\$40,359,764	\$51,358,680	78.58%	N/A	N/A	
2005	\$49,185,299	\$51,419,016	95.66%	21.87%	0.12%	
2006	\$58,123,987	\$51,534,393	112.79%	18.17%	0.22%	
2007	\$62,615,156	\$55,193,293	113.45%	7.73%	7.10%	
2008	\$62,416,755	\$55,207,171	113.06%	-0.32%	0.03%	
ASSESSED AND EQUALIZED VALUATIONS						
HILLSBOROUGH						
HISTORY	ASSESSED	EQUALIZED	RATIO	YEAR OVER YEAR		
				ASSESE	EQUALIZE	
2004	\$3,582,026,890	\$4,703,296,929	76.16%	N/A	N/A	
2005	\$3,603,640,564	\$5,137,019,618	70.15%	0.60%	9.22%	
2006	\$3,632,143,588	\$5,664,669,359	64.12%	0.79%	10.27%	
2007	\$3,693,852,115	\$6,056,883,688	60.99%	1.70%	6.92%	
2008	\$3,737,778,962	\$6,182,179,594	60.46%	1.19%	2.07%	

(Source: www.state.nj.us/treasury/taxation/1pt/lptvalue.shtml)

Based on information received from the county tax assessor, Millstone reassesses its property each year and Hillsborough does not and that is likely the reason for the changes each year in Millstone's year-over-year assessments.

3. Borrowing Margin/Capacity

Non Operating	MILLSTONE	Not Available*
Receiving School District	HILLSBOROUGH	\$185,802,313

(Source: CAFR, Millstone, Hillsborough, FY Ended 6/30/08)

* Amount for Millstone's legal borrowing margin was not included in CAFR.

Hillsborough has \$38.6 million of outstanding bonded-debt. The capacity above is net of Hillsborough's outstanding debt. The combined district would appear to have sufficient borrowing capacity.

D. TAXES

1. General Fund Tax Levy

		2008-09	2009-10
MILLSTONE		BUDGET	BUDGET
	LOCAL FAIR SHARE	\$546,249	\$643,891
	MINIMUM TAX	\$486,855	\$506,329
	ACTUAL TAX LEVY	\$582,797	\$789,560
		2008-09	2009-10
HILLSBOROUGH		BUDGET	BUDGET
	LOCAL FAIR SHARE	\$60,747,298	\$63,047,861
	MINIMUM TAX	\$60,747,298	\$63,047,861
	ACTUAL TAX LEVY	\$69,907,530	\$72,299,019

(Source: School Districts' Budget Statement for 2009-2010)

1a. Combined General Fund Tax Levy Allocation

Under A-4141, the general fund tax levy apportionment in the first year of the merger is directed in a manner determined by the Commissioner to be the least fiscally disruptive. The allocation of levy can be apportioned by equalized valuations, pupil enrollment, or some combination of apportionment based upon equalized valuations or pupil enrollments. The impact of each method is illustrated below using the districts' 2009-10 actual General Fund tax levies.

	2009-10 Actual Levy	Levy at 100% Equalized Valuations	Levy at 50% EqVal, 50% Enrollment	Levy at 100% Enrollment
Millstone	\$789,560	\$646,908	\$640,437	\$633,966
Hillsborough	\$72,299,019	\$72,441,671	\$72,448,142	\$72,454,613

There is no combination of equalized valuations and pupil enrollment that will result in the same levy allocation in 2009-10. While the allocation of 100% equalized valuations would come closest, it would still result in some fiscal disruption. Therefore, I recommend for the first year (2009-10) that Millstone raise \$789,560 and Hillsborough raise \$72,299,019 which is the same levy included in their 2009-10 budgets certified for taxes.

A-4141 further provides that thereafter, the apportionment methodology shall be selected from those established in NJSA 18A:13-23, i.e. equalized valuations, pupil enrollments, or some combination thereof, and that if necessary the Commissioner may direct a five-year phase in of that method. While 100% equalized valuations would be the closest allocation for 2009-10, review and analysis of the districts' data shows that in 2008-09, the closest allocation would have

been 34.4% enrollment and 65.6% equalized valuations. The previous year it would have been 92.2% enrollment and 7.8% equalized valuations. Therefore, given the change between the years, I recommend a five year phase in to 50% equalized valuations and 50% enrollments. Using the 2009-2010 tax levy for illustration, the annual phase-in would be as shown in the table below:

	FY10	FY11	FY12	FY13	FY14	FY15
Millstone	\$789,560	\$759,735	\$729,911	\$700,086	\$670,262	\$640,437
Hillsborough	\$72,299,019	\$72,358,844	\$72,358,668	\$72,388,493	\$72,418,317	\$72,448,142
Total	\$73,088,579	\$73,088,579	\$73,088,579	\$73,088,579	\$73,088,579	\$73,088,579

This phase-in will be adjusted annually based on the final total levy of the new district calculated each year.

2. Debt Service Fund Tax Levy

MILLSTONE	2008-09 BUDGET		2009-10 BUDGET	
TOTAL DEBT				
DEBT SERVICE AID				
DEBT SERVICE LEVY				
OTHER LOCAL SOURCES				
HILLSBOROUGH	2008-09 BUDGET		2009-10 BUDGET	
TOTAL DEBT		\$4,992,404		\$4,850,062
DEBT SERVICE AID		\$1,028,804		\$992,483
DEBT SERVICE LEVY		\$3,963,600		\$3,827,803
OTHER LOCAL SOURCES		\$0		\$29,776

(Source: School Districts' Budget Statements for 2009-2010)

2a. Debt Service Levy Allocation

A-4141 further provides that the amount to be raised for interest upon and the redemption of bonds payable by the district for bonds issued prior to and after the effective date of this act shall be apportioned among the constituent districts of the merged district in such manner as the Commissioner determines to be the least fiscally disruptive. I recommend that all existing debt of the Hillsborough School District remain the responsibility of the Hillsborough and all new debt approved by the merged district will be the responsibility of the constituent districts and allocated in accordance with the general fund tax levy allocation.

E. STATE AID 2009-2010

MILLSTONE	\$ 107,322
HILLSBOROUGH	\$26,237,679

(Source New Jersey Department of Education 2009-2010 State School Aid, State Aid Profile)

Under A-4141, state aid will still be calculated as separate districts based on Millstone's and Hillsborough's pupil and wealth characteristics. The resulting aid amounts will then be combined and provided in total to the new single district for development of its combined budget.

IV. POTENTIAL COST SAVINGS

The following summarizes the cost savings that may result from the legislative requirement to eliminate the Millstone non-operating district.

A. General Fund Total (2009-2010):	\$ 899,282.
B. Estimated Potential Cost Savings:	\$ 32,650.

The following summarizes the possible cost savings that may result:

1. General Administrative Services, including the elimination of costs for:
 - a. Legal
 - b. Board conferences
 - c. NJSBA membership
 - d. Telephone
 - e. Treasurer of School Monies
 - f. Audit
2. Unallocated Benefits, including the elimination of costs for:
 - a. Workers' Compensation Insurance
 - b. Social Security contribution
3. Administrative Central Services: including the elimination of costs for:
 - a. Salary for part time business administrator/board secretary

V. RECOMMENDATIONS TO THE COMMISSIONER

Pursuant to N.J.A.C. 6A:23A-2.4, the ECS recommends elimination of the Millstone School District as of July 1, 2009. The Hillsborough School District has the option to maintain the school business administrator of Millstone through August 31, 2009 to assist in the transition. The 66 students of Millstone will continue to be educated in the Hillsborough School District and

beginning with 09-10 will be counted as resident students in Hillsborough School District but for the purposes of calculating State school aid, both Millstone and Hillsborough will continue to be considered separate school districts. Beginning in 2009-10 and thereafter, the general fund tax levy of the Hillsborough School District will be 50% equalized valuations and 50% enrollments for Millstone and Hillsborough.

In accordance with A-4141, the new combined district would continue with an elected board consisting of nine (9) members elected for staggered three year terms. Within 30 days of the merger of the districts, the ECS will appoint a voting member for the 2009-10 school year from Millstone to be added to the existing Hillsborough Board of Education. In 2009-10 and thereafter, the members of the Hillsborough Board of Education will continue in office as members of the combined district until the expiration of the respective terms for which they were elected. All seats of the nine member board will be elected by at-large vote thereafter.

In accordance with A-4141, the Hillsborough School District will have the responsibility to liquidate all remaining assets and close the fiscal books (and conduct the final audit) of the Millstone School District. The costs of the final audit shall be payable from Millstone's accounts prior to the liquidation of the assets. All remaining cash and fund balances on completion of this liquidation process shall be paid to Millstone's municipal government and any indebtedness shall be the responsibility of that municipal government. All books, documents and records of Millstone shall be turned over to the board of education of the merged district.