

PUBLIC HEARING  
before  
ASSEMBLY COUNTY GOVERNMENT COMMITTEE  
on  
MANDATED COSTS OF CAPS LEGISLATION

Held:  
March 13, 1980  
Assembly Chamber  
State House  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Michael F. Adubato (Chairman)  
Assemblyman John A. Girgenti  
Assemblyman Harry McEnroe  
Assemblyman Thomas H. Paterniti  
Assemblyman John B. Paolella  
Assemblyman Clifford W. Snedeker  
Assemblyman Thomas J. Shusted

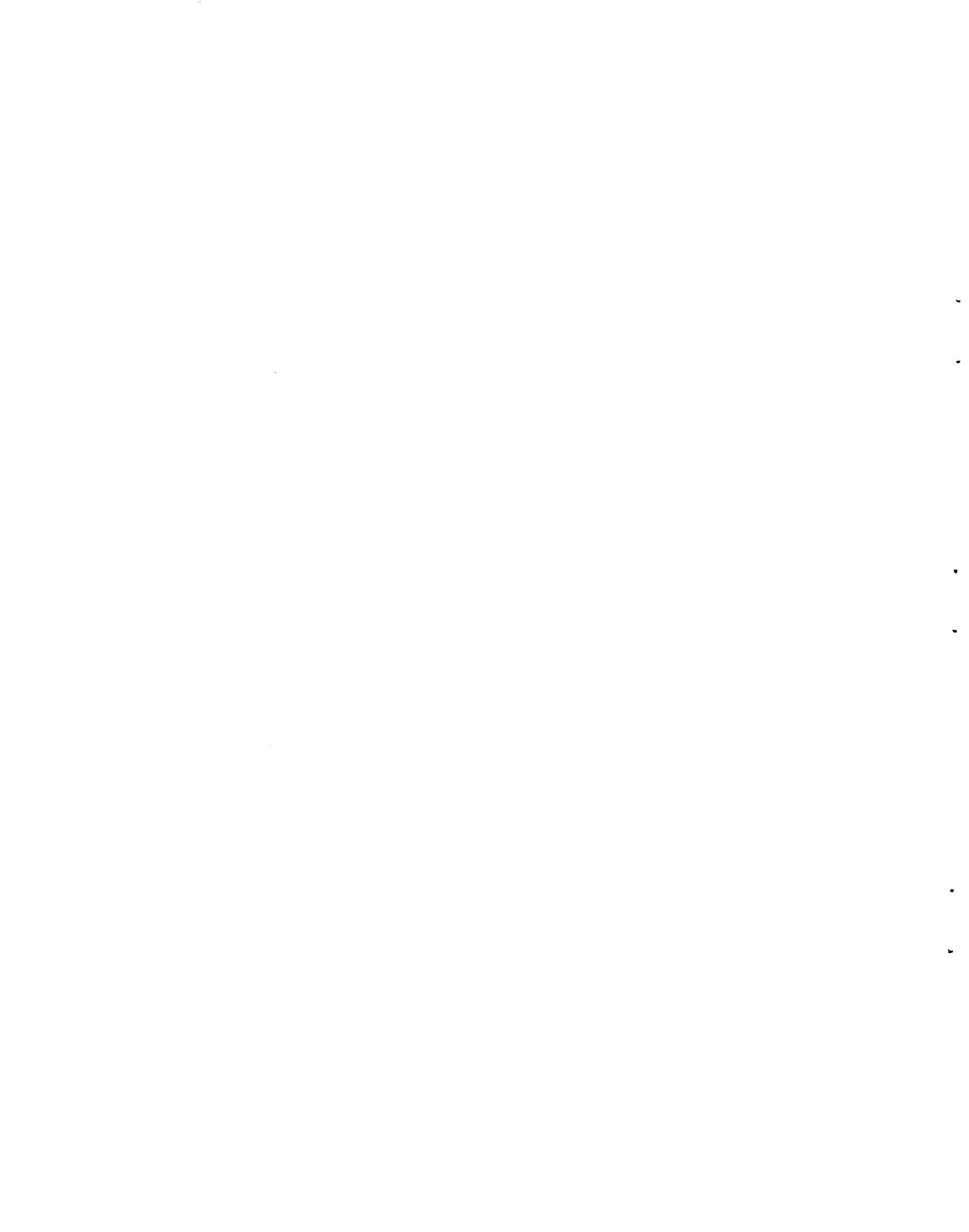
ALSO:

David L. Sallach, Research Associate  
Office of Legislative Services  
Aide, Assembly County Government Committee



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ASSEMBLYMAN MICHAEL F. ADUBATO (Chairman): Good morning, ladies and gentlemen. Thank you for coming out on a day when it is predicted we are going to have some problems with the weather later on. We will get you out of here as quickly as possible, although we will go into session at four o'clock today.

This is the second and final meeting as far as this series of public hearings goes. We have been listening to and getting to know the people out in the counties and having them get to know us. Really, the purpose of these public hearings is to help us to understand the impact of what we do here in the Legislature on the people in the various counties. Hopefully, these public hearings will send out a signal that will simply say that we're not adversaries. It is not "you" or "us" or "them" or "those guys," or whatever. It is "we." We are all in this together and we all have to come up with solutions to very complex problems. Certainly, the Chairman of this Committee and the members of this Committee do not suggest to you that we have the answers to anything. We do suggest that we are here to listen and to learn, as I said before; and we are here to recognize, as was stated in our first meeting, that if our free enterprise system is going to survive, one of the things we must do is stop penalizing productivity and we have to have the incentives that we used to have and bring back the American dream.

At the risk of sounding corny, there are too many people in our society who are paying an unfair burden. When we talk about penalizing productivity - and that is what we are talking about - we are not talking about geography; we are talking about the impact on people. The counties are people; the State is people; the cities are people. There is no place in the State of New Jersey where productivity is penalized more than in the case of those productive people who pay the unfair cost of the welfare system who happen to live in the urban counties, particularly the counties of Essex and Hudson. To give you an example, a productive person living in Essex County pays a little over \$20 a year per cap for the cost of welfare. An individual in another county, let's say Bergen, which is a nice county, is paying as little as \$1.70 a year per cap. I have nothing against the people in Bergen County paying so small a cost for welfare. I do resent the people who are productive in Essex County having to pay so great a share for welfare.

Continuing in that vein of not penalizing productivity, the answer to any problem should not create a greater injustice or inequity. Therefore, I would never support any legislation that would penalize the people in Bergen County and raise their cost. So the trick is: How do you find equity without someone else's ox being gored? Remember we are all in this together, no matter what part of the State in which we live. At a time when we have a State budget that is \$5 billion plus, if we were to equalize the cost of welfare and include general assistance as well, for both entities it would take less than \$32 million - that's all, \$32 million.

Now, if we look at the impact of subsidy and welfare on productive people and compare that to the cost of subsidizing just one railroad that carries 20,000 people a year from Peapack-Gladstone over into Wall Street, you will find we, the taxpayers, subsidize that railroad to the tune of \$10 million a year. Yet, we are saying that at a cost of \$32 million a year, we can equalize the cost of welfare across the entire State.

The system is not fair. There is no compromise with this issue, absolutely none. The present administration, in 1973, committed itself to taking over municipal overburdens, of which the cost of welfare is part, as you all know. The income

tax passed. It's been implemented, what, four years, plus? We still haven't taken over municipal overburden. We still haven't met our commitment to the people, and if our system is going to survive and we're going to establish credibility, we've got to keep our word. However, the people must also realize that the elected officials are politicians and politics alone will not solve their problems. The people must solve their own problems, if we really believe in our system.

So, the challenge remains, not to the political parties, but to the people and to the organizations, to take up those hard issues. Some of the so-called non-political entities, such as the League of Women Voters, Common Cause and all those other fine organizations have an obligation to get involved, not only in those issues that they think they should be in, but in those issues that have an impact on seven and a half million people, not just their pet peeves.

I'm talking longer than I wanted to, quite frankly, and I admit it, because there are two other assemblymen on their way down here. So, I am not just killing time, but I am taking the opportunity to talk a little longer than I intended because I want your testimony to be heard, if possible, by all the members of the Committee. I know that your statements are going to be in the record and I know that we are going to have an opportunity to look at them later. However, I feel that it is important enough that, if at all possible, the impact of your statements should be heard by all the members of the Committee. We will wait five more minutes and if the other two assemblymen are not here, we will proceed with the witnesses.

Assemblyman Snedeker is just coming in. Cliff is usually here waiting for me. So, this one time, I will forgive him. He has forgiven me often. In fact, I think I ought to thank Cliff for giving me an opportunity to talk longer. You know, I have a reputation for liking to talk when you put a microphone in front of me, but Cliff and I didn't really plan this. Ladies and gentlemen, as serious as the matter is before us, I hope we never lose our sense of humor. I hope we never take ourselves too seriously, even though the issues are very serious.

Now, I am going to let the members of the Committee introduce themselves. I would like, starting to my left, for the Assemblymen to give their names and the districts they represent and if they would like to take a few moments to say something, now is the time.

ASSEMBLYMAN SHUSTED: Thank you very much, Mr. Chairman. My name is Thomas Shusted and I am one of the two assemblymen representing the 6th Legislative District, which comprises 11 towns in Camden County and two in Burlington County. I see both directors of the boards of freeholders in each of those counties present and, gentlemen, welcome.

ASSEMBLYMAN PATERNITI: Good morning. I am Assemblyman Dr. Thomas Paterniti. I hail from the 18th Legislative District, which encompasses a good section of Middlesex County and I am delighted to see you people here this morning. I hope your input will help us in drafting legislation that will be helpful to the people of the State of New Jersey. Thank you very much.

MR. SALLACH: My name is Dave Sallach and I am from the Office of Legislative Services and I am the Aide to the Assembly County Government Committee.

ASSEMBLYMAN GIRGENTI: Good morning. I am Assemblyman John Girgenti from the 35th Legislative District, which comprises totally the County of Passaic. I just want to welcome the people here from the various county governments. We

had a very interesting meeting last, well, earlier this week, with the county executive form of government and I feel that the problems that they have are probably going to be very similar to the problems that you are going to have today. We are legitimately interested in these problems and we have come here to put the time aside especially to hear from the people who represent these various counties. Too many times, there have been mandated programs put down without the input from the people on the level that have to deal with it day to day. So, we feel that this type of meeting will help to set up a better rapport and, perhaps, we'll be able to work and deal more directly with each other and be able to alleviate some problems that have occurred in the past with the different forms of county government. So, we look forward to these types of meetings and I commend our Chairman and our Committee for continuing this and I commend you, most of all, who have come here today on a day like this to give that type of input because that's very important and that's how we feel the legislative process works. We need that direct input from the people that have to work on a daily level with the problem.

ASSEMBLYMAN SNEDEKER: Good morning. I apologize for being late and I would like to state that I am happy to see Freeholder Metzger, President of the Association of County Freeholders, here. He does represent Burlington County, a large majority of the area that I represent in the 8th Legislative District. I'm happy to see you here Hank, and I'm sure you will have some information for us, and welcome to all of the others who are with us today.

ASSEMBLYMAN PAOLELLA: I am Assemblyman John D. Paoella, District 38, which is central Bergen County, the great County of Bergen. I am here today to listen to all of the counties' plights in regard to the budget cap situation. I am going to ask all of you, though, having sat through one day already of public hearing, to hopefully go beyond telling us of the problems that we have keeping our programs going and not having enough money, but giving us some insight into some of the alternative suggestions you might have as to how we can modify caps, assuming that is what the will of the people and the will of the Legislature is going to resolve eventually. My concern is that there are at least two alternatives that I know of and I would be happy to entertain any more. Whether we intend to exclude certain items from the caps or whether we intend to raise the percentage level of the caps and leave the decision making as to how that money should be spent to the various counties is at least one threshold question that I would like to have answered through input. So, if that is not contained in the statement by the counties, I would ask, as a courtesy to our Committee, that some input be given in that area. Thank you.

ASSEMBLYMAN ADUBATO: As you can see, every member of this Committee, in my opinion, is ready and willing to do the job that has to be done, or at least make the attempt. We don't expect to solve all the problems, but we are here, primarily, to really put down the gauntlet. This is a challenge to all of us. It is a challenge to the people here; it's a challenge to the people out there; but most of all, it's a challenge to the people who aren't in this room. This Committee will meet in the evening, on weekends, in your home counties, at your public buildings, so that the people who are working, paying the taxes, the productive individuals who never have an opportunity to really get involved in the process have no excuse for not getting involved, and we look to you to invite us to your counties to meet the people in those counties, not just the elected officials, and as was stated publicly Monday-- I'm restating it again--we are going to have sub-committees, of which our Vice-Chairman, Mr. Girgenti, will be the Chairman of one of those sub-committees. We are going to have the ability and the flexibility to travel across the 21 counties in this state and if nothing else, listen, if nothing else, give the people the right to dream

about being rugged individuals again, giving people the feeling that there are people in elected office that do care, that many people care, but it is up to them. With all your caring and our caring, if the people in this State aren't motivated enough to believe that we are still a government of the people and aren't motivated enough to get involved and be a participant, then we are going to fail, all of us, you and I; we're going to fail; our system is going to fail, and it's time we stopped talking to each other as adversaries and begin talking as partners, because that's what we are, we're partners, and we cannot allow any entity to be a sacred cow. We cannot allow any group that deserves criticism, not to be criticized, and hopefully, we won't just criticize, we'll come up with alternatives.

So, with that thought, ladies and gentlemen, again, I thank you very, very much for traveling down here on this day and we are going to begin with our first witness, who is the President of the New Jersey Association of Counties. By the way, it is not true, Mr. Metzger, that we held up this meeting just so Cliff Snedeker could get here because you happen to live in his district. Again, it is our privilege to have Mr. Henry Metzger address the Committee. Mr. Metzger?

H E N R Y M E T Z G E R: Mr. Chairman, members of the Committee, ladies and gentlemen, we want to take this opportunity to extend our appreciation to be here before this Committee. I have with us Mr. Jack Lamping, our Executive Director, who has been with us for a long time. I also have other freeholder board members and directors of various boards throughout the State of New Jersey, who have indicated their concerns. I know you have heard of our problems before. You were so gracious to hear the executive charter counties on Monday and you're going to be hearing some repeats of that meeting on Monday. However, as the Chairman indicated earlier, the more times we repeat it, the more times all of us will remember it and I suppose that after we hear it enough times, we'll certainly be aware of our problems, which certainly are facing us all.

We are reaching a crisis stage in our budgets. Some counties are faced with it this year. Other counties, more than likely, will be faced with this problem next year. You all have background, I suppose, in other areas other than State government, maybe serving on school boards. Others, I'm sure, have held local office and certainly can understand and appreciate the situation that we're all being faced with in this day.

The consequences of budget decisions being made by county officials, who must comply with the caps and provide for State mandated programs, are devastating. Large-scale layoffs of county employees and substantial cuts in services are among the measures which the counties are being forced to initiate. The necessity for layoffs not only means a reduction in work force, but also translates into a reduction in service levels, not to mention an increase in the unemployment rolls. The bottom line is that the citizen-taxpayer becomes the victim receiving less services without any decreased reliance on the property tax.

Assembly bill 3648, which was signed into law on February 6 of this year, funds the Violent Crimes Compensation Board by placing a \$25.00 surcharge on persons convicted of assaultive crimes. What has happened, this law provides that fines imposed in criminal cases will no longer be paid to the county treasurer, but rather will be paid to the State Treasurer. The only exception is with respect to defendants who are sentenced to time in county jails, in which case the fines are retained by the county.

Now, in our county, last year, we received in the neighborhood of \$73,000, which was used to operate programs in our county. That, obviously, will be increased this year and will no longer be available to the counties, consequently meaning that even though, at this point, we have pretty much figured our budget and are ready to advertise for the second hearing, we will have to cut another \$73,000 out of the budget which will certainly have a big impact on the overall picture of Burlington County. This picture is a very bleak one. I am encouraged by your interest in learning about our problems and, of course, take this opportunity again to congratulate you in wanting to hear about our problems.

The steadily growing cost of State mandated programs is a subject of great concern to county officials who are also grappling with the restraints imposed by the caps. The mandated areas which are frequently mentioned as the most burdensome include welfare expenses; the judiciary, including courts, prosecutor, probation, and corrections; and other areas include maintenance of patients in State institutions; election board, sheriff; county clerks office; and the superintendent of schools. As you all know, this legislation was passed that allows the prosecutor to negotiate with the freeholders for salary increases for his employees. This also pertains to the prosecutor and, at some point in time, I'm sure that we'll be faced with the problem of dealing with the row officers, the clerk, the sheriff and the surrogate. What's happening here is that we're losing a great deal of our ability to maintain our own destiny as elected officials in the county by setting the salaries of those departments and all other departments in the county. It would be difficult to identify one of these areas as being the worst offender, since experiences vary according to the individual factors and circumstances among the different counties.

Although specific situations and circumstances may vary among the counties, a singular, clear message emerges. State mandated costs have eaten away the counties' ability to sustain any meaningful level of fiscal control or to express local priorities. While State mandated costs have significantly diminished local fiscal control, they have also represented an excessive burden upon local property taxpayers. Mandated expenses account for an increasing percentage of tax levy, asking local property taxpayers to pay for State mandated programs and that is clearly not justifiable if we are genuinely committed to tax reform.

The second critical issue which we address today involves the spending limitations placed upon local government. In most instances, the counties support the general concept of the caps and feel it is a useful tool in checking the uncontrolled spending that gives local officials the incentive to closely examine their priorities in relationship to their resources. However, it has become apparent that a relaxation of the caps in certain areas is needed. The mounting infiltration, pressures, especially in the area of utility costs, insurance and pension costs are forcing the counties to cut vitally needed services. Several bills have been introduced which seek to address these concerns and we hope that you will seriously consider these measures.

In Burlington County, the county in which I am a freeholder, in the last four years, we have tried to maintain a ten year program, whereby we would overlay 50 miles of road a year with a two inch overlay of asphalt. That has been eroded to the point that we are only able to maintain about ten miles because of the price five years ago being \$40,000 and the cost of overlay being \$75,000. Now, over the last four years we have been able to take those monies that have been set aside for improvements for overlay and been able to continue the services that we had in other areas, but I fear that next year we are really going to receive the crunch and not be able to maintain these roads without going into bonding, and gentlemen, I guess I don't have to tell you what the market is today for bonding. As a matter of fact,

a lot of counties have withdrawn programs because of the bonding market. So, we will be faced with a situation at some point in time where we're going to have to make that major decision whether or not we continue to maintain roads or provide services.

In conclusion, I would suggest that a balanced approach encompassing both the State's assumption of certain mandated costs and modification of the existing cap law would be most effective and the equitable means to alleviate local fiscal prices that could develop, if not this year, sometime in the future. We hope that the information that this group is going to receive from county and local officials will certainly be a method in which people who understand our problems will recognize your problems, but we would hope that when you deal with mandated costs that there be some method in which you at least allow us the opportunity as county officials to discuss this and debate it with you. I think this is the only way we are going to be able to serve all the constituents in the most likeable, effective and productive manner.

I want to thank you, Mr. Chairman and members of the Committee, again, for allowing the opportunity to present our comments as the Association of Counties and as my position as Freeholder in Burlington County. I would be glad to entertain any questions you may have.

ASSEMBLYMAN ADUBATO: Thank you, Mr. Metzger. Before you get into questions, I would like to put in the record that Assemblyman McEnroe has joined us. Everyone has said a little bit about themselves, Assemblyman, to the people who are out here. So, we'll give you your turn to tell them who you are and where you're from and say a few words about your background.

ASSEMBLYMAN MCENROE: My apologies, Mr. Chairman, for arriving after the meeting has begun. I am from Essex County. I served for six years as a freeholder to the county and this is my first term in the Legislature. Thank you.

ASSEMBLYMAN ADUBATO: Thank you, Assemblyman. Assemblyman Snedeker?

ASSEMBLYMAN SNEDEKER: Thank you for coming, Hank. You can be assured that there are ex-freeholders on this Committee and we know what some of your problems are. We hope, through our Chairman and through this Committee, that we can answer some of those problems for you in the coming year. Can you answer one question? Do you know what you have been cut so far by the federal funding, what that will do to you, this year, in Burlington, for instance? Has there been a major cut or a proposed major cut in any federal funds?

MR. METZGER: Well, as you know, we're lobbying for continuation of federal revenue sharing. A number of local, county and State officials met in Washington at a legislative conference, and we had the support of the majority of all our federal legislators to continue the federal revenue sharing program as it was before. There was some discussion about a shift in these monies but I think the indications now are that hopefully we'll be able to continue this program. Recent developments in the last couple days indicate that there will be somewhat of a ten percent cut. Burlington County presently receives about \$2.2 million and much of that has gone into maintaining patients in the State institutions and also in our road overlay program and other services that we provide. If we're cut that, of course, I don't know where we're going to go from there. We're going to be left with one fact, that there's going to be a great deal of cutting whether it is services or employment. I would not want to venture to make that commitment at this time. But, it could be a drastic effect on us. I might add, we're not opposed to the cap. I think there are methods in the hopper now for legislation that would alleviate some of the problems regarding the caps, and I think you all recognize that.

ASSEMBLYMAN SNEDEKER: Thank you, Hank.

ASSEMBLYMAN ADUBATO: Dr. Paterniti?

ASSEMBLYMAN PATERNITI: Freeholder Metzger, do you people go out to contract for your overlay program or do you have your own program?

MR. METZGER: We contract for it.

ASSEMBLYMAN PATERNITI: I used to be Mayor of Edison Township and we developed our own program, where we have our own equipment, our own crews, and we were able to actually pave twice as much road with our own crews as we did when we went out to contract for the same amount of money, and that's one area you can look into and maybe save a lot of money.

MR. METZGER: Dr., to answer that, because of the competition in bidding, the prices we're getting for installment of overlay is almost as much as what we could pay for overlay itself, for the asphalt, because of prices.

ASSEMBLYMAN PATERNITI: That must be very recent. Really, over the years, I was able to pave twice as many roads for the same amount of money.

MR. METZGER: As I said, the prices the county would be paying for asphalt is almost the same price as what we get asphalt installed by bidding.

ASSEMBLYMAN PATERNITI: Actually, when we would purchase for a plan, we would buy it in bulk. We could get it for the exact same price as a contractor. Number two, when you train your own people--my family has been in construction and I've worked in construction a good part of my life. In fact, I used to carry a union book. Normally, the people who are the union employees, sometimes, they cost a contractor \$15, \$18 per hour. You could pay your own people \$6 or \$7 an hour. I'm just pointing out how you could save.

MR. METZGER: I understand that. We have talked about that most recently because we have the equipment that we could overlay roads with and we have our own employees and so forth, but we are re-evaluating to see whether those prices have substantially reduced themselves to the point that we could do it ourselves in house, rather than have it out for bid. But, it has been our experience that when we go buy asphalt, that it is costing the same for buying it than it would be if we put it out for bid and had it installed by a contractor.

ASSEMBLYMAN PATERNITI: Another thing you pointed out was the bonding market. I know it is a problem today. You pay as much as 8% or 9% for bonds and it depends on your rating. That's an important factor. But, I've had some experience in banking too, and one thing I've done, when I would go out to bond, by the time the program is completed--sometimes it takes a year or two or three--when you do bonds, sometimes if you borrow your money even at 8% while the program is being administered, you can invest those monies in CD's and get as high as 15%. You may come out making money for your county and at the same time, implement your program. There are ways of getting around this.

MR. METZGER: We made \$1,600,000 in investments in Burlington County.

ASSEMBLYMAN PATERNITI: I know one time, it was actually a federal program, I received a \$4 million grant for a sewer project and I went out and bonded and as work progressed, I would get allotments from the government. One year alone, just in that one particular program, and this is when the bond rating was low, I made \$72,000 for the town. So, there are many, many ways of reaching out and trying to offset the problem you're facing. I do sympathize with your problems and I know we're here to try to help you and if there is some way to open up doors, we're going to try to do it.

MR. METZGER: There isn't anything left about trying to make money that we're not aware of, believe me.

ASSEMBLYMAN ADUBATO: As you can see, Dr. Paterniti is not only a dentist, he's an assemblyman, a financier, construction worker. I think it is exciting the exchange between people on this Committee, that we can communicate with because they've served in similar capacities. I've never had that opportunity, quite frankly. That's why I'm so excited about learning not just from the people out there but the people who are sitting up at this table. Assemblyman Paoletta?

ASSEMBLYMAN PAOLELLA: Mr. Metzger, I want to ask you a few questions and these are not by any means designed to place you in a position that I'm usually in as a legislator when I'm in front of a body of people, but to inform me a little bit more. Do you have a position with regard to either raising the cap ceiling or exempting or excluding certain items from the cap, assuming it is an either/or situation?

MR. METZGER: I would maintain the caps at 5%.

ASSEMBLYMAN PAOLELLA: You prefer to exclude certain items?

MR. METZGER: Yes. Well, the insurance costs, all the time, are escalating without any control over them, utility costs. Those certainly are two.

ASSEMBLYMAN PAOLELLA: There's a general opposition in some camps to that approach and the basic argument goes something like, if you exempt certain of these items, which means you are going to be left, primarily, with your salaries, then salaries are going to have to bear the brunt of the cap. Would you speak to that?

MR. METZGER: Well, right now, Burlington County's total budget of \$58 million, 48.9% of it is salaries. So, it's getting to the point where salaries will exceed more than 50% of your total budget in future years. There isn't a county official that doesn't really like the cap. I think it was a good thing to have. What we would like to know, if you're going to tell us what to do and then withdraw certain funds that we are now receiving, then where do you expect us to make up those monies under the cap? In other words, some years ago, they started the Child Review Placement Act and mandated costs to the county; the JINS program, Juveniles in Need of Supervision, in the middle of our budget year you said, "Hey, you have to open up a facility." We had to provide an emergency resolution to appropriate \$300,000, which, as you all know, has to be shown on the following year's budget. So, it increases your tax bill twice as much. We have to have a better understanding about these costs, these services that you want us to provide at the county level. It is very obvious that you feel that county government is a good unit of government that provides a more localized service and is more readily available to the constituents than even local or State government. There is no other government that provides a more broader form of services than county government and we're willing to do that, believe me. I think we all, as elected officials, at one time or another, have been involved in civic matters and we all became officials because of our sincere interest in providing services, be it through a civic organization or through government, and if we cannot provide that, then, of course, the challenge is no longer there for all of us. We can insist on 5% caps and make a massive layoff and say, "Hey, that's the easy solution to the whole problem." But, we don't want that to happen. We want you to understand, if you're going to ask us to provide services, at least allow us an opportunity to at least find where these funds are going to come from. If they're going to come from you, fine. If they're going to come from us, then let us review them. Don't tell us in the middle of our fiscal year that we're going to have to provide these services. Give us an opportunity to work on it.

ASSEMBLYMAN PAOLELLA: I find a conflict in what you're saying and I want to make sure I understand it because it is a conflict that arises every time I think about this problem. In order to be imaginative and innovative on any level of government,

you have to be dealing with a certain base, that is your base of spending. If we were to go the route of excluding or exempting certain items from the cap, by doing that we are, in effect, limiting or shrinking your base. We are now applying the cap to a smaller base of spending. How would you propose to be able to find imaginative and innovative ways to meet your cap in a shrinking base, if you can't do it on a broader base that you're now working on? I want you to respond, again, to the question of whether you like exempting and excluding as opposed to raising the cap ceiling and leaving the judgements of how to spend the money on the county level. I am still not satisfied that I understand your position. It seems to be conflicting.

MR. METZGER: It's very simple. I thought I made it clear. We're saying, maintain the caps, but don't keep mandating costs to counties, which we can't afford if you're going to restrict us in staying within a budget, which is, essentially, what you're telling us. You're telling us we can't raise our income any more than 5% or our expenditures any more than 5%, but you feel that you want to increase your own revenue at the State level by, like I mentioned earlier, the Violent Crime Compensation Board, where you took away from all the counties a certain amount of money. Now, where do we make that up at? Do we cut other services so that we can pay for those things that you took away from us?

ASSEMBLYMAN PAOLELLA: Effectively, then, the burden of imaginative and innovative legislation gets shifted, by virtue of exempting or excluding things from the county cap, onto the State because now the State is dealing with these things and they're outside the cap. It becomes, then, the State's burden to find imaginative and innovative ways to balance budgets. That's how I see the logical conclusion of what you're telling me. I just want to make sure that's what you're saying. You're sort of, in effect, passing the buck to the State, which is, in effect, a higher level of government. Is that okay? I want to make sure that's what you're saying.

MR. METZGER: Yes, because you people are the legislators, by law, that mandate or pass on legislation that affects all of us. We do not have that power. We cannot raise taxes. We cannot pass legislation that would increase taxes and help us pay for the services that we provide. As you know, it comes out of the property tax. You get your income from the sales tax, the income tax and other taxes and so forth. We don't have that availability of available funds to maintain our programs and we went through the income tax situation four or five years ago so it would alleviate the problem at the county level or at the municipal level that deals with the property tax and we haven't really dealt with it fairly whenever the State thinks about increasing a program or taking away a revenue that we generally used for support of our services. Now, innovative, I think that we're becoming very innovative. I don't think there's a freeholder board in the State that hasn't tried to find some way in which we can continue our services and still maintain the same type of programs we've had in the past. It's gotten now to a point that we're trying to get more productivity out of our people, which is sometimes burdensome and cumbersome to do, but we are looking at each program and saying whether or not they are well enough to be continued and this is not always the case.

ASSEMBLYMAN PAOLELLA: Would you then favor an equivalent cap ceiling on State spending, given the statement you just made?

MR. METZGER: You're up at about 8% now.

ASSEMBLYMAN PAOLELLA: Well, the State is up around 10%. It fluctuates. It's about double.

MR. METZGER: I think you people should be under a cap situation as well and deal with the same problems we have to deal with here too.

ASSEMBLYMAN PAOLELLA: Would you favor the equitable distribution of the burdens of paying for statewide programs like welfare, given your statements, through either the property tax funding method or a personal income tax funding method?

MR. METZGER: Well, you're deriving--the counties already pay, I'm not sure now, we pay 12½% of administrative costs and 25% of the total welfare budget. The rest of it comes from the federal passthrough to the county government, through State government.

ASSEMBLYMAN PAOLELLA: But, there are tremendous disparities from county to county, as the Chairman pointed out in his opening remarks. I was just wondering if you would be willing, assuming that we went the route of exempting certain costs and shifted burdens over to the State and put more of a burden on imagination and innovation in government spending on the State, would you be willing, then, to equalize the cost of a program as far-reaching as welfare and allow it to affect the county, as well as members of your county? Would you be in favor of that as a consistent platform?

MR. METZGER: I can't give you a satisfactory answer to that. I'm not sure that I know myself which I would do.

ASSEMBLYMAN PAOLELLA: That's a question relating to county versus State. Let me ask you a question relating to municipality versus county. Would you be in favor of equitably distributing the tax burden on all the municipalities for county exempt, formally tax ratable properties? That is to say, allowing the burden of one municipality housing all the county buildings to be spread out among all the municipalities in the county?

MR. METZGER: Well, that's a situation that Burlington County deals with already. We find that different properties that we had in the county--we try and provide services rather than the "in lieu of taxes" situation. As far as I'm concerned, and that's only me, not the association making the assumption, I feel that that burden should be spread upon the other forty municipalities in accepting that responsibility.

ASSEMBLYMAN PAOLELLA: Lastly, just as a personal aside, has the county ever looked into the process of gridding or, in effect, replacing the worn asphalt paving? It's a process whereby you can claim--are you familiar with it?

MR. METZGER: Yes.

ASSEMBLYMAN PAOLELLA: Have you looked into that? I'm just curious.

MR. METZGER: We're going to be getting to that point where we're going to have to reclaim. Right now, it's been that we've been overlaying existing roadbeds and so forth, keeping in mind that there's a certain amount of stable base there to begin with and to pick up all the asphalt would expose a condition which might be a greater expense to us, where we have curb levels and so forth, which restrict us from putting additional overlay and, then, of course, we're going to have to deal with that problem of recycling the overlay. But, we're involved in that too.

ASSEMBLYMAN PAOLELLA: Thank you very much.

ASSEMBLYMAN ADUBATO: Thank you, Assemblyman. Excuse me for getting off the agenda. The lady back there with the children, would you mind telling us where you're from?

SPEAKER: Patton J. Hill School in Trenton.

ASSEMBLYMAN ADUBATO: In Trenton? So, you're close by. I was wondering what distance you traveled to come down here today. I was going to warn you to leave. Have the youngsters ever been here before or is this their first visit?

SPEAKER: It's their first visit. We've arranged for a tour later on. This is just getting them used to the surroundings so they know what to look for when we get back. We just started studying State government.

ASSEMBLYMAN ADUBATO: Well, boys and girls, I hope that you will have a nice day here in the State House and look at the nameplates that are on the seats here in this hall and hopefully some of you will be sitting here and become the leaders of tomorrow. So, pay attention to what's happening today while you're having fun and hopefully, you'll be here joining us as elected officials someday. Have a nice day.

The "catch 22" of "passing the buck", as the Assemblyman said, I realize these are tough questions that we have here, but I would just like to reiterate again, the purpose of this meeting is not for you or I or us to come up with answers, but to exchange views and while some of us sitting here may have very strong views and I'm sure some of you out there have some very strong views, hopefully, we'll communicate and express those views without really challenging each other's differences as much as trying to come together in an equitable solution to the problem. Certainly, if we're going to exempt certain things from the cap and have the State pick up those costs, it's obvious to everyone that the people who are yelling that the State should have a cap are going to have a problem and, you know, that's the "catch 22" of who pays for what. In the long run, we all pay for it and the opening statement by the Chairman stands, that productivity, again, no matter where it's found, should not be penalized to pay for any system anymore than any other productive entity where it's found. That's the Chairman's position philosophically and I hope that we can all sensitize each other to that because I think it speaks for itself as far as being equitable. Assemblyman Shusted?

ASSEMBLYMAN SHUSTED: I have a couple questions. Mr. Freeholder, you mentioned a balancing approach between the cost of county government. I'm just wondering whether the State Association has any position with reference to mandated costs. Do you have any position as far as what the State can do to assist counties and alleviate mandated costs, particularly in the area of the courts, the prosecutor, the probation department, some of those items that you mentioned in your statement?

MR. METZGER: The position that the Association has taken is that they want you to be aware that of mandated costs that are imposed upon counties, this is not only the existing mandated costs, but these are the costs that are always being legislated during your term or any term of a legislator, that you just keep in mind that when you ask a county to provide an additional service that we, of course, have to go back to the taxpayers and take it out of the property tax. When you do that, make sure that you feel that we are the unit of government that should be providing that service and should be paying for it out of the property tax. That is the whole reason why we feel these hearings are important. I think the more you review your legislation you're going to be more aware of our problems at the county level and that's certainly all we're asking for, that when you take away a certain program or you take away the funds that provide county government, that somewhere along the line we have to increase taxes or cut services, and if we're under the 5% cap, then the only thing we can do is cut services or find, as has been mentioned a number of times here, innovative ways of being able to continue the programs that we were doing before and I think, in the 1st couple of years, we have. I think we have expressed that, and I think we have made sure that we are trying to do as much as we can with what we've been getting.

ASSEMBLYMAN SHUSTED: Well, has the State Association taken any position or adopted a policy with reference to changing the formula as far as mandated costs?

MR. METZGER: Well, they have gone on record that if there--and there's legislation in there now that insurance and utility costs and items that we have little control over be excluded from the cap.

ASSEMBLYMAN SHUSTED: I'm not speaking of that. I'm speaking of--as an example, you know as a freeholder, if the courts decide that the prosecutor needs two assistants, or three assistants, or five assistants, or two detectives, the cases have held that the assignment judge has the right to supercede or really, in effect, supercede the budget and tell you that you better hire these people. Has the State Association taken any position with reference, no specifically to that, but in general, to this type of mandated expenditures?

MR. METZGER: We have addressed that and have now taken a position that-- there has been some feeling, it's not a general feeling among all counties, the bi-partisan organization dealing with both aisles and the politics in each county are somewhat different, but I think we've been able to overcome any concerns any individual county may have had. There has been some feeling that the State should take over the complete court system, since they mandate most of what's happening in the court system today with salaries and the use of space and so forth. Here in our own county and in Camden County we're compelled to increase the size of our courthouse because of expanding population, which is being funded through the property tax. Then, there's a feeling that if we allow the State to continue the takeover of that part of the court system, then it erodes our base as freeholders. There is some feeling that the freeholders have a better handle on what's happening in their own county and that they would be in opposition to the State entirely taking over the court system.

ASSEMBLYMAN SHUSTED: So, there's no uniform feeling.

MR. METZGER: When it comes to that, no, there really isn't. I would have to say that there's more in favor of the State taking over the entire court system than those who would be against it.

ASSEMBLYMAN SHUSTED: Let me ask you one other question. You mentioned about you prefer, I assume, from what you said, that approximately 50% of your budget is salaries and you seemed to imply that the caps are not too bad, as far as salaries are concerned, but you indicated that your preference would be to exempt energy, insurance and pensions. What would be your position if the percentage of increase or the percentage of mandated costs were increased for these particular items, rather than totally exempting them?

MR. METZGER: I don't think that we would be too opposed to that. The increase in caps, I suppose, would be a way of eliminating some of those problems, but I think that--

ASSEMBLYMAN SHUSTED: But, is that a realistic approach?

MR. METZGER: Well, yes, it is. It's been discussed by certain legislators that this might be a way of handling the utility increases and the insurance increases and the pension and so forth by increasing the cap. The general feeling among the counties, from what I can gather, is that they would prefer to maintain the cap of 5% but give us some alleviation from certain programs, as I just mentioned.

ASSEMBLYMAN SHUSTED: I'm saying increase the caps in those particular areas that you mentioned, the utilities, the insurance and the pensions. If that cap were increased to 10% or 12% or whatever it might be, so you would still have a handle on the increases, is that a practical solution?

MR. METZGER: Yes, it is a solution. I don't know whether it would be a practical one or not but I think we prefer to separate that from your cap because it deals with unknown costs. You can't regulate utilities unless, of course, there is legislation that would, in fact, have some control over it and that's not going to happen. I think the Association would prefer to see it separated from the cap altogether, rather than dealing with an increase in the cap. Now, again, every county has a certain feeling as to how they would like to see this done and the general

feeling is the one taken by the Association.

ASSEMBLYMAN SHUSTED: Thank you.

ASSEMBLYMAN ADUBATO: By the way, the reason why we're more or less all popping you with questions is that--speakers that are coming up here, I don't want you to anticipate the same kind of grueling, if you will, kind of examination. So that the next speakers feel a little more comfortable, I'm sure that most of the questions that we want to ask will be taken care of with our present speaker. Assemblyman McEnroe?

ASSEMBLYMAN MCENROE: Thank you, Mr. Chairman. My questions were directed at county roads over 500 miles in Burlington. I think Henry Metzger is the man to offer us some thoughts on that. I share your position regarding the need for the State to address the reinstatement of county road aid formula money to the State budget process and as a freeholder representing Burlington County, I just want to project one thought. In my short tenure here in the Legislature, almost every representative of Southern New Jersey seems to represent Burlington County, from both parties and I would just compliment Burlington County for having that kind of representation. But, with that kind of voting strength or that kind of authority in this House, has the county contacted those legislators and asked them to take a position relative to the appropriation process of putting back into the State budget the money that was taken out in '76?

MR. METZGER: Yes, we have, as a county and as an association.

ASSEMBLYMAN MCENROE: Are you going to appear before the Appropriations Committee?

MR. METZGER: More than likely, yes.

ASSEMBLYMAN MCENROE: Because I do feel that it is a matter that needs to be addressed by the Legislature and I do support the Counties Association's position regarding road aid formula. In our county, Essex, we have 200 miles, as opposed to your 500. We think they deserve the same kind of attention in that ours, we feel, have, through the years, been neglected and we do have a higher rate of usage on those roads.

MR. METZGER: Well, the lack of State funds for highway improvement has caused a lot of concern. It hasn't been too great in Burlington, though there are a number of roads that we could probably improve on, more into expanding the shoulders or the length or width of the road. Our monies have generally been used for just maintaining the overlay program. But other counties, especially up in Essex County and other counties up in North Jersey, are faced with a bigger problem because of the extensive use that those highways are receiving and certainly the pinch is greater felt up there as much as in our area down South, though there are times when people refer to South Jersey not being treated the same way. I think that's changed too. I think we've made some definite progress in recognizing the problems we have with roads in South Jersey, as well as in North Jersey and I think everybody is trying to be fair with everybody.

ASSEMBLYMAN MCENROE: And the Association will appear before the Appropriations Committee?

MR. METZGER: Yes.

ASSEMBLYMAN MCENROE: Thank you.

ASSEMBLYMAN ADUBATO: Thank you, Assemblyman McEnroe. Our Vice-Chairman, Assemblyman Girgenti, is the only member of this Committee with previous experience serving on County Government and I purposely left him for last because if he spoke first, there wouldn't be anything left to ask, probably, but John is the person that I

mentioned before who will Chair a Sub-Committee and I want you all to get to know him very, very well. In spite of the fact that many of the people on this Committee have had experience in county government, as you've seen and heard, I repeat that John is the only member of this Committee, including our staff person, Dave, who has had any experience serving on this Committee. So, while we're getting all kinds of platitudes from you people of how nice it is that we invited you down here to listen to you, I appreciate all those kind remarks. However, in all fairness to the situation, we invited you down here very selfishly. We invited you down here because we wanted to learn, not teach or change ideas. But, now, I'm going to let you talk to what I call our expert, our Vice-Chairman, John Girgenti.

ASSEMBLYMAN GIRGENTI: Thank you Mike. I have to say one thing in terms of being on the Committee in the past. It is not through anyone's fault, but I don't think we had as close a relationship as we should have had. I know Mr. Lamping has worked very hard and diligently on behalf of the organization and we've had a lot of communications from him. I don't know where the fault lies, but I think that's past history. We don't even have to talk in terms of what has been done in the past. I see that we do have the attitude now that we do want to keep that close cooperation and I think that's so important. As I mentioned earlier, I think you should always have someone at our County Government meetings, just for an opinion on pieces of legislation. At times, last year, that may have been lacking. Well, that's one thing I would suggest so that we can get that input on the spot, where certain of these bills that you hear of later come back to haunt you. Maybe you could give an insight on it. I happen to agree with what's been said in terms of the mandated costs. I am a co-sponsor on some legislation already, which is going to try to curtail that. I know one of the greatest travesties, because our Board of Freeholders call us in, was on the Child Placement Act, which I was not a member of the Legislature at that time. This is a law that went in the year before I entered office. But, we, from that point on, put in a bill that would change the way the funds would be allocated. Assemblyman Pellechia is the sponsor, but it happened to be a bill that he and I sat there and he happened to put his name on it and I was the second man on the list, but we're certainly interested in that and we know that we have to work in that direction and that is one of the main problems, the mandated cost area.

Secondly, what has been said about the caps, I think everyone realizes that there is a situation here, mainly, that some kind of relief has to be given. We, and I think I'm in agreement with your association, do not feel that we should lift the caps because I think that's one of the greatest things that's happened in this State in terms of limiting expenses that were skyrocketing and helping people on a local level with their property tax. But, also, we all have to realize that at some point in time we cannot stay cemented to one position. There has to be some flexibility and I tend to go along with the fact that some of these items should be exempted, when we talk about items such as insurance, we talk about items such as utilities, certain areas where you see relief has to come because the escalation of their costs are just eroding what you can work with in terms of your budget and something has to be done and I can see the pressure being exerted more and more and it's a fact of life and I think we've got to address it.

One point that I not so much want to quarrel with you, but I have to say this, I was involved in the Violent Crimes Compensation Board legislation and in terms of the Violent Crimes Compensation Board, let me say, our State presently feeds, clothes, gives medical care, gives G.E.D. equiviliencies and many other fine ideas to people in prison, but we do very little for the victims of crime, very little, and

it's a pittance. Last year's budget was \$1.9 million and you put all these other figures together, what we do for the prisoner and weigh it. The victim has been getting basically zero. People are waiting three years for some kind of relief from the Violent Crimes Compensation Board. There is a three thousand case backlog and it's a real injustice because that victim, many times, is that same taxpayer who's paying for people to be fed, clothed, given medical care and so forth in our State prisons. Now, what I understand from that bill and I know Mr. Albanese was in here the other day from Union County and he made the statement that that bill would cost \$100,000. I believe you're talking about anticipated revenues from fines, not a mandated cost that's been exercised on you.

MR. METZGER: That's correct.

ASSEMBLYMAN GIRGENTI: The point is, many of the arguments that were against the bill originally was that these fines couldn't be collected because these were mostly indigent people. So, I don't understand that figure. Zulima Farber, who has worked with us from the Governor's office on this legislation, came back to me and said that Union County's figures--and I'm going to have some more paperwork on that later--they said \$100,000 and really the anticipated cost was going to be \$100,000 to \$200,000.

MR. METZGER: Assemblyman, we didn't object to the program, the Violent Crimes Compensation program. As a matter of fact, the Association went on record in support of it. However, I guess, at some point in time, the \$25 surcharge which was applied to that, we had no problem with that, but what happened, somewhere in the bill, the monies collected by the county and received by the county no longer will be received by the county. They will go back to the State now. That's the only objection that we took to that.

ASSEMBLYMAN GIRGENTI: Well, this is my understanding and I've worked on the bill. What they have done is broken it down to three categories: monies collected at the local level, the municipal fines; monies collected for the State, probation and so forth, which would go to the State; and monies collected in the county, which would stay in the county. You see, one of the reasonings behind this was that the State has now picked up many of the costs for the court procedure, as a result of the reorganization of the courts that we passed on the constitutional amendment about two years ago. So, the State has picked up a lot of that. Let me say this. I go along with you to some extent. I was the original sponsor and we wanted it the way it was originally proposed, the \$25 surcharge, which was fine. At the end, in order to get the bill enacted, certain changes were made to comply with the new penal code and other areas, which were not as enthusiastic about, but we still felt that this injustice had to be rectified for the victims of crime. We will be able to possibly match that money on a federal level now because there's a bill in the federal Congress which is going to duplicate what we have. I don't want to spend the whole time discussing that one issue, but I just felt that something should be said, that we do have to do something. This was not looked upon as a mandated cost onto the counties and you are talking about anticipated fines.

MR. METZGER: Well, even though I mentioned mandated costs, and I picked that particular case out because it did reflect something that just happened recently, even though it wasn't a mandated situation, it was another revenue that the counties did receive which they are no longer receiving. It means in our case here and in Camden County's case, they're going to have to decrease their cost, their budget by the amount that they're losing and that would mean either a cut in services or additional employment being cut, and though they are not related, they are concerns.

ASSEMBLYMAN GIRGENTI: I understand your situation, and like I say, again, we are going to be watching very closely for the area of mandated costs and you can be or your Association can be a watchdog too in this process because you're going to be here for these types of legislation. Now, unfortunately, we can't always catch everything because other committees sometimes deal with the problems that affect the county governments that might not come under our purview, but we will handle any situation that comes before the County Government Committee and we'll try to get the input to another committee if you bring this to our attention that this could be a problem somewhere else. I thank you and I know that we're going to have a close working relationship and I feel very happy when I hear your testimony that a lot of your ideas are similar to what this Committee holds too. So, thank you.

ASSEMBLYMAN ADUBATO: Thank you, Assemblyman. Before you leave, I was very interested when we talked about the costs that we have no control over.

MR. METZGER: Our control?

ASSEMBLYMAN ADUBATO: No one has control over, quite frankly, the utilities, the energy, and the insurance specifically. Limit that to insurance costs. How many counties, for instance, in dealing with insurance, I'm not talking about pensions necessarily now, insuring properties, if you will, how many counties are self-insured? Do you know?

MR. METZGER: No, I don't, but I would say more than half. Mr. Lamping, do you know, offhand?

MR. LAMPING: A little less than half.

ASSEMBLYMAN ADUBATO: A little less than half. Is that totally self-insured or is there a split?

MR. LAMPING: There are only one or two of them that are totally self-insured. A couple of them are backing off from it.

ASSEMBLYMAN ADUBATO: Backing off from it? Well, again, I'm not going to--by the way, just to clarify, I am a life insurance salesman for twenty years. I do not sell general insurance of any kind, never have, never will, for the record. However, in this area, I have some exposure to self-insurance and in certain situations I have acted as a consultant to some people in dealing with self-insurance, as a layman, and found that in some cases, it is very effective in saving money. Now, of course, we all know that when you're self-insured, the first thing that happens is that there is no commission. Now, that can be a considerable amount of money just by itself, saving the commission. The corridor, if you will, or the piggyback effect, because some people, as was pointed out, some people say they are self-insured and they're really not self-insured. They throw that term around very loosely. In the pure sense of the word and the meaning, if you're going to be self-insured, and if there are problems with limitations, and this is something, Dave, that you're going to have to do to help us, I would like to know what exposure, are there limits that a county can be sued for, for instance, from the standpoint of that kind of insurance, liability insurance. When you talk about repairing and replacing from the standpoint of damage and fire and vandalism or whatever, there are other kinds, even if it's not self-insurance, where you can put in a corridor and self-insure for that deductible amount, and it's amazing how much money you can save by even self-insuring a minimum amount of money, and it's beyond my grasp, quite frankly, why this hasn't been done before. I am not even going to allude to reasons why it hasn't been done. I honestly don't know, except to say that the time has come for accountability, the time has come, not only for asking for more revenue, but to cut costs. Now, everyone likes to talk about cutting costs. Everyone that's an elected

official, including myself, enjoys saying that we're going to cut costs. The question must be asked. Why aren't counties, on their own, looking to legitimately cut costs by, number one, investigating pure self-insurance; number two, by investigating the self-insurance of threshold, if you will. Some entities in the private sector, for instance, have some of the same problems and what they do is either go self-insured all the way or they say, "Fine, we're going to be held accountable for X amount of dollars and beyond that threshold, we're going to buy insurance." Now, if you look at the cost of insurance, whether it be from the physical insurance that you're talking about, liability insurance, hospitalization, whatever kind of insurance you're talking about, if you self-insure some amount of money, you're going to find that your highest cost for insurance come in your primary dollar and your biggest savings are in that primary dollar cost. So, if you self-insure up to \$20,000 or \$50,000 or \$100,000 and you put that money aside that you would have been paying for insurance, if I can be so bold to say this to you, and put that into a side fund where it accumulates interest and make money on that money, you're going to find out real quick that you're going to save a lot of money, you're going to have a pot of money on the side that you can do something with and the only person that's going to lose, and I hate to say this, is the agent that's selling you the insurance and making a commission. Believe me, I'm all for commission. I don't receive a salary. Everything I do, I have to sell. I'm a salesman. However, and I'm not against people earning their keep. There are some good brokerage houses who will do this for you and charge you a consultant fee. They will not make, quite frankly, the same amount of money they would have if they had made a commission, but there are experts out there, a lot of them, and they would be more than happy to help you if you asked them to. Again, I didn't mean to get into this. I apologize, except to say to you that it is not enough to say, remove a cap. It is not enough to say, let's shift the burden from the county to the State or from the State to the county. The challenge and responsibility of all of us remains to legitimately cut costs and not just wave a red flag and say that government spends too much and be critical, but to come up with honest-to-goodness alternatives. I suggest that this is one area where you will cut costs. The image of county government--we spoke about all the good that the counties do in recreation and all the other areas, public safety, the parks, whatever--ladies and gentlemen, I don't know how to say this to you, but in just about every business meeting that I've ever attended in the four terms that I'm starting now in the Legislature, invariably the thought will come up to eliminate county government. Business people think you're unnecessary. Business people think you're just another layer of government and that we're wasting their money. Now, this is where it's at. I'm not agreeing or disagreeing. I'm relating to you what the business world says. When we talk about public image, I think all the good that the counties do for the people has to be publicized more than it is, if it is at all. All the things that county government provides, and not just the jails and the courthouses, the maintenance, the parks and everything else that's involved, I would suggest to you that we are in a situation, as you mentioned prior to the meeting, and some other people may have mentioned that, you know we're very close to maybe not having some counties in several years down the road operating at all because of money problems and cost problems. It's possible. It's very possible that we may not have to do anything to eliminate county government. County government will eliminate itself, if we don't come with some solutions to problems. Again, I couldn't resist the opportunity to offer a suggestion about not only shifting responsibility but the counties' and the State's obligation, as well, to look to self-insurance and in saving money in these areas.

ASSEMBLYMAN GIRGENTI: Just one more question. Mr. Metzger, could you give me for your county particularly what the increases are, percentage wise, of your fixed costs, let's say insurance, utilities? Do you have any data on that?

MR. METZGER: No. We can get that for you. As a matter of fact, I think it might be a good idea if you got that information from all the counties so that you have an idea of what we're spending.

ASSEMBLYMAN GIRGENTI: I'd like to see how it's affecting them, percentage wise, in fixed costs. I think that's important and perhaps your association could even gather it for us.

MR. METZGER: We have that information available. It's just a matter of compiling it and putting it together.

ASSEMBLYMAN GIRGENTI: We'd like to analyze that.

MR. METZGER: We'll make sure the Committee gets all that information. If there's anything else you feel you need to help you make a decision or, at least, to be more familiar with our concerns, we'll be glad to compile it and submit it to you. If I just might touch on the insurance end of it, for instance, Burlington County and Blue Cross/Blue Shield, we were in the State plan. We threatened to drop out of it, go into our own insurance program. Blue Cross/Blue Shield came back to us and said, "Hey, you can go separate with your own plan with Blue Cross/Blue Shield," and we did. We saved \$80,000 by dropping out of the State plan and going into our own plan. We are self-insured up to a point. We're not fully self-insured. Collision we've dropped altogether on our cars to reduce our costs there because we prorated and found out that the accidents that occurred, the total damage was more equal than the amount of money that were paying for insurance. There are a lot of ways that we can do that and we certainly recognize it, but knowing from the comments and the questions that have been raised by the Committee, I can tell that you people are all very familiar with the operation of county government, having served in various capacities at that level or lower, and we certainly want to look for your input as well. We have, this year, hired a full-time coordinator that will be our legislative aide, in a sense, to coordinate the bills that are being processed and so forth, so that we're more familiar with what's happening at our level. As you know, we were called the Association of Freeholders, but being part-time freeholders, as you are part-time Assemblypeople, we don't always have the time to spend and give you our expert testimony, so we're relying and counting on the testimony of the people who are in the professional realms of county government, the administrators, the treasurers and so forth. So, we merged and became the New Jersey Association of Counties. We represent some 40,000 people in county government, as well as the various affiliates that we deal with. So, we're hoping that we're able to provide you with more information regarding just dealing with freeholders.

ASSEMBLYMAN ADUBATO: Assemblyman McEnroe had a question.

ASSEMBLYMAN MCENROE: Has the Association developed any figures on the potential cost in the current budgets in relationship to the Chapter 326 obligation the counties now have, the solid waste?

MR. METZGER: Not as a total unit. All the counties have an obligation and an amount that they know they have committed to. If that's something else you would like to have, I think we can get that.

ASSEMBLYMAN MCENROE: Well, I think for this Committee's review, we should have the impact, at the county level, of the legislation passed a few years back.

MR. METZGER: It is a big impact. It is something that is required. It is something that is needed. We all recognize that we have a problem in those areas.

The counties had been funding most of the expenses. However, there are State and federal grants available that share in some of that cost, but certainly not to the point that when we get into a real plan, where does that money come from, which would be a major expenditure as far as the county is concerned.

ASSEMBLYMAN MCENROE: I think the Committee should be appraised currently of the expense borne by each county in regards to the obligation that they have under that law. One more quick question, the Association's platform speaks about economic development, and counties are becoming more and more active and more and more interested in economic development. Do you think the State is failing in that area or do you think this will augment the State.

MR. METZGER: Well, I think the State, over the last couple years, has done a better job than I've seen them do in the past, having been a freeholder for the last eight years and having the responsibility for the Department of Economic Development. I would say that there is a big figure emphasis in developing commercial growth in the State than there has been in the past. There's always a need for this kind of relationship at the county level. Actually, we feel that the more we can see ratables at that level, the better we are budget wise, in some cases, with the exception, of course, that the caps do restrict us. Even though it does have a higher ratable base, we're not able to spend any more money even though there's a certain amount of money in the budget. I think Gene here, Gene Feldman, the Director of Camden County, may point that out in his testimony. I'll leave that up to Gene.

ASSEMBLYMAN MCENROE: That's another figure that would help the Committee. If we knew what the counties were spending across the State of New Jersey relative to economic development, we could compare that to what the State's spending and form our own determination of whether or not there's a conflict there.

MR. METZGER: There are local municipalities that feel maybe there's not enough emphasis being placed on commercial growth regarding plazas or malls that are shut down for whatever reason. We have that problem in Burlington County along Rte. 130, the corridor that runs from Bordentown down to Cinnaminson. The number of properties that were developed there just was more than the population could absorb. There's always this good relationship that we can develop not only with the State and the county, but the county with the municipalities.

ASSEMBLYMAN MCENROE: Thank you.

ASSEMBLYMAN ADUBATO: Thank you, Assemblyman. I want to, again, thank you, Mr. Metzger, very, very much for your patience and for traveling down here and I look forward to a good relationship and good understanding. While not always agreeing with each other, I'm sure that's not going to happen. I do know and I do believe that our interests are the same. We're looking to better serve the people that we represent and I'm confident that through the efforts of this Committee and the county officials that when we're finished, we're going to make life a little bit better for the people in this State, just a tiny bit, but a little bit better. I'm going to turn over the Chair to the Vice-Chairman, Mr. Girgenti, for a brief period of time. We're going to play it by ear. We're going to wing it. We didn't place a time limit and we're not going to try to do that, we're not going to do that. So, the speakers coming up, we're going to play it by ear as far as breaking for lunch or not breaking for lunch and let's just see what happens, being as we have the time today that we didn't have Monday, where we had to force people, after seven minutes, to keep quiet. That's kind of hard to do, especially for me. But, we'll wing it and see what happens.

MR. METZGER: Mr. Chairman and members of the Committee, thank you for your patience and indulgence. I appreciate it very much.

ASSEMBLYMAN GIRGENTI: Thank you very much. Our next witness will be the Director of Camden County, Mr. Eugene Feldman.

EUGENE FELDMAN: Mr. Chairman, distinguished members of the Assembly County Government Committee, ladies and gentlemen, I would like to begin my discussion with with you today by saying I am delighted to be here. I am delighted that you invited me and that you are interested in my thoughts as the Freeholder Director of Camden County.

Much has been said about what we can look forward to in the future. However, Camden County is faced with this budget crisis now, along with, I understand, Passaic County, and that fact has caused me a great deal of personal anguish because in Camden County our budget crisis has required the laying off of employees, many of whom have worked for years as loyal public servants. I'm also saddened because county services to it citizens will be reduced.

During the last two fiscal years, Camden County has not raised its taxes. But that budgetary fact has indirectly left us a problem of major proportions. This year, our initial appropriations request--even after cutting almost \$6 million in operating expenses by our administrator--left us with a figure of \$9.3 million in excess of that amount permitted to be raised by taxes under the State mandated cap. Let me repeat: \$9.3 million over the cap, which must be trimmed.

With inflation rising to 18% per year, the workers in local government with their modest incomes are particularly hurt. Our employees include sheriff's officers, highway laborers, security guards, building maintenance personnel, clerical and hospital workers. These workers are not well-to-do.

The number of our upper and middle-management employees is very slight compared to the large number of people who work for wages below what is now considered a moderate income. Inflation creates crises in their personal lives and as an elected office holder and as a leader in government, I am anguished to see these workers fall further and further behind in the effort to improve the quality of their lives.

In Camden County, the \$9.3 million excess includes a modest 7% increase for our salaried workers. Needless to say, such a salary increment is inadequate to meet the needs of our workers in paying their bills and in trying to improve the lives of their families.

Now, what we are doing in Camden County to bring our budget within the State mandated cap will create a hardship in terms of the life of the county because we will need to have a cutback in workers' salaries by asking county workers to forego any salary increases this year and by waiving benefits previously received in collective bargaining agreements in past years.

It's ironic that the State mandates that counties finance through property taxes programs such as welfare, judicial, corrections, and the sheriff's office, and then imposes spending limits on revenue sources.

What relief does Camden County need? The obvious. I endorse measures advocated by many of your colleagues. Utility expenses, pension, insurance, fuel and oil and State mandated costs must be outside the caps. Unlike some, I support the concept of a cap. Citizens deserve a controlled tax picture.

Counties should be afforded the same opportunity that schools and municipalities have to give voters the final say in the use of the tax dollar. However, while bringing the question of the cap to the voters would be the ideal solution, it could prove to be very impractical because of high costs and low voter turnout. Placing a referendum on the ballot in a special election in Camden County alone would cost the taxpayers \$250,000.

Moreover, the increase permitted by the State cap of 5% must be increased or flexibility must be granted to the county in calculating the cap. This flexibility must permit counties to calculate the cap on a multi-year basis, as opposed to an annual basis, so that the counties are not penalized in future years for economy in budget preparation.

The practical approach would be to let the counties be allowed to calculate their cap over a three year period because all budgets should be prepared on a multi-year basis rather than annually. Planning and management at the local level would be improved and the taxpayer will benefit. This approach will also provide better flexibility to deal with the unforeseen, such as OPEC price increases.

It is unreasonable and unfair to force any county budget to the maximum tax rate at the maximum the cap permits in order to build a huge surplus for future years at the expense of the taxpayers. Building a huge surplus at the expense of the taxpayers is not responsible government. A multi-year budgeting process with the cap will permit counties to be responsible to their taxpayers both in terms of the annual tax rate and in terms of meeting the need to provide services within the framework of inflation.

I believe the citizens of our State who view the cap as an important restriction on unwarranted and irresponsible growth of government will view an amendment to the State cap law with understanding and approval because citizens want their public officials to act responsibly. We must move in that direction.

County freeholders play a very unique role--serving as administrators as well as legislators; we are accountable to both responsibilities at the same time.

The anguish I feel this year by having to layoff workers--we have already layed off almost 100 workers, with the prospect of having to layoff more and, at the same time, drastically slash expenditures in important areas--should be shared by the State legislators because the needs of Camden County residents and the budget problems of Camden County government are problems as well for State legislators.

I am here today urging that you take action and be responsive to citizens' needs for education, recreation, for assistance, and for the many services that counties supply. I urge that you be responsive to the needs of local government upon whom your actions fall most heavily. We need action now to save important jobs and important services. The responsibility is ours.

I also would like to answer any questions that you might have. As I stated here, I have introduced a new concept into the possibility of making adjustments in our cap law.

ASSEMBLYMAN GIRGENTI: Mr. Feldman, just two quick questions and then I'll ask the other members if they have any questions. First, do you say that you favor the concept of a county-wide referendum or are you saying that the costs are too exorbitant?

MR. FELDMAN: I say a county-wide referendum would be impractical. In Camden County alone we're talking about \$250,000 cost and if this year's referendum on local municipalities or school boards are any indication, I don't think there would be a positive action.

ASSEMBLYMAN GIRGENTI: Alright. I also come from a county, as you know, Passaic, where we have had 400 layoffs and they had to chop \$7 million already this year from their budget and they're going through quite a traumatic experience, as you know and I understand your problems and I can relate to them because I happen to be very close to a lot of our freeholders who have talked to me continuously throughout the process. I would like you to embellish further upon the idea of the three-year process. How would you go about setting up something like that?

MR. FELDMAN: Well, I feel very strongly that if we just took Camden County alone, last year were a million and a few dollars under our cap because that would reflect a no tax increase and the year before I believe we budgeted below our cap, again, because we wanted to keep our tax rate going. But, the amazing thing about Camden County, when we chop our \$9.3 million and reach the cap, we will also not have a tax raise. But, if we were allowed to base this year's cap on the previous two years' cap levels, then the responsibility would be the freeholders', in this respect. Two years ago, we were a million dollars short and we'll say, for discussion purposes, we were allowed to go to \$65 million, but we went to \$64, and last year we were allowed to to \$68 or something, I don't know, but we were a million dollars short. Now, if we were just allowed to keep the cap and this year we can say, "Well, actually, we're allowed to a \$73 million cap, although our actual figures would be \$69 million." Then, we would have the responsibility of picking up some of that extra money and our responsibility, if we wanted to take the whole cap, and increase our taxes six or eight cents, that's our responsibility. If we want to take half that edge, that extra three or four million, that's our responsibility. Do you understand the point I'm making? Technically, I believe, if we did that, instead of our cap being \$69 million this year, we could be as high as \$73 million.

ASSEMBLYMAN GIRGENTI: I see.

MR. FELDMAN: I think you'll find that in certain taxable assessments throughout the townships, for example, agriculture, if you own the farm and after many years, you decide to sell it, then you would be able to roll back two or three years for tax purposes. It's the same concept here.

ASSEMBLYMAN GIRGENTI: That's an interesting point. I haven't heard anything along those lines. It's something to definitely look into. Just one other quick question. Your inflation figures, not your inflation figures, but your figures on fixed income, do you have any idea of your percentage, your rise over the last year, let's say, utilities, insurance? I know we're going to get those figures, but I just would like a estimate from you.

MR. FELDMAN: Well, it's an interesting factor. As I stated here, our original budget appropriation went up almost \$9 million or \$10 million. We cut that back and most of that is in our increased costs. Our salaries and wages and benefits only cost us \$4.5 million.

ASSEMBLYMAN GIRGENTI: All right. Assemblyman Shusted?

ASSEMBLYMAN SHUSTED: Mr. Feldman, I noticed in your prepared statement, you mentioned having to layoff 100 workers. Isn't it a fact that most of those workers were CETA workers that were being phased out anyway?

MR. FELDMAN: Yes. In fact, I'm glad I was allowed to speak now because at four o'clock we have to go back and have a meeting with the unions and discuss the situation right now. Yes, what we presented to the unions was our situation, but regardless of what they do, we still anticipate laying off over a million dollars worth of personnel, regardless of what the unions did and what we had done in January was request waivers for 69 CETA people with a proviso that by July 1, they would be put on the county payroll and when we reached this financial crisis, obviously, we couldn't put on CETA people and layoff regular county people. So, we terminated about 65 of those CETA people who were on waivers. These are not our regular legitimate people because their income, having been with us for more than 18 months, reflected county participation. In addition to that, we also terminated 13 elevator operators, because we have automatic operators now, and some various other people and still intend to continue our layoff policy regardless of the unions. Our negotiations

with them, as I said earlier, we still need \$1 million worth of layoffs, regardless of what they do.

ASSEMBLYMAN GIRGENTI: Assemblyman McEnroe?

ASSEMBLYMAN MCENROE: I just have one question. When you talk about the multi-year approach to the budget, would you support legislation to allow a credit? In other words, if you, in 1979, had come in with a budget one million dollars below your cap, would you support legislation that would allow, let's say, for the next two years, that amount of revenue to be allowed in the coming budget?

MR. FELDMAN: Basically, that's what I'm saying. In other words, I am saying I can go back two years and if I was a million dollars short two years ago and a million dollars short last year, then I can pick up those two years and the responsibility would be ours, because obviously that would reflect a potential tax increase. But, yet, this year, we had five hundred million dollars more in ratables come into the county than last year, which gives us the opportunity and still control our tax rate.

ASSEMBLYMAN MCENROE: Thank you.

ASSEMBLYMAN GIRGENTI: Assemblyman Paterniti?

ASSEMBLYMAN PATERNITI: In other words, you're saying the counties are being penalized for being prudent and what you would like is maybe hold that money or that right in escrow to use at a later date, forget even two or three years. I think it would be better leaving it five years from now. If you people have the ability to be prudent, I think it would be only right that you would have the right to use that money when you feel that it was a proper time to spend it.

MR. FELDMAN: I used the three years, because all of us are on a three year term.

ASSEMBLYMAN PATERNITI: I know that, but sometimes, if a man runs every three years, he would be using that as a crutch, to use those monies when it is time for him to be re-elected, to create a good impression. The other way, it would be there and people would hold you liable to use that in a proper and prudent fashion.

MR. FELDMAN: Assemblyman, if you want to keep it five years, that's fine. I just used three years as an expression. I would be very happy and I think every director would be, under the circumstances, to use that credit for any length of time that you want. The idea is, using that credit.

ASSEMBLYMAN PATERNITI: I think we could even leave it as an open book, using it when you think it is necessary because you people actually made the effort to prove that you're prudent.

MR. FELDMAN: That's exactly right, sir. That is the key to this thing. If we didn't need it last year, we didn't use it for whatever purposes they were fine, but then this year, we could have used it.

ASSEMBLYMAN GIRGENTI: That makes me think of the Passaic County situation where they, the one year, before they had most of their problems, they came with the lowest figure, and they even got some kind of an award for being the most prudent and now they're faced with a disaster.

MR. FELDMAN: We had the same thing.

ASSEMBLYMAN GIRGENTI: Assemblyman Snedeker?

ASSEMBLYMAN SNEDEKER: I have no comments.

ASSEMBLYMAN GIRGENTI: Assemblyman Paoletta?

ASSEMBLYMAN PAOLELLA: Mr. Feldman, I have to do my polling thing. This is the way I got elected and this is the way I can stay in office. So, I'm going to go right down the list again. Is the answer to the question of favoring exempting or excluding items from the cap, as opposed to raising the cap ceiling, that's your position?

MR. FELDMAN: Yes.

ASSEMBLYMAN PAOLELLA: And do you favor or oppose equivalent cap ceilings on spending at the State level?

MR. FELDMAN: I do.

ASSEMBLYMAN PAOLELLA: Do you favor the equitable distribution of tax burdens to pay for the cost of programs such as welfare on a statewide level, as opposed to county by county?

MR. FELDMAN: Well, being from what I would call an urban county, I would have to say yes. The fairness of it, I don't know, but I would definitely be in favor of it.

ASSEMBLYMAN PAOLELLA: You would be in favor of equitably distributing the tax burdens on all the municipalities within your counties for the use of certain tax exempt properties for housing of county buildings and facilities, some kind of credit back to municipalities that house the buildings that your county functions out of?

MR. FELDMAN: Yes.

ASSEMBLYMAN PAOLELLA: Would you be in favor of an increase in the income tax or some form thereof, if, after favoring all these other things, the State has to raise some more money to do it all?

MR. FELDMAN: No, I haven't given you the answer. Somebody has to pay for it.

ASSEMBLYMAN PAOLELLA: That's right.

MR. FELDMAN: And, there's no question in my mind that there has to be some sources of additional revenue to pay for everything that we are trying to do with the increased costs. I don't know if the income tax increase would be the solution. You know, you threw this at me sitting here and I would certainly have to re-evaluate it. I couldn't give you either an affirmative or negative answer on that.

ASSEMBLYMAN PAOLELLA: Do you favor the status quo with the expansion of the responsibilities of the layer of government known as "county"?

MR. FELDMAN: Would you repeat that?

ASSEMBLYMAN PAOLELLA: Would you favor the status quo or the expansion of the responsibility of county level government?

MR. FELDMAN: I find, at least in Camden County, in fact, my concept of county government is that the county should do for its local municipalities what it cannot do for itself and more and more and more I see the need for expansion of services from the county to its local municipalities.

ASSEMBLYMAN PAOLELLA: Are you willing to accept, as the county level form of government, the responsibilities for the innovation and imagination necessary to maintain a fiscally responsible layer of government, if you are willing to expand that layer of government?

MR. FELDMAN: Yes.

ASSEMBLYMAN PAOLELLA: Then, how do you find that consistent with your desire to exempt and exclude the cost of items that you claim you don't have any control over?

MR. FELDMAN: Well, whether I expanded my inter-local governmental agency to include more and more counties and that governmental agency is housed at the courthouse, where our oil prices went from 45¢ a gallon to 90¢ a gallon, it has absolutely no effect whether it expands its programs or just maintains the status quo. My cost of maintaining that office and that facility and also if these people are entitled or need an increase in salary because of what they are doing, as long as they are employed, the cost of maintaining these people is still there. Now, what we

are trying to do in Camden County, in addition to maintaining the services and expanding our services, we are in the process of reorganizing, within the framework of our government, to consolidate because, let's face it, government and even industry, we have been able to go along doing things the same way until a situation creates the necessity of change. We recognize that and we've recognized it this year and we're proceeding to do it. Why should I have four people working in SLEPA grants and having three people in the local government working in the grants and two or three people in community development working in the grants and people in the planning board working in the grants, none of them working at capacity? If we consolidate them, put them under appropriate leadership, we then will be able to possibly get either further utilization or further work out of them or find a need to possibly change the numbers of personnel involved or the possibility of an additional writeoff. But, more important, utilization of what we have has got to be our answer, part of our answer, to maintaining our services and staying within the framework of our budgetary powers.

ASSEMBLYMAN PAOLELLA: One last question. Thomas Paine said that "government in its best state is but a necessary evil; in its worst state, it's intolerable." Do you agree with that statement? I don't have any further questions.

MR. FELDMAN: Well, in answer to that, you're an assemblyman and I'm a freeholder and we have mayors and councilpeople and governors and presidents and senators and so forth.

ASSEMBLYMAN GIRGENTI: Just one other thing on the referendum mechanism. You feel it should be there if the county would want to use it. They may, at their own discretion, feel that it is too exorbitant a cost, but that mechanism should be there, the same that local government or the municipality has right now and it would be up to them to determine whether they should go for that kind of expense?

MR. FELDMAN: Yes. I mean, if we're looking for a half a million dollars for something, to expand our park commission or put in a rowing course and that would put us above the mare, sure. But to spend \$250,000 to approve \$500,000 is just not practical.

ASSEMBLYMAN GIRGENTI: I understand that. It's just that I think you should have that there if you ever want it.

MR. FELDMAN: It's there to use if you want to.

ASSEMBLYMAN GIRGENTI: Are there any more questions from the Committee? If not, I would like to thank you, Mr. Feldman, for coming down and we understand your problems and as we said before, we intend to work with you and we want you to feel that we're as available to you as we are to everyone else in here and please, call on us if you have feelings on a certain piece of legislation, make sure that you're represented at our meetings and make sure that your input is felt.

MR. FELDMAN: Thank you, sir, and would you inform the Chairman that this year we went self-insured on workmen's comp and we also went self-insured on hospitalization and we saved, at least, a million and a half dollars on our budget. So, I concur with his theory on the insurance.

ASSEMBLYMAN PATERNITI: Could I ask you one more question? You're talking about the self-insurance. Normally, the big fear of self-insurance is that once you hit a certain max, if you have a major lawsuit you are in serious trouble. Do you people normally go into sort of an umbrella policy, when you, say, go over \$1 million or \$2 million, which can probably buy very cheap, and yet have protection?

MR. FELDMAN: It's my understanding with our hospitalization this year, we paid over \$2.2 million in premiums to Blue Cross/Blue Shield last year. What we

have done is that we are using basic experiences that we have acquired from the State system. We are self-insuring ourselves up to \$1.8 million and then, took a policy with Lloyds of London for anything over that for about three or four million dollars, which cost us like \$50,000 and \$120,000 for professional administration. So, we anticipate, approximately, a one million dollar saving over the year, but unfortunately, we didn't start it or it won't be effective until April, so we only budgeted about \$500,000.

ASSEMBLYMAN PATERNITI: I know I have it myself. I have an umbrella policy. I have X number of dollars, which you can buy very cheaply.

MR. FELDMAN: That's what we do. We take up so much ourselves and then insure the rest.

ASSEMBLYMAN GIRGENTI: Thank you very, very much.

MR. FELDMAN: Thank you.

ASSEMBLYMAN GIRGENTI: The next witness is Mr. George Melick, Freeholder Director of Hunterdon County.

G E O R G E M E L I C K: Thank you, Mr. Chairman and members of the Committee. First of all, I would like to qualify myself. I have been associated with municipal government as a township committeeman for, I think, seventeen years in my home municipality. I served as mayor for several years. This year I am presently the Road Commissioner. So, I guess I'm a "double dipper" here.

In no way do we want to do away with caps in Hunterdon County. Caps do the work of an army of efficiency experts in forcing county agencies and departments to operate in the most cost effective way.

Hunterdon stands firmly behind the continuance of caps legislation and asks for no major revamping or watering down.

But, we feel that some concessions are needed if our county government is required to continue providing the state mandated health, judicial, welfare and other services at ever increasing levels.

Without caps, special interest groups would pick the taxpayers clean. These groups are self-righteous about their own cause, to the point where they can't see any other side. But, they know how to put the pressure on the timid public officials and the next thing you know, the taxpayers are picking up the tab for another "good cause".

We recognize the need for human services, but we have to set our own priorities. That's where the caps are proving to be an effective tool in forcing budget-makers to strive for more efficiency in government. With a limit on spending, they have had to find more efficient and more economical ways to operate.

Even so, we can only go so far with efficiency. In Hunterdon, the 1980 budget, non-discretionary and mandated costs alone increased by \$381,000. This was a very big bite out of \$889,000 allowable tax increase for Hunterdon County in 1980. The cost of welfare rose from \$407,000 to \$608,000, an increase of \$201,000 over 1979. Another illustration of mandated costs was \$525,000 for reimbursement of residents for attendance at two year out of county colleges, an increase of \$25,000 over last year.

After the mandatory increases bit off 43% of the allowable increase, there remained only \$508,000 to be stretched to support the following: A less-than-cost-of-living increase for 375 county employees; repair and maintenance of 260 miles of roads and 1,600 bridge structures; a multitude of services performed by 46 other county departments and approximately 20 non-profit social service organizations.

We have the further complications of double digit inflation and the uncertainty of future energy costs.

It seems to me that the Legislature should consider the impact of these factors on our budget. If the State is going to mandate something to us, the State should then provide the funding.

Hunterdon County's revenue shortfall at the start of the 1980 budget process was approximately \$617,000 over cap. This is obviously not of the magnitude plaguing some counties, but, nonetheless, rather unsettling.

The budget cutting process included some workforce reduction, a reliance on job attrition during the budget year; a reduction in human services appropriations; the cutback of many departments to below 1979 levels and a use of county surplus to a greater extent than deemed prudent.

We have been heavily penalized in revenue losses in recent years by the State's discontinuance of the annual road of \$305,000. Federal anti-recession revenue of \$75,000 was also discontinued, causing further shrinkage of our revenue sources.

Small counties, who traditionally have operated on a "shoestring" before the caps legislation, were unjustly penalized for being frugal by being capped on an extremely low levy base and perhaps should receive an annual base levy adjustment to offset the effects of inflation.

Because of the cost of money under present Federal Reserve constraints, Hunterdon County cannot realistically expect that substantial new construction will occur in 1980 to provide additional revenues through modifications to our 1981 levy cap.

To sum up, Hunterdon County wants to keep the caps, but we need some leeway on mandated costs.

On the back page here, below, are some examples of the 1980 non-discretionary and mandated cost increases, which alone, consumed 43% of the county's 1980 allowable cap increase of \$889,000 in categories which comprised only 19% of the county's entire operating budget. Thank you.

ASSEMBLYMAN GIRGENTI: Mr. Melick, could you tell us how much of an effect the fixed costs such as insurance, utilities and so forth have had on your present budget?

MR. MELICK: Well, the group insurance, the workmen's comp, and other insurance premiums, there was an increase of \$62,000 over, well, from \$555,000 to \$617,000, a \$62,000 increase.

ASSEMBLYMAN GIRGENTI: Now, you have said in your statement that you would favor continuing in existence the caps, which is obvious. Your major problem is the mandated costs?

MR. MELICK: Yes, mandated costs and our--I'll tell you, our biggest liability in Hunterdon County is our road situation, our roads and our bridge situation. If you can believe it, a lot of these structures were built before anybody even heard of Henry Ford. We are a rural county and the county was very frugal in the past and we reduced load limits on bridges and cracks and maybe I'm getting off your question here, but what really galls us is the fact that the Legislature is taxing these road use taxes, from gasoline, license plate fees, and what are we getting back? That is our biggest headache.

ASSEMBLYMAN GIRGENTI: That's a problem that I have heard throughout the State from other people too. It certainly is becoming more in evidence as the years go by, these type of things have to be taken care of, and the local governments are sort of shortchanged on the whole deal. One day it was just decided that they were just no longer going to get road aid, which I know is devastating in some areas.

MR. MELICK: We have not made any major overlays or resealing. You see, there's a problem here. An overlay of, say, in excess of two or three inches, which would come under the caps law, should be done on some roads and on other roads, basically, there's just the maintenance kind of thing, which would have to come out of the operating expenses, which is non-bondable. Now, those costs have gone up so substantially that we just can't cope with it. What do we do, go with a bonding situation when it really doesn't need it?

ASSEMBLYMAN GIRGENTI: Assemblyman Paterniti?

ASSEMBLYMAN PATERNITI: One thing I would like to point out is that I know that you people are looking to the State for help and wherever we can, we would like to help you, but I think the State has addressed itself to the problem with the roads. For example, we just passed a \$750 million bond issue, which actually, when you receive the matching funds from the federal government, it comes up to about \$4 billion. Now, in that program, actually, these funds are allocated to help maintain existing roads and if you really studied the picture, a lot of you people will be coming into monies to take care of these roads. Now, have you people set up your priorities, where you're going to need them and so on and so forth? Have you addressed yourselves to that problem?

MR. MELICK: Sir, yes, we have. That is such a small pittance in our overall problem that it's unbelievable. I believe the formula for those monies is on a population basis and where does that leave a small county like Hunterdon County? At the municipal level, we made an application--I don't even think they have enough money to consider it. We're on section 2 of it.

ASSEMBLYMAN PATERNITI: But, you also have State roads going through your county. I think that certain monies will be allocated to counties, to municipalities and for the State.

MR. MELICK: If you put that population factor in there, sir, and we're getting almost nothing. It's hardly worth the paperwork. I mean it.

ASSEMBLYMAN GIRGENTI: Assemblyman McEnroe?

ASSEMBLYMAN MCENROE: I have some questions and I don't want to be unfair in asking them. Maybe this statistic could be gotten to us later on. How much has the assessed evaluation of the property in Hunterdon County increased in the past year?

MR. MELICK: How much has it increased? Do you mean what the tax assessor places on it or what?

ASSEMBLYMAN MCENROE: The increase in the valuation of the property is tied to your county tax rate.

MR. MELICK: Our tax rate--we work backwards, obviously, from under the cap law to what we could tax and our tax rate will not increase this year. Does that help you answer the question? I think we're around 46%, the overall county tax rate and our board has this at 100%.

ASSEMBLYMAN MCENROE: The only point that I'm trying to develop, Director, is that in a developing county like Hunterdon, given the fact that we are in an inflationary time and money is tight and building is not at the level it might be, if that were not fact, it would seem to me that Hunterdon does have a bit more expansion in its cap situation than a more heavily populated, more urbanized county.

MR. MELICK: I think I know what you're driving at. I suppose it needed a 10% increase, something like that.

ASSEMBLYMAN MCENROE: What I am saying is, I would like you to prove me wrong, but it would seem to me that the imposition of the 5% cap on the levy of a

county such as Hunterdon would not impact as heavily as it would in a more urbanized county with less expansion and less development.

MR. MELICK: That's true. Of course, the inflation factor is there on all these property values.

ASSEMBLYMAN MCENROE: The other point I would like to make, in Hunterdon, most of your major arteries are maintained by the State of New Jersey, is that correct?

MR. MELICK: Yes, the State highways, the same as in other counties. I don't think it's any different.

ASSEMBLYMAN MCENROE: Isn't there also a statewide bridge construction fund that you may draw on for your culverts and your bridges?

MR. MELICK: I'm not sure of the technical term, off the system, we have an application in for one bridge and after we meet the DEP's requirements for stream encroachments and what not, we expect that it will cost \$1,200,000, something like that. We have, I think, two applications in. One is the local opposition to our plan. But, you see, we have so many structures on these rural backroads and they are like 20 feet wide and what salt has done to them is unbelievable. As I say, this is our biggest problem.

ASSEMBLYMAN MCENROE: How about federal funding, have you made application for that?

MR. MELICK: Yes, for all we can get and there isn't that much available. I think it's \$18 million, or first of all, it wasn't there and then somebody found it. It was kind of hidden, but I'll tell you, in the process of bridge applications, inflation eats you up. It's so time consuming.

ASSEMBLYMAN GIRGENTI: Assemblyman Shusted?

ASSEMBLYMAN SHUSTED: In your summation, you conclude by saying that you, in essence, agree with the caps, but you need some leeway from mandated costs. What do you mean specifically?

MR. MELICK: Well, I suppose, in energy, we are trying to be more cost effective in the use of energy so, like in winterizing buildings, trying to cut back in the use of gasoline. The mandated costs like welfare, some areas in there, I really don't know the answer to this and I'm not sure anybody does completely, we need something and yet our citizenry is very cost conscious. I'm sorry I can't answer the question better. You know, five percent doesn't go far. Labor costs alone, we've pumped in something like seven or eight percent, somewhere in there, for an increase factor and it's not keeping up with the cost of living, you know, what we're offering and yet we might be forced to go higher. We have a bad labor situation in Hunterdon County.

ASSEMBLYMAN MCENROE: Mr. Melick, what is the county's position on another state prison in Hunterdon County?

MR. MELICK: Another? We ought to take the prize for two already. If you take care of all our lockup problems, then we welcome it. That's a big problem. We need one.

ASSEMBLYMAN MCENROE: Thank you.

ASSEMBLYMAN GIRGENTI: Assemblyman Paoletta?

ASSEMBLYMAN PAOLELLA: I've come to anticipate the answers to my questions, so I'm more familiar now. I just have to go through my little checklist quickly. About raising the cap ceiling as opposed to exempting or excluding, what's your preference on that?

MR. MELICK: Exempting.

ASSEMBLYMAN PAOLELLA: You like the exempting. How about the cap ceiling

on State spending in relation to county and municipal spending?

MR. MELICK: Yes, I would favor that.

ASSEMBLYMAN PAOLELLA: Equal?

MR. MELICK: Yes.

ASSEMBLYMAN PAOLELLA: How about the distribution of the tax burden to pay for the disparate cost in various counties of programs like welfare?

MR. MELICK: Well, if the urban counties are going to help us out with our road and bridge problems, fine.

ASSEMBLYMAN PAOLELLA: That's a qualified yes?

MR. MELICK: Well, no, because I know what's going to happen. The welfare is the overriding problem, but we have one too.

ASSEMBLYMAN PAOLELLA: You're not going to oppose equitably distributing the burden of paying for county facilities so that municipalities all share in your county, are you?

MR. MELICK: I don't think that is as big a problem as some people do.

ASSEMBLYMAN PAOLELLA: Well, it isn't. I'm just curious.

MR. MELICK: No, I don't see a problem there.

ASSEMBLYMAN PAOLELLA: How about the problem of paying for all of these costs, assuming that when you squeeze the tube of toothpaste, the toothpaste is going to go someplace, would you be willing to support an increase in the income tax or some other revenue raising measure?

MR. MELICK: No.

ASSEMBLYMAN PAOLELLA: If not the income tax, what would be your alternative?

MR. MELICK: Well, I just think that we can't go providing everybody with everything. We've got to squeeze things.

ASSEMBLYMAN PAOLELLA: You support zero budgeting, pretty much, on the State level?

MR. MELICK: Yes.

ASSEMBLYMAN PAOLELLA: Then you agree with my quote by Thomas Paine that government, even in its best state, is but a necessary evil?

MR. MELICK: I'll tell you. I'm a firm believer of keeping the government as close to home as possible. Every step you go up, it deteriorates a little bit.

ASSEMBLYMAN PAOLELLA: You just got a star.

ASSEMBLYMAN GIRGENTI: Assemblyman Adubato?

ASSEMBLYMAN ADUBATO: I am very interested in your problems, in learning and understanding, because, quite frankly, I admit to being guilty of thinking that the only people with problems were the people who live in the high density, urban counties of the State. So, I'm guilty of that and I certainly want to learn about the problems in the suburban and rural areas, which I know you do have. I'm trying to understand how we can have it both ways though. I'm trying to understand how we can keep government close to home, and in theory I agree with that, and at the same time, talk about equity and talk about productivity not being penalized. I read in your statement, for instance, that one of the things that troubles you is your \$200,000 increase in the cost of welfare. Would you happen to know what the cost of welfare per capita is in Hunterdon County?

MR. MELICK: Well, our population is about 85,000.

ASSEMBLYMAN ADUBATO: And the amount that is contributed from your property tax is how much, then?

MR. MELICK: This year we budgeted \$617,000.

ASSEMBLYMAN ADUBATO: What figure do you come up with, Dave?

MR. SALLACH: Seven dollars and change per capita.

ASSEMBLYMAN ADUBATO: That's high. I didn't realize it was that high. It shows how insensitive I am to your needs. I thought it was down to about two dollars or two dollars and fifty cents. I don't know why, but that's what I thought it was.

MR. MELICK: Well, I read the wrong figure here. \$608,000 was budgeted. I read the wrong one.

ASSEMBLYMAN ADUBATO: \$608,000 was budgeted for 1980?

MR. MELICK: Yes.

ASSEMBLYMAN ADUBATO: Now, is that counting administrative costs?

MR. MELICK: Yes.

ASSEMBLYMAN ADUBATO: What is your administrative cost in that figure?

MR. MELICK: Well, it's really too high to suit me. That's a big problem. I really don't know the answer. With all these mandated programs in there, it's one thing I really can't get a handle on. I wish I could.

ASSEMBLYMAN ADUBATO: Would you say your administrative costs could be as much as one hundred thousand dollars or more?

MR. MELICK: More, definitely. There's forty or fifty people involved.

ASSEMBLYMAN ADUBATO: So, we're saying--and I'm just throwing this out--would you say that your cost is at least 20% administrative cost? Don't answer. I'll say it. Approximately 20% or more is your administrative cost. Now, let me make one thing clear. We talked about the equalization of county welfare. We excluded administrative cost. It's not in that figure. So, when I say to you that the cost of welfare for a productive person who lives in Essex County is over \$20.00 per year per cap, we're excluding administrative costs. The county is still going to pay for that. We're talking about outside of administrative cost. So, we're not asking for anyone to share in the administrative or the implementation of the program. That's the first thing.

Secondly, if you look at a productive person--as I said throughout Essex County, but let's narrow it down--I'm trying to give you information that will make you see, I hope, that while you're bleeding and you need a band-aid, in my opinion, otherwise you're going to die too, if you don't stop the bleeding, that the people that I'm talking about are suffering from malignancy and they need immediate attention and that malignancy, nowhere is it clearer than the productive person that lives in the largest city in the State of New Jersey, the City of Newark. When you talk about productivity and the people that are paying taxes there, the same productive people that live in Hunterdon and are making the same money, let's say, are subject to the same federal taxing, income tax and everything else, unfortunately, you know, we have safety all over, and forgive the lesson, but that's what it is. I want you to come to Newark like I should come to Hunterdon and that's what I'm saying. What I'm saying to you is that unless we can communicate and sensitize each other, we're never going to get anywhere because that person in Newark, when you talk about the cost of welfare, his cost per cap is over \$65 a year. Now, statistics have a way of being interpreted according to who gives them, now we take out the recipients, those unfortunate people who are on welfare, and exclude them from that cost per cap because every man, woman and child is included in that figure, in a per capita cost, take them out of the equation and now talk about just the people who are paying for welfare that live in Newark, for instance, and you're going to find that that average cost is up to about \$150 per person, that's actually paying for it. Thank you for your patience in listening to this, but at every opportunity that I have, I

think that we have to sensitize each other to realize that we don't want to penalize you in Hunterdon for anything. We must address your problems and we must be sensitive to your problems and what I'm saying is that if we don't deal with the malignancies first, you see, we'll never deal with your bridges because you're going to get the malignancy. So, society, as a whole, I think, and that's the agenda and on that I do not have an open mind. I do not listen unless someone can change those facts and one thing that people in county government are going to have to get used to listening to from me is that I will repeat this over and over and over again, not blaming you. I'm not blaming anybody, by the way. What I'm saying is that if we can join together and deal with the complex problems that we all face, but address the most blatant on the list first, quite frankly, not forgetting the other problems, but solving what we can solve. I don't know if you were in the room, but I think it's worth repeating, even if you were. Any subsidy, whether it is corporate subsidy or human subsidy, is a form of welfare. I think you might agree with that, that anything that is subsidized is welfare and I hate that word, "welfare". I won't get into that now. The thing is that for those people who are fortunate enough not to need public assistance in any form, they should not, number one, be asked to take less to live than we give to those people to ride a railroad train and for those people who are paying for it, they should not have to pay more, you see, than some people-- and I hope that John doesn't get angry with me because I'm not angry with Bergen County, but it just seems that Bergen County is such a nice county and it's such a good county that I like to keep using them as an example, because, you know, the people that live in Bergen County, again, the cost of welfare per capita is about \$1.66. It was \$1.30 two years ago. That's gone up too. In addition to that, the people in Bergen County have the highest percentage of people working outside the State of New Jersey, of any county, which means they don't pay a State income tax. They pay it to New York, but they still get the Homestead Rebate on their property tax, which is fine, and they are being subsidized, not just in Bergen, but Morris as well, they are being subsidized greater per capita than any individual in the State of New Jersey and they earn more money per capita than any other individual in the State of New Jersey. That's welfare and it's the most blatant inequitable situation that you can ever imagine. We're subsidizing the most wealthy people in the State of New Jersey and until the people that you represent and the people in other counties understand that they are the greatest recipients of welfare, you have no right to say that you will not share in the cost of human misery. Forgive me for that outburst.

ASSEMBLYMAN GIRGENTI: Anyone else?

ASSEMBLYMAN PAOLELLA: I just have an addendum to that. We also pay the most income tax for all those dollars we earn in Bergen County and on top of that, if you give us another governor, we'll build a fence around the county and keep all those people working in New Jersey.

ASSEMBLYMAN ADUBATO: Believe me, I apologize if I offended anyone from Bergen County or Morris County. I think you have fine, outstanding counties and if anyone gets the idea that I'm trying to penalize you for your productivity, you're wrong. All I'm saying to you is that we must, all of us, must learn that when we use the word subsidy and we use the term welfare, that we make applicable equally, regardless of whether you're receiving it as aid to dependent children or you're receiving it to go to New York and work on Wall St. It's still welfare. That's all.

MR. MELICK: I'd like to invite you to Hunterdon County.

ASSEMBLYMAN ADUBATO: You bet your life. I'll be there. You invite us and we'll be there.

MR. MELICK: We have some housing too that we're not too proud of.

ASSEMBLYMAN ADUBATO: I've spent very little time in Hunterdon County. I did travel through it recently, and Burlington as well, talking about auto insurance reform. So, I had an opportunity to see some of the problems there and I really apologize if I've come on too strongly because I'm not trying that. I'm saying that we need your help, just like you need our help and this Committee--I don't know if you were here when we said it--but this Committee will travel to any county in the State of New Jersey, whether it is just to take sight-seeing tour and see or whether it is to listen to some of the people in your county, as well as the elected officials. You set it up, you get in touch with Mr. Sallach here, and I promise you, I don't know if the whole Committee will be there because chances are it will be a sub-committee with Mr. Girgenti as the Chairman or myself or whatever, but you'll have representation there. But, I will be delighted, being that you invited me, I will be delighted to come down with other members of the Committee to Hunterdon County at any time that is mutually convenient to both of us.

MR. MELICK: Any day. You name it. You're welcome.

ASSEMBLYMAN ADUBATO: I thank you for the invitation. We now have Patricia Maynard and Morris Luger from Morris County. Could you both come up together? Would that be all right?

P A T R I C I A M A Y N A R D: I am Patricia Maynard and I am Deputy Director of the Board. I have with me Freeholder Walter Luger, who is rather new and rather good on the Board. First of all, I would like to invite you all to Morris County. Your remarks, Mr. Chairman, were well taken and when the gentleman from Bergen takes his poll or his poll from me, maybe he'll be surprised, even though I am from Morris.

My remarks to you are very short. I hope they are very pertinent. You have heard from several freeholders from several counties, you have the testimony from others and I will not be redundant for your sake or for our sake either. I think that you can take many of the areas that the other freeholders have talked to you about and apply them in varying degrees to all counties in New Jersey.

I have three points for you which I have worked out with Bob Natoli, who is our county treasurer in Morris County. He is a Past President of the New Jersey Association of Counties, Treasurers' Association and I am sure that most of you recognize Mr. Natoli's name.

Talking about mandated costs from the State to county government, my first point is, any State legislation passed where costs must be borne by the county will be reimbursed from the State funds on an appropriate billing basis. In effect, I am talking, here, about new mandated costs. We are not arguing with you over what exists. But, future plans, future programs that you give to the counties to do, we ask that you reimburse us the costs. In many areas, I think that county government is a legitimate governmental agency to distribute and deliver the cost. In effect, that's what county government is and does for the State anyway. But, in the future, if you would please pick up the cost for us, we will deliver them well and happily for you.

My second point, another alternative, is increased costs in the area of health and welfare and I feel that costs from the DEP are also coming our way. These costs, over the 1980 budget amount, must be excluded from the cap and from each year thereafter. In other words, we'll take the costs, we will deal with them under the

five percent cap, but when those costs mandated to us from you exceed that five percent cap, we would like them to be excluded from that cap. Again, we will deliver your programs.

My third and last point, a realistic increase in the five percent cap to accomodate the inflationary spiral. When the cap was initiated, it was approximately in the year 1975 and the rate of inflation was around 7%. The rate of inflation this year will be somewhere around 18%, which is an 11% increase. An appropriate adjustment, therefore, for the year of 1981 would be a 5.55% cap. A continuing yearly adjustment, based on the rate of inflation, would therefore provide us and all counties with the necessary flexibility that we feel we need.

Those are my three points. Perhaps Mr. Luger would like to add something. If not, we welcome your questions.

MR. LUGER: I don't have anything to add. I would be happy to attempt to answer any questions that you may have for us.

ASSEMBLYMAN ADUBATO: Dr. Paterniti?

ASSEMBLYMAN PATERNITI: I just have one question. She said an increase of 5.55%. Is that in addition to the 5%, bringing it up to 10%?

MS. MAYNARD: Taking the 5% as the cap in 1975, when the rate of inflation was approximately 7 to 8%, an increase in the succeeding years, our rate of inflation would be about--

ASSEMBLYMAN PATERNITI: Each year, 5.55%? Oh, I get it.

MS. MAYNARD: Yes. So, this year, the cap would be, the adjusted cap would be 5.55% and then each year it is calculated.

ASSEMBLYMAN SHUSTED: Are you talking about 5.5% per year?

MS. MAYNARD: No, the rate of inflation--there would be an adjustment in the rate every year. Your cap would actually go up rather slowly, 5, 5.55 this year, depending on the rate of inflation in '81, it would keep going, 6, 7%. What we're asking is to lock in on the 5% cap with that 8% rate of inflation.

ASSEMBLYMAN PATERNITI: If you had a one hundred million budget, your increase would have, before, been five million. Now, it would be five million, five hundred thousand?

MS. MAYNARD: That's correct.

ASSEMBLYMAN PATERNITI: That's not really anything.

MS. MAYNARD: No, it isn't, but it would give us the flexibility. Again, these are figures worked out with our treasurer. He feels that would give us that much more flexibility.

ASSEMBLYMAN PATERNITI: Where you had major increases in the cap, you would probably be farther ahead with energy, insurance, pensions.

MS. MAYNARD: I realize that some other counties have asked for certain areas to be taken out from under the cap. We, so far, have been able to live with the cap in Morris County and I am coming from Morris and I am giving you, therefore, testimony pertinent to my county. I understand that you have twenty others to put into the mix.

ASSEMBLYMAN ADUBATO: Assemblyman Paoletta?

ASSEMBLYMAN PAOLELLA: I'm going to get to my survey in just a second. I wanted to speak to you before anyone else did, because I want to congratulate you on that position. That was what I ran my campaign on, pegging the increase in the cap to inflation and I haven't had too much company down here in that concept. So, I'm quite happy that you reasoned to that very logical and very sound conclusion.

MS. MAYNARD: We have never met before.

ASSEMBLYMAN PAOLELLA: So, I know the answer to your position in regard to caps then.

MS. MAYNARD: Yes

ASSEMBLYMAN PAOLELLA: The cap ceiling on State spending, would you be in favor of that?

MS. MAYNARD: Definatly.

ASSEMBLYMAN PAOLELLA: You wouldn't have any problem with distributing the tax burdens to the rest of the municipalities in the county for some of those towns--you have no problem with that?

MS. MAYNARD: No.

ASSEMBLYMAN PAOLELLA: How about the problem of equitably distributing the burden of certain specific programs like welfare, which seem to be disproportionately weighing down the working incentives and the productive individuals?

MS. MAYNARD: I personally would be in favor of sharing the wealth, absolutely. We do not live in boxes. We are not cut off from each other, yes. I may shock the Chairman with my position, but that's a personal one and I believe in that.

ASSEMBLYMAN ADUBATO: It doesn't shock me at all. Just by observing you, I thought you were very fair.

ASSEMBLYMAN PAOLELLA: You're not in favor, then, of increasing revenues to fund the State of New Jersey's government on all levels, I take it.

MS. MAYNARD: No, I'm not.

ASSEMBLYMAN PAOLELLA: You feel we can do it on what we've got.

MS. MAYNARD: I would like to see you have the same challenge that you have given the counties and it has been, as some of the other freeholders have stated, a rather positive challenge. It does make on come up with a very hard and firm list of their priorities in life. The cap has not been bad in my own personal estimation. I would like to see the Legislature, the State, the federal government have the same challenge.

ASSEMBLYMAN PAOLELLA: Thank you very much.

ASSEMBLYMAN ADUBATO: Assemblyman Girgenti?

ASSEMBLYMAN GIRGENTI: I have just one quick question. Your fixed costs, insurance and so forth, how is that affecting you and would you want them exempted--maybe I missed it if you said that--but I am curious?

MS. MAYNARD: I didn't and I don't have an idea of what our fixed costs are and our treasurer is out to lunch. I would have had them for you by the time I got up here. We, again, are in a fortunate position in Morris County. We are a suburban county. Our rateables are rising. Again, we are able, at this time, to cope very well. Down the line, I don't know. We have the possibility and potential to be the position of some of the other counties. I can get you that number. I think it's an important figure to get from all the counties and I know that Mr. Lamping will accomodate you.

ASSEMBLYMAN GIRGENTI: But, an important part is that your budget is limited in how much you can increase and within that, you have these certain costs continuing to go up. It doesn't matter how much of a pool you can grab your money from. The point is that you're limited on a five percent cap from the year before and how much of an effect are these fixed costs cutting in, because you're going to reach a point of no return too.

MS. MAYNARD: Absolutely. What we have done to offset that, I think, again, is the use of imagination and we have done much consolidating of our departments, as one of the other freeholders who spoke before me has mentioned. We have also

increased cooperation between many of our units, for instance. I happen to be the Freeholder, whose committee assignment is Education and Services and we have joined data processing between our county college library and our county library. We have a very sophisticated data processing center and we have insisted that all of the county agencies and entities get into that data processing system. We instituted a hiring freeze this year to bring us down under the cap. We used every penny of our cap this year. I will get you those figures. It's pertinent.

ASSEMBLYMAN GIRGENTI: One question I didn't ask anybody and maybe I'll just ask you because you happen to be the last one here, have you been affected by programs such as CETA, LEAA, where at some point you have to absorb, within your present budget--for instance, you get a grant for a certain program, whatever it would be, and then at one point along the line, it either becomes that these people have to be taken onto the county payroll or they have to be eliminated. Has that been a problem in Morris County?

MS. MAYNARD: I'm delighted that you asked me. The Freeholders' philosophy-- this is my third year on the board, so I'm a relatively new freeholder--but the philosophy of Morris County has not been to take on any CETA personnel unless there was a way to bring them in after someone retired, generally after someone retired. We have absorbed our CETA personnel. We have loaded county government. I hesitate to say this, but I think there are only about 200 CETA people in Morris County, in the government, since the program started. That's a very low number. As far as the other grants, the other programs, even community development, which is federally funded, it has been made very clear to these people, to the municipalities, that when the federal funds run out, that program may not be picked up by the County of Morris. Some of them prove to be very good departments. We may want to keep part and parcel of them. One of the questions asked was in the cost of solid waste. We have retained, again through monies that we're still getting from the State on our solid waste plan, a solid waste planner who spends half of his time on that project and the other half working for our planning board. So, again, that's consolidation and cooperation of what we have, but we have held a very firm line on monies coming in from other than our general tax revenues. It will be very unpopular at some point in time.

ASSEMBLYMAN GIRGENTI: Thank you.

MS. MAYNARD: Thank you very much.

ASSEMBLYMAN ADUBATO: One minute please.

MS. MAYNARD: Are you going to lecture me? You lectured everyone else.

ASSEMBLYMAN ADUBATO: I refuse to lecture you. If you want me to, I will. I would just like to, again, thank you for coming down and to tell you, again, that the Chairman's position is, I hope, clear, that to penalize productivity anywhere is something that we have to try and get away from. We're looking for help. We're not suggesting answers. We're looking for input. My only position in that is that the productive individual that we're talking about when we talk about spreading the cost of welfare without penalizing other people to do it, sooner or later we all pay for it. However, I don't think it would be equitable to increase your cost of welfare, let's say, up to the norm and raise your property tax just to do that. But, the facts are that we have to learn from each other, that when we deal with that productivity, not only does it help the individual, but the property tax that businesses pay in these areas, also, get great relief, and again, it's very parochial for me to say this, but I represent two areas of Newark. I do not represent the whole city. I represent a portion of the so-called North Ward section of Newark and the Ironbound below the Penn Station, everything that runs below the Penn Station, as we call it,

Grand Blvd., these two areas now pay for over two thirds of all the ratables in the City and that speaks for itself, that most of the productive people live in those areas. As you probably know, a lot of our business, not only our people, are moving out and I can't blame them, quite frankly, and I can't criticize them for that, especially if they can move out and are fortunate enough to find a home in Morris County and pay the kind of taxes and get the benefit of the schools and everything else. I think that's great. We don't want to change Morris County. We want to change Essex and Hudson and hopefully, not pull you down, but pull these counties up, so that malignancy that we spoke about before, not only is addressed there, but so that non-productivity doesn't spread and in my humble opinion, that's what will happen if we don't stop becoming parochial.

MS. MAYNARD: I think you're quite right.

ASSEMBLYMAN ADUBATO: So, I am lecturing, in a way, and I am also suggesting, again, for the fourth time, welfare is a subsidy and whether that subsidy be to pay for human needs or to pay people to ride the railroad to get over to Wall St., it is still subsidy and the taxpayers pay for it. It's not a question of who earns more and pays more. We all pay for it and if people really, not to debate my colleague from Bergen County, of who pays more taxes, who pays a greater percentage of their income in taxes. That's the question, not who earns a whole lot of money and has a whole lot of tax shelters and has a whole lot of other things. They're all great things, nice things, but if you analyze it, you'll find out that the lower working, middle class people pay the highest percentage of their income and support the wealthy and the poor and that's not because I say it. It's a fact of life and I know that, not only with your help, but with the help of the people that represent you down here, the legislators that represent you here, we know that together we can help learn your problems and you can help with ours and I see a very important cog in that wheel in the Chambers, Assemblyman Gallo, who is listening very attentively, and it is through people like Assemblyman Gallo, quite frankly, that we are going to work together and again, I thank you very, very much.

MS. MAYNARD: I thank you very, very much. If I might add just a comment, we have a very successful self-insurance program in Morris County and we are about to the five hundred thousand mark. We just put in three hundred thousand a couple days ago. We are expanding on that and it has saved us over a million dollars. If you would like to see the figures and what Morris County is doing in the way of self-insurance, we are very pleased with our program. We do have an umbrella over that. The remarks of one of the gentlemen on that was quite accurate on self-insurance. It's working very well for us.

ASSEMBLYMAN ADUBATO: I think I was the one that brought that up. The point is, and I didn't want to ask you that, quite frankly, but it doesn't surprise me that the people in Morris County would take that route and I think it sets a precedent and an example to all of us, as I said before. You know, it's a Catch 22, when people, with all the good intentions in the world, are talking about shifting cost instead of cutting cost. What we're doing is saying, "Okay, we won't pay for this entity from tax, we'll pay it from the other tax." I'm delighted when I hear people say, "Hey, let's talk about cutting taxes, cutting costs, not just spreading them around." That's why I suggested and that's why I was very vocal in saying that I was very disappointed in finding out that many counties don't look at self-insurance and don't look at the threshold deductibles and limitations. I'm going to ask our staff person, Dave Sallach, if it would be all right with you to contact the people in Morris who are running that program and get the data because we would certainly like to have it and share it with the other counties, if it's okay with you.

MS. MAYNARD: Certainly. Also, I do believe in Thomas Paine's statement.

ASSEMBLYMAN ADUBATO: Thank you.

MS. MAYNARD: Thank you all again.

ASSEMBLYMAN ADUBATO: With your indulgence, and he is not aware of this, but I am going to ask him if he would, just for a few moments, speak to us, that's Mr. Mullins, Jim Mullins from Ocean County, who is the Comptroller, who probably knows more than most of the people in this room about the problems, especially in Ocean County, probably the "growth" county, or one of them, in New Jersey. Mr. Mullins?

J A M E S M U L L I N S: Good afternoon. The reason why I really wanted to come and talk to you this morning is because of the cap, obviously. The Freeholders have asked me to let the Assembly know that we are in favor of the cap, but we're also in favor of allowing certain costs to go outside. One of the questions that we asked was, how do we ever get into the five percent? It seems to have no relationship to anything.

In the area of mandated costs, if we look at the Musto Commission formula and if we just compare 1979 to 1980, it shows a rate of increase of 8.9% and by no means does the Musto formula include many of the services that we would even add to mandated costs.

We do have self-insurance and we've saved \$700,000 in the last two years, not counting interest. In a growing county such as Ocean, our tax base from 1979 to 1980 is 12.9%. We've grown from \$7 billion to \$7.9 billion. Now it certainly has not affected the taxpayer because the rates stayed stable. What we have had to do was deny \$9 million in requests. Many of those requests for services, everything from visiting homemakers to handicapped and elderly transportation. We've had to say no to those people. There are people--and this is a very sensitive issue--that cannot take care of themselves and neither can the county because we can't afford it. It puts the county in a very difficult predicament. We in Ocean pride ourselves in service to the taxpayers. We feel that the service that we render to them, they get an economy of scale, if you will. We have not raised the tax rate since 1974. Obviously, with the rapid growth that we've had in the last decade, we've doubled. We've moved from under 200,000 to--the estimates for 1980 look forward to approximately 400,000 people. So, it is not the rate that's the problem. It's the idea of having to say no.

If I may just touch on two more areas, the one they've running through very quickly and saying, "You didn't give us any road aid." The municipalities got it, but we didn't. I ask you to start thinking about the future when revenue sharing goes away. Our county has \$3 million in their budget, which is revenue sharing for this year. If we lose that, we're going to have to allow some modification to that. I don't believe you would want to close your road department. Many of the municipalities and counties dedicate a lot of their revenue sharing just to that. But, think about that because, if you recall, nothing was done to the counties when they lost their anti-recession funds and our county lost \$476,000 last year.

I've touched base on the cap. I've touched base on our growth pattern. I would like to just close by talking about debt service. We, last week, sold \$27.5 million worth of notes. It is part and parcel of a \$50 million program that we've undertaken for the next six years. We in the county have, as I said, a \$50 million project. When we put those projects together, we're talking about a six to seven percent interest figure. That rate, currently, is at least 9.6 because that's what I'm paying now. Take that out to 20, 25, 30 years and the interest cost is phenomenal

on the projects. I believe, if you're realistic and you really want to save the taxpayers some money, allow a modification, much the same way you do for debt service because that's what you're doing, you're pushing people into the debt market that don't belong there, but allow modification for capital improvements. Why not pay for it out of current dollars? Why force us to borrow a dollar and pay back three? It doesn't make any sense. We lose and the taxpayers lose. So, if I can leave you with those ideas in mind, I thank you for your time.

ASSEMBLYMAN ADUBATO: Is there any member of the Committee who would like to ask Mr. Mullins a question?

ASSEMBLYMAN MCENROE: When I think of Ocean County, I think of the beautiful shoreline. It's very productive in the State and very helpful to the employment situation and to the basic economy. Do you have any thoughts for this Committee, relative to the improvement of the tourist trade or the shoreline?

MR. MULLINS: Well, obviously, for the benefit of not just the county residents, but for other residents in the State, many people come and visit our shoreline during the summer. Obviously, the gas problem is one that's not going to go away. That's what we see as our biggest problem and now they're attacking the boating industry, which I believe, today, there was a statement made on the radio that pleasure boats use .0005 of the consumption of gasoline in this country. So, I think we're grabbing at straws. Tourism is very important and there is a lot of interest not only to maintain the service, but to expand it even more so because, with the gas problem, we want to keep people in New Jersey both for their cost and for our benefit.

ASSEMBLYMAN MCENROE: Do you have a budget item for attracting tourism?

MR. MULLINS: We've had a tourism council for three years. In the first years, which was the start-up year, we had \$100,000. The Eagleton Institute, in conjunction with our tourism board, did prepare quite a lengthy document surveying the lay of the land and we have appropriated \$50,000 last year and I believe there's about \$35,000 which we've had to cut back. But, what we've done is, and this is the area of revenue, who pays for it, we've asked for the local businessmen to help us and they've been very kind in some of their donations. Last year, the local businessmen donated \$9,100 to promote tourism and you might have seen some of the commercials on television last year. So, that was paid partly by the county and partly by the businessmen themselves. It worked out very well.

ASSEMBLYMAN MCENROE: Thank you.

ASSEMBLYMAN SHUSTED: Are you suggesting that the capital improvement program should be taken out of the caps?

MR. MULLINS: Absolutely.

ASSEMBLYMAN SHUSTED: Without any ceiling at all?

MR. MULLINS: No. I think you would not want to put \$50 million in one year in a county budget. I think now that the Division of Local Government Services controls very tightly the six year capital program and they did for the first time last year, I think since we are made, if you will, to sit down and think for the first time, probably, since 1850, that says don't just make a decision on what you're going to do tomorrow, but what about five years from now and we've been doing it for years, but it's made a lot of counties and municipalities sit down and do it. I think a logical approach to building, whether it is roads, or in our instance, we're building a \$24 million jail complex, now obviously, most people would rather not have to build a \$24 million jail complex, but we're doing it. Things like that, I think you have to allow modification for outside the cap.

ASSEMBLYMAN GIRGENTI: Mr. Mullins, you said that you had to deny how many millions worth?

MR. MULLINS: \$9 million.

ASSEMBLYMAN GIRGENTI: And I guess you point that out as a problem for everyone because of the fact that you're from a county with an accelerated growth rate, because I know, even locally, in Passaic, the problem is with homemakers, you have people that fall into that category where they're not eligible to get benefits and yet they're up in Limbo. They can't get the money and there's no money there for visiting homemakers.

MR. MULLINS: But, they eventually wind up in hospitals that we are mandated to pay for, almost.

ASSEMBLYMAN GIRGENTI: What about, in terms of your budget again, how is your budget affected by fixed costs?

MR. MULLINS: Insurance, as I indicated to you, we've saved money. Utilities hurt us twofold. Aside from OPEC, we have a growing problem. Our utilities for 1980 are going to show approximately a 68% increase and we've become so cost conscious that we've broken it out into a separate account. So, we control it very tightly.

ASSEMBLYMAN GIRGENTI: Thank you very much.

ASSEMBLYMAN ADUBATO: Thank you again, Mr. Mullins, for coming down. We're going to try and catch something in the cafeteria in the next twelve minutes or so before they close down and if there's nothing left, Dr. Paterniti is going to make us all meatball sandwiches. Thank you all for coming.

(Hearing Concluded)

# **njac** REPORT

JACK LAMPING, Executive Director

New Jersey Association of Counties

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Testimony of Henry W. Metzger, President, New Jersey Association of Counties  
Burlington County Freeholder; Presented to Assembly County Government Committee  
Chaired by Assemblyman Michael F. Adubato, March 13, 1980  
Senate Chamber, State House, Trenton, N.J.

Mr. Chairman, members of the committee; thank you for allowing me the opportunity to speak with you about the very serious fiscal problems that New Jersey Counties are facing as a result of conflicting pressures placed upon them by state mandated costs and state imposed 'caps' on local government budgeting. I cannot emphasize enough the very serious nature of this issue, which has, as predicted by many, reached the crisis stage in this 1980 budget year.

The consequences of budget decisions being made by County officials, who must provide for state mandated programs, are devastating. Large-scale lay-offs of County employees and substantial cuts in services are among the measures which the Counties are being forced to initiate. The necessity for lay-offs not only means a reduction in workforce, but also translates into a reduction in service levels, not to mention an increase in the unemployment rolls. The bottom line is that the citizen-taxpayer becomes the victim; receiving less services without any decreased reliance on the property tax.

While the current picture is a very bleak one, I am encouraged by your interest in learning about the direct concerns of the Counties and congratulate you for taking this very important first step in dealing with the problems surrounding the state and Counties' fiscal relationship.

The steadily growing costs of state mandated programs is a subject of grave concern to County officials who are also grappling with the constraints imposed by budget limitations. The mandated areas which are frequently cited as the most burdensome include welfare expenses, the judiciary including the courts, prosecutor and probation, and corrections. Other areas include maintenance of patients in state institutions, election board, sheriff and County Clerk's office and the superintendent of schools. It would be difficult to identify one of these areas as being the worst offender since experiences vary according to the individual factors and circumstances among the different Counties. Although specific situations and problems may differ among the Counties, a single, clear message emerges: state mandated costs have eaten away the Counties' ability to sustain any meaningful level of fiscal control or to express local priorities.

While state mandated costs have significantly diminished local fiscal control, they have also represented an excessive burden upon local property taxpayers. Mandated expenses account for an increasing percentage of the County tax levy. Asking local property tax payers to pay for state mandated programs is clearly not justifiable if we are genuinely committed to tax reform.

The second critical issue which we address today involves the spending limitations placed upon local government. The Counties support the general concept of the 'caps' and feel that it is a useful tool in checking uncontrolled spending and gives local officials the incentive to closely examine their priorities in relation to their resources. However, it has become apparent that a relaxation of the 'cap' in certain areas is needed. The mounting inflationary pressures, especially in the areas of utility, insurance and pension costs, are forcing the Counties to cut vitally needed services. Several bills have been introduced which seek to address these concerns. We hope that you will seriously consider these measures.

In my home County of Burlington, the Freeholder Board has regularly set aside monies in its annual budget for resurfacing with two inches of bituminous concrete portions of its vast network of County roads, of which we have more than 500 miles in the state's largest County. As recently as 1978 this surface treatment cost \$40,000 a mile; this year it will exceed \$75,000 per mile.

This inflation has eaten into our \$2-million fund for road purposes and has reduced our ability to maintain road surfaces from 50 miles a year to only 8 miles. Later this year or next, Burlington County will have to bond to sustain its road surfacing program for minimal safe usage. The present condition of the bond market and the severe limitation of the 5% 'cap' makes this a difficult business, which can only further reduce our ability to perform and provide the delivery of other essential County services.

In conclusion, I would suggest that a balanced approach encompassing both the state's assumption of certain mandated costs and modification of the existing 'cap' law would be the most effective and equitable means to alleviate the local fiscal crisis. Once again, I congratulate you for your efforts and look forward to serving as a partner in your continued interest in County concerns.

Below are some examples of 1980 non-discretionary and mandated cost increases which alone consumed 43% of the County's 1980 allowable "Cap" increase of \$889,000.00 in categories that comprise only 19% of the County's entire operating budget.

	<u>Budgeted</u>		
	<u>1979</u>	<u>1980</u>	<u>Increase</u>
<u>General Government</u>			
Group Insurance Workmens Compensation and Other Insurance Premiums	\$555,000.00	\$617,000.00	\$ 62,000.00
<u>Health and Welfare</u>			
County Welfare Board	407,000.00	608,000.00	201,000.00
Child Care Centers and Juveniles in Need of Supervision	80,000.00	138,000.00	58,000.00
<u>Educational</u>			
Reimbursement of residents for attendance at two year Out of County Colleges	500,000.00	525,000.00	25,000.00
<u>Statutory Expenditures</u>			
Public Employees Retirement System	350,000.00	385,000.00	35,000.00
Total Non-discretionary and Mandated items			<u>\$381,000.00</u>

Testimony on Caps and Mandated Costs presented to the County and Local Government Committee of the New Jersey Assembly by Leanna Brown, Freeholder, Morris County, Past President, New Jersey Association of Counties, March 10, 1980.

Local government in New Jersey is a great resource for meeting the challenges of the 1980's. For too long the 21 counties and 567 municipalities have been regarded by many in Trenton as archaic units hampering the Trenton bureaucracy. As we become increasingly aware that we live in a world of limited resources, we are indeed fortunate in New Jersey to have a network close to the people for the delivery of needed services. The best way will vary in different locations and is best made by the elected officials closest to the people.

Municipalities and counties are essential building blocks. Different combinations will be the key to solving different problems. The creativity and resourcefulness are there if the State will loosen its leash. The Abscam scandal, which highlights human weakness, serves as a reminder of the wisdom of the framers of the United States Constitution in providing checks and balances and a dispersion of government power and responsibility.

Much of the current weakness of county and local government is a result of policies fervently pursued by local officials. No one likes to pay or raise taxes. In the past decade, the trend has been for local and county officials to seek state and federal funding to solve problems. The 1970's proved that the counties could serve as administrative units for the federal government as well as the state. However, in this new decade, several problems with the local reliance on federal and state dollars are becoming increasingly apparent:

1. Federal resources are limited. Since 1972 the federal budget has been unbalanced except for one year. New Jersey has talked nothing but fiscal woe for years no matter how many new taxes are instituted.
2. Power belongs to the provider of the dollars. It is very popular to chafe about red tape, but in some instances we have resisted simpler solutions closer to home or mismanaged state and federal grants.
3. Dollars collected by state and federal government and returned to the localities shrink. The concept of collecting funds and giving rebate checks to specific groups for specific purposes may be fine for garnering votes, but it is poor economics.
4. It is difficult for local officials to be as stringent with federal and state dollars as with funds raised locally.

Among county officials there is much discussion, but not much consensus about mandated costs. Some of us think that without mandated costs we would not have mandated responsibilities. Others believe that if the state took over responsibilities, such as the courts, we would have more time to devote to federally funded programs, such as senior citizen services, transportation planning, urban development, and community development. Ironically, many of these non-mandated or non-traditional programs are now in serious difficulty in Washington.

If counties want to be viable units of government, they have to play their fair share in raising the revenue. At a recent conference in Washington for county officials, talk to this effect was heard. One of the reasons county government is not as strong in New Jersey as in other parts of the country is that we do not collect the property tax directly. That onerous task is performed by the municipalities, thus buffering county officials from taxpayers.

As county officials, we need to question closely expenditures in "mandated" areas. Should a secretary in the court system be paid more than an employee doing

similar work in the Consumer Affairs Office? Because Mosquito Commissions are allowed to spend a certain amount and their budgets have been "approved" in Trenton, can we not still make cuts as Freeholders? The JINS program is the classic example of a responsibility mandated on counties. Because of the experience, many elected officials have erroneously assumed that all aspects of JINS shelters, including staffing patterns, are mandated.

The real question is not whether a function is mandated but whether it is essential, and if so, which level of government is best able to deliver the service and raise the funds. In the past decade mixed funding patterns have been popular. The lure of 75% match at the state or federal level has gotten many a municipality and county into a program it would not otherwise have undertaken. Not only does the taxpayer suffer from this approach, but accountability, which is a keystone to effective use of resources, becomes blurred.

One of the reasons for taxpayer frustration is not only the high rate of taxation but the lack of control and accountability for government programs. If costs of a program are high, we want more of the burden assumed by another level of government. We need to ask instead the difficult question of whether the cost is justified.

The limits on spending for municipal and county government in the short term are serving a constructive purpose. We are examining our operation closely. In Morris in 1980 we have an across-the-board freeze in hiring. We are conserving energy, which helps to keep spiraling energy costs under control. By scrutinizing insurance programs, we have managed to hold the line on premiums. We talk about the 5% cap; yet we know as elected officials because of the formulas involved that the increase is more. In Morris, our 5% cap formula actually allows a 6.5% increase in the amount raised by taxation. Considering double-digit inflation, achieving this is a remarkable accomplishment, but it will still raise credibility questions with the astute taxpayer when he or she studies the new tax bill in August. I am not in favor of modifying the caps.

On the other hand, in the long run, I believe the caps must be allowed to expire if local government is going to be able to cope effectively. Ironically, an outgrowth of caps has been less interest in local and county government. If increases are programmed by the state, why should the local taxpayer attend local budget sessions only to hear a litany to the effect that the officials had no choice.

Local responsibilities are being urged on the state and federal governments at the same time the feds and the State of New Jersey are starting to want to push responsibilities back to the local level. Although weak programs are going to die in the process, which is healthy, something is going to have to change.

In conclusion, if local and county governments are to be strong, as I believe they should, they are going to need the tools to do the job. The local official can be voted out of office. The Trenton bureaucrat cannot. There is direct accountability locally. Let the taxpayer put his or her vote on the line.

With a minimum of exemptions and fair assessment, the property tax is a viable source of revenue. In the large cities, payments in lieu of taxes for government office buildings need to be scrutinized. If government had to pay more of the true costs of building, including property taxes and bonding, maybe it would be less enthusiastic about increasing the bureaucracy.

User taxes and other revenues presently available to counties and municipalities have to be thoroughly examined by local officials. Having taken a local government course for newly elected officials and having been impressed with the importance

of the revenue side of the budget, a councilwoman in a small town recently managed to have the municipal portion of the local amusement tax raised. In New Jersey, the state has taken away sources of revenue from the counties. The collateral inheritance tax for counties needs to be reinstated. State road aid for counties and municipalities is more complicated. Certainly the present policy to fund local road aid through the 1979 Transportation Bond issue is recognized as a stop-gap measure. My preference would be for a percentage of the gas tax to go directly to the counties and municipalities. Tampering with the gasoline tax is considered suicide by New Jersey politicians. I would like Eagleton to undertake a poll promptly of residents to see if they really object to allocating some of the climbing costs of gasoline toward financing needed government services.

We in New Jeesey are at the crossroads as far as the effectiveness and viability of local and county government are concerned. The dedication of thousand of local elected officials and public servants goes unsung. It is high time to realize that many of the solutions to problems are in our own backyards if we will only stop looking for the pot of gold at the end of the rainbow.

