

PUBLIC HEARING

BEFORE

JOINT COMMITTEE ON STATE TAX POLICY

SUBCOMMITTEE ON LOCAL GOVERNMENT

(PURSUANT TO SCR-64)

HELD:

JUNE 27, 1978

HUNTERDON COUNTY

AGRICULTURAL BUILDING

FLEMINGTON, NEW JERSEY

MEMBERS: ASSEMBLYWOMAN BARBARA W. McCONNELL
ASSEMBLYMAN WALTER J. KAVANAUGH
ASSEMBLYMAN RICHARD VAN WAGNER
SENATOR WALTER N. SHEIL

STAFF: J. GILBERT DEARDORFF
PETER F. McHUGH
JAY A. HERSHBERG

I N D E X

	<u>Page</u>
Herman W. Hanssler President of the New Jersey State League of Municipalities 433 Bellevue Avenue Room D-403 Trenton, New Jersey 08618	1
Philip Kirschner New Jersey Association of School Administrators 407 West State Street Trenton, New Jersey 08618	7
Marriott G. Haines, Chairman Tax Study Committee of the New Jersey State League of Municipalities 433 Bellevue Avenue Room D-403 Trenton, New Jersey 08618	9
Helen Mellows Readington Township Hunterdon County Flemington, New Jersey	13
Karl Doktorich Executive Board Member of the State Federation of Senior Citizens Franklin Township Somerset County	16
Joe Stillo, Executive Director New Jersey Conference of Mayors	23
Joseph DiGiacomo, Budget Officer City of Trenton Trenton, New Jersey 08625	28
Joyce Scheuerman, Director Division of Personal Health Services Warren County Health Department	28
Winifred Livingood Home Health Assembly of New Jersey	30
Robert H. McGregor, Business Administrator Township of Mount Olive	34

I N D E X
(continued)

	<u>Page</u>
Joseph F. Shanahan Hunterdon County Citizens and Taxpayers Association P.O. Box 527 Flemington, New Jersey 08822	48
Roy A. Wimmer Mayor of Califon and President of the Hunterdon County Conference of Mayors	53
J. J. Drautman President of the North Hunterdon Regional Board of Education	63
Alice Anne Hauck, Tax Assessor Readington Township	64
Richard Conley, Attorney at Law and	69
Virginia McKenney, Councilwoman Roselle Park Union County	74

APPENDIX

City of Trenton, Fiscal and Budgetary Background, 1970-1977
submitted by Joseph DiGiacomo, Budget Officer for the
City of Trenton

Charts and Tables submitted by Joseph F. Shanahan

Charts and Tables submitted by Roy A. Wimmer, Mayor of Califon

Municipal and County Aid Programs, State of New Jersey,
submitted by L. Stanley Stires, P.E., L.S., Municipal Engineer,
Task Force Member

A S S E M B L Y W O M A N B A R B A R A W . M C C O N N E L L . Good afternoon ladies and gentlemen. This public hearing is being held by the Joint Committee on Tax Policy of the New Jersey Legislature. The Tax Policy Committee is broken into three Subcommittees and this is the Subcommittee on Local Property Taxation that is here today. The purpose of this hearing and there will be several held throughout the State is to get your comments and your views on the caps on spending and some State mandated programs upon our local municipalities and any other tax related issues that you think are important or pertinent to local municipalities. Those of you who wish to speak are to testify or to submit written testimony for the record and if have not already done so I would ask you to come forward and sign up at this time. To give you a little bit of an idea of the time schedule that we are on, I don't think that we are too far off schedule it's five minutes after two and the hearing was scheduled to start at two o'clock. We will continue until everyone, not everyone, some of you perhaps do not want to speak but any of you who do want to submit testimony or make statements we will stay as long as it takes to entertain that as long as it doesn't go beyond nine o'clock. Those of you who might have deadlines to meet you might also give me some indication of that. Otherwise we will try to take you in the order that we have on the list at this time. There are a lot of professional organizations that are here today like the League of Municipalities and County Governments and School Business Administrators but we also want to hear from individuals and from the public so we will try to arrange the schedule where we hear from all groups and individuals. So at this time, I would like to remind you that any of you who do speak your comments will be recorded, it will be part of the testimony to go back to the full Committee and the full Committee then will analyze those recommendations and comments for the purpose of making recommendations to the full Legislature to see if we need to make legislative changes in any of our programs that are affecting local government, local taxation and certainly the caps on spending. So with that having been said unless any of you have any questions before we get started I will call upon Mr. Herman Hanssler at this time who is President of the League of Municipalities to present your testimony. Mr. Hanssler for the record and any speaker hereafter would you state your name, the organization that you are with and the subject you would like to speak on.

H E R M A N W . H A N S S L E R . Thank you, Mrs. McConnell. My name is Herman W. Hanssler, I am a Council Member in Lawrence Township and I am President of the New Jersey State League of Municipalities. I am appearing before this Committee today in my capacity as President of the League, an organization which represents 562 municipalities in New Jersey. One of the most controversial and far-reaching issues facing local governments in New Jersey concerns Chapter 68 of the Public Laws of 1976, commonly known as the "Cap" Law. The "Cap" Law was enacted as part of the 1976 "tax package" on the premise that it would re-assure the public that

government spending could be controlled by prohibiting municipalities from increasing their final appropriations by more than 5 percent over the previous year. Although the "Cap" Law does contain a number of exempted areas of income and expenditure which do not come within the scope of the ceiling computations, local budgets are left at the mercy of various categories of mandated costs which the municipality is obligated to pay for. It is those mandated items not exempted by the "Cap" that have caused local governments the most problems, especially since these costs are increasing yearly far in excess of 5 percent. Some of these mandated costs include such expenditures as: employer contributions to the various pension systems; salary and wage agreements pursuant to negotiated contracts required by the Public Employer--Employee Relations Act; insurance premium payments pursuant to rates set by the Department of Insurance; and, utility billings covered by the P.U.C. and public authority controlled rate structures. For example, in my own community of Lawrence Township in Mercer County, the mandated costs comprised 49 percent of the total 5 percent increase available under the cap ceiling. That means that the effective amount actually available for discretionary appropriation by the municipality is only slightly over 2½ percent over final 1977 appropriations. A recent survey by Robert Casey, Township Manager in Mount Holly provides data for 12 municipalities. (There is a chart attached to the statement I have submitted.) The percentage absorbed by mandated costs, you will note, range from a low of 44 percent to highs, in some cases, of over 90 percent. I am sure that these figures are reasonably representative of municipalities throughout the State. These mandated costs present another serious problem for municipalities. Not only do they represent budgetary commitments which the municipality is obligated to meet, but by unfortunate coincidence, they also involve expense items which have increased drastically over the last several years. My own community's experience again illustrates the problem; Lawrence Township's insurance rates have tripled in the five year period since 1973 and in the same period our pension costs have doubled while utility costs have increased 87 percent. I am sure that this pattern of increase is fairly representative of what other municipalities are experiencing in this period of double digit inflation. This data makes it abundantly clear that municipalities, in fact, do not have access to a full additional 5 percent in which to accommodate either the costs of new services or the inflated costs of existing services. In most cases, our municipalities, therefore, have had to operate on the basis of a 2 or 3 percent growth limitation -- not a 5 percent ceiling as originally intended by the Legislature when it enacted the "Cap" Law. The current 5 percent municipal cap is too stringent; some adjustment such as the variable State "Cap" Act is necessary since the State "Cap" Law recognizes statewide income growth, and thus the 5 percent State "Cap" this year actually allows a 10 percent "Cap" for State appropriations. One may ask, Why was the State "Cap" Act predicated on one basis, and the local "Cap" Act on a different basis? We would not object to a local "Cap"

Law which is based on a similar growth provision as the State law. The New Jersey State League of Municipalities, consequently, has gone on record urging the Governor and the Legislature to exempt three major categories of mandated expenses from the "Caps." They are pensions, utility payments, and insurance premium costs. In addition, the League's Legislative Committee has approved and whole-heartedly supports the enactment of bills currently in this legislative session that would exempt these costs from the "Cap" Law. Since the "Cap" is on municipal appropriations, the General Operations section of the local budget is "capped." Thus "salaries and wages" and "other expense" categories have suffered drastically in the local budget review process, resulting in the discontinuation of numerous programs and personnel layoffs. The 5 percent "Cap" is not on each line item, but rather on the bottom line for spending. By also "capping" the annual Capital Improvements sections of a budget, local units have had difficulty in initiating "pay-as-you-go" acquisition programs. Consequently, since debt service is not subject to the "Cap," many municipalities have resorted to bonding for services that heretofore were considered inappropriate expenses for bonding. If "pay-as-you-go" financing continues to be disregarded, the Division of Local Government Services assures us that our bond rating would be adversely affected in the future. The original rationale for the limit on spending is essentially sound. Economy in government on all levels should be an obvious goal, and it is a goal that has gained increased public attention in the wake of the passage of Proposition 13 in California. The municipalities of New Jersey can function within the framework of a "cap" limitation if that limitation is a realistic one. New Jersey's existing "cap" mechanism is not realistic for the reasons that I have outlined. It can be made workable, however, by modifying the ceiling to exclude the mandated costs which presently absorb much if not most of that growth potential. I would like to make one additional observation on a fiscal matter which is not specifically a cap problem, yet relates very closely to it. The New Jersey State League of Municipalities for many years has been on record in opposition to the imposition by the Legislature of additional mandated costs to municipalities unless additional revenue sources are also made available to fund those new costs. I am fully aware of the fact that the "Cap" Law, as presently written, does exempt mandated costs resulting from legislation enacted after the effective date of the "Cap" Law from the computation of the 5 percent ceiling. While these costs do not absorb tax dollars that must be considered under the cap ceiling, they most certainly do still represent additional tax dollars which must be raised by the municipality. We have all heard a great deal lately about Proposition 13 and taxpayer revolt, so I do not want to dwell on it. However, I wish to remind you once again that when the State Legislature enacts legislation requiring additional expenditures on the local level, local elected officials who, let us not forget, share the same obligation as guardians of the public trust with the State Legislature, are placed in the very difficult and unfair posi-

tion of having to face the taxpayers' wrath resulting from tax increases over which they have no control. I therefore urge you to take into consideration the impact of any mandatory legislation that you enact on the local elected officials and on the taxpayer. Thank you.

MC CONNELL. Thank you Mr. Hanssler. Just a couple of questions. If mandated costs were exempt from the Cap Law, can you give me some idea of what percent of spending we are talking about at the local level. What percent of spending would be outside of the Cap Law?

HANSSLER. I do not have those figures before me. However, a breakdown of the study made by the Manager of Mount Holly, will indicate very clearly that the mandated expenses make up a large percentage of the cap differential that would be allowed for the particular communities that are listed in the schedule. I indicated earlier it went up over 90 percent. Actually, it goes up to 98 percent for the community of Cedar Grove. And that leaves very little leeway for the normal expenditures that one would expect from the growth of any community. If this community does not enjoy any growth in its ratable base, than they will be caught in a fiscal vise, so to speak.

MC CONNELL. So you feel that certainly these mandated costs constitute way over 50 percent of a municipality's expenditures.

HANSSLER. In the exhibit that was prepared, not on a statewide basis, but in the exhibit that was prepared it indicates very clearly that these mandated costs are comprised far in excess of 50 percent of the cap allowance, cap increase for a particular year.

MC CONNELL. Mr. Hanssler you referred to Proposition 13 and I am sure you are not going to be the first that is going to refer to it this afternoon because I think the people are crying both for tax limitations or for limitations on expenditures. I think New Jersey was one of the first States in the country to impose tax limitations at the local, county and state level. I think the attitude of the public probably is that today that they are very concerned about the excesses of government at all levels and that their attitude, I guess if we took a poll might be in favor of the caps on spending. How would you rationalize that because every individual has insurance costs and sort of mandated costs in their private lives. How would you rationalize that from a municipal point of view?

HANSSLER. I would just like to start off by saying one can be penny wise and pound foolish. And just to sort of make the point, let us take a community, Cherry Hill Township may be a good example. They had severe damage done to their roads, as many other municipalities throughout the State. Now the governing body and the residents in the area decided that they are going to let the necessary repairs go so that they can live within the cap limit. Well, I say if every municipality were forced into a situation like that it would invite additional expenditures of capital revenues later on because the roads are not being maintained, they will erode more quickly if they don't have the bear maintenance that is required which will mean additional capital expenditures, maybe

two or three years down the road or maybe even a year down the road, at inflated prices. And if we look in the papers today, we hear the talk about double digit inflation and we are going through it. All we have to do is go into a supermarket and we realize what is taking place. Besides that, while these roads are in that damaged state, it invites accidents and the cost involved the social cost to the people that incur damages to property let alone perhaps injury to individuals and the loss of a life which could happen. Because of the fact that, I know another community which I will not name at this time, which community allowed its roads again to deteriorate and had a great deal of difficulty getting insurance. Now if they can't transfer their tort liability, than any damages that are incurred will have to be borne by the community. Again I say, it is a matter of being penny wise and pound foolish.

MC CONNELL. Just one other question, Mr. Hanssler. You do feel that the caps on spending are forcing, so to speak, municipalities to go into bonded indebtedness and to pass these costs onto future generations rather than to adhere to the pay-as-you-go kind of formula that we had in the past.

HANSSLER. Yes. And not that bonding is a bad vehicle to finance a community's program, but many communities throughout the State took great pride in the fact that they were able to carry on a reasonable capital program for that community on a basis of annual appropriations. To many people that makes sense. You don't have financing costs. And it makes even more sense today, if they were not forced into the position of having to go out and borrow money at the extremely high rates and its a means of trying to circumvent the Cap Law. I think the Legislature should be fully aware of these devices that are being utilized and also be aware of the fact that the Cap Law when it was enacted indicated that it was an experiment. And we should now at this time start to make adjustments, so that if it will be extended in the future beyond the year 1979 I believe, that we will have a more realistic law which we can live with.

MC CONNELL. Well, I think that's one of the purposes of these publichearings on the Joint Committee of Tax Policy is to get this kind of input, not only on the Cap Laws, but other areas of Tax Policy in the State of New Jersey to see what changes and alterations need to be made in some of our laws.

MC CONNELL. Mr. Hanssler, thank you so much for coming.

MC CONNELL. Let me introduce, this is Gil Deardorff, Staff Aide to this special Tax Policy Committee and also the Assembly Taxation Committee of the Legislature.

DEARDORFF. Herman, just a couple of things. By way of comment that, not just for yourself, but for your whole organization plus other people that are here, when the Cap Law was written, it was written with the purpose of excluding insurance, pensions and utilities, but an unnamed bureaucrat in the State decided that it would go within the caps and unfortunately was upheld by the

Attorney General. Because we discussed this very specifically in the Committee when the bill was written and having written the bill I know what went into it and what thinking went into it. To get on to another point, as you know, I am also a resident of Lawrence Township, and Lawrence Township is a growing community, as compared to Trenton for instance. What has the growth meant in terms of living within the cap? Now, as you know in the Cap Law, any increase in ratables allows you an increase in what you can spend based upon the tax rate on those ratables. Now, conceivably, if the growth is one which is causing a lot more expenditures, then perhaps you're really falling behind, but if the growth is one which is giving you a little more money to do pretty much what you were doing the year before, then you're ahead. What is the situation, for instance, in Lawrence, in that regard?

HANSSLER. Well, we're fortunate in Lawrence because we have benefited to a very substantial extent as you know Gil, in commercial and industrial development. So we don't feel the pinch. But even under those circumstances, we realize that other communities who have not been so fortunate must be going through the "ringer" so to speak, and so, so that they can operate in a business like manner and do what is right by the people without denying them services we are very anxious to see that the Cap Law is modified in a reasonable way. Right now we think it is unreasonable. I would just like to, if I may, without belaboring this point, pass on two observations which I picked up during the past year in dealing with fellow officials. In one case, a library system which had been in effect for years and years and as we all know it takes years and years to develop and build-up had to be closed because of the caps. In a stable, affluent community, I will not name them, in other cases, the police departments had to be cut-back, public safety programs had to be cut-back, essential programs because of the caps. So I think we must take a realistic look at this and make the necessary adjustments. I happened to pick up some bills yesterday which deal with the cap situation, and there are quite a few of them. It's amazing how many different costs can fall on a community and cause a problem with this Cap Law. Snow removal is one. Last winter was bad.

MC CONNELL. There were a lot of bills introduced during the winter. Not only to review the caps on them but to impose a tax to take care of it.

DEARDORFF. Does the League have any, I don't know whether they would because it is sometimes a unique thing with 567 municipalities affected in varying ways. Does the League have any, have they developed any idea of what type of Cap Law, because you are going to have a Cap Law, I don't think there is any doubt about that, but have you developed any ideas to what type of a Cap Law you think that you can live with? You mentioned the State caps would you think I was approached this way by one local officials? Suppose we went into the State cap situation. I don't think we can do it so much on income as we would have to do it perhaps on the consumer

price index, or something like that, because the income varies so greatly between municipalities that a poor municipality as a low income municipality would have a much tougher time than an affluent municipality. It would help in Essex Fells and it would hurt a City of Orange. But has the League come up with any ideas. This person said to me, "let's put like an 8 or 9 percent cap and nothing's excluded?"

HANSSLER. We haven't come up with a position such as you have indicated. Our position at this moment in time is we would like to be able to have a Cap Law identical to that which the State has and if we can't have that then we would, at the very least, want the mandated costs involving pensions, insurance and utility charges, electricity as well as telephone charges, we would want them excluded. In that regard, I would like to make this observation. These charges are actually regulated by the State. So in effect, the State is passing the charges on to us and then if the increase is passed on by the State to say well you still have got to live with that and if it goes up, tough, you have got to cut something else. Well, I think that's an arbitrary way of handling it.

MC CONNELL. Well, they are also being regulated and passed on to the consumer too and they have to live with it too.

MC CONNELL. Mr. Hanssler, thank you so much for sharing your views with this Committee.

HANSSLER. Thank you, Mrs. McConnell.

MC CONNELL. Is there someone here from the New Jersey Association of School Administrators, Mr. Kirschner? If not, I would like to present this written testimony as part of the record of the School Administrators.

PHILIP KIRSCHNER. The New Jersey Association of School Administrators, representing the top management personnel of the local school districts appreciates the opportunity to share with you our perception of some of the major issues before you.

CAPS. Local school districts currently operate under a CAP formula which sets the cap at 3/4 of the rate of the annual growth in statewide equalized real estate valuation. It is our contention that this formula has proved to be unstable and has led to serious disruptions of the educational programs in our local school districts.

When this CAP formula was first devised, it was reasonable as the growth in real estate values was consistent and high enough to permit reasonable growth and to enable us to adequately implement the programs required under T & E. Since real estate values were growing at a rate of about 12 percent a year, 3/4 of this growth was utilized in the formula so as not to have an unreasonably high CAP.

However, statewide growth of real estate values have plummeted every year since then to the point where they are now at 7 percent. The result has been that the average statewide cap

on school districts has dropped from 8.8 percent in 1976-77 to 7.2 percent in 1977-78 to 5.4 percent for next year. Preliminary indications from the Department of Education project average caps for 1979-80 between 4.0 and 4.5 percent with many districts at 2 - 3 percent.

As you can see, the recent CAP figures are far below the rate of inflation which was 6.8 percent in New Jersey last year and is creeping upward. The CAP is dropping below inflation at a time when the local districts are being required to implement many new programs under T & E and federal law. This has frustrated our efforts to provide a thorough and efficient education. We cannot even maintain the programs we have, nonetheless implement new ones.

The result of overly restrictive CAPS has been large increases in class size and teacher/student ratio, reductions or outright elimination of such programs as art, music, foreign languages, extracurricular activities and maintenance of facilities. The quality of programs have suffered and districts have been unable to expand programs that are working well or implement new and useful courses of study.

We do not believe this was the intent the Legislature had when it first implemented caps on school districts. We are only asking for a cap formula that at least lets us maintain our programs in the face of rising inflation. We suggest that the formula be changed to provide for 3/4 of the rate of growth in personal income rather than real estate values. Personal income is a much more stable indicator and is attractive in that growth in personal incomes pre-supposes a better ability to pay for school programs than does growth in real estate values. As administrators we urge this committee to seriously consider some changes in the CAP so that educational programs do not continue to suffer.

STATE MANDATED PROGRAMS. We urge this committee to recommend legislation which will require that mandated State programs which must be implemented on the local level be accompanied by adequate State funding. The Legislature must realize that if it mandates a program, but requires the local district to raise the funds, something valuable but not mandated, must be reduced or cut. As outlined above because of tight caps, we do not have the luxury of absorbing these costs into the budget.

STATE TAXES. The New Jersey Association of School Administrators was one of the first groups to enthusiastically support the income tax as a better way to help pay school costs. We believe very strongly that property taxes cannot bear the brunt of school financing. Income is a much better indicator of people's ability to pay that property. Our experience also shows that the local voters are resistant to supporting public school budgets and the public schools when the bulk of the money is to be raised through local property taxation. The budget approval rate has risen from an average of 50 percent from the pre-income tax days to 80 percent at the current time.

Therefore, we urge this Legislature to gradually increase the State share of local educational costs from the current 40 percent to 50 percent. We know this will be expensive and will not happen overnight, but this will ease the pressure on the property tax increases and result in more public support for our schools.

NJASA also believes that the Property Tax Relief Fund should remain dedicated to its present purposes. Again, continued property tax relief is essential to support of our public schools. We do not support making funds available from the Property Tax Relief Fund to make up shortfalls in the General Fund.

Thank you again for the opportunity to share with you the views of our organization.

MC CONNELL. Mr. Marriott Haines, Chairman of the League Tax Study Commission. I don't think I introduced myself to you. I am Assemblywoman Barbara McConnell a member of this special Joint Tax Policy Committee and I also happen to represent the area that you are in today, the 14th Legislative District.

MARRIOTT G. HAINES. Good afternoon. My name is Marriott G. Haines. I have been a Tax Assessor for over thirty-two years and have served in that capacity for the City of Vineland since 1959. I am appearing before this Committee today in my capacity as Chairman of the Tax Study Committee of the New Jersey State League of Municipalities, which position I have held for the past four years, and for six years prior served as a member of that Committee.

It was my privilege to serve as a member of the New Jersey Tax Policy Committee under Governor William Cahill. During the deliberations of that Committee it became evident that if the burden of real property taxes was to be lightened, limitations to public spending would have to be enacted into law in such a manner that the services to be rendered for the public benefit would have to be restricted without adversely affecting the benefits derived therefrom. While no action was immediately taken in bringing about such a limitation, finally, in 1976, Chapter 68 was enacted as part of the "Tax Package" to place a "CAP" on public spending.

In setting up this limitation the Legislature placed the limit on the bottom line of the annual budget rather than apply it to specific line items. While this method accomplishes the purpose for which this law was enacted, administering it within the mandatory guidelines has created problems for our municipal officials on the local level.

My concern is directed at including in this method those mandatory items over which our municipal officials have no control, such as insurance premiums, pension plans, utility costs, social security contributions and long term salary and wage adjustments negotiated under the PERC Law.

As you are well aware the budgetary items just listed, in some instances, will more than eat up the five percent increase, leaving no room for providing for any increased costs for other services. The following example is given to illustrate the point that I would like to make. The City of Vineland has a geographical area of slightly less than 70 square miles. We have approximately 500 miles of City roads and streets. The last two winters were exceptionally hard on the surface of our road and street mileage. It has been impossible for us to adequately repair the winter damage and provide normal maintenance and stay within the limitations, as called for by Chapter 68. If steps were taken to remove the mandatory items, as previously referred to, from the "CAP" Law, it is believed we could repair the damage caused by the severe winters and still stay within the mandatory "CAP" limits. It is understood that many other New Jersey municipalities are confronted with similar situations. We are desirous of seeing the real property tax burden reduced. We are in agreement with the Legislature's attempt to see that this burden is lightened. In view of situations arising over which we have no control, whereby emergencies are created, as the result of natural causes, it is respectfully submitted that some action should be taken to provide local government with a means of solving such problems without having to curtail local services. To that end you are urged to consider removing the mandatory items from the "CAP" limitation. Thank you.

MC CONNELL. Thank you, Mr. Haines. You mentioned in your statement that you were a member of the Cahill Tax Policy Commission, and I think that Committee happened to have done a very fine job. Perhaps I have missed your comment in your testimony, but did the Cahill Tax Policy Committee envision that the caps on spending would include mandatory costs, Mr. Haines?

HAINES. I don't recall what our exact recommendation was, but it seems to me that we did recommend something along that line. I am not sure of the exact percentage. Whether Gil would recall, was it 3 percent? I thought there was a limit.

MC CONNELL. You envisioned a 3 percent limit?

HAINES. Yes.

MC CONNELL. On spending.

HAINES. Yes.

DEARDORFF. Of course, that was prior to the oil embargo that started all of this.

HAINES. Yes, that's right.

MC CONNELL. To deviate just a little bit from the caps, because I am fascinated that you were on the Cahill Tax Policy Committee, and recently studied that and also the Leone Tax Policy Commission, how do you feel about some of the Legislature's actions on the recommendations made by that Committee?

HAINES. I'm very pleased.

MC CONNELL. Would you care to point out a few that you might recall right off hand the recommendations that the Legislature have accepted.

HAINES. I was very pleased to see that our recommendation for a State income tax was adopted, because that is the direction we should be taking to alleviate this real property tax burden, because until we get a broaden tax base, there is no possible way that either the State the counties, or the municipalities can maintain the services that we have become accustomed to and look for from government. When I say government, I am thinking of all three levels. And lighten the burden of real property taxes, because New Jersey has a history of being a property tax State, and having been in this public life for many years now, it's very easy to draw up a budget and after you have added up all of your anticipated revenues and added up all of the appropriations-- say well, we'll ask our local taxpayers to make up the difference. It has just caught up to us, and I think the inflationary trend that we have been through and are still going through points that out. It is a weak point of our present system.

MC CONNELL. Thank you for those comments. Being an assessor I thought you might comment on the recommendations made by the Cahill Commission having to do with their State's Tax Review System calling for full-time tax court, upgrading professionalizing the Offices of Assessors and County Boards of Taxation. I'm sure you're familiar with what the Legislature is trying to do this year in that regard.

HAINES. I am, and I was glad to see the tax court was finally established and as your cohort there knows, I am very much intrigued in seeing the methods of selecting our assessors changed. I want to see the Office of Assessor removed entirely from the political arena. I was a strong component of the Professional Program which was enacted in 1967. I think it is a step in the right direction. I have some more thoughts that I will express at the appropriate time to improve the quality of assessing. Removing them from the political arena, in my opinion, is just the first step. So that I am pleased to see how many of our recommendations that were made in 1972 have become law, and I believe that more of them are on the way.

MC CONNELL. Thank you. I really draw this out on you Mr. Haines, to try to make a point here that these special Tax Policy Committees and these public hearings do not fall on deaf ears. I just appreciate your reinforcing what I was trying to say there. Thank you. Mr. Haines. Do you have any questions?

DEARDORFF. Marriott, you and I have talked many times about many things concerning assessment and review. But for the record, do you think that there would be any improvement if we changed the basis on which the local assessor worked, say what the Tax Policy Committee recommended for a regional assessing districts or county assessing districts. I've been working very closely with the Province of Ontario which you know is a very large Province in area and also in popula-

tion, and they do it on a province-wide basis. It took them about five years to phase it in and it has become very successful. Or do you think that really we need the assessor to be a local individual?

HAINES. I am glad you have asked me that question, it will give me a chance to speak my most recent thoughts on that matter, because as you have indicated, you and I have discussed this. I am now convinced that eventually we should place all assessing under State supervision. I am going to give you two examples. First is the State of Maryland. New Jersey has been a pioneer in improving our methods of assessing and Maryland has been a close second. In 1976, I believe it was, after all the problems that Maryland had gone through insofar as their assessing procedures are concerned, they transferred all assessing to the State. Including the assessor, their staffs, and everything. The junior past international president, Mr. Ships and I discussed this on many occasions, as a matter of fact he sent me a couple copies of their laws, and after they revamped the salary procedure, he says it's doing very well. It has improved the quality of their assessing it also increased a number of tax appeals but after they got this salary situation squared away it has worked much better. Our newest State, Hawaii, while they were a possession of the United States, had the privilege of sending their tax representatives and assessors to our annual conference of the IAAO, namely, the International Association of Assessing Officers. And as they were approaching statehood, they took into consideration many of the problems that we were having here in the continental states, and I heard Commissioner Byrne state that when it comes time to adopt their state constitution, and so forth, they decided to put all of the assessing on the state level, and I have heard him make at least two reports since then. He said it was a tough decision that he had to make at that time, he was glad they made it and they have no intention or desires of ever reverting back. There are three unders that we here in New Jersey are confronted with. First of all, and I know there is some taxpayers standing or seated in back of me, they probably aren't going to like what I am about to state but these are my convictions over 31 years in this work. On the average, the New Jersey assessor is underpaid. The second under that I would bring to your attention is that he is under-equipped. It is most difficult for us to get the proper equipment from our town fathers on a local basis to do the work that we are now charged to doing. The third under is those of us who are working on a full-time basis are understaffed. I think that if this entire phase of local government was transferred to the State level, and we explored at what the State of Maryland has accomplished in the short time that they made the transition, we would be far better off. Because there is one phase of assessing that we have not made the progress that we should make, insofar as New Jersey is concerned particularly, in view of the fact that our local tax levy this year is over \$3 billion, now that is big business. It's by far the largest tax levied in the Garden State, and I am thinking this.

We are in the computer age. After the State of New York required their taxing districts to spend over \$100 million in conducting profession and revaluations, they found out that their level of assessing was no better after that tremendous expenditure than it was before. So what did they do? New York State turned around and developed a Computer Assisted Assessing Program. Now I have heard various estimates as to what it costs. Some as high as \$30 million. But they have developed this program. They have made it available to the taxing districts of the State of New York, and I certainly recommend that New Jersey do likewise. I understand through the Local Property Public Utility Tax Bureau that some progress is being made in that direction. But ladies and gentlemen I urge you to give that very serious consideration, because the burden is too great, the demands are too great, and keep in mind that New Jersey is now the most highly densely populated in the State. We are losing 50 acres of farm land per day to development. Just realize how much additional work this means for your local assessors to keep this up. I hope I haven't taken too much of your time, but you asked me for a comment and I have said a lot more than I intended to when I came in here and I do appreciate this opportunity.

DEARDORFF. Marriott, I think what a great many people feel about the centralization of things is that you create an impersonal bureaucracy that the ordinary citizen has difficulty dealing with. Whereas, of course, one of the problems with the part-time assessor, is that many of them even part-time assessors do excellent jobs in many instances. But they are paid such a pitiful amount of money that they can't be expected to put much time into it. And part of the problem I think is, is if you have it at the local level, should be to have the Assessors' Office opened to the public. Would the centralization of assessing at the State level not eliminate this and again rather than fighting City Hall you would be fighting the State House, so to speak.

HAINES. Well, here again, I am going to refer to the system set-up by the State of Maryland and Mr. Ships told me that they have had no problems. As a matter of fact, as I stated earlier, he told me this that it did increase the number of tax appeals that was set up on a regional basis, and incidently, you know we do have statutes in this State right now to provide for putting all assessing on a full-time basis. And there again, I think the municipality should be thinking about that because we definitely have too many taxing districts in this State. No question about that.

MC CONNELL. Mr. Haines, thank you so much for coming and sharing your views with us.

MC CONNELL. Is there an H. Mellows, Housewife? Would you like to come forward and say a few words.

H E L E N M E L L O W S. My name is Helen Mellows and I am a housewife. I really didn't expect to speak today, but I read a lot and being a housewife, I have my problems. I am upset because we pay too much taxes. And very few people cannot complain. Although I know all my

friends do. We're too busy, too busy working. That's why you don't hear from us. But we get resentful when we see all of these new programs for people that don't work, that don't save, and that don't abide by the law.

MC CONNELL. Well, I know that's a concern. Obviously, you took the time to come out and state your views to this Committee and we certainly appreciate your views. How do you feel about the caps on spending at the municipal level? Do you feel that they have done any good, insofar as keeping spending down at the local level?

MELLOWS. Well, I thought that my property taxes weren't going to go up. At least the Governor said that they weren't going too. But they went up.

DEARDORFF. What municipality do you live in?

MELLOWS. I am in Readington.

MC CONNELL. Hunterdon County

MELLOWS. I think they went up a little. I am not exactly sure. But I see all of the waste in government. For instance, I have just heard people saying now, without denying services, what is the matter with denying services? When are we going to start thinking the other way down. Another one said down here, what we're accustomed to. Maybe I don't want to be accustomed or we should go the other way down. Turnaround. You know when you have to work and work many hours until about the middle of May to pay taxes and you see all of this waste, \$37 wastepaper baskets they're buying. I mean that's just a small item but you hear on the radio. Politicians talking. Oh! That's just a small amount of money. Well, to them maybe it's small but to the average person that works so very hard and you're penalizing us.

MC CONNELL. Those little amounts add up.

MELLOWS. Little amounts. And what I don't know about or what I haven't read about. I mean I just happened to get this magazine today. I don't have time to read this. But look at this -- The Great National Rip-Off. How people cheat and steal \$25 billion a year from the government. Who's paying for this, but me. You hear, I just happened to read, where the Department of Health, Education and Welfare, they can't find \$7 billion. They don't know where it went to. I have worked for counties, for states, for the federal government, for veterans, and I saw the waste in government. And I have worked for private companies before. The difference. The mentality.

MC CONNELL. I think all of us are aware that certainly there is waste at all levels of government.

MELLOWS. I know. But they ridicule us. You read the newspaper, you hear that they ridicule us. They think that we're not very smart. What do they say to us? Oh! We're going to reduce essential services -- to try to frighten us.

MC CONNELL. But you understand, you were talking about that we can do without. You made the statement, you feel maybe it's time that we did without certain services, that it's time that we did without those things that we are accustomed to. Have you given some thought as to the kind of services that you feel you could do without in either the local level or the State level. Police protection, fire protection, those kind of services.

MELLOWS. I think about a lot of things when I am scrubbing floors and cleaning. I know so many cases of welfare fraud. So many people collect unemployment that have no business but the government is encouraging the citizens to be immoral, they're encouraging us to cheat, to steal, I see it all of the time. I am very aware of what is going on. And they penalize those of us that work hard. Now this is national. But for instance, when our parents came over from the other side, we followed the laws, but now they open the flood gates for illegal aliens. It's alright to do things that are illegal. And then what do they do. They pay them for them. For instance, a girl, now it's not nice to say illegitimate, it's not nice to say the word, but I'll say it. Instead of them trying to pursue people, girls, from not having illegitimate babies, what do they do. They say to this person, you have one baby and I'll give you \$300 a month. This is just out of my head. Oh, you have two and I'll give you \$500. They encourage it. But the poor child is born. What happens to that child? He's the one that ends up murdering somebody out in the streets.

MC CONNELL. Mrs. Mellows, I can appreciate your concerns. You're talking about a lot of problems that originated at the federal level but what basically what you're talking about is citizens concerned over waste in government and excessive spending. And the fact that it's true, so many of our taxpayers work long and hard for the money that they get and the dollar is not going as far as it used to and it's causing a great deal of disenchantment and concern among the taxpayers and the public. I don't mean to cut you off, because your views are very important. But this is a Subcommittee that we are trying to confine our remarks to local taxation at the local level and those kind of state programs that are imposed upon the local municipalities.

MELLOWS. Well, it exists in this State.

MC CONNELL. Certainly it does exist in this State. Do you have any particular concerns in your local municipality. Waste that perhaps you see there or caps on spending or school aid formula or those kind of things that you might like to share with this Committee.

MELLOWS. I am not a student of my local government. As far as schools are concerned, I think the education costs too much. There's a lot of waste in education, having me being a former teacher. I think the salaries are too high.

MC CONNELL. Do you feel as a taxpayer and a citizen, you have any recourse to that kind of thing voting for school board members, or voting on school budgets at the local level which the tax-

payers can do. Do you feel that you do have some say in the budget making process?

MELLOWS. Yes, I have some say. But what upsets me is that the other citizens are too busy, really, to read, to become aware, and I feel everybody is complaining about the same thing, but there's not enough of people doing something about it. So that you have these pressure groups that are taking advantage and they're the ones that are being listened to, not us poor people that are paying their way.

MC CONNELL. So what you're saying and admitting is that the representative form of government can work but not enough citizens are participating by voting or by speaking out.

MELLOWS. Because they're too busy working to pay the taxes.

MC CONNELL. So you don't have time to spend.

MELLOWS. We laugh, but that's the truth.

MC CONNELL. I really appreciate your coming Mrs. Mellows. Your views are very important to this Committee and I think your expressing the sentiments of a great many people in this State and this country. I think that's what Proposition 13 was all about and I think the politicians of this State and elected officials had better wake up and pay attention to these kind of comments. So I really appreciate your taking the time to come. Thank you so much.

MELLOWS. Thank you.

MC CONNELL. At this time, I'd like to, see housewives have a lot to say, I'm a housewife. They have some very good points to make. I would like to call on Mr. Doktorich and Mr. Ferrarra. I think both of you can come forward at the same time. Just one of you want to speak? Just one, OK. Would you state your name and the organization that you are representing or yourself if that's the case.

K A R L D O K T O R I C H. I am a statewide Executive Board member of the State Federation of Senior Citizens and so is Mr. Ferrarra. If he feels like talking, he'll talk, if he don't, we don't want to talk on the same subject and waste your time. Now, I myself am a member of the Tax Task Force of the Federation and the most recent meeting we had was a week ago last Thursday in Trenton, and being a new organization we still are trying to learn how to walk. We had been approached by two organizations who wanted us to join them in a coalition in attacking the caps. Those people had one purpose in mind and we have another. The other two organizations want to do away with the caps for the simple reason that they will be able to get whatever increases they possibly could connive, threaten or impose out of the state, local, county and municipal governments. We are not interested in that. We are strictly seniors. And we are greatly disturbed over the fact, the seniors in the State of New Jersey must pay local property tax not only local property tax but school tax. My own tax bill which I received last Thursday, on a five room house located on a 37½ x 100 lot is \$796.23 for the year of 1978.

MC CONNELL. Mr. Doktorich, what Township are you in?

DOKTORICH. Franklin Township, Somerset County. We came to this meeting due to a notice that our association received, that for Somerset County and Hunterdon the hearing would be held here by the Subcommittee.

MC CONNELL. This is a Statewide hearing so any County can participate.

DOKTORICH. In other words, each area is suppose to take care of their own, and that's how Mr. Ferrarra, myself and fourteen other members of our Senior Citizen Club in Franklin Township, incidently, we do have lady members, despite of the fact that sixteen of us are here as men.

MC CONNELL. They do get to be Senior Citizens too. I'm sorry to hear that.

DOKTORICH. Our membership happens to be 300 ladies and 50 men. So we are somewhat outnumbered.

MC CONNELL. Right. Well, you were going to tell us about your tax bill.

DOKTORICH. So my tax bill is \$796.23. Of that amount \$527.04 is school tax. According to Article 8, Chapter 4 of the State Constitution, it says, "It shall be the duty of the Legislature to provide a thorough and efficient education to all children in the State between the ages of 6 and 18". Then why do I have to pay this ridiculous school tax. Several years ago when the Boddard Decision from Jersey City wound up in the State Supreme Court, the State Supreme Court says, that it is unconstitutional to finance free public education by local property tax. Now why am I paying this \$527 school tax when I haven't had anybody go to school in 23 years. And our school board has no cap on it, and this is where our complaint is. And this is one of the principal reasons that we came to this hearing. Because the Commissioner of Education before the voters even voted on the school budget granted our Board of Education an increase of \$1,100,000 over the cap, and never had a public hearing on it. The Commissioner done the same thing to us in 1977-78 school year. He granted them \$700,000 over the cap. And for the next school year which is going to be 1979 and 1980, the increase is going to be \$1½ million, because the School Board negotiated a contract with the teachers and the administrators that they didn't give them a percentage increase. They had a consulting outfit to negotiate for them, and these so-called consultants have to leech on the public because they don't want to work for their own living. So they negotiated a contract whereby they set salaries for all grades of the teachers, and then they automatically upgraded everybody the following year. And that's why they needed \$700,000 more last year than this year. Now, the next school year is \$1,100,000. And the next following school year is going to be \$1½ million over the cap. Well if the Commissioner of Education can turnaround and hand out taxpayers' money, he's picking our pocket. He is a pick-pocket! That's just exactly what you can call him. Because they never even so much as bothered

to hold a public hearing. They just told us that you're going to pay it whether you like it or not.

MC CONNELL. OK. To try and answer your question although this is not a form this is a form for us to get your views and not so much for me to answer the questions on these particular problems.

DOKTORICH. Has he got the right to do what he did?

MC CONNELL. Yes. There is a review process under the Cap Laws for the School Boards. Any School Board who feels they cannot live within the spending limits imposed upon them by the State Cap Law, can by showing need to the Commissioner of Education, ask for a review of their budget, if I am correct on that. And there had been several instances in the State of New Jersey, several School Boards in various municipalities who have appealed to the Commissioner of Education showing financial need for going beyond their imposed cap, and it has been granted. You're absolutely right in some cases. Now whether or not he is required to hold a public hearing, he's not. It's a review process. He's not required under the law to hold a public hearing.

DOKTORICH. They why do they have the taxpayers and the voters go out and vote on the school budget? It's a joke! It's a mockery! I mean don't misunderstand me. I think you're a lovely person.

MC CONNELL. And you know that I didn't grant those increases. Correct?

DOKTORICH. I know you didn't. But this is ridiculous. And then the man is suppose to be a Commissioner of Education in this country, and he's over there gallivanting in China. Now why? I don't know. What is he doing over there? Is going to turnaround and study school systems in China and impose it on us? It just doesn't make sense. And I just want to give you a very vivid example. That in 1972 our school enrollment was 6,798. For 1978, at the present time, we got 5,503. But our school budget is \$3 million more for this school year than it was in 1972. Then we had 6,798 students. Today we have 5,503.

MC CONNELL. Excuse me. Is this in your county, your municipality?

DOKTORICH. No. This is municipality by itself?

MC CONNELL. Franklin Township.

DOKTORICH. Franklin Township. The mailing address is Somerset because there are too many Franklin Townships so they decided to give it the Post Office. I don't know why, but they did.

MC CONNELL. Alright, go ahead.

DOKTORICH. So at the same time, when we had that many students in the school 6,798, today we have 5,503, they had 361 regular teachers, today they have 326 regular teachers. Now in 1971 they had 12 special education teachers, today they have 33 of them. And this is where the gimmicks are. These people hire educators, they don't hire teachers. They hire educators. Intellectuals,

egg heads, professors, psychologists, philosophers and they have a number of names for them. They hire all of these special people and what happens our teacher's budget turns around and rolls over \$1,200,000 over last year, and the enrollment goes down. And then the Commissioner turns around and holds a private hearing for them, and grants them an increase, and they tell us ahead of time don't vote the school budget down because we're going to go to the Commissioner he's going to give it to us anyhow, and he did. The only thing is, the Commissioner denies that he gave it to us. He says one of his assistant commissioners gave it to us. A man by the name of Calabrese -- and he really CALABRESED us beautiful! So this is our primary beef. Why 7 percent in the first phase. And number two, how can he turnaround and arbitrarily, I say he's nothing but a pickpocket. Because he's just simply picking our pockets because we have nobody else to go to, because nobody in Trenton listens to us, and that's why we come to you.

MC CONNELL. Well, I'm awfully glad you did. You're entitled to your own personal opinion as to what you like to call the Commissioner of Education. But he does have statutory authority to do what he did. I'm not saying that that's right or wrong, I'm not saying that perhaps the system should not be changed, but he does have statutory authority.

DOKTORICH. Mrs. McConnell, have you ever attended a State Board of Education public meeting?

MC CONNELL. No sir, I have not.

DOKTORICH. Have you ever been sneered at in your life? Sneered?

MC CONNELL. Many times! Many Times!

DOKTORICH. Well, you've never got sneered until you go to a public meeting, incognito though. Don't let them know who you are. Just go there. And if you ever got sneered at, you're going to get sneered at when you're going to try to ask them questions. Because you can't ask them no questions.

MC CONNELL. OK. Let's try to focus in on what are your particular concerns because you are here representing the New Jersey Federation of Senior Citizens.

DOKTORICH. Our concern is the fact that the Commissioner of Education sandbagged us. He's not cheating, he just sandbagged us.

MC CONNELL. OK. But let's talk about it specifically because this is going to go into the record. You're concerned about the high cost of education and the fact you have raised the question as to why Senior Citizens have to pay property tax. Number three you're concerned about the Boards of Education, the method by which they can go beyond the caps on spending by appealing to the Commissioner of Education, and by having a review and hearing before the Commissioner of Education, he may or may not rule that they can exceed those caps. Is that generally what your testimony what your concerns are before this Committee.

DOKTORICH. That is just about what it is.

MC CONNELL. OK. Could I ask you just a couple of questions.

DOKTORICH. I'm not finished yet.

MC CONNELL. I know, you want to ask me questions. I'm trying to reverse the situation.

DOKTORICH. You can ask all the questions you want to because I'm old enough to answer them to. We also want to complain about our very own government. Because in our own municipal government they play ring-around-the-rosy with caps. They have more loopholes than a honeysuckle. They are loaded with it.

MC CONNELL. OK. Let's talk specifically of what those loopholes are.

DOKTORICH. Well, I'll just give you an example. Back several years ago, our Township was ordered to install a sanitary sewer system. They floated a bond issue. And the homeowners were to pay for it on a front-foot assessment basis. The homeowners recently just two years ago were compelled to pay \$1,200 to hook into that sewer system and it was compulsory. Just to the curb up to your property. From then on it was your own headache. Then along came three developers who want to build apartment units--787 of them. And they already have been so much as given the OK to look into it, but they're going to pay \$400 a unit. Would you please tell me if the homeowners of that community are being discriminated, or are we just a bunch of patsies.

MC CONNELL. Sir, I couldn't answer your question on that.

DOKTORICH. Now, that's one of our complaints. That's one of them. And it is a positive complaint because it is documented. The other complaint about the same outfit is that when they went in and installed the sewer system for us they installed it in phases, Phase 1 and Phase 2. Before this Phase 1 was even constructed, and we were to pay for it on a front-foot assessment basis, the Township sold it. They sold it to a body the Franklin Township Sewerage Authority. Mind you, we paid for this sewer system over a 10-year period. But the Township sold it to the Sewerage Authority. They appointed the Sewerage Authority. The Sewerage Authority purchased our sewer system and used our sewers as a collateral to float a bond issue to buy our sewers and to build the sewers for a developer. Then they raised our sewer rental from \$20 to \$56 a year. Why? Because they said we got to pay off the bond issue. And then they built another phase to it, and they needed money to buy that and also to have collateral, so what do they do, they floated another bond issue, and they raised it from \$56 to \$66.

MC CONNELL. Mr. Doktorich, could I just interrupt you for a minute? I'm very interested in what you're saying but it sounds to me like these are matters that you should take up with your local elected officials in Franklin Township.

DOKTORICH. No, ma'am. Our local township officials say they have no jurisdiction over the Sewerage Authority. You people created the Sewerage Authority. The Legislature did. And they

say they are an autonomous body and no one has jurisdiction over them. And to show you how brazenly they operate, I heard complaints from other seniors, so I became in arrears in my sewer rental payments until it ran over a \$100, then they sent me a notice, the Sewerage Authority did. The notice had a special note stamped on it, "Overdue Notice" - If not paid in 30 days, property will be put on tax foreclosure sale. That's what they put on there for the homeowners. This involves \$3,000 some odd families. We took this to the Township Council and the Attorney. Oh! We can't! We have no jurisdiction over them.

DEARDORFF. Well, they have no jurisdiction to foreclose your property, the Sewerage Authority can do it.

DOKTORICH. Well, they're doing it. Take this down and show it to the Director of the Division of Local Government, because I think he's a phony. So in other words, we already paid for our sewers. We already paid for the second time and now we're paying for the third time and then they wind up sending notices like this.

DEARDORFF. Would you like a suggestion? As an organization of people involved, I would suggest ~~that~~ you go to the Public Advocate.

DOKTORICH. We did. They stone walled us up against the concrete wall, because the man who is responsible for the entire situation as it happens to be a personal friend of Stanley VanNess.

DEARDORFF. This is a Catch-22 situation.

DOKTORICH. This is all record. Up until 1973, you were not allowed to see township records, but we do now. Because we took them to court. In 1971, our town decided to do a road improvement program, and they did. They bonded it, so there wasn't immediate spending, and they're still bonding. After they bonded for three years, the tax assessors suddenly decided that area where the new improvements were made, you increase that assessment 50 percent. So we filed, 500 of us, tax appeals. And the county tax board upheld every single one of them. Then we asked the county tax board, what are you going to do with the other 2,500 families who didn't file tax appeals? Well, according to law, they are out of luck. Because the Director of Taxation said they have to pay that additional assessment for that year, but order the tax assessor to remove that out of assessment for the following year. But in the meantime those 2,500 homeowners got stuck with \$6½ million assessment that one year. But the following year they reduced it back to what it was in 1975. Now, you please tell me if that's United States, or what?

MC CONNELL. Well, I think under the appeal process those persons, those 500 appeals that were filed, Mr. Timkin, would you like to comment on that?

DOKTORICH. There's no sense on commenting on that because it's all taken care of, but that man is still tax assessor there.

MC CONNELL. For those 2,000 people who did not file an appeal, the assessment had already

gone on the books and got stuck for that particular year. Whereas the 500 who did file an appeal was pending the outcome of the county board's judgment.

DOKTORICH. And he filed a complaint with the Director of Taxation, Sidney Glaser, and he became the biggest bureaucrat in the history of the State. So this is what we're running into. So these are just some of our problems. But you see, we as seniors, can't go to nobody. Because nobody wants to listen to us. They think we're a bunch of old fuddy-duddies. This is why we asked to organize a State Federation of Seniors. And we still won't tell anybody how many members we got, because the Teacher's Union has been tossing their weight around for so many years they wanted us to join with them to destroy their cap. They want it for one reason we want it for another reason. We say we want the caps 2 percent over the previous year.

MC CONNELL. That's your recommendation.

DOKTORICH. And the increase in the assessment could be no more than 1 percent a year. For the simple reason is that there is no reason for it. But the bureaucracy that is existing in our State is such that it is unbelievable. In our county, there are 21 municipalities. Out of the 21 municipalities, they have municipalities that have not had a reassessment since 1958. Our town had a reassessment four times, now we're going through the fifth one. Now what's going to happen after this one, the good Lord only knows. All we know, it's going to cost us \$210,000. Why? Oh, we've got to pay it out. So we got to go over the cap. So these are the reasons that we say that there definitely should be a cap put on spending of municipalities. The other thing that worries us is when and who is going to put a cap on spending of our State government. Because this is where our problem is. This is one of our complaints.

MC CONNELL. Mr. Doktorich, I hate to interrupt you, but if you would like to stay I will call on you again or another member of your group later on in the evening but there are several people here who are trying to meet deadlines.

DOKTORICH. We have got to ask you to excuse us because four of us are going to a Senior Citizens bowling banquet this evening. And that's a very important function. If you want to ask any question, I'd be more than happy to answer you.

MC CONNELL. I think your testimony has been excellent but I just wanted to get clear for the record. Your group supports the caps on spending except you would like to see it reduced to 2 percent over the previous years' expenditures and also 1 percent for assessment.

DOKTORICH. We don't want to have anybody fired. We don't want to have anybody removed from our municipal's payroll. The only thing is we don't want them to increase our overall taxes no more than 2 percent next year and 1 percent increase on the assessment. But we do ask that all communities in our county be reassessed at the same time. So that we carry a 68 percent assessment ratio, another community that was reassessed the last time in 1959 they carry a 45

percent assessment ratio. That's ridiculous. How can you turnaround and equalize everything in the county. It just can't be done, but it is there. And you people in the Legislature are the only ones that can help us.

MC CONNELL. Well, your comments have been made part of the record. You also have made the suggestion that you think Senior Citizens should not have to pay school taxes. So this will be a part of the record and certainly be considered in the Committee's recommendations.

DOKTORICH. Well, I don't believe that it is fair that we should pay school taxes when we don't send anybody to school.

MC CONNELL. Thank you so much for coming and sharing your views with us.

DOKTORICH. And I thank you ever so much. And if you excuse us, we'll go out of here as quietly as possible.

MC CONNELL. At this time, I would like to call on Joe Stillo with the New Jersey Conference of Mayors.

J O E S T I L L O. My name is Joe Stillo. I am the former Mayor of Phillipsburg and Executive Director of the New Jersey Conference of Mayors. My comments will be general in nature.

Contrary to popular belief, the Mayors of the State of New Jersey are not opposed to "Cap" Laws per se. Our organization voted many, many months ago not to oppose this law in general but rather to make constructive changes in its implementation. Those changes are: 1) Caps should be equal for municipalities, county, school boards and State government. To have one of the Subdivisions different from the other is most unfair; 2) No new laws should be enacted that would take away or reduce present municipality sources of revenue; 3) Any Legislature mandated or State mandated costs should be excluded from caps. Some of these costs are increases in public utilities services, insurance rates and pensions. I know that I'll be repetitive with the League of Municipalities' position but it's something written before. When the Legislature has before them a bill affecting State appropriations, that bill must be accompanied by a fiscal note and must be approved by the Appropriations Committee before it goes to the full Legislature for a vote. When a bill affects municipalities or counties, no such system is followed. The municipalities therefore must fend for themselves and attempt to find the necessary appropriations to meet the additional costs involved. One of the main points is that the Legislature has no idea as to what the impact of the involved costs are to each municipality. The municipality in turn necessarily is faced with budget cuts affecting services or other phases of municipal government.

From all over the State I have heard from Mayors who in order to meet mandated increases, have had to cut personnel from vital services such as the police departments, fire departments, road departments, and other personnel. They have also had to hold in abeyance the purchase of mechanized equipment and other equipment needed for normal operations. Still other Mayors have

been forced to use their Federal revenue sharing monies to make up for budgetary difficulties caused by the caps. Our greatest fear is that if Federal revenue sharing were to cease or the formula changes, we could have chaos in our municipalities. When I say chaos, I refer naturally to the property tax. We all know that the mood not only in our State but in our Country today is restraint from increases in property taxes. The "Caps" Law, if properly controlled as expressed in part above, conceivably offers a solution to some of these problems. The Mayors are willing to adjust to the terms of the "Caps" Law but when the Legislature decides to institute changes in the law which self-destructs in 1979, our hope is that you will request additional input from the Mayors who must live with the budgetary problems created by the caps.

The New Jersey Conference of Mayors offers our help to your Committee and both houses of the Legislature in formulating the new "Caps" Law. I might like to add also that on June the 8th, we met with Speaker of the Assembly, along with myself and our organization, we have a coalition of intergovernmental including the League of Municipalities and the Association of Counties. The three organizations meet periodically to try to help solve some of the problems that we all face. And on June the 8th we met with Chris Jackman to discuss some of these problems. We are scheduled for a meeting with Senator Merlino to discuss the other problems. I've made my remarks general in nature, because I know Mayors will be testifying, other people involved will be testifying, but I will answer any questions as to any specific point that I made too general.

MC CONNELL. I only have two short questions, Mr. Stillo. One, you referred to the matter of fiscal notes attached to legislation. I think that's an excellent point to bring forth to this Committee. In the State Legislature, any appropriation that affects State spending and that kind of thing there is a fiscal note and must go before the Appropriations Committee. I believe it's over \$100,000. But on matters affecting local municipalities we're not as faithful and diligent in that effort as we should be. So you're making a recommendation that any spending bills or legislation affecting municipalities should be attached with a fiscal note.

STILLO. We've had legislation, year after year, in Trenton to do exactly this but it doesn't even move through the Committee process let alone get to the floor.

MC CONNELL. It might this year. Because I know I co-sponsored a bill like that. That's a good idea. Of course, you're saying pretty much what the League of Municipalities has that you support the caps at the local level with the exception of certain mandated costs. You're around the legislative process quite a bit in your role as Executive Director of the New Jersey Conference on Mayors. Your biggest complaint with the Legislature is the passing of bills that affect municipalities.

STILLO. Yes. As you know, we're only six months into the year and there's about a total

of 3,000 bills in both houses. Some, of course, are duplicate. But those bills affect municipalities and never a fiscal note as I mentioned. There are other bills, that not only are mandated costs of municipalities, but they reduce a municipality's income such as life line. I told Senator Merlino and Senator Feldman that the concept of life line for Senior Citizens and other segments of our society is a great piece of legislation. But the funding mechanism of taking 75 percent of the gross receipts tax from municipalities will further erode the operations of municipal government. Because now they're not just mandating costs they're taking away income. And this is the kind of thing that will constantly push the municipalities and the Mayors and the Councilmen to the wall. Reduction of services, not repairing roads as testified earlier, all of these things. And some day, down the road, this all has to come to a head. And I feel sorry for a lot of communities who are not going to be able to bail out.

MC CONNELL. So you support the life line concept, but not the method of funding under Merlino's bill.

DEARDORFF. Do you have any suggestions as how it could be funded?

STILLO. Well, the State has a gross receipts tax, they collect about \$65 million I believe now. They could use the State gross receipts tax or they could use other State revenue.

DEARDORFF. The unfortunate part is that the other State revenue is very tenuous as far as the State budget is concerned. In fact, the State appropriations for the coming fiscal year are not up to the ap because of lack of revenue. Of course, you see, if we're going to have programs, and some people think certain things we should have and some people think we shouldn't-- if we are, they have got to be paid for somewhere. Now most people say, well the State is much better able to do it. But, all of us pay the taxes and, of course, I think the real thing is is that they feel it shouldn't fall under the property tax. Do you think that the State should increase taxes at the State level I'm talking about, in order to get the money to give municipalities so they don't have to raise the property tax?

STILLO. No. I think that the municipalities can operate within their own confines. It's just that placing mandated costs, there's a bill in the hopper for a public defender for municipalities over 12,000; it's a beautiful piece of legislation that will help a segment of our society that can't afford attorneys. But to force that cost item on a municipality and say you will fund it, it's a cost, where do you get this money from? And if the State says these are social problems Statewide then the State should appropriate the money through their sales tax, through the income tax, well they can't do it to the income tax it's almost dedicated money.

DEARDORFF. Well, you see the income tax can be used for anything that is State aid. Because State aid presumptively is a hedge against the property tax. In other words, if you had no State aid of any kind your property tax in every municipality would be a great deal higher, whether

it be for school, for roads, anything else. But that type of thing could be funded through the income tax. But the problem the State is facing, is facing the same problem as the municipalities and that is that the pressures for services are outweighing the amounts of money available. This is what makes the Appropriations Committee's job a pretty tough one, to weigh where the money has got to go.

STILLO. Establish the priorities. Which is what the municipalities must do year after year. Establish priorities and do those priorities and let other things go and use Federal revenue sharing money which I believe is not the proper thing to do.

DEARDORFF. Well, isn't Federal revenue sharing money just another method only by the Federal government rather than the State government to hedge against you having to use the property tax base?

STILLO. Yes. But when the Federal revenue sharing money was given to the municipality, it was given with the idea that they will do the things that they were not able to accomplish through the income from the property tax--buy a new fire truck--because their fire truck is 25 years old. Do all of those things. Not to use it for general operations, to pump it into their budgets, for salaries, wages and other expenses. But municipalities are doing that today. And if revenue sharing which is only a five year program, I think there's about 2½ years to go on the second program of Federal revenue sharing, if they decide in Washington that Federal revenue sharing will be changed, the formula will be changed, and we'll go to the large cities not to the other municipality. Whatever the change will be, we're going to have chaos.

DEARDORFF. Of course, it depends on how drastically it is changed. There may be some changes that will affect certain types of municipalities more than others.

STILLO. What other problems we face is that the Legislature giveth and the Legislature taketh away. They gave us the business personal property tax. Then in 1967, they said they were going to freeze it at the '67 level and take all the future increases from that point. Then they said we're going to give you the sales tax...

DEARDORFF. No, they redistributed the increases in the business personal property tax, only on the basis of the amount of business taxes that you were collecting after that year. You see, this is worked to the advantage of some municipalities and to the disadvantage of others. Because for instance, if a municipality is on a downswing, economically, the freeze and their share of the increases has been greater than it would be in a municipality that is on the upswing and they're getting a bigger share in the municipalities with the low economic picture, than they are in the municipalities going up. Now you've mentioned Senator Merlino's bill on the franchise and gross receipts taxes. Do you think that the distribution of franchise and gross receipts taxes is fair?

STILLO. It's fair in certain cases, unfair in others. There are reasons for it that can

be elaborated on. Originally why it was done, why the assessments were done this way, municipalities didn't want it, other municipalities took it, now they say well you took it but now we're going to take it away from you.

DEARDORFF. Lower Alloways Creek with 1,400 people has a bigger municipal surplus than the State of New Jersey.

STILLO. \$16 million in the bank.

DEARDORFF. It's estimated that by 1981 or 1982 it will be \$100 million.

STILLO. But you see, they have taken two nuclear stations and two more are being constructed. They're going to have four nuclear stations in their town. Nobody else wants it.

DEARDORFF. Well of course, you can't just put a nuclear station anywhere. There are those factors of whether it's a nuclear station or not. People don't necessarily want a power station in their backyard and if they are willing to take it they should get a certain compensation perhaps for it. I think the problem here is that a lot of people say well our taxes or our paying our bills and paying taxes through those utility bills are paying for a station and paying franchise and gross receipts taxes to a municipality 40 miles away or 50.

STILLO. On a lower level, if General Motors up in Linden decides that taxes are increased municipality wise, they add a couple more bucks to their cars and we have to pay it here in Hunterdon County. So, it's the same thing if you want to use it to its bottom level.

DEARDORFF. But you see, about almost 18 percent of your utility bill goes into taxes. About 16 percent of that, 16 of the 18, is the franchise and gross receipts.

STILLO. I think the formula can be changed and I think that the Mayors throughout the State would agree to certain specific changes. The Mayor of Lower Alloways Creek said he would agree to a change. He would like to take that \$16 million or a great portion of it and give it to Salem County, and spread it out to the people of his county who also have to live with the nuclear power stations within their confines. So he has offered that as part of his testimony.

DEARDORFF. And because of the law they're not able to do it.

STILLO. They're not able to do it. There's a law in the hopper now for it.

MC CONNELL. Yes, There's a bill in the Legislature now on that. And I think we are going to have testimony later on this particular subject from a couple of people. Mayor Stillo, thank you so much for coming.

MC CONNELL. I would like to state at this point that I know there's several of you out there who want to give testimony who are in a hurry to leave but we can only take one at a time and we'll just do the best we can. At this time, Joe DiGiacomo, who is the Budget Officer of the City of Trenton, do you have testimony that you would like to leave with the Committee? I understand that you are in a hurry to leave. Would you come forward and you can present that testimony and say a

few words if you would like.

J O S E P H D I G I A C O M O. My name is Joseph DiGiacomo. I am the Budget Officer for the City of Trenton, New Jersey. I don't want to be redundant, and I want to be as quick as possible. The City generally supports the previous testimony of both the League and the Conference of Mayors. Specifically, this afternoon, I wanted to give to the Committee some examples of the effects of certain mandatory costs that the City had to deal with in the past year. The blue binders give a good summary of both fiscal and budgetary background for the City over the last eight years. At another time when you have more time to look into, I am sure you will see the kinds of cost increases we have to deal with and what the City did locally to respond to them. Specifically, if you look on page 4 at Graph I, you'll see the kinds of mandatory costs I am speaking about in particular in Trenton, where police and fire pensions increased 78 percent over the last eight years. And Blue Cross and Blue Shield increased 342 percent over the last eight years. Motor fuel costs have increased over 140 percent and electricity costs have increased over 150 percent. Those are the kinds of mandatory cost increases which we in Trenton and I am sure in many other local governments cannot absorb within a 5 percent cap. I thank you very much. (See statement attached.)

MC CONNELL. Thank you so much for coming. I hope you don't feel that you were rushed but this entire testimony will be presented for the record.

MC CONNELL. Mr. McGregor, if you will wait just a few minutes do you mind, because there are a couple of other people that I would like to call right now. I believe we have representatives from the Home Health Assembly, I believe there are two witnesses. Would you come forward and identify yourselves, please?

J O Y C E S C H E U E R M A N. I am Joyce Scheuerman. I am the Director of the Division of Personal Health Services, at the Warren County Health Department. Warren County is a 364 square-mile county in northwest Jersey with a population of approximately 80,000 people. The area varies from urban to rural. We cover the entire county. We are under a County Board of Health, and all staff and expenses are funded by property tax. There is 70 percent owner-occupied housing in the county.

Therefore, we do not object to the principle of economy or tax control. We are paying, and we need it too. We do object to a Catch-22. We object to being asked to do the impossible. We want to point out the choices that could be exercised. What do we do in a Health Department? There are three basic programs: environmental control, prevention of disease and treatment of disease. All come under State and Federal regulation. The treatment of disease is also called the Home Health Program or the Home Care Program. It provides nursing, physical therapy, speech therapy, and home health aide services to ill individuals in their homes. Herein, lays the greatest enigma of

the "Caps" Law. Home Health Care is a proven alternative to hospitalization and institutionalization. Home Health Care is a proven alternative to soaring health care costs. In Warren County our per diem cost for a full-service patient is \$14.50 a day. You know what hospitalization costs are like. Home Health Care is cheap. Yet, these are very sick patients. Approximately 5 percent are terminally ill; more than 80 percent are bed bound at the point of admission. These clients, primarily are older citizens, could be institutionalized at public expense and at far more than \$14.50 a day. Ninety-nine percent of this cost is reimbursed by Medicare, Medicaid, and private insurances. There are Federal and State mandates to expand Home Health Care. There is also a tremendous patient demand. We and our agency had a 139 percent increase in services in 1977. This is a humane, and bargain-priced solution. Yet, a 5 percent "Cap" precludes expansion. We cannot hire staff. Salary raises of 5 percent do not prevent the attrition of present staff to the voluntary or profit-making sections; even patient care supplies, such as catheters, syringes, and dressings are increasing annually at an inflation rate higher than 5 percent. That rate is more like 18 percent.

You can choose to support home care or not. If you agree with its premises, a 5 percent "Cap" is an impossibility. Perhaps reimbursable services could be specifically, and I emphasize in the specificity, be placed under separate regulations. Now, how did we manage previously under the "Cap?" This brings me to the preventive services. In order to meet the demands of the Home Care Program, we cut out or decreased our preventive services. These are labor consumptive programs. When you are the patient and you are lying there with your sloppy dressing, you must be seen on schedule by a professional. When it is your fresh coronary, and your electrocardiogram to be telephoned to the center; your visit cannot be postponed. It takes time to give an immunization. We had to give up something. We eliminated Family Planning Services, Expectant Parents' Services, Community Health Education Services, and Community Screenings for Hypertension, Diabetes, and Cancer. These are all State mandated services. We curtailed our immunization program and set up waiting lists. We severely curtailed our Health Maintenance and Health Counseling Services to Senior Citizens. These are also mandated services. Now, perhaps you can understand what I mean by the Catch-22.

The Public Health Council adds a new immunization to the list. Now that's good; it is cost savings in the long haul. It increases the visits to the immunization clinics by 200 children. Each child must be seen with care and quality.

The State EPSDT Program (Early Periodic Diagnosis and Treatment) adds a new procedural requirement, and you add 15 minutes a child. These are hard decisions. Every new activity, every new patient, every new report, and documentation is labor consumptive in a service-oriented profession. It does not fit in a simple nondiscriminating 5 percent "Cap."

Choices must be made to even begin to limit budget expansions effectively; alternatives must be considered, and decisions reached. A systems approach must be taken. Each action is good; but, and a BIG BUT, which alternatives will we have; how much of it; what is ideal; and what is necessary and productive? What must be given up if we choose A or B? Any given amount of dollars only buys so much service in a labor-consumptive field.

I do not envy you your choices. I do advocate the primacy of health and safety. I do advocate programs that save money. I, therefore, recommend that reimbursable programs be excluded from the "Cap." I recommend that the "Cap" where applied be higher than 5 percent to meet the inflationary rises and that certain unavoidable expenses, such as telephone, electricity, gasoline, and postage. I strongly urge the Legislature set up priorities in how the money is allocated. Furthermore, while much of the cost consumptive mandates do not come from this particular Committee, I urge that all such mandates satisfactorily fit themselves into any "Cap." If decision-making is not made at the top, it will be made elsewhere along the line.

WINIFRED LIVINGOOD. I am Winifred Livingood and I am from the Home Health Assembly of New Jersey which represents 45 Home Health Agencies, 15 of whom are structured very similarly to Mrs. Scheuerman's in Warren County. Some of them are in municipalities and some are in county structures. All are experiencing the same kind of Catch-22 where they are mandated for preventive services and mandated reimbursement for Medicare and Medicaid and there just isn't enough staff to do them all and somebody is really going to suffer because of it. I would like to ask if a step that we could take where we could address this problem specifically by legislation or would we continue to talk to your Committee. We're anxious to give testimony. We're anxious to really get some specific action started. I'm really here to ask what you would recommend as a next step for us.

MC CONNELL. Well, I think you have taken the proper step, this is the kind of testimony we want to hear and this is a new twist of the whole cap program. We have heard from Mayors' Groups, League of Municipalities, School Boards and that kind of thing and they're concerned about those mandated costs dealing with pensions and insurance rates and electricity and so forth. But this is the first time that I have heard this kind of testimony or suggestion concerning health care. So my point is, I think you have come to the right place to get your comments on the record which will go back to the full Committee and then will be made in form of a recommendation to the Legislature. There are other steps that you could take through individual legislators who are perhaps are very interested in the whole area of home health care. I am sure you know individual legislators that you might talk to concerning legislation to help your program and to help funding in that kind of thing. So those are two steps that you could take. I would like to ask a couple of questions to you specifically and I think your testimony was excellent. Could you tell me how

many employees you have in your Health Care Program?

SCHEUERMAN. We covered the entire county in 1977 with 13 nurses.

MC CONNELL. So you have 13 employees. And approximately how many patients can you handle?

SCHEUERMAN. In the Home Care Program, our average daily census runs over 110 and did hit 130.

MC CONNELL. So you are trying to serve over 100 patients with 13 employees per day.

SCHEUERMAN. This is in home care alone. This is not counting any preventive services, whatsoever.

MC CONNELL. Alright. Is this program in anyway partially funded by the State?

SCHEUERMAN. Under Medicaid reimbursement. However, the way the tax structure, obviously that is used as anticipated revenue for the following year and is not reflected against your budget to reduce the cap amount that you would be permitted. So that is not actually helpful in the sense of funding the program. It funds the county.

MC CONNELL. So you have certain reimbursable funds coming to you.

SCHEUERMAN. Last year we collected over \$225,000 for the County of Warren.

MC CONNELL. But there is no money as a direct State appropriation to the county to fund this kind of program.

SCHEUERMAN. They have State aid which has just recently been returned and amounts to \$11,000 for the coming fiscal period. That is for all of the Board of Health services.

LIVINGOOD. They are not under the cap those specific State aid funds of \$2½ million, I believe it was, are not capped for the next two years.

SCHEUERMAN. The services themselves are. And the budget that have to implement these services locally are. And \$11,000 doesn't pay the bill.

MC CONNELL. I am delighted that you came. Your testimony was very good and I appreciate your sharing your views with us. They will be made part of the record.

DEARDORFF. Could I ask you just one question? On page 2 of your testimony, I don't quite understand in the third paragraph, you say that the cap is inappropriate, perhaps reimbursable services could be specifically, and you emphasize the specificity of it, be placed under separate regulations. Now, just what do you mean by that?

SCHEUERMAN. What I would perhaps envision the revision on the Cap Law of doing, is stating quite clearly, that such patient treatment services, and this would affect other departments of health also, are Home Care Services where the full cost is being met by, that this be used against the budget and that that amount recoverable not be considered within the cap. And the other reason why I raised specificity, I kind of chuckled at one of your remarks about the unnamed department heads that do make interpretations as to the wishes of the Legislature, unfortunately this has kept

the whole interest on the Board of Health matters, very interesting. Perhaps you've had some input as legislators from your local area as to the difficulties in presenting budgets, obtaining approval, and so on. That there is a big difference between what the legislator writes and what is interpreted by the administrative bodies. So that we are looking for quite a good degree of specificity not allowing administrative interpretation of your actions and your intent. Now if this is what you want to do, say so boys, because if not I'm not going to swear it's going to happen.

MC CONNELL. Well, we do have a little bit of problems with that, in the intent of the legislation on being carried out. But I think we are doing a better job on that with our Legislative Oversight Committees, we keep a careful watch on agencies of State government.

J A Y H E R S H B E R G. Staff Aide to the Joint Committee on State Tax Policy. You mentioned on page 3, State EPSDT Program, shouldn't it really be the Federal government, since the Federal government hands down really these...

SCHEUERMAN. Medicaid is implemented in the particular state. Again, we get down to this administrative interpretation and application. They set the general guidelines. The State also sets its amount of reimbursement. This is not a universal within Medicare where you're dealing directly with the Federal government and my counterparts across the river in Pennsylvania are under the same laws as I am in New Jersey. Medicaid--this is totally different. This is very much determined by administrative regulation. Furthermore, the reimbursement for us to service an EPSDT child is \$12 per year. Yet, on an infant that child might be in for 8 to 10 visits to a child health conference, with all the appropriate immunizations, physical exam, prescription of diet, and counseling to the mother that would go along with this. And you don't do it for any \$12, don't kid yourself.

MC CONNELL. Who is eligible for the Home Health Care Program?

SCHEUERMAN. Anyone that has a physician's order. And I can speak for our county only. If you are in the county, you have a physician's order and you have the need for the service to be received within your home, you are eligible.

MC CONNELL. So it has nothing to do with financial...

SCHEUERMAN. No.

HERSHBERG. Yes, it does. It could be eligible for Medicaid.

SCHEUERMAN. Oh, Medicaid yes. Some patients are funded by Medicaid, some are funded by Medicare. We're finding an ever increasing number by private insurance. To the point again, that \$225,000 that I mentioned raised our bed debt last year was only \$3,000.

MC CONNELL. So these various programs that you are talking about, these are just programs by which you can be reimbursed for certain kinds of patients, but you do not exclude or turn any-

body away based on financial...

SCHEUERMAN. No. Yet, amazingly, most can have funding for this. Our problem is will I have the staff there to provide them with the service.

P E T E R M C H U G H. Staff Aide to the Joint Committee on State Tax Policy. Is the revenue in excess of your expenditures?

SCHEUERMAN. No, it is not. It's based on a true cost.

MC HUGH. What I mean is, the revenue to the municipality is in excess of what you expend for your program?

SCHEUERMAN. No, it is not.

LIVINGOOD. Not in Warren County, but I would not say that is true in other areas. In some instances, it is in excess. It doesn't last long that way though, because the minute that your budget is cut you can't hire staff your revenue drops proportionately.

SCHEUERMAN. Last year our budget was \$330,000. We raised \$225,000 through the various reimbursement programs, and, of course, had a bad debt through Home Care of \$3,000.

MC HUGH. I was going to say, if somebody doesn't recognize some of the costs that you incur then; they don't recognize all of the costs that you incur.

SCHEUERMAN. They recognize it but they cannot recognize it within the budget because my budget can only increase by the 5 percent cap.

MC HUGH. But if you expend \$330,000 but you only get revenue of two-hundred and some thousand dollars, so some costs are not being recognized...

SCHEUERMAN. My entire department provides both Home Care and Preventive Services. Your preventive services are the mandated Board of Health services. That other \$105,000 is what we expend in supplies, equipment, staff, transportation, benefits, etc., to provide the total mandated package of the Board of Health services.

LIVINGOOD. We are just very concerned that something is really a guaranteed income, such as Medicare, can be and is, for the Home Health Agencies. Based on their own audit, is going to really be very limited simply because they cannot put staff on because of the cap. That will be denying citizen service, and it will be denying income that could relieve the public taxpayer. It's really gold from heaven, but unattainable with the cap, at its full extent. And the longer it goes on, the worse it's going to be.

MC CONNELL. Well, I happen to agree that health services are so outrageous today.

SCHEUERMAN. I will be happy to send you statistics to back this up. This would be my pleasure.

DEARDORFF. I think we would appreciate an elaboration of these points that you've brought up by writing to us.

SCHEUERMAN. I have reims of statistics to back this up.

LIVINGOOD. And I can send you supplemental from other areas. Are you going to be having hearings at other sites?

MC CONNELL. This Subcommittee will be having other hearings, is there one tomorrow?

DEARDORFF. No, the next one will not be until the 11th of July.

LIVINGOOD. Where will that be held?

DEARDORFF. There will be one on the 11th of July in Bridgewater, New Jersey, outside of Somerville. There will be one on the 12th of July in Willingboro in southern Burlington, and one on the 13th of July in Newark.

MC CONNELL. Thank you so much for sharing your views with us today.

MC CONNELL. Mr. McGregor, Administrator of Mount Olive Township? Is Mayor Wimmer here? Just be patient. Mr. Shanahan, we'll get to you as soon as we can.

ROBERT H. MCGREGOR. I am very pleased to have this opportunity to speak before your Subcommittee and I am very pleased to hear the very interesting and I think somewhat piffy testimony that has been said by the speakers before me. I am glad that I had the opportunity not to be first on the list. I might have been tempted to leave and in this way I stayed, and I am glad I did.

MC CONNELL. Because it was entertaining, right?

MCGREGOR. Not only entertaining but extremely illuminating and extremely enlightening. I really feel that I learned an awful lot today, and I'm sure you people have too. And I hope that our little testimony here might also shed some light. Please don't get the idea that when I submit my report to you that Mount Olive Township is working at cross purposes with either the League of Muncipalities or the Conference of Mayors, we're not. In fact, one of our recommendations is very specifically in line with the recommendation of the League of Municipalities. However, we have taken a slightly different tack, and we're doing it because of the fact that it appears as though some of the recommendations which have been made, shall we say are not getting too far in the Legislature, and there seems to be some objection. Not only by Senator Perskie but also by Governor Byrne with some of the recommendations. So, some of the specific recommendations that we are going to be making are not in any sense the word to take issue with either of our two municipal associations, but only because of the fact that maybe a little different approach might have a better chance of success. I'll read you my statement and perhaps make a few supplementary remarks along with it.

MC CONNELL. Mr. McGregor, just for the record, would you state your name, your title before your proceed.

MCGREGOR. I am Robert H. McGregor. I am the Business Administrator of Mount Olive Town-

ship in Morris County, and happen, of course, to be a constituent of the Chairlady here. Which we're very pleased. Incidentally, I want to compliment you on the success you had in the State Tax Board. And I read with a great interest what Assemblyman Van Wagner said, he said if perhaps without your work it might not have gotten through.

MC CONNELL. Thank you. You're nice to comment on that.

MC GREGOR. Needless to say, we're all very pleased it went through too.

MC GREGOR. I appear before you to describe some of the problems that growing communities like Mount Olive Township are facing because of the inflexible 5 percent budget cap established by the Legislature in 1976. I take issue with that very interesting gentlemen from Franklin Township when he says that the budget cap is totally nothing inflexible it's full of loopholes. Now as far as municipalities are concerned, I'll take issue with him anytime. We believe it's very inflexible and I think I can prove it here. In addition, I would like to present for your consideration certain recommendations which I believe would make the budget cap more practical, and therefore, a more effective method of restraining increases in local government expenditures.

Mount Olive Township is a rapidly growing municipality in northwest Morris County. Our population has increased from 3,800 in 1960 to approximately 18,000 today, and there appears to be no decrease in this rate of growth. Because Mount Olive is a sparsely settled rural community just a few years ago, it has only been in the last few years that its municipal services have started to expand to meet the demands of thousands of new people, and as a result, the budget upon which the 5 percent cap was based has limited relevance to our present responsibilities as a sizable suburban community.

I realize that in the year of Proposition 13 anyone proposing any relaxation in spending limits is espousing a very unpopular cause. I also realize that proponents of strict budget and spending caps can make a very good case. The cost of government at all levels is becoming almost unbearable for the average middle-income taxpayer. Government waste, sometimes alleged sometimes real, has become a national obsession. Taxpayers, notably the citizens of California, having evidently found it impossible through traditional political methods to eliminate what they believe to be government waste, have resorted to broad and general spending limits to accomplish the desirable aim of reducing the burden of government. Unfortunately, all-encompassing programs like Proposition 13 and our own budget cap are handicapping the conservative and economical units of government much more than they are governmental units that have had a past history of fiscal extravagance. In effect, regardless of how good the cause, these programs are throwing the baby out to the bath water.

The 5 percent budget cap applied against municipalities and counties is a perfect example of this syndrome, and as a result Mount Olive Township finds itself severely impaired in its ef-

forts to fulfill its responsibilities to its citizens. Mount Olive Township's budget is far lower than the budgets of other Morris County municipalities of a similar size and character. This is partly because our growth has taken place at a later time, but I would also like to feel that perhaps it might be at least in part because we have made a conscientious effort to keep our municipal budget at the lowest possible level. We've been a bunch of tightwads actually. The result is that our budget cap, since it was based on the budgets of former years, is much lower than that applied against many of our neighbors. Yet, partly because we have kept costs down in previous years, our financial demands are great, and becoming greater as our population increases. For example, in past years we have spent far too little on maintenance of our 120 miles of roads. I believe one of the gentlemen from the League commented on that. This means that our deferred maintenance responsibilities are growing. However, unless we finance road resurfacing through the issuance of bonds, which in my opinion would be fiscally questionable, we will be unable to catch up, and with a constant increase in traffic, will see our Township roads deteriorate to an intolerable state. I do not believe that this is what the taxpayers in our community desire. Unfortunately, the taxpayers feel as though they can have their cake and eat it too. I think Proposition 13 pretty well proved that.

Another example of how our community has been especially hard hit by the budget cap, and this is something that Mrs. McConnell will remember. I've written to her and talked to her on the phone about this and not because of her efforts and I am sure she did her darndest but because of total lack of general support in the Legislature where we became very frustrated is the financing of snow removal expenses last winter. Mount Olive Township found itself required to finance, within its 5 percent budget cap, \$48,000 more in snow removal expenses than it had originally anticipated. To stay within the cap, the budget for road maintenance had to be substantially reduced. Most other communities were far less seriously affected because their per capita budgets for road and street maintenance are far greater than ours. And what I mean by that is this. Our permanent staff of road laborers and equipment operators is very small. As a matter of fact we have 14 that are actually out on the road. And one of our neighboring communities with 40 miles less of roads has 22 full-time regular employees. Of course, they were in the cap for 1976 when this thing was originally started. In other words, they were in the base. Ours weren't. Because of the fact that our snow plowing expenses were very low for about four or five years because we didn't have any snow. Therefore, when our cap was established for our road department this cap was based on a very small amount of overtime and contract snow plowing.

MC CONNELL. But they didn't have snow in the other municipalities either.

MC GREGOR. But what they were able to do, was that they had many, many more men to put

out with trucks to do the job. In other words, what I mean is this. Basically, what we've done is this. We figured that keeping an awful lot of laborers on hand to have one or two snow storms is a total waste of the taxpayer's money. What do they do most of the time? They can't patch roads, they're too cold. As a matter of fact, many of them and many times I'm sure just sit around the garage or something like that or make work. We don't believe in that. We believe in trying to keep our total payroll at the lowest possible level and our philosophy is that when you get a snow storm we hire contractors. So we only pay for what we're getting.

MC CONNELL. On a per diem basis.

MC GREGOR. Right. On a per hour basis, actually. So you see we got stuck this year. In other words, we had to spend \$48,000 between overtime and contractors and its mostly contractors too. Last year we spent a total in overtime of \$8,000, contractors \$5,000. Remember last year it was cold but there wasn't much snow. So we are comparing \$48,000 in one case, \$13,000 in another case. Well, actually I'm sorry, I shouldn't say that it is near \$48,000 it's about \$65,000 because the \$48,000 was the increase.

MC CONNELL. Over the previous year.

MC GREGOR. Exactly. So after we prepared our original budget and I presented it to the Council we started having all of these snow storms. We thought we were in good shape before then. Not in good shape, obviously, because of the mandatory expenses that the other speakers have been talking about, but at least we've been able to squeeze through. Another year we figured well we've made it. Then came these snow storms. And you could imagine that we did quite a job of sharpening our pencils in order to try to score a circle basically is what we're talking about. To go on with my statement, a number of mayors and other municipal officials informed members of the Legislature, including I think Assemblywoman McConnell, that they didn't want these few expenses outside of the cap. Now maybe they were referring to the snow tax, the gasoline tax, that the Byrne Administration had suggested, but they didn't seem to be too much concerned about getting us more expenses out of the cap. Isn't that right Barbara? Basically, they were not that concerned about it.

MC CONNELL. They would not put support for it, no.

MC GREGOR. The reason is because they had a different problem than we have. And I choose to think and maybe I'm being a little bit, shall we say gratuitous in saying this, that part of the reason is because that the fact that we have tried so conscientiously to keep down the cost of government, the ones that have been hit with us.

MC CONNELL. You raise a good point here and let me interject just a moment and then you could go on. What you're saying is that the municipalities who have tried to keep spending down before the caps were ever implemented into law and to be conservative to say not have full-time

road crews when there is no snow coming down, there is no need for it, have been penalized by the caps. Speaking of, because remember I called you on the proposed 1 cent motor vehicle tax, because I did a poll throughout my entire district, and called all of the Mayors and administrators as to how they felt about this and found that it was only Mount Olive Township and one other township that really felt the need for additional monies for snow removal purposes. And then you check the budgets and find that it was these two municipalities who have been the most conservative and the most careful in their spending. So you make a good point.

MC GREGOR. Let me give you another example which is outside of road maintenance entirely. I don't know how true this is, but a salesman a couple of years ago told me something that I have never forgotten. In our finance department we have two people the treasurer and an account clerk. This particular man was telling me that in a community which would obviously go unknown in North Jersey with 50,000 people they have 25 people in their payroll department not in just their finance department, in their payroll department. Needless to say it's an old town. The cap isn't any problem to them. They probably should have a cap 50 percent of what their budget is right now, actually. This is, I say, is strictly hearsay from this particular gentleman, I haven't checked it out. But I think it is a dramatic illustration of the point that we're getting at, is the fact that we have a minimum payroll for the job that we are supposed to do and the least we had in 1976 and everything is based on 1976, as far as the budget cap is concerned. Let me go on, because I have a few other points that are a little bit different. Perhaps our biggest objections, and this was stressed by I believe Joe Stillo, to the State policy governing budget caps is the discriminatory treatment of municipalities and counties. The State Legislature did not impose an inflexible 5 percent cap on itself. Instead, the State cap is based on the increase in personal income, which in 1977 amounted to 9½ percent. The schools were accorded even better treatment. A flexible cap was imposed upon them based on a number of factors, and this averaged 9 percent the past year. But, in addition, and this was brought out very graphically by the Senior Citizens from Somerset County, a school board can appeal to the State Commissioner of Education for an exemption outside of the cap, and these appeals seem to receive almost automatic approval. According to the Newark Star Ledger, and I assume that these are accurate figures, 146 out of 148 appeals were approved by Commissioner Burke, this last year. As a result, I seriously question the long-term value of the Cap Law in holding down local taxes when the cap for schools is so full of loopholes. And I might add, 85 percent of property taxes paid by Mount Olive Township taxpayers goes to schools -- 85 percent. I realize that municipalities can achieve an exception through referendum, but this is almost an exercise in futility. Chester Township just down the line from us voted down an exception to the budget cap which would have been used, listen to this, to replace funds spent in legal expenses to preserve that community's three acre zoning. If budget increases to replace funds used

to maintain large lot zoning in a community like Chester Township will not be approved by the voters, then nothing will be it seems to me. If there ever should have been a pocket or issue in Chester Township it should of been that and that referendum in Morris was defeated by a 3-2 vote.

MC CONNELL. Could I just ask you a question? Was this issue on the ballot highly publicized? Do you feel that the voters were aware what was on the ballot, what it meant?

MC GREGOR. Yes, there was a 20 percent turn-out at the polls. Which for a special election was not bad. It should be a lot more than that, of course. But for a special election in the United States, I don't think its too bad, do you?

MC CONNELL. No, by past statistics, no.

MC GREGOR. That's right, its terrible to have to admit that, but it isn't bad.

MC CONNELL. The school board elections are much lower and your special elections the percentage will run, but its outrageous.

MC GREGOR. For example, the Observer Tribune, which is a very good weekly newspaper published in Mendham covers Chester like a book. In fact, it covers Mount Olive very well too. They really outlined and really hit that referendum very hard, headlines and everything else.

MC CONNELL. So it was publicized.

MC GREGOR. Oh, yes, a lot of publicity and I think everybody in Chester probably reads the Observer Tribune, at least I hope so.

MC CONNELL. And still the people did not come out and vote, 20 percent of the people when they had the opportunity to exercise...

MC GREGOR. Of course, I think our Senior Citizen from Franklin Township hit the nail on the head there. Not that I mean that they don't vote because they're too busy paying for taxes, but only because the fact that they don't vote. His frustrations were certainly very appropriate in that respect.

DEARDORFF. Mr. McGregor, before we go any further, you mentioned this referendum in Chester. Has your municipality or any of the ones that you know of in your area, taken advantage of the 3 percent provision in the Cap Law.

MC GREGOR. What do you mean? You mean the referendum provision?

DEARDORFF. No, the 3 percent emergency provision.

MC GREGOR. Oh, oh well of course. Yes. Yes definitely. As a matter of fact one of the well I wouldn't want to say financial, because this is going to be on tape, but one of the means that we used in order to balance our budget within the cap this year, was all of a sudden we found out that maybe we could reduce our insurance budget by about \$5,000 or \$6,000 because we got a statement from our Workmen's Compensation Carrier, that because we had excellent credit rating for a couple of years back, our rating schedule was a couple years back, that our actual

premium we would be down about \$5,500. So bingo! Boy, we sliced that like that. Obviously, that was like manna from heaven. Then we get the bill, and we find out that we don't get that credit until next year. Our Council tonight is going to be putting through an emergency appropriation for an insurance in the amount of \$9,000. However, I will say this, we are not in any sense of word abusing this, and I don't think anybody had better because John Laezza wouldn't let it. As a matter of fact, I'm sure that if anybody tries to take advantage of the 3 percent in order to avoid the cap that the Local Finance Board will knock that down in a hurry. Isn't that correct?

DEARDORFF. Well, that's true. However, perhaps again this is the constant misinterpretation of legislative intent on the part of the Local Finance Division.

MC GREGOR. Could be. But I personally don't believe in emergency authorization if you can help it, because all you are doing is putting off the next year's budget which you're spending this year.

DEARDORFF. For instance, you take snow removal. I think any reasonable person would call that an emergency situation when you go along for four or five years at one level and all of a sudden you have a bad year.

MC GREGOR. But you know why we couldn't do it? I'm glad you brought that up. Because I have forgotten that point. It's only about four months ago but it seems like four years ago in some respect. We wanted to try that because that would certainly of been a very logical and legitimate use of the emergency except because for one thing we haven't adopted our budget, we couldn't. The only thing we could do is to pass a temporary emergency appropriation on our temporary budget which meant was a part of our regular budget. So we were stymied because it happened in the two and a half months before our budget was adopted. If it had happened later, you're absolutely right.

MC CONNELL. This has happened to several municipalities that have not adopted their budget so they're not eligibile for it.

MC GREGOR. Right. The Council was considering the budget when the first snow storm occurred and when the second one occurred, they hadn't finalized it. And that was the reason but its a very good point. And, of course, a snow storm normally would be, which means that perhaps what we should try to do is to adopt our budget before the snow storms fall.

MC CONNELL. Or ask the snow to wait until the budget has been adopted!

MC GREGOR. One of the factors, and this has not been brought out, well, I guess it was by one or two speakers, that makes it extremely difficult to accept an inflexible budget cap is the inconsistent performance of some members of the Legislature. Many legislators have no hesitation in mandating increases in municipal and county costs, while at the same time they refuse to make any changes in the law restricting municipal expenditures. And, of course, the

two recent examples that I would like to mention are the "20 and Out" Bill which fortunately as far as we were concerned did not pass the Assembly although it passed the Senate by almost 2 to 1, and the bill which is now in effect, it's not a law, requiring compulsory arbitration in cases where collective bargaining with Police and Firemen are at impasse. I understand now there is a very serious question of whether or not impasse or compulsory arbitration decisions are within or without the cap. The attorney in Jersey City is making quite an issue out of it, in saying that it should be within the cap. I don't know what he's really trying to prove there but it is up in the air right now, obviously. However, as far as we know right now, it's probably within the cap and we would have to assume that that would be the case and it's certainly is a perfect example of how those many members of the Legislature when they are considering mandating municipal costs they don't even think about the other side of the coin.

MC CONNELL. The fact that these costs have to come from the caps.

MC GREGOR. Right. I don't see how in good conscience any member of the Legislature could take that approach but they seem to have, I don't know you might say a little different segments in their brain when the close one off and they're thinking about the other, or something.

DEARDORFF. Could I just interject something here, Mr. McGregor, I have told this to groups of small community mayors many times, you would fit into that category in your township, you aren't well enough organized. I won't say disorganized, I'll say unorganized group. You're fighting against very highly organized groups.

MC GREGOR. And they all have an axe to grind from a personal axe to grind. And the problem is with us is the fact that our axes to grind are the interest of the taxpayers and unfortunately perhaps that means that our motivations aren't quite shall we say intent as those that have personal axes to grind. That's what you mean basically, isn't it?

DEARDORFF. Well, if you walk through the halls of the State House on a legislative day, you see who is represented and who is not.

MC GREGOR. That's right. No question about it.

MC CONNELL. This disturbs me as a member of the Legislature. I pay very close attention to the positions that the League of Municipalities take and local governments because I feel like they're the ones that are representing the people at the closest level and that they're the ones who have to strike the budgets at the local level or spending the taxpayer's dollar and that kind of thing, but what disturbs me is that walking those halls and believing that it's almost like the American public is broken up into several special interest groups and we have government by special interest, and this disturbs me. That the more powerful the special interest groups, the more influence they have on legislators and this is wrong. A lot of times the Legislature will pass bills that affect local municipalities without any regard as to how they're going to pay for it,

because the Fireman or Policemen or what have you, want that bill, and the local municipalities are left in a lurch.

MC GREGOR. That's one of the terrible trends of democracy today in this country is that it's becoming government by pressure group, to an extent that I don't think ever was before. Alright, now here are just a couple of more paragraphs here actually on our specific recommendations and I think I have probably taken as much time as I probably of should, but I'd like to make these specific recommendations. As a municipal official who has worked under the constraints of the budget cap for the past 18 months, there are many other points that I would like to bring to your attention. However, in the interest of time, I will conclude with a series of recommendations. No responsible public official in today's climate of public opinion could recommend an outright repeal of the budget cap, and I have no intention of doing so, I think no one has here today. Instead, I would like to present for you consideration four amendments to the present law which I believe will make it more practical, more workable, and, for growing communities like Mount Olive, more equitable. These are as follows:

1. This was recommended by the League. In December the Commission on Government Costs and Tax Policy recommended that the State formula of basing the cap on the per-capita growth in personal income be established for municipalities and counties. I strongly approve this recommendation, since it would tie the cap in with inflation, but, by basing it on personl income, would not increase the burden of local government costs. And I remember what you pointed out, that it might not be equitable, it was you I think, between individual towns and that perhaps the Cost-of-Living Index might be a more appropriate guide. Is that what you had in mind?

DEARDORFF. Or use the Statewide.

MC GREGOR. Right, well that's what I was thinking of is Statewide. Yes, I was thinking of Statewide and I believe that's what the Commission on Government Costs and Tax Policy had in mind wasn't it, was Statewide?

DEARDORFF. I believe so.

MC GREGOR. Because that's what I had in mind.

2. Municipalities and counties facing unusual expenditures, and this is mine, so it hasn't been presented before, that cannot be absorbed within the cap would be permitted to appeal for an exception to the Local Finance Board. The precedent has been set by permitting school boards to appeal to the State Commissioner of Education, and I suspect, knowing the Local Finance Board pretty well, that the Board would be very cautious in approving exceptions. If this appeal process is granted, then I believe if the provisions for a referendum could, and probably should be repealed. I think they're just a waste of time anyway. I think experience has proven that.

MC CONNELL. What is your argument that referendums are a waste of time? Because of the

lack of voter participation?

MC GREGOR. Because of the climate of public opinion today. In other words, what I'm getting at is the fact that the voter invariably is going to vote against taxes and in favor of services. Let's face it. That's what they did in California. Jarvis himself admitted that. Of course, in California they find \$5 billion so that they can have their cake and eat it too for a year. But I'll be interested in seeing what happens next year. I mean they haven't gotten out of Cloud-9. And I think this is the trouble. I don't want to be critical of anyone who spoke before me, but I think this is the basic problem with the typical taxpayer who feels that once the revenue doesn't come in than immediately the only thing that's going to happen is that all the unnecessary costs and all the waste and everything is going to go right down the drain. I wish it could work that way. But it won't. The bigger the government, of course, the less chance there is of ever working that way. As a matter of fact, the gentlemen from Somerset County spent most of the time talking about Federal, at least until he started talking about to benefit assessments and authorities, he was talking about Federal costs. Of course, they're not affected by any of these particular things that we're talking about, either here or in California. So the point that I'm getting at is the fact that the problem is that I wish there was some way that we could get the citizen to equate service and taxes in this country. They seem to in Europe, I don't know why. But in this country they don't seem to be able to equate the two. And when they spend money for taxes, even if it's for their kids in school, that's wasting money. But if they go ahead and buy a new car or stereo, that's fine. It seems to be a national syndrome. I don't know what it is. And now it's coming to an extreme. Here I am preaching, I apologize for this.

MC CONNELL. No, this is very good because you know what concerns me and it's a very difficult issue to rationalize because if you believe in the Constitution as I think we all do that powers inherent in the people, then we talk about referendum I think you know at the local level I want to believe it could be a good thing because people are the ones that pay the taxes and work and they should have some say in what government does. But what disturbs me on the other end of that spectrum is that so few people vote and so few people are informed. They're just concerned about taxes but there are so few that are informed about the total picture and therein is where the whole issue of initiative and referendum I think can be perhaps a dangerous thing.

MC GREGOR. That's right. We have the represented democracy. That's what they don't recognize out in California. There's 70 or 80 items on the ballot every year. But the represented democracy is people like you. It's elected officials. They're supposed to make these basic decisions and then you're held accountable to the voters. Very frankly, I would have no objection to continue the referendum process I think it's a waste of time, however, it's interesting that the Cap Law for schools does not provide for a referendum. In other words, seemingly what's sauce

for the goose should be sauce for the gander.

MC CONNELL. Well, when people are allowed to vote on the budget at the local school level but as the gentlemen of the Senior Citizens Group pointed out the public votes it down and then they go to the Commissioner and then they approve it. Now that's frustrating to the public.

MC GREGOR. I'll give you my third recommendation and this will surprise you because here I'm recommending that the budget cap be tightened.

3. If the budget cap is liberalized as above, I would recommend that interest on debt be included within the cap. The League will shoot me on this one. Principal payments should continue to be exempt, but if the cap can be made workable, I see no justification for exempting interest, which is, after all, an operating expense. One of the problems of the present law and this is a serious problem it was brought up by somebody else before, I think Joe Stillo, is that the cap is so restrictive that there is a great temptation to borrow wherever legally possible. Therefore, the budget cap does encourage fiscal irresponsibility. A more flexible cap, but with the inclusion of interest on debt would do much to increase responsibility in budget preparation. I told you I would have a slightly different approach than the others.

4. Provisions, and this is something which has almost met all its problems, I think I have discussed it with you, Barbara, I'm not sure but I know that I have discussed it with the League and with Joe Laezza. Provisions should be made to exclude from the cap the assumption by a municipality of services now provided by special taxing districts. Mount Olive Township has a separate refuse collection district and two lighting districts. In fact the refuse collection district has a budget over \$200,000. We were planning to make them a part of our general municipal operations, just before the cap came, but were unable to do so because their budgets would be within the cap. In other words, we have a special district for garbage collection, we call it sanitation district, it's about 95 percent of the Township. It's silly to have a special taxing district and everything like that for it. The budget is around \$200,000. If we incorporated that by eliminating a district, that \$200,000 would be within our cap, which is a lot more than our cap is right now. We couldn't do it. We also have two lighting districts. Granted, their budgets are a lot smaller. We want to set up a township wide lighting district. And as a matter of fact everybody does. But we can't do it, because the cap prevents it.

DEARDORFF. You say John Laezza agrees with it in principle.

MC GREGOR. I wrote him a letter and he wrote back and he said that he is all in favor of this, provided we also agree that if we divest ourselves of a function that the budget for that particular function the previous year would be outside the cap. And I said fine. In other words, what's sauce for the goose is sauce for the gander. I have a letter on this in one of my files here to that affect in what John said.

DEARDORFF. The reason I asked, was that in a little different context, Hopewell Township in New Jersey, had the problem of going from a county library to a municipal library and they were going to be disallowed putting the money that they had originally put into the county library into the municipal library because of the cap. They went to court and the court told that they could.

MC GREGOR. Oh, really.

DEARDORFF. So, I wonder if that would not apply, it's not the exact, it's just the same type of thing.

MC GREGOR. It's very close, and we can ask our attorney to check it out. I appreciate your suggestion on that.

DEARDORFF. I think the court's attitude in that case was just a logical one. You're not really spending anymore money you're transferring the responsibility for the function.

MC GREGOR. That's right. And basically, especially in regard to our lighting districts making it more efficient because they have their own little board of directors and you know everything is done on Saturday afternoon by them and most of the people don't even know that they have a lighting district. They call us for street lights and we have to refer them to the lighting district. Which in a community of 18,000 is ridiculous. In fact I think Pete Braun & Randolph had the same problem.

DEARDORFF. They're probably a number of these situations throughout the State. They probably are an anachronism today.

MC GREGOR. That's right and we sort of got caught. Well, what would I recommend then that perhaps it would be a lot easier to get the law changed and at least a lot less expensive than to go to court. But I am going to take you up on that. Just in case the Legislature doesn't get the law changed in time for us.

MC CONNELL. Well, perhaps these hearings will have some affect on the direction that we take. Mr. McGregor, thank you for coming. Do you have any questions, I think we asked questions throughout all of your testimony.

DEARDORFF. I would like to ask Mr. McGregor one question in fact I meant to ask Herman Hanssler this question. One of the staff people for the Joint Committee who is sitting to your left, Mr. McHugh, has devised a questionnaire that we are going to send out to every municipality requesting information to help us in studying the caps. Would you like to make a guess as to the percentage of return we'll get on that.

MC GREGOR. This is going to all 567 municipalities, you're just talking about municipalities and counties and not school districts, right?

DEARDORFF. No, because the form wouldn't fit the school districts.

MC GREGOR. How large and comprehensive is the questionnaire going to be?

DEARDORFF. Pretty comprehensive.

MC GREGOR. Pretty detailed.

DEARDORFF. Yes. Otherwise, it wouldn't be worth anything to us.

MC CONNELL. And this is going to Mayors and municipal governments, right?

DEARDORFF. Right.

MC GREGOR. Will my testimony be heard if I guess wrong? I bet you that you'll be lucky to get 200 responses.

DEARDORFF. Well, I think if we hit 200 representative responses, when I say representative not all from one area or one type, because we have been for over a year, even before this Joint Committee was established, been trying to study the cap, but if we could get 200 representative or even 150 representative responses it would be a great assistance.

MC GREGOR. I think that you'll get that, really. Because of the fact there are a many a number of communities in the State that now have full-time professional administrators. I mean there are over 100 of them right now. Dave Ferguson over here probably has a better idea than I do, but I'm sure there's more than a 100 of them. And there are other communities that have pretty competent clerks and everybody is so affected by the cap that I think most of those that have any type of full-time staff would jump at the chance. I would say there might be 200 communities in the State that have full-time general administrative type of staff people. The other 367 are I'm afraid are just too small and they wouldn't recognize it but I hope that it's more than that.

MC CONNELL. Let me ask you just one question, and then we'll close here. The suggestion was made that Senior Citizens should be exempt from paying school tax. How do you feel about that?

MC GREGOR. You ask a question that is very definitely in a policy line. My feeling is this. As much as I sympathize with the plight of Senior Citizens and feel as though tax exemptions and particularly more emphasis on the income tax is a very, very appropriate and a very proper method, I can't help but remember that these Senior Citizens and their own children had the benefit of public education in their own days. And it seems to me that for them to, shall we say, not pay for the coming generation to get them, they're not showing too much shall we say faith and hope in the future of this country. The only rationale for public education is because of the fact that the salvation of the country depends on it. In other words, I'm saying that perhaps they shouldn't be paying as much as they are paying. Personally, I hate the property tax myself. I feel as though the more we can put on the income tax, the better, and, of course, that would be great for the Senior Citizens and any property. But for them to divest themselves completely on paying for the education of the coming generation, I think is for them to be, shall we say,

divesting themselves of the responsibilities of citizenship.

MC CONNELL. Do you have any idea in Mount Olive Township, and you may not know this since you wouldn't be expected to know these kind of figures, how many citizens 65 years or over live in Mount Olive Township?

MC GREGOR. Our Master Plan has those figures. But I would say we have quite a few considering the fact that we are basically a young town. We have the Vassa Homes, which is the Scandanavian Colony, which is very largely Senior Citizens. I would say we perhaps have 500.

MC CONNELL. That are property owners, not just residents.

MC GREGOR. Well, the Vassa Home people own their homes, they are on leased land. So they are property owners in that respect. They lease the land from the Corporation. But I would say if you knock out the Senior Citizens in apartments I would say we have close to 400 or 500, shall we say, Senior Citizen homeowners. We have quite a few. Budd Lake has a whole slew of them and the old sections of Flanders do.

MC CONNELL. If you can't seem to get the figures on that I'm sure the Division of Taxation would have those figures.

MC GREGOR. We have an extremely active Senior Citizens group too.

MC CONNELL. Then how much we're talking about in loss of property tax revenue if they were exempted from the school tax.

MC GREGOR. Actually, the property tax revenue probably wouldn't be as significant because they own the homes that are the lower assessed.

HERSHBERG. One-hundred and fifty-five homeowners.

MC GREGOR. In Mount Olive Township?

HERSHBERG. Yes.

MC CONNELL. That are over 65 years of age?

HERSHBERG. Yes.

DEARDORFF. They're only the ones that qualify for the exemption.

MC GREGOR. Plus the ones on Vassa probably aren't included in that.

DEARDORFF. No, they aren't.

MC GREGOR. And there must be close to 100 or 150 of them in Vassa Homes alone.

MC CONNELL. Mr. McGregor, thank you so much for coming.

MC GREGOR. Thank you very much. I enjoyed it and I hope that you are able to utilize the testimony and I wish you good luck. Because you talk about squaring the circle, your Committee is really going to have to do that.

MC CONNELL. OK, I know that we've got our jobs cut out for us. Thank you so much for coming and giving us your views.

MC CONNELL. I know there is still several who are waiting. Mr. Ferguson? Did he leave?
Is he coming back?

MC GREGOR. He's the Manager of Pequannock.

DEARDORFF. Maybe he figured you were speaking for both of you.

MC GREGOR. He probably thought I was speaking too long.

MC CONNELL. Mr. Shanahan, did you want to speak?

J O S E P H F. S H A N A H A N. Mr. Chairman and Members of the Committee, I am Joe Shanahan representing the Hunterdon County Citizens and Taxpayers Association, a local group of working taxpayers. In reply to your invitation to the general public we would like to offer our opinion on State tax policies and our reaction to Proposition 13 -- it is in two words, CUT SPENDING. That is our suggestion as to where to go programmatically. I'm sorry if that sounds a little bit imperative, but that was the phrase the Committee used in the paper.

MC CONNELL. That's quite alright.

SHANAHAN. For the past few years, this organization has been calling for constitutional limitations on the spending powers of government at all levels on a per capita basis and therefore, we applaud the action of the California citizenry in passing Proposition 13. We need a similar type of referendum in New Jersey in order to implement the constitutional verbiage that "all political power is inherent in the people", and so we commend the passage of Senate Concurrent Resolution 13 which would allow the people of the State of New Jersey to use the initiative and referendum process on a Statewide basis.

Specifically, as a start in cutting State expenditures we endorse the idea of a 10 percent across the board cut in every department -- with the view to eliminating:

1. Empire-building of the various staffs by unnecessarily appointing palsy-walsies to high office.
2. The use of State cars for private purposes.
3. The renting of State residences to high ranking bureaucrats at less than the market values.
4. The projected increase of 900 to 1,000 State employees already in the '79-'80 budget as suggested by State Senator S. Thomas Gagliano recently.

And why is such a spending rollback an absolute necessity to the taxpaying public of the State. Here are some statistics from "Facts and Figures on Government Finance" by Tax Foundation Inc. in 1977. And some of them are listed in your forms there, in fact all of the ones I refer to. On page 49 it lists the 1975 per capita personal income in New Jersey to be \$6,722. On page 143 it lists the 1975 per capita State and Local Direct General Expenditures in New Jersey at \$1,107 which is 16.46 percent of that income. On page 100 it lists the Federal IRS Collections

in New Jersey at \$11,083,300 or about \$1,515 per capita which is 22.53 percent of that income for a total of 39 percent of income for State spending and federal taxes.

To show the outrageous rate of increase in State and local spending in New Jersey we cite on page 143 of the 1975 edition of the same "Facts and Figures" which is two years prior the per capita State and Local General Expenditures in New Jersey is listed at \$876 which is compared to two years later at \$1,107, which means that the two year increase computes to 26 percent, and that is prior to the enactment of the State income tax.

In conclusion, we respectfully request that this Committee give their most serious consideration to the implication of these statistics in coming to their recommendations, one of which we hope will be to CUT SPENDING. We thank you for your courtesy in giving us the opportunity to speak.

MC CONNELL. Mr. Shanahan, how do you feel about the caps on spending at all levels?

SHANAHAN. Well, I think that we've discussed this today, and I think that it's the best we have and I think it should be more severely implemented in the school area. I agree with the prior speaker who said that almost all of them were exempted by the Commissioner.

MC CONNELL. Do you feel that there's any merit to the testimony that's been given here today concerning mandated cost, perhaps should be exempt from the caps?

SHANAHAN. I'm not so sure of that. I think Mr. McGregor brought up a very good point, I've thought about it myself. The cap situation is somewhat like the army. It penalizes the diligent and the people who do their job. That is in the army, the unit that's good does the attacking because no one else can do the job. So in the cap situation the people who had been economical are penalized, of course. So I think that should of been considered first.

MC CONNELL. Specifically, on some of your recommendations, Number 1, empire-building of the various staffs by unnecessarily appointing palsy-walsies to high office, do you have any specifics on that?

SHANAHAN. I hate to go back there. Senator Horn is one, Mrs. Wilson is another one who lost office and was given a \$40,000 job. It's common knowledge. I don't say that that would eliminate the thing. I'm saying these are starts. It was common knowledge that the State cars, I have clippings all over the place on the State cars being used, and I understand that you can't cut that down but I'm throwing that out for your official information that that's what we believe.

MC CONNELL. In the use of State cars, you are aware that two or three years ago there was a dramatic cutback on the use of State-owned automobiles for business purposes, you are aware of that. But I know the instances that you are referring to...

SHANAHAN. I think it was the result of the Star Ledger and maybe there was. But I've heard frequent complaints around here. I don't say that that's a major point but it's one.

MC CONNELL. One question I want to ask you, you recommend cutting across-the-board 10 percent, do you feel that, and I've heard this recommendation before but it seems to me that when you cut across-the-board that it leaves you no opportunity for establishing priorities insofar as certain programs are concerned or any opportunity to determine those individuals who work for State government who are perhaps performing at a peak level and providing efficient service for the State of New Jersey, if you're talking about just cutting 10 percent across-the-board in every department of government, it seems to me you're discouraging efficiency, you're discouraging establishing priorities, could you comment on that or do you feel that it can be done in every program in every level of government across-the-board cut? So do you think we should be selective? I'm challenging you on that particular recommendation. Do you think we should be more selective?

SHANAHAN. Well, I feel 10 percent is a sort of thing that's a belt-tightening operation. You may not have to lose personnel but you might get rid of the people that you don't think you need if you can or get rid of other unnecessaries. It's similar to your cap situation. The Legislature put it in and didn't worry about the municipalities that were economical. I say that as a start. I have not the knowledge but that's the point. You people should have the knowledge. If you wanted to exempt certain departments because of the particular priority that would be your business. Off-hand I couldn't say, but I would say it would be my opinion that 10 percent almost everyone could comply.

MC CONNELL. So your not so much suggesting 10 percent in every department of government but rather 10 percent off the State budget. Is that what you're talking about.

SHANAHAN. No, I was thinking of 10 percent of each department. Because that seemed the fair way to have each one come up with something. But maybe where you would have superior knowledge of the financial situations, maybe some could make it 20 percent and others 5 percent.

MC CONNELL. Or maybe we could just abolish some entire department somewhere!

SHANAHAN. Hardly. They just had a hearing on having another one yesterday. I don't know what the results of that was. Isn't that the Department of Economic Affairs or something?

MC CONNELL. I don't know, I'm not familiar with it.

DEARDORFF. It's a Commerce Department.

MC CONNELL. Mr. Shanahan, to change the subject a little bit I know that you have been a proponent of initiative and referendum at the State level. Am I correct?

SHANAHAN. Very much so.

MC CONNELL. Would you like to comment on that because I think we've discussed initiative and referendum at the local level and I think Proposition 13 is in the minds of us all and I'd like to give you the opportunity to express yourself on that.

SHANAHAN. Well, I think that as taxpayers and citizens, we have been insulated from

handling our own affairs on a referendum basis. That is on a major operation such as the tax situation. Now I have heard speakers here talking about the property tax and the income tax and I believe that this has really in the State of New Jersey has developed into a situation where we should have a constitutional convention or constitutional amendments to the property tax situation. We basically are a property tax State. I assume it came about in the times when it was an agricultural State when the ownership of land and money and the property assessment was really a fair one. Now we have come to a point where even though I'm in the taxpayer group and we were opposed to the State income tax, it was not on the basis of a philosophic opposition. We realize a State income tax would be a more equitable distribution. But we were faced with the idea of we had the property tax and now the other is just another tax. However, if there had been say a constitutional convention in which the whole tax structure would of gone into with representations of citizens and everyone else involved, so that we could come up with an income tax program, I don't know what it could be but maybe it certainly should at this point take up this terrible situation of the schools. I don't think that Mr. McGregor was fair to his predecessor when he said the duties of citizens. I would like to take the Senior Citizens point there. Sure, they were educated before, but we have this terrible inflation where so many of them are put into a position that they can't afford this thing. So I think the proper thing would be to take the complete payment for the school system into the income tax as the Botter Decision had said but it hasn't been yet implemented that it's unconstitutional. So I think the only way to, I think the Legislature has been remiss in not doing this or listening to this so that I think and I am hoping to start some activity in pressing for such a referendum so that people, and by the way this SCR-13 has an implementing number that I had forgotten but it's in the original bill in which specific outlines of how many signatures would have to be gotten, it's not in the paper here but it's in another accompanying resolution.

MC CONNELL. Is this Senator Dorsey's?

SHANAHAN. That's Senator Dorsey's. In an accompanying resolution where it would be thousands or tens of thousands of petitions, the signatures would be required. Now, certainly this wouldn't be done every day. It's only done on serious matters that people feel mad about. I think SCR-13 which has the same number as this invidious 13 in California that we're all so upset about would make that implementation so that we could get signatures and if we felt strongly about a tax convention or amendments to a constitution on various matters I think that people should certainly have that right. It's really ashame when the constitution states, "all power is inherent in the people", but they have no way of implementing that power.

DEARDORFF. Mr. Shanahan, do you think that a constitutional convention or a tax convention would really change things very much?

SHANAHAN. Well, if it were not controlled by the political structures of both parties, I think yes.

DEARDORFF. Of course, you know that we have had I don't know how many bills put in particularly for tax conventions. Just as our 1947 constitution, you had people elected, many of them from political life, in fact most of them. And the same pressures are on the delegates to a convention that are on the delegates in the two houses of the Legislature in Trenton. And this is one of the problems.

MC CONNELL. And I would think that you're talking about either the pressures of the special interest groups but the pressures of responsibility about...

DEARDORFF. In both, both really. As I told Mr. McGregor and the same is true of you. I am speaking of you not as a member of the Hunterdon County Citizens and Taxpayers Association so much as an individual, the big problem is is that you're not really organized the way the other people whose interests are diverse to yours are. And one of the reasons why for instance the school districts get more than the New Jersey State League of Municipalities is the fact that the School Boards Association is much better organized. That's really a part of it.

SHANAHAN. Of course. Well, we recognize that. Of course, it's a pocketbook situation.

DEARDORFF. And of course, the type of thing of having getting together and trying to develop organizations to speak for a large group of people is really, actually it is the American way. Because if you read in the Federal list papers, Hamilton and Madison envisioned the pressure groups. But they envisioned them in such a way that there would be, they spelled it as Group X, Group Y and Group Z, and on one issue Group X and Group Y would be together against Group Z. Another time Y and Z were against X and so forth. So that you get a balance and the problem I think maybe is is that X and Y are pretty well organized and Z isn't.

SHANAHAN. Well, I think at the time of Hamilton they also envisioned an enlightened leadership that was noble.

DEARDORFF. Of course, at that time, we were a representative republic and not a representative democracy.

SHANAHAN. That's true. And they were magnificent people. I don't know how they happened to come together at the same time.

DEARDORFF. It was very fortuitous.

SHANAHAN. It was.

MC CONNELL. Are you concerned about voter participation? If we had initiative and referendum at the State level -- the small percentage of people who actually come out and vote who are informed...

SHANAHAN. Do you mean on general elections?

MC CONNELL. General elections but I was thinking if we had the power of initiative and referendum at the State level, I would assume...

SHANAHAN. Well, I would assume that the matter would be of such magnitude that it would attract quite a turnout, that's my guess.

MC CONNELL. But you heard testimony today about a very serious local question that was on the ballot, 20 percent of the people voted at a local level in Chester Township.

SHANAHAN. Yes, I heard that and my guess is is that probably if there were 80 percent that came out it would probably be the same result. My problem is not so much, or at least I don't see the problem as being a percentage vote it's what I would say is a representative vote. Now you take the average school elections where you only have 10 percent, it's not a representative vote because the election is a small part of the day it's always in February where people don't come out who might come out and it's usually a dedicated, if there isn't any major issue, it's a dedicated group of people who are interested in probably keeping the incumbents in office and passing the budget. So that you don't have a representative vote. I think that's been one of the problems why the schools have reached the enormity of their budgets and empires now is because for the past 20 years the school boards have been just growing and budgets have been growing and the average person thought that if the 10 or 20 percent who came out was representative so he felt no compunction about missing it but I think he made a mistake.

MC CONNELL. Mr. Shanahan, I appreciate your coming.

SHANAHAN. I would like to say thank you to the Committee for listening so thoroughly to my statement.

MC CONNELL. Would anyone object if we took a five minute break. Mayor Wimmer are you in a tremendous hurry. Could you wait five minutes and then I'm going to call you next. Am I missing anybody that is suppose to testify? There will be some others coming later but if you just let us take five minutes.

R O Y A. W I M M E R. My name is Roy Wimmer, Mayor of Califon and President of the Hunterdon County Conference of Mayors. What I would like to do is to try to show the problems that we have today in unanticipated adjustments to our tax rate. And what I have done on the first page here is show the 1978 apportionment of taxes for Califon Borough. It shows the county tax rate, the dollars that we have to collect and the percent of the total tax bill. And I go right down the line, the county tax being roughly speaking 15.09 percent, county library being .85, the district school tax which is your local school at 41.09 percent, the regional school tax being North Hunterdon in our case at 30.33 percent and the local tax being 12.64 percent. On the next page you can see the way the county is divided and we pretty much follow; we're a little bit higher in the local

tax being 12.64 percent rather than 5 percent, and you know we're a small municipality and we provide some additional services and we do not have the income that some of the other towns do. But the regional high school for instance is 34 percent throughout and we're at 30 percent. It pretty much follows in other words we are typical of being a small community. Now if you get back to the first page looking at it from the local official point of view that the Council controls the local tax. We can't quarrel over that. This is our basic responsibility. The problem we have when the tax bills go out, of course, is that the people coming in do not understand that the local tax is only 12.64 percent and this is all that we control. Again, we have the problems with the State mandating costs on us with the building inspector and this is some other items and I'm not really going to argue with that. We normally know when this is going to happen and we can pretty much anticipate a lot of these happenings. And there again, we're talking about basic communication between different levels of government and that is really no excuse to give to the taxpayer if you can anticipate it. The caps I'm not really going to argue about. I really do not have any problem with it in Califon, the other municipalities in Hunterdon County do have problems with it. The only comment that I would like to make on it is that there seems to be no provision for a decrease. In other words, you can decrease your budget but in effect you're only penalizing yourself because your having a lower base for the 5 percent on the following year. This happened to Califon the first year and we got around it by establishing a capital surplus fund to use the caps not knowing what was coming down in State mandated costs the following year.

MC CONNELL. So you feel that the caps in some instances can encourage spending?

WIMMER. Definitely!

MC CONNELL. And it did in the case of Califon.

WIMMER. It did in the case of Califon. I would of recommended to the Council at that time that they would of not had that capital surplus line.

MC CONNELL. So they could increase their cap next year.

WIMMER. Right. But no they did it because we did not know what costs were coming down from the State or the building inspector, etc.

DEARDORFF. Could I interject here a moment? Knowing Califon, and the type of community it is, it surprises me when you say you have no problem with the caps for this reason that I found in going around the State that it is your type of community which seems to have the greatest trouble generally and in most parts of the State the relatively small rural or semi-rural type of community with a relatively small budget where a few thousand dollars makes a great deal of difference.

WIMMER. Every \$1,300 we spend is 1¢ in our local tax rate.

DEARDORFF. I know particularly in South Jersey, I've found this and then up in Bergen County, the smaller municipalities seem to be having the most trouble. So I was rather surprised.

WIMMER. Well, if you go back for instance, in the past, I can only speak for the past three or four years, but prior to that, the previous four years the local tax rate in Califon had in effect doubled. Now since then it has gone down, roughly speaking 30 percent what we charge the taxpayers proportionately. We actually lowered the budget heavily one year. I think what we've done is we used more CETA personnel, we've gotten in more money from the outside. If this were to stop, I agree with you, we would have a problem. The problem, of course, with the CETA personnel is that once this stops, people like the service and they're going to anticipate continuing the service. The one reason I say I like the caps is quite frankly there is a lot of people in town that can't afford the service, it's fine as long as it is free.

HERSHBERG. There's no free lunch then.

WIMMER. There's no free lunch and eventually it would come if they're used to the service well, fine, then they are going to have to start paying for it. But there again, we have a division in income, a very heavy division in income in Califon. The new vs. the old. You hate to say that but it's very true. The people with 78 being put through now we have more middle executives moving out to the area you have AT & T moving in and there's a big division of income. I feel one of my primary responsibilities is to protect the other people who are on fixed incomes.

MC CONNELL. You feel that the new people that are moving in who income might be higher are demanding more services, and putting more pressure on local government to spend more for particular services and it's very difficult for an official like you to keep spending down in order to protect the residents.

WIMMER. Yes. So that's why I like it. In the beginning, the first things that we did when we started to reduce the local tax in Califon again, we put controls over the total tax rate. In other words, we picked a goal and we aimed for it. And the reason why I want to get into for instance, the North Hunterdon school tax rate which is on what I am working up to is because I want to show you how the problems that we have no control over, the North Hunterdon School Board has no control over can affect our local tax rate and this is what I would like to stress. As far as the local school tax is concerned it's obviously our biggest problem and again we have a school board for that, that's the biggest increase coming up every year. You have like 13 teachers and they all want a raise and you have virtually no growth in the town. So again if you had 13 kinds of thousand dollar raises or say \$13,000, every \$1,300 we spend is a penny in the tax rate, you just went up a dime. And there is very little we can do about that. As far as the county and library tax, well, there again, the county might have one example in here, if you go to the third page. We have the sales that come up to the equalization tables. And there again, the county budget where we're getting hit as a small community, and a community that is not growing as much as the other towns, is the county will come out with a budget which they anticipate will not affect their county

rate, countywide. However, when you throw an equalization factor, of course, it comes back and hits certain municipalities. So even though the total theoretically should not be an increase you have various towns within the county going up and down 2¢, a nickel, 8¢, in any given year paying. In Califon Borough, for instance, which represents small towns, if you look at Schedule B which should be your third page, you can see the sales in different categories. And if you look at the other category, you'll see one sale which represents 101 percent of the assessed valuation. Now if you take the actual valuation in town which is the \$1,339,700 divided by the 101 you come out with your equalized factor of \$1,326,436. However, if we did not have that one sale, the figure would be substantially lower. In other words, the \$1,326,436 would actually increase substantially higher to \$1,851,949. The reason being if we did not have the sale the residential rate, or 72.34, as I understand, it would take the place of the 101 percent, having no sales. Now again, we're lucky in this case. I really think though that in small boroughs that if you have one, two, three sales I don't know what the answer is as to what is a good sample in this case. But I really do not think, for instance, if you have no sales that the 72.34 should apply to that category. Because in effect, right off the bat, if we did not have that sale our total county and our total library tax the two of them together would of probably increased \$2,000 within the borough. Now this is something that we are very susceptible to and I don't really have the answer of how to get around it. But again, in any given year, this is something that we cannot plan, we cannot project. These figures come out in October, fine. By the time the appeals go through maybe November we may find out about them and we have two months to sit there and worry about it. But there isn't too much we can do for this \$2,000. But let's project that further and let's eventually get down into the regional school allocations. And you can see how this further compounds itself. So right now what I'm doing is I'm taking out that one sale and projecting that other category at 72.34 percent. Now if you go to Table C -- this is the wonderful method that we allocate North Hunterdon regional school systems budget. We've been fighting this for what about three years now. When it first came in, there was a big stir because that was the year that the budget was downed by the voters to begin with, and one of the end results was that we agreed to try to publish the way the allocation of the budget was going to be before the people had to vote on it. Now we started that two years ago and what happens is that I get a hold of Dennis Deitz in that office and we go through this whole system with the ladies in the County Tax Office who are good enough to give up their time also, and we try to project in the papers before the people vote on this what the end results are going to be. The reason for this is the first year we hit wide discrepancies. They had come out with a figure that the regional school cost should not go up, I believe two years ago. It was going down, 11¢ or 8¢ on the average, and certain municipalities went up as high as 47¢, I believe that year. So you can see what would happen if a voter went out

thinking that their allocation for this was going down 8¢ and voted for it, only to find out it is going up 47¢, the problems that that voter may have after it's all over.

MC CONNELL. Mayor Wimmer, could I interrupt just a moment. Since your testimony is basically around school aid, and I'm glad that we're going to have some testimony on that, Mr. Drautman who is President of the North Hunterdon Regional School Board who has presented written testimony which we put into the record, would you like to come up just for any sort of support data that we may need. Because everytime that Mayor Wimmer turns around and asks you a question it's not being recorded.

DRAUTMAN. I haven't prepared anything.

MC CONNELL. No, I don't want you to say anything, just in case Mayor Wimmer wants to ask you any questions.

WIMMER. So let's further compound losing that one sale by switching in the upper part of this, follow across Califon, pupils on roll total 233, elementary school - 163, regional - 70. Let's switch four people from the elementary school to the regional school to show what would happen. I don't think that this is unreasonable. Here again, a problem that happens in the small towns and in the large ones also, is this thing heavily depends upon the ratio of your total students to the students in the regional high school as you'll see as we go through this. Now if you have a switch in any given year -- like if you have a large eighth grade graduating and a small kindergarten coming in, you're in serious trouble. This is what's causing these jumps up and down. If you have a small eighth grade and a big kindergarten, then you're fine. But if you see the effect of four people, the switch of four people and keeping the same totals you'll understand this problem how it really compounds. And four people is nothing more than somebody moving in and somebody moving out. So by switching that, we take that 163 and we'll make it 159 and the 70 becomes 74. Now we know that the equalized value has changed. We come down to the next table on the same page, the equalized valuations for 1977 for Califon being \$17,053,134. What I have done is that I have taken half the effect of losing that one sale. Because, again, the way I understand it the basic formula for this is you can take the prior year and this year, add them together and divide them by two as far as your ratio is concerned. So it took half the effect of this which gives us a new figure of \$17,319,605 as our equalized valuation in Califon. That replaced the \$17,053,134 in the bottom chart - Califon - under equalized valuations 1977. Now our percent of pupils in the tax district enrolled in regional district Column 3 divided by Column 1 of the above schedule would then change. It sits here now as 30.04 percent. But this is going to change to 31.76 percent because we have switched four people. By multiplying this figure the 31.76 times the \$17,319,605 we come up with the regular share of equalized valuations Column 7 times 8, which will change from \$5,122,761 to \$5,500,707. Now the total of this column, we will now have to change

the total column, we will have to add this in also, the total on the bottom changes from \$215,903,514 to \$216,281,460 because the next figure is going to be a percent of the total.

MC CONNELL. What are you talking about - \$1,000,000 increase because of four students.

WIMMER. No, we're talking about in Column 9 we're talking about \$378,000, because we shipped the four students and the loss of one sale. Now this could easily happen in any given year. Easily. In fact, it's probably going to be a worse switch.

DRAUTMAN. I might note that it has happened and that's what Mayor Wimmer referred to at the start. When you calculate an average tax rate you take all the ratables and divide them into the budget and that is indeed the average tax rate. And you can say it goes up or you can say it goes down. Then when all of these machinations are done, it may be up 50¢ in one municipality and down 27¢ in another and nobody gets the rate that you publish.

WIMMER. Which causes him problems and it also causes me problems. It doesn't cause me problems as long as we're going down.

MC CONNELL. This is terribly fascinating what you're presenting here to us. I hope you're going to present some recommendations of how we can change this.

WIMMER. Now a percent of regional equalized valuations which they come up with now, they're taking a percent of Column 9 to the total, that's going to change from this 2.3727085 percent and it's going to go up to 2.5433095 percent. And again this looks kind of simple it looks like .17 percent, but now we're going to multiply it against their budget. We turn the page, and again in the first column there for Califon this 2.37 changes to 2.5433 and goes right on down the line. On the bottom of the next column, total share apportioned, this budget figure, this is their budget that have to adapt to allocate for local taxes of \$6,404,487.25. You take this new percent of 2.5433095 multiply it by that, and you're going to come up with a new total. It's not going to be the \$151,959.81 it's going to change to \$162,885.93.

MC CONNELL. That's your share.

WIMMER. That now becomes our new share. So we're actually going up \$11,644.

DEARDORFF. 9¢ on you tax rate.

WIMMER. In effect, 9¢.

MC CONNELL. By shifting four children and losing one sale.

WIMMER. By shifting four children and losing one sale without us never having any control over it. This isn't that bad of a situation, losing one sale or having four kids shifted. Obviously, other towns have been affected more since they have gotten hit 47¢ in a given year. But again I project that you cannot plan on something like this. And when you try to have a budget or your trying to keep the total, now what do you do. Do you go back to your municipal rate and try to adjust it by \$11,000. Well, \$11,000 compared to what we charge the taxpayer plus the

\$2,000 we just picked up in county taxes because of the loss of the sale, we're not talking about \$13,000. We only charge to go back to Schedule A in the beginning we're only getting \$63,000 from the taxpayer. You're talking 22 percent we've cut out of that figure. Or adjust buying. We just do not have the flexibility to do that. Now again, what compounds us even further, is that we can stay the same, the same ratio, the same assessments, everything else, but if you have four or five towns losing high school kids and picking up elementary kids, you're keeping the same high school kids just picking up elementary, their percent is going to go down in effect increasing ours, without us doing anything. It really compounds because everyone depends upon everyone else since we're taking percents of the total.

MC CONNELL. At the regional high school levels is what you're talking about.

WIMMER. Yes. Again, the local school you just spread that against your local assessments.

MC CONNELL. Because in K-8 other municipalities have no affect on your school budget.

WIMMER. None, whatsoever. Except for the percent of students that they have in the regional high school. Why that was ever thrown in, I do not understand.

MC CONNELL. How would you like to see the formula changed? As Mayor do you feel that...

WIMMER. Well, I would like to see it stay consistent that I can plan. Again, everybody has their own theories that you cannot go by the evenly equalized assessment because that is unfair at those towns, they have more equalized assessments and less students then why should they be paying the bill and that's why they threw this whole thing into the whole system, the way I understand it. But the problem again is that, OK, fine, if it's unfair just to go by equalized assessments, they'll throw something in but make sure that it stays fairly consistent. In other words, if there is an increase but it be gradual don't let one year's change affect the tax rate that drastic. Tax rates have been going up and down in the northern part of this County like crazy because of this. We've just been jumping up and down. In fact the county records here will show just what the local municipalities are getting assessed with the regional high school, and it jumps up and down year to year, which will drive you crazy. Again, if you had a lot of reserves you can adjust your local rate accordingly. But in the small towns, Number 1, we don't have the reserves and Number 2, we really don't have that large of a budget to adjust it, we cannot anticipate this type of a change.

MC CONNELL. OK. Good point.

WIMMER. Now again, Jim you probably know who developed this.

DRAUTMAN. Well, I think it was an outgrowth. North Hunterdon was for a long time was on a pure ratable basis.

DEARDORFF. Well, this was changed in the T & E.

DRAUTMAN. Right, and there was pressure to go for a student basis and then the T & E

formula mixes students and ratables in this way which when you have district elementary schools in a regional high school they apportion the ratables and as Mayor Wimmer said it doesn't affect your local school tax rate because you simply take the budget and divide it by the ratable. But the part that's assigned to the high school depends not only on how many high school students you have but on the ratio of how many high school students to elementary students there are in all of the municipalities. It's horrible to calculate and Mayor Wimmer and Dennis Deitz have been as a public service for two years gone out and trying to do this but the numbers aren't always ready in the county by the time we have to go to the people in our budget. It's true. What he says is exactly correct. The people haven't the foggiest idea, when we say the average tax rate in the North Hunterdon district will go down 2¢ this year let's say, when we say that, somebody's can go up 50¢ and nobody has any control over it. And we can't tell them that unless the county gets the numbers ready and volunteers sit and crank through all of these figures which obviously are not easy.

WIMMER. I would also like to see, for instance, all budgets projected this way. You don't vote on a local budget, you do not vote on the county budget but at least they have public hearings. Now, for instance, on a county budget if it were published, how it would affect the local municipalities rather than how it's going to be equalized. People may be more willing to go to the public hearing and comment about it. Because it's very nice in this county, you know that I can see that they have to grow and everything else, but when you're representing a community that is not you start to get hurt and you would like to have your say. Again, it was only 2¢ this year and 2¢ is no big problem really, compared to what the regional, and the regional hasn't really hit Califon yet. This has worked very well for us. I shouldn't be complaining I should be keeping my mouth shut, but I know it's coming and one year we're going to get hit like 50¢ and it's just going to kill us. And this is the reason why I would like it out of there.

MC CONNELL. So you would like to see the Legislature give consideration to the method of computing.

WIMMER. Oh, definitely.

DEARDORFF. Well this has been a bone of contention with a lot of people around the State. I've never have seen it as well presented as you have as to just exactly how it works within your regional high school district but it has been a bone of contention and I have an idea that it probably is an area that would receive pretty general support because we do have a tremendous number of regional districts. Some of them probably don't jump around as much as yours because you're in an area that is growing. But here again, many of our regional districts like in Ocean County, naturally, which is the fastest growing county in the State and the new ones up in Sussex which is very fast growing probably are having the same problems. So this is something that should

receive pretty broad support for doing something to prevent this.

WIMMER. I guess what I am also saying is that I have problems with the old philosophy in the State government or local government whatever government it is that the legal liability overrides the financial accountability. In other words, you're overriding what is normally considered generally accepted accounting principles in certain cases because of a law. And I think perhaps people should be more aware that in some cases the law is fine but you've got to implement this law. In some cases, it is virtually impossible to implement it and still have good financial planning, and I think this is one case.

MC CONNELL. A good example.

WIMMER. Because, what you're doing is your throwing off any projections and planning by the local municipality, which in effect, should be illegal, OK. You know you can talk about all your apportionments all you want whether they are legal or they should be a different way. But the fact that you're not being able to plan still costs you money at a local level and it's hitting the taxpayers.

MC CONNELL. At whatever level, whether it's within the home, and individual or whatever level of government you're talking about. Do you have any questions for Mayor Wimmer.

DEARDORFF. No, not right at the moment.

MC CONNELL. Obviously, you did a lot of work on this and I'm glad we've got this kind of testimony on school aid formulas.

WIMMER. You know I could be off a couple of cents on this but I just threw it together and again I just wanted to show the impact and what can happen and I just used these figures. I thank the County Tax Office for supplying them.

HERSHBERG. Getting off this topic, do you have any comments at all on municipal revenue sharing? I don't know if Califon receives any, I assume it does.

DEARDORFF. Yes, they do.

WIMMER. Yes, we receive some. Obviously, we use it.

MC CONNELL. Obviously, you spend it.

WIMMER. We spend it as fast as it comes in. What we try to do is we try to keep those items in our budget to be the standard expenses and when we get items like this in, if we're going to do extra work or cover extra snow problems, and streets and roads problems that's what we use it for. In other words, we budget the bare necessities in our budget line and anything extra we try to use whatever funds we can grab from anyplace. Walter Foran's Rural Aid Bill, well that came in too late for us, unfortunately, and we had to actually fold it into our budget because it had to be spent. Our budget was already adopted. So we couldn't give that back to the taxpayers this year. And hopefully at the end of the year there will be a surplus, hopefully.

And we will be able to either, in effect it will end up reducing taxes of course because we will not be spending other funds for it. But yes, we do need that.

HERSHBERG. Your effective tax rate is...

WIMMER. 3.89 x 7466 right now, the effective. So we have the higher effective tax rates, yes.

MC CONNELL. Mayor Wimmer, just one question. Assuming that there were no caps on spending assuming that every time the Legislature passed a law mandating a program to a municipality they would pay for it in some way, do you believe that if municipalities had this money and were not stricted by the caps on spending that it's the nature of all human beings as well as government entities to spend what they have? Or do you think it would be self-composed restraints?

WIMMER. I think the government would be forced to spend it. You know people can say all they want...

MC CONNELL. What do you mean forced to spend it?

WIMMER. The people themselves will come out and demand additional services. You can say all you want about people who want reduced taxes but they still want the services. And it's very nice to see Proposition 13 but you're going hear screams shortly. In other words, the people are still demanding these services.

MC CONNELL. So you're actually making a case for the caps on spending because it gives local government...

WIMMER. In my case.

MC CONNELL. Some method by which to say no.

WIMMER. Oh, definitely. I will use it for that reason. But some other municipalities are started behind, we'll put it that way.

MC CONNELL. Yes, as testimony was brought forth for Mount Olive.

WIMMER. They just started behind and I think that's most of the objection to it. Again, we were coming down when this hit. So obviously we recognized that our budget was in fact too high for various reasons. I'm not saying that the previous Governors mismanaged the money or anything else, they had big expenditures in those years. So we were coming down when this hit, so we were able to take a base where we could work with it. But there's other towns, for instance, that were going up and they got hit by it and I can fully recognize their problem. But yes, I would personally use it to that advantage.

MC CONNELL. That's the nature of all people I think, if you have money you spend it. This is what worries me about government. If we just open the door and remove the restraints on spending that there will be a tendency to spend more at every level.

DEARDORFF. They always find an excuse for a very logical excuse.

WIMMER. Well again, in a local government we cannot cutback that much. In a State govern-

ment, I just can see for instance, I would love to audit your reproduction costs. Because I can see cutting them right in half immediately. The same form from five different people come into the office. The amount of reproduction work you have it must be incredible.

MC CONNELL. The worse thing that ever happened to our states' and nation's economy was Xerox machines.

WIMMER. The cost there is prohibited, well plus what machines we use in what situation.

MC CONNELL. I mean we just roll them through the Xerox machine like it was toothpaste.

MC CONNELL. Mayor Wimmer, thank you so much for coming and Mr. Drautman you have given us testimony which will be part of the record and we appreciate your comments.

J. J. D R A U T M A N. Remarks by J.J. Drautman, President of the North Hunterdon Regional Board of Education.

The North Hunterdon Board of Education has no philosophical differences with the "cap" concept. Although I speak only for myself, it is my opinion that the Board supports the idea of caps, and has found it possible to continue to provide a quality education to our students despite them. Although, we expect to continue to do so, it will become increasingly difficult -- if not impossible -- unless the cap law has some corrections made in it.

The North Hunterdon Regional Board operates two high schools, both of which are also area vocational schools. Hunterdon County has no separate vocational-technical schools. As such, North Hunterdon's per pupil expenditure is above the state average. To my knowledge, all 9-12 districts and all vocational-technical schools (special purpose districts) spend above the state average.

The present cap law does not recognize this fact. Although legislation is introduced each year to correct this, the so-called "six cap" law, it has never been released from committee. Indeed, to the best of my knowledge, hearings have never been held on the six cap law.

As it effects the North Hunterdon district, and many others, the present cap law tends to "average down" per pupil expenditures in high school and vocational districts to the per pupil cost in the average elementary school. This is an unreasonable and an undesirable goal.

Educating high school and vocational school pupils will never be as inexpensive as providing elementary education. Conversely K-6 or K-8 districts probably do not need caps which tend to average them up to the per pupil cost in K-12 and vocational districts. For these reasons, the six cap bill should be speedily enacted.

Our Board, of course, believes with most Boards and municipal governing bodies, that State-mandated expenditures should be exempted from the caps. It should not be necessary for me to add to what has been said on that subject. It should suffice to note that the State "gave" us \$65,000 which we were required to spend to expand our compensatory education program -- which

we already considered adequate. If we lived within our cap, this would have required us to reduce programs which we considered important.

Caps should, and to some extent do, take into consideration whether a district is growing, as ours is, or has a declining student population. More emphasis should be given to this, and procedures for appealing caps should be made clear to Board members and others who are involved in the process of budget preparation.

Faced with an 8 percent annual increase in students, and inflation, we have found it difficult to live within a 4 percent cap. We have appealed every year since the legislation took effect. After many meetings, the final decision has always been in the nature of: "Let's not look for more cuts, let's have a try at an appeal. If it doesn't go through, we can worry about what to do next."

This seems to me to be a poor policy, but there is little more we can do, given virtually no information on what grounds might form the basis for a cap appeal. The guidelines, if they exist at all, seem to be exceedingly tenuous.

Finally, I can see no reason for requiring that all surplus be expended before a cap appeal will be approved. We have twice had to borrow money on a short term basis in order to make it through to the next tax collection from our municipalities. Instead of drawing interest on a moderate surplus, we pay interest.

Keeping two months' cash on hand was once considered prudent business practice. The Department of Education appears to have decided that no surplus is necessary, and that keeping a surplus is detrimental.

If these changes are made in cap laws and the associated administrative procedures, prudent Boards of Education should have little difficulty providing a "Thorough and Efficient Education" even though their budgets are "capped."

MC CONNELL. OK, we're coming down to the wire, now. Alice Anne Hauck? For you reporters and observers, I think you might find this interesting. Alice Anne Hauck is a resident of Hunterdon County and also an assessor and a collector. And I think we're all aware of the proliferation of tax exempt properties on religious property. Mrs. Hauck was the assessor of Kingwood Township on a case recently which is now before the State Division of Tax Appeals and she's going to give us some testimony on this particular subject, on tax exempt religious properties.

A L I C E A N N E H A U C K. My name is Alice Anne Hauck. I am a certified tax assessor to the State of New Jersey. My largest problem with respect to the religious exempt organizations is the current wording in Title 54 as it relates to religious exempt properties. I would like to see some very clean-cut definitive legislation regarding what constitutes a religion. What is the criteria? Is it the basis of its corporate organization and so forth and so on. Would

like to see the definition of clergy. Is it someone who obtains ordination papers from the Universal Life Church for instance for \$2.50? Is it a graduate of a theological seminary? Is there a criterion. Definition of religious services held on a regular basis. Does one worship the television set and does that thereby constitute a religion? Must one attend worship services for it to be a religion? What constitutes a worship service? Must there be a minimum number of people attending? May one person by himself constitute a religion? And so on, and so on, and so on. I think that the vagueness of the statutes as they exist right now are so huge, I could probably spend six hours and go through everything that is not defined. And I'm not sure that I have clear-cut suggestions for the legislation. I think perhaps one person is not qualified to make-up all the criteria. I think perhaps the Legislature should examine the statutes, and develop its own criteria perhaps with the help of the Attorney General for definitions, and so forth.

MC CONNELL. Do you happen to have a copy of the statute pertaining to religious organizations, Alice Anne?

HAUCK. No I don't.

DEARDORFF. You know one of the problems is that I'm not sure that even if we rewrote the statutes they would hold-up. For this reason, that there are an aneroid of United States Supreme Court cases in which what you or I, or I would say almost any rationale human being would say was not a religion was upheld to duty, and therefore exempt. Of course, fortunately, most of them are in California. But this is true. You know snake worshippers, demon worshippers, the court held that even though they are not what the average would deem to be religions that who is to say what religion is.

HAUCK. And I think perhaps they developed those decisions rightfully.

DEARDORFF. Well, probably so, because where do you draw the line. See, that's the point.

HAUCK. However, it's somewhat going against motherhood and apple pie to make a statement to the effect that no religious organization should be exempt from taxation.

DEARDORFF. Yes, except that some of the religious organizations themselves notably the Presbyterian Church has said that they feel that they should be subject to taxation, perhaps at a lower rate but at least contribute. I don't know if you're familiar with a bill that's been in for its third go-around now. I did a study up in Essex County with a group of assessors up there from the City of Orange, the City of East Orange, Newark, and Gloria Cross came down a couple of times just to sit in with us...

HAUCK. On the storefront churches?

DEARDORFF. And we took all exempt property, it didn't matter what it was, and developed what we felt was a very eminently fair thing to place municipal service charges on all tax exempt

property. That part of the municipal budget which had to do directly with services and it was assessed then again only the land occupied because placing a value on a cathedral vs. modern church is very difficult. And it would of been a substantial benefit to the municipalities and yet I did a spot-check throughout those municipalities on various types of churches and other tax exempt organizations and the cost would of averaged in the City of Newark with the high tax rate about \$142 per individual exemption. And I think one of the things that this was instituted by City of Orange because over 30 percent and it's approximating 35 percent of their total ratables are tax exempt. They're a community that has no where to go unless they build up because they're built right out to their borders. And everytime another piece of property is taken off the tax roles that amount of money has to be redistributed. And they had all sorts of organizations, not just religious organizations, picking up prime little pieces of property here and there and taking them off the tax roles. This wouldn't prevent it but at least it might slow it down and also at least it would contribute something toward the police protection, the fire protection, the streets and garbage collection, and so forth.

HAUCK. Please don't exclude the children of the clergy who go to school.

MC CONNELL. Well, I think what we're talking about here, and it's an area that I'm very much concerned in, is whether or not the Legislature can really define what constitutes a legitimate religious organization and as Mr. Deardorff has pointed out, you know you get into a whole constitutional issue here but as a result of the Kingwood issue and many others and we know that there is a proliferation of this kind of thing happening it seems to me that its just become there's a loophole in the law somehow where various organizations are getting preferential tax treatment as a result. I think it's an issue that the Legislature has to look at and the statutes covering this, the assessment or the exempt status of the religious properties. It may be unconstitutional, but I think the time has come when the Legislature has GOT to look at it.

HAUCK. If I may, I would like to suggest that as a beginning area for the Legislature to examine, begin with the area whereby the residence of the clergy is exempt. Because to my knowledge...

MC CONNELL. The residence of the clergy.

DEARDORFF. The residence of the clergymen is only exempt in part.

HAUCK. No, it's totally. It's totally exempt.

DEARDORFF. It's in full. Of course, it might as well of been full.

HAUCK. And, of course, in some religions there are no children and so forth, but I can't really think in the majority of the religions with which I am familiar, I can't think of any public service which is not extended to that residence.

DEARDORFF. This was the tact that we took in this study in Essex County. The tax exempt

organizations, not just religious organizations, would not pay school taxes, they wouldn't pay county taxes but at least they would pay for the direct services they received. All be it not full but partially.

MC CONNELL. What is the status of the Kingwood appeal?

HAUCK. Limbo.

MC CONNELL. It was sent down for hearing but I can't...

HAUCK. I believe it has been postponed to the latter part of August.

MC CONNELL. Would you feel then, Mrs. Hauck, as an assessor that the law is not sufficient or it is sufficiently vague.

HAUCK. It's sufficiently vague.

MC CONNELL. You believe that it is vague. Thank you, do you have any other questions?

HAUCK. I would like to just if I might bring up touch upon one or two other subjects.

There seems to be a proliferation in the Legislature of new legislation. Some of which, of course, is perhaps warranted some which I'm not so sure is warranted. I would like to see new legislation more clearly written so that once it is finally adopted the public servants do not have to wait two to three months for written regulations which take a fairly simple or simply intended to be simple legislation and just develop it into a very complex operation. The Landlord Tenant Rebate is a prime example. I would also really like to see the Legislature examine the legislation before they adopt to see if it's really necessary. I find many new pieces of legislation which are only slightly different from legislation already on the books it's just that the legislation that is there is not being utilized by the various bodies who need or think they need this new legislation. The only other thing I would like to touch on is the caps issues, if I might.

MC CONNELL. But before you get on with that, you're in luck. Speaker Jackman has a bill before the Legislature now called "Plain Speaking." It's a bill that would require that all legislation be drawn up in such language as laymen can understand. And the interesting thing there was the Preamble to the Legislature that consisted of about 41 lines, and nobody could understand the meaning of the bill to begin with, and it was the Plain Speaking bill. But I understand that that has been amended in Committee and now you can understand the Plain Speaking bill and hopefully it will set a precedence, because I agree with you there.

HAUCK. But in some cases what I'm saying is the legislation is too simple. It's so clear-cut that it's not definitive. Therefore, we need 60 pages of rules and regulations to implement the legislation because there would be a word, for instance, NICE, what's nice to you, is not nice to you, is not nice to you, what's nice?

MC CONNELL. It's a point very well taken. I think the Legislature is more conscious of that this year than they have been in years past, of the need for making their intent perfectly

clear because we have found too many of our laws go through government ages and we don't recognize them. They come back in the form of regulations or in the administrative code, and we don't recognize them at all. So we have cracked down a little bit on that. And the Legislative Oversight Committee I think is doing a good job and I believe the Legislative Services and the legislators themselves are doing a better job in making clear their intent. It's not perfect but we're taking steps along those lines.

HAUCK. This is one of the things that leads into my last comment which has to do with the caps with the 5 percent limit and so forth, in that so many of the new State mandated services are an impossibility to administer at no additional revenue on the local level. For instance, in my collector's office, if my individual office budget were to be held at a 5 percent increase I could not send out the new bills this year because the postage increased 15 percent. The printing costs of my bills go up approximately 10 to 20 percent a year. The cost of equipment, leasing equipment, and so forth. And you know, we're talking about a small municipality. And again, I heard people talk before about the services demanded by the public. In Readington Township where I am the tax collector, we're a very rapidly growing area. We have some I believe it's 80 to 90 miles of dirt roads which have been fine to service the people who have lived there for 30 or 40 years. But you don't get your mid-upper level executive moving into his \$80,000 to \$120,000 home who is willing to bite the dust. It is a hardship. Of course, we're forced into bonding. There's no question about that. But I'm not sure that the people of the community like the State to be forcing them to take this action.

DEARDORFF. Of course, bonding would be a legitimate thing for turning a dirt road into a paved road. The problem is in the maintenance of it.

HAUCK. Exactly. And it's not really covered by your 5 percent caps.

DEARDORFF. No.

HAUCK. Not even by your increased ratables. Very, very big problems. I don't know of too many people who work in the private sector who would be willing to settle for a 5 percent raise every year. I for one as a public official would not. I think we have got six this year, that's all. You know, we're people too. And we aren't all bureaucrats.

MC CONNELL. The points that you bring out, the mayors groups, the League of Municipalities, and other local officials have pointed out some of these same concerns about the fact we imposed the 5 percent cap on you and then we continue to mandate these programs. There was one specific case and point on the firemen. Was it firemen and policemen pensions at the local level, the compulsory arbitration bill, and the affect it's going to have on the 5 percent cap...

HAUCK. You include in this the increase in fuel oil costs and then you throw in a home-stead rebate law and an unbudgeted school aid law and a tenant rebate law into my home office and

you know I'm just one office.

MC CONNELL. The interesting thing that happens here and I guess because I have worked in the tax assessment field, I'm familiar with the job that collectors do and assessors do, I've been down there six months and there have been a couple of bills that come through and they are kind of consumer oriented type legislation -- oh, I think the collectors ought to send out bills four times a year just for the benefit of the public. Do you know how much postage your talking about, and that most collectors don't have that kind of staff and resources to do it. But the average legislator is not familiar with the collectors' job the assessors' job and what goes on at the local level and they can't envision these kind of little everyday housing-keeping details.

HAUCK. Well, for instance, I have almost 4,000 line items in my collectors office and there are two people -- myself and one other in the office. It takes us approximately three weeks to stuff the tax bills. During which we don't do other work.

MC CONNELL. And your stuffing.

HAUCK. Yes, that's right. Thank you so much.

MC CONNELL. Thank you so much for coming. OK, I think we are coming down to the line now, Mr. Conley and Mrs. McKenney? This is Richard Conley an Attorney at Law and Virginia McKenney who is Councilwoman from the Borough of Roselle Park. You just came in recently but you are being recorded and your comments will be made part of the testimony. Mr. Conley will speak on the gross receipts utilities tax, and I believe you're going to speak on the same subject, Mrs. McKenney. There was some earlier testimony in terms of the Life Line bill that's before the Legislature now and the means by which to fund that so we have discussed briefly the gross receipts tax. So I'll turn it over to you.

RICHARD CONLEY. Thank you Mrs. Chairperson, Madam Chairperson. We are here today to highlight the problem that municipalities around the State face from the distribution formula which the Legislature has enacted for the public utilities gross receipts tax. I'm sure you're all familiar with that, I'm sure Mr. Deardorff has lived with this for many, many years.

DEARDORFF. Twenty-five years.

CONLEY. The particular statute that I'm addressing myself is in Title 54:30A-54b, that's the tax which imposes a tax of 7½ percent on a public utility company's gross receipts. Now, last year that generated I think about \$215 million. Now that money was then distributed it was in fact paid directly to the municipalities of the State of New Jersey. According to a distribution formula which is set forth in 54:30A-61, the thrust of the distribution formula is that the money goes back to the municipality according to where the personal property and some real property of the public utility companies is located. Initially, when this statute was passed by the Legislature and then modified around 1940, there was an attempt to take away from the local governments the power to

tax the utility properties directly. Because an assessor in one town would value the property at 100 percent of true value and an assessor in another would value it at a different percentage. The State sought as it has done in many other cases to standardize this kind of taxation and they imposed the gross receipts tax taking away the power of the local government to tax this and to get the revenues into the municipal coffers. I think initially there was an attempt, a rough attempt to put back into the municipal coffers the amount of money they lost from not being able to tax this property directly. However, because primarily or at least dramatically because of the oil embargo in 1973, we can see now that there is no relationship whatsoever to the amount of tax money that comes in and the value of the property in these municipalities. I understand there was some testimony earlier, some reference to the fact that Lower Alloways Creek has a surplus of \$16 million this year. I think the population of Lower Alloways Creek is about 1,400.

DEARDORFF. Roughly 1,400.

CONLEY. Smaller than Delaware Township. That I think is such an exaggerated situation that it can be fairly called arbitrary. Now we have filed a law suit in the Superior Court challenging this distribution formula. Virginia McKenney is the plaintiff. The case is called McKenney vs. Byrne. The City of Trenton has joined in that on the side of Mrs. McKenney, Lawrence Township and Mercer County has joined in. Salem City and Salem County and Woodbine down in Cape May County have all joined in on the side of right. The Attorney General, of course, is obligated to defend this outrageous statute and because we're challenging it on the grounds of constitutionality, and the Attorney General is obligated by the Legislature to defend the constitutionality of statutes. Eighteen municipalities which are the, I call them the beneficiary municipalities, have intervened in the law suit on the side of the Attorney General also, to defend the statute. It's interesting, since you're a legislative committee, that some of the lawyers representing the municipalities had intervened are legislators.

DEARDORFF. Probably Mr. Karcher.

CONLEY. I will refer the Committee to an article printed in the magazine I think called New Jersey Magazine, it's published by the Center for the Analysis of Public Issues, the article appeared in the September, 1976 issue on page 3. And it gave, I think a very good overview of the statute of the dollars and cents situation and it happened to mention that then Assemblyman John Dorsey was the Attorney for East Hanover Township fighting to retain the statute on a present distribution, Assemblyman Alan Karcher was the Attorney for Sayreville, Senator John Russo, was the Attorney for Lacey Township, Senator Joseph Maressa was the Attorney for Winslow Township, all of which kept sizeable distributions of this revenue. In addition, according to the article, John Gregorio is the Mayor of Linden, and of course, Linden is one of the primary beneficiaries, and I guess he's in the Legislature.

DEARDORFF. Senate.

CONLEY. Now when I argued this case two weeks ago before the Appellate Division of the Superior Court having lost before the trial court, the first words out of the mouth of one of the judges was, Mr. Conley, why is this not a problem for the Legislature? So I was delighted to have the opportunity to come here and to highlight the problem for the Legislature. This morning's mail brought an opinion from the Appellate Division of the Superior Court affirming the trial court opinion, so again the court has held this statute to be constitutional. There was no elaboration in the opinion whatsoever it just said affirmed for the reasons given by Judge Schock. So we will pursue this on behalf of Mrs. McKenney and the City of Trenton and the other plaintiffs to the Supreme Court. I think it may be that the judges feel as we do, the Supreme Courts that place, that this will be decided that the court has to decide it. But the ideal place for it to be resolved is in the Legislature. That's where the public is represented and that's where apportionment formula can be worked out. I think the most the court could do would be to declare this apportionment so arbitrary, so irrational, that no money can be distributed according to it until the Legislature acts. So the Legislature is going to have to grab the bull by the horns at some point, assuming that we ultimately prevail, and figure out a way to redistribute this money. Now one hypothetical example which I gave in my brief, I will read, because I think it pictures the situation fairly and graphically. Bearing in mind that this tax is on the gross receipts of the utility companies and is part of our utility bills -- 7½ percent of the electric bill that I pay goes into this tax, and it is then redistributed.

DEARDORFF. Actually, 18 percent of your utility bills are taxes.

CONLEY. OK, we're concentrating on the gross receipts concept of that because it seems to be the most arbitrary. Here is my hypothetical example. Senior Citizen A lives in Trenton. Senior Citizen B lives in Hamilton Township. I make it Senior Citizens because it's that much more compelling. Each person has a total bill for electricity, gas and water, of \$100 for the year. The Public Utility Gross Receipts tax imposed upon each of these payments at the rate of 7½ percent equals \$7.50 per year. The entire \$15 tax is distributed between Trenton and Hamilton Township and it is used as a source of general revenue by each municipality to reduce its local property tax burden. Citing the tax figures for 1974, our case was tried a couple of years ago, and we have outdated figures, Trenton received \$919,000 gross receipts tax distribution. Hamilton Township right next door, and I think based on a utility, it's right on the border of Trenton and Hamilton, received \$4,700,000.

DEARDORFF. It's up to about \$7,000,000.

CONLEY. The ratio is that Trenton receives 1/5 of the gross receipts taxes that are distributed to Hamilton Township. So that \$15 tax is distributed in payments of \$2.50 to Trenton

and \$12.50 to Hamilton Township. Thus, the Senior Citizen of Trenton receives a tax benefit of \$2.50 from his \$7.50 payment. The Senior Citizen of Hamilton receives a tax benefit of \$12.50 from his \$7.50 payment. My conclusion is that no fair-minded observer could conclude that this disparity and treatment is rational or fair. The fair-minded observers on the courts so far have disagreed with me.

DEARDORFF. I think probably no one can speak for the court but I think that probably to the extent that if a law is general in nature and is not specifically applied to any particular individual or municipality or a necessarily group of municipalities and it just happens to fall that way, it isn't a question I don't think the courts very often does not look at it as a constitutional problem but a legislative problem. The problem really, and I'm surprised that Lawrence Township got into this, because as Lawrence Township has grown, and I'm a Lawrence Township resident, through both the franchise and the gross receipts taxes we're not getting a pretty good chunk of money and if it were redistributed on a per capita basis I think that we would lose money. The problem is is that even those places that do not get what you would call an inordinate amount of money are so afraid that something is going to upset the apple cart. I'll give you an example. We have a legislator who is not a lawyer but he is the treasurer of his town. And he pointed out to me that the increase in his franchise and gross receipts taxes last year were sufficient to give a 6 percent raise to all the municipal employees with no affect on the tax rate. Now you build that type of thing into roughly 200 municipalities, this is where you run into the difficulties with this. If it were only Lower Alloways Creek, there would be enough people to do something about it.

MC CONNELL. You're talking about a political situation here though, that this does not make the tax fair or equitable or...

DEARDORFF. But you see now, Senator Merlino tried to just use 75 percent of the increase for the Life Line to pay for it. And then they tried to modify it so that any municipality that was getting less than the average Statewide per capita would not be affected at all, they would continue to get their increase, and it was just politically unfeasible. I've been working with this for 25 years almost and really I would like to know the best way to do it, to recommend to do it. One of the things, this is on the side, but one of the things that really compounds this is that in the Federal revenue sharing formula this is considered tax effort, and therefore, if you get lots of money from the gross receipts tax you get more Federal revenue sharing.

CONLEY. That's true. And another factor is is that this money goes into the municipal treasury is not considered part of the ratables of the town for the apportionment of county costs.

DEARDORFF. I've written many bills to capitalize.

CONLEY. That's just under the other replacement revenues.

DEARDORFF. In fact it is now in one aid formula, and Mr. McHugh is responsible for that getting it into the health aid formula, the capitalization. But school aid, at one time Lower Alloways Creek was getting more for pupil and State aid than Trenton was, and they had more money than they knew what to do with it.

MC CONNELL. Mr. Conley, it's true that all municipalities receive money under the gross receipts utility taxes based upon whether the generating stations are within their municipality or based upon land or what have you. Could you explain that?

CONLEY. It's true that every municipality receives some of this distribution. I think Section 58 of the statutes sets up the valuation formula. They value utility stations at some value, telephone poles at another value, reservoirs at another value, and it's distributed according to the percentage of the value in the entire State in any one municipality has.

DEARDORFF. The thing that really makes the formula difficult and bad from your point of view and probably bad from an equity point of view is that your gross receipts taxes are really based about 50 percent on the generating capacity of whatever the generating station is in your municipality. We have x number of generating stations, Jersey Central, Public Service and Atlantic City Electric. Now, the generating capacity at Lower Alloways Creek is so far greater than the generating capacity at any other generating station, in fact, it is almost as much as all the rest of them put together, and yet they only take 50 percent of it because it's 50 percent owned by Pennsylvania and Delaware companies. So that if we actually were using the full generating capacity their money would be even more thrift through. It would be cool aid on the Delaware. That I think and a what a lot of people don't realize is that when these new generating stations go on line that the money is there and is divided up on the basis of generating capacity, the Lindens the Carneys, the Holland Townships, the Hamilton Townships and what not, are actually going to lose money, and it's all going to go to Lower Alloways Creek, what they lose. So that this is the part of it that is a real bummer to try and do something about and to convince people that this is going to happen.

MC CONNELL. Mr. Conley, you have eluded to the fact that you believe that this is a legislative problem and I have to agree with you and what you're hoping for is that some court along the line will rule this such an arbitrary tax that the Legislature will be forced to be put into a position to act. Assuming that happens, or assuming that the Legislature will assume this responsibility, do you have any proposal as to how you would like to see that formula worked out? You're just contending that it's unconstitutional or that it's so arbitrary, it's inequitable...

CONLEY. The attempt of the law suit is to have it struck down. I think it's up to the Legislature to devise a formula. I have not myself as an individual have given much thought to that. And as Mr. Deardoff says probably the man who could come up with the ideal formula will be

given some kind of an award. But I think that there has to be a tie-in to either population or the payment of utility bills. Our contention in the law suit started out very simply. It started out for example, Delaware Township and Holland Township in this county, which have more or less the same population pay presumably more or less the same. The people in those two towns pay more or less the same for utility services. Therefore, they each contribute the same 7½¢ of tax. Now the 1977 Annual Report of the Division of Taxation which Mr. Tempkin was good enough to hand me...

MC CONNELL. What page are you on?

CONLEY. Page 271. Shows the amount of gross receipts tax apportioned to the municipalities in Hunterdon County for 1976. Number 7 is Delaware Township, it got \$42,000. Further down the line it just jumps right out at you, Holland Township with the same population presumably having contributed the same amount to the gross receipts of the utility companies got over \$2½ million. Now our contention is is that the distribution that these two towns got is neither related to the amounts the towns paid in or the citizens of the towns paid in, or even the property of the utility companies. Everytime the price of oil goes up the gross receipts tax goes up. And the value of the little generating station over on the Delaware River doesn't go up that fast.

MC CONNELL. And the utility rates go up.

CONLEY. Right. And the utility companies really don't care. This is a direct pass through to the consumer. I would be glad to give it further thought.

MC CONNELL. Are you familiar with Merlino's bill that has been referred to here, it's the Life Line bill and he was recommending for funding of this particular concept, 25 percent off the top, I believe, in the increase or growth in the gross receipts...

CONLEY. Very, very generally familiar with it.

MC CONNELL. For whatever reasons, that didn't get off the ground either, but either from the point of view of those legislators who don't want to see anything happen with the gross receipts utility tax because of some little special interest or what have you, or some who believe strongly that something should be done and it should be distributed on a more equitable basis and feels that that's not the way to tinker with the gross receipts utility tax at this particular time, but as a result of those two different kinds of thinking...

MC KENNEY. The Life Line bill as I see it is to help the elderly on their utility bills and I believe it to be like taking money out of one pocket, you know putting it in one pocket and taking it out of the other. Each community as the gross receipts have increased year upon year and they do see some increase in their own money and if that was to be frozen at a certain level and that community would no longer be seeing that little extra revenue that has been coming in no matter how small it is and in the meantime that senior citizen or everybody in that community is going to be paying the extra on the taxes that they have to to support local government. And I hon-

estly don't see that that is the solution to it. I certainly would be very much opposed to the State taking it for their purposes.

MC CONNELL. I think your views are shared by a lot of people. Do you have any further questions on this? You're pursuing your appeal to the Supreme Court.

CONLEY. Yes.

DEARDORFF. Well, we will be very happy, believe me, to hear any new ideas, if you can come up with any, because it's really one of the toughest legislative nuts that there is.

CONLEY. Well, I think you make a good point, but it's really the responsibility of the Legislature to come up with some kind of formula.

CONLEY. Yes, and we have had to go to court because we thought that the Legislature had just not taken any action. And by the default, the passage of time has increased the amount of these revenues so that it's becoming a real accentuated...

MC CONNELL. It's harder for the legislators to let go of...

CONLEY. That's right. I think the towns that are getting the lines share have a very strong interest in maintaining their present distribution. Whereas the other towns might get more from a different formula but they're not mobilized. So in terms of intensity of interest in the political context the towns that now have it are the ones that are going to hang on to it.

DEARDORFF. The problem is is that 20 years ago there were a very, very small number of municipalities that really got any great amount of money out of this. And in those 20 years now, and with the increase and the cost of energy and the resulting increase in the total amount of money available, instead of having maybe 10 or 12 or 15 municipalities we now have about 200 where it is a substantial part of their local budget. A really substantial part. And for that reason the longer it goes the harder it is, you have more and more people against you if you try to do anything.

CONLEY. There is one other citation that I would like to read into the record so the Committee is aware of it. The New Jersey Commission on State Tax Policy in its 10th report in 1973, on pages 119 to 120, discussed the problem of the public utility gross receipts tax and it put forth the argument that most of these towns that get the money used which is that the tax was intended to replace the revenue they used to be able to raise. The Commission on State Tax Policy said that, "This argument fails to recognize that State law feeds the utility tax revenue into the municipal coffers regardless of the local tax rate whereas any local taxation of any other property would be limited to the general property tax rate." And this points up again, the problem in some of these towns like Lower Alloways Creek, we oversight that because it's the most glaring, but there are others. Holland Township I think has no tax whatsoever from the property tax for local purpose or for school purposes. Somebody in the State Division of Taxation said to me when I was thinking about filing this law suit, some of these towns and again they particularly highlighted Lower

Alloways Creek get so much money that after they pave their streets with gold they're going to put mink coats on their muskrats, and that really is the end result. They just have too much money to use. And that's arbitrary.

MC CONNELL. I thank you for coming, would you like to make any further comments?

MC KENNEY. I would. In 1975, when I first came to Council I first learned that there was something called gross receipts, so I started looking into it. And I was appalled to see such, what I considered as gross inequities. As I began to work with figures and I started close to home, Union County, the figures for 1974 showed that Union County received \$10 million in round figures. Union County consists of 21 municipalities and \$4½ million of that \$10 million went to the City of Linden. Well, I got busy. I sent a letter to every municipality. I started computing it on a per capita basis because I felt if I'm paying my utility bill and 7½ percent of that is going into this tax than certainly a good percentage should come back to help alleviate the tax burden on a local level. I don't remember just how many letters I sent out but over 300 letters went to the press. And I'll say I was very pleased with across the State the various newspapers that picked it up and I think we had pretty good support for something that was thought of being seen probably in left field. The following year I went back to all of these people again. I computed the figures of what they received, showed the figures they received and computed what they would receive if it were on a per capita basis. And it has been sort of a long battle and I was very fortunate that Mr. Conley picked it up and took it from there. I pointed out that Linden received \$4½ million in 1974 out of the \$10 million. My community, Roselle Park, received \$87,000. Now today the figure on the county level has doubled. In other words, it's around \$20 million for last year. The City of Linden received I believe around \$11 million. So in other words, their figure has more than doubled while Roselle Park, we got some extra money, yes, \$117,000 or we got a third. Now you know when you start working with percentages a 50 percent increase on a million is a lot more than a 50 percent on 100. So it sort of grows out of proportion there. I would not want to neglect to point out that the City of Linden houses the utility facility. We have heard the argument from Senator Gregorio who is also the Mayor of Linden that we deserve these monies because we suffer. Now I have yet to establish how they suffer. I hear about the emissions from the installations and the great dangers that exist and having these installations. Now, 1) I will point out that there is no great wall or barrier that goes skyward that hold these pollutions they claim to be there. That the winds don't blow them into Roselle Park or to some other neighboring community. We're not paid for breathing the air that Linden is getting so much money for. I have done some research and I have yet to be able to find where there has been any major tragedy or accident from these, why they say that they live in constant fear. Now it seemed very difficult for me to accept in my mind that as a local official that if something were bringing dollars to my community but would be injurious

to them, that I couldn't in good conscious vote or go along with it. In other words, if this is so dangerous and has all of these great disadvantages and is not good for the community, the logical thing is then you're not really serving your community. In 1919, when this tax was developed, it was a tax that was developed in lieu of State, county and local taxes on personal property and materials other than lands and buildings. Seven and a half percent of the amount added to everyone's utility bills which goes to the State who apportions and distributes these monies. Gross receipts are denying from the sales of services throughout the State. The utility customer provides the utility income tax. The base of the tax is the utility revenue derived from the customer and not the generating and distribution of equipment. Therefore, my contention is that the base should be on people and not property. The court decision that it was compensation in lieu of property tax I find very difficult to accept. Perhaps it should be reviewed as to what the size of these properties are that are housing these generating plants. Perhaps we could come up with something that would be so terrific that would bring in a tremendous amount of money. How much tax could they derive from that property if something else was on there. And I think that this is some basis of coming to say, why, I don't think there's any argument that these people should be compensated for having these generating plants, because we hear the argument, well, your town didn't want it, our town wasn't asked. And we have to be very realistic, we know we got a tough time with the legislators on this bit. It is more political than anything else. I don't think it takes an Einstein to figure out how we could work this where it would be more equitable. I would like to point out that I am not overly happy with my response from the legislators because in my once a year to send out the plea for help on this thing, last year there were 119 legislators there was an absence, and I wrote to them--pleading for some help--I heard from exactly five legislators. I think that's a pretty poor commentary on people elected to represent us. Last year I was down to the League of Municipalities' Convention, one of the sessions was on responsiveness of the legislators to the local people. And they admitted, the panel--well, unless you have got a group down there lobbying, I mean we just don't get to you, that's all. I think that's rather pathetic. Most of us elected officials are on a part-time basis. I get \$750 a year for being a Councilwoman, and you people have to know that we probably have spent more than that for the contributions and the various things that you have to do in this particular office. So therefore, we can't take off time from work to go down and lobby asking the legislators to do the job that is rightfully theirs to do. I doubt if anyone would disagree that an appropriate payment should be made for the use of these properties but certainly not to the extremes that are now being remitted to them. To add insult to injury, the revenue sharing monies are greatly effective by gross receipts which has been mentioned, also county tax. So in other words, it's just like -- them that has -- gets. The municipalities once realized from the State being cut-off such

as your funds for roads, your State sales tax and such, and then with these monies skyrocketing as they have on the gross receipts, and just to give you an idea -- in 1968, I believe, the total figure taken in was \$69 million on gross receipts. This past year it was \$213 million and you can see than in a nine year period how that this money has just gone way out of proportion. And I think of well, who's the legislators to take, my God we've got to do something here. I mean this is wrong. I can understand the political pressures that it's not easy to, well, gee, we have to look at the legislation and say well how many votes are we going to lose if we go along, but my figures computed last year show that 78 percent of the people of this State would benefit from a change in the formula on a per capita basis. And I think that maybe some of the legislators should look at these figures and say, gee, 78 percent. I think just from the mere justice of the thing, that gee, 78 percent of a group can benefit, that certainly I believe it requires some serious thought and some serious action.

DEARDORFF. Would you recommend that the change only be made in the gross receipts?

MC KENNEY. That's the only one I have studied so far.

DEARDORFF. Or should it also be in the franchise?

MC KENNEY. I haven't honestly studied that. It probably is needed there too. I've bit off something rather large and fortunately I had somebody knowledgeable to come to my rescue to help me. You know, you can't take on too much.

DEARDORFF. You know really, from the political point of view, one of the problems is is that if we did redistribute this money on a per capita basis as you say, it would be, I know I didn't realize it was 78 percent, but I knew it was well over hand, that the people would benefit. Two of the cities which are getting a lot of money for State aid because they're so depressed to lose money and that is Jersey City and Newark.

MC KENNEY. Newark wouldn't lose a great deal on a per capita basis.

DEARDORFF. A little bit.

MC KENNEY. But if it were set up where they receive money for the installation being there, they wouldn't lose, I'm positive of that.

DEARDORFF. But Jersey City would lose a substantial...

MC KENNEY. Well, I'm sure it would have to be done on a gradual basis. I don't think that you just can take that money away from them one year. Something would have to be worked out on that. Look at all the years that they have had it. I'm not crying for Jersey City or anybody else, I just happen to think that it's just been so unfair and the millions of dollars that have gone into these areas where the poor, struggling soul is trying to make his ends meet and he hasn't got his just fair.

DEARDORFF. Yes, I agree with you.

MC CONNELL. I would like to know who your legislator is that you have to chase down in Trenton?

MC KENNEY. Lou Bassano, I talked to him before he actually was elected and went for his second term. I think well, it's a little tough. Gregorio, he was also a legislator at that point, he was in the Assembly, and while in his community he was a Committeeman there they passed a resolution in support of this, but he has really not I guess felt that strongly on the matter. McDermott asked me to send him some material, he was one of the five that responded. I must say that I sent him a volume like this, and I never heard another word.

MC CONNELL. I'm awfully glad that you and Mr. Conley appeared before this Committee in fact I spoke to Rich about this because I think it's an issue that the Legislature must address. I'm aware of all the political implications and ramifications on this particular issue, and I suppose that when you talk to an individual legislator and they are going to look at their county and see how much each municipality gets and then when they look at a Holland Township or Lower Alloways Creek or Linden, you know immediately they become intimidated by the entire issue. This is a special tax committee on tax policy and I just felt that it was an appropriate place for this kind of testimony to come forward. Because certainly I don't think there are any members of this particular tax policy committee that's either an attorney for a municipality that's getting a great windfall out of this and perhaps we can make some recommendations to the Legislature concerning this and at least I'm hopeful of that personally.

MC KENNEY. Well, I certainly appreciate the opportunity to come here on this subject matter, and if I may I would just like to make a reference on something else. The Mayor from Califon had talked on the caps. I would say myself I think it is super. I'm glad we have it. I do feel as he does that there is a problem that if you do not come up to the full 5 percent that you're allowed for the increase that you're penalized the following year. Now this happened to us in Roselle Park. Our first year, I was on the finance committee and we were trying to keep everything down. It's amazing how you can when you have to. Of course, we didn't take the full 5 percent. And we were chastised this past year because look you didn't take the full 5 percent. When they finally cleared our budget, they still had room, and they brought it up to the full amount even though they didn't need to for fear of being penalized next year. I do think that somehow needs to be worked on.

MC CONNELL. So you support the caps.

MC KENNEY. Absolutely.

MC CONNELL. You don't think that any of this mandating costs such as utilities pension should be exempt.

MC KENNEY. No, I actually don't unless they go way out of line completely. I tell you one

thing, of course, I think we were all hit, for instance, severe storms -- where you didn't have provision for that kind of clean-up and for the equipment and now is when you need it. Of course, I have a reputation for holding onto a dollar and hollering about it. This brings another thing that I don't know if perhaps is something that you could look into. I'll give you one example. We had a street that needed paving, one block, actually reconstruction. In 1975, our engineer told us it would be \$20,000. Well, we had some problems with the people there because they were under the impression that the State was going to do it when they put in the all-beam planning what have you, and because 50 percent of them were on fixed income they didn't want to pay for curbs, so they say it's alright it's not that bad they could live with it. Each year it's brought up as a subject to discuss and bypass so this year it looked like a river bed after the storm. So, we again said to our engineer give us a figure. Well the new figure was \$43,000. And my gut didn't like it at all. So I went out and I got two estimates. I had the specifications. I think what the problem is is that the estimates came in under \$20,000. I think that when we pass an ordinance, and you've got somebody who may not be too accurate for whatever reason, that you're giving a green light to your contractors in saying this is how much we're willing to pay. And I think that we're paying through the nose in many, many cases because we have to advertise by law the ordinance and then we put out the specifications, put it out for bid, and I really feel this is a very good example. And of course, our town is so great for bonding. In fact the gentleman who referred to that they try to use the revenue sharing for the unexpected or the additional thing they wouldn't normally have, well, our town is using it for the services. And say if that money should ever disappear it's going to be a shock to the taxpayers as well as people sitting on that governing body. I really do feel that there's some way, I don't know what the solution is but I honestly feel there has to be controls, and I can understand that things have to go out for bid, but there are sometimes things that are so close to the bid price, in other words, they could be \$2,400 and you put it out, and again, it's like a green light, saying well, we're looking to pay more. I can give a very simple example, like the waxing of floors in the borough. And I called various companies to come in and give me an estimate. And we saved considerable money this way. Because when it was advertised they figured, oh well, they're expecting to spend over \$2,500 so I must come in for that.

MC CONNELL. So when advertised, do you have to put an amount of the ceiling?

MC KENNEY. But they know, that when you advertise that you anticipate to be more than \$2,500, by the advertising. Going back to the street that I referred to. You pass your ordinance. That alright, this is how much we have appropriated and expect to pay and to me when you see a fee go from \$20,000 to \$43,000 and that I have established the two experts that the streets can be done for \$20,000 easily with the curbs and what have you, and when I think that when you advertise that ordinance

as \$43,000 and then you put it out for bid, I think you're looking for trouble.

MC CONNELL. Well, I can see your point where this probably is costing some dollars in some municipalities but I think the changes in the whole bidding system in the State of New Jersey and at the municipal level and the open process of government was necessary just to insure perhaps their confidence in this system. Was it any better before? Was the municipality getting a better price before we were required to advertise before budgets were required to be published...

MC KENNEY. How would it not be feasible, maybe to get it advertised, I mean legally advertise it and see how much they come in for and then pass your ordinance. It's not like giving them...

MC CONNELL. A green light.

MC KENNEY. Yes.

MC CONNELL. This is what we're willing to spend. Thank you so much for coming.

DEARDORFF. And let us hear from you.

MC CONNELL. Right, on the tax. Anyone else here who cares to testify. Well, I think this concludes. I want to thank the press for being so patient. Hearing now stands adjourned.

City of Trenton
Fiscal and Budgetary Background
1970-1977

Fiscal and Budgetary Background 1970-1977

The fiscal and budgetary experience of Trenton from 1970 to 1977 is an all too familiar story repeated in most older central cities in the Northeast. Trenton was forced to contend with a wide variety of conflicting economic forces, including inflation, out-migration by business and middle and upper income citizens, and expanding welfare rolls. A shrinking tax base and an ever-increasing demand for costlier public services resulted. Trenton's fiscal and budgetary experience from 1970 to 1977 is further reviewed here by analyzing first the expenditures and then the revenues which comprise the City's financial picture.

I. Expenditures

Salaries and Wages

Since municipal government is labor intensive, the largest part of local expenditures is salaries, wages and fringe benefits. And, as is generally true for any expenditure item, increases in salary and wage expenditures have reflected the rate of inflation. The Trenton area's inflation rate during the eight year period from 1970 to 1977 was 64.67%, or an annual average of about 8%. However, actual inflation rates during this period fluctuated erratically from a low of 2.8% in 1972 to a high of 11.9% in 1974.

Despite some fluctuations in negotiated salary and wage increases for City employees from year to year, overall salary increases from 1970 to 1977 kept pace with the inflation rate over the same period. Of the thirteen job titles involving the largest number of City employees, all but three experienced salary increases equal to or larger than the inflation rate, and the salary increases of these three were only slightly less than the 1970-1977 inflation rate of 65%. Five of the thirteen titles showed salary increases of 70% or better since 1970. Overall, these increase compare favorably with the 65% inflation rate during the same period.

The City's policy in dealing with negotiated salary and wage increases has been to minimize their effect on the taxpayer wherever possible by means of budget and personnel cutbacks having the least impact on direct services to our citizens. For instance, in 1976, 156 positions were eliminated from the City payroll through layoffs or attrition, so that almost none of the \$3 million cost of salary increases, negotiated for 1975 and 1976 came out of the taxpayer's pocket. While the personnel cutbacks in the 1976 budget were the largest in recent years, they were by no means the only reductions made since 1970. From 1970 through 1975, the number of full-time year-round positions financed through local taxation was reduced by 72 from 1,353 to 1,281. This translates to a 5% reduction in the number of employees on the City payroll. And, in 1977, 10 more full-time, year-round positions were eliminated from the budget due to attrition. Combining these cutbacks with those for 1976, the total reduction, due to layoffs and attrition from 1970 to 1977 was 238 positions or 18% of the 1970 payroll.

The City budgeted \$14,458,847 for salaries and wages within the cap in 1977, which was only 25% higher than 1970's budget of \$11,411,939 (excluding the sewer utility). This rate of increase is much smaller than the increase of approximately 65% in salary and wage levels from 1970 to 1977. About one-half of the 65%-26% differential is attributable to the City's policy of using monies from General Revenue-Sharing and Anti-Recession Fiscal Aid to offset the salary costs of existing employees. Had there been a full 65% increase in salary and wage expenditures from 1970 to 1977, the City would have had to budget \$18,829,699 for salaries and wages in 1977 or \$4,370,852 more than was actually budgeted. Of this \$4.4 million savings, \$2,193,535, or 50% came out of General Revenue-Sharing and Anti-Recession Fiscal Aid. The second half of the differential results from personnel cutbacks which have shielded the City's taxpayers from the full impact of negotiated salary and wage increases. Whenever possible Trenton has attempted to shift the fiscal burden of inflationary increases in salaries and wages away from local property taxpayers.

Mandatory Costs

Salaries and wages were not the only growing expenditure items with which Trenton was forced to contend from 1970 to 1977. There are a number of mandatory costs (costs over which the City has little or no control), which escalated in a similar fashion during this period (see Graph I). The largest among these are police and fire pensions, Public Employee Retirement System contributions, insurance costs, Blue Cross/Blue Shield payments, Public Assistance, electricity and motor fuel costs.

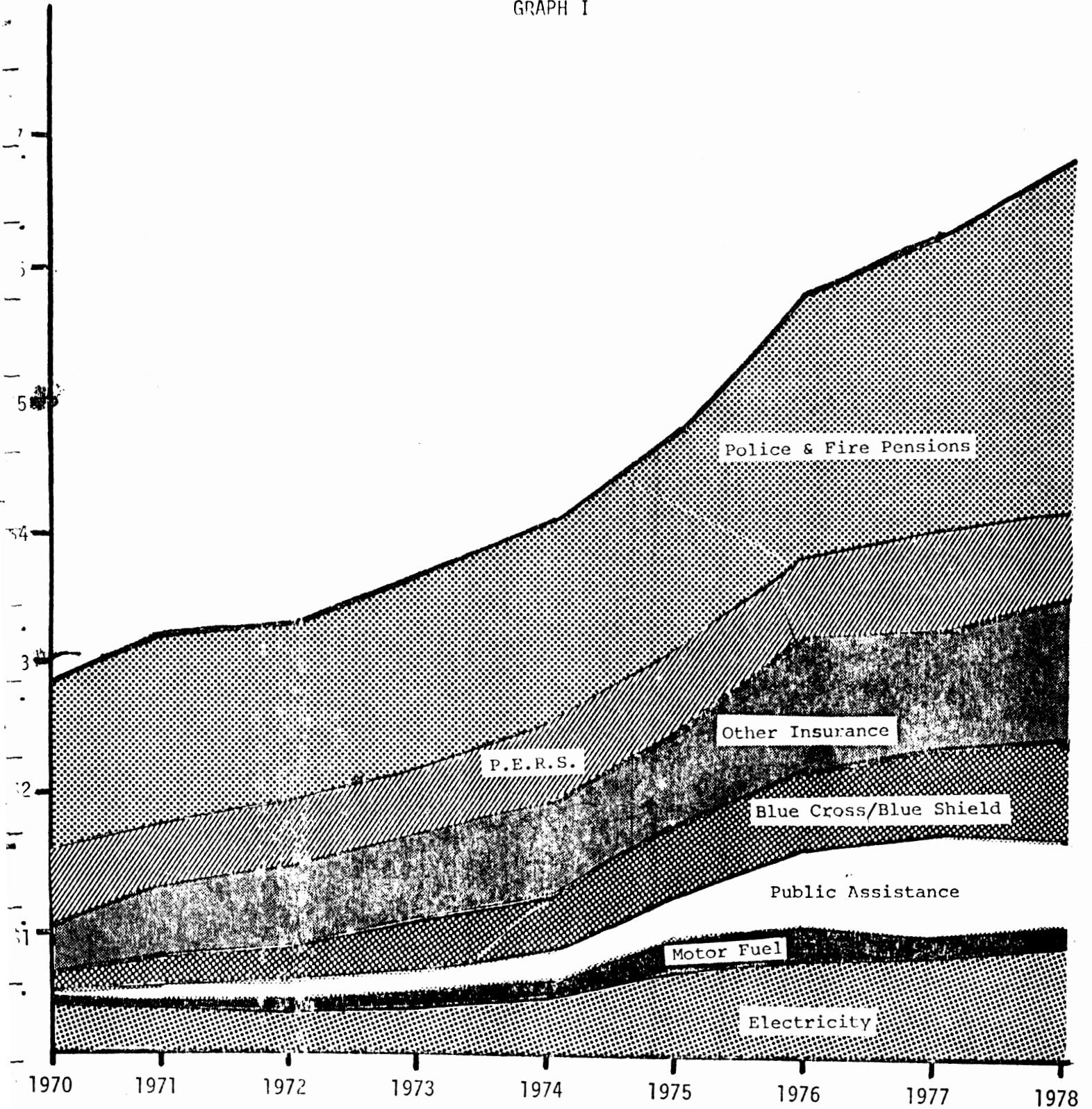
The City's annual contribution for police and fire pensions rose from \$1,295,623 in 1970 to \$2,305,298 in 1977, which is an increase of 78%. This translates to an average annual increase of 11.1%. Trenton's contribution to its Public Employee Retirement System also increased, but to a lesser extent. In 1970, the contribution was \$574,622, while in 1977 it had climbed to \$734,737, an overall increase of only 28%.

Dramatic increases were also recorded for other mandatory cost items from 1970 to 1977. During this period, insurance costs grew by 126% or an average yearly increase of 18%; Blue Cross/Blue Shield payments escalated by 342% (49% per year). Public Assistance expenditures in 1977 (\$800,000) were 10 times larger than the 1970 amount. (Most of that increase came in 1975, 1976 and 1977). Public Service Electric and Gas payments for City operations increased by 156%, from \$302,209 in 1970 to \$774,111 in 1977. Most of that growth came after 1973 (the average annual rate of increase since 1973 has been about 26%).

Finally, motor fuel expenditures increased from \$79,004 in 1970 to \$190,769 in 1977, an increase of 142% or an average of 20% each year. Most of the increase in expenditures resulted from escalating prices rather than greater usage of motor fuel. A substantial reduction in usage of motor fuel in 1976 and 1977 resulted in smaller motor fuel expenditures for these years in comparison with 1975's total of \$248,715. Most of the savings (about \$40,000) can be traced to the Garbage and Trash Division

CITY OF TRENTON
MANDATORY COSTS
1970 - 1978
(\$000,000)

GRAPH I



due to the introduction of a Transfer Station in 1976.

The direction for all mandatory costs from 1970 to 1977 was overwhelmingly upward. Combining increases for all mandatory cost items discussed above, we find that the total of these costs was \$2,867,970 in 1970 and \$6,342,768 in 1977. This represents an overall cost increase of 121% during that period, or an average annual increase of 17.3%. This is almost twice the composite inflation rate calculated for the Trenton area for the period 1970 to 1977 (65%, based on the Consumer Price Index).

II. Revenues

Were it not for periodic increases in funding from various State and Federal sources from 1970 to 1977, Trenton would not have made it through this period without very large tax increases. A review of City revenue sources from 1970 to 1977 will demonstrate the growing role played by external funding (See Graph II).

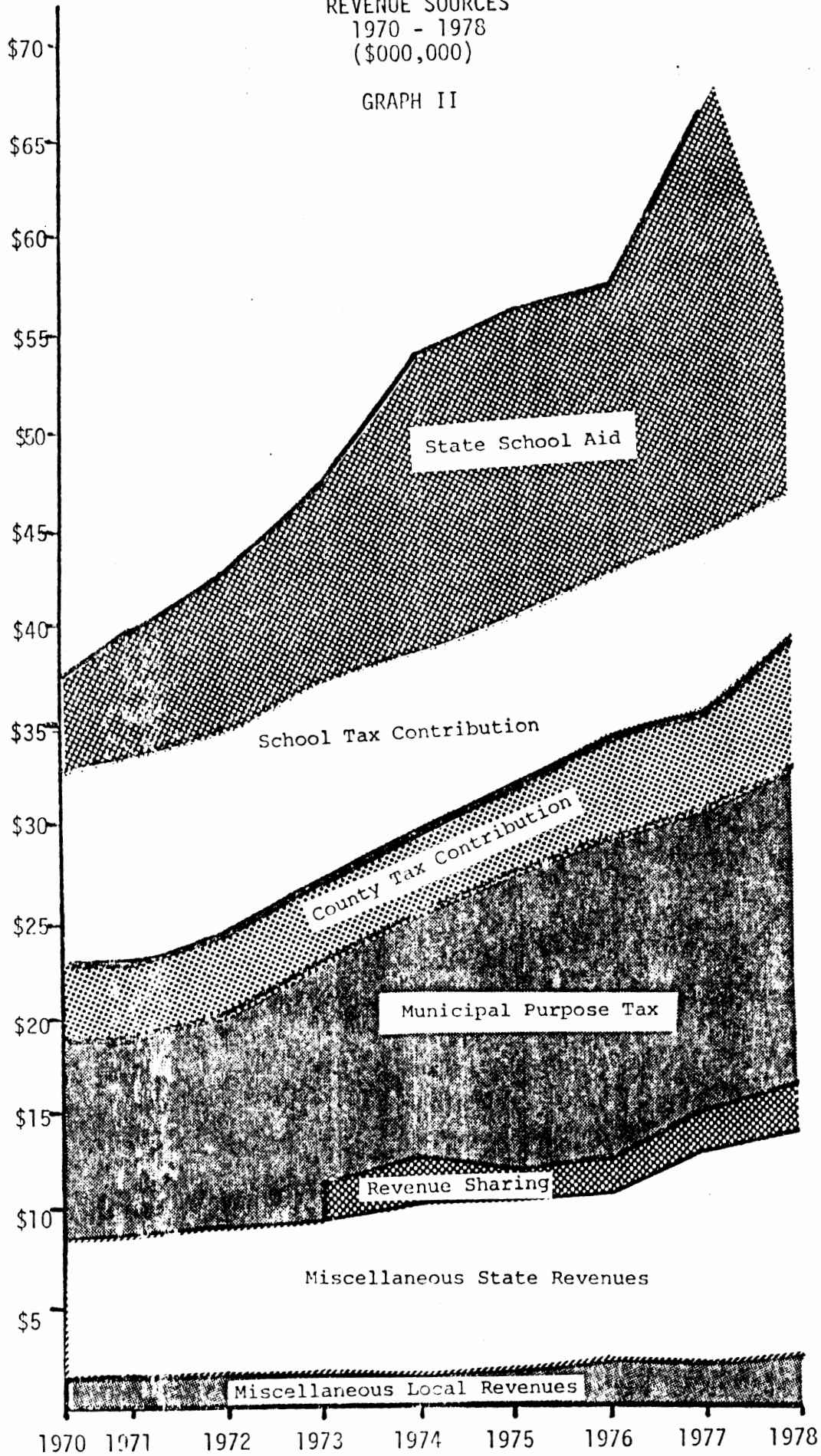
State Revenues

A State Aid program for central cities was begun in 1969 and became known as State Urban Aid (Chapter 64 P.L. 1971) in 1971. Under this program, the City of Trenton received \$1,925,785 each year until 1974 when that amount grew to \$2,888,351, a 50% increase. This amount remained fixed until 1977 when the new State Revenue Sharing Program ostensibly provided an additional \$720,000. However, closer inspection demonstrates that Trenton actually lost State revenues in excess of this \$720,000 in 1977 as a result of the new income tax package and revenue sharing legislation. The \$720,000 increase was offset by reductions totalling \$736,000; they include a \$362,000 decrease in Sales Tax Aid, \$200,000 in Model Cities, \$134,000 in State Health Aid and \$40,000 in State Road Aid. Clearly, Urban Aid and State Revenue Sharing have not been sufficiently responsive to the City's needs.

Another important revenue source is the State's payment for services rendered. These funds are particularly crucial to Trenton, the State's Capital, since so many of its buildings are State-owned and therefore non-taxable. In 1970, State payments for services rendered totaled \$60,000. Then in 1972, the City was successful in its efforts to increase these payments when the Governor and the Joint Appropriations

CITY OF TRENTON
REVENUE SOURCES
1970 - 1978
(\$000,000)

GRAPH II



Committee of the Legislature added \$500,000 to the original \$60,000. This payment of \$560,000 was challenged in a court suit brought by Glassboro Borough in 1975, but the payment was eventually made. The payment for services rendered remained \$560,000 through 1977. Despite the increase in 1972, the payment does not even come close to offsetting the loss in tax revenue which Trenton absorbs because of tax-exempt State property.

Miscellaneous state aid, which is comprised of revenues from the Railroad Tax, Excise Tax, Franchise and Gross Receipts Taxes, Business Personal Property Tax and so on, totalled \$5,236,292 in 1970. That figure changed very little from 1970 to 1974. Then in 1975, miscellaneous State Aid increased to \$5,477,121. Finally in 1977, anticipated miscellaneous State Aid totalled \$7,024,998, which represents a growth of 34% since 1970. Most of the increases resulted from Franchise, Gross Receipts and Business Personal Property Tax revenue increases. As of now, Franchise and Gross Receipts Taxes are the only remaining elastic sources of revenues for the City. That is, they are the only revenues which increase or decrease in response to the inflation rate. Business Personal Property Tax revenues were elastic until they were frozen at their current level by the State in 1977. While the increase in anticipated miscellaneous State Aid in 1977 provided some relief to the City, it is not the comprehensive urban strategy which is needed so badly in New Jersey, since most of it is inelastic.

If the various forms of state aid are combined, the State of New Jersey is the largest external source of revenue for Trenton. Nevertheless, the level of state funding is still inadequate for the escalating needs of an urban center such as Trenton. Steps must be taken to insure that Trenton receives a just, consistent and equitable share of the State's revenues, especially because of its status as an older central City. Again, what is needed from the state is a comprehensive urban strategy, and not band-aid remedies or stop-gap measures.

Federal Revenues

Most of the aid which Trenton received from Federal sources from 1970 to 1977 was categorical, which prevented any extensive local discretion in spending. As a result, general budget support from the Federal government was minimal. It was not until 1973 that general revenue sharing was instituted by the Federal government. At that time, Trenton received \$2,094,205 of this noncategorical form of aid. However, by 1976, Trenton was only receiving \$1,683,770 in general revenue sharing funds. Then, in 1977, countercyclical funds from the Public Works Employment Act in the amount of \$470,000 were allocated to the City, bringing its revenue-sharing total to \$2,193,535. This represents a 30% increase from 1976 to 1977. It should be emphasized that all of these Federal aid monies have been used by the City to keep local taxes down, rather than to add any new programs. Nonetheless, the Federal contribution to the general budget has been dwarfed by State and local efforts from 1970 to 1977. A more realistic and responsive Federal Program of general assistance to local governments is also needed.

Local Revenues

I. Miscellaneous Local Revenues

While there are numerous sources of miscellaneous local revenue, the proceeds generated from them have remained comparatively small. Moreover, the total of these revenues increased very little from 1970 to 1977. Miscellaneous local revenues are comprised of sources such as interest on investments, court fines, license and permit fees, sale of old materials, parking meter revenue and so on. In 1970, miscellaneous local revenues totaled \$1,569,310. This figure changed by extremely small amounts until 1975, when it reached \$2,125,700. In 1976, it increased again to \$2,690,964. The overall growth rate from 1970 to the 1977 amount of \$2,451,982 was 56%, but the impact of this revenue growth on the budget was obviously small in comparison to other revenue sources.

II. Local Property Tax

The total revenue generated from Trenton's local property tax is divided among three jurisdictions or purposes: the County, the School District, and the City. Consequently, the actual tax rate is broken into three parts according to the relative share of each of the jurisdictions involved. For instance, in 1977 the overall actual property tax rate in Trenton was \$7.89 per \$100 of assessed valuation. The portion of this relating to local needs, known as the municipal purposes property tax rate, was set at \$3.94 per \$100 of assessed valuation. The remainder of the tax rate was comprised of the County purpose tax rate and the School tax rate, according to their share of the revenue.

Local property tax revenue contributions to the County government play a large role in the local fiscal picture. In 1970, property tax payments for County purposes equaled \$3,563,365. By 1972, this amount reached \$4 million and it hovered there until 1976 when it escalated to \$4,990,610. The overall increase in the County tax contribution from 1970 to 1976 was 40%. There was a minor decrease of the City's contribution to the County in 1977 (\$4,939,265).

The Local property tax contribution to the schools is closely tied to state school aid. The effect of both on the City budget is indirect, but substantial. In 1970, state school aid to Trenton totaled \$4,797,946. That part of the local tax effort which was allocated to the schools in 1970 was \$9,972,166, or more than twice that provided by the State. By 1973, the amounts provided to City schools by the State (\$9,919,892 in State school aid) and the City (\$10,413,088 in school tax revenue contributions) were fairly comparable. But from 1974 to the present, State school aid allocations to Trenton have grown at a tremendous rate (118%), and as a result, school tax contributions have diminished somewhat (13%). By 1977, State school aid totaled \$21,646,312, while school tax revenue was \$9,103,724. This substantial increase in State school aid during the 1970's permitted the City

to cut the local tax effort directed toward schools.

The municipal purposes property tax is easily the largest source of local revenue. In 1970, municipal tax revenue totaled \$10,518,341. This revenue then grew by an average of 4.1% each year to reach a total of \$13,554,226 in 1977. The 1977 amount was 14% lower than the previous year's total of \$15,725,073, because the City was able to reduce its tax rate by 26¢ in 1977.

Municipal property tax revenues are governed by budgetary cutbacks, inflation and the availability of externally provided revenues. The overall growth rate for municipal tax revenue from 1970 to 1977 was 29%. This is smaller than the growth rate for other local revenue sources and for miscellaneous state revenue and state school aid. More interesting is the fact that the 29% rate of increase in municipal tax revenue from 1970 to 1977 is less than half the 65% composite inflation rate experienced during the same period.

An analysis of the overall tax rates from 1970 to 1977 corroborates these findings. By adjusting overall actual tax rates for 1970 and 1971 to reflect 100% rather than 50% valuation, a trend analysis for the full eight year period can be performed. In 1970, the adjusted overall tax rate was \$6.76. The actual tax rate increased by an average of 26¢ each year until 1976 when it peaked at \$8.36 per \$100 of assessed valuation. Then in 1977, the overall tax rate was cut back to \$7.89, as a result of internal economies and additional state aid. The rate of increase from 1970 to 1977 for the overall actual tax rate was 16.7%, which is only about one quarter of the inflation rate increase during the same period. What this means is that the local taxpayer's real contribution actually decreased relative to the inflation rate during the period from 1970 to 1977.

This is further substantiated by analyzing Trenton's effective tax rate, which utilizes an equalization ratio based on a comparison of assessed value to true market value of real property to determine the true impact of the City's property tax.

Trenton's effective tax rate was highest in 1970 (\$6.77) and it has diminished fairly steadily ever since. In 1977, the effective tax rate was \$5.36. This represents an overall decrease from 1970 to 1977 of 25% in the effective tax rate.

III. Conclusion

In summary, the City's record for economy and frugality with the taxpayer's money over the past eight years has been a good one. While City employees' salary and wage levels kept pace with the 65% inflation rate increase during that period, Trenton's expenditures for salary and wages (including grant programs) grew by only about 37%. This savings was accomplished almost exclusively through reductions in the City payroll since 1970 which amounted to an 18% decrease in City budgeted personnel. Overall City expenditures, a good part of which were mandatory and uncontrollable, also increased at a rate substantially lower than the inflation rate. As a result of various budgetary reductions, internal economies and additional State and Federal aid, the City's total expenditures increased by approximately 48% to 50% from 1970 to 1977 - a full 15% lower than the inflation rate.

It is because of these accomplishments that the City's actual tax rate increased by only 16.7% from 1970 to 1977. The City relied on external funding sources and internal budgetary cutbacks from 1970 to 1977 to avoid increasing local taxes any more than absolutely necessary. Given the adverse conditions under which Trenton operated in the early 1970's the City did the best job possible of maintaining an adequate level of much needed services without overtaxing its citizens. Out of this difficult period has come a City government which has made almost all of the personnel, operating, and capital cutbacks possible, without jeopardizing service levels.

The problems have been predominantly external in origin. As such, the City cannot provide all the solutions by itself. The State and Federal governments have a responsibility to Trenton, and other cities like it, which draw their lifeblood from external revenue sources. With more equitable assistance, Trenton can and will continue to deal with the numerous urban problems of the 1970's in an aggressive fashion. The 1978 Budget represents the next step in Trenton's continued commitment to a successful future for the City and its inhabitants.

Addendum: 1978 Final Budget

The 1978 Municipal Budget was formally adopted by the City Council on April 6, 1978. As a result of revisions to the final budget document, the municipal purpose tax rate will increase by 20¢ per assessed valuation rather than the 17¢ originally projected in the Budget Message issued January 17, 1978.

The largest budget revision resulted from the reduction in the State payment in-lieu-of-taxes from \$1,198,344 to \$599,172 which was originally certified to the City by the State of New Jersey and anticipated as a revenue in the 1978 budget. In order to offset this massive revenue reduction and in anticipation of restoration of the original State payment in-lieu-of-taxes, two additional budget revisions were made.

First, anticipated delinquent tax revenue collections were increased by \$300,000 from \$2,300,000 to \$2,600,000. This revision was permitted within the State guidelines used to calculate the amount allowed to be anticipated for delinquent taxes. Secondly, the budget appropriation for Public Assistance was reduced from \$700,000 to \$500,000, saving an additional \$200,000. The public assistance appropriation is paid into a Trust Fund each year. However, a sufficient balance existed in the Trust Fund from prior year's balances and the significant reduction in the welfare caseload in 1977 that the \$200,000 reduction in the public assistance appropriation had no net effect on the amount of funds available for public assistance payments in 1978.

The net effect of these savings reduced the municipal budget by \$500,000. However, in order to fully offset the loss of the State payment in-lieu-of-taxes revenue, an additional \$100,000 had to be raised through the local purpose property tax, increasing by 3¢ the amount of tax increase originally projected.

Ironically, the Joint Appropriations Committee of the New Jersey Legislature voted to restore the City's full in-lieu-of-taxes payment one week after the municipal budget was formally adopted. If this action is approved by the Governor, the additional \$600,000 will be received by the City in 1978 and remain as surplus.

Other "inside the Cap" budget revisions did not impact on the local property tax rate since the budget deletions totalling \$100,562 were balanced by additions to the budget primarily to cover higher than anticipated costs for police and fire vehicles and snow removal expenses resulting from the heavy snow storms earlier this year.

CITY OF TRENTON, NEW JERSEY

1978
BUDGET MESSAGE
AND SUMMARY

ARTHUR J. HOLLAND
MAYOR

JANUARY 17, 1978

For the second time in two years, mandated increases in expenditures for such items as previously negotiated employee salaries and fringe benefits, pensions, hospitalization and other insurance premiums, utilities, gasoline, and municipal elections have almost exceeded the allowable spending increase provided under the State "cap" law. While I have said on previous occasions that some type of limit on local spending rates was both a necessary and beneficial aspect of the income tax program adopted by the State Legislature, the severe problems which we face in trying to live within the present cap law without resorting to layoffs has convinced me that significant changes in this law must be made prior to the development of 1979 municipal budgets in this State. The 1978 municipal budget which I am submitting to the City Council today contains no new programs, and with the exception of the transfer of nine employees formerly financed through State Law Enforcement Planning Agency grants to the regular City payroll in the Police Division, there are no new positions within the 1978 municipal budget. In fact, there is a decrease through attrition of three positions for 1978. To bring the budget under the "cap", it has been necessary to estimate extremely conservatively the possible and probable cost increases in such areas as hospitalization insurance, gasoline, postage, electricity, telephones, liability and workmen's compensation insurance, and various overtime accounts. The City of Trenton can no longer live with the inequitable straightjacket which the cap law forces local governments to try to operate within. Therefore I will work closely with elected officials in other municipal governments in New Jersey and with our State legislative representatives during 1978 to amend the cap law to provide

for sufficient budget flexibility.

While the allowable 1978 spending increase for the City of Trenton under the cap law amounts to \$1,511,718, strict financial control of spending during 1977, resulting in substantial decreases in emergency appropriations and public assistance expenditures outside of the 1978 cap reduced the overall increase in expenses for the 1978 municipal budget compared to the previous year to \$1,100,598.

Even though the City will receive over one million dollars in additional State aid through increases in payments in lieu of taxes and in gross receipts and franchise taxes, these increases were almost completely offset by the expected reduction in surplus available for anticipation in the 1978 budget. Local miscellaneous revenues did increase by \$374,272, due mainly to a \$127,538 increase in parking utility surplus, increases in interest on investments, the sale of foreclosed properties, municipal court fines, and payments in lieu of taxes by non-profit housing projects. In addition, the City will be able to anticipate a total of \$229,679 in additional Antirecession and General Revenue Sharing funds from the Federal Government in 1978. The total amount of revenues other than local property taxes available to support the 1978 municipal budget is therefore \$615,653 more than in 1977.

Although every effort has been made, and will continue to be made, to increase both local and outside sources of revenue, the \$484,945 difference between the \$1,100,598 expense increase and the \$615,653 revenue increase included in the 1978 budget must be financed through a slight increase in property taxes for 1978. Although a detailed analysis of the City's ratables

for 1978 is not yet available from the Assessor's Office, I can report at this time that although almost a million dollars of new construction was added to the tax rolls during 1977, reductions in assessments granted by County and State Tax Appeal Boards and through foreclosures have resulted in a net decrease in ratables for the 1978 budget amounting to approximately \$1.4 million. Using the same anticipated rate of tax collection as utilized in the 1977 budget, 88.5%, the municipal purposes property tax rate for 1978 will be \$4.11 per \$100 of assessed valuation, compared to the 1977 local purpose tax rate of \$3.94, or an increase of 17¢. At the present time, of course, it is impossible to estimate the City's final property tax rate for 1978 until the 1978 local property tax contributions for the County and Board of Education become available during the next few weeks. Trenton property taxpayers will, of course, continue to receive the property tax relief provided directly through the tax rebate checks which average approximately \$190 per year.

Local Miscellaneous Revenues

The total amount of local miscellaneous revenues available for 1978 amount to \$2,566,254, or only 7% of the proposed 1978 municipal budget, not including grant programs or utilities which are self-supporting. As the table shown below indicates, local miscellaneous revenues which can be anticipated in the 1978 budget reflect an increase of \$374,272 over 1977:

	<u>1978</u>	<u>1977</u>	<u>Difference</u>
Municipal Court Fines	\$ 600,000	\$ 573,335	\$ 26,665
Parking and Sewer Utility Surplus	539,807	412,269	127,538
Licenses and Fees	517,900	517,900	-
In Lieu of Tax Payments	274,576	234,576	40,000
Interest on Investments	250,000	175,000	75,000
Sale of Foreclosed Property	189,700	129,902	59,798
Parking Meters and Other	<u>194,271</u>	<u>149,000</u>	<u>45,271</u>
Total Local Miscellaneous Revenues	\$2,566,254	\$2,191,982	\$374,272

The Trenton Parking Utility Surplus more than doubled from \$104,269 in 1977 to \$231,807 in 1978, reflecting the rental of the commercial space in the Board and Front Garage for a full year, and the recent paving of the Mall site on South Broad Street, substantially increasing monthly rental use by various State agencies and employees.

Interest received by the City through its investment program was substantially higher in 1977 than in 1976, reflecting in part the investment of bond proceeds late in 1977 and also resulting from a better cash flow in 1977 than in the previous year. The Finance Department has recently implemented the first two aspects of a new cash management program --- the use of savings accounts for current fund balances which are too small to invest, and the payment of vendors once each week --- and in 1978, improved control and management of grant revenues in order to minimize the impact of grant programs on the City's cash flow will be an important element in the City's 1978 cash management program. The use of some of the funds received as a result of the Civic Center fire for the planning of a new Civic Center, as I am recommending to you today, will, of course, reduce interest received on the investment of these funds.

The sale of foreclosed property, administered by the Bureau of Property Management, increased by \$59,798 to a total of \$189,700 for 1977 compared to \$129,902 in 1976. Since the sale of municipal assets can be utilized to add to or expand the 5% municipal cap on spending, this revenue source is particularly crucial to making it possible to balance the City's budget within the State-mandated limits. It is interesting to note that the Bureau collected more than \$100,000 in rents in 1977 from both City-owned properties

and through the rent receivership program. Every effort will be made in 1978 to maintain this level of activity within the Bureau of Property Management.

The amount of revenue generated through fines collected by the Municipal Court, in 1978, approximately \$600,000, was almost the same as in 1977. Revenues available for the 1978 budget from licenses, permits, and fees will also be the same as in 1977 (\$517,900), although the groundbreaking for two large housing developments during 1977 did provide additional revenue which may not be available again in 1978. Payments in lieu of taxes from tax-exempt non-profit housing developments increased by \$40,000 over 1977.

The only significant local source of revenue which declined in 1977 was parking meter revenues which declined by \$12,000 from \$100,000 in 1976 to \$88,000 in 1977. This reduction in revenues has been gradual during 1977, and through a program of increased enforcement in 1978, we hope that the decline in parking meter revenues can be halted.

State Revenues

The City of Trenton receives ten major types of State aid which will total \$11,576,879 in 1978, or 33% of the proposed 1978 municipal budget, not including grant programs or utilities. These State revenues have increased by almost one million dollars compared to last year, as detailed in the summary listing below:

	<u>1978</u>	<u>1977</u>	<u>Difference</u>
Business Personal Property Tax			
Replacement Revenue	\$ 3,282,238	\$ 3,282,238	\$ -
Gross Receipts and Franchise Taxes	2,925,000	2,550,000	375,000
Urban Aid	2,888,351	2,888,351	-
In Lieu of Tax Payment	1,198,344	550,000	638,344
State Revenue Sharing	720,152	720,000	152
Bank Tax, Railroad Tax, Excise Tax	311,000	318,079	(4,079)
School Debt Service Aid	251,794	317,681	(65,887)
	<u>\$11,576,879</u>	<u>\$10,533,349</u>	<u>\$943,530</u>

The single largest increase in revenue available to the City for its 1978 budget is the \$638,344 increase in payments in lieu of taxes on State property in Trenton, more than doubling the previous amount of \$560,000 to a new total of \$1,198,344. This new revenue, however, as large and important as it is for Trenton, will pay only for part of the cost for negotiated wage increases for our employees for 1978.

The largest item of State aid to Trenton, the Business Personal Property Tax Replacement Revenue, was abruptly frozen at the 1977 level of \$3,282,238, as part of the tax reform package adopted by the New Jersey State Legislature. This business tax used to be the largest most reliable source of increased revenue to the City, since it had been growing at the rate of more than \$300,000 each year for the past several years. In fact, if this elastic source of revenue had not been "capped" in 1977, it is possible that Trenton's local purpose tax rate would not have increased at all in 1978.

Although there has also been some discussion in the State Legislature about limiting or freezing the levels of State aid available under the Gross Receipts and Franchise Taxes, no such action has as yet been taken, and these two key sources of revenue increased by \$275,000 from \$2,550,000 in 1976 to \$2,825,000 in 1977. These two revenue sources are the only revenues available to the City which can be expected to show a regular increase during the coming years, as long as the State Legislature does not restrict these sources of revenue.

The State Urbanaid program did not change during 1977, so that the City's 1978 budget shows no change in this source of revenue which amounts to \$2,888,351.

The State Revenue Sharing Program, which distributes \$50 million to all of New Jersey's municipalities on a per capita basis, declined very slightly from \$720,600 in 1977 to \$720,152 for 1978.

While the revenue available from the Bank Corporation Tax declined by approximately \$25,000 in 1977 compared to the amount originally anticipated from the State, the Excise Tax revenue available for 1978 reflects an increase of \$15,000, and the State Railroad Tax revenue available to the City for 1978 will increase by about \$6,000 for a total net decrease of only \$4,000 in these three minor State aid revenues. Finally, the School Debt Service Aid from the State will decrease by \$65,887 for 1978, the only substantial decrease in State aid for 1978.

Federal Revenues

Funds available to the City for 1978 under the Federal General Revenue Sharing Program reflect an increase of \$27,656 from \$1,723,535 in 1977 to \$1,751,191 in 1978, and the amount available from the Federal Government under the Countercyclical Anti-Recession Program which can be anticipated in the budget will increase by \$202,023. The Anti-Recession Program is presently scheduled to expire on September 30, 1978, however, which would cause substantial financial problems for municipalities throughout the Nation experiencing higher unemployment than does Trenton. For this reason, I will join with Mayors of other large cities through the efforts of the National League of Cities and the U.S. Conference of Mayors to work for the passage by the U.S. Congress of the necessary legislation to extend the life of this important Federal aid program. Finally, it is interesting to note that the level of general budget support available from the Federal Government is less

in order to reduce the number of the City's thirteen fire companies that are manned with three men. While the 1978 municipal budget does not provide for the hiring of any new employees, the Police Division budget does include an additional expenditure of \$102,817 required to enable the City to retain two employees in the Criminal Justice Planning Unit and seven civilians assigned to the very successful Youth Services Section of the Juvenile Aid Bureau, which employees were formerly financed through Federal SLEPA grants. Although the 1978 budget technically includes the elimination of three vacant positions, no savings resulted: medical services within the Division of Health's venereal disease program will be provided through a contract rather than a physician on the regular payroll, a clerical position in the Welfare Division was cut to finance the costs of a Word Processing system for the Department of Health, Recreation and Welfare, and funds for the position of a telephone operator were included in the substitute operators' account. These increased costs, and the cost of salary increments and longevity increases have been partially offset, however, by the application of an additional \$229,679 of General Revenue Sharing and Anti-recession funds available in 1978 to the salary account in the Fire Division and through other savings occurring in the salary accounts through turnover and one-time-only costs included in the 1977 budget. The net increase in the cost of salaries and wages for the 1978 budget under the cap amounts to a total of \$654,596. Miscellaneous increases in other expenses, including a \$5,000 increase for the War Memorial Commission, amount to \$76,044.

Pension cost increases, after salary and wage increases, continue to be the largest inflationary factor within the municipal budget. The State Legislature has recently adopted a "pay-as-you-go" system for financing certain increases in pension benefits so that costs escalate sharply as new employees retire and join the pension system and as benefits are improved to keep pace with inflation. While it should be possible to exempt \$58,858 of the 1978 increase in pension costs from the cap, the cost of the City's three pension systems will still increase by \$269,531 under the cap.

The State of New Jersey also approved a 7% rate increase for hospitalization insurance administered by Blue Cross and Blue Shield in 1977, and the 1978 budget request for hospitalization insurance is based on the assumption that the State will approve an increase of only 7% in August of 1978. It is therefore quite possible that the \$106,000 increase projected for hospitalization insurance will not be sufficient to cover actual costs in 1978.

Although the exact cost of the new dental and optical insurance programs which were negotiated with City employee unions in 1977 to begin on January 1, 1978 until the extent of employee participation in these programs is known, our reasonably conservative estimate of the cost of this new employee benefit is \$107,715 for 1978. Other insurance premiums will increase by at least \$133,960 due to larger workmen's compensation costs related to the higher 1978 payroll, and the \$39,000 increase in police liability insurance, and minor increases in other insurance premiums.

The City Clerk estimates that the cost of the 1978 municipal elections will amount to at least \$67,432, a once in four years cost increase which should be exempted from the cap but at the present time is still included within

the allowable spending increase. Negotiated salary increases and increased pension costs will require the City to increase its contribution to the Trenton Free Public Library by \$50,000 for 1978, even though the 1978 Library Budget provides for no new employees and the Library will be forced to allocate almost all of its State aid, formerly used for capital construction, to operating expenses, as was done in 1977.

The City's five central accounts---motor fuel, electricity, office supplies, postage, and telephone---are increasing by a total of \$83,440 in the 1978 budget, based on extremely conservative estimates of possible cost increases throughout 1978. If there were no cap on the City's budget, or if there were more flexibility under the cap in the City's 1978 budget, additional funds would have been recommended for several of these accounts, but in order to balance the 1978 municipal budget without layoffs under the cap, minimal increases have been projected. For example, although Public Service Gas and Electric Company has asked for a rate increase of 20%, the \$26,137 increase for electricity is based on 1977 expenditures plus 5.5%, assuming an 11% rate hike effective July 1, 1978. The cost of motor fuels is projected to increase by \$23,840 as a result of the cost increases experienced in 1977 and a projection of very slight price increases for 1978. The \$9,168 increase recommended for postage is due almost entirely to the postage costs relating to the 1978 municipal elections, and nothing has been budgeted for postage rate increases which are presently being reviewed within the Federal Government. Although the telephone account reflects a \$21,828 increase in the 1978 budget, all of this increase is based on the 1977 level of expenditure, which was higher than anticipated during the City's first year

with the new Centrex system because of the much larger number of message units, costing 6 1/2¢ each, which were used by the City. It should be noted that cost increases resulting from the new message unit system of billing by the telephone company would have increased telephone costs about equally. Finally, the budget request for 1978 for office supplies is \$2,467 higher than in 1977.

The increases in expenditures within the 1978 cap limitations can therefore be summarized as follows:

Increases in Salaries and Wages	\$ 654,596
Pensions and Social Security	232,531
Insurance	133,960
Dental and Optical Insurance Program	107,715
Hospitalization (Blue Cross & Blue Shield)	106,000
Central Accounts	83,440
Miscellaneous Other Expenses	76,044
Elections	67,432
Library	50,000
	<u>\$1,511,718</u>

Expenditures Outside of the Cap

As a result of the City's successful sale of over \$6 million of General Obligation Bonds late in 1977, the overall cost of municipal debt service has increased by \$373,678 to a total of \$1,787,997 in 1978. Salary increases and other inflationary cost increases forced a \$30,000 increase in the City's share of the Transfer Station's expenses, while the new Federally-mandated unemployment compensation program will increase the municipal budget by \$83,708 in 1978. Under this program, the City will set aside an amount equal to 1% of the first \$6,200 of each employee's salary, together with one-half of one percent which by law must be deducted on a similar basis from employee salaries, and then pay all claims out of the trust fund established

by the City for this purpose.

Since the State provides 75% of all public assistance costs, the City's 25% local share for welfare expenditures must be placed outside of the spending cap, a requirement of the State Division of Local Finance which decreased the City's 1978 cap by \$40,000. At the same time, for the first time in many years, as a result of the City's efforts during 1977 to place welfare recipients into jobs and to tighten up on internal procedures within the Welfare Division, the amount being recommended for public assistance expenditures for 1978 is \$700,000, which is a decrease of \$100,000 compared to 1977.

Another result of the City's successful efforts to control spending during 1977 was the substantial reduction in emergency appropriations which occurred during 1977 as compared to the previous year. For the first time in several years, there were no emergency appropriations for fire and police overtime, which in 1976 amounted to several hundred thousand dollars and therefore increased the 1977 budget. The two major emergency appropriations which were necessary during 1977 were both exempted from any impact on the 1978 cap because they both related to the payment of debt service: \$69,860 to assist the debt service of the Trenton Parking Authority, and \$50,000 for the capital program of the War Memorial Commission. Only the \$2,100 required by the Planning Board as a result of increased legal expenses in connection with the public hearings required under the new Land Use law will have an impact upon the 1978 cap. Because the City had a total of \$917,703 in emergency appropriations during 1976 and this amount was reduced to \$131,356

in 1977, the City's 1978 budget received a very substantial assistance through the \$786,347 reduction in this type of expenditure. Finally, another important reduction in expenditures outside of the cap in the 1978 budget which will not be repeated in next year's budget was the \$225,000 payment to the Board of Education required in 1977 for the settlement of previous budget cuts.

As a result of these substantial one-time-only reductions in expenditures, even with the increased costs of municipal debt service, the total expenditures outside the cap decreased by \$411,120 from \$7,363,095 in 1977 to \$4,528,761 for the 1978 budget.

Tax Reform Program for Trenton in 1978

While the New Jersey state income tax has provided substantial property tax relief for school purposes, State revenues available to Trenton for municipal purposes are not substantially different in 1978 than they were in 1976 prior to the passage of the income tax. In 1976, the sales tax aid, health aid, road aid, and other state revenues available to local municipalities were eliminated, and were replaced in 1977 with the State Revenue Sharing Program. Although the City has received additional funds for 1978 through a substantial improvement in the State In-Lieu of Taxes program, at the same time, the growth of the Business Personal Property Tax Replacement revenue has been frozen. The City has increased many of its fees and permits in recent years, and has attempted to develop to the greatest extent possible any local sources of revenue. Significant increases in local miscellaneous revenues do not appear likely over the next few years, and the City cannot

count on national legislation to provide additional revenues each year to finance annual increases in expenditure caused by continued inflation. It is to the State of New Jersey that the City must turn during 1978 and beyond for continued progress towards real tax reform which will enable the State's older cities to survive financially without substantial increases in the property tax each year.

During 1978, then, the City of Trenton---both the Administration and the City Council---should work together with our legislative representatives at the State level towards the enactment of the following legislative program:

1. State Payments In Lieu of Taxes - While the Legislature adopted a revised, more equitable program for payments in lieu of taxes on State property in 1977, the amount of such payments to the City is still much less than our estimate of the value of services rendered to the State by City agencies, and less than the revenues which would be received from State properties if they were treated as private property owners. City officials should review in detail the method utilized by the Division of Taxation for calculating the amount of aid received by the City under this new program, and develop recommendations for changes in the program or the basic legislation in order to provide additional revenue to the City under this program.
2. State Urbanaid Program - The City's allocation of State revenues under the 28-municipality Urbanaid Program has not increased at all for several years, although costs to their hard-pressed cities have increased significantly over the past four or five years. The Urbanaid program should be granted a cost-of-living increase to offset cost increases faced by these municipalities during the years since the program was last increased.

3. State Revenue Sharing - As a result of the recommendations of the Leone Commission, there is active discussion at the state level at the present time about possible changes in the State Revenue Sharing program. One proposal being given serious consideration is the elimination of the per capital revenue sharing program, and at the same time the assumption by the State of certain court costs now supported by County governments. The City should participate actively in the review of these proposals, and should continue to press for the adoption by the State of some type of Municipal Overburden program which would provide for the sharing of state revenues from the income tax at the municipal level based on financial need rather than population alone, as is presently the case.

4. Gross Receipts and Franchise Taxes -

Since the annual growth of revenues from the Gross Receipts and Franchise taxes is the only reliable source of increased revenue available to the City at this time, it is essential that the City continue to lobby against any proposed reductions in the amounts of these revenues received by municipal governments in New Jersey. Since it appears unlikely that the Legislature will take action to reform the basic distribution of Gross Receipts taxes to local governments, the City will continue its legal action against the State of New Jersey in hopes that the courts will declare the present distribution system unconstitutional, forcing reform in this program.

At the Federal level, the City will continue its efforts to obtain the necessary changes in the regulations for the General Revenue Sharing Program through which the City, if it were recognized as a Township by the Federal Government, would receive over a million dollars additional revenue annually.

Summary of 1978 Budget Appropriations
Outside the "Cap"

	<u>1978 Budget</u>	<u>1978 Proposed Budget</u>	<u>Difference</u>
Municipal Debt Service	\$1,414,319	\$1,787,997	\$373,678
Deferred Charges	917,703	131,356	(786,347)
Type I School Debt	354,091	345,401	(8,690)
Payment to Board of Education-Litigation Settlement	225,000	-	(225,000)
Public Assistance	800,000	700,000	(100,000)
Unfunded Debt	144,299	144,299	-
Grants Funded from Surplus	44,148	-	(44,148)
Life and Clean Neighborhoods Program Local Share	1,000,000	1,000,000	-
Center on Aging - Local Share	-	36,000	36,000
Transfer Station Payment	195,000	225,000	30,000
Landfill	75,000	75,000	-
Unemployment Insurance	-	83,708	83,708
Public Works Title II - Countercyclical	470,000	672,023	202,023
General Revenue Sharing	<u>1,723,535</u>	<u>1,751,191</u>	<u>27,656</u>
Totals	<u>\$7,363,095</u>	<u>\$6,951,975</u>	<u>(\$411,120)</u>

Summary of Proposed
1978 Budget

<u>venues</u>	<u>1978</u>	<u>1977</u>	<u>Difference</u>
Miscellaneous			
Local	2,566,254	2,191,982	
State	11,576,879	10,633,349	
Federal	<u>2,423,214</u>	<u>2,193,535</u>	1,547,481
Revenue from Property Taxes			
Delinquent	2,334,100	2,334,100	
Current	<u>14,429,094</u>	<u>13,815,636</u>	613,458
Surplus Anticipated	<u>1,500,000</u>	<u>2,431,828</u>	(931,828)
Total Revenues	<u>34,829,541</u>	<u>33,600,430</u>	<u>1,229,111</u>
Appropriations			
Within the "Cap"	24,624,714	23,112,996	1,511,718
Outside the "Cap"	6,951,975	7,363,095	(411,120)
Reserve for Uncollected Taxes	<u>3,252,852</u>	<u>3,124,339</u>	<u>128,513</u>
	<u>34,829,541</u>	<u>33,600,430</u>	<u>1,229,111</u>

Summary of 1978 Budget Appropriations Within the "Cap"

	<u>1977 Final Budget</u>	<u>1978 Proposed Budget</u>	<u>Difference</u>
General Government	\$ 229,239	\$ 330,471	\$ 101,232
Administration	352,011	393,883	41,872
Finance	437,939	510,399	72,460
Law	132,034	148,141	16,107
Health, Recreation, and Welfare	1,675,047	1,855,774	180,727
Public Works	1,611,591	1,757,689	146,188
Public Safety	9,605,549	10,518,226	912,677
Planning and Development	890,968	971,472	80,504
Municipal Court	231,683	254,881	23,198
Membership and Dues	10,562	11,617	1,055
Motor Fuel	190,769	214,609	23,840
Public Service	774,111	800,248	26,137
Office Supplies	32,079	34,546	2,467
Postage	44,795	53,963	9,168
Telephone	170,872	192,700	21,828
Local Non-Grant Expenditures	20,000	-0-	(20,000)
Library	742,073	792,073	50,000
War Memorial	35,000	40,000	5,000
Rescue Squads	60,000	60,000	-0-
Blue Cross/Blue Shield	660,637	766,637	106,000
Insurance	876,216	1,118,288	242,072
Contingency	25,000	25,000	-0-
Capital Improvement Fund	40,000	40,000	-0-
Social Security	389,005	352,005	(37,000)
Pensions	3,040,035	3,309,566	269,531
Deferred Charges	4,871	5,902	1,031
Commons Commission	5,000	6,624	1,624
Office on Aging	60,000	60,000	-0-
1977 Salary Increases	<u>766,000</u>	<u>-0-</u>	<u>(766,000)</u>
 Total Appropriations	 <u>\$23,112,996</u>	 <u>\$24,624,714</u>	 <u>\$1,511,718</u>

Summary of 1978 Budget Revenues

	<u>Anticipated 1978</u>	<u>Anticipated 1977</u>	<u>Difference</u>
Miscellaneous Revenues.			
Local			
Municipal Court Lines	\$ 600,000	\$ 573,335	\$ 26,665
Anticipated Parking Utility Surplus	231,807	104,269	127,538
Anticipated Sewer Utility Surplus	308,000	308,000	-
Licenses			
Alcoholic Beverage	200,000	199,500	500
Other	158,000	165,400	(7,400)
Fees:			
Construction Code Official	45,000	43,000	2,000
Other	114,900	110,000	4,900
Fox Laner Dividend Corp - In Lieu of Taxes	218,900	178,900	40,000
Trenton Housing Authority - In Lieu of Taxes	55,676	55,676	-
Interest on Investment	250,000	175,000	75,000
Sale and Foreclosed Property	189,700	129,902	59,798
Parking Meters	88,000	100,000	(12,000)
Anticipated Trust Surplus	34,000	-	34,000
Accrued Interest from Bond Sale	25,371	-	25,371
Miscellaneous Rentals	40,500	43,000	(2,500)
Plotting of Deeds	5,700	5,000	700
Sale of Material	700	1,000	(300)
Total Local	<u>\$ 2,566,254</u>	<u>\$ 2,191,982</u>	<u>\$374,272</u>
State			
Business Personal Property Tax			
Replacement Revenue	\$ 3,282,238	\$ 3,282,238	\$ -
Gross Receipts Tax	1,275,000	1,100,000	175,000
Franchise Taxes	1,650,000	1,450,000	200,000
Urban Aid	2,888,351	2,888,351	-
In Lieu of Tax Payment	1,198,344	560,000	638,344
State Revenue Sharing	720,152	720,000	152
Bana Corp Business Tax	137,000	162,392	(25,392)
Excise Tax	45,000	30,000	15,000
Railroad Tax	129,000	122,687	6,313
School Debt Service Aid	251,794	317,681	(65,887)
Total State	<u>\$11,576,879</u>	<u>\$10,633,349</u>	<u>\$943,530</u>
Federal			
General Revenue Sharing	\$ 1,751,191	\$ 1,723,535	\$ 27,656
Public Works Title II - Anti-Recession	672,023	470,000	202,023
Total Federal	<u>\$ 2,423,214</u>	<u>\$ 2,193,535</u>	<u>\$229,679</u>
Total Miscellaneous Revenues	<u>\$16,566,347</u>	<u>\$15,018,866</u>	<u>\$1,547,481</u>

	<u>Anticipated 1978</u>	<u>Anticipated 1977</u>	<u>Difference</u>
<u>Revenues From Taxes</u>			
- Delinquent Taxes	\$ 2,074,100	\$ 2,074,100	\$ -
Delinquent Tax Interest and Costs	260,000	260,000	-
- Local Property Taxes			
For School Debt Service	93,607	36,410	57,197
Municipal Budget	<u>14,335,487</u>	<u>13,779,226</u>	<u>556,261</u>
- Total Revenue from Taxes	<u>\$16,763,194</u>	<u>\$16,149,736</u>	<u>\$613,458</u>
- Surplus Anticipated	<u>\$ 1,500,000</u>	<u>\$ 2,431,828</u>	<u>(\$931,828)</u>
- Total Revenues	<u>\$34,829,541</u>	<u>\$33,600,430</u>	<u>\$1,229,111</u>

CITY OF TRENTON

1976 BUDGET MESSAGE

Arthur J. Holland, Mayor

It was during the 1960's that many of New Jersey's older, central cities experienced a severe slowdown in economic growth and an increase in the flight of many middle class residents to nearby suburban areas, resulting in the leveling off of these communities' single largest source of revenue, the value of taxable real property located within their borders. Lacking the annual increase in ratables available to many suburban communities with which to finance annual cost increases for employee wages and benefits, materials and supplies, cities such as Trenton resorted reluctantly to annual increases in the local property tax rate, to the point, however, that the high rate of property taxation stifled the growth of commerce and industry, and made relatively more attractive the opportunities for new homeownership available in the suburbs. In fact, the property taxes on the average home in Trenton increased by almost 50% during the four short years between 1966 and 1970.

During the first half of the 1970's, Trenton and similar New Jersey cities were able to keep pace with skyrocketing inflation, unemployment, and increased employee wages and benefits only through a series of increases in State and Federal aid, both to the City government directly and to the Trenton Board of Education. In 1971, the City received almost \$2 million in State Urbanaid funds which were used in 1971 and 1972 to absorb cost increases, mainly employee raises, thereby keeping down the increase in the property tax rate. In 1973, the Federal Government provided \$2,094,205 to the City through the General Revenue Sharing Program for which City officials across the Nation had lobbied so hard in Congress. In 1974, the State of New Jersey increased the City's allocation under the Urbanaid Program by 50%, or almost \$1 million. During the same four-year period,

State aid to the Trenton school system increased by almost \$8 million, actually decreasing the amount of local property tax funds allocated to education here in Trenton. During the four years from 1970 to 1974, property taxes increased by only 8.9%, or approximately one-third the rate of inflation during these years.

Throughout the last ten years, there has been a great deal of discussion at the State level about the urgent need for tax reform for both the State and its municipalities, and there have been strong attempts by Governors Hughes, Cahill, and Byrne to reform the real property tax system in New Jersey through the replacement of some property taxes with a broad-base income tax. Under the plans proposed by both Governor Cahill and Governor Byrne, property taxes in Trenton could have been cut by up to 45 percent, thereby having an immediate positive impact upon residential property values and upon business investment in local industry. The State of New Jersey has the constitutional responsibility to provide for an equitable system of taxation for its municipalities, and without some type of property tax reform, the State's central cities, including Trenton, cannot long survive.

Then in 1975, although the school system received a modest increase in State aid to education, the Federal Government reduced Trenton's allocation under the General Revenue Sharing program by almost \$700,000, and all of the efforts by the State's urban mayors to get the State Legislature to increase State aid to municipalities failed. As a result, our property tax rate increased by 5 1/2% last year, even though the size of the total budget or expenditures actually decreased compared to the

previous year. Again, the rate of increase, 5 1/2%, was well below the rate of inflation, 12%. I should also point out that the City's 1975 budget contained no funds for employee raises for 1975, and in fact contained funds for only half of the clothing allowance formerly received by our uniformed public safety employees.

Instead of property tax relief through tax reform, or in its place, emergency increases in State aid to its ailing urban centers, however, the State Legislature has in fact made more critical the financial problems of local governments in New Jersey by balancing the State Budget through reductions in State aid to municipalities. The City of Trenton received no Sales Tax Aid in 1975, and no such aid will be received in 1976, even though the State Legislature, in passing the first Sales Tax back in 1965, promised that the Sales Tax would bring property tax relief and provided for a sharing of the Sales Tax revenues with municipalities. To solve its own financial problems, the New Jersey State Legislature has eliminated Sales Tax Aid to Trenton for 1975 and 1976, with the two-year total loss, a loss which must be made up in this year's budget. This loss by \$732,000, alone results in a local property tax rate increase of over 20 points.

When the State's Urbanaid formula enabled four additional communities in the State to qualify for this aid program last year, no additional funds were provided by the Legislature, resulting in an unanticipated loss to Trenton in 1975 of some \$166,000, an amount which must be raised in 1976. The State's long-standing program of aid to local health agencies was cut out by the Legislature, eliminating over \$136,000 in State aid to our municipality. While some cutbacks have already been made in the services previously financed through this State aid, our 1976 budget

proposals do provide for the continuation of much-needed dental and venereal disease services at an increased cost to Trenton taxpayers of approximately \$100,000 or 3 tax points. Finally, the elimination of the State Road Aid program half-way through 1975 will result in increased expenditures of about \$50,000 in 1976 if we are to continue our minimal program of street patching and repairing.

While the State Legislature, mainly through the efforts of our Mercer County legislators who have served on the Joint Appropriations Committee, has provided \$560,000 to Trenton for services rendered to the State in lieu of taxes, a suit brought by Glassboro Borough in 1975 was initially successful in halting this payment and similar payments to Ewing Township and the City of New Brunswick. Our legal staff was recently successful, however, in getting the Court's permission to have the State release the \$560,000 payment for 1975, although it is still possible that the City will be forced to return this payment to the State, should our appeals to the State Supreme Court be unsuccessful. As a result of this litigation, however, it does not appear likely that it will be possible for the City to anticipate receiving any of this important aid in 1976, although I am continuing to work closely with Senator Merlino and the other members of the Mercer County legislative delegation toward the passage by the State Legislature of a new, comprehensive bill providing for payments in lieu of taxes to municipalities in which State facilities are located. If this legislation is not adopted by the Legislature and signed by the Governor prior to the final adoption of our municipal budget on March 31 of this year, the City of Trenton will suffer another substantial reduction in State aid resulting in an additional property tax rate increase of over 15 points.

In summary, then, the City of Trenton will receive \$1,650,000 less in State aid for its 1976 budget as a direct result of the reduction or elimination by the State of New Jersey of the following aid programs:

Sales Tax Aid	\$ 732,000
Payments for Services Rendered	560,000
Urbanaid	166,000
Health Aid	132,000
Road Aid	<u>60,000</u>
Total	\$1,650,000

For the first time in several years, the County budget will have a substantial impact upon our overall property tax increase. The increased cost of County government could mean a rise in Trenton's property tax rate of as much as 20 cents, as our share of the cost of County government.

Turning now to our local budgetary problems, as I indicated earlier, the 1975 budget contained no provisions for employee raises for 1975 even though the cost of living rose approximately 12% in 1974. As a result of a recommendation of a State-appointed factfinder, the settlements reached by the City with its public safety employee associations late in 1975 included the restoration of the full \$500 clothing allowance for both 1975 and 1976, which allowance had been reduced by half in the 1975 municipal budget. The cost of the restoration of this benefit in 1975 which was provided for in an emergency appropriation last year which must be budgeted in 1976 is approximately \$160,000; at the same time,

it will cost an additional \$160,000 in 1976 to raise the 1975 budgeted amount to the full \$500 per eligible employee, or a total cost of \$320,000, an increase of about 9 tax points in our 1976 Municipal Budget. Emergency appropriations for police and fire overtime in 1975 were extensive, and in fact, amounted to \$216,000 more than in 1974, which increase will be borne by the 1976 budget.

In past years, the amounts budgeted for police and fire overtime were estimated extremely conservatively, in the hope that changes in manpower deployment or management practices could be made which would substantially decrease the need for overtime funds. After thorough study and discussion with the Director of Public Safety and the Chief of Police, in the fall of 1975 we implemented a reorganization of the Patrol unit within the Police Division which should reduce overtime within this Division, but by approximately \$100,000 per year instead of the \$300,000 savings for which we had originally hoped. While I am continuing to make every effort to reduce unnecessary overtime expenditures within the Police Division, the recent reduction of the uniformed strength of the Police Division makes further changes in the Patrol unit unlikely in the near future, and for this reason, I do not foresee significant reductions in overtime expenditures in the Police Division for 1976. It will therefore be necessary to increase the allocation for police overtime by approximately \$150,000 to budget adequately for this important function during the coming year.

In a similar fashion in the Fire Division, it became clear during 1975 that it would not be possible to reduce overtime significantly if the adequate manpower were to be available on each vehicle for proper fire protection, and it was estimated late in 1975 that it would be necessary to provide an additional \$212,000 to budget adequately for this purpose. When the associations representing the uniformed employees within the Fire Division negotiated a final settlement with the City which provided for no layoffs, it was agreed that the funds which would have had to be budgeted for overtime in 1976, a total of \$272,000 should be used instead to finance raises to maintain similar salary scales with the Police Division, eliminating for at least two years the minimum manning program which had been initiated only three years ago to improve our fire service.

With the strong support of the City Council, the City of Trenton has recently completed a year-long series of negotiations with its employee groups based on the fiscally sound principle that increases in salaries and fringe benefits for a two-year period (1975 and 1976) would be financed almost completely through either layoffs or other budget reductions in each bargaining unit. In other words, this City government has, with a few exceptions, steadfastly refused to go to the local property taxpayer to pay for employee raises. The alternative to the layoff of 104 City employees and the elimination of 60 additional vacant positions on the City payroll during the past few weeks was an increase in property taxes of almost 90 cents to finance the nearly

\$3 million cost of 1975-76 employee raises, as recommended by a State-appointed factfinder. A complete listing of those positions eliminated through layoffs or the elimination of vacant positions is provided in Appendix A of this report, which shows that the net reduction of 156 positions was a cut of 12.2% of the locally financed City payroll.

In addition to this elimination of 156 positions from the regular City payroll, the implementation of employee union contracts forced the layoff of another 47 employees and the elimination of 18 vacant positions financed through the Public Service Employment Program, reducing the total number of positions on the City payroll in this program by 65 from 258 to 193. A listing of the positions eliminated in this program is contained in Appendix C. Finally, 18 State-financed walking patrolmen were laid off and a total of 7 positions were eliminated from the Community Development staff, three through layoff and four vacant positions. In summary, then, 156 City employees have been laid off, and 90 vacant positions eliminated from the payroll. Thus, there has been a reduction of 246 in the number of positions.

While these layoffs may be financially necessary for our community at this time, this loss of jobs for 156 employees is a new and very painful experience for all involved --- for our citizens who will receive fewer and slower services, for the employees remaining on the payroll who, in many cases, will be forced to pick up the workload left by those laid off, for the families of those City workers suddenly unemployed, and for the employees themselves,

several of whom I have spoken with personally over the past few weeks.

We have all heard and read about the massive financial problems facing the City of New York, where 36,831 jobs were cut from the payroll through both layoffs and attrition during 1975. Yet we must remember that prior to these cutbacks, there were 294,522 employees working for New York City, so that the payroll reduction in 1975 amounted to 12.5% as compared to 12.2% in Trenton. While we in Trenton have not been forced to freeze wages or to give up our basic authority and responsibility for City finances as has New York, the size of the payroll cutback here in Trenton has been, on a percentage basis, only three tenths of a percentage point less than in New York City.

For some governments, "austerity" and "belt-tightening" are relatively new concepts; for central cities in New Jersey like Trenton, however, economy in government has been a necessity for several years. Since July of 1970, the number of full-time, year-round positions financed through local taxation has actually been reduced by 228 from 1,353 to 1,125 today. Even though civilians have been added in key areas such as the Police Division and in the Municipal Court during the past five years, reductions in such areas as sanitation, park maintenance, street maintenance, planning, and health services have resulted in a net decrease of 37% in the non-uniformed, locally financed payroll since 1970.

Appendix B of this report lists in tabular form the exact number of full-time, year-round positions authorized by the City Council for each Division of the City government for the years 1970, 1975, and 1976. This table shows that there was a net reduction of 72 positions or approximately 5% in this payroll during the five-year period from 1970 to 1975, before the cut of 156 positions in the 1976 budget, for a total reduction of 16.8% from 1970 to 1976. Even in programs financed by grants from the Federal Government, substantial reductions in employees have been achieved through attrition as the size of the Federal grants has declined. For example, the City's urban renewal and model cities staffs, together employing 126 people in 1970, have been cut by more than half to 60 in 1975 and 52 today. This period of austerity during the past five years has resulted in substantial increases in productivity in many areas of City government, as total workload has increased for the same number, or a smaller number, of employees. For example, the Purchasing Division, which has not increased its staff of five employees since 1970, has increased almost 50% the number of Purchase Orders processed each year from 6,270 in 1970 to 8,900 in 1975. During the same period, the total number of resolutions prepared by the Administration and reviewed by City Council has almost doubled from 682 in 1970 to 1,232 in 1975, reflecting increased workload in the Department of Law, Finance, and Administration, as well as the City Clerk's office. One final example is the Police Division,

where the workload in most units has increased dramatically over the past five years, is the number of radio assignments responded to by the Patrol unit which has remained approximately the same size since 1970. In 1975, the total number of radio assignments was 87,259 compared to 60,011 in 1970, an increase of 45%

During this five-year period of austerity for locally financed programs and services, the needs and expectations of our citizens increased significantly. Only through a concerted program of lobbying and grantsmanship at both the State and Federal levels of government has the City been able to continue and expand much needed services for senior citizens, for infants and children, for homeowners, for unemployed residents, and in many other areas of human and physical needs felt by our community. Four programs for which the City has assumed responsibility during the last four years -- the Safe and Clean Neighborhoods Program, the Comprehensive Employment and Training Act Program, the Trenton Neighborhood Health Center, and the Community Development Bloc Grant Program -- brought almost \$13 million in Federal and State revenues to the City in 1975, reflecting the almost total dependence of the City upon State and Federal grants to provide many important services to our citizens.

The proposed 1976 municipal budget, excluding these State and Federal categorical grant programs, is about 8% higher than the 1975 budget, and almost all of this relatively small increase is mandated by State or Federal law, existing contracts, or inflation. For example, the budget category known as Statutory Expenditures, which includes pensions and Social Security, is \$181,878 higher in 1976 than in 1975, reflecting increases in overall City payroll figures in previous years. Municipal debt service is increasing by \$93,411, and, as mentioned above, emergency appropriations were \$216,047 higher in 1975 than in 1974.

The national problems of unemployment and inflation have had a substantial impact on several areas of expenditure for 1976. The continued high level of unemployment in Trenton has increased the number of persons eligible for public assistance according to State law and regulation, and as a result, the 1976 public assistance budget request for 1976 is \$315,000 higher than in 1975, although you will recall that an emergency appropriation of \$115,000 was necessary to provide sufficient funds for this purpose during 1975. Inflation has hit the City's budget hardest in the rising costs of electric power, which will cost \$88,527 more in 1976 than last year, with the increased cost of street-lighting amounting to \$68,490. The

30% increase in postage will add \$10,302 in 1976 over the 1975 budget, and increased telephone costs will add at least \$11,352 to the 1976 budget request. Two areas where inflation has been particularly costly in past years, gasoline and heating fuel, are not expected to experience rising prices in 1976, according to the informed projections of our Purchasing Agent. Our 1976 budget request does, however, include \$15,000 in additional funds for the City's three volunteer rescue squads which are experiencing sharp price increases for many items ranging from insurance to bandages, and \$5,000 additional for expenses for the War Memorial Commission. Finally, the cost of various types of insurance for the City has increased by \$142,677 for 1976, according to the bids awarded by the City late in 1975.

These inflationary cost increases will be somewhat offset by reductions in three accounts totalling over \$100,000. As a result of the tragic fire which destroyed the Civic Center last July, there will be no need for a budget request for the operation of the Civic Center in 1976, a decrease of \$23,457 compared to the 1975 budget. Since Federal Community Development Bloc Grant regulations specifically allow these monies to be used for the local share of Federal programs, and since the City's annual \$25,000 contribution to United Progress, Incorporated is being used to provide the local share for several Federally funded projects, the City's application for funds for the

second year of the Community Development Bloc Grant program, recently submitted to the United States Department of Housing and Urban Development, included \$25,000 from these Federal monies for UPI, resulting in a net savings to local taxpayers of \$25,000. Thirdly, the construction of the solid waste transfer station is the major reason for the \$55,000 savings realized in the Garbage and Trash budget request for 1976.

During the past two years, the City's overall budgetary problems have kept our financial support to the City's Bicentennial Committee to a minimum (only \$11,500 in 1975), and although the City cannot afford to make any unnecessary expenditures in the coming year, neither can we afford not to provide the essential financial support for the Bicentennial Celebration in this historic City which served as the capital in the early days of our Nation's history. Our 1976 budget request includes \$50,934 for the Trenton Bicentennial Committee, which, together with the \$60,000 being made available by the State Legislature for Bicentennial activities in the State Capital this year, and the \$375,000 being spent this year for the physical restoration of four historic sites - the Trent House, the Old Eagle Tavern, the Ellarslie Mansion, and the Douglass House - should provide sufficient financial support for our Bicentennial celebration this year.

The only other expanded program included in our 1976 budget request is \$53,000 for five additional civilian process

servers for the Police Division to assist in our program designed to reduce substantially the number of unpaid traffic tickets over the next two years. These civilians, who are likely to be laid off police officers, will be responsible for serving warrants to those citizens who have ignored the original tickets and subsequent notices prepared with the assistance of the City computer. It is our hope that the revenues realized by the City as a direct result of the efforts of these process servers will exceed the cost of these new positions.

At the present time, the Finance Director and his staff are in the process of preparing the detailed Financial Statement for 1975. Until this report is substantially complete, and until the finance Department completes the preparation of its revenue estimates for 1976, it will not be possible for the City to make any accurate projections for the tax rate for 1976. It is my hope, however, that it will be possible to anticipate increased revenues in some instances in order to offset to some small extent the reduction of \$1,098,000 in State Aid which can be anticipated in 1976 and the \$702,000 loss in State aid in 1975 which will reduce substantially any surplus generated last year.

There are, however, several bright spots in this otherwise gloomy picture of our revenues for the 1976 budget. For the first time in at least six years, the total value of the City's ratables has increased. Instead of the usual

loss of over \$2 million dollars worth of assessed valuation, forcing the City to raise approximately \$200,000 in additional taxes to maintain the same total revenues each year, the City's Chief Assessor reports that the value of the City's Real Estate and Personal Ratables will be \$605,465 more in 1976 than last year, which will result in an increase of approximately \$50,000 in tax revenues at the present tax rate. The sale of City properties put \$586,010 worth of ratables back on the tax rolls, while new construction and other increased assessments created a total increase in real estate ratables of nearly \$3 million for 1976. This increase was balanced, however, by almost \$3 million in assessment reductions granted by the County and State Tax Appeal Boards. City ratables declined by another \$1.8 million through foreclosures, demolition (6% of real estate ratable decline), and new exemptions granted to existing properties according to State law. Finally, however, this \$1.8 million real estate ratable reduction was more than offset by the \$2.4 million increase in Personal Assessment for 1976, reflecting increased investment in equipment by the telephone company and other utilities located within the City.

The sale of City property under the City's Property Management Program brought a total of \$202,810 to the City treasury during 1975, or about half of all of the unanticipated revenues received last year. On-street parking meter revenues, which the City has pledged to support financial deficits of the Parking Authority, should such

deficits occur, increased over 10% in 1975 to \$114,368.09 compared to the 1974 collections of \$103,860.64. Finally, the City's Data Processing unit developed two new programs during 1975 which should bring a total of \$50,000 of additional revenue to the City this year, \$25,000 from additional dog license fees, and \$25,000 through medicaid reimbursements for services provided at the City's Baby Keep Well stations.

Another reason that it is impossible to predict at this point what the final 1976 local tax rate will be is the wide range of possible levels of State aid to local school systems. The State Department of Education has provided local school districts with four different sets of possible allocations of State aid for the 1976-77 school year, and the State Legislature has recently delayed by one month the deadlines for completing school budgets in order to give both itself and the New Jersey Supreme Court more time to make a determination about the funding level for State aid to education next year. It is possible that the Trenton Board of Education could request a substantial increase in local tax dollars to balance its 1976-77 budget, but it is also possible that if sufficient increases in State aid are funded by the State Legislature, the amount of local tax revenues required by the schools might actually decrease.

Without real tax reform which substantially reduces property tax rates in New Jersey's older urban centers, it

will be almost impossible for the City of Trenton to "pick itself up by its own bootstraps" financially. As inflation continues while our local ratables remain fairly stable, and if additional State and/or Federal aid does not become available within the next several months, we will be facing a very critical decision in the fall of 1976 when, according to State regulation, the City must begin negotiations with employee representatives for contracts for 1977 and beyond. Further layoffs at that time do not appear to me to be a viable alternative, if the City is to provide the basic services which are necessary for the public health and safety of our citizens. Further large-scale property tax increases will likely result in an equally large-scale taxpayer resistance, and would only hasten the economic decline of our community. Unless the State of New Jersey provides some system for "cost-of-living" increases for our City's ratables each year, it will not be possible for the City government to keep pace with inflationary increases in employee salaries and fringe benefits and other costs of government. Unless the State establishes an equitable system of taxation for its local governments during the next few months, the problems faced recently with the layoff of patrol officers and other City employees will be recurring ones.

Levels of Locally Financed Employment in 1970, 1975, and 1976

	<u>1970</u>	<u>1975</u>	<u>1976</u>
Mayor	5	4	4
City Clerk	8	6	6
Administration	7	8	6
Purchasing	6	6	6
Public Defender	0	1 ^c	1
Data Processing	0	4 ^a	4
Trent House	2	2	2
Finance Director	2	2	2
Accounts and Control	10	6 ^a	6
Treasury	4	4	3
Tax Collection	17	10	9
Assessments	12	8	8
Law	7	8 ^b	8
Health, Recreation & Welfare Director	3	3	3
Health	46	38	32
Weights and Measures	2	2	1
Animal Control	3	3	2 ^e
Welfare	25	25	21
Parks and Recreation	7	6 ^f	6
Recreation Maintenance	58	44	37
Health Aid	0	0	6 ^d
Aging	0	1 ^f	1
Civic Center	2	1	0
Public Works Director	4	3	3
Garbage and Trash	78	63	50
Street Services	80	65	57
Superintendent of Public Property	2	2	2
Municipal Building	31	38 ^g	30
Shade Tree	9	8	7
Maintenance Services	11	10	9
Engineering and Operations	15	10	9
Sewers	33	27	22
Sewage Disposal	30	29	26
Planning	24	14	10
Director of Inspections	3	3	3
Housing	33	30	20
Buildings	23	20	18
Traffic and Transportation	19	19	15
Public Safety Director	2	2	2
Fire	297	297	291
Police	390	408 ^g	339
Communications	25	21	18
Civil Defense	4	3	3
Municipal Court	14	17	17
Totals	1,353	1,281	1,125
	72	156	12.2% payroll reduction.
		<u>228</u>	= 16.8% payroll reduction.

Administration

- 410 - Administration
2 Senior Clerk Typists

Finance

- 530 - Treasury
1 Principal Clerk Bookkeeper
- 531 - Collector of Taxes
1 Cashier

Health, Recreation and Welfare

- 720 - Health
1 Assistant Chief Sanitary Inspector
1 Sanitary Inspector Trainee
2 Graduate Nurses
2 Clerk Typists
- 730 - Weights and Measures
1 Senior Clerk Typist
- 740 - Animal Control
1 Assistant Dog Warden
- 750 - Welfare
1 Social Caseworker
1 Social Caseworker
1 Principal Welfare Investigator
1 Welfare Investigator
- 762 - Recreation Maintenance
4 Groundskeepers
1 Carpenter's Helper
1 Park Maintenance Man
1 Animal Attendant
2 Seasonal Laborers
- 785 - Civic Center
1 Civic Center Coordinator

Public Safety

830 - Police

- 1 Juvenile Officer
- 1 Police Radio Dispatcher
- 1 Senior Clerk Stenographer
- 2 Senior Clerk Typists
- 1 Mechanic
- 1 Community Relations Specialist
- 1 Garage Attendant
- 2 Senior Clerk Typists

840 - Communications

- 2 Police and Fire Signal Systems Repairmen
- 1 Police and Fire Alarm Operator

Public Works

920 - Garbage and Trash

- 4 Truck Drivers
- 1 Laborer, Heavy
- 1 Mechanic
- 7 Laborer, Heavy

921 - Streets

- 3 Guards
- 3 Laborer, Lights
- 2 Mechanic Repairmen Helpers

931 - Maintenance Services

- 1 Senior Maintenance Repairman

932 - Municipal Building

- 3 Building Maintenance Workers
- 1 Elevator Operator
- 4 Building Service Workers

933 - Shade Tree

- 1 Tree Trimmer

950 - Engineering and Operations

- 1 Assistant Chief Engineer

960 - Sewers

- 3 Laborers
- 1 Laborer
- 1 Equipment Operator

- a = 4 employees transferred from Accounts and Control to Data Processing.
- b = Municipal Prosecutor added as a result of State recommendation.
- c = Public Defender added as a result of State recommendation.
- d = 13 employees were financed through State Aid; 6 remained on City payroll after State Aid elimination.
- e = 2 employers financed through Trust Fund.
- f = 1 employee transferred from Recreation to Aging.
- g = 9 building maintenance employees transferred from Police to Public Works.
- h = These totals include positions used as local share of the Safe and Clean Neighborhoods Program, as follows:

	<u>1975</u>	<u>1976</u>
Garbage and Trash	4	4
Streets	32	32
Shade Tree	4	4
Housing	4	4
Traffic and Transportation	2	2
Police	24	6

Public Works - continued

- 961 - Sewage Disposal
 - 1 Sewage Plant Operator
 - 1 Sewage Plant Operator
 - 1 Maintenance Repairer, Painter

Planning and Development

- 1020 - Planning
 - 1 Assistant Planner
 - 1 Assistant Planning Director
 - 1 Principal Planning Draftsman
 - 1 Principal Clerk Stenographer
- 1030 - Housing
 - 3 Housing Inspectors
 - 1 Housing Inspector
 - 1 Senior Housing Inspector
 - 2 Assistant Chief Inspectors
 - 2 Senior Clerk Typists
 - 1 Clerk Typist
- 1031 - Buildings
 - 1 Assistant Chief Plumbing Inspector
 - 1 Building Inspector
- 1040 - Traffic and Transportation
 - 1 Principal Planner
 - 1 Supervising Planning Draftsman
 - 1 Clerk Transcriber
 - 1 Principal Traffic Analyst

Facts and Figures on Government Finance

19TH BIENNIAL EDITION · 1977



Tax Foundation, Inc.

Kentucky	1,020	855	2,659	4,086	9,207	10,511	115	357	1,085	1,670	2,895	4,904
Louisiana	866	834	2,857	5,358	10,478	18,591	115	493	1,174	1,797	3,064	4,786
Maine	479	417	1,060	1,720	3,039	5,071	601	493	1,174	1,797	3,064	4,786
Maryland	1,260	1,186	3,392	6,977	15,506	26,533	777	661	1,456	2,275	4,009	6,474
Massachusetts	3,862	3,162	6,971	12,126	22,919	35,568	913	727	1,470	2,370	4,057	6,114
Michigan	3,803	3,215	9,627	17,760	36,056	56,526	793	624	1,520	2,287	4,106	6,173
Minnesota	1,539	1,432	3,846	6,692	13,468	22,793	598	517	1,310	1,988	3,584	5,807
Mississippi	570	444	1,441	2,612	5,331	9,504	285	205	691	1,222	2,402	4,052
Missouri	2,275	1,914	5,196	8,878	16,387	26,244	628	506	1,338	2,085	3,532	5,510
Montana	312	294	788	1,338	2,204	4,054	595	530	1,385	2,001	3,176	5,422
Nebraska	811	521	1,697	2,782	5,268	9,384	590	395	1,303	1,991	3,574	6,087
Nevada	79	90	286	753	2,050	3,935	878	841	1,822	2,700	4,271	6,647
New Hampshire	522	274	671	1,239	2,535	4,346	690	559	1,259	2,078	3,502	5,315

(Continued)

33. Total and Per Capita Personal Income by State^a —Continued

Selected Calendar Years 1929-1975^b

State	Total personal income (millions)						Per capita personal income					
	1929	1939	1949	1959	1969	1975	1929	1939	1949	1959	1969	1975
New Jersey	3,714	3,100	8,131	15,955	31,158	49,181	931	751	1,663	2,653	<u>4,391</u>	<u>6,722</u>
New Mexico	171	184	719	1,718	2,876	5,476	407	352	1,116	1,869	2,845	4,775
New York	14,105	11,152	26,046	44,153	80,765	118,958	1,159	825	1,749	2,646	4,461	6,564
North Carolina	1,046	1,111	3,675	6,852	15,200	26,995	334	316	940	1,537	3,021	4,952
North Dakota	253	202	674	953	1,850	3,652	375	314	1,129	1,541	2,980	5,737
Ohio	5,178	4,265	11,749	22,061	40,620	62,514	781	619	1,474	2,281	3,846	5,810
Oklahoma	1,077	805	2,460	4,184	7,925	14,237	454	345	1,169	1,828	3,126	5,250
Oregon	647	629	2,251	3,783	7,275	13,201	683	582	1,573	2,166	3,528	5,769
Pennsylvania	7,531	5,933	14,553	24,928	43,662	70,296	775	599	1,401	2,219	3,719	5,943
Rhode Island	596	500	1,151	1,849	3,485	5,413	871	713	1,437	2,157	3,740	5,841
South Carolina	470	511	1,724	3,188	7,110	13,014	270	273	850	1,358	2,767	4,618
South Dakota	288	219	689	984	1,979	3,365	417	340	1,092	1,475	2,963	4,924
Tennessee	982	886	3,001	5,503	11,402	20,501	377	308	927	1,563	2,926	4,895
Texas	2,752	2,600	9,839	18,041	36,897	68,903	478	409	1,291	1,918	3,341	5,631
Utah	284	251	835	1,675	3,114	5,937	559	462	1,244	1,926	2,974	4,923
Vermont	225	172	396	678	1,425	2,336	627	480	1,073	1,752	3,261	4,960
Virginia	1,054	1,127	3,648	7,140	15,773	28,732	435	422	1,108	1,807	3,419	5,785
Washington	1,166	1,058	3,600	6,542	13,311	22,158	750	617	1,569	2,319	3,982	6,247
West Virginia	794	723	1,994	2,951	4,810	8,867	462	387	1,033	1,596	2,772	4,918
Wisconsin	2,001	1,615	4,633	8,425	15,505	26,109	682	517	1,366	2,165	3,542	5,669
Wyoming	151	145	445	709	1,125	2,294	677	585	1,606	2,215	3,419	6,131
District of Columbia	615	735	1,700	2,188	3,555	5,544	1,273	1,117	2,107	2,875	4,666	7,742

^a Personal income by state is the current income received by residents of the states from all sources, inclusive of transfers from government and business but exclusive of transfers among persons. Total personal income for all states differs from total personal income of the United States (Table 31) in that the latter includes income disbursed by the Federal government to its civilian and military personnel outside the United States.

^b Totals include Alaska and Hawaii beginning in 1959.

Source: Department of Commerce, Bureau of Economic Analysis.

83. Federal Internal Revenue Collections by State^a

Selected Fiscal Years 1939-1975

(Millions)

SECTION III

State	1939		1949		1959		1975	
	Total	Income and employment taxes	Total	Income and employment taxes	Total	Income and employment taxes	Total	Income and employment taxes
Total ^b	\$5,166.6	\$2,909.0	\$40,351.4	\$31,983.3	\$78,652.1	\$66,642.2	\$293,822.7	\$272,286.9
Alabama	15.5	12.6	259.5	236.2	531.7	512.6	2,684.2	2,497.0
Alaska	—	—	—	—	47.9	46.1	544.7	532.1
American Samoa	4.4	3.6	82.1	74.2	266.4	254.2	1,789.4	1,732.5
Arizona	7.9	5.8	115.9	105.6	197.5	188.6	1,241.2	1,164.4
California	309.0	188.5	2,955.9	2,419.0	6,923.6	6,069.2	28,510.1	26,275.2
Colorado	31.6	20.1	277.0	222.5	976.0	889.1	1,653.2	1,351.9
Connecticut	85.6	62.6	642.6	535.5	1,335.8	1,194.5	5,916.5	5,513.3
Delaware	71.9	65.3	306.2	293.6	686.1	676.2	1,165.9	1,368.3
Florida	51.4	29.4	342.6	286.6	1,147.3	1,039.3	7,878.4	7,354.1
Georgia	33.8	24.3	403.5	322.9	888.9	728.7	4,784.2	4,401.2
Hawaii	—	—	—	—	—	—	1,087.5	1,062.1
Idaho	4.2	3.2	76.4	71.0	147.1	142.1	881.3	858.9
Illinois	436.3	276.2	3,509.8	2,924.1	6,394.9	5,570.5	21,774.2	20,257.1
Indiana	111.9	43.2	950.5	586.8	1,759.1	1,432.3	6,859.9	6,403.4
Iowa	26.6	17.9	407.9	330.7	683.7	617.2	2,858.0	2,741.8
Kansas	21.2	14.2	401.9	301.3	582.7	531.0	2,498.7	2,366.6
Kentucky	132.1	21.7	812.3	282.1	1,541.0	547.3	3,891.5	2,541.0
Louisiana	46.9	23.0	357.4	291.8	689.2	610.7	3,287.3	3,151.7
Maine	15.5	12.8	117.5	107.8	192.9	183.4	760.5	729.2
Maryland ^c	136.6	80.1	1,068.1	842.1	1,937.5	1,652.3	7,833.6	7,240.2
Massachusetts	160.9	104.2	1,232.0	1,063.6	2,209.8	2,001.6	7,622.0	7,175.5
Michigan	258.2	162.6	2,564.5	1,876.0	5,010.8	3,586.9	14,778.4	13,962.9
Minnesota	68.8	41.9	669.0	573.8	1,291.9	1,174.0	6,149.8	5,898.2
Mississippi	6.2	4.8	100.7	91.6	193.1	176.7	1,167.3	1,118.4
Missouri	137.7	74.9	1,095.2	892.3	1,915.9	1,672.6	7,528.5	6,915.6
Montana	6.9	3.8	78.9	72.1	145.0	136.1	514.9	494.9
Nebraska	19.1	13.8	276.2	224.4	484.8	430.2	2,091.2	1,951.9
Nevada	4.0	3.4	38.1	33.7	114.9	101.3	702.9	673.8
New Hampshire	7.6	6.1	71.5	63.8	152.8	146.3	714.3	673.6
New Jersey	201.8	108.3	1,151.1	937.9	2,112.8	2,111.8	11,083.3	10,488.2
New Mexico	2.9	2.3	55.4	50.5	177.7	170.0	708.2	681.6
New York	1,051.9	721.5	7,427.2	6,260.5	15,433.2	13,634.8	39,007.5	37,211.2
North Carolina	310.6	34.1	1,166.7	423.7	1,983.7	875.0	5,996.4	4,601.1
North Dakota	1.6	1.3	61.7	58.0	95.6	92.5	547.7	520.0
Ohio	288.2	168.5	2,626.3	2,148.0	5,017.4	4,465.8	17,194.1	15,968.9
Oklahoma	59.3	27.0	418.8	337.3	809.8	596.7	3,361.5	2,939.3
Oregon	14.0	11.0	298.8	275.8	491.9	468.6	2,620.1	2,522.6

(Continued)

83. Federal Internal Revenue Collections by State^a—Continued

Selected Fiscal Years 1939-1975

(Millions)

1939	1949	1959	1975
Income and employment taxes	Income and employment taxes	Income and employment taxes	Income and employment taxes

117. Part C. State and Local Direct General Expenditures by Function and State^a

Fiscal Year 1955

State	Total	Educational	Highways	Public welfare	Health and hospitals	Police and fire	Financial administration ^b	Other ^c
Total	\$1,077	\$412	\$106	\$128	\$88	\$56	\$41	\$247
Alabama	827	327	97	83	90	33	22	174
Alaska	2,782	855	415	128	82	98	187	1,017
Arizona	1,029	447	110	42	69	69	49	243
Arkansas	728	280	116	79	63	25	25	129
California	1,261	450	80	189	99	81	58	298
Colorado	1,120	810	111	107	74	54	53	204
Connecticut	1,059	283	99	116	65	63	40	291
Delaware	1,187	549	101	103	68	42	50	266
Florida	944	366	99	55	94	56	44	229
Georgia	925	332	105	102	136	42	33	174
Hawaii	1,560	443	139	151	110	70	64	584
Idaho	984	401	159	76	76	34	43	196
Illinois	1,066	440	107	143	67	63	36	208
Indiana	827	392	91	68	74	36	26	139
Iowa	998	434	165	89	72	34	37	166
Kansas	950	390	142	87	70	36	37	188
Kentucky	838	334	121	98	52	38	23	173
Louisiana	946	338	156	85	91	43	37	196
Maine	938	340	125	140	43	39	36	215
Maryland	1,244	490	112	111	83	67	50	331
Massachusetts	1,183	405	77	213	88	81	42	275
Michigan	1,191	485	92	179	90	60	44	242
Minnesota	1,199	494	137	155	82	39	41	250
Mississippi	833	310	136	77	87	31	25	168
Missouri	829	337	114	77	78	46	28	149
Montana	1,079	473	162	81	53	36	55	218
Nebraska	1,032	406	153	89	85	37	39	223
Nevada	1,296	396	154	76	125	106	76	363
New Hampshire	924	359	155	107	42	44	35	181
New Jersey	1,107	432	87	139	61	69	46	273
New Mexico	898	453	132	78	68	47	50	171
New York	1,611	495	85	232	101	80	50	478
North Carolina	826	380	87	69	68	37	30	153
North Dakota	1,044	426	172	77	39	27	35	266
Ohio	894	351	86	98	69	51	32	207
Oklahoma	873	332	109	110	77	36	28	180
Oregon	1,212	475	128	107	61	56	62	324
Pennsylvania	1,008	380	108	144	67	45	37	227
Rhode Island	1,044	397	58	181	81	64	44	218
South Carolina	873	363	81	61	101	32	27	208
South Dakota	1,002	393	190	86	52	28	44	209
Tennessee	859	325	111	73	92	43	30	184
Texas	838	303	100	73	69	41	28	165
Utah	962	490	102	71	66	33	35	165
Vermont	1,152	452	169	149	63	36	47	237
Virginia	974	388	138	80	63	47	36	213
Washington	1,170	482	133	112	63	56	48	276
West Virginia	892	322	218	69	65	24	26	167
Wisconsin	1,091	461	124	151	71	51	38	195
Wyoming	1,371	589	253	51	119	40	52	268
District of Columbia	1,898	464	75	330	180	180	75	593

^a Based on resident population at the end of the fiscal year.

^b Includes general control.

^c Sewerage, other sanitation, local parks and recreation, interest on general debt, and all other general expenditures.

Source: Department of Commerce, Bureau of the Census.

117. Per Capita State and Local General Expenditures by Function and State^a

Fiscal Year 1973

State	Total	Educa- tion	High- ways	Public welfare	Health and hospitals	Police and fire	Financial adminis- tration ^b	Other ^c
Total	\$863	\$332	\$89	\$112	\$66	\$45	\$32	\$187
Alabama	637	240	81	82	69	25	17	123
Alaska	2,376	867	384	122	63	61	118	762
Arizona	819	386	90	44	51	53	38	158
Arkansas	549	210	79	79	46	18	19	98
California	1,023	354	73	188	70	65	46	229
Colorado	847	383	90	97	60	40	39	138
Connecticut	900	341	87	100	49	52	36	236
Delaware	1,117	504	143	85	53	35	48	247
Florida	689	249	81	54	66	43	35	161
Georgia	747	266	84	104	98	29	26	141
Hawaii	1,311	418	120	129	80	59	53	453
Idaho	740	275	124	68	54	32	34	153
Illinois	873	357	84	132	53	50	29	168
Indiana	677	332	73	57	54	30	21	110
Iowa	735	346	127	58	50	26	27	102
Kansas	747	314	113	78	55	29	26	132
Kentucky	670	261	123	80	41	25	17	124
Louisiana	766	273	103	89	75	30	28	168
Maine	761	276	122	115	36	33	28	150
Maryland	941	375	89	99	67	54	37	220
Massachusetts	987	342	65	181	76	66	32	224
Michigan	949	392	78	143	72	48	36	180
Minnesota	966	424	118	110	62	30	33	188
Mississippi	666	242	107	92	72	22	20	111
Missouri	681	284	76	73	55	40	23	130
Montana	887	348	178	66	44	27	34	191
Nebraska	731	301	120	65	51	29	30	135
Nevada	1,098	376	150	63	97	87	62	265
New Hampshire	716	273	127	80	34	35	27	140
New Jersey	876	331	94	111	48	56	36	200
New Mexico	793	368	94	77	51	36	34	134
New York	1,319	422	69	201	137	72	41	377
North Carolina	618	273	80	58	48	27	24	108
North Dakota	805	333	157	62	29	19	26	179
Ohio	699	294	73	76	53	40	24	139
Oklahoma	724	268	97	119	56	28	23	133
Oregon	951	358	125	72	41	104	46	204
Pennsylvania	815	333	85	115	51	37	29	165
Rhode Island	801	288	58	149	57	47	32	169
South Carolina	633	273	71	45	67	22	19	135
South Dakota	818	377	171	66	31	22	31	120
Tennessee	638	240	83	67	70	29	21	142
Texas	669	287	74	67	47	32	21	142
Utah	790	393	103	69	39	26	26	135
Vermont	965	346	187	132	44	29	37	190
Virginia	713	298	107	67	44	33	28	136
Washington	1,053	391	136	115	47	45	40	279
West Virginia	744	261	211	67	51	19	20	115
Wisconsin	889	373	107	105	68	42	31	162
Wyoming	1,085	501	215	45	91	29	37	166
District of Columbia	1,576	338	70	267	186	154	65	496

^a Based on resident population at the end of the fiscal year.^b Includes general control.^c Sewerage, other sanitation, local parks and recreation, interest on general debt, and all other general expenditures.

Source: Department of Commerce, Bureau of the Census.

^a Based on resident population (including armed forces overseas, 1930-1955) at the end of the fiscal year.
^b Includes general control.
^c Includes natural resources, parks and recreation, sanitation and sewerage, interest on general debt, housing and urban redevelopment, correction, and other unallocable expenditures.
Source: Department of Commerce, Bureau of the Census.

TOP of Cover

(A)

PRESENTATION FOR THE JOINT COMMITTEE ON STATE TAX POLICY

6-27-78

NAME

ROY A. WIMMER - MAYOR OF CALEON - PRESIDENT OF THE HUNTERDON COUNTY CONFERENCE OF MAYORS

1978 APPORTIONMENT OF TAXES - CALEON BOROUGH

RATE

70

COUNTY TAX

.590

75,230.72

15.09

COUNTY LIBRARY TAX

.030

4,260.50

.85

DISTRICT SCHOOL TAX

1.590

204,887.87

41.09

REGIONAL SCHOOL TAX

(N.H.)

1.170

151,241.49

30.33

LOCAL TAX

.490

63,000.00

12.64

TOTALS

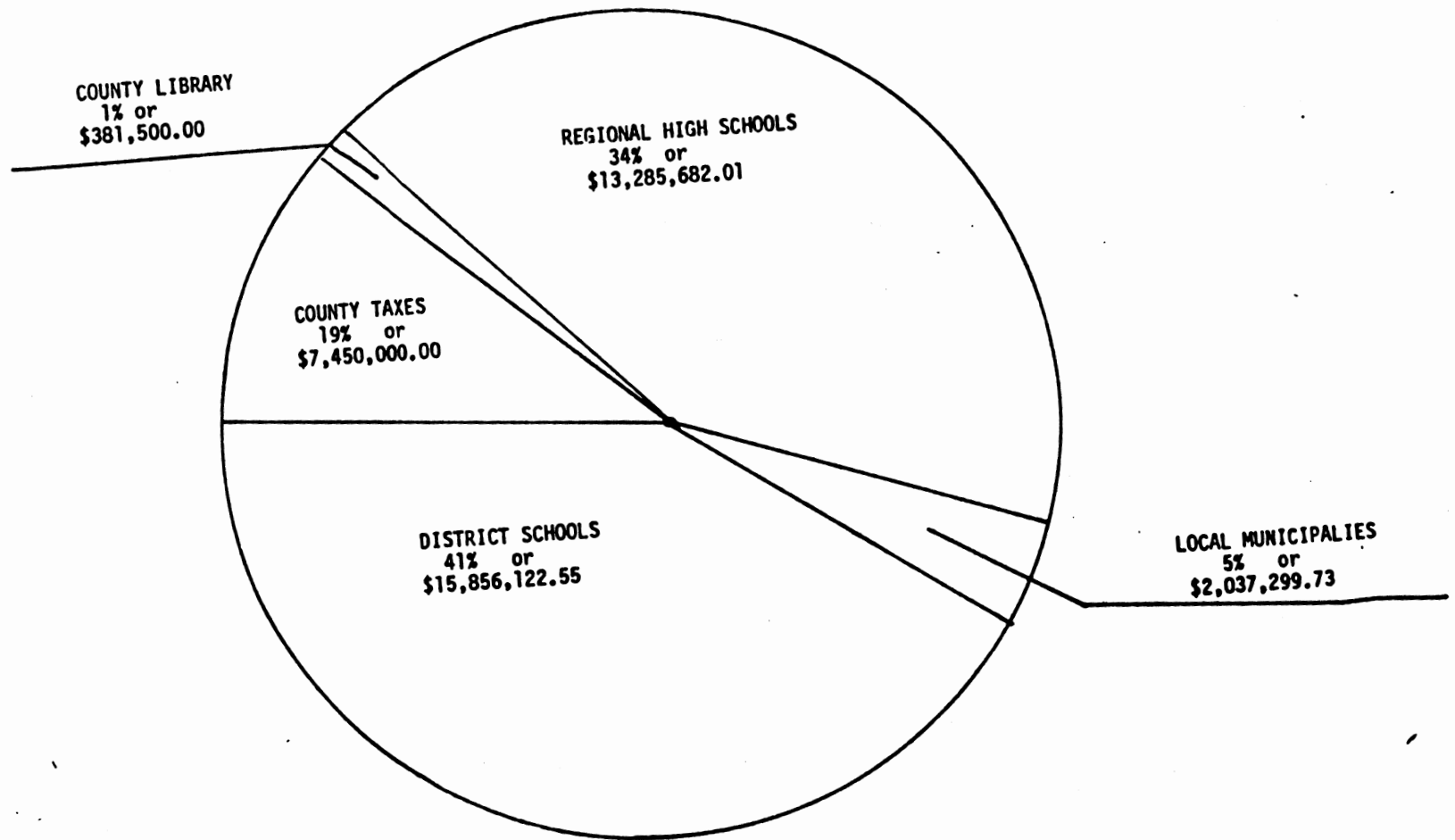
3.870

498,620.58

100.00

AA

THE TAX DOLLAR
Hunterdon County Total Tax Levy for 1978
\$39,010,604.29



1972
BETHLEHEM TWP

VACANT	41	689,400	712,250
RESIDENTIAL	26	1,229,680	1,461,043
FARM			
QUALIFIED			
OTHER	67 *	1,919,080 *	2,173,293 *

96.79	7,222,170	7,461,690
84.16	25,012,170	29,719,784
84.16	4,278,478	5,083,743
94.16	1,228,349	1,459,540
84.16	2,149,000	2,553,470
*	39,890,167 *	46,278,227 *
		86.20 *

ILICHSBURY BORO

VACANT			
RESIDENTIAL	11	387,500	440,250
FARM			
QUALIFIED			
OTHER	1	52,450	50,000
	12 *	439,950 *	490,250 *

88.02	363,175	412,605
88.02	8,469,925	9,622,728
88.02	45,600	51,806
88.02	64,325	73,080
104.90	2,846,650	2,713,680
*	11,789,675 *	12,873,899 *
		91.58 *

CALIFON BORO

VACANT	4	43,800	95,750
RESIDENTIAL	22	683,350	944,600
FARM			
QUALIFIED			
OTHER	1	60,500	59,900
	27 *	789,650 *	1,100,250 *

47.33	559,300	1,169,350
72.34	10,334,335	14,285,782
72.34	195,400	270,113
72.34	6,425	8,882
101.00	1,339,700	1,326,436
*	12,435,160 *	17,060,563 *
		72.89 *

CLINTON TOWN

VACANT	1	10,400	12,000
RESIDENTIAL	36	1,762,200	1,851,500
FARM			
QUALIFIED			
OTHER	2	93,000	83,000
	39 *	1,865,600 *	1,946,500 *

80.67	1,026,500	1,184,378
95.18	22,525,050	23,665,739
95.18	196,000	205,926
93.13	41,300	43,391
112.05	10,775,100	9,616,332
*	34,563,950 *	34,715,766 *
		99.56 *

CLINTON TWP

VACANT	10	200,850	285,500
RESIDENTIAL	114	4,729,755	7,270,818
FARM	1	14,500	13,500
QUALIFIED			
OTHER	1	24,000	48,000
	126 *	4,969,105 *	7,617,818 *

70.35	7,588,340	10,786,553
65.05	62,353,754	95,855,118
107.41	8,010,775	7,498,128
65.05	1,835,360	2,821,460
50.00	20,042,840	40,035,680
*	99,831,069 *	157,006,939 *
		63.58 *

DELAWARE TWP

VACANT	12	120,500	197,200
RESIDENTIAL	43	1,508,000	2,498,100
FARM			
QUALIFIED			

51.11	2,658,715	4,350,704
60.37	27,880,230	46,182,259
60.37	13,002,700	21,538,347
60.37	3,214,347	5,324,411

BB

1978 USABLE SALES

PAGE 5

SERIAL #	REC DATE	GRANTOR NAME	LOCATION OF PROPERTY	CLASS	# TRANS	ASSESSED VALUE	SALES PRICE	RATIO
CALIFON BORG		HUNTERDON COUNTY		1004				
3839341A	05-77	NETHERWOOD ESTATES 0677	00015 000043	1		8000	17250	46.38%
3839307A	06-77	STALAND WOOD PRODUC0677	00048 00005	1		7000	15000	46.67%
3722078A	12-76	I GIMBEL 1276	00031 00031	1		23600	56000	47.20%
3721740A	11-76	H SCHEFFER 1076	00003 000192	1		7200	13500	53.33%
				1	4	45800	95750	193.58
3722077A	12-76	H LANCE 1276	00031 00031	2		23600	46000	59.00%
3839367A	04-77	D FASANELLO 0477	00022 00004	2		25700	40500	63.46%
3722001A	12-76	C BRINDLE 1176	00031 0011A	2		24700	38900	63.56%
3839357A	06-77	F KILSS 0677	00024 00011	2		19800	30000	66.00%
3839361A	05-77	B BALZER 0577	00009 00006	2		34100	50500	67.52%
3722002A	12-76	D BECHTEL 1176	00022 00014	2		26600	39000	68.21%
3722213A	12-76	NETHERWOOD ESTATES 1276	00015 000042	2		42800	62000	69.03%
3839306A	04-77	P FAUST 0477	00023 00005	2		30600	44300	69.07%
3721831A	11-76	P LAMPRECHT 1176	00003 00024	2		36600	52900	69.19%
38393402Q	08-76	S KRICK 0876	0004A 00002	2		37000	53000	69.81%
3839372Q	07-76	J HOUSTEN 0776	00003 00003	2		34300	49000	70.00%
3839377A	05-77	J BYELICK 0577	00021 00002	2		28600	40000	70.00%
3839310A	08-76	T DEVINE 0776	00003 00008	2		32150	45000	71.44%
3722336A	04-77	A GERLICH 0377	00003 000191	2		39150	54000	72.50%
38393017U	07-76	W HARRISON 0776	00005 00021	2		36000	49000	73.47%
3839304A	03-76	D MCPHERSON 0876	00012 00006	2		39800	53000	75.09%
3839303A	04-76	L MATHEW 0876	00002 0018C	2		39200	51500	76.12%
3839338Q	09-76	W STEINEN 0876	00013 00007	2		42600	55000	77.82%
38393034A	07-76	E BRUNT 0676	00018 00002	2		17400	20000	87.00%
3839371A	07-76	M WALDRON 1175	00006 00004	2		4450	5000	89.00%
3839345A	08-76	W CARROLL 0776	00020 00013	2		34700	37000	93.78%
3722238A	12-76	F SUTTON 1276	00005 00004 ETC	2		33900	35000	96.86%
				2	22	683350	944600	1617.87
3722333F	01-77	F CTIBOR 1276	00005 00002 ETC	A4		60500	59900	101.00%
				4	1	60500	59900	101.00
					27	789650	1100250	1912.45

DEPARTMENT OF EDUCATION
Division of Administration and Finance

MUNICIPAL PERCENTAGE SHARES OF REGIONAL SCHOOL DISTRICT TAX LEVY, 1978-79
Chapter 212, P.L. 1975 As Amended by Chapter 21, P.L. 1976

Regional District North Hunterdon Regional County Hunterdon

Apportionment Basis Under Prior Laws [] Per Pupil [x] Valuation

Tax Districts	Pupils On Roll Sept. 30, 1977			% of Reg. Enrollment	60% of Difference Col. 4 & 10 (5)	1978-79 TAX LEVY Percentage Share (6)
	Total (1)	Elem. (2)	Regional (3)			
Fethelchem	679	482	197	7.2949454		
Califon	233	163	70	2.5921126		
Clinton Town	514	342	172	6.3691909		
Clinton Township	1,739	1,126	613	22.6995001		
Franklin Township	545.5	369	176.5	6.5358267		
Glen Gardner	207	141	66	2.4439918		
Hampton	356.5	242	114.5	4.2399556		
Lebanon Boro	205	140	65	2.4069617		
Lebanon Township	1,330.5	907	423.5	15.6822810		
Tewksbury	1,074	720	354	13.1926836		
Union Township	529	331	198	7.3319755		
High Bridge	317	566	251	9.2945751		
Total	8,229.5	5,529	2,700.5	100.0000000		100.0000000

Tax Districts	Equalized Valuations 1977 (7)	% of Pupils In Tax Dist. Enrolled In Reg. District Col. 3 ÷ 1 (8)	Reg. Share of Equalized Valuations Col. 7 X 8 (9)	Percent of Regional Equalized Valuations (10)
Fethelchem	45,827,534	29.01	13,294,568	6.1576432
Califon	17,053,134	30.04	5,122,761	2.3727085
Clinton Town	35,337,562	33.46	11,823,948	5.4764963
Clinton Township	145,203,109	35.25	51,184,096	23.7069305
Franklin Township	63,630,656	32.36	20,590,880	9.5370750
Glen Gardner	9,088,420	31.88	2,897,388	1.3419328
Hampton	14,992,046	32.12	4,815,445	2.2303690
Lebanon Boro	16,884,205	31.71	5,353,981	2.4798026
Lebanon Township	93,294,230	31.33	29,625,553	13.7549851
Tewksbury	121,535,554	32.96	40,058,119	18.5537133
Union Township	47,738,946	37.43	17,837,402	8.2849054
High Bridge	42,901,604	30.72	13,179,373	6.1042883
Total	653,537,000	-	215,903,514	100.0000000

Wm. H. G. G. G.

CC

WORKSHEET FOR REGIONAL HIGH SCHOOL

North Hunterdon High School for Year 1978-1979

C. E. 5,193,864.00
 C. L. 123,824.00
 Debt. 1,054,256.00
 Total. 6,371,944.00
 Adjustments 32,543.25
 Total Tax Levy 6,404,487.25

District	Percentage Share of Reg. District Tax Levy.	Total Share Apportioned	Adjustments Deduct	Add	Levy After Adjustments	Col 6.	District Tax Rate
Beth Twp.	6.1576432	394,365.47	1,280.34		393,085.13	42,015,708	.93556707
Califon	2.3727085	151,959.81	718.32		151,241.49	12,897,597	1.17263308
Clinton Twp.	5.4764963	350,741.51	215.16		350,526.35	37,101,489	
Clinton Twp.	23.7069305	1,518,307.34	5,541.85		1,512,765.49	109,133,584	1.38615945
Franklin Twp.	9.5370750	610,800.75	833.33		609,967.42	59,243,839	1.02958793
Hampton	1.3419828	85,947.12			85,947.12	8,167,620	1.05229087
Hampton	2.2302690	142,843.70	1,193.35		141,650.35	18,813,553	.75291652
High Bridge	6.1042583	390,948.37	339.70		390,608.61	38,960,085	1.00259664
Lebanon Boro	2.4798026	158,818.64	448.27		158,370.37	14,774,687	
Lebanon Twp.	13.7540851	880,878.63	61.88		880,816.75	69,089,677	1.27488908
Tewksbury	18.5537133	1,189,270.20	2,223.35		1,167,046.85	102,282,454	1.14100395
Union Twp.	8.2849054	530,605.71	687.64		529,918.07	41,563,762	1.27495213
	100.0000000	6,404,487.25	32,543.25		6,371,944.00		

* Clinton Twp 5.4764963 ^{78.7967} 350,526.35 ^{28.77} 203,305.28 ^{Col Year 77-78} 81,983.50 ^{Tot Levy} 285,228.78 ^{Col 6.} 37,101,489 ^{District Tax Rate} .76877987

* Lebanon Boro 2.4798026 158,370.37 ^{80%} 126,696.29 ^{80%} 126,696.29 14,774,687 .85752266

June 27, 1978

State of New Jersey
New Jersey Legislature
Joint Committee on State Tax Policy
Suite 232
State House
Trenton, New Jersey 08625

Re: Subcommittee Public Hearing - June 27, 1978
Hunterdon County Agriculture Building
Route 31
Task Force - Municipal and County Aid Programs,
State of New Jersey

Committee Members:

During the early part of calendar year 1977 the New Jersey Alliance for Action and the County Municipal Government Study Commission generated interest with the New Jersey State Association of County Engineers and the New Jersey Society of Municipal Engineers to form a Task Force relative to highway aid for municipal and county roadways. Subject matter to be considered were annual capital needs, maintenance funding and suggested improvements for administrative procedures relative to highway aid. The respective presidents of the County Engineers and Municipal Engineers Associations appointed a Task Force to begin this study. Those selected were Michael F. Barrett, Municipal Engineer, T & M Associates - Chairman; L. Stanley Stires - Bernards Township Engineer; James Lowe, Municipal Engineer; Neil O. Clarke - Cape May County Engineer; Osborne M. Campbell - Municipal Engineer and Charles Van Ben-schoten - Monmouth County Engineer.

The Task Force targeted a report for December 1977 so conclusions and recommendations could be available for legislative review and discussion during calendar year 1978. The Task Force completed its report during December 1977 and forwarded copies to all municipalities and county governments within the State of New Jersey. Enclosed are copies of the referenced Task Force report for the subcommittee's review.

Le: State of New Jersey, New Jersey Legislature
Re: Subcommittee Public Hearing - June 27, 1978

Resolutions are currently on record from many municipalities and county government within the State of New Jersey as well as other groups such as the New Jersey Alliance for Action, County Engineers Association, Municipal Engineers Association, various contractors' organizations, various material suppliers, equipment suppliers and others throughout the State.

The Task Force met with various organizations and entities during the time of report preparation and subsequent to submission to counties and municipalities; all to no avail. Some of the presentations made are as follows:

1. Convention, League of Municipalities - 1977.
2. N.J. League of Municipalities.
3. N.J. Association of Counties.
4. N.J. Society of Professional Engineers and Land Surveyors.
5. N.J. Association of County Engineers.
6. N.J. Society of Municipal Engineers.
7. N.J. Alliance for Action.
8. Contractors, equipment dealers, material suppliers.
9. Various labor groups.
10. N.J. Municipal and County Government Study Commission.
11. N.J. Department of Transportation.
12. N.J. Department of Labor and Industry.
13. Legislative Appropriations Committee.
14. N.J. Capital Needs Commission.
15. Presentations in Washington, D.C. to Congressman Howard, Congressman Roe, Senator Randolph and Senator Williams.

Of specific interest to the Task Force are the following pertinent facts which should be considered by the Subcommittee of the Joint Committee on State Tax Policy:

1. The Task Force report circulated during December 1977 has the "grass roots" support of many entities throughout the State relating to the crisis of municipal and county roadways including bridges.
2. The Task Force report is a professional document prepared by the Municipal and County Engineers as a service to the State of New Jersey. We are concerned relating to the stature of the roadways and bridges related thereto.

Le: State of New Jersey, New Jersey Legislature
Re: Subcommittee Public Hearing - June 27, 1978

3. State Aid was discontinued during calendar year 1974 and as a result some \$30,000,000 per year as aid to counties and municipalities was discontinued relative to their respective highway systems (\$15,000,000 State Aid Road System funds and \$15,000,000 of Formula and Herrick funds).
4. 95% of New Jersey roadways consist of county and municipal roads (approximately 7,000 county, 23,000 municipality).
5. New Jersey drivers who use the 30,000 miles of municipal and county roads receive little or no return for their transportation user taxes which are greater than \$530,000,000 per year.
6. In addition to the 7,000 miles of county roadway, county government is responsible for approximately 3,000 bridges greater than twenty foot span.
7. In 1975 county and municipal government spent \$82,000,000 on capital improvements and \$147,000,000 on maintenance (not including resurfacing). Due to the crisis situation the local governments now find that they must spend more money on maintenance than on capital improvements; truly a poor investment of public monies.
8. At the local level with the investment rate noted for 1978 New Jersey is attempting to receive a 100 year road life from roads which are designed for a twenty year life.
9. The county and municipal highway system has a present worth of 9.6 billion dollars (not including costs associated with right-of-way and/or bridges).
10. Over \$290,000,000 collected from people who use the 30,000 miles of county and municipal roads is used for other than transportation purposes.
11. Current New Jersey accident statistics indicate that on an annual basis the State can anticipate 1,100 fatalities, 119,335 people injured, and 136,867 auto damage accidents.

Le: State of New Jersey, New Jersey Legislature
Re: Subcommittee Public Hearing - June 27, 1978

The National Safety Council estimates that for each fatal accident cost of \$125,000 can be anticipated in personal loss and insurance. Also indicated is that each accident results in damages averaging \$670.00 per accident. The National Safety Council statistics further indicate that injuries result in a range of costs from \$2,000 to \$100,000 per injury.

Using the lesser number for costs for injuries related to accidents (\$2,000) the State of New Jersey has costs associated with fatalities in the amount of \$137,500,000; costs relating to damage in the amount of \$92,500,000; and costs related to injuries in the amount of \$238,500,000, which relate a total of approximately \$468,000,000 for costs associated with fatalities, damage and injuries with the State of New Jersey. Based on statistics for calendar year 1975 through 1977, one could summarize that over fifty percent of these costs relate to the county and municipal roadway system.

12. Based on New Jersey Department of Labor and Industry statistics, implementation of recommendations related to the Task Force report, would generate approximately 6,198 direct jobs and 9,916 total jobs. This would result in putting people to work and reducing unemployment costs to the amount of \$43,000,000 per year.

Summary

The winter months of 1977 and 1978 have accelerated pavement and bridge deterioration on the county and municipal system. This is primarily due to the fact that most of the roadways and bridges experiencing these type circumstances are beyond their original design life.

The impact of the five percent (5%) C.A.P. law has been tremendous on county and municipal government, especially during calendar year 1978. Many municipalities anticipated capital surplus as revenue in their budgets and reduced monies allotted to capital improvements to stay within the budget. Monies previously used from capital surplus and the large reduction in down payment monies in capital improvements will have a serious impact during, not only 1978, but, 1979. This will further aggravate the current situation since less funds will be available, thereby causing counties and municipalities to seek design life from their roads and bridges far in excess of 100 years.

Sheet 5
June 27, 1978

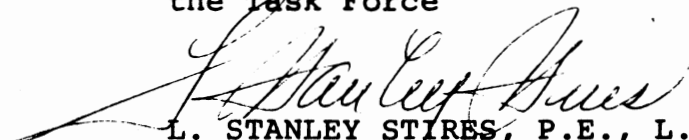
Le: State of New Jersey, New Jersey Legislature
Re: Subcommittee Public Hearing - June 27, 1978

It appears that it would be reasonable and prudent for annual investment to be made in the county and municipal system to address one and a half to two percent of needs per year. It would be reasonable for an individual to spend approximately \$600 per year in maintaining and improving a house which was purchased for \$40,000 (1-1/2% investment).

On the municipal roadway system (23,000 miles) only 9% of the roadways qualify for Federal funds; on the County system (7,000 miles) only 68% of the roadways qualify for Federal funding. This does not mean for each and every year, all of these roadways would qualify for continuous funding (refer to Task Force report).

Presentations made by the Task Force to date have raised only one question concerning its recommendations. The Task Force recommends that county and municipal government continue their responsibilities concerning their preventive maintenance and routine maintenance. However, we do recommend that betterments, such as highway resurfacing and other similar betterments, be considered for funding by the State of New Jersey (similar to State Aid Road System Program).

Respectfully submitted for
the Task Force



L. STANLEY STIRES, P.E., L.S.
MUNICIPAL ENGINEER
TASK FORCE MEMBER

MFB:aa
Enclosure

cc: Michael F. Barrett, Task Force Chairman
James Lowe, Municipal Engineer
Neil O. Clarke, Cape May County Engineer
Osborne M. Campbell, Municipal Engineer
Charles Van Benschoten, Monmouth County Engineer
Ellis S. Vieser, N.J. Alliance For Action
Mr. James Westwater, County and Municipal
Government Study Commission

TO WHOM IT MAY CONCERN:

Re: Final Task Force Report
Municipal and County Aid Programs - State of New Jersey
Resolution of Support

During the early portion of 1977, the New Jersey Alliance for Action, in cooperation with the Association of General Contractors of New Jersey, promulgated a news release relating to county and municipal maintenance and capital needs on local roadways. The news release prompted an inquiry from the County and Municipal Government Study Commission.

It was determined that a Task Force would be established to determine funding levels necessary for municipal and county government on their highway systems. It was further determined that the primary purpose of the Task Force would be to recommend legislation to be considered by the State of New Jersey in regard to county and municipal government. Accordingly, the New Jersey Association of County Engineers and the Municipal Engineers Association appointed members of their organization to serve on a Task Force to develop a report.

The Task Force worked closely with the County and Municipal Government Study Commission in obtaining factual data which complemented each other's independent efforts regarding municipal and county aid. It is our understanding that the County and Municipal Government Study Commission will issue their own report concerning this important matter.

Enclosed for your review is a copy of the final Task Force report, a supporting Resolution and other pertinent data. If you support findings and recommendations, we request that you adopt the enclosed sample Resolution so the Governor and elected legislative officials are aware of your support. Please send one copy of your Resolution to each of the following:

The County and Municipal Government Study Commission
115 West State Street
Trenton, New Jersey 08625

NEW JERSEY ALLIANCE FOR ACTION
20 Highland Avenue - Suite 201
Metuchen, New Jersey 08840

Questions concerning the Report should be directed to the Task Force member in your geographical area.

Very truly yours,



MICHAEL F. BARRETT, P.E., L.S.
MUNICIPAL ENGINEER
CHAIRMAN, TASK FORCE
MUNICIPAL AND COUNTY AID PROGRAMS

MFB:cv

Encl.

cc: Task Force Members

Municipal Engineers/County Engineers/Others

SAMPLE RESOLUTION

WHEREAS, the New Jersey Alliance for Action in cooperation with the Association of General Contractors of New Jersey promulgated a news release during early 1977 which related to county and municipal maintenance and capital needs on local roadways. The data for the news release was obtained from a questionnaire sent to all county and municipal engineers and generated interest of the County and Municipal Government Study Commission; and,

WHEREAS, subsequent to the interest of the County and Municipal Government Study Commission, the Municipal Engineers and County Engineers formed a Task Force to provide additional information to interested entities. The purpose of the Task Force was to determine the amount of funds necessary for local entities with suggestions for improvements in administrative procedures. It was determined that the final objective of the Task Force would be to recommend legislation to be considered by the State of New Jersey in regard to county and municipal government; and,

WHEREAS, subsequent to the work of the Task Force commencing it was determined that both the Task Force and the County and Municipal Government Study Commission were obtaining factual data which complemented each other's independent efforts regarding this important matter; and,

WHEREAS, the Task Force has promulgated Findings and Recommendations concerning a study of funds necessary at the county and municipal level for highway purposes, said report relying on factual data supplied by the Task Force, County and Municipal Government Study Commission, and representatives from the New Jersey Department of Transportation who assisted in the collection of data.

NOW THEREFORE BE IT RESOLVED by the (Board of Chosen Freeholders, Municipal Government, Other) that subsequent to review of the Task Force report that this body supports the Findings and Recommendations made therein and wishes the Governor and State Legislature to review the report and implement recommendations made.

BE IT FURTHER RESOLVED that a certified copy of this Resolution be forwarded to the Governor, Legislative officials representing our geographical area and the County Engineer.

MUNICIPAL AND COUNTY AID PROGRAMS STATE OF NEW JERSEY

Report Submitted by:

**Michael F. Barrett, Municipal Engineer, T & M
Associates**

Chairman, Task Force

Municipal and County Aid Programs

L. Stanley Stires - Bernards Township Engineer

**James Lowe - Municipal Engineer, John G. Reutter
Associates**

Neil Clarke - Cape May County Engineer

Osborne M. Campbell, Municipal Engineer -

Osborne M. Campbell Associates

Charles Van Benschoten - Monmouth County Engineer

Ellis S. Vieser - New Jersey Alliance for Action

December 1977

T A B L E O F C O N T E N T S

<u>Description</u>	<u>Page No.</u>
Preface	1
Findings	3
Recommendations	5
Municipal State Aid Programs for Betterment and Maintenance	7
County State Aid Programs for Betterment and Maintenance	14
Federal Aid Program for Betterment and Maintenance	19
Other Funding Sources	24
Proposed Programs and Funding	26
Project Selection and Processing	34
Appendix	

PREFACE

During the early part of 1977 the N.J. Alliance for Action issued a press release summarizing capital and maintenance needs in all counties and municipalities within the State of New Jersey. Information concerning this important subject was provided by the County Engineers and Municipal Engineers via a questionnaire.

The County and Municipal Government Study Commission took notice of the press release and requested additional information concerning the survey. The Study Commission had specific interest in understanding municipal and County highway and road maintenance needs and the degree of assistance required for municipalities and counties to meet their maintenance responsibilities. In this regard a meeting was established between a representative from the N.J. Alliance for Action, the County and Municipal Government Study Commission, the N.J. State Association of County Engineers and the N.J. Society of Municipal Engineers. It was concluded at the meeting that a Task Force relative to highway aid programs should be formed to determine annual capital needs, maintenance funding and suggested improvements for administrative procedures relative to highway aid. It was determined that members from the County and Municipal Government Study Commission should attend Task Force meetings to exchange factual data concerning highway aid programs. The association between the Task Force and the County Municipal Government Study Commission remained independent although, as months progressed, it became obvious that the exchange of factual data was to the benefit of each.

The Task Force was appointed by the President of the N.J. Society of Municipal Engineers and the President of the N.J. Association of County Engineers. A representative from the N.J. Alliance for Action and the County and Municipal Government Study Commission attended all meetings. The following report containing findings and recommendations has been prepared by the Task Force and represents specifics concerning highway aid programs for counties and municipalities. The purpose of the report and its contents are to specifically identify data which is significant in relation to capital

improvements, maintenance and funding of highway aid programs at the local level. The emphasis of the report is to provide findings and recommendations which can be used in preparing enabling legislation and information to various State entities who have a specific interest or responsibility in the subject matter.

The main emphasis of the Report is implementation of two new programs for State aid to municipalities and counties: Program I - Contract Maintenance and Minor Reconstruction, and Program II - Major Construction and Reconstruction. The amount of annual State aid necessary is 143 million dollars.

The Task Force wishes to emphasize that its capabilities are limited regarding staff available to provide an in-depth report. We look forward to the review and report to be made by the County and Municipal Government Study Commission which should supplement our Report. It is also acknowledged that the New Jersey Department of Transportation has expertise relative to subject matter presented and it is anticipated that they will give this Report serious consideration.

The Task Force worked closely with the County and Municipal Government Study Commission and expresses thanks to the following for facts exchanged and general discussion of subject matter:

James D. Westwater, Ph.D - Research Consultant
R. Wayne Thompson - Research Associate
Joseph Suozzo - Research Assistant

The Task Force also thanks Neil Clarke, President, N.J. State Association of County Engineers and Thomas W. Birdsall, Past President of N.J. Society of Municipal Engineers for their assistance. Appreciation is extended to Mr. D. W. Gwynn, Jarrett Hunt and Edward Baker, of the N.J. Department of Transportation for their sincere efforts in assisting the Task Force.

Special credit is given to the New Jersey Asphalt Pavement Association and the New Jersey Industry Advancement Fund for the funds provided to print material distributed at the League of Municipalities Convention and this Report.

FINDINGS

1. State aid programs for Municipalities and Counties were considered nonessential and eliminated during calendar year 1974 by State government. Evidence now indicates that new State aid programs should be initiated immediately to preserve our Municipal and County roadway system whose state has reached crisis proportions.

2. Municipal road mileage within the State of New Jersey is significant and amounts to 23,150 miles. County road mileage is also significant and amounts to 6,795 miles. Present worth of the combined County and Municipal system is approximately \$9,600,000,000.

3. Federal aid programs are available in significant amounts, but only 9 percent of Municipal roads qualify and 68 percent of County roads qualify. Even though these programs are available in significant amounts, most funding has been concentrated at the County level. The processing of Federal projects at the County level has been time consuming, frustrating, uneconomical and many times, fruitless.

Of significant concern is the fact that New Jersey ranks forty-fifth to fifty-second in comparison to other states in obligating Federal program dollars in relation to apportionments.

4. Federal regulations promulgated during recent years have demonstrated the lack of understanding of the Federal government concerning the real issues. These regulations have indicated the lack of knowledge of government officials concerning the major problems relative to processing capital improvement projects. The Federal government should defer to state standards to eliminate various layers of governments deciding on the same issues. The ever changing Federal regulations and red tape should be eliminated and the use of Federal funds maximized in conjunction with new State aid programs.

5. Municipal and County engineers indicate roadway resurfacing, reconstruction and maintenance are top priorities. Bridge replacement and bridge reconstruction are especially important to County engineers.

6. Counties and Municipalities are spending approximately \$82,000,000 a year on capital improvements for their systems; these funds are not a sufficient investment. More funds must be spent on improvements to reduce maintenance and upgrade the condition of Municipal and County highways.

Counties and Municipalities are spending approximately \$150,000,000 a year on maintenance of their bridges and roads. The expenditures for maintenance per mile are greater than expenditures made for capital improvements per mile, per year. Maintenance costs must be reduced by implementing capital improvement programs. Built into maintenance costs, is an approximate 50 percent factor which leads to no direct maintenance.

7. The Transportation Improvement Program, as relates to Federal funds, is unsophisticated, over subscribed and lacks any true planning.

8. The New Jersey Department of Transportation Action Plan must be revised to streamline and expedite the processing of local and County projects. The impacts of these projects are minimal when compared to the impacts of State highway type projects.

9. Commitment at the State level for capital improvements is lacking. A sense of urgency must be instilled at very high levels within our State government, so that funds appropriated for worthy projects can be implemented in an expeditious manner. Environmental impacts to date concerning many Municipal and County projects have proven to be very minimal.

10. Revenue Sharing, Housing and Urban Development, and the Economic Development Administration sponsored programs have proved that processing can be expedited with appropriate controls and a certification process.

RECOMMENDATIONS

1. A program should be implemented for Contract Maintenance and Minor Reconstruction for Counties and Municipalities. An additional program should also be implemented for Major Roadway Construction and Reconstruction for Counties and Municipalities. The total program to be implemented should amount to \$143,000,000 of State funds, which represent the sum total for both programs. Enabling legislation should be introduced in New Jersey to begin these proposed programs. Specifics concerning the programs should be as proposed in this Report.

2. The use of available Federal monies via the Federal Highway Administration should be expedited and maximized in conjunction with the two State aid programs recommended above. Federal, as well as State programs, should be based on a certification process, which in turn, is related to criteria promulgated by either the Federal or State government. Participation would occur during the design and construction process, allowing a post audit to monitor certification. Based on the success obtained by the Economic Development Administration on Public Works projects, Rounds I and II, a significant dollar amount of projects can be processed in a like manner.

Federal agencies and Metropolitan Planning Organizations should delegate responsibility to lower Federal and State levels for Municipal and County projects. Accordingly, Federal laws and policies should be changed to conform, by acceptance, to existing State laws.

3. There should be an improved distribution of information and details on all Federal programs in a timely manner and in writing.

4. A six year Capital Improvement Program should be required at the Municipal, County and State level. Projects should be prioritized at the County level for both County projects and Municipal projects within the County. It is imperative that municipal representation concerning Municipal projects be a part of the County prioritization process.

Planning should be revised at the State level by creating a Master Plan for transportation and allowing the N.J. Department of Transportation to play the major role in the transportation improvement process with the Metropolitan Planning Organization. The Metropolitan Planning Organization should relinquish its responsibility in this regard.

5. Municipal, County and State projects should be a major responsibility of the office of the commissioners of the N.J. Department of Environmental Protection and the N.J. Department of Transportation. A commitment is necessary at the highest State level to expedite Capital Improvement type projects. Accordingly, the N.J. Department of Transportation Action Plan should be modified to expedite the processing of Municipal and County projects. A commitment by the Department of Environmental Protection to expedite permits related to projects is necessary.

6. Processing and review time must be expedited, since much time and money is wasted in this area. This can be accomplished by setting specific time limits, reducing the number of agencies involved and eliminating repetition of work by centralization. Centralization will eliminate duplication of effort by one entity for submission and review.

7. Require that Federal and State agencies develop a system of training and promoting engineers who have been qualified in actual participation in design and construction. No engineer should be placed in the position of making recommendations or implementing policies and procedures without design, construction and administrative experience.

8. The current highway lighting program should be continued.

9. A Task Force should be appointed at a high level in State government to monitor the proposed programs for State aid and status of recommendations made in this Report.

MUNICIPAL STATE AID PROGRAMS FOR BETTERMENT AND MAINTENANCE

Discussion

State Aid programs for highways to municipalities have been discontinued in New Jersey since October 1974. The lack of these State funds has caused a serious impact on the municipal highway system. Initially it was thought that municipalities could seek federal funds in lieu of State funds for assistance. Subsequently it was determined that relatively few municipal roadways qualify for Federal funding and that processing of federally funded projects has caused a four to five year delay in construction of projects.

The municipal roadway system in the State of New Jersey is comprised of approximately 23,159 miles. Of this mileage, 1,799 miles are on the Federal Aid Urban System, 189 miles on the Rural Secondary System and 3 miles on the Federal and Primary Systems. It is estimated that the present worth of the existing municipal system is approximately \$6,700,000,000. the circumference of the earth at the equator is 24,402 miles which closely equals the total municipal and County road mileage. The discontinuance of State Aid at the local level is difficult to perceive when one considers the magnitude of the investment made to date and the total number of municipal roadway miles.

It is significant to note that of the total municipal roadway mileage within the State of New Jersey, that only nine percent of these roadways qualify for some sort of Federal funding. Maintenance costs per mile in municipalities throughout the State of New Jersey are significant. In the two study communities reviewed by the Task Force, an urban community and rural community, a similar maintenance cost per mile of approximately \$7,000 per mile per year was determined. A review of 1975 expenditures on County and Municipal roads performed by the N.J. County and Municipal Government Study Commission indicates an average maintenance cost per mile of \$4,318 (see Appendix). Their review indicates that 1975 expenditures for municipalities total \$100 million for maintenance. Based on the questionnaire promulgated by the N.J. County and Municipal Government Study Commission, a majority of professional municipal engineers have indicated

that their municipal road conditions have reached near crisis proportions. The 1975 expenditure review indicates that the investment in capital improvements per mile in municipalities averages \$2,327. It is significant that more money is being invested in maintenance than is being invested in capital improvements per mile. Based on current knowledge in the State of New Jersey (N.J. Department of Transportation), it is extremely important that maintenance costs be kept to a minimum since indirect costs of a maintenance operation can amount to fifty percent of time spent in situations that do not result in direct maintenance on the roadway system. A balanced economic program should be sought for municipal roadways. Roadway maintenance should be kept at a minimum and capital improvements should be made on an economic basis to keep maintenance costs low. The total result of a combined program will result in least cost to the municipality.

To accomplish the aforementioned, it is necessary that planning be inherent at the local level. It is extremely important that each municipality develop a six year capital improvement program to indicate proposed improvements and priorities relative thereto. In this manner the most important current and future needs can be addressed based on funds available. The interrelationship of roadways between communities requires that each community be knowledgeable of each other's proposed capital improvements and priorities. Proposed capital improvements by municipalities along with priorities should be a matter of record to counties within which they reside.

Past Programs

As noted previously, State aid to municipalities has been essentially terminated since 1974. Prior to 1974, municipalities could look forward to receiving aid in the following categories: municipal aid for construction (Herrick Act, R.S. 27:15-4.14). Funds under the Herrick Act were used for municipal road intersection or drainage improvements of priority in a municipality. On an annual basis, a legislative appropriation of \$2,100,000 was distributed with each County receiving \$100,000. The \$100,000 within the counties was distributed to the municipalities based upon need and project merit. Funding was ninety percent State, ten percent local, with municipalities occasionally receiving \$10,000 to \$15,000 for specific projects.

The second program for municipal aid was entitled the Formula Program (R.S. 27:15-1). The program was based on percentage of municipal mileage and municipal population to the State totals. Each year the legislature appropriated \$4,500,000, of which each County was assured a minimum of \$150,000 to be distributed proportionately among each municipality. The program provided for construction, reconstruction, lighting of roads, snow and ice control and the purchase of snow removal equipment.

A third program provided to municipalities was the 1967 Extraordinary State Aid Program. (C.H. 33 Pl. 1966). This was a one year program where aid was granted to municipalities for projects which best served the interests of the travelling public. The appropriation amounted to \$34,000,000, of which \$14,000,000 was directed to municipal projects on a ninety percent State, ten percent local basis.

The fourth program available to municipalities was the State Aid road system program (R.S. 27:13A-1 through 12). The amount of annual appropriation was a legislative determination. The purpose of the program was to establish a Statewide system of County and municipal roads to form a comprehensive network of roads which provide connection between major traffic arteries, residential, commercial, industrial and health and recreation centers. The funds were used for construction, reconstruction and improvements of roads included in the State Aid road system. This was a phase funded program with specific target dates. The percent was seventy-five percent State, twenty-five percent local. The program was well received by municipal engineers. The Commissioner of Transportation determined which applications were essential where funds could be allocated on a four phase project.

An additional State Aid program relative to traffic signals existed wherein the State would share in the cost of traffic signals provided that authorization and approval was first obtained from the Bureau of Traffic Engineering. This program was not separate from those previously mentioned, and projects were authorized under the Herrick Act or the State Aid road system program.

In addition to the previously mentioned programs existed for reimbursed highway safety lighting (still exists) with an annual appropriation of \$450,000 to participate with municipalities with the cost to maintain highway safety lighting at intersections of municipal roadways and at hazardous locations along State highways. A yearly appropriation in the amount of \$200,000 was also authorized for a construction equipment damage program, which was provided for the construction of roads damaged by construction equipment with gross weight and load in excess of 40,000 pounds. State participation in this program did not exceed ninety percent.

A summary of the previous programs is included in the appendix of this report for review and reference. Also indicated is a summary of the previously mentioned programs and distribution of funds by County.

Current Programs

It is the understanding of the Task Force that the highway lighting program is still being continued concerning municipalities. All previously discussed programs have been terminated.

Proposed Program I - Contract Maintenance and Minor Reconstruction

Based on current N.J. Department of Transportation philosophy, it is essential that a preventive maintenance and minor reconstruction program be established at the municipal level. This program will reflect that which is sought by the N.J. Department of Transportation on its own highways; that being that roadways once constructed, be maintained in an economic manner so the cost per mile for maintenance is less costly to the N.J. taxpayer. It is proposed to establish funds for this program on a pre-payment basis, which shall be based on formula. The formula should relate to population, mileage, area, and traffic index of all municipalities within the State of New Jersey. The program should contain a minimal amount of paper work and should be developed on prior criteria promulgated by the N.J. Department of Transportation. Certification in accord with this criteria and post audit by the N.J. Department of Transportation are main elements of the program. Participation by the State throughout the program is invited, with decisions to be made at the local level. Funds within

this program should be used on a priority basis, and in conjunction with a capital improvement and preventive maintenance program established by the municipality. Force account work as well as contract will be considered. Funds shall not be used for salaries or the purchase of materials. All municipal roadways shall qualify for the program.

The current State Aid road system should be expanded to incorporate all municipal roadways. Participation shall be based on ninety percent State and ten percent local. Engineering and right-of-way costs at the local level shall count towards the ten percent local contribution. In instances where a community cannot afford their local share, same shall be confirmed by the Municipal Finance Commission. In the latter case, the State will be responsible for one hundred percent of the State Aid allotment. The program will generally include contract and force account work on roadway striping, guard rail installation, resurfacing, minor road widening and realignment, intersection type improvements, supplemental drainage and storm sewer projects for watersheds less than one-half square mile and surface treatment.

The program would include requirements for a payback procedure if a particular project was not completed. Construction would be required to commence within a reasonable period (within two years of allocation). Surplus and unused funds shall be redistributed within the County. These funds will be redistributed on a need basis. The local municipality should be notified of specific funding and the amount to be offered during the last quarter of the preceding year to allow for budget inclusion and reasonable right of way acquisition.

A Task Force Committee should be appointed to review the merits of Program I subsequent to a three year trial period. Application requirements for Program I can be similar to the State Aid Road System programs and same should be required of municipal government listing the anticipated use of the annual allotment. The program is to be submitted no later than September 1st of each year and approved by the N.J. Department of Transportation prior to preparation of project plans and specifications. Specifications should be in accord with N.J. Department of Transportation 1961 Standard Specifications and current supple-

ments thereto. Preparation of contract documents shall be the responsibility of the local professional in accord with criteria promulgated previously by the N.J. Department of Transportation. Specifications concerning projects under Program I will be rather minimal and should be reviewed and processed by the local district office setting a maximum review period of two weeks.

It is the intent of Program I to provide preventive maintenance of local roadways. Funds should not be permitted to be used for other than contract or force account betterments as previously listed. In no event are funds to be used for material inventory, salaries or equipment or equipment replacement.

Proposed Program - Program II, Major Roadway Construction and Reconstruction

As noted previously only nine percent of the municipal roadway system qualifies for any type of Federal funding. It is essential that the Capital Improvement Program supplement the proposed program for Contract Maintenance and Minor Reconstruction. It is again essential that certification be allowed at the local level including right of way certification. This program would be based on criteria developed by the N.J. Department of Transportation, participation during the design and construction process and a post audit of the project by N.J. Department of Transportation personnel. Certification in accord with this criteria will be accomplished by the local entity.

The program will be based on prepayment of funds and funds will be obligated for construction contracts regarding the program. It is essential that as a prerequisite for funding that a locally approved six year capital improvement development program be specified relating to priorities. The priority of the project will be considered along with priorities and capital improvement programs established by other municipalities within the County area.

Allocation shall be based on the formula as relates to population, mileage, area and traffic index, same to be compared with the totals established Statewide for municipalities. The State

Aid road system shall be expanded for this program as in Program I to include all municipal roads on the State Aid road system. Participation will be based on ninety percent State and ten percent local with the option that for communities who can establish with the Municipal Finance Commission that they cannot meet the ten percent requirement, that the State will supply funds in the amount of one hundred percent. Engineering and right-of-way costs at the local level shall count towards the ten percent local contribution.

Project selection will be based on priorities established within the County area. It is essential that the local regional office process the entire application. District offices should be expanded to handle all elements of design so as to provide complete comments at the local level regarding all aspects of project application design and construction. Upon application approval, construction is to commence within two years with the maximum set at three years. Unused balances are to be used within the same community, or lacking a current application for redistribution within the County area, on a need basis. Time limits set for reviews should be minimal and criteria for application processing streamlined. The local municipality should be notified of specific funding and the amount to be offered during the last quarter of the preceding year to allow for budget inclusion and reasonable right-of-way acquisition. As proposed in Program I, Program II should also use the same Task Force Committee to review program merits during a three year trial period.

COUNTY STATE AID PROGRAMS FOR BETTERMENT AND MAINTENANCE

Discussion

The County roadway system within the State of New Jersey consists of 6,795 miles. It is significant to note that the County roadways in New Jersey are of sufficient length to allow a trip between the State of New Jersey and California three times. Also of significance is the present worth of the County system, estimated to be \$2,900,000,000. The termination of State Aid on the County system had a significant impact since 4,603 miles (Federal Aid Urban System - 2,893; Rural Secondary System - 1,641 and Federal Aid Primary System - 69) of the County system qualified for Federal aid. Supposedly Federal aid in lieu of State aid was to solve the County's problem regarding capital improvements. However, due to the length of time for processing Federal aid applications to the construction (five to seven years), the counties have suffered a significant delay in their capital improvement program.

The maintenance cost per mile on the County system as estimated by the Task Force was approximately \$9,100 and \$2,900 for operating and maintenance costs on structures. A review of 1975 expenditures on the County system by the N.J. County and Municipal Government Study Commission indicates that the maintenance cost per mile on the County system is approximately \$8,858 per mile per year (see Appendix). In addition, the Municipal Study Commission indicates that the average improvements per mile on the County system amount to \$4,091 per mile. The questionnaire distributed by the N.J. County and Municipal Government Study Commission indicates three essential areas of need on the County system, namely bridge construction and replacement, roadway reconstruction and resurfacing, and maintenance (see Appendix). Of interest on the County system is the amount of bridges in the State of New Jersey which are not on the State highway system. County government is responsible for bridges on both the County and municipal system. Based on the 1975 expenditures reviewed by the Local Government Study Commission, approximately 46.6 million dollars was spent on maintaining County roadways. It is again significant to note that more funds are spent per mile on maintenance on the County system than are spent on improvements. It is also important that as on the maintenance of all roadway systems, approximately fifty percent of the dollars required result in no direct maintenance on the roadway system. It is essential that maintenance dollars be reduced and capital improvement dollars increased.

To accomplish the aforementioned, it is necessary that planning be inherent at the local level. It is extremely important that each county develop a six year capital improvement program to indicate proposed improvements and priorities relative thereto. In this manner the most important current and future needs can be addressed based on funds available. The interrelationship of roadways between communities requires that each community be knowledgeable of each other's proposed capital improvements and priorities. Proposed capital improvements by municipalities along with priorities should be a matter of record to counties within which they reside.

Past Programs

As indicated previously, State aid has also lapsed for counties within the State of New Jersey. In the past, programs provided County aid in several areas. The County aid program consisted of an annual appropriation of \$9,155,000 which was provided by counties to support their road and bridge construction and maintenance and repair programs. Funds were distributed on a direct allocation of \$55,000 to each County; \$2,000,000 distributed on the basis of County mileage and population and \$6,000,000 distributed on the basis of County mileage, population and area. The program consisted of an annual submission approved by the N.J. Department of Transportation which provided various categories for consideration for funding. Plans and specifications and bids received for construction, reconstruction projects or maintenance repair projects including the purchase of maintenance materials required prior approval by the N.J. Department of Transportation. Payments were made on prepayment and a certification process. State participation in this program was one hundred percent.

In addition to the previous program, the 1967 Extraordinary State Aid Program (C.H. 33 Pl. 1966) was established as a one year program and aid was granted to counties for projects which best served the interests of the travelling public. The appropriation amounted to \$34,000,000, of which \$20,000,000 was directed to County projects on a ninety percent State, ten percent County basis.

As was the case for municipalities, the State Aid road system program (R.S. 27:13A-1 through 12) was also applied to the County projects. The program was similar in requirement and specifics to the municipal program with funds being used for construction, reconstruction and improvement of roads included in the State aid road system. The program was funded yearly in an amount determined by the legislature and consisted of a four phase construction procedure for fund allocation. The participation was fifty percent State, fifty percent County.

The reimbursed highway safety lighting program, as we understand it, is currently in effect for counties and relates to an annual appropriation of \$450,000 to be used on both County and municipal roadways to maintain safe lighting at the intersection of State roads and at hazardous locations along State highways.

The construction equipment damage program (R.S.13-10) dealt with an annual appropriation of \$200,000 provided by the legislature for the construction of municipal or County roads destroyed by construction equipment with gross weight and load in excess of 40,000 pounds with issued constructor's registration plates.

It is our current understanding that County governments continue to enjoy the use of motor vehicle fines which are obligated for the repair and maintenance of roads and bridges. It is beyond the scope of this report as to the amounts that counties receive from motor vehicle fines collected by municipalities. It is our further understanding that court costs concerning these fines go to municipalities.

A summary of the County aid work program which was previously in effect is indicated in the Appendix for each County. It is interesting to note that this program consisted of a prepayment and certification process.

Proposed Program No. I Contract Maintenance and Minor Reconstruction

It is essential that County government continue and institute a preventive maintenance program for the County highway system.

Since a portion of County roadways qualify for significant Federal funding (2,893 miles -Federal Aid Urban System) costs of this program can be shared between the State and the Federal government. It is suggested that for the Federal program, that the participation consist of seventy percent Federal, twenty percent State and ten percent local. For roads not on the Federal system, participation shall be based on ninety percent State and ten percent local. Engineering and right-of-way costs at the County level shall count towards the ten percent local contribution. The program should consist of prepayment and be distributed by formula which is based on population, area, mileage, and traffic index. In addition projects for contract maintenance (or force account maintenance) should be prioritized so same can be compared with other County projects in the same program. Certification should be developed at the local level. Criteria should be developed by the N.J. Department of Transportation and the State should participate during the design and construction phase and also audit the project to insure that rules and regulations were followed. Funds should not be spent on salaries, equipment or materials since the nonproductive part of maintenance would be promulgated and not be an economic situation.

The program should consist of contract or force account for roadway striping, guard rail installation, minor road widening, and realignment, intersection improvements, supplemental drainage, and storm sewer projects for watersheds less than one half square mile and surface treatment. The requirement of the program will be for contract or force account work to commence within a reasonable period within the current year of allocation. A two year maximum holdover should be set with surplus redistributed within the State after lapse on a need basis. The County should be notified of specific funding and the amount to be offered during the last quarter of the preceding year to allow for budget inclusion and reasonable right of way acquisition. Projects selected should have minimal impact on the environment if any. A Task Force Committee should be appointed to review the program during the three year trial period. Forms similar to the State Aid Road System program can be utilized; same should be streamlined to be in accord with a certification process.

Specifications to be used to be in accord with standard specifications and supplements on record encouraging self-reliance and responsibility from the local professional. Specifications on these projects to be reviewed and approved by the local office setting a maximum review period of two weeks.

Proposed Program II
Major Construction and Reconstruction

To supplement a preventive maintenance program, it is proposed that the counties be forwarded funds to insure appropriate capital improvements on the County system. Since 2,893 miles of the County system are on the Federal aid urban system, significant Federal funds can be allotted to the program. For State funding, participation is suggested fifty percent State, fifty percent County. For those roadways on the Federal Air Urban System, it is proposed that the local share be comprised of twenty percent State, ten percent County. For roads not on the Federal system, participation shall be based on fifty percent State and fifty percent local. Engineering and right-of-way costs at the County level shall count towards the fifty percent local contribution. A prerequisite to the program would be a locally approved County six year capital improvement program, which is prioritized so it can be reviewed with other County programs. Distribution of funds will be based on a formula relating to population, area, mileage and traffic index. Prepayment of funds will be accomplished. It is recommended that the certification process also be employed for Program II as for Program I. This would involve the N.J. Department of Transportation establishing criteria and participating in the project through the design and construction phase and causing subsequent audits to monitor efficiency.

It is essential that the District Offices be expanded to handle all aspects of the proposed project so determinations are made at the local level in conjunction with criteria established by the N.J. Department of Transportation. A maximum review period should be specified and no reapplication required on the basis of changing rules and regulations. Subsequent to application approval, construction should commence within two years with a three year maximum. Unused balances in the program should be redistributed through the N.J. Department of Transportation. Time limits for reviews should be kept to a minimum. As was the case with Program I, a Task Force Committee should be appointed to review the program merits during a three year trial period. The County should be notified of specific funding and the amount to be offered during the last quarter of the preceding year to allow for budget inclusion and right-of-way acquisition.

FEDERAL AID PROGRAMS FOR BETTERMENT AND MAINTENANCE

Discussion

The N.J. County and Municipal Government Study Commission has comprised factual data concerning the Federal aid road system mileage by political jurisdiction (see Appendix). In lieu of eliminating State aid funds for counties and municipalities during calendar year 1974, it was the N.J. Department of Transportation policy to substitute Federal aid programs in lieu of State funds. The substitution of Federal funds caused significant time delays on the County road systems. The State aid road system projects could be processed in approximately three years from design to construction. It appears that federally funded projects will take from five to seven years from design to construction. In some instances, the issue concerning matching Federal funds has been significant, especially with rural municipalities. The State of New Jersey is attempting to match Federal funds on a local basis for specific programs. The Federal Highway Administration has recently indicated that they would consider design waivers on a project by project basis. This would allow additional projects to qualify for Federal funds.

Of particular concern to counties and municipalities has been the amount of funds available relative to Federal programs. It is essential that descriptions of Federal programs be kept on a current basis, specifically as relate to Federal aid urban system, rural secondary, off system and safety type projects. The description should include (a) purpose, (b) relation to Federal aid system, (c) funds available annually, (d) number of years program is in effect, (e) criteria and qualifications for use of funds, (f) processing of applications and agreements, (g) procedures to accomplish and resolve, (h) options available (engineering, etc.).

The interrelationship of the Transportation Improvement Program as relates to counties and municipalities is very cloudy at the local level. It appears that oversubscription has occurred at the County levels, and that counties are encumbering more of the funds due to municipal knowledge being limited concerning programs available.

Of serious concern to counties and municipalities is the poor ranking New Jersey has concerning obligation of funds encumbered as relates to other states within the United States. The Federal regulations for processing are extremely cumbersome and the amount of paper work necessary is almost self-defeating. The everchanging rules and regulations make it extremely difficult for State, County and municipal government to keep abreast of processing requirements.

Current Programs

The New Jersey Department of Transportation in conjunction with the Federal Highway Administration, administers various programs on the State, County and Municipal system. The term "on system" relates to roadways either on the Federal Aid Urban System, Federal Aid Rural System, Federal Aid Primary System or Federal Aid Interstate System. In most instances County and Municipal governments will relate to the Federal Aid Urban System and the Federal Aid Rural System. There are sixty-nine (69) miles of the County system which are on the Federal Aid Primary System and three (3) miles of Municipal roadways which are on the Federal Aid Primary System. As of September 30, 1977 the following is the general status of the various programs available to counties and municipalities.

1. Rural Secondary System - 70% Federal, 30% local - cumulative appropriation to date \$13,443,673; obligated to date \$4,624,000; balance remaining \$8,819,673; apportionments 1976 through 1978 - \$6,196,290; balance subject to lapse \$2,623,383. It has been recent Department of Transportation policy to match the 30% local construction cost. Engineering to be a local responsibility.
2. Urban System Nonattributable (satellite areas) 70% Federal, 30% State; cumulative appropriations \$17,203,897; obligated to date \$13,391,432; balance remaining \$3,812,465; apportionments 1976 through 1978 \$4,177,916.
3. Urban System Attributable Areas (Metropolitan Planning Organization) - 70% Federal, 30% State; cumulative appropriation \$119,601,034; obligated to date \$59,288,144; balance remaining \$60,312,890; apportionments 1976 through 1978-\$59,880,122; balance subject to lapse \$432,768.

4. Bridge Replacement Program - 75% Federal, 25% local; cumulative appropriation \$6,403,044; obligated to date \$4,796,829; balance remaining \$1,606,215; apportionments 1976 through 1978 - \$1,748,269. It has been State policy to match the 25% local contribution on construction projects. On bridge rating and inventory the State still looks to the local for the 25% contribution. The bridge replacement program deals with bridges on the Federal Aid System.

5. Rail Highway - Rehabilitation on System - 90% Federal, 10% State; cumulative appropriation \$3,576,958; obligated to date \$2,826,629; balance remaining \$750,329; apportionments 1976 to 1978 - \$2,343,483.

6. Rail Highway - Protection On System - 90% Federal, 10% State; cumulative appropriation \$3,576,958; obligated to date \$1,420,632; balance remaining \$2,156,326; apportionments 1976 to 1978 - \$2,343,483.

7. Pavement Marking - Off System (Urban and Rural) - 100% Federal, 0% State; cumulative appropriation \$2,570,447; obligated to date \$1,095,245; balance remaining \$1,475,202; apportionments 1976 to 1978 - \$1,494,412.

8. High Hazard - On System - 90% Federal, 10% local; cumulative appropriation \$4,415,203; obligated to date \$4,285,940; balance remaining \$1,129,263; apportionments 1976 through 1978 - \$2,022,527. The Department of Transportation has been providing the 10% local share.

9. Roadside Obstacles - On System - 90% Federal, 10% local; cumulative appropriation \$4,740,842; obligated to date \$4,505,527; balance remaining \$235,315; apportionments 1976 to 1978 - \$2,022,527. It has been Department of Transportation policy to provide the 10% local share.

10. Safer Roads - Off System - 90% Federal, 10% local; cumulative appropriation \$6,720,356; obligated to date \$4,490,733; balance

remaining \$2,229,623; apportionments 1976 through 1978 - \$2,615,353. It has been Department of Transportation policy to provide the 10% local share.

11. Off System - This was a one year program, 70% Federal, 30% local; cumulative appropriation \$1,347,727; obligated to date \$590,485; balance remaining \$757,242; apportionments 1976 through 1978 - \$1,347,727.

12. Safer Off System - 70% Federal, 30% local; cumulative appropriation \$3,972,867; obligated to date 0; balance remaining \$3,972,867; apportionments 1976 through 1978 - \$3,972,867. A determination has not been made for the Department of Transportation to provide the 30% local share.

13. Rail Highway Off System - Rehabilitation and Protective Devices - 90% Federal, 10% State; cumulative appropriation \$2,316,232; obligated to date 0; balance remaining \$2,316,232; apportionments 1976 through 1978 - \$2,316,232.

14. High Road Obstacle - On System - 90% Federal, 10% local; cumulative appropriation \$3,363,849; obligated to date 0; balance remaining \$3,363,849; apportionments 1976 through 1978 - \$3,363,849. It has been Department of Transportation policy to provide the 10% local share.

In regard to the above programs, it is noted that the status of funds is as of September 30, 1977 and does not include any apportionments added subsequent to that date. More specific information concerning these programs can be obtained by acquiring the booklet published by the N.J. Department of Transportation entitled "Transportation Funding Programs in New Jersey."

It is our understanding that the Federal Highway Administration, through Congress, could possibly be adopting a \$2,000,000,000 bridge replacement program which will be in effect for four years. It is our understanding that this program has a good chance of being adopted. This would result in approximately \$40,000,000 being obligated per state with the possibility that the State would take fifty percent and the counties would be left with fifty percent. This would result in approximately

\$1,000,000 per County for bridge reconstruction and replacement. These funds are considered satisfactory for the current needs by the County engineers.

It is my understanding that the Federal aid urban system is based on \$5.00 per capita per year within the metropolitan planning organization. Of this amount, twenty-five percent is obligated for State highways and seventy-five percent for County and local. Federal funds must be obligated within a three year time period.

Summary

It is imperative that the Federal aid programs as promulgated by the Federal Highway Administration be made known to jurisdictions who qualify for funding, namely County and municipal government. It is specifically required that program definition as outlined in "Discussion" above be promulgated. It is also essential that a commitment be made by the Federal Highway Administration and the N.J. Department of Transportation to eliminate processing holdups which currently affect the processing of Federal aid projects and funding.

It is imperative that the Federal government review why revenue sharing funds, HUD funds and public works funds (EDA, Department of Commerce) can be expedited and implemented within a one year time period. Essentially a certification process is used in all programs and professionalism of the local entity employed. In regard to road programs, engineers are using State aid design standards which were used during the State aid system phase funded program. Funds which have been implemented in the State of New Jersey concerning these programs are significant when compared to funds available through the Federal Highway Administration for the same time period.

It is important that the State of New Jersey consider matching funds in rural areas so the lack of funding at the local level can be replaced and essential projects moved forward. Certification as used in other Federal programs appears to work. This must be seriously considered and Federal legislation changed as relates to current Federal Highway Administration programs.

OTHER FUNDING SOURCES

Discussion

The State of New Jersey receives funds from other Federal sources. Funds are received through Housing and Urban Development, Revenue Sharing and Economic Development Administration which are used for public works and road type projects. It is significant to note that in all instances criteria is established by the Federal government and a certification and processing program developed. In most instances, funds are put to work in a year or less. Of significance is the Economic Development Administration public works funds which were implemented during calendar year 1976 and calendar year 1977. In each instance funds were put to work within ninety days after application approval.

The Economic Development Administration program consists of an allocation of funds for a specific project and application concerning the use of the funds. Criteria are developed and the local engineer must certify concerning the program. In addition a specific budget is established based on the local engineer's submission, and a final budget determined by the Economic Development Administration. Subsequent to final budget and approval, the local engineer is allowed to advertise and proceed to construction with little review, if any. The engineer keeps the Federal government abreast of all occurrences, payments, change orders, etc. with a minimal audit procedure. Post audit requirements are prescribed and as-builts are required for the project. It is significant to note that Economic Development Administration funds for road projects in the State of New Jersey will approximate \$30,000,000 in 1977. Road projects during 1976 approximated to \$15,000,000. The implementation of these funds (\$45,000,000) for road type projects is significant. It is an indication that the Federal government can move projects rapidly. The Federal Highway Administration should take notice of these accomplishments and develop a sense of commitment concerning appropriated funds and the lack of implementing construction projects in a reasonable time period.

Records indicate that Revenue Sharing funds have been used by counties and municipalities for roadway type projects in the following amounts:

1974 (combined)	-	\$8,800,000
1975 (combined)	-	6,300,000
1976 (combined)	-	5,300,000

Housing and Urban Development funds have been used on road related projects in the southern half of New Jersey by counties and municipalities in the following amounts:

1975 (combined)	-	\$3,100,000
1976 (combined)	-	1,400,000
1977 (combined)	-	1,600,000

For the Newark Area Housing and Urban Development funds have been used on public works type projects by counties and municipalities in the following amounts:

1975 to 1976 (combined)	-	\$29,300,000
1977 (combined)	-	17,500,000

PROPOSED PROGRAMS AND FUNDING

Discussion

Reference is made to previous sections of this report which related to municipal programs for betterment and maintenance, County programs for betterment and maintenance, and Federal programs for betterment and maintenance. In reviewing the existing programs, and programs proposed for counties and municipalities, it is necessary to keep in mind Federal funds available. It is an obligation of the State of New Jersey to maximize the use of Federal funds available and to provide necessary State aid funds to counties and municipalities to supplement these Federal funds. The Task Force has considered a method for substantiating the need for maintenance and construction recommendations for both County and municipal roadways. It was necessary to develop a conservative approach relative to funds necessary for both programs.

Based on current knowledge, a roadway goes through various phases from initial original construction through a maintenance period. A new roadway once constructed is overlaid approximately twice. It was estimated by the Task Force that a sixty year program should be developed. The basis for our determination was to consider that a new roadway would have a design life of approximately forty years (two times standard design). Subsequent to original construction, it will be necessary to perform preventative maintenance (two-2" overlays) during the sixty year life of the roadway. Subsequent to two overlays, it will be necessary to consider other means of accommodating future maintenance or reconstruction. Subsequent to two additional overlays, drainage on the roadway pavement will be affected (inlets, manhole, adjacent sidewalk drainage, etc.). In addition, in areas where curb has been constructed, the curb face will be reduced to a very minimum depth and a roadway will not continue to contain surface water. In areas where curbing has not been constructed, the original construction plus two overlays will begin to deposit waters on adjacent properties and cause other difficulties. In this regard, the following has been developed concerning programs and funding.

Proposed Programs

The sections of this Report entitled "Municipal State Aid Programs for Betterment and Maintenance" and "County State Aid Programs for Betterment and Maintenance" list concepts for the Program I - Contract Maintenance and Minor Reconstruction and Program II - Major Construction and Reconstruction.

Each of the above programs are recommended for both municipal and County aid. The major segments of these programs are similar and require certain responsibilities for implementation:

Major Segments

1. Allocation of funds.
2. Project selection (Six year capital improvement and priority).
3. Project submission (Resolutions, application, agreement).
4. Preparation of plans and specifications.
5. Obtain permits.
6. Preparation of right-of-way plans.
7. Right-of-way acquisition.
8. Advertise, bid, award.
9. Construction and contract administration.
10. Project acceptance.

Responsibility for Implementation

<u>Major Segment</u>	<u>Initial State Respon- sibility</u>	<u>Continuing State Respon- sibility</u>	<u>Local* Respon- sibility</u>
1. Establish State-wide funding levels	X	X	
2. Establish formula for distribution of funds	X	X	
3. Develop 6 year capital improvement program			
* - Once criteria and time limits are established, it will be local responsibility to proceed to complete "Major Segments" accordingly.			
** - Could be State responsibility if local defers to State for consultant selection for preparation of right-of-way plans, project plans, project specifications, right-of-way acquisition, or State construction inspection.			

Responsibility for Implementation (continued)

<u>Major Segment</u>	<u>Initial State Respon- sibility</u>	<u>Continuing State Respon- sibility</u>	<u>Local* Respon- sibility</u>
4. Establish basic design criteria and master specifications	X	X	
5. Develop standard Resolution, application and agreement forms	X	X	
6. Establish right-of-way plan criteria	X	X	** X
7. Establish right-of-way acquisition criteria	X	X	** X
8. Establish design audit criteria	X	X	
A. Typical section	X	X	** X
B. Plan sheets, profiles, X-sections, layout and grading, landscape, construction details	X	X	** X
C. Structures	X	X	** X
D. Cost estimate	X	X	** X
E. Specifications	X	X	** X
F. Traffic	X	X	** X
G. Utilities	X	X	** X
H. Drainage	X	X	** X
9. Establish criteria for advertisement, bid and award	X	X	** X
10. Establish criteria for contract administration and inspection including audit during construction	X	X	** X
11. Establish criteria for finalizing out project	X	X	** X
12. Establish criteria for post-audit and as-builts	X	X	** X

* - Once criteria and time limits are established, it will be local responsibility to proceed to complete "Major Segments" accordingly.

** - Could be State responsibility if local defers to State for consultant selection for preparation of right-of-way plans, project plans, project specifications, right-of-way acquisition, or State construction inspection.

Implementation is based on the review process being accomplished by the Local District Office with participation on a timely basis during project processing. Program I should be accomplished within one year; Program II within two to three years (project processing to construction).

Proposed Funding

Program I - Contract Maintenance and Minor Reconstruction

Municipal Aid

1. Municipal road mileage = 23,159.
2. Municipal road mileage on Federal Aid Urban System = 1,799.
3. Municipal road mileage on the rural secondary system = 189.
4. Sixty year program for roadways:
 - a. Resurfacing - 2" thick, 2 applications (each with a design life of ten years): Cost for 60 years = 30 feet x 5,280 feet divided by 9 x \$2.20 x 2 divided by 60 = \$1,290.67 (use \$1,290) per mile per year.
 - b. Widening improvement design life = 40 years (double standard design life): Cost for 60 years = \$55.00 x 5,280 divided by 60 = \$4,840 per mile per year.

Municipal Aid Costs

1. Cost per year for Statewide resurfacing of municipal roadways = (23,159 miles minus 1,799 miles) x \$1,290 = \$27,554,400; State share = \$27,554,400 x 0.90 = \$24,798,960; municipal share = \$27,554,400 x 0.10 = \$2,755,440.
2. Cost to municipalities for use of Federal aid funds for resurfacing roadways on Federal aid system = 1,799 x \$1,290 = \$2,320,710; State share = \$2,320,710 x 0.20 = \$464,142; Federal share \$2,320,710 x 0.70 = \$1,624,497; municipal share = \$2,320,710 x 0.10 = \$232,071.
3. Total State share per year for resurfacing of municipal roadways = \$464,142 + \$24,798,960 = \$25,263,102; Federal share = \$1,624,497; municipal share = \$2,987,511.

County Aid

1. County road mileage = 6,795.
2. County road mileage on the Federal Aid Urban System = 2,893.

3. County road mileage on the rural secondary system = 1,641.
4. Sixty year program for roadways:
 - a. Resurfacing - 2" thick, 2 applications (each with a design life of ten years): Cost for 60 years = 30 feet x 5,280 feet divided by 9 x \$2.20 x 2 divided by 60 = \$1,290.67 (use \$1,290) per mile per year.
 - b. Widening and improvement design life = 40 years (double standard design life): Cost for 60 years = \$80.00 x 5,280 divided by 60 = \$7,040 per mile per year.

County Aid Costs

1. Cost per year for Statewide resurfacing = (6,795 miles minus 2,893 miles) x \$1,290 = \$5,033,580; State share = \$5,033,580 x 0.90 = \$4,530,222; County share = \$5,033,580 x 0.10 = \$503,358.
2. Cost to County for roadway resurfacing on the Federal Aid Urban System = 2,893 miles x \$1,290 = \$3,731,970; State share = \$3,731,970 x 0.20 = \$746,394; Federal share = \$3,731,970 x 0.70 = \$2,612,379; County share = \$3,731,970 x 0.10 = \$373,197.
3. Total State share for resurfacing County roadways per year = \$5,276,616; Federal share = \$2,612,379; County = \$876,555.

Program II - Major Roadway Construction and Reconstruction

Municipal Aid - (use same statistics as Program I).

Municipal Aid Costs

1. Cost per year for Statewide program for municipal roadways = (23,159 miles minus 1,799 miles) x \$4,840 = \$103,382,400; State share = \$103,382,400 x 0.90 = \$93,044,160; municipal share = \$103,382,400 x 0.10 = \$10,338,240.

2. Cost to municipalities for municipal roadways under Federal Aid Urban System = 1,799 miles x \$4,840 = \$8,707,160; State share = \$8,707,160 x 0.20 = \$1,741,432; Federal share = \$8,707,160 x 0.7 = \$6,095,012; municipal share = \$8,707,160 x 0.10 = \$870,716.
3. Total State share for the program on the municipal system = \$93,044,160 + \$1,741,432 = \$94,785,592; Federal share = \$6,095,012; municipal share = \$11,208,956.

County Aid - (use same statistics as used for Program I).

County Aid Costs

1. Cost per year for Statewide program for County roadways = (6,795 miles minus 2,893 miles x \$7,040 = \$27,470,080; State share = \$27,470,080 x 0.50 = \$13,735,040; County share = \$27,470,080 x 0.50 = \$13,735,040.
2. Cost due to County roadways on the Federal Aid System = 2,893 miles x \$7,040 = \$20,366,720; State share = \$20,366,720 x 0.20 = \$4,073,344; Federal share = \$20,366,720 x 0.7 = \$14,256,704; County share = \$20,366,720 x 0.10 = \$2,036,672.
3. Total State share = \$4,073,344 + \$13,735,040 = \$17,808,384; Federal share = \$14,256,704; County = \$15,771,712.

Summary - Programs I and II

Municipal Aid Costs

1. Program I - State share = \$25,263,102.
Federal Share = \$1,624,497.
Municipal Share = \$2,987,511.
2. Program II - State share = \$94,785,592.
Federal Share = \$6,095,012.
Municipal Share = \$11,208,956.
3. Total Programs I and II - State share = \$120,048,694.
Federal share = \$7,719,509.
Municipal share = \$14,196,467.

County Aid Costs

1. Program I - State share = \$5,276,616.
Federal share = \$2,612,379.
County share = \$876,555.
2. Program II - State share = \$17,808,384.
Federal share = \$14,256,704.
County share = \$15,771,712.
3. Total Programs I and II - State share = \$23,085,000.
Federal Share = \$16,869,083.
County share = \$16,648,267.

County and Municipal Costs

Total State Share - Programs I and II - Counties and municipalities = \$143,133,694.

The New Jersey roadway system is composed of 32,488 miles of roadway consisting of 2,534 miles of State highways; 6,795 miles of County roadways and 23,159 miles of municipal roadways. Municipal roadways comprise 71% of the total and County roadways equal 21%. It is imperative that the State of New Jersey address the condition of the County and municipal roadways (92% of total State roadway mileage).

New Jersey taxpayers contribute many fees to use all roadways within the State. Fees are paid for licenses and registrations in addition to the State gasoline tax. Taxpayers who pay for the privilege of operating motor vehicles in the State are deserving of relief in using some of the collected monies for capital improvements and maintenance of local roadways. The request for 143 million dollars of State Aid is not excessive when compared to the present worth of the roadway system of 9.6 billion dollars. This represents an annual investment of 1.5 percent for capital improvements and maintenance.

As a comparison, if an individual owned a \$40,000.00 home, it would be reasonable to invest \$600.00 in capital improvements

and maintenance per year (1.5 percent). Using the old State Aid combined allotment of approximately 15 million dollars per year plus 15 million per year for the State Aid road system funds and allowing for escalation and increase in mileage, one could easily qualify an annual expenditure of 84 million dollars per year without any study!

The deterioration of municipal and County roadways must be eliminated by providing necessary funds to local government for capital improvements and contract maintenance. The estimated 2,000 County bridges (over 20' span) require immediate funds at the County level to assist government in the responsibility for maintenance and reconstruction of bridges.

General Comments - County and Municipal Costs for Programs I and II

The above recommended Programs I and II represent an approximate backup for programs recommended. The assumption was made that funds would be allotted on the basis of mileage without consideration for population, area or traffic index.

An assumption was also made concerning calculation of the Program I for contract maintenance and minor reconstruction for both counties and municipalities. It is assumed that if a portion of the resurfacing monies are used for spot maintenance improvements, that these funds in turn will reflect in a reduction in cost per mile in Program II, which funds would be used for major roadway construction and reconstruction. State aid to municipalities is apportioned on the basis of ninety percent State, ten percent local for Programs I and II. State participation on the County system is apportioned on the basis of ninety percent State, ten percent local for Program I and fifty percent State and fifty percent local for Program II. Federal participation on both the County and municipal roadways (Federal Aid Urban System) is apportioned on the basis of seventy percent Federal, twenty percent State, ten percent local. No adjustments were made for available rural secondary funds since same distributed Statewide would be considered minimal or nonsufficient.

PROJECT SELECTION AND PROCESSING

Planning

Whether a project is Federally, State or locally funded, it is essential that proper planning be instituted at all levels of government. It is extremely important that planning begin at a municipal level and that a six year capital improvement program be developed. This planning function should be available to adjacent municipalities as well as to County government. It is essential that County government be advised as to municipal planning as relates to those circumstances which the County must have knowledge. As an example, widening of a municipal roadway which contains a County bridge is important if the County bridge structure is to be widened in accord with the proposed roadway improvement. Planning at the State level relates also to planning at the County level. It is extremely important that County highways and their impact on the existing State highway system be planned well in advance, and vice versa. Without appropriate planning beginning at the local level, no program will work since there is no ultimate aim or objective in mind in regard to the transportation planning process.

Priorities

It is necessary that priorities be established by local, County and State government concerning their proposals for six year capital improvement programs. In this regard it would be well if the N.J. Department of Transportation establish a State master plan for highways which included some of the County planning projections. Significant proposed municipal improvements could also be incorporated and considered in this planning process.

Transportation Improvement Program

Based on the Task Force review, it appears that municipalities in general have no idea or concept as to the Transportation Improvement Program, its purpose and significance. Oversubscription by most counties is considered a problem. Oversubscription

in itself precludes the planning process. There is input from the N.J. Department of Transportation regional offices with counties involved in developing the Transportation Improvement Program since programmed projects are reviewed to insure that they are included on the County listing. In regard to expediting municipal and County projects, it is emphasized that all entities cannot take advantage of pursuing design with their own consultant since sufficient dollars are not available to use this method. In many instances the Transportation Improvement Program is used to the benefit of the County with little regard for municipal considerations.

Federal programs and how they relate to the Transportation Improvement Program is another area where municipalities are deficient in knowledge of Federal programs. Subsequent to submission by County Planning Board to the Metropolitan Planning Organization, and the N.J. Department of Transportation, there is little participation, if any, as to how the Transportation Improvement Program is developed within a specific metropolitan planning organization. It appears that the program is separate and independent from other planning processes currently being implemented by the N.J. Department of Transportation.

In general, it appears that planning should take place at the State and County level which would achieve the purpose of the Metropolitan Planning Organization. The Metropolitan Planning Organization in many instances is another level of bureaucracy which cannot specifically relate to specific planning processes or needs within a specific municipality or County. It would appear that this planning process should rest with the State with major decisions to be made by the State. The Metropolitan Planning Organization should provide consideration for planning between States and not relate so specifically to County and municipal government.

N.J. Department of Transportation Action Plan

The Action Plan promulgated by the N.J. Department of Transportation had a primary purpose to eliminate unnecessary reprocessing, duplication of effort and eliminate red tape. The proposed Action Plan as required by the Federal Highway Administration has not met its original goal. The program has been very confusing

to both County and municipal government. In many instances criteria, ground rules, rules and regulations were not known and which developed in no information or serious delays in processing. The Action Plan as presented does not appear to meet all local needs as relates to specific impacts and processing. It appears that the whole process should be expedited to a great degree. A simple comparison with Revenue Sharing programs, HUD programs and EDA programs indicates an inconsistency of processing at municipal, County, State and Federal levels.

N.J. State Agencies

The State of New Jersey uses the N.J. Department of Transportation and the N.J. Department of Environmental Protection to process many projects at the municipal and County level. A commitment must be made by State government, especially at the executive level, and the Commissioner level within various departments. A sense of urgency must be established concerning expediting processes since same relate to the New Jersey economy. Answers to questions must be provided by all State departments, and a sense of urgency initiated to expedite project processing.

New Jersey can no longer afford to be last in the United States and allow bureaucracy to curtail important capital improvement projects. The end result of such actions results in increased costs to New Jersey taxpayers. A commitment should be made at the highest level to provide contact points within all State agencies for contact with other governmental entities; that is, municipalities, County government and State government should be able to seek answers and decisions concerning processing. If processing is held up an entity should be provided within each State department whose responsibility it is to resolve the matters by expeditious means.

Federal Agencies

The overlapping of responsibility and authority between Federal and State agencies is extremely awkward. The State of New Jersey has sufficient expertise within all areas to render appropriate decisions based on Federal criteria. It appears in many in-

stances where New Jersey's decision making process indicates favorable reaction that entities outside the State are acting on the State's behalf. This overlapping of jurisdiction must cease because it further compounds the project process to the point that horrendous horror stories are developed concerning the bureaucracy as relates to processing. The Federal entities should defer to State entities who have expertise in similar jurisdictions.

Federal Regulations

Federal regulations have been promulgated at an increasing rate during the past several years. The processing of Federal projects has almost come to a complete halt because prior to continuing to process a project, regulations change; hence, requiring re-application or resubmission. It is imperative that a grandfather's clause be instituted subsequent to application on a project. It is significant to note an E.D.A. project is processed, approved and constructed within ninety days, and other Federal applications aren't even programmed within the same time period.

Certification Process

It can be concluded that the certification process is becoming an essential element in expediting projects within the State of New Jersey. The decision making process relative to projects is located further and further away from the actual people who are affected by the project or professionals who can make appropriate determinations concerning the project. The Federal government has demonstrated that the certification process based on criteria and participation in the design, construction and audit process can work. The older the Federal institution, the more the layers of bureaucracy. A comparison could be made between the Federal Highway Administration and the Economic Development Administration concerning road projects where Federal funds have been implemented.

It is apparent that something is drastically wrong concerning the inability of Federal and State government to rely on engineering and planning professionals who are licensed. It would appear that a professionalism at the State and Federal

level could develop a certification type process similar to that employed by the Economic Development Administration, Revenue Sharing or Housing and Urban Development. This process is not insurmountable and places the responsibility at the level of government who are directly associated with those who are affected by the proposed improvement.

A P P E N D I X F O L L O W S

Figure I: Federal Aid Road System Mileage by Political Jurisdiction

SYSTEM	STATE			COUNTY			MUNICIPAL			TOTAL		
	Miles	% of Total State	% of Total System	Miles	% of Total County	% of Total System	Miles	% of Total Municipal	% of Total System	Miles	% of Grand Total	% of Total System
FAU	487	19%	9%	2893	43%	56%	1799	8%	35%	5179	16%	100%
FARS	103	4%	4%	1641	24%	85%	189	1%	10%	1933	6%	100%
FAP	1510	60%	95%	69	1%	4%	3	0	1%	1582	5%	100%
FAI	417	16%	100%	0	0	0	0	0	0	417	1%	100%
Total Fed. Aid	2517	99%	27%	4603	68%	51%	1991	9%	22%	9111	28%	100%
Non-Fed. Aid	17	1%	0.1%	2192	32%	9.5%	21168	91%	90.4%	23426	72%	100%
Grand Total	2534	100%	8%	6795	100%	21%	23159	100%	71%	32488	100%	100%

Figure II - Ability of Present Aid Programs to Meet Local Road Needs in New Jersey

COUNTY ROADS		MUNICIPAL ROADS	
Needs in Order of Priority	Ability of Present Aid Programs to Meet Needs	Needs in Order of Priority	Ability of Present Aid Programs to Meet Needs
Bridge construction/ replacement	Currently few Federal funds are available for bridges, but Federal government is considering a \$2 Billion Nationwide bridge program in the coming year. No State Aid available.	Roadway Resurfacing	Federal funds not presently permitted for resurfacing. No State Aid available. Federal programs may permit resurfacing in the future, but only 9% of all municipal road mileage will qualify; 91% will not qualify.
Roadway construction & resurfacing	68% of all county road mileage qualifies for Federal Aid for reconstruction; 32% does not qualify. No State Aid available. Resurfacing not permitted with Federal Aid.	Roadway Reconstruction	9% of all municipal road mileage qualifies for Federal Aid for reconstruction; 91% not eligible. No State Aid available.
Maintenance	Federal Aid not permitted. No State Aid available.	Maintenance	Federal Aid not permitted. No State Aid available.

Figure III: 1975 Expenditures on County and Municipal Roads

	IMPROVEMENTS (%) (\$ per mile)	MAINTENANCE (%) (\$ per mile)	DEBT SERVICE (%) (\$ per mile)	LIGHTING & PARKING (%) (\$ per mile)	TRAFFIC POLICE ADM. & ENGR. (%) (\$ per mile)	TOTALS (%) (\$ per mi)
Municipalities 3,159 Miles)	\$53.9M (23.9%) (\$2,327 per mi.)	\$100M (44.3%) (\$4,318 per mi.)	\$26.6M (11.8%) (\$1,149 per mi.)	\$41.8M (18.5%) (\$1,805 per mi.)	\$3.5M (1.5%) (\$151 per mi.)	\$225.8M (100%) (\$9,750 per mi)
Counties 7,795 Miles)	\$27.8M (28%) (\$4,091 per mi.)	\$46.6M (47%) (\$6,858 per mi.)	\$19.5M (19.6%) (\$2,800 per mi.)	\$.7M (0.7%) (\$103 per mi.)	\$4.6M (4.7%) (\$677 per mi.)	\$99.1M (100%) (\$14,584 per mi)

Figure IV - Past Municipal Aid

<u>COUNTY</u>	<u>FORMULA</u>	<u>HERRICK</u>	<u>TO THE FUNDS</u>
Atlantic	\$ 157,480.	\$ 100,000.	\$ 257,480.
Bergen	381,394.	"	481,394.
Burlington	166,245.	"	266,245.
Camden	200,990.	"	300,990.
Cape May	150,000.	"	250,000.
Cumberland	161,561.	"	261,561.
Essex	371,330.	"	471,330.
Gloucester	150,000.	"	250,000.
Hudson	288,152.	"	388,152.
Hunterdon	150,000.	"	250,000.
Mercer	203,341.	"	303,341.
Middlesex	262,498.	"	362,498.
Monmouth	236,749.	"	336,749.
Morris	218,652	"	318,652.
Ocean	150,038.	"	250,038.
Passaic	249,364.	"	349,364.
Salem	150,000.	"	250,000.
Somerset	150,000.	"	250,000.
Sussex	150,000.	"	250,000.
Union	248,546.	"	348,546.
Warren	<u>150,000.</u>	<u>"</u>	<u>250,000.</u>
	\$ 4,346,340.	\$2,100,000.	\$6,446.340.

Figure V - Past County Aid

Atlantic	\$438,140.	Mercer	\$313,820.
Bergen	689,720.	Middlesex	518,320.
Burlington	611,940.	Monmouth	555,340.
Camden	471,500.	Morris	463,780
Cape May	273,580.	Ocean	604,360.
Cumberland	511,960.	Passaic	400,920.
Essex	571,540.	Salem	328,120.
Gloucester	389,460.	Somerset	314,860.
Hudson	377,380.	Sussex	349,460.
Hunterdon	303,420.	Union	377,460.
		Warren	289,920
		TOTAL	\$9,155,000.

New Jersey Department of Transportation
Division of Transportation Operations and Local Aid

STATE AID PROGRAMS

GENERAL

The following information briefly outlines the State Aid programs for which the Legislature appropriates funds annually. The Division of Transportation Operations and Local Aid through its Bureau of Local State Aid Programs and Electrical Bureau administers these programs subject to the approval of the Commissioner of Transportation. The Bureau of Local State Aid Programs provides engineering and technical assistance to the local governments as may be requested but cannot prepare designs or make detailed revisions in the plans and specifications to conform to the standards prescribed by the Department of Transportation.

Listed below are the State Aid Programs and their statutory references.

Administered by the Bureau of Local State Aid Programs:

State Aid Road System R. S. 27:13A-1 to 12
Municipal Aid Construction R. S. 27:15-1.14
Municipal Aid Formula R.S. 27:15-1
County Aid R.S. 27:13, 27:14-1 and 52:27B-20
Construction of Roads Destroyed by Constructor
Equipment R.S. 27:13-10

Administered by the Electrical Bureau

• Reimbursed Highway Safety Lighting

NOTE - I

The 1967 Extraordinary State Aid Program has not been included in the above listing because it is a non-continuing program. It was authorized by Chapter 33 P.L. 1966 and provided for an appropriation of \$34,000,000 of State Aid to counties and municipalities for road aid and was made available for use during the 1967 calendar year. Of this total, \$20,000,000 was apportioned to County projects and \$14,000,000 for municipal projects. The amount allocated to municipalities and counties was apportioned on the basis of the percentage of municipal and county mileage and municipal and county population to the total municipal and county mileage and population respectively in the State. The funds were applied toward the improvement of projects that best served the traveling public. Payments are made on a reimbursement basis after acceptance of the completed work by the local government and the State. The State's participation in the cost of the work performed under this program cannot exceed 90% of the total cost of the project.

NOTE - II

The State may participate in the cost of the installation of traffic signals at intersections of county or municipal roads. However, prior authorization and approval for the installation must be obtained from the Division's Bureau of Traffic Engineering by the municipality before a request for State participation is made to the Bureau of Local State Aid Programs.

• STATE AID ROAD SYSTEM PROGRAM

AMOUNT OF APPROPRIATION - \$15,000,000

PURPOSE

This program provides for the establishment of a State Aid Road System of County or municipal roads to create a comprehensive and integrated network of local roads that provide connections between major traffic arteries, residential, health, recreational, industrial and commercial centers.

USE OF FUNDS

Funds may be used for the construction, reconstruction and improvement of county and municipal roads that have been designated State Aid roads and included in the State Aid Road System. These funds may also be applied toward the construction and reconstruction of bridges and viaducts without regard to their location in the State.

APPLICATIONS AND AGREEMENTS

Each county and municipality having roads in the State Aid Road System may submit fully executed applications and agreements for State Aid Road System Funds to the District Office of the Bureau of Local State Aid Programs at anytime during the year. Application and agreement forms are available to the local government at the District Offices.

PROCEDURE

The application and agreement provides for an engineering description of the existing road or bridge and the description of the proposed road improvement indicating the right-of-way width, paved and graded widths, shoulder widths, type and depth of proposed pavement and an estimate of the cost of the proposed work. The District Offices shall make a field investigation of all projects for which applications have been received. The Commissioner of Transportation determines the applications considered essential. State Aid funds will be allocated on a four phase project development basis:

- PHASE I - Review of Application and Agreement by Department
- PHASE II - Preliminary Engineering
- PHASE III - Design and Preparation of Plans and Specifications and Acquisition of Right-of-Way Where Needed
- PHASE IV - Construction

State Aid funds will be allocated to support PHASE II, III, and IV of the project.

Upon approval of the project by the Commissioner of Transportation, the Department will enter into an agreement with the local government to determine a firm progress and funding schedule for each phase. Funding of succeeding phases by the State will follow after satisfactory completion of preceding phase. If PHASE II or III is not completed within the time specified in the agreement, the State Aid funds will be cancelled.

All plans, specifications and bids received for work under this program must be approved by the Department before any work is performed.

STATE PARTICIPATION

State participation in the cost of a county project shall not exceed 50% and 75% in the case of municipal projects. The State may participate in the cost of right-of-way acquisition and cost of engineering in accordance with the limits and procedures established by the Department of Transportation.

• MUNICIPAL AID CONSTRUCTION PROGRAM

AMOUNT OF APPROPRIATION – \$2,100,000

PURPOSE

To provide State Aid to municipalities for the improvement of specific road improvement projects that best serve the interest of the municipality, county and the State. State Aid funds in the amount of \$100,000 are apportioned to municipalities in each county.

USE OF FUNDS

Funds may be used for the construction and reconstruction of municipal roads.

APPLICATIONS AND AGREEMENTS

Applications and Agreements are sent to each municipality during the month of July for use the following year. The fully executed agreements are due to be received in the District Offices of the Bureau of Local State Aid Programs not later than October 1.

PROCEDURE

The application and agreement provides for an engineering description of the proposed road improvement projects indicating the right-of-way width, paved and graded width, type and depth of pavement and an engineer's estimate of cost of the proposed work. The District Office shall make a field investigation of all projects for which applications have been received. The Commissioner of Transportation determines the applications considered essential and the amount of the allotment to each project.

All plans, specifications and bids received for work under the Municipal Aid Construction Program must be approved by the Department prior to performance of any work.

PAYMENTS

Payments are made to local governments on a reimbursement basis. Reimbursement claims are prepared on forms furnished by the State. Partial payments may be made during construction or a final payment upon satisfactory completion and acceptance by the local government and the State of the completed work.

STATE PARTICIPATION

State participation in the cost shall not exceed 90% of the total cost of the project. The State may participate in the cost of right-of-way acquisition and the cost of engineering in accordance with the limits and procedures established by the Department.

• MUNICIPAL AID FORMULA PROGRAM

AMOUNT APPROPRIATED \$4,500,000

PURPOSE

To provide State Aid to support the municipalities in their road construction and maintenance and repair programs.

USE OF FUNDS

Funds may be used for construction, reconstruction, maintenance, lighting of roads, snow and ice control and the purchase of snow removal equipment.

DISTRIBUTION OF FUNDS

Funds are apportioned on basis of percentage of municipal mileage and municipal population to the total municipal mileage and population in the State and further modified by application of the following criteria.

1. The allotment shall not be less than the average annual State Aid received by the municipality for the period 1936–1945, nor more than 38% of the annual road expenditures exclusive of State Aid for the five-year period beginning 1941, whichever is greater.
2. The total amount of State Aid to municipalities in any one county shall not be less than \$150,000.

NOTIFICATION

Each municipality is notified of the amount of State Aid on or before December 10th for use the next calendar year.

PROCEDURE

A Municipal Aid Schedule of Work (forms provided by the State) shall be prepared and approved by resolution of the local government and shall be submitted to the District Offices of the

Bureau of Local State Aid Programs on or before March 1. The State funds may be scheduled for use under the following four sections of the Schedule of Work.

- Section A – Construction and Reconstruction
- Section B – Maintenance and Repair
- Section C – Lighting of Roads
- Section D – Snow Removal Equipment

All plans, specifications and bids received for construction or reconstruction projects or maintenance and repair projects including maintenance materials must be approved by the Department before any work is performed.

PAYMENTS

Funds scheduled under Section A for construction and reconstruction of roads are paid to the municipality on a reimbursement basis. Claims are prepared on forms provided by the State. Partial payments may be made during the construction of the projects or a final payment upon satisfactory completion and acceptance of the completed work by the municipality and the State.

Funds scheduled under Section B, maintenance and repair work, or Section C, lighting of roads, are paid to the municipality on or before June 30. Funds allocated to the lighting of roads are limited to 20% of the municipality's annual allotment. The municipality is required to file a report (Certificate of Expenditures – form supplied by the State) during the month of January of the year following that in which State Aid was disbursed setting forth all expenditures made by the municipality out of such aid.

Funds scheduled under Section D for the purchase of snow removal equipment are paid to the municipality on a reimbursement basis.

STATE PARTICIPATION

State participation in the cost of work, lighting, or the purchase of snow removal equipment shall not exceed 90% of the total cost.

● COUNTY AID PROGRAM

AMOUNT APPROPRIATED \$9,155,000

PURPOSE

To provide State Aid to counties to support their road and bridge construction and maintenance and repair programs.

USE OF FUNDS

The funds may be used for construction, reconstruction, maintenance and repair, operation, policing and lighting of roads and the payment and interest on road and bridge bonds. Road and bridge bonds and interest payments cannot exceed 50% of the total amount of the county allotment less \$55,000. The

\$55,000 allocation to each county may be used only for construction, reconstruction and the maintenance and repair of roads and bridges.

DISTRIBUTION OF FUNDS

The State funds are apportioned to the counties by a formula on the basis of county road mileage, population and area. Computation of allotments are made using the latest Federal census and the county road mileage as certified by the county engineers. The following schedule indicates the amount and method of apportionment.

\$6,000,000 on basis of county mileage,
population and area
\$2,000,000 on basis of county mileage
and population
\$1,155,000 direct allocation of \$55,000
to each county.

NOTIFICATION

Each county is notified of the amount of the county aid during the month of December for use the next calendar year.

PROCEDURE

A County Aid Work Program (on forms furnished by the State) shall be prepared and approved by resolution and submitted to the District Offices of the Bureau of Local State Aid Programs on or before April 1. The work program shall indicate the proposed work to be performed by the county and submitted to the Commissioner of Transportation for approval.

All plans, specifications and bids received for construction or reconstruction projects or maintenance and repair projects including purchase of maintenance materials must be approved by the Department before any work is performed.

PAYMENTS

Payments are made to the county quarterly with the first payment due on February 1. Payment cannot be made until a Certificate of Expenditures (form furnished by the State) is submitted by the county detailing the expenditures for the prior year.

STATE PARTICIPATION

State participation in the cost of work performed under this program is 100%.

● REIMBURSED HIGHWAY SAFETY LIGHTING PROGRAM

AMOUNT APPROPRIATED \$450,000

PURPOSE

This program provides for the State to participate with the counties and municipalities in the cost of maintaining highway safety lighting along State highways at intersections of

county and municipal roads and at hazardous locations along State highways.

APPLICATIONS

The county or municipality may submit a formal request to the Division's Electrical Bureau for State participation in the cost of highway lighting at any time during the year. Only one agreement between the county or municipality and the State will be executed during any one calendar year. Requests submitted after the approval of the lighting agreement may be deferred and included in the Department's program the following year provided sufficient funds are available. All reimbursed highway safety lighting agreements for lighting units conforming to the Department's requirements are executed for a term of one year. Agreements may be extended on an annual basis provided sufficient funds are available and conditions warrant the extension.

The Electrical Bureau shall investigate all requests for State participation in the cost of lighting units for each application received to determine eligibility for aid under this program.

PAYMENTS

Reimbursement claims for lighting are submitted quarterly to the Electrical Bureau on forms provided by the State. All claims must be supported by certified copies of receipted invoices from the utility company.

STATE PARTICIPATION

The reimbursement rate to counties shall not exceed 50% of the maintenance cost of an approved lighting unit at or in excess of 4000 lumens nor shall exceed \$45 per unit per year.

The maximum reimbursement to the municipality has been established at the utility rate of a 2500 lumen lamp for the maintenance cost of lighting units having lamp intensities at or in excess of 4000 lumens.

NOTE: Maintenance cost of lighting units with lamp intensities less than 4000 lumens are not reimbursable.

● CONSTRUCTION EQUIPMENT DAMAGE PROGRAM

AMOUNT APPROPRIATED \$200,000

PURPOSE

This program provides for the State to participate in the cost of reconstructing county or municipal roads destroyed by reason of use of such roads by vehicles of the gross weight and load of over 40,000 pounds and issued "constructors" registration plates.

USE OF FUNDS

Funds may be used only for the reconstruction of county or municipal roads destroyed by heavy constructor equipment.

APPLICATIONS AND AGREEMENTS

Each county engineer is notified in January that applications for aid under this program are due to be received by our District Office on or before April 15. It is requested that this program be brought to the attention of municipal officials who may have roads eligible for a State grant-in-aid. Applications are available at each of the Bureau's District Offices.

PROCEDURE

The application provides for an engineering description of the road prior to destruction and the description of the proposed reconstruction. The District Office shall make a field investigation to determine the eligibility of each application received. The Commissioner of Transportation determines the amount of the allotment to each project.

All plans, specifications and bids received for construction of roads destroyed by construction equipment must be approved by the Department prior to performance of any work.

PAYMENTS

Payments are made to the county or municipality on a reimbursement basis. Reimbursement claims are prepared on forms provided by the State. Partial payments may be made during construction or final payment may be made upon satisfactory completion and acceptance by the county or municipality and the State of the completed work.

STATE PARTICIPATION

State participation in the cost shall not exceed 90% of the total cost of the project. The State may participate in the cost of engineering in accordance with the limits and procedure established by the Department.

BRODART, INC.	Cat. No. 23-221

BRODART, INC.

Cat. No. 23-221



