

PUBLIC HEARING

BEFORE

JOINT COMMITTEE ON STATE TAX POLICY
SUBCOMMITTEE ON PROPERTY TAX RELIEF FUND
(PURSUANT TO SCR-64)

HELD:

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COUNCIL CHAMBERS OF THE
TOWN HALL

WOODBIDGE, NEW JERSEY

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APPENDIX

Testimony submitted by Mr. John P. Tergis

A S S E M B L Y M A N A L A N J . K A R C H E R . For those of you who don't know me I am Alan Karcher. I am the Assemblyman who represents this district, the 19th district, in which we are located today. This is a meeting of the New Jersey Legislature's Joint Committee on Tax Policy, which I am a member and I am the Chairman of the Subcommittee which is addressing itself and focusing upon the Property Tax Relief Fund. However, that is only by way of definition and I want to assure everyone here that you are more than welcomed and we welcome your comments upon any subject matter that is relevant to the tax policy of the State of New Jersey. As you can see all of the comments today are going to be taken down by all of that fancy, sophisticated, electronic equipment over there, which your tax dollars paid for, so we are making use of it, and all of this will be transcribed and become part of the permanent records of the Committee. The Committee anticipates having at least a preliminary report by September, perhaps even a final report by that time. We have had some guests who have already notified us that they would anticipate testifying today. I understand that there has been a slight mix-up with the New Jersey Federation of Senior Citizens who went to Brookdale College and that's next Tuesday's hearing, but I understand that they are on their way now and they'll be here before the afternoon is over for testimony today. With that let me also introduce to you who is here with me, Mr. Gil Deardorff, who is sitting to my right, is the Chief Assistant for the Committee and also a very knowledgeable counselor with regard to tax policy, and was to a great extent responsible for the reforms that were implemented over the last three years. We always like to say to the people that those of us in the Assembly we've been able to vote for the repeal of more taxes than we instituted and perhaps the reaction has been very, very favorable and for many quarters, of course, that's not to say that obviously this Committee would not be in existence if the tax reforms that were implemented in 1976 were, they would be all and end all. What the Committee really wants to do is twofold. Not only to make some assessment on what impact the reforms package of 1976 has had and how it's working and how well people are satisfied with it or dissatisfied with it, but also to look to the future as to what areas really warrant attention and warrant further consideration by the Assembly. So the function here is twofold -- to get some kind of analysis and some kind of reaction to what has been done and to get your recommendations and views as to what improvements can be made. We will welcome comments with regard to any of that subject matter. So with that, I see that Mr. Kenny is here from the Collectors and Treasurers Association, Frank do you want to start off today? For those who aren't accustomed to testifying I'll let you go first to show them how easy it is.

F R A N C I S K E N N Y . My name is Francis Kenny, Executive Secretary to the Tax Collectors and Treasurers Association of the State of New Jersey. I wish to speak on Bill A-470 which has passed the Assembly and the Caps Law as it affects the municipal finance and their service to the public. A-470 which extends the Board of Education time for elections and budgets by

60 days cuts the County Tax Board time to correlate all of their figures by 30 days. It also changes all of the calendar dates for municipal finance tax collection, tax billing and what have you. I sympathize with the Board of Education on the fact that they must prepare a budget as far in advance as they presently do. But A-470 is not the answer. This will only create chaos in most all municipalities. Something must be done so that school budgets are figured after the school year ends so that the amount of surplus from the previous year is known when the school figures are finalized for the new school year. But A-470 does not do this. A study committee should be appointed to study whether or not the municipal and county year should start on July 1, the same as the Board of Education, the State and the Federal government. The taxpayer will be better served by a budget being finalized after previous years' surplus is known. While studying this method, the school board budget laws should be tightened, so that they live up to the same rigid budget spending that the municipal governments must abide by. To stop A-470, will have a drastic affect on cash flow, on tax bills in many cases being mailed after due date. The tax collector gets the end product -- after all other facets of government complete their work regardless of who is late completing their work-- the tax collector is blamed. The new tax laws passed in the past few years have created a tremendous work load in all tax offices throughout our State. It must be remembered that New Jersey is composed of many small towns and most of these small municipalities only have a part-time assessor, thereby, doubling the increased work load on the tax collector. The Caps Law has hit the municipal finance departments far greater than any other department in municipal government. This is due to the extra work load to cope with the new laws and not receiving any extra help. It seems the public safety and recreation is where the public clamor is directed but no one ever feels that the tax office should receive additional help. Due to these problems there are many court cases being aired at this present date. Not being able to get the work done on time causes animosity between mayors and administrators and tax collectors and treasurers and harrassment follows. We have had reports where due to the problem of trying to keep the budget within the caps help in the tax office, even though their work load has been increased, was laid off. Are there any questions Mr. Assemblyman?

KARCHER. Yes, I would like to ask you just one or two, I take it from what you say that representing the collectors and treasurers of the State who are bound by rather stringent, to say the least, line item requirements and there is a new way of regulations that requires you to certify as to the availability of funds before any contract is awarded, but that doesn't happen with boards of education, does it?

KENNY. Boards of education have a very free hand. They can pass a budget today and change a line item tomorrow. A municipality cannot do this.

KARCHER. So there is none of the internal controls that are imposed upon municipalities as imposed upon the boards of education.

KENNY. No, that's right. There are very few and I would say that common sense tells us if we were to have a large surplus, of course, after the budget is established and the surplus is extra money and can be used whatever way they see fit to use it.

KARCHER. This isn't to be prejudicial but you have been around a little bit longer than I have been. Do you know what the historical basis of why municipalities are restricted the line items and boards of education aren't? Or is that just the way things are.

KENNY. It seems that right at the moment I can only tell you that the tax collectors and treasurers of the State of New Jersey is represented by one person in Trenton, yours truly, where the teachers are represented by 16 and the boards of education are represented by 5 or 10 or something of that figure, so that I suppose there is more representation, there's more money, the municipalities, of course, supply the funds for these groups to pay dues and so forth and it seems to me that they have more whip in Trenton and are able to kill laws or make laws and such laws as A-470 I'm sure that they will have plenty of pressure.

KARCHER. On the aspects, and I don't want to hold you too long, but the board of education is under no requirement at the end of their budget year. In other words, in the months of May or June they can control their surplus by spending, can't they? They don't have any obligation to have expenditures under some items so they can deplete their entire surplus if they wish by purchases through May and June if they wanted to.

KENNY. Let me make it a little stronger. A municipality nearby, the Town of Woodbridge, not too many years back, I believe it was the Mayor or one of the Members of the Council was convicted for spending money for an item for which it was not appropriated. This official was convicted of a crime because he had done this. He didn't steal anything, he didn't do anything wrong other than spend money that was allotted for one purpose for another purpose. And in the board of education probably in the same town, that had been committed three or four times in the same year. Although the municipal official was convicted, the board of education official was never brought to trial because the law does not cover him. So that I say they are a special committee and I would say that it's really one of the reasons why the school budgets are as high as they are because there is very little of any control.

KARCHER. Thank you. I appreciate your coming.

KENNY. I hope I have been able this afternoon to enlighten this Committee of what direction future legislation should take. I thank you and the Tax Collectors and Treasurers Association of the State of New Jersey thanks you for this.

KARCHER. OK, and we thank you.

KARCHER. Mr. William Abbott? Mr. Abbott represents the New Jersey Asphalt Pavement Association, 40 Brunswick Avenue in Edison, is that accurate?

W I L L I A M J . A B B O T T . That is correct. Assemblyman Karcher and Mr. Deardorff I want to thank you for giving me the opportunity to testify this afternoon, especially about our highways and streets and roads in New Jersey, but particularly on municipal and county roads.

There is an old saying among transportation officials that you pay for good roads whether you have them or not -- but you pay more if you don't have them. The truth of this old saying is now come home to roost.

The people of New Jersey have willingly paid considerably higher taxes on gasoline, tires, oil and auto parts than on any other consumer product for one reason, to have the best road system in the United States.

This is no longer true and our highway system is going to pot, especially the municipal and county road programs, because the State has withheld aid for over three years on these projects.

In 1978 the New Jersey Budget reflects the following: revenue collected for motor fuel taxes, \$310 million; revenue from motor vehicle registration is \$242 million, for a total of \$552 million. Less the expenditure that is given to the Department of Transportation of \$219 million, resulting in the return to the General Fund of \$333 million.

When administration, capital purchases and debt retirement costs have been deducted from the \$219 million less than half of the funds appropriated would be for physical construction.

The task force of the Allience for Action shows the need for funds of \$143 million to begin repairing and upgrading our State, municipal and county roads. This is to protect our \$9 billion investment which the State has already expended.

The assertion that road taxes are high is not rhetoric. In most states, gasoline taxes amount to 20 to 30 percent of the cost of the product. This tax has no regard for the ability to pay. If you use the roads, you pay the taxes. Just try a 25 percent sales tax on food, clothing or any other consumerable product and watch the revolt.

Whether or not we are getting the road and maintenance we pay for has recently become a question. Bad roads add more than \$90 a year to the typical cost for car owners. In 1978, car repairs throughout the United States are expected to exceed \$250 million in tire, brakes and suspension damage plus \$626 million for more than one million gallons of wasted fuel from stop and start driving, also the many thousands of deaths and accidents attributed to bad roads.

The cost of our food and other consumer products increases as roads wear out. About 10 percent of the total cost represents transportation expenses.

The economics are simple, it costs $4\frac{1}{2}$ times more to rebuild a road than it does to maintain it. If we cannot afford to do it now, how in God's name will we be able to do it later. With continued traffic growth slowdowns in maintenance and the ravages of bad weather, our roads are wearing out faster than they are being built.

How do we pay for them? The Department of Labor and Industry reflect an increase in jobs of 9,916 people that would result from the State, municipal and county aid programs as set forth in the Alliance for Action Task Force Program.

The reduction in unemployment payments for 39 weeks on these 9,916 people would save the State \$42½ million plus welfare and other payment savings. Revenue would increase the State income tax, sales tax plus corporate and business taxes. We would also receive the benefit of the ripple effect on new appliance purchases and other personal commodities. We have not included any matching Federal or municipal or county aid funds in the above computation.

Besides the many benefits accruing the State along with the many improvements, man's dignity would be restored, giving him hope for the future. It would also start New Jersey in relinquishing its uneviable 49th position in the United States for good roads. Thank you very much. Is there any questions?

KARCHER. Mr. Abbott, maybe a question with regard to other states. Am I mistaking or am I correct in that there is a substantial number of states in the country who dedicate fuel taxes or associated taxes for roads.

ABBOTT. That is correct.

KARCHER. New Jersey doesn't have that. All of the motor fuel taxes and the registration fees all go into the General Fund. A majority of the states, if I am correct, have dedicated funds.

ABBOTT. A majority have dedicated funds.

KARCHER. Is that also true with the Federal programs that the Federal Interstate System is funded by dedicated revenues of some kind?

ABBOTT. Well, they have a highway trust fund that is given to the states for either on a 70-30 base or 90-10 base, depending on the state highway systems. Jim Howard has a bill up now that is trying to help the states on their repairs realizing that this last winter we had real severe effects from the weather and the states just can't cope with the amount of money they have to spend to repair these roads.

KARCHER. But the Federal gasoline tax doesn't go into a special fund.

ABBOTT. Yes, it goes into the highway trust fund.

KARCHER. It all goes into the highway trust fund. That's quite a deficit between what we bring in and what we spend.

ABBOTT. Isn't it though.

KARCHER. I never knew it was that high. I thank you Mr. Abbott.

ABBOTT. Thank you very much.

KARCHER. Mayor Czernikowski, how about yourself?

J O H N E. C Z E R N I K O W S K I. Mayor of Sayreville. I want to thank the Chairman for allowing me to come here today to make my comments known. And it is a pleasure to have the

opportunity to appear before you to share with you what we in Sayreville believe to be a major concern to all of our citizens, especially our senior citizens. That concern, of course, is taxes.

California has been the scene of much publicity lately because of the peoples overwillingness to adopt a measure to cut taxes. The philosophy put forth in Proposition 13 is one which is common to all men. It is a belief which transcends political parties and stretches clear across the country from California to New Jersey. Indeed it is a valid belief, a legitimate philosophy.

We in Sayreville have worked hard to maintain taxes at the lowest possible level and still provide as many services as are necessary for our people. We enjoy a safe, clean, community; an excellent educational system, a fine recreation program, adequate roads, pure water, beautiful parks, and all other services which the people demand, and are, in fact, entitled. We are particularly proud that this is all done at the absolute rock bottom cost to the taxpayer.

Keeping taxes at an affordable level is no easy task. It requires sound municipal fiscal policies. Saving money is no accident. There must be a deliberate and concentrated effort on part of all municipal officials and employees. Many long hours must be spent, many tiring brainstorming sessions must be held, and, perhaps most of all, many dedicated and concerned people must be involved. This is the will of the people -- and their wants must be met if we are going to continue operating in this democratic society.

Nothing is more frustrating and depressing to any municipal official who has worked hard to keep taxes at a bare minimum, than to see a local tax rate raised by something over which they have no control.

We in Sayreville have cut costs, yet our industries, businesses and individuals pour literally tens of millions of dollars into the State Treasury each year. In addition, we pay what we consider to be a vastly disproportionate amount of county taxes to Middlesex County. We consider this to be property tax over-burden. When not one cent of property taxes go to finance municipal services, and, instead is used to defray the cost of State or county services, something is grossly inequitable, terribly unjust. How can we, as elected officials, impress upon our employees the importance of cutting costs and streamlining government to lower property taxes when none of our property taxes go towards municipal services and, in fact, are actually used to defray the cost of things that are by rights the obligations of the State.

Local property taxes cannot justifiably be used to pay for Statewide problems such as public welfare and the cost of administering the courts. The cost of welfare should no more be the burden of municipalities than it is the cost of higher education, of State highways, or of paying the legislators' salaries. It is a State problem and should be supported by State funds. Likewise, imposing the burden of financing the State's courts on local municipalities is unjust. This too, is a State problem which should be supported by State funds.

I should not be too severe in my criticism of the tax structure here because we in New Jersey have taken a giant step forward, towards the goal of achieving a fair and equitable system of financing all government services.

The 1976 Amendment to the State Constitution which mandates that income tax monies must be used exclusively for the purpose of reducing or offsetting local property taxes is a welcome change. It signifies that New Jersey embraces the concept of a fair and equitable tax system.

A few months ago I came before the Senate Energy Committee to speak against the method of funding so called Lifeline Bill. I am not opposed to reductions in the cost of utilities for senior citizens. There is no question that the senior citizens of the State should enjoy guaranteed utility services at reasonable rates. My only concern at that time was, and still is, that in an era when the trend is towards fairness and equitability in tax structures, the cost of concepts such as Lifeline, should fall equally upon the taxpayers of the State. At that time I suggested that profits realized from casino gambling in Atlantic City might best be utilized to fund a Lifeline bill. Today with only the casino in operation we are realizing a profit far beyond any anticipations. I submit that this is an excellent source from which to fund a concept as vital as Lifeline. I think the idea of maintaining utility rates for senior citizens at an affordable level is a legitimate, sound and progressive one, however, if the Lifeline concept is to become a reality, if the Energy Relief Fund is to become operational, let the burden fall equally upon the taxpayers throughout the State. All monies raised through gas, casino gambling is on a choice basis. No one is forced to contribute, no one is told they must share in the cost. Every cent raised by the State of New Jersey from casino gambling is purely voluntary. It is, so to speak, found money. What makes it particularly appealing is that there is more of it than was ever expected. What an ideal way, what a fair manner, what an absolutely progressive fashion in which to raise money for such a truly worthwhile endeavor. We have finally found a way to raise monies to help so many while hurting no one. We have the opportunity to give money to some while we are actually taking it from none.

Gentlemen, I ask that you weigh what I have said here today. I have said it on behalf of more than 38,000 people in my community. I feel I have offered and embraced a plan which will benefit the people not only of Sayreville but of all New Jersey. I would hope that you will give serious consideration to the plan of utilizing casino gambling receipts to help ease the burden of those who have given so much to our society in their youth, so that they may enjoy some dignity in their old age. I want to thank you very much.

KARCHER. I would guess John that you became a senior citizen, you had a recent birthday or something.

CZERNIKOWSKI. Sixty-two.

KARCHER. Let me ask you a question. The Property Tax Relief Fund -- let me put this as the possibility, from what I understand what you're saying -- is that when the casino gambling was set up the revenues were half dedicated to help the senior citizens by way of reduction of taxes or by off-setting utility rates. What you're suggesting is that the State now when they have the revenue, say, well, we have the alternative between tax rates and utility rates they would of used it for the utility rates.

CZERNIKOWSKI. That is correct. And there's enough money. In the first month as you know I think by some of the reports coming in, the State has already received over a million in some points, already from casino gambling of one month. So at the rate they're going, I believe there is found money and it should be used for the senior citizens.

KARCHER. I don't know if I agree with you in whether it hurts nobody. You see some of those guys who are thumbing their way home.

CZERNIKOWSKI. But they're not forced to lose that money and if they're willing to enjoy losing it, we should enjoy spending it for people and worthwhile projects.

DEARDORFF. Mayor, could I ask you a question? I would assume from your testimony that you support the constitutional amendment which will be on the ballot this year to incorporate the county courts into the State court system. Because that would automatically do one of the things which you...

CZERNIKOWSKI. This is what I'm saying, because we are supporting and paying for the court costs and we are nothing but a collection agency for the State, especially the Motor Vehicle Bureau.

DEARDORFF. I hope that all of the public officials who appreciate that will let their people know so that they can understand that this really will be the assumption by the State other than of a cost to the municipality.

CZERNIKOWSKI. Actually to hear that they're going to move in that direction, I certainly wholeheartedly support that.

DEARDORFF. It will be on the ballot in November.

CZERNIKOWSKI. Good, and we'll pass it around and I'll do all I can for it.

KARCHER. Thank you.

R I C H A R D K U Z N I A K. First of all Mr. Chairman, I would like to welcome you to Woodbridge Township. I thank you for conducting your hearings here in our municipal chamber in Woodbridge Township, the largest municipality in Middlesex County.

My name is Richard Kuzniak. I am President of the Woodbridge Township Municipal Council and I have a short statement to make. I would like to thank you for the opportunity to appear before your Committee today. As one local official who has complained many times about the folks in Trenton not knowing or being responsive to the real needs of people at the local level, I want

to commend you and your Committee members for getting out into the trenches to see what the real world is like. The fact that you are holding public hearings throughout the State on a topic as important as tax policy is a very refreshing approach to problem solving.

I want to open my brief remarks by indicating that from an overall point of view, I believe that the property tax and spending reform program adopted by the Legislature two years ago is working. The combination of increased revenue to schools and municipalities, when combined with the cap law and vigilant local governing bodies has resulted in real property tax relief throughout New Jersey and here in Woodbridge. When you add in the Homestead rebate checks, the property tax relief becomes even more significant. The crucial question is how long can we at the local level maintain a relatively stable local property tax and still provide adequate municipal services? I think for quite sometime if certain principles are accepted.

1. That the cap program, which expires next year, must be maintained. Although I strongly support keeping a statute limiting the ability of all government to spend, I would like to see some modification of the present law. Unlike others who advocate excluding such items as insurance premiums, utility costs and fuel costs from the local cap law, I support keeping them within the cap. But I do support a provision that would allow the exclusion of unusual increases. For example, I think that local government should absorb normal insurance and utility increases. However, when these increases exceed the annual rate of inflation, local government should be able to exclude that portion of the increase that exceeds whatever the State determines to be the annual inflationary rate. Unless this is done, many municipalities in the foreseeable future will be forced to cut back vital services because of our inability to pay for them, and still remain within the cap.

Before moving on to my next point, I want to touch on a growing problem -- the impact of compulsory arbitration awards on municipal budgets and the local cap law. Although I don't necessarily advocate removing pay increases granted through compulsory arbitration from the local cap law, since such exclusion, in part, defeats the purpose and intent of the legislation, something must be done to keep the awards in line with the tone of the rest of the municipal budget. Under today's statutes, an arbitration award resulting in a substantial pay increase will create havoc with a municipal budget forcing either a service cutback or the substantial layoff of personnel. I suggest enacting legislation forcing arbitrators to live within the intent of the cap law. Another approach is to give municipalities the opportunity to appeal an "obviously adverse" award to the Division of Local Finance which would review the award in light of its knowledge of a municipality's total fiscal picture. Like the Finance Control Board in New York, the Division of Local Finance would have the authority to reduce, increase or set aside the award depending on the facts. The Division also should be given the authority to exclude a portion of the award

from the cap if it believes that the award must be upheld. The problems created by high compulsory arbitration awards is a growing one which must be dealt with immediately.

2. I also believe that the T & E aid formula should be restructured to give a larger share of income tax revenue back to the people in the towns where it was raised. For example, Mr. Chairman, you have advocated that the school aid formula be changed to reflect average daily attendance rather than average enrollment. I concur with this approach because the State should be paying for children who actually attend school and not pay for phantoms or empty seats. I also believe that the school aid formula should reflect students who attend private schools, since public schools are increasingly being called upon to provide services for students in the private schools.

3. Finally, State government should not mandate programs for local government without providing the aid to carry them out. Continuation of this policy while a cap law exists, ultimately will contribute to a forced cutback of important municipal services.

In closing, I want to point out that all government services are financed by the same taxpayer. Our job as public officials is to ferret out waste, inefficiency and duplicity in providing these services. By discussing our mutual problems as we are today, maybe we can do a better job of governing tomorrow.

KARCHER. Before 1976, you had an experience of increasing property taxes, hadn't you?

KUZNIAK. Yes.

KARCHER. By the substantial. And a pretty good break had been put on that, hasn't it?

KUZNIAK. In two years, we have reduced our tax rate every year, in the past two years.

KARCHER. And before that, it was going like 8 to 10 percent a year.

KUZNIAK. I think in one year we had a 15 percent increase prior to the State Legislature on the income tax.

DEARDORFF. To what do you attribute that?

KUZNIAK. To what do I attribute it to? I think to the Legislature, the income tax. I think we should have a better share. What annoys me more than anything else with a municipality the size of Woodbridge Township we're talking about \$105,000, we send a lot of money to Trenton, we get some back...

KARCHER. I've seen a lot of corporation taxes.

KUZNIAK. That's true.

KARCHER. There's a lot of sales tax over there with that Woodbridge Center.

KUZNIAK. There's going to be a lot more with the expansion of Woodbridge Center. We would just like to have our fair share back.

KARCHER. You have the fourth largest school district.

KUZNIAK. When I was School Board President it was the fourth it is now the fifth in the

State of New Jersey.

KARCHER. Sizeable.

KUZNIAK. Yes.

KARCHER. What do you have, twenty some thousand?

KUZNIAK. Well, we're down to probably now about 18,500 it was up over 23,000 a few short years ago. But the gentlemen that spoke about the problems as far as school boards, I can speak from experience being a school board member in the past, he's absolutely right. The controls that we as municipalities have governing us in budget items are there, and there are none on the school board. We did a few years ago, put into effect a local series of transfers where we had to approve transfers on our own but the State has no law of governing any amount of money that the school board can use during the year. Surpluses can be used when you see that it's getting too big in June -- spend the money on items that were never budgeted.

DEARDORFF. There is a bill before the Legislature, in fact, it was put in during the last session, has been reintroduced which would require school district budgets to be set up exactly the same way as municipal budgets and with all the rest of the restrictions. Do you think that would be a good control?

KUZNIAK. I would support that kind of control in fiscal responsibility.

KARCHER. Thank you.

KARCHER. Mr. Kuran, I see that you are here, but I'm going to wait until the New Jersey Federation comes, we're going to have a little discussion on the record of our favorite subject about the sales tax later on you and I, but why don't we wait until the New Jersey Federation comes. Is there anyone else? If not, Mr. Kuran I guess we'll take you in advance. We are going to have a discussion because this is going to be part of our permanent record and so you and I are going to discuss subjects that you and I have discussed some other times about some basic tax laws that affect senior citizens. One of which is do we incorporate a non-profit organization for the benefit of senior citizens who still have to pay the sales tax. And that creates a hardship, does it not?

J O S E P H K U R A N. Mr. Kuran is affiliated with the senior citizens in Sayreville. Absolutely. I think no one knows that better than what you do because I have sat down with you a number of times and have spoken to you about this. I would like to refer back to something that had happened to us last year. All senior citizens cannot afford to go on a trip. And this is basically what I am talking about. I had spoken to you prior before we had left on a trip to New York State. And I had inquired of you whether anything could possibly be done for senior citizens to help reduce these taxes that a senior has to pay wherever he goes. We had gone on into New York State. With what they had to pay we had to pay an additional 7 percent which amounted to

\$428 to these senior citizens. Isn't there anything at all possible that can be done, I'm speaking now here locally between you George Otlowski and Jackman to incorporate something in there for the senior citizens. Now I would like to go back a little bit more. Let's go back to the day when the senior citizen who retired 13 to 15 years ago. This man had been receiving a pension and I'm talking now about locally in Sayreville where they have Dupont, Hercules they have Titanium and these people have been retiring with a nice income 13 to 15 years ago. But all of these have been eroded, due to the things that are going on today. And these senior citizens can't keep up with it. Some of them can't keep up with their taxes. So what happens, the older people their sons and daughters have to take up that tax burden for them and help pay for this tax, in order for that mother or father who is living today to stay in that home. Now how much longer can this keep going on. We have a sales tax which was supposed to help, it was supposed to help the schools and I don't think that our schools are getting any of this. Now we have the gambling down in Atlantic City, this is not going to help us here, cause I can see it today. Now how much longer can these senior citizens keep on going at this rate as they're going in order to keep their heads above water. Now I'm going to ask you -- what can you do to help us?

DEARDORFF. What aspects of the senior citizen organization are we talking about?

KARCHER. We're talking about, for instance, the senior citizens organization has bus trips and they have a day in Hershey, Pa., or something like that, they go to the Catskills for a day and last year they went for two or three days, and this is a big social event of the year. Most of these people are otherwise glued to their homes, they don't get away on vacation, but everything they pay for there is a tax on their lodging, when they go out to a luncheon if they have a bus trip to go to Smithville Inn or something they have to pay the taxes on that. They have to pay the taxes on buses if you rent a bus...

KURAN. If I go to New York State I have to pay on that bus also.

KARCHER. It's not a lot of money but it's a nuisance it's something that operates...

KURAN. Mr. Assemblyman, I would like to bring something else out to you. Maybe you will be able to do something through some of our State Senators. As you know, we have taken a trip out West with the senior citizens. And while in Wyoming, now this is a state park, a national park, do you know they weren't going to allow us in? And for the simple reason, that we did not have a motel in their facilities, and in order to get in there we had to be with a bus -- we had to be an educational group. Well, what is more educational for a group of senior citizens to see something of their own country, and unless they had been going to school, they weren't going to allow us to go in there. Now I would like to have this checked in to, not only for the sake of the senior citizens here in the State of New Jersey. But these trips are being put out by senior citizens all

over our states. And to have something like this happen, as has happened to us and delay us a whole hour and a half, I think that this should be looked into. Especially, through our State Senators.

KARCHER. It sounds very unusual. Let me go to the second point you raised about, and I want to make a suggestion, the Mayor that testified before, and I know this is a subject matter that is a concern to senior citizens about utility rates. Utility rates for the funding of the lifeline concept have been estimated, the cost for that has been in the neighborhood of anywhere between \$20 million and \$60 million.

DEARDORFF. We were talking about \$35 million to start.

KARCHER. It would appear that casino revenues based upon the one casino might be generating in excess of \$20 million a year. I don't mean to have a leading question, but doesn't that seem to be an awfully good way to fund that Lifeline.

KURAN. Why not. Who's going to be benefiting more than senior citizens, so why go ahead and wait. Why not push this thing before too many years go by. You and I have been working on this thing for practically a whole year and we're actually right back where we started from.

KARCHER. There's no decision made yet.

KURAN. That's correct. That's what I'm talking about. I'm not entirely blaming you, this is not all of you fault, because this has to go to the State and it has to be funded out of the State if anything is going to be done at all. Why not go ahead and keep digging into this a little bit farther. These senior citizens need that help and I think everything possible that can be done should be done for these people. And what I'm speaking again, I am not only talking about senior citizens of Sayreville, I'm talking for the entire State, because the entire State needs that help. Not Sayreville locally. Let me give you an example. Let's take the lifeline, OK. Since some of these people have retired, let's take the last two years, with the rates of lifeline of electricity everything that a senior citizen has gotten in social security has been wiped out entirely by the gas, utility and public service, and I could stop right there. It's been wiped out completely because they haven't got enough money to live on. And with the cost of food of what's going on here in this country today, how much longer can these people take it.

KARCHER. I couldn't agree with you more. And today, I know it's an unfair situation when the senior citizen has to make a decision on as whether to turn his air conditioner on today...

KURAN. That's correct, especially with the weather that we're having out there today. Some of them only live by one little light. Especially a little light that's plugged in along of a wall so that when they're going into a bathroom they can see where they're going. This is how a good number of senior citizens are living today.

KARCHER. Let me ask you one other question before we finish here. The other states have a philosophy where they say that senior citizens obviously do not contribute to the educational burden.

KURAN. Stop right there, Mr. Assemblyman, let me tell you something. Who did put the schools up that we have today, if not the senior citizen that is on a social security role today. We have schools in Sayreville and I think our system is one of the finest systems that we have there. Who helped build these schools, if not senior citizens, and they're still paying to this day. My taxes have gone up \$120 this year. I even haven't gotten my rebate to date yet.

KARCHER. Didn't they all go out?

DEARDORFF. Yes, they have all gone out.

KURAN. I haven't got mine. I just inquired at the Borough Hall today. They told me that if I don't receive it by Monday, to come back.

KARCHER. What I was going to ask is, is this proposition a rather safe assumption that people who are in their sixties, do not have children within the system...

KURAN. But they still have to pay their taxes. Let me go a little bit farther, Mr. Assemblyman. How about the senior citizens that are 78 and 80 years of age who still if she has a home, she still has to pay the taxes. Like I had said before, the burden is being taken up by the sons and daughters, and is this fair to the sons and daughters to be paying that tax bill for the mother or father who is still alive.

KARCHER. Other states, such as Florida, for instance, give an exemption of I think it's \$5,000 on the school levy. In other words, there's \$5,000 worth of property value that would go for that amount of taxation that is used to support the school system, they say that well senior citizens don't have children in schools and therefore should not bare the same burden as those who are of an age to have children in the school system. Would you support such a concept as giving a special exemption to senior citizens from the school...

KURAN. Absolutely, They deserve it. These are the people that helped build the country. Their mothers and fathers came here from the other side. These are the people that set this country up for what it is today. The grandmothers and grandfathers of today are doing exactly the same thing. And going back to our schooling system, they helped build what Sayreville has today.

KARCHER. Mr. Kuran, I thank you. Is there anything else you have?

KURAN. No. Thank you.

KARCHER. Is there anyone else at the moment? We are going to have the New Jersey Federation of Senior Citizens I would say probably in the next 15 minutes so if we have no one else at the moment we'll take a little recess.

KARCHER. We are ready to proceed again. We have with us now the representatives from the New Jersey Federation of Senior Citizens.

J O H N T E R G I S. My name is John Tergis. I am the legislative consultant to the New Jersey Federation of Senior Citizens and the New Jersey Council of Senior Citizens with com-

parable duties with the Monmouth County Senior Citizens Council and the Office of Aging in Monmouth County. As I understand it this hearing was supposed to be about the disposition of the casino tax monies which are dedicated to the benefit of the senior citizens.

KARCHER. We're happy to talk here about that. We're happy to hear any of your thoughts that you have on the tax policy, the entire range of the tax policy in New Jersey.

TERGIS. OK, thank you very much, Mr. Karcher. According to the amendment to the constitution the profits from the casino operation were to be used for the reduction in property taxes, rentals, telephone, gas, electric, and municipal utility charges of eligible senior citizens and disabled residents of the State. Now, to go through this list briefly, we don't see how this could make a dent on rentals. I assume they had some kind of an idea about tax overload, it probably would require more money than that. Telephones seem to be a rather peculiar thing since all senior citizens, the poor senior citizens, probably don't have telephones, and we don't see just how you would use it for that purpose...

KARCHER. Could I just interrupt you for a second? And give you some insight, maybe, as to why it was added in there and what the thoughts were. There are a number of communities who have a program for the senior citizens which is centered around telephone service, mostly for health reasons and security reasons and the thought was that perhaps that might be a program that should be implemented and assured on a Statewide basis for senior citizens so that to guarantee each one that they would be able to participate in such a program. In other words, to assure that every senior citizen would have a means of communication within their home. I am sure you know how those programs work where there's a central person who calls everyday to make sure the person is well, to make sure the person hasn't been burglarized, or anything like that, and that was the theory that might be something that the government should try to underwrite to assure that every senior citizen did have that link with the outside world.

TERGIS. Yes, sir. Now, as far as gas and electric is concerned, of course, you're very much familiar with Assembly Bill 1830, the Lifeline Bill which was passed, it seemed to me that the purpose of the Lifeline Bill was an attempt of restructuring of rates. Maybe it fell short of that because they put an income requirement in there. It didn't apply solely to senior citizens, it applies to everybody within that income limitation. But it seemed to me that the intent of the Legislature was to make a stab at restructuring of rates so that you would have a bracket of rates in the beginning which didn't cost as much as certain of the other brackets and to encourage the conservation of electricity, and the original thought was that this was to be funded through or restructuring of rates means passing the costs onto the three classes of the users, the business, industry and residential. I believe that the present time the PUC is thinking in those terms and I believe that Mr. Jacobson has been holding hearings on just how to finance this. Of course,

this does make some reference to eligible persons 65 years or older in here, but it just seemed to me that it would be very difficult -- the cost of this is going to be \$180 million to begin with and it's for all classes of people within the income limitations. I suppose you could say that the \$12 million profit from casino gambling would merely benefit the senior citizens, I don't know. But it would seem ashame to dedicate this money for this purpose when it might very well, the final decision might very well be financing through a restructuring of rates, and that seems to be the tact that they're working on now. So it just seemed to us after going through all of those alternatives the appropriate thing seemed to be to apply it for the purpose of reductions in property taxes. Just to go through a few figures here -- I believe that we got some of these figures from your office Mr. Deardorff -- I believe the cost of the present program of the extra \$50 rebate for senior citizens is about \$14 million, \$14,375,000, that is the estimated cost of the \$50 rebate program. According to our information there will be at least \$12 million come in as profit from the casino gambling. It would almost seem that this would almost double the \$50 for senior citizens and provide an almost extra \$50. As a matter of fact some sources anticipate that the profit will be a little bit greater. We don't have any real brainstorm as to suggest how this should be handled. If you do decide on the real property reduction angle, of course, many alternatives...

KARCHER. I don't want to interrupt you again, but let me ask you a question. Do you have any statistical breakdown between people 62 years of age or over, how many are homeowners as opposed to renters.

TERGIS. I don't believe I have that breakdown here.

KARCHER. Isn't it true that if we use this solely for another \$50 rebate on homeowners we are ignoring that whole, whatever it is, it is a substantial class of people of senior citizens who are renters. They would be getting no benefit from it if we put it into only the property tax relief.

TERGIS. That is true. I don't know how you would put it into rent...

KARCHER. I agree with you that to reduce rentals also, to subsidize rentals for senior citizens is kind of a big nut to crack. But I am also suggesting that with regard to property rebates and additional rebates that will once again only go to a certain class of senior citizens those who are still in their homes.

TERGIS. Yes, if you're talking about the rebate idea, it was never recognized as far as I know by the Legislature that a particular portion of rent was on the nature of real estate taxes. I don't believe that New Jersey has gotten to that point yet. This might be another development of a rebate program.

KARCHER. I only suggest that because I'm sure that there would be a substantial number

of legislators who would say, well, if we wanted to use the money to help senior citizens we want to make sure that it helps all of them not just homeowners or not just renters.

TERGIS. Of course, it does give the Legislature the power in here in accordance with such formula as the Legislature shall by law provide and I do believe that it speaks of eligible senior citizens. In other words, it seems to give the Legislature the power to decide...

KARCHER. A reasonable classification...

TERGIS. It would be a lovely thought, but I don't know how far \$12 million would do, if you're try to do something property tax wise and something rental wise. It doesn't seem to me that it would be a sufficient amount of money.

KARCHER. I'm making a suggestion only for this reason. I making that suggestion because of the logical classification -- not all senior citizens are renters, not all senior citizens are homeowners, however, all senior citizens are utility users. And that's why I think there might be a bias -- to put it into utility rates -- because there is a guarantee of at least spreading it out to everybody who is in the senior citizen classification.

TERGIS. Just how far it would go in this line, I don't know. Of course, your thoughts about renters, and as you probably know we hold that there should be some kind of a tax credit given with respect to renters. A certain portion of their rent should be recognized. But as Mr. Deardorff pointed out at the other committee meeting that many of these things would involve additional financing which I don't think is probably the proper thing at this time. Certainly, with respect to this money, this money is there of course, and that argument can't be brought up as to this money because this money by the Legislature is dedicated toward senior citizens use. But that again might be a thought. We had thought in the nature of property tax relief and possibly as a later development we've been thinking of rental relief. But right now we didn't see that that was possible. Let me go on, if I may. It just seems to me that if the money were divided to provide another \$50 to a senior citizen, our association holds to this. I mean you take the man the senior citizen with an income of \$75,000 a year, he's going to say, well, gee, why does the Legislature do this, why didn't they give it to somebody else. And I think that you'll find that the \$50 isn't going to be sufficient for the real low income people to make an appreciable difference, maybe for the certain class middle of the road people it would. But we have been thinking of the tax overload principle, which I'll get to in just a minute. But to get a little basis for this let me quote you a few figures. The number of senior citizens that claim the \$50 rebate according to the information supplied by the Taxation Department was 287,508. The number of senior citizens claiming the low income tax credit which means that their income is less than \$500 was 179,000. In other words, 62 percent of the senior citizens who claimed the extra rebate have incomes of less than \$5,000. Of course, before you check me up on that, that \$5,000 did not include social security.

If you add social security in there, which I have some figures showing that the average social security benefit probably current is worth \$4,000 for a family, the average. This would mean that 62 percent of senior citizens have incomes less than \$9,000, and certainly this is the top. I must stress that incomes less than that, this includes all the people of incomes including social security of \$5,000 and all of this that is the top. Other figures that were furnished to us by the Division of Aging, and this is a classification of all 65 and over households including all income, 17 percent had incomes less than \$3,000, and these are households and 20 percent had incomes between \$3,000 and \$5,000. In other words, the total incomes less than \$5,000 was 37.6 percent. These two figures seem to jibe pretty well.

DEARDORFF. Is that also exclusive of social security?

TERGIS. No, the last figure was total income including social security. And to give you another figure. The total number of incomes less than \$7,000 including all sources was a total of 53 percent. So you see we're talking about a class of citizens whose income is rather low. I see no reason, as far as this may be a sort of a personal point of view, why all senior citizens have to be treated absolutely alike. We weren't alike before we got to be 65, at different income levels, different desires, and so forth. But I think that we all do have one thing in common and I think that this is the one thing in common outside of health deficiencies and things like this and that is the ravaging affects of inflation on all senior citizen income whether you're a high income man or a low or middle, you'll find that after you have been retired for five years your money is buying no matter what it is much less than it was five years ago. So we thought that possibly one thing that should be investigated is the tax overload basis. I know you understand this, but just so everybody will understand what we're talking about -- the tax overload would be set by the Legislature. Let's say it's set at 10 percent which is a pretty high figure. Which would mean that anything over 10 percent of income would be considered to be a tax overload. Let's talk about a person with an income of \$7,000. Well, his tax overload basis according to this principle would be \$700. Let's say his tax is \$900. Well, his overload is \$200 but he has already been given I think the worth of the present package is worth about \$240 or \$250 by the time you take the \$190 and add on to it the extra \$50. So he would get the \$240, that wouldn't be taken away from him even though his overload point doesn't come up to that. But let's say that same man with an income of \$7,000 has a tax of \$1,200. Well, his overload would be \$500 but you have to place some limitation on the amount of overload so you place it at \$400. He would get the \$400 in place of the \$250, approximately. So he would get an additional \$150 out of this program instead of the \$50. We were thinking about something along these lines. The desire would be to kind of, get the additional funds or additional rebates out of the hands of the very wealthy perhaps, maybe giving the benefit to the lower income, or maybe not really taking it away from the

middle income. You would have to devise a rather clever formula. I'm not sure exactly how it would work. I've played around with some figures here, just a sort of a test thing, it would require somebody with a great amount of technical knowledge to come up with the answer, but we thought it would be some kind of program which was possibly based on the tax overload principle according to some formula which is designed by your technicians and the Legislature and adopted by the Legislature or something of that nature. And maybe it doesn't have to be that, maybe it could be something based on income. Of course, there are various different kinds of tax overload formulas, it's just a name it's a principle, sometimes it's limited to people of a certain income, but what we sort of had in mind was having it even the principle applied to all senior citizens regardless of their income. And if they happened to have a tax overload, if you had a man with \$25,000 who happened to have a tax overload, maybe you would make his percentage a little bit higher than the percentage that applied, maybe you would have it scaled upgrading percentage, so that he wouldn't be excluded. Anybody could qualify if their taxes were out of line with their income as far as whatever this principle is that you come up with.

KARCHER. I'm sympathetic to that.

TERGIS. We just thought that there might be something along these lines. It's a rather difficult problem. We cannot really readily understand why the Legislature came up with a fixed idea. We followed this situation very, very closely for years, and we know the priority problem and we know that if all of a sudden you stop talking about the T & E formula and start talking about tax relief which the Legislature and your people had to do that possibly you had to give everybody a little piece of the action, I guess. This is the way we sort of figured it out. I don't know maybe in time the principle doesn't get extended any more, maybe steps are taken to sort of reverse it and put it on a different basis, but that's sort of a long-range program, perhaps. Possibly, this might be some of our thoughts you might get something out of that. I have a table here that just shows, we talked about low income people, this does show, I believe this is from the Cahill Report, and it shows that the property owners with incomes less than \$3,000 pay 14 percent real estate taxes. Between \$3,000 and \$5,000 they pay about 10 percent; between \$5,000 and \$7,500 of earnings they pay 8 percent; between \$7,500 and \$10,000 they pay 7 percent and \$10,000 to \$15,000 they pay 6 percent; between \$15,000 to \$25,000 they pay 5.4 percent and above \$25,000 they pay 2.9 percent. So it does show the regressivity of the real estate tax. It's a very good tax, it must be, and no one is suggesting the elimination of the tax but maybe some of the obstacles of the tax have to be overcome by this means I have been talking about.

KARCHER. The problem is, is it not that what we rely upon the property tax for, we rely still very extremely heavy on property tax for our educational costs which still amount to approximately 62 percent to 64 percent of all monies collected from the property tax still goes to educa-

tion. Perhaps what we really need is to fund more education out of other taxes other than the property tax.

TERGIS. The fact that we pointed out in the previous hearing that we attended, that if you add together all of the money raised by the property tax, total that with all of the money raised by all of the State taxes, you would find that 70 percent of that incurred sum is spent by your municipalities, your school boards, counties, and so forth.

KARCHER. But in excess of that 70 percent is probably a low figure. We were talking before about the fact that perhaps part of that inequity in general is that we still require senior citizens who are homeowners to foot the substantial portion of educational costs, and maybe philosophically that's not right. But they have paid for their own children, they have paid for themselves -- 40 years of paying property taxes is maybe enough to justify, or to pay back, for educating yourself and for educating your own children and maybe after that level maybe it's not really fair to be looking for senior citizens to be paying at least the same amount as everybody else towards educational costs.

TERGIS. Yes, that's very true.

DEARDORFF. Mr. Tergis, you know in a lot of states in fact in the majority of states other than New Jersey which might be classified like New Jersey as industrial states, one of the reasons why the property tax is not as important in the scheme of things is...

TERGIS. In other states?

DEARDORFF. In many other states, is that in those states the local governing bodies either of municipalities or counties are given the authority to impose other taxes. For instance, at the county level in New Jersey the county has absolutely no source of revenue, tax revenue, except from the property tax which they get through the municipality. In New York, in Illinois, in California they have imposed with restrictions, piggy-back sales taxes for instance the maximum of one percent. Half to the municipality if they want to go along and half to the county. In Pennsylvania, they have an insidious tax, the payroll tax, which all of the municipalities and school districts are allowed to impose. In Ohio, quite a number of the larger municipalities have income taxes. The City of New York has an income tax. Nassau County has a sales tax. Do you think that this might be a way for New Jersey to look to lessening the dependence upon the property tax?

TERGIS. I'm really not sure Mr. Deardorff. It might be but I really see nothing essentially wrong with our system here. In California you say that they have done this and it certainly hasn't been an answer to their problems out there.

DEARDORFF. Well, of course, this is one thing which you can point to is that two states particularly other than California which has every conceivable kind of tax still have extremely high property taxes and that's the State of Massachusetts and the State of New York.

TERGIS. About California, we have written to the Intergovernmental Agency in Washington to see if we can get a better grasp of what happened in California. We're not sure that we quite have all of the answers as to what happened out there. The newspapers keep talking about the rapid increase in valuations and I heard you mention that the other day in some towns. But why would this increase the tax rates? From a theoretical point of view, say your valuations go up 100 percent or say they doubled, the budget stays the same, your tax rate is cut in half...

DEARDORFF. But your budget doesn't stay the same.

TERGIS. Well, you have these combinations of things, I know, but why would the budget go up any quicker if you have a revaluation than if you don't. Don't we have budgets which are here to meet needs rather than just...

DEARDORFF. Well of course, one of the things which local officials try to do and understandably so is keep the tax rates down. However, they can keep the tax rate steady and still get a lot more money if the assessments increase. We had one mayor that was very successful on raising assessments and keeping the tax rates down back in the 1930's.

TERGIS. That is very true. But you see this thing that we're talking about, and this is something for you to consider, if a town did have low tax rates, you say, low tax bills, under this procedure the people just wouldn't get these rebates because they wouldn't have the tax overload and you've got to have the tax overload to get the rebate and your taxes stay real low, in a given certain amount of income and so forth, and maybe you don't qualify for this overload business. So this is another advantage of this principle. It saves rebate money and puts it where it's really needed rather than scattering it to everyone citizen and all over the place. And it also furnishes a fine basis for extending the same principle, the renters. I believe that if you don't have this principle, I don't know of any state that has a decent rental program that is a tax relief program for renters which is not based on this overload principle and certain portions of rentals being equivalent to the taxes and so forth.

KARCHER. The proposition is that in the day and age of really uncontrolled inflation and have the law and taxes taxing our percentage of the value of whatever your taxing whether it be the real property or personal property, it becomes nonfunctional, it becomes nonfunctional in an age of inflation. And the only intelligent thing to tax in the age of inflation is inflation itself.

TERGIS. We have something, I don't want to drift too far, but we have some figures here in a report that we made when we were talking about that pension exemption which indicates that we studied three or four years here, increases in wages, plus there was an annual increase in the average weekly was the increase in the four years from 1971 through 1975 having been 28 percent. The wages of production workers and manufacturing industries taken as a class apparently are lower. But they also show an increase of 33 percent over the same period. That's one thing

that we don't experience, the senior citizens, that increase in wage. If you're fortunate enough to exist for a few years you'll find the purchasing power going down pretty rapidly.

KARCHER. Few years! Few months.

TERGIS. Even working people can't keep up with it. That's one of the problems. That's one of the insidious in the country, if not the most insidious problem.

KARCHER. I always loved the story about the father who went into business. He went into business in 1935 and when he got his first dollar he went and bought a frame and he bought a frame for 10¢, and he put the frame on the wall with the dollar bill in it. When his son went into business, the dollar was worth 10¢ and the frame was worth a dollar. That tells the whole story.

TERGIS. That certainly tells the whole picture.

KARCHER. Can I ask you, for our record, we have had a substantial package of what we call tax reform from 1976, and as a general reaction what is your estimate of how the State has done to date in the last two years?

TERGIS. In tax reform?

KARCHER. Tax reform.

TERGIS. I think we have a terrific record here. I think we all have to admit that it isn't the way we would of liked to see everything. I think everyone admits that. But I think this State has made terrific strides. We as senior citizens since I guess 1975 we have been talking about this. We have been trying to promote this idea and we've been one of the principal backers of tax reform in New Jersey. And I think if we hadn't done what was done in New Jersey with respect to tax reform that is passing the income tax to get property taxes down and that there was quite a measure of success in this regard and principally if we had not put on the caps or the limitations on spending, I think we would be in the same position today as California is now with all kinds of tax revolts and all that sort of thing. I think our record is very good.

KARCHER. We made a lot of progress you think.

TERGIS. Tremendous, I think it has been great. There's always something that you can acquire as improvements. I gave what we thought were some ideas in the last hearing we attended.

KARCHER. This subcommittee is particularly interested in the property tax relief fund, which is, of course, a function of the constitutional amendment that was passed in 1976, dedicating the revenues to property tax relief. I take it that you would also concur that that was a good idea to set that money aside and make sure it goes back, guaranteed that it goes back for that purpose of reducing property tax.

TERGIS. We think it's a good idea. We stood for that constitutional dedication. We were in favor of that. We realized there were some people who thought that the Legislature should have

more flexibility in deciding, and the fund might grow too big or something like that but we think it was a good idea, it was well advised.

KARCHER. The natural consequence of that is that it would be if there were additional revenues at anytime putting them into the property tax relief fund would also I take it enjoy your support.

TERGIS. I would think so. I imagine now there is a bit of transferring from fund to another, I think. I don't think the property tax relief fund meets all of the requirements of State aid by any stretch of the imagination...

KARCHER. No it doesn't.

TERGIS. There's a huge sum...

KARCHER. It would subsidize substantially.

TERGIS. Yes, subsidize substantially the general fund, and there might even of been some transfer of further monies even to carry on the existing program, I don't know. We think it was a very fine idea and we're all for it.

KARCHER. It it fair to say, once again this is a political question as opposed to a governmental question, that there is a greater likelihood of public acceptance of any taxation when people have the idea know that it's going to be dedicated towards reducing the property tax. It's politically palatable to tell somebody well, I'm going to tax you here, I'm going to tax on whatever it is, I'm going to tax you on liquor, I'm going to tax you on cigarettes, whatever it is, hypothetically, that people have a greater likelihood of accepting that if they know the funds that they're paying are going to be dedicated to taking the property taxes down.

TERGIS. I think so, you hear an awful lot about this in the public. You hear an awful lot of discussion, what happened to this tax, they thought that horse racing was to be dedicated to property tax relief, there's a lot of discussion about this. We notice this year there seems to be I think a little tendency for some taxes to increase. Now just why that is occurring it's kind of hard to tell. You can't tell at this point because you can't get some various budgets. I don't think that will be published until sometime later on. But last year it had a very decided impact. The tax rates went down in almost every municipality in the State. Now this year I think we notice a little tendency to increase. Of course, there's always the effects of inflation but that has to be studied very carefully. And we're certainly very much in favor of maintaining the caps. We're continuing to study that, there might be some reason for change. But certainly any reason for change should be on the basis of a study over a period of time and done objectively.

DEARDORFF. We're in the process of doing that right now. Though with only really a two year experience factor it's pretty difficult to come to any firm conclusions, though we have been able

to see that there have been certain aspects of the caps which because it affects all 567 municipalities the same or essentially the same perhaps there may have to be some a little more flexibility to take care of unique situations.

TERGIS. Well, you hear many people talk about the write-ups, they all especially like the idea of nimbling away at them and excluding certain portions of the so-called fixed expenses what they are. After a while if you do enough nimbling away there would be very little subject to the overall limitation and it might be a little bit better to come up with somewhat of a new approach rather than just taking limitations here and there and so forth.

DEARDORFF. Since we're on that subject, what would you think of a proposition that was I think made down in Willingboro where you testified, I know its been made several times that perhaps the local caps should be designed more like the State caps, based upon the cost-of-living or something of that type and then not excluding anything.

TERGIS. Yes, this might be an alternative that we haven't really made any in-depth study on it but it certainly might be...

KARCHER. Let me suggest that maybe there is some area that warrants study with regard to the caps in relevance to senior citizens' problems or senior citizens particular orientation and that is this that there is a situation that has arisen and has come to my attention and I imagine its come to other legislators' attention, where a number of items which municipalities feel are vital and because of the function of the cap law they have been forced to build-up surplus not being allowed to spend the money where the same time they need the service or they need the facility and have surplus available to fund it, but are forced to bonding because they cannot spend it. Despite the fact it's really a hand strung kind of position and the Mayor comes to me and says, listen I have the surplus money to buy this new garbage truck but I can't spend the money on the new garbage truck I've got to go out and bond for the garbage truck so I can get outside the cap law. I know that as a general principle senior citizens have a certain orientation that they're not really wild about bonding. Mostly, because they say, well listen I'm going to pay for it and I might not be around to enjoy it. I have always found that to be true, that there has been that attitude -- I would like to avoid bonding, if I can avoid bonding. And in that sense I think that there should be some perhaps further look at the situation where municipalities are building up surpluses and not being able to spend it or being forced to bond as an alternative to spending the surplus. I certainly think if the surplus is available they ought to be an exemption from the cap law.

TERGIS. Without increase on the taxes, yes. I guess senior citizens possibly don't like the idea of bonding so much. Maybe we're used to living more on a cash basis maybe we haven't been used to those terrific debts and so forth. I think probably we have concentrated a little bit

more on the educational caps than the municipal caps. But I can see that we have to try to be reasonable. We think that they should stay. Without them I think you would find a big increase. The mere fact that there has been so much pressure to relax the caps indicates to me that without them there would have been an increase in spending.

KARCHER. Most municipal officials spend half their working hours trying to figure out how they're going to survive.

TERGIS. Yes, I know.

KARCHER. It's had some very salutary affects, it's caused some very innovative measures to be undertaken. And was a very healthy trend, for instance, in the insurance area where there was a great deal of pressure to release the caps on insurance premiums and towns not being able to do it have found that there are many ways to get around. They started insuring for lower amounts they started self-insurance programs. Here in Middlesex County, our county undertook a self-insurance program that has saved them \$900,000 already in one and a half years. In my town we saved \$200,000 in two years on self-insurance program.

TERGIS. Self-insurance. Is this done through the cooperation of an insurance company.

KARCHER. What they do is they write higher minimums that are deductible. For instance, a county has \$100,000 deductible -- in other words, they'll stand to the first \$100,000...

TERGIS. Oh, I see.

KARCHER. And you have sort of a catastrophe umbrella. So if they have some real bad experience they're insured for that. But for the routine day to day, dent fenders and so forth that's covered by themselves.

TERGIS. I was wondering whether I would do it without some kind of an umbrella because the catastrophic situation is the thing that can really break you where you need the protection of a company.

KARCHER. I know this is off the subject but it's an interesting topic. In workmen's compensation every employee is already in the budget. You're budgeted for your full salary for the year, anyway, so as far as being temporary disability there's no need to budget for that or pay premiums for that because you don't have any part of the budget to pay them. So that was just wasting money. It's wasting money for a county or town to pay that. By the time most claims are settled, it's usually two or three years down the road, and by that time if you know that you have to pay it you can raise it as you go along. Paterson has had an experience where they have even been so courageous as to start self-insuring for their hospitalization and medical insurance and they found that they saved \$300,000 in one year on hospitalization and major medical. So it has had some very surprising but very beneficial side effects of the cap law. Well, I thank you very much. It's been a pleasure having you.

G E O R G E H O O P E R. My name is George Hooper. I work with John T rgis, I'm Co-Chairman of the Tax Task Force of the New Jersey Federation of Senior Citizens and I am also on the Executive Board of the coalition for Statewide tax reform in New Jersey. We testified at Willingboro and I don't know if you have copies of our testimony but we have them available. The documents that we submitted down there are a summary of our 13 Point recommendation and also a copy of the Senior Tax Convention Joint Platform Committee Report, December 4, 1976, and this basically outlines the established position of the Federation with reference to tax reform. It was a result of public hearings throughout the State. Seniors were invited to give input. And the basic input of seniors at every meeting that I have attended has been two things: 1) the economy in government in schools and so on; and 2) the Department of Taxation ought to be in accordance with the ability to pay. So with those two fundamental principles the Platform Committee attempted to comply with that. And without going into all the details again, because you have the statement, but just as an outline for finding it and so on, our recommendations were in light of things that could be done immediately in long-range things. Our first three recommendations relate to economy in government. We subscribe the zero budgeting at every level of government. Observation of the caps as set forth by law, and as John said we would appreciate that possibly some review of the law is necessary in occasion, but not without carefully considering both the results and the operations of the relief mechanisms in that we had a cap excess vote whereby the \$500,000 excess was put up for vote -- Commissioners outline what they thought would happen in the event if the excess was not approved -- and the budget, the excess was defeated, considerably. And pretty much what they said would happen, happened. Our remark is, however, that the nearer you can get to linking expenditures and tax rates and funding and benefits, and this is a process that tends to do that at every level of government, the better, so that we turn to the citizen and ask him do you want less nursing services, but that seems to me the fundamental and that's sort of what happened in California. The school caps we recommended that there be limits on the discretionary powers of the Commissioner of Education or that they be more adequately prescribed by law. Those were our first three recommendations in accordance with our economy in government input. Then we put into the recommendations certain improvements in the Homestead Rebate administration, John has touched on that I won't go into it. The real core of our position is in Recommendations 11, 12 and 10. Basically, as you have outlined, it is necessary that where you have an inequitable property tax -- this chart you probably will remember had other data on it, it had the property taxes and other taxes and totals. The interesting thing was although there was just discrepancy in the property tax, highly regressive, that even before the income tax which is a much more progressive tax, the other taxes out of a total of nineteen point something over here, fourteen the property tax was responsible for and over here the difference was very modest so that all other taxes even at that point if not progressive were at

least holding their own. So that the property tax is the core of our problem. It's the most objectionable tax and we're trying by every means possible to reduce it. Our Recommendations 11 and 12 have to do with the shifting of the burden as you said of school costs more and more to the State. The national average is up near fifty. We're achieving forty to forty-one but we would like to achieve more. And the other thing would be the shifting of functions that may have a Statewide connotation in the municipal or county level to the State funding area drawing from other than property taxes. Now, that's fine and we go along with those things but bare in mind that when you do that you're in effect reducing property tax rates for everybody. It's a reduction in property tax rates across-the-board, and when you're talking about that kind of across-the-board cut you're talking as in California where they cut \$7 billion out of the property tax, of course, they also put in \$5 billion from the state level, but the \$7 billion that was cut out of the \$12½ billion roughly, two-thirds of it would not go to the homeowner or renter. It went to industry, business we'll say in general and agriculture. This is the same kind of thing in any rate reduction problem. You're talking there across-the-board. Not that we don't want to encourage industry but bare in mind that if you're talking about improving a lot of senior citizens under a program particularly renters, there's no reason in California why the landlord has to reduce the rent because of that. Therefore, we need a program that takes in to these kind of renters. Mr. T regis seemed to indicate that we are making a lot of progress but really we think we have got a long ways to go. Particularly in that area. Our fundamental thesis is that when you get this kind of discrepancy between the State and local tax structure merely reducing the rate is not enough. In the first instance, it's an unfair tax burden on low income people. Therefore, to improve it you not only have to reduce the rates for everybody but you have to introduce the principle of the tax overload mechanism. We think this is essential to a tax reform program that's meaningful not only to the seniors but to all the low income people. And in my statement I pointed out in Willingboro, that in order to correct a situation like that you have to somehow reverse it. And as John said, not try to undue what's been done but to build on it. And the other thing I point out is that we do not wish to get involved in constitutional questions. We would like to have something that is a legislative matter that can be handled reasonably quickly. Article 8 of the Constitution under Section 15 already provides that the Legislature may adopt a homestead statute which entitles homeowners and tenants to a rebate or credit of money related to property taxes paid by or allocable to them at such rates subject to such limits as may be provided by law such rebates or credits mainly to the differential rebate or credit to senior citizens. So that to appear feasible that we could amend the homestead rebate at the legislative level to retain its present benefits to homeowners but expand its benefits on a sliding income scale to both homeowner and renters by deeming say 25 percent of rent to be in lieu of property taxes paid by renters. Recent legislation in New York

State points up the benefit of such a concept for Federal tax purposes, Jersey might consider that in the process so that the landlords would reduce their income and the property tax deduction would be set up for those tenants that could apply it on their Federal return that's saving Federal tax dollars. So that was our core position, to try to fundamentally change things in that regard. Now as far as the funding our fundamental position is on Recommendation 13 and we don't believe that we are redistributing income on this basis. We figure we're reallocating an unfair property tax on the basis of income. Our Recommendation 13 in effect stands for a more progressive income tax primarily the rate structure which is now 2 to 2½ could be modified as many states, perhaps not to be extreme as California 1 to 11, or New York 1 to 14 or that kind of thing, but modified so that the principle of the ability to pay is more adhered to. We feel that over the long run, we understand the budget problems this year, if this kind of change were made we think that's the fair way to make it. With reference to funding by casino revenues as John has pointed out and we don't have too darn much choice in this constitution and the utility law touches on this in a somewhat ambiguous way. It's our feeling that the insertion of this provision for funding of senior portion of this lifeline rate and quantity was a mistake. We don't know if it's suppose to be corrected legislative-ly or not but our position is that the restructuring rates is the fundamental way that this bill should be handled, and we adhere to that. If there is some provision for revenues from casinos in the utility law we're stuck with it but our position is against it. This leaves us then with the items that have been covered already but primarily we think providing reductions in property taxes is the way to go. And providing these reductions for seniors only would, of course, have to consider the mechanism by which it would work. It seems that the only senior items in property taxes today are the \$50 and \$160, but if our proposal were adopted there would be another tax overload mechanism and it's in this area that we strongly recommend that casino revenues be used. It's a kind of approach that would affect assuming the 25 percent in lieu of taxes for renters would affect seniors across-the-board and it would affect seniors in an effectively equitable basis. So we make the point strongly that it should be in the area of property tax relief and that the mechanism should be such that, tenants, homeowners, all seniors should benefit as much as possible on an equitable basis. Incidentally, the staff handed me a note here that one point came up before about homeowners and renters among seniors his note says that according to the 1975 update of the 1970 U.S. Census, senior homeowners outnumber renters 2 to 1. I know on a Statewide basis the numbers seem to be 1,200,000 overall homeowners and 800,000 renters. Apparently the seniors have a higher proportion. His other note said that when you are at the point about spreading utility bills across-the-board that not all seniors pay utility bills that those in public housing and in certain congregate housing units do not pay separate utility bills. So you might have a mechanical problem of spreading on that basis. Those are our fundamental positions. We point out to you that

if you take a chart of circuit breakers throughout the country this is by no means a new or revolutionary concept. There are many variables you can set. You can have a circuit breaker for seniors alone or you can have a circuit breaker for low income people across the board. You can set the income requirements at any level and therefore just across that way. The rent equivalent percentages range from 12 to over 25 percent so that there is flexibility that way. Most of these laws have a top limit. I think, talking from memory now, that the most recent liberal law was in Michigan and it had a top limit of \$1,200 it formerly was \$500. The ones that are in this 1975 chart are nearer a \$700 maximum limit. So there are all kinds of mechanisms. There's a lot of flexibility in this and the senior portion of the cost could be segregated out so that for funding purposes it could be funneled through casino revenues which apparently are our only present source of revenues unspent. But apart from our fundamental position we feel that the casino revenues as limited by the constitution would best be applied to property tax relief. I think that covers my general statement.

KARCHER. Thank you.

TERGIS. May I add something. The Utility Lifeline Bill affected one paragraph here which sort of expressed the philosophy of the legislation that in the absence of specific funding for any lifeline rate established pursuant to the provisions of this cost the cost of establishing a lifeline rate will be borne by a restructuring of the rate structure of users and all classes of customers and in the manner not consistent with the provisions of this act was the attempt of restructuring. Of course it does go on to mentioning something about the casino funds. But this is just sort of going through the back of my mind that if you just throw this \$12 million in as part of the \$180 million to meet the cost of this legislation it might get...

KARCHER. Let me suggest to you that you are presently being hosted by the site of the largest single powered generating area in the State of New Jersey, the 19th legislative district. We have power plants in Avenel which is part of Woodbridge we have them in Sayreville and we have them in South Amboy. So we are very energy conscious in this particular district. Let me suggest to you also that there is something that really bares some thought. And I would like to suggest that perhaps some more attention be given to this not only by my fellow legislators but by everyone concerned. There is a severe problem with the entire attitude or what seems to be a very facile and easy answer to utility costs saying restructure. The problem with restructuring of utility rates is that no one yet has looked at the entire energy picture with regard to the final end product. Energy comes in two forms and bare me out. There is that energy which is generated for terminal consumption and to encourage or to force their terminal consumption of energy runs counter to the national policy for the conservation of energy. It is obviously other than by itself inherently a dissipation of a natural resource and asset of the society. Any home consumption whether it be by a resident who is a senior citizen or a resident who is not a senior citizen is terminal consumption by its very definition. However,

that energy which is used in commerce and industry is not terminal consumption, it is component consumption. In other words, the electricity that is used in a refrigerator in a house is terminal consumption. The electricity used in a refrigerator at a meat warehouse is component consumption of the final end product which is sold in a market place. A better example is that the energy used to light a light bulb in your house is terminal consumption -- it allows you to read the newspaper, it allows you to have security -- but it is terminal nonetheless. The electricity used to generate a steel mill in industry is component consumption. It is going into the making of another capital product or a consumer product. But anyway being used in industry and commerce it increase the wealth of society and the wealth of the nation as a whole because it has gone into making another end product it is not the end product itself. Therefore, there are those who argue and I'm not saying that I am one of them although I am who argue and I think rather validly that the restructuring of energy rates which of a necessity impose higher rates upon industry and commercial consumption which is component consumption may very well be counter productive to the national goals and even our own goals not just in the sense of the national conservation of energy but also the national policy of trying to increase our amount of capital goods. Anyway that's a great philosophical discussion but it has a lot of merit. And I would suggest it to you that maybe there is some thought. That maybe restructuring utility rates isn't to be all and end all, it isn't really what its cracked up to be. It might very well be one of those things that is immensely counter productive to the welfare of society.

TERGIS. I haven't studied this thoroughly but as I understand it the restructuring, don't get the thought that anybody is trying to put the whole load on industry there is to be a division of the cost of this between industry, commerce and residential. Residential would bare its fair share of this and as I understand it this would make the amount that would go on industry. I don't believe there has been a real good study of this that I know of. But I don't believe that the cost of this would, you know, by the time you take one-third of it and put it on industry the cost isn't going to be that too great because I understand that in the final product of a manufactured product the cost of energy in that final product is rather small.

KARCHER. In the last four years it has been raised as a component element from 5 percent over 8 percent. The products manufactured in New Jersey as opposed to say the State of Washington the component energy cost in an automobile manufactured in the State of Washington is 3 percent. The component energy cost manufactured in New Jersey is 9 to 10 percent. So what I am suggesting is that we all understand before we start waving the flag in saying boy this is an easy solution to spread the burden we ought to understand that there are significant implications to the State and higher energy costs may go well in some instances may be a counter productive measure.

HOOVER. May I interrupt a minute. I testified at a public utility hearing in Newark and the argument related not to component productivity which after all is important but a consumption

of electricity is what we're talking. We're trying to discourage the consumption of non-existent energy and it's in that context that the cost factor to industry came up. Now I happened to be manager of state and local taxes for Ingersall-Rand Company and I have participated in many studies primarily with reference to taxes but the input was from all over the sayings as to whether a plant should be located in North Carolina or in New Jersey or here or there and of course the times have changed and I understand what you said about the last three or four years but I have never seen a report where the cost of energy was the overriding factor. Now there can be energy intensive industries. But my point is that when you're talking about a cost factor which in those days would have been one to two percent or something in that area and then we're talking about a cost factor to a senior citizen which can go up to 30 percent of his budget it's not the component part of financial product I am worried about it's the affect on people by not having electricity structured in such a fashion that you not encourage the wasting or the overuse of it and also have the economic impact on people that it has and will have increasingly.

KARCHER. I agree with you. I agree with you in when you talk about a fundamental problem such as human security, it's the dignity of an individual and when he's being forced to pay 20 percent of what he gets for taxes and another 20 percent for the basic necessities of utility bills it becomes irrelevant that an industry has to pay 7 percent as opposed...

HOOPER. Or cuts their profit or something...

KARCHER. My only suggestion was is that restructuring is not the easy solution that some people make it out to be. There are some significant implications...

DEARDORFF. Pardon me. That has been one of the problems in the whole northeast you know. As George said any one item usually isn't the determining factor for industry. I know I used to attend all of the meetings of the National Industrial Conference Board in New York and they would have 13, 14, and 15 items which determined where you located a plant and some taxes really property taxes were not a very important thing. But we start adding all of these things together you see and in the northeast the cost of energy to industry or to anybody is far more than it is in the so-called sunbelt in the far west. The northeast and the north central states the cost of energy is ten times what it is...

HOOPER. Well, it's the bottom line that they look, energy is less and the cost of labor...

DEARDORFF. And you see we've been piling this up that's what the problem is.

KARCHER. We did a very interesting study in the Legislature the first year I was there Herb Klein's committee when the big plant up there in Paterson moved out.

DEARDORFF. RayBestos.

KARCHER. RayBestos. They had a study of the implications in why New Jersey was not being competitive. That seemed to tend to show that there was no single overriding factor. There was

no one element that said this is dispositive of why we will move out or why we will not come into New Jersey. It is an aggregate as Gil points out it's a piling of one thing. And the Wall Street Journal had a story sometime this winter which showed that on these surveys where Gil was correct he said that there's 14 or 15 factors probably the most predominant factor now in making a determination is not taxes, or labor market or anything it is the quality of life, it is the amenities that the State offers and it's really becoming dispositive as to where an industry will locate.

HOOPER. Incidentally Gil, with reference to your question on local taxes, I dealt with this question across the country. It's undoubtedly a solution to put the funding mechanism where the expenses are and its been used in a lot of states but I would like to point out that it's a mechanically very difficult job from a corporation's point of view. If there's 65 counties in California with one rate that's one thing if you can coat it in such a fashion but in Texas the cities have one rate, the counties have a rate. In New York State, 11 different rates. If you're going to go that route please go some sort of an easily administered route for the corporation.

DEARDORFF. I know what you mean. We used to point out in the oil industry that if you drill from Montgomery to Birmingham, Alabama, you encountered something like 60 different gasoline tax rates.

TERGIS. Just another word on this. Sometime before I came here today somebody passed along a note to me with this lifeline legislation must be implemented by November 8, which indicates to me that they are presently thinking in terms of funding it. Certainly the PUC is dealing with this and Mr. Jacobson I believe is dealing with this at the present time and it will be funded by some means and we if we just throw that gambling casino money in there you might be throwing in money that would be raised by another source.

KARCHER. There is a great deal of sympathy for lifeline. If it can be done in such a way that is not counter-productive to the entire community as a whole including the fact that we are a State which suffers from high unemployment, etc., I would suggest it would appear at the moment that perhaps some combination of restructuring in the casino revenues is probably the best bet and I'm only one out of hundred-twenty voices. I think you are a little low in your estimate of \$12 million. I would think that before we gather here again two or three years from now we will see the casino revenues are going to generate maybe more like \$25 million or \$30 million. You wait and see. A few other things before we adjourn this meeting. One is just for our record. I don't take it that you that there is a widespread support for the idea of eliminating taxes that are borne by municipalities now that go really to State problems such as judicial administration and welfare which are really State problems not municipal problems and ought to get away from the local poor law of 1844 which is hanging over us yet on local costs.

TERGIS. We covered this at Willingboro.

KARCHER. Last but not least I have a recommendation just take my advice that we can raise our cost of education the amount paid by the State to almost 50 percent, but nobody ever listens to me. Very simply and I want to tell you before we adjourn. There is 10 percent of the total State aid budget which is spent for phantom seats for phantom individuals and when we say the enrollment in the school system of New Jersey one million students what we actually mean and I just used a round number what we actually mean is that there are 900,000 students going to school because the average absentee rate in New Jersey is 10 percent. Do you know that the absentee rate in the City of Newark is, 22 percent, which means that when we send \$100 million which is what we send to Newark a year, round figures, when we send \$100 million in education aid to the City of Newark, there are 22 percent of it which is \$22 million which would be \$75 for every senior citizen owning a home in the State of New Jersey, to give you some idea, \$22 million goes to educate and deceits -- but they're not there, nobody is there. The T & E formula says that they shall distribute money on the basis of the formula to students who are enrolled and attending, and it says that conjunctively not disjunctively, it says enrolled and attending. And we send the money for those students enrolled or what they tell us. Nobody from the State ever goes and checks the figures. So if Newark says they have 65,000 kids in the system we believe them and what they do they do send the attendance sheets but if they say it's 65,000 we know that there is only 47,000 that show up. On any given day the system only has 47,000 students.

TERGIS. Well they used to do that on the basis of average daily enrollment. That made the calculation a year behind, so they had to do it as of September 30 of the current year...

KARCHER. Out of 440 school districts in the State of New Jersey, there are only 32 districts that increased enrollment last year. The other 408 went down in enrollment. And yet we paid them more money based upon last year's figures because we are always based upon this year. So in other words, we'll distribute money come September but the September school year is based upon last September's figures, although we know 408 school districts dropped. But if we distribute it on an average daily enrollment then the State by mathematical computation would be paying for 50 percent of the school cost rather than 39 percent. I thank you gentlemen.

TERGIS and HOOPER. Thank you for this opportunity.

KARCHER. Anyone else? If not we are now adjourned.

Summary of Remarks made by John P. Tergis, New Jersey Federation of Senior Citizens, New Jersey Council of Senior Citizens, at Woodbridge, New Jersey, July 20, 1978

The following is a summary of the testimony I gave at the public hearing of the Joint State Tax Policy Committee concerning the disposition of casino gambling profits.

We favor applying the profits toward reductions in property taxes for senior citizens.

The profits for the period from May 1978 to June 30, 1979 are estimated by the Office of Fiscal Affairs to be about 12 M. Since the cost of the present \$50 extra rebate program for senior citizens is 14 M plus, it appears that the profit would just about double this amount.

The profit could be applied in any one of several ways:

1. Distribution on a per capita basis under which the very wealthy senior citizens share alike with the very poor senior citizens.
2. Distribution on a per capita basis but excluding the wealthy, say with incomes over \$25,000 per year (if possible).
3. Distribution according to a "tax overload concept", which we favor, where the tax overload point is determined by some percentage of household income and the rebate is related to the amount of the overload. This would give an advantage to those with heavy tax loads in relation to income, principally low and moderate income families.

We offered the following statistics in support of our suggested solution:

1. According to the Research Department, Division of the Treasury, there were 287,508 claimants for the extra \$50 senior citizen homestead rebate this year. Of these, 179,005 claimed the low income tax credit (\$160 for those with incomes under \$5000). By adding to the \$5000 the average family Social Security benefits of approximately \$4000 (1976 average per the Asbury Park Social Security Office), we find that 62% of senior citizen homeowners have household incomes of less than \$9000, including social security. The above is the maximum earnings for this group - the average would be much lower perhaps in the \$5000 to \$6000 range.

2. According to information supplied by the Department of Community Affairs, Division on Aging, of the husband-wife families, head 65 years or older, 17.4% have household incomes (including social security) less than \$3000, 37.6% less than \$5000, 52.9% less than \$7000 and 68% less than \$10,000.
3. According to the Cahill report, the New Jersey property tax is quite regressive in nature, having a more severe impact on lower income families, as shown by the following percentages of income spent on property taxes: earnings between \$3000 - \$5000, 9.6%; \$7500 - \$10,000, 7.2%; over \$25,000, 2.9% (these statistics being up-dated).

If the "tax overload" principle is practicable at this time, we suggest the overload percentage be kept quite flat, perhaps in the 7 or 8% range so that a rebate will be possible even for the moderately well-to-do where a tax load exists. However for \$25,000 ^{EARNINGS OR MORE} ~~12.9% (these~~
~~THE ACCEPTABLE PERCENTAGE SHOULD BE INCREASED.~~
~~statistics being up-dated).~~

Where the overload turns out to be less than the present rebate, or the flat sum equivalent thereof, say \$245, the present rebate will apply. Where the overload exceeds the present amount, the overload amount will apply. In any event there would have to be a maximum rebate, perhaps \$400.

Under this plan every senior citizen homeowner who could qualify under the overload formula, would be eligible for an additional rebate. (Eligibility would not be limited by income alone.)

According to our observations, the overload concept would have to be installed as a first step toward real estate tax rebates for renters. It could be extended to renters as funds become available.

We do not favor applying the casino profits toward financing the lifeline bill. It is our understanding that the Public Utilities Commission is presently working on a rate restructuring plan, whereby, the cost of the lifeline rate would be apportioned among the various classes of users, which, of course, is the intent of the lifeline

concept. If the casino profits are used for a partial financing of this rate, we believe senior citizens will take the viewpoint that money is being used here which would otherwise be available from another source and that they are thereby being deprived of this profit. There are problems and inconsistencies with using the profit in this manner which we would like to discuss with you in greater detail.

