

PUBLIC HEARING  
BEFORE  
JOINT COMMITTEE ON STATE TAX POLICY  
SUBCOMMITTEE ON LOCAL GOVERNMENT  
(PURSUANT TO SCR-64)

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SENATOR WALTER N. SHEIL. I'd like to call this hearing to order. As most of you know, my name is Senator Walter N. Sheil of the 31st District, and I am also a member of the Joint Committee on State Tax Policy, and as chairman of this hearing I would like to introduce our Committee members and staff. On my left we have Assemblyman Richard Van Wagner from Monmouth County, and on my right our expert on tax policy, Mr. J. Gilbert Deardorff. We are taking an overall look at the entire tax structure in the State. We believe the picture would not be complete without public participation and that is why we have set public hearings throughout the State. If we can help solve the problems of urban cities like Jersey City we will be doing a great deal for the entire State. Now before I call on our first speaker, I have received a list comprising six or seven speakers. If there's anyone present who has not already given me their name, I would appreciate if you would please sign up with Mr. Peter McHugh who is seated at the recording table and he will pass it on to me because we want to give everyone who would like to speak the opportunity to do so.

You will notice that our hearing is being taped and the reason this is done is to give us an accurate recording for our records. I would now like to call on our first witness -- our distinguished Mayor of Jersey City, Thomas F.X. Smith, who like Dick Van Wagner and Gil Deardorff, has taken time out from his busy schedule (I know he works 18 to 20 hours a day seven days a week) and we do appreciate all you're doing, Tom, and thank you for coming here to testify today.

MAYOR THOMAS F.X. SMITH. Thank you very much Senator. Senator Sheil, Assemblyman Van Wagner, Gil Deardorff. I would also like to make mention of the fact that the distinguished Assemblyman is really a Jersey City boy and that he was for many years a resident of our city. He is indeed the kind of product that Jersey City has developed through our centuries of existence. I think it's awfully nice to know that we have a man like you, together with our great Senator Sheil, on the Tax Committee.

At the outset let me just, if I may, depart for one second to clarify a position which apparently our former State Treasurer, Mr. Dick Leone, and the gentleman who is the Republican Candidate, Mr. Jeffrey Bell, made on regional television -- and it's the kind of thing which I think highlights the problems of cities. In essence Mr. Leone made reference to Mr. Bell, and in making reference to him told him that Jersey City wasn't concerned with the cost of welfare and Mr Bell made some remark to the effect that "...well, whoever pays welfare". Without in any way trying to diminish either of those two fine gentlemen, let me just assure them that the city of Jersey City pays some \$5 million for welfare; \$2 million under the General Assistance Plan and we pay, as they should know, approximately 28 percent of the county costs. Of the county cost rate for dependent children, our end is about \$3 million so we pay about \$5 million for these unfortunate people all of whom I would safely say, could not live in Deal or Allamuchy and these other communities. I think that might highlight the real problem and the problem is that the State of

New Jersey created us, we are a creature of the State of New Jersey. The State of New Jersey also defined the lines of demarcation and somewhere along the line some two hundred years ago, they said this is what Jersey City represents. Now it is true that the people have a right of annexation and the people do vote for annexation. In Jersey City, in about 1870 and 1873, developed to its present position but that could not happen without the State, we are all creatures of the State. We are one State. And that's where I believe the problem exists because we don't look at this as one State, we look at it as a 567 demarcation that someone might have dreamt up. That could be abolished tomorrow by the State Legislature. Could be amended tomorrow by the State Legislature. But they defined these areas and they said if you live in this particular area we give you the ability to tax. What eventually happens is -- and it's happening all over the country -- that all poor cannot go to Deal (quite frankly none of the poor can go to Deal or Allamuchy), so they de facto must come into Jersey City or Newark, or an Elizabeth or a Camden, or a Passaic or a Trenton. They must come in there. They can't go anywhere else. And when they come into this area the people of that community who have to live there have to pay for all these exorbitant costs -- Police and Fire. Of the 567 municipalities how many have to pay \$34 million to provide what the Constitution says they should have? Yet they're unable to pay for it so we don't have the Police and Fire and when we look at it, and we look at it in these simplistic terms, I think some day we're going to look back and we're going to scratch our heads and say "how could we have been so foolish to rely on local property tax systems?" A system that says if you can't live somewhere else you have to live in one place and you have to afford all these overburdens of local costs. I say that the problem lies in -- very clearly -- the fact that in this particular age (200 years ago maybe it was fine but now it's a different situation ) we know the realities of the poor moving into the urban areas, they have no place else to go and wouldn't even know where to look for welfare in Deal. They wouldn't even know how to go about getting any of the assistances that we provide here. So the point I'm making essentially is that we have to do away with local property tax type situation. Regardless of what the tax is, and we're not saying it should be real estate, income tax, or sales tax, there should be uniformity of taxes throughout the State. Perhaps a uniform tax level program. A uniform tax program is what we're looking for. To allow those people who are wealthy and live in these other communities, who are devoid of the crime problem, devoid of the threat of a fire that burns down municipal buildings, that are devoid of housing projects, that are devoid of welfare. All these wealthy people, the way they live, that they would equally share in the costs of the poor of this State and this country. So I think we begin with a very infantile approach in saying that at this time in our development in this nation, that the burden of services should be placed on the individual municipality. So one, I say we need a uniform tax program. Two, we need a mandatory minimum level of entitlement of services. We have to be guaranteed that which the Constitution of New Jersey provides for us. That right,



the equal protection under the law of the Federal Constitution, and no-one, no-one, can say honestly that that same kind of security and protection exists in cities as it does -- and I keep using the Deal as a reference point, or the South Orange if you will. So we have to have some guarantee, and we're not given that guarantee now. And vaguely I think, which might be perhaps in some quarters considered revolutionary, we need to direct a State industrial master plan for the location of industry. How in God's name can someone expect, and I sit with the industrialists all the time, and the State programs where we have had the leading industrialists of Prudential, Campbell Soup, Allied Chemical-- you name them -- and they all say the same thing. How are we going to move into a community and pay \$100 a \$1,000 taxes when we can move into another area for \$10 or \$15? How in God's name can we expect to attract a business/industry with that kind of inequity in terms of local taxes? And those people who argue "well reduce the taxes"; nobody deserves a reduction of taxes more than the people in the urban areas of America and it sickens the urban Mayors to hear these things. They need the tax reduction more than the Deals and the South Oranges. And the people that are saying that we should be cutting our services, they should be out there listening to the people saying "we need more policemen" -- and we do need them. "We need more firemen" -- and we do need them. To have Mayor Koch be told in New York that firemen die because of his program to cut back. The city is bankrupt. They can't afford these taxes. We have a minimum level of services in this city going back to the 40s and 50s, the numbers of people in terms of their working hours, and by the same token the demand is that we cut back. No-one deserves it more than our people in these urban areas. Who should be paying \$105 in Newark, or \$100 in Jersey City, or \$107 in Hoboken -- all the cities -- they're staggered under with these over-burdens and nothing is being done. We need the Proposition 13 no question about it, but we need it to give the relief to the people who deserve relief, people who are living here with a less quality of air and all the other problems that go with it. So we're talking about a master plan that would say whether you're going to move into Jersey, or you're going to move into Deal, you're going to pay the same taxes. Anybody in his right mind knows that the business community is, and rightfully so, directed on their competitive nature and they'll all tell you the same thing. "I can't pay for the cops and firemen, I can't pay for the welfare, I don't have to pay it in another community". They have no welfare. "I don't want to pay for your housing projects", that's what they'll tell you, and yet you don't have housing projects in Deal and these other communities. There's where your costs are coming in. And they're coming in and there aren't sufficient services. So you have to have a plan that says to an industry your tax is going to be the same whether you're moving into Jersey City or Newark, or you're moving into the southwest corner of the State, so that we have an equal opportunity. The only tool that has been given to the industrial areas -- and I'd be the first one to say it -- is not the kind that we like but the tool that the Legislature designed, the tax abatement. The State recognizing the needs of the urban areas said they were going to enact such a law to allow you to

compete for the same problems we're talking about. To allow you to compete. But who suffers? The taxpayers of the communities suffer. It's easy to get up and say you want taxes cut, who in his right mind doesn't? I sat there yesterday with the President talking about the CETA program and about the provisions about moving them, and if I depart please bring me back, but these kind of things make me bleed. We talk about in eighteen months moving them. I'll show them an A. Harry Moore School where crippled children are on the CETA program. Happy to have it. Joyful. Providing a productive life. And where are there the means for them to go elsewhere? But these kinds of programs that cost money, and the people who are insensitive to these things -- they're insensitive I'll tell you that. We need the tax cut my friends. I'm pro proposition 13, but I'm pro on a Statewide level where the services of the poor are shared by everybody. The millionaire as well as the poor guy that's sweating in some of our factories and trying to pay these excruciating taxes in the communities. As I told the Federal government, put in whatever monitors and supervisors you want. We'll allow them to bring them in in any area they want. You have some billion people in terms of efficiency -- we do too. Bring them in anywhere, but we have to provide the same level of services and that's only going to be done when people equally share the responsibilities of the poor.

I could talk about the State making up the difference between the tax abatement and the real taxes. I could talk about the State taking over the complete educational system. Or I could talk about the State picking up the capital costs. Those people that are paying that in the cities are broke. What do you do about a sewer system that's two hundred years old, that costs \$100 million in conservative estimates -- where do you get that money? Where do you get the money for sewers that were built at the turn of the century? We're paying the price of being old. Where do you get the money to pay for the roads that bring the goods to all these other communities but don't go through their streets? Just recently in Tenafly, one of those Bergen County communities, they had a big hubub about the trucking going through their town and they probably had a good complaint. How about our complaint? How about our roads that are destroyed? And you've got to find the money on the local level. Where? From whom? The poor, the working-poor whom I'm mostly concerned with. So gentlemen, rather than going into a whole legion of ideas let me say that I feel in essence the problem is the inequitable situation that says yes, we give you the right to tax. If you say to the State -- and I say we are going to pursue another *Robinson v. Cahill*, and I just want to take a moment on that.

One of our big problems, and you legislators know it, is that the State said there wasn't a thorough and efficient education in the State of New Jersey. We won - Jersey City. Jersey City started that suit as you well know about eight years ago or more. We won, but then the Legislature figured out a formula that gave everybody a piece of the pie. So if you had a good school system in Livingston -- outstanding -- made it a little more outstanding, and it diminished what was left



for communities like Jersey City and Newark. So that our community sees a tax rate -- cops, firemen, welfare, public housing, medical center, you name it, all the things that are necessary because all the people that couldn't go anywhere else have been coming here, and that's the way it should be perhaps, it's what America's all about. But we all have to share it. So my friends, I want to again just say that we should have another public safety suit because we're not guaranteed the same rights as other citizens living in this State yet our Constitution says we have that right -- the Constitution of the State of New Jersey. And then the answer is "well you have a right to tax". That's not the answer when you're taxing those that don't have. The least common denominator of cities will be, if it continues, that only those who can't afford anything will be in a city. And then what about the Constitution when they can't pay their taxes and there's no more taxes? Will they have no education for the 35,000 children that are going to public schools? Will they have no cops on the street, and no firemen to fight their fires? What will happen then? Does anyone with any kind of rational thinking think that it's going to be any different? Are the wealthy people going to be moving into our cities? I don't think so. I think the essence of the argument is are we a creature of the State as the Constitution says? And he answers "yes". Are we created by the State? "Yes we are". Do we have any rights and privileges? The only reason government exists is to provide the services to the people. Are they providing the services in Jersey City? No. Why? Because you have an antiquated system that says that somebody through a geographic demarcation said "here, if you happen to fall into that area -- well you will fall in if you're poor, because you can't go anywhere else -- you're going to have to pay for your cops and firemen, your schools, and if you're not going to be able to fix your sewers that's too bad because you live there, go somewhere else". Where are they going to go? South Orange. Deal. Allamuchy. Look at their tax rates. And they're millionaires. There's something insane about the whole system, and I say it's insane because of the system that says because of a particular demarcation, and if you should be unfortunate enough, or fortunate depending upon how you look at it, to live there that's the kind of level of services you're going to get.

So, I propose uniform State tax levy, whatever it is let's share it. Taxes have dropped traumatically in Jersey City. Traumatically. Because that guy that's bringing in his attache case from Wall Street to Deal, the same tracts that deprived us of millions and billions of dollars in taxes, will share in the poor as every citizen in the State of New Jersey should share.

The second point, guaranteed entitlement mandatory minimum efforts -- the State guarantees these minimum efforts. You must give this kind of service.

Thirdly, a Statewide plan that says regardless of where you bring your plant, look where they're bringing them now. Are they bringing them into the high real estate tax communities? Or are they going into those communities where there are no taxes?

So, my friends, I would just like to leave with those three general thoughts and the sad part

of this system in a sense is that if you don't get the relief you have a remedy which is the judicial system, and when you do go into the courts and you'll win, legitimately, it then goes back again to the same group that denied you that right and they in turn develop a formula which denies you the right that you won in court.

In summary that is my plea and my beseechment to you distinguished gentlemen to fight for a different kind of program. None of us want to pay taxes and it's popular to say that you're against taxes, obvious. I guess it was Wendell Holmes who said "that's the price we pay for civilization". None of us want to pay anything. But we've got to pay to protect ourselves and we've got to pay to educate ourselves. We've got to pay to help each other, and right now the only ones who're really paying are those people who are in these urban areas and are crying out for justice. Some time in the future we'll be looking back at this time regardless of what ever develops, and they'll say "how the heck did they ever manage those cities under that ridiculous type of a system?"

Thank you very much for your time. I appreciate your giving me the opportunity to make my comments.

SHEIL. Before you go, Mayor, I do want to say this. I have heard Mayor Smith say so many times that if we don't help the cities and the urban areas, the suburbs are going to be in serious trouble very quickly, and Tom certainly is an effective voice for the urban areas. One of our Committee's goals in having this hearing is how we in the Legislature can help Mayor Smith -- our leader of the most densely populated county in the United States -- and Tom has clearly told us, and our Committee will do everything in their power to help fulfil your request.

SMITH. Senator, I would just like to mention one more thing. I've been reading a lot of books on Jersey City and most of us who were born and raised here and love it like we do, and give our lives to Jersey City, all think about the good old days and there were a lot of good old days. Yet every text on Jersey City in the 30s made one mention. A mention for example like in "The Boss" talked about the Duncan Projects on Duncan Avenue as being like a little island in a city of slums. Every text you'll find refers going back into the 30s and 40s, of Jersey City's problems then, which was one of slums. So, Senator, when they talk about me as an "Urban Advocate" that I am, but I'm just as interested in the suburban areas. Very quickly I just want to repeat a story. When I was a little kid in the cold-water flat a priest used to drive me up to Englewood Cliffs. In those days, in the 30s, it was like ... I thought I was going to heaven. It was beautiful with all the wooded lands. What a marvellous thing it was and it was a respite for a kid who lived in a cold-water flat --the same reference to those slums they were talking about in those books -- who was able to go because of the good graces of a Jesuit priest and get a little fresh air, and play in the woods. Not too far away even though the travel time was greater then. And now when I look back at that time you'll find the plants that were in Jersey City -- Prentice-Hall and some of



the others, they have now taken the place of all those beautiful wooded areas. So the people who lived in those nice areas have enough work. I want everybody to live like Deal. I'm not really angry at them, or Allamuchy. I just would love to see the people have the same kind, or relatively the same kind of benefits, or at least the minimum benefits of the great citizenship of this country. But in any event, when I think back on it, all those woodlands are going -- they are gone. And in it is a plant with a manicured lawn. In my opinion they've taken those jobs out of the urban area. People that used to be -- and I say this affectionately -- the horses, they don't need them any more with technology. They've got them up there where they pay low taxes, with a manicured lawn instead of that beautiful woodlands that some poor kids maybe could go up to and enjoy as American citizens. They're destroying the suburbs, and if suburban America doesn't realize that they're kidding themselves. I say that the salvation of the United States is the urban areas, and those anti-urban people really don't know what they're talking about because they are going to end up destroying this great country of ours. One hundred years ago Lincoln said "...a nation divided against itself couldn't exist". The Bible said that before Lincoln. And I'm saying this that this nation can't survive. Some urban, and mostly suburban. Talk about genius coming from necessity. People who have to do things oftentimes become the great people in this country. They have the ability to turn these cities around. I know the Mayors in most of these cities, the people who are leading, and the citizens in these cities who have a great interest. They can turn it around. But you cannot bring the best doctor in the world, DeBakey, and give him the tools of 1800, he could never perform those operations. And we've got the tools of the 1700s and the 1800s. We have to update them. Thank you again, Senator, thank you.

SHEIL. Thank you very much Mayor, and you can rest assured that we're going to do everything that we can in our Committee to help Jersey City and Bayonne -- I see our distinguished Mayor from Bayonne here who is listed as a speaker -- and you can rest assured by helping Jersey City and Bayonne and all of the cities in Hudson County, we in turn will also be helping the suburbs.

ASSEMBLYMAN RICHARD VAN WAGNER. Mayor Smith. I guess this is the second or third time I've had the opportunity to sit on a Committee before which you appeared. I'd like to say at the outset, seldom have I seen anyone who has advocated the cause of the urban areas, and their revitalization, as eloquently as you have today and on previous occasions.

I share your concerns because being a suburban legislator -- and as you mentioned, having my roots in Jersey City and Hudson County -- I realize that there is a reality that perhaps the people throughout the State and suburban and rural areas are reluctant to face, and that is the fact -- and Senator Sheil touched on it, and you touched on it -- that if we see a deterioration or a complete collapse of the economic vitality of our urban centers, that not far beyond that will be the economic and social collapse of our suburban areas simply because people must seek a place to live, and people must seek a way of earning a living. Many people in the suburbs earn their livings

in our urban centers, they don't all commute to New York. The district I represent for example, many many people commute to Newark and Jersey City for their jobs each day and should those cities suffer, and should those jobs decide that it would be more attractive to move to the Tenafly's and the Englewood's and the Monmouth and Middlesex Counties, then those jobs I'm sure, based on technological advance and based on other considerations, are just not going to be available any longer, and in many cases those industries are moving not only from the city but from the State, and I think that's a concern.

I'd like to ask you, on a hypothetical basis, relative to a uniform system of taxation -- and I realize you left yourself open on the type of mechanism we might explore -- but there has been advanced previously, and talked about, in fact I think during the initial dialogue over Robinson v. Cahill, Mr. Ruvolt had advanced the concept of a Statewide property tax. Have you given any thought to this at all in connection with what you feel the impact might be on Jersey City?

SMITH. I don't have the total impact other than to say that it would be significant. And you might recal in the Robinson v. Cahill -- and Hal Ruvoldt incidentally is a Jersey City boy -- in that particular case it was pointed out that if the capital aspect of education was taken over with the uniform tax levy, a minimum, I don't recal exactly what it was, that the reduction in taxes in Jersey City would be somewhere between \$5 and \$6 on that issue alone, which is the capital construction and not the every-day operating expense type situation. But we could support very strenuously a uniform tax of any kind. Again, there are going to be people saying "have no taxes" but we understand that those who are less fortunate than us, and we also, need the services that money buys, and that's exactly what taxes are. So what I'm saying in effect is we could give you more definitive statistics if you seek them. We would be very happy to do that. But there would be a very significant drop in the taxes in urban America, in the urban cities, if we were to employ it.

So again, I'm leaving myself open on just which sales, income, or real estate taxes, and simply saying that the burden has to be shared equally and it should be a uniform tax so that if you're a millionaire and you live in Deal you don't pay the ridiculous tax they pay, and if you're a poor hard-working guy in Colgates and you live in Jersey City you pay a tax that's unconsonable.

VAN WAGNER. Agreed. Agreed.

SMITH. Thank you Assemblyman.

SHEIL. Thank you very much Mayor Smith.

SMITH. Thank you Senator. Gil, thank you.

SHEIL. As I mentioned earlier in the program, we are taking the speakers in order of their requests either by mail or by telephone. Mayor Collins had written in and he had called, then on our list he said he was delayed this morning. The third speaker will be Mr. Salisbury of the Jersey City Chamber of Commerce, followed by Mr. Vincent J. Fusilli and so on down the line.

I have taken them in the order of request, so our second speaker this morning will be Mayor Dennis Collins from Bayonne. Mayor Collins.

MAYOR DENNIS COLLINS. Thank you Senator Sheil. I also want to thank you for the invitation which I received several weeks back when you did inform me that we would have this opportunity today. I would certainly like to say hello to Assemblyman Van Wagner, and my friend from the Taxation Committee, Mr. Gil Deardorff, and all of the other ladies and gentlemen from the State. I did have an opportunity for a year to work down there -- that was several years back -- and I also had the opportunity to make many friends then and I see some of those familiar faces here this morning, I'm very happy to see them.

Ladies and gentlemen. It is my view -- and I know it's the view of the people of Bayonne -- that modifications should be made to the current income tax plan and there should be sweeping educational programs to explain to the cities and their people, how the income tax is benefitting them. The income tax for example, does not do anything for the City of Bayonne. They take out as much as we get back. There is appearances -- and I've heard Mayor Smith say this, and I think that Assemblyman Van Wagner made reference to it earlier -- that the suburbanite does benefit in some instances over the urbanite. I can tell you without fear of contradiction that the New Jersey State Income Tax has had absolutely nothing to do with stabilizing the tax rate for the City of Bayonne. In short, the income tax is a wash-out. It's a book-keeping wash-out for the taxpayers of the City of Bayonne. However, it does appear that in wealthier suburban communities the revenues received exceed the revenues paid by the residents. Now it seems to me, and I did discuss this a little less than a year ago with Governor Byrne, that one of the modifications that ought to get some thought is in the way it's presently structured with respect to the graduation up to \$20,000. By that I mean it seems that a change in the current income tax to make it more equitable to the wage-earner in the \$10/20,000 bracket, would be appropriate. Quite frankly I feel that those who make more than \$20,000 certainly have a somewhat better ability to pay, and the average wage-earner -- both white-collar and blue-collar -- further seems to me to fall into that \$20,000 and below bracket, and I would suggest if we're going to talk about convening a series of meetings to talk about some modifications and change, we ought to give some thought to that area.

It certainly further appears that the current income tax program still falls short of true tax reform for the State of New Jersey. I was distressed on Sunday to hear Governor Byrne say on Channel

7 that the current income tax will probably experience a shortfall this year and next year. I certainly hope that that doesn't mean that the Governor or the State Legislature is thinking in terms of increasing the current income tax.

One further suggestion would be that perhaps some thought should be given to the convening of a State Tax Convention where delegates would be elected to develop at least two alternative options to what we presently live with, in order to further school aid and to meet the requirements of law that's mandated by the Supreme Court. Everybody talks about "T & E". I want to be one of the first to acknowledge that I really don't know what it means in great detail, and I don't know if there's a real defined definition of it. But there is a popular conception in the cities, including Bayonne, that when the income tax was adopted we weren't going to have to raise any more real estate property taxes to support the educational system of the cities. And we all know that that's quite the contrary. The income tax for Bayonne with respect to additional aid for education only amounts to about \$2.5 million: the school board budget in Bayonne is \$16 million. As recent as two weeks ago a taxpayer said to me "I don't understand why the taxes didn't go down a great deal more, you get all that income tax money and you don't have to support the educational system of the city any more with real estate tax dollars." It's obvious that there hasn't been -- and please don't misunderstand me, I'm not laying that at your doorstep -- but it certainly appears obvious that there hasn't been the type of public relations, or education program done, for the average person in this State so that they can easily read and understand exactly how the income tax formula works, and it's many aspects with particular respect to the all-important subject of education. I would further suggest that if after, and I'm assuming that there will probably be some other public hearings on this matter -- I want you to know that you are cordially invited to use the facilities of the municipal building in the City of Bayonne if you would choose to hold another meeting for people in Hudson County, you would certainly be very welcome there.

One other thought that I would respectfully like to leave with you gentlemen is that I think it behooves all of us in public life, particularly in view of the people of this country -- and we know what's happened with the attitude as a consequence of Proposition 13 -- I think that whatever the bottom line becomes as a result of your hearings and your deliberations, we ought to give very serious thought regarding any modifications. We ought to permit the people of the State to participate by way of referendum, in deciding, and perhaps if you come up with two or three other options that are different to what we're presently experiencing, I think that might be an exercise in good judgment if we permitted the people of the State of New Jersey to decide exactly what they feel is best for them. I don't have to go into any great detail to say to everyone in this Council Chamber what's happening to the Cities right this moment as a result of the cutback in anti-recession funds -- we know as of last night the Congress of the United States said we're going to be short a \$1 billion in the CETA program, that's going to have a devastating affect on the operations of



municipal budgets. Certainly we're not looking for any more taxes at the State level, and I know you clearly understand that, so I as one of the Mayors of the County of Hudson and on behalf of the people of Bayonne, and on behalf of the people of Hudson County (Mayor Smith eloquently presented that position a little earlier), I ask you to please help us in terms of giving very serious thought, and I know you will, to modifications that will help, that will assist the urbanite, and if you will please don't make fish of one and fowl of the other. Treat us all alike. And I understand your observation Assemblyman Van Wagner earlier when you asked Mayor Smith about the real estate property taxes, so on and so forth, I would suggest that even for public officials perhaps some thought ought to be given to conducting some seminars so that we too would have a better understanding of how in equity the thing might work on a broad base. Thanks very much.

SHEIL. Thank you very much Mayor Collins, and you can rest assured our Committee -- and we've gone on record as stating that we have no preconceived ideas regarding tax policies now -- is going to follow up and consider your plea, your suggestions and your recommendations, and we're going to do everything we can to help you.

VAN WAGNER. I want to make an observation because again, as Mayor Smith did, you've put your finger right on the critical points of this tax program that is in existence. It certainly isn't everything I wanted it to be, and of course I don't have to go into how it came about, but I was doing some statistical work on Proposition 13 for example. Of course, there is no way to draw a relationship between California and New Jersey since California had a surplus that was larger than the entire New Jersey State budget, somewhere in the vicinity of \$5 billion was the California surplus. However, in reviewing the tax structure in California -- and I like the idea of seminars because I think that's what has been lacking all along in this State, and the understanding of the people about how this tax structure evolved in the first place. Mayor Smith gave what I thought to be a very concise and excellent and accurate history of the development of that in this State, but it is interesting to know that if New Jersey were to superimpose on itself the same income tax, sales tax, fee schedule structure, that is in existence in California, it could all but eliminate the property taxes in this State, keeping in mind that the California income tax for example graduates to 17 percent, that the California sales tax is a 7¢ tax including clothing. Just in the way of information -- and I'm not sure if the people are really aware of this -- that kind of tax structure in New Jersey would just about eliminate the property tax. I am wondering how you would feel about the possibility, perhaps, of a series of meetings on tax policy.

COLLINS. I think that it is an excellent idea and without hesitation I would support it. I might add to that. I know it exists in Jersey City, I know that they have a great relationship and rapport with their Chamber of Commerce for example -- we have it in Bayonne, we have an ad hoc committee that is representative of a widespread segment of the community and they sit down on all important subjects. I think the informal type meeting that you suggest would be of invaluable

assistance, and if we first set up meetings of the type you describe, with members of the Chamber of Commerce and with the Industrial Commission, then have an open town forum kind of meeting in the municipal council chambers in probably the southern parts, here as we are today, and in the northern part of Hudson County and so on, and do that throughout the State so that the people become more aware of exactly what you are striving to do, I think it would really smooth the way.

I cannot agree more with your observations about Proposition 13 -- if I fully understood what you said and I believe I do -- I am a realist and I don't believe, I honestly don't believe, that the people of California realized what was going to take place in the wake of the affirmative vote that occurred there. In the absence of the type of information that perhaps should have been given to them, we found what the result was, and as a consequence of that folks now throughout the country are not too interested in knowing details, they just say "you cut my taxes in half that's all I want to know". But it has always been my feeling that when reasonable people sit down to attempt to find a solution to a problem and you communicate, you have dialogue and rapport, usually the thing can work out in equity, and I believe that if you do what you suggest we'll find that to be the end result. Thank you.

SHEIL. Thank you very much Mayor Collins.

COLLINS. I want to commend you, Senator Sheil, as the representative from this district, for conducting these meetings, and I certainly want to commend and thank Assemblyman Van Wagner, Gil Deardorff, and everyone who is here from the State for their participation. I think this is a great demonstration in democracy and the openness of the way in which things should be done. You are all certainly to be complimented for that.

SHEIL. Mayor Collins, we again want to thank you for coming and as I have said to you in the past -- and as your representative in the 31st District -- you can rest assured that any request that you have I'll pursue it to the fullest. We may not always succeed but you can rest assured that if not, we'll go down swinging, but hopefully, we'll be able to succeed in most every case.

COLLINS. Thank you.

SHEIL. Our next speaker is Ellsworth Salisbury, Executive Vice President of the Jersey City Chamber of Commerce. Mr. Salisbury.

M R. E L L S W O R T H C. S A L I S B U R Y, J r. Thank you Senator. Assemblyman Van Wagner, Mr. Deardorff. New Jersey has had a reputation for being anti-business. A number of positive steps have been taken in recent years to overcome this image and deal with specific shortcomings. More has to be done to promote the advantages of locating and doing business in New Jersey. Part of what has to be done is to study how taxes in New Jersey affect business, and this Committee is to be commended for its hearings throughout the State which are affording an opportunity for public comment on general tax policy. I should add that the comments of both Mayors this

morning were indeed on target and constructive in terms of the Committee's deliberations and charge.

At recent hearings of the Senate Subcommittee on Redevelopment and Urban Tax Policy -- which was held here incidentally -- the Chamber's Area Development Council observed that a long-standing problem for many of the older cities has been the substantial amount of State-owned properties as well as the holdings of public authorities, churches, and other institutions which have tax-exempt status. This situation creates an added burden for the regular property taxpayer, both residential and business. A corrective step was taken in 1977 when a state law provided for state payments to cities in recognition of the state-owned, tax-exempt facilities. The amount realized under the formula is small, however, in terms of the value of the exempt property. Liberalization of the formula, or perhaps a different law to provide for more realistic amounts to be paid by the state to the cities, based on each individual state-owned parcel, would be desirable. Moreover, future consideration might be given to the concept that tax-exempt properties which provide general public benefits, such as hospitals and colleges, even though privately owned, could in some way provide tax benefits to the cities in which they are located. In Jersey City, over \$400 million in real property is tax-exempt.

Various approaches might be considered to address this problem, including:

- (1) Changes in the state definition of tax-exempt property;
- (2) State reimbursement to municipalities for revenue lost due to property tax exemptions;
- (3) Service or user charges levied on tax-exempt institutions;
- (4) Transferring the authority to grant tax exemptions to the municipalities; and
- (5) Limitations on the extent of the exemption, such as ceilings on the amount of property that can be exempted.

In a Connecticut study, a Task Force of the Greater Hartford Chamber of Commerce reached a consensus that state payments in lieu of taxes was the appropriate legislative response. This recommendation recognized that tax-exempt property raised a fundamental question of taxpayer equity and that the burden of a state-mandated tax exemption should not fall entirely on any one community when those living outside the community also benefit from the nonprofit institutions. The Task Force's recommendation was a logical extension of an existing program called Payments in Lieu of Taxes (PILOT) on state-owned property, such as the Capitol. The existing PILOT program recognized the unfairness of forcing municipalities to subsidize state government. The Task Force's proposal simply extended this philosophy to municipalities that subsidize another state objective -- the encouragement of nonprofit activities. And, unlike all the other alternatives which the Task Force considered, a PILOT program would not affect the operations of the nonprofit institutions and therefore, would not increase the financial burden on already fiscally strained organizations.

Jersey City and other older large cities are competing at a disadvantage with other regions in and outside of New Jersey. (The Mayor commented on that this morning). Tax incentives, such as

Fox-Lance, are an inducement in bringing jobs to Jersey City and other older communities. Despite objections sometimes raised to any kind of tax concessions, steps of this nature are helpful and create the opportunity for cities to improve their economies. Development with such inducements is preferable to stagnation, if the city is indeed going to continue to live.

For developed areas in decline, incentives are a means of regaining vitality lost when rising business costs price local products and services out of the marketplace -- and again the Mayor alluded to that earlier this morning. Areas seeking to benefit from incentives have one thing in common. Businesses have found costs of operating within them too high to provide a fighting chance of retaining and expanding their share of the market.

Robert A Woodford, Vice President of the New Jersey Business & Industry Association, recently wrote, "Critics of tax incentives often choose to ignore ample evidence that tax burden is an important factor in business location and growth. Studies examining the importance of incentives often ask whether businessmen view taxes as a major factor in their location decisions. The question itself is irrelevant because it ignores the fact that businesses evaluate potential plant sites based on total comparative costs. Every cost contributing to the differential in total cost is significant."

Mr. Woodford went on to point out that a New Jersey calculation predicted recurring State and local tax gains of nearly \$4,300 per year per job. In addition, non-recurring tax yields, created by the initial investment in plant and equipment required to create a manufacturing job, would produce New Jersey State and local tax revenue of nearly \$900 per job. As indicated by these calculations, an effective incentive program should bolster tax yields and permit the bolstering of governmental services, even as growing employment roles reduce welfare, medicaid, police and institutional service costs. New Jersey has lost well over 100,000 manufacturing jobs since 1969. If 100,000 of those jobs had been retained, State and local revenue now would be at least \$430 million greater per year -- a figure that far exceeds the price tag of even the most ambitious incentive programs the State has ever considered.

We also commend to your attention the findings of the Governor's Conference on Economic Priorities for Job Creation submitted in April, particularly the recommendations of the Task Force on Tax Incentives and Capital Investment.

We appreciate the opportunity to appear before this Subcommittee of which one of our distinguished local Senators, Dr. Sheil, is a member, just as we were appreciative of the opportunity to appear before Senator Friedland's panel in May.

We wish you well in your studies and trust that eventual productive recommendations will stem from the input that you receive throughout New Jersey. Thank you very much.

SHEIL. Thank you very much Mr. Salisbury. We appreciate your coming and for giving us a viewpoint of the Jersey City Chamber of Commerce.



VAN WAGNER. First of all I would like to thank you for endorsing the recommendations of the Jobs Conference, particularly the Committee on Tax Policy and Capital Investment -- I was privileged to participate in making those recommendations, and I find myself in total agreement with you. I would like to address myself to two specific questions on points that you've raised. One relative to Fox-Lance and the other relative to the causes of business relocation.

First of all I think Mayor Smith more than adequately told us why, and I think it is an undeniable fact, it is difficult to bring business into the urban centers -- I don't think anyone can argue with that. Presently the way Fox-Lance is structured, when it is employed one of the inhibitors that it carries with it is the fact that it simply shifts tax burden to the other taxpayers within that geographic region and although it is specifically designed to attract business, after its operational affect is felt, it normally results in higher property taxes for the other classifications of taxpayers in the community. Have you given any thought or consideration, or do you have any recommendations from your point of view in terms of the way you might restructure Fox-Lance?

SALISBURY. I think that any city -- to pick up on what the Mayor said -- Newark, Jersey City, or Camden, Trenton, we are really competing with other areas in this State with our hands tied behind our back. We need any incentive that we can offer to serve as an inducement to at least get business to consider Jersey City as a location. So an incentive of this nature, and other means that we can use in our arsenal to talk to business, to get them to locate here -- or indeed to expand here. We are not only losing the fight of attracting industry to come into Jersey City, we're also losing on the other side of the ledger by having businesses locate outside of the community. To answer your question, I think the Mayors thought about the standardization of taxes across the State would put everybody on a much sounder footing in terms of knowing the economics of the situation; the businessman would have it much clearer in his mind as to where he stands vis-a-vis other parts of New Jersey and his consideration for locating here. The other thing that comes to my mind is the differential between what is required under the Fox-Lance and what the community needs in operation. Perhaps there ought to be some sort of sharing on the part of the State in that process. It would be helpful and yet it would still help us in our efforts to attract industry here, it would be an inducement, and incentive if you will, to bring them here.

VAN WAGNER. One other observation. As part of the data that was developed for that Jobs Conference, one of the interesting points was that notwithstanding the fact that I guess all of us who have addressed ourselves to the economic situation in New Jersey, have pointed generally to taxation as being a primary factor in terms of a firm's decision to locate or relocate. And yet the survey that was taken prior to the Jobs Conference, the tax structure of the State ranked around fifth or sixth in order of priority considerations in what would motivate a firm to locate or relocate within our State. So I'm wondering if perhaps while we're addressing ourselves to tax policy, we ought to be cognizant of the fact that when we talk about relocation and the revitaliz-

ation of business particularly, vis-a-vis the urban center, I think we have to talk about more things.

SALISBURY. There are a number of programs that exist here I should mention -- and I'm sure you're well aware of the Alliance of Business and it's program nationwide. The operation here in Hudson County is a very strong one and they support and work very closely with job training, and employers, with that kind of program, but I agree with you more has to be done. Thank you.

DEARDORFF. Isn't it true when we talk about the problems of the urban areas, in addition to taxes and even employment, one of the problems is with modern technology -- particularly in the manufacturing field. We have gone from what one calls the horizontal to the vertical assembly line which, of necessity, requires large tracts of land which are not available. This doesn't help the cities. In some cases there have been proposals that perhaps we are attacking this from the wrong angle. Instead of trying to get factories to locate in the cities we should regionalize our tax base so that the areas surrounding the cities, where the development areas are available, could continue to be developed and to serve the whole area. What would be your view on something like that?

SALISBURY. You must also come back to the point that the Mayor raised this morning and that is "what about the poor?". What about the people who presently reside here, the people that the Assemblyman was speaking of, who needs the training and that kind of help. Where and how are we going to get them from Jersey City to wherever the jobs are without imposing additional hardships on those people in terms of communication needs and all that goes with that kind of situation? The people are here. 250,000 people in Jersey City. Almost three quarters of a million people here in Hudson County. That's a potential. I think with the kind of innovative program that was suggested here in providing the training, providing the opportunity and sticking with it, we can begin to make a dent, we can begin to cut down on some of these other over-riding costs by providing the employment and revitalizing our economy. I agree with you. In some areas there may be a problem with land. We had land here in Jersey City. I know there's developable land in Newark. My goodness, look at what's happening in the Meadows -- it's just incredible when that land became available how it developed, and that has meant employment for people here in Jersey City as well as in Newark.

DEARDORFF. That's what I was getting at. The Meadowlands for instance is potentially one of the greatest areas of development in the world, but this doesn't help Jersey City itself, so it's got to be more regionalized, where it would help Bayonne, where it would help Jersey City, where it would help Union City, New York and West New York and all the other urban communities which are today the highest density of population. One thing, if you tear down in an area to put up a factory -- and they take hundreds of acres in many instances -- you are disturbing the housing problem, you are disturbing the people problem, but if the tax raised to support all of the local problem areas were broad enough on a regional basis it would mitigate the property tax problem.

You know there are urban communities and perhaps if people are trained, more concern could be given to transportation to these places. We subsidize commuters to New York. There's no reason why we shouldn't subsidize them to a local factory. This would give a regional flair and perhaps at the same time not upset some of the existing situations.

SALISBURY. It certainly has possibilities as many suggestions do, Mr. Deardorff, and I think we have to look at it from every aspect.

DEARDORFF. We can't turn technology back and say well we're going to build our textile mills seven storeys high, and our vertical assembly line -- it just doesn't work -- you have to have the horizontal assembly line. Merely driving down Route 1 on the other side of New Brunswick and seeing the vast expanse of land that Johnson & Johnson and its subsidiaries along there occupy, it would be almost impossible to put them in any inner city in the State. But at the same time if we had a regional development where the whole region supported the area taxwise, it would help everyone both inside and outside the cities.

SALISBURY. I agree. I also have two observations. One is that Johnson & Johnson has made a commitment in the New Brunswick area and they do consider their involvement there as being constructive and helpful to the development of that region of the State. Second, a lot of the decisions that are made, and you wonder about them sometime and I am impressed by the decision that Public Service made. It had an opportunity to relocate outside of the City of Newark and it chose to remain in down-town Newark. I think the other side of the question is not only the regionalization and technology but also when the Mayor was speaking about a massive plan for industry, one of the assumptions I made in that situation was that there would be a determination made into the kind of industry and the kind of jobs that could conceivably be developed for Jersey City, for Hudson County because indeed -- again, to stick with his example -- Jersey City is not at all similar to Deal and those areas. They have different resources, different transportation available, and with that kind of information there are some things that we can do to help ourselves here, specifically in Jersey City because we know what we have to offer and we can then tailor what it is we are about in a much more realistic way than perhaps we would otherwise.

SHEIL. Thank you very much Mr. Salisbury for your views and for the views of the Jersey City Chamber of Commerce. We appreciate them. Our next witness will be James Fusilli, distinguished Hudson County Freeholder and past president of the New Jersey Association of Counties. Thank you Jim, for coming here today.

J. V I N C E N T F U S I L L I. Thank you Senator. Assemblyman Van Wagner, Mr. Deardorff. On behalf of the County Executive, Edward F. Clark, Jr., and the Hudson County Board of Chosen Freeholders, I would like to thank this Committee for the opportunity to speak before you and I congratulate the members for holding this hearing in Hudson County. It serves to instil confidence in government for the community to observe the operation of that government in a familiar environment.

This Committee, especially Senator Sheil, should be proud of its accomplishments and should urge other committees in the Legislature to do the same. As a past president of the New Jersey Association of Counties and a present Freeholder, my presence here today is in a dual capacity. My remarks reflect the position of counties statewide, as well as the views of our County Executive, Mr. Edward Clark, and our Hudson County Officials. Let me state emphatically that the New Jersey Association of Counties and the Hudson Committee are TOTALLY COMMITTED TO THE PRINCIPLE OF THE CAPS.

I come before you on behalf of the 21 counties who find themselves in a tax predicament of growing proportions. Our situation as elected county officials is unpleasant, difficult, perplexing and even dangerous.

WHILE THE TAX reform program has passed out personal income tax monies to municipalities in the form of state revenue sharing; to school districts in the form of higher school aid and for reimbursement of the full cost of veteran and senior citizen tax exemptions, the counties have been denied any direct benefit in the form of tax relief.

IN ADDITION to the lack of state revenue sharing to counties, we have been further penalized in recent years by the loss of state aid for roads and bridges; the collateral inheritance tax; increases in a wide range of charges for such services as out-of-county hospital costs; a reduction in per capita mental health funds and now the threatened loss of half of the motor vehicles fines to the municipalities.

IF THIS WERE not enough to convince you of our tax plight, consider the growing number of court orders and judicial decisions which arbitrarily raise salaries of employees such as probation officers, upsetting the balance of our wage guides and union contracts. These facts add up to the predicament that the counties of New Jersey have been left out of tax reform, relief or deliverance from the growing burden of mandated costs of services, we are called on to perform for the state.

AS A RESULT total property taxes have gone up in 15 of the 21 counties, quoting a statement by the N.J. Taxpayers Association: "For the second successive year, property taxes for county government (including libraries and health districts) increased more than the taxes for schools and municipalities combined. County taxes were up 5.2 percent (\$38.6 million), while taxes for schools increased 1.2 percent (\$22.2 million), and for municipalities climbed about 1.3 percent (\$9.7 million)."

AS ELECTED officials, we all understand that the income tax "was planned to lessen reliance on the property tax by reducing the proportion of tax revenue it provided within the overall State-local tax system." This is cold comfort for the counties, which have not received any benefit from these revenues, although we are partners with the state, serving as its creature and agent in the performance of so many responsibilities and services.

COUNTIES HAVE NO complaint with the caps law. We have demonstrated our ability to live within the parameters which it places on our operation of the several County governments. We would desire some modifications, but these are for another time, and relate specifically to the pressure from



pensions and insurance.

LET ME CITE the predicament of my County of Hudson, in a few instances, when it comes to the burden on the real property tax of our citizens. The cost of welfare is up 21 percent since 1975 and is growing at the rate of 5 percent a year in Hudson County, which has a dwindling population. And, as in all 21 counties, the state does not share one cent of the cost of administration of public assistance programs - the only state in the nation which shirks its obligation on administrative costs. This costs the counties 34 percent of every dollar for the management of welfare programs.

THE COSTS for out-of-county patient care were up 20 percent this year; 10 percent last year, for a 30 percent rise in less than two years. This is but one of some sixteen mandated charges that caused the overall Hudson County budget to jump from \$97 million in 1977 to \$127 million in 1978! Only \$2 million of this was raised by increased assessment; the other \$28 million had to come from the pocketbooks of the homeowner and property taxpayer. All this, mind you, when the County Executive and Board of Freeholders have control over less than 35 percent of all budgeted expenditures in Hudson County.

I COULD go on citing dozens of other examples of the tax squeeze on my county, which is typical of all 21. But I want to make the point that my county government is making a highly responsible effort to live within its means, and still provide necessary public services. In addition to coming under the caps, we have trimmed our work force by 25 percent since 1974, mainly through retirements and reassignment of duties. However, it is still not enough - the next step will be to consider the dismissal of county employees, unless we get tax relief in the form of state revenue sharing of the income tax.

LET ME CITE one final illustration which has affected over 200 indigent, older age people in my county: the Federal government has withdrawn its 75 percent support of the Hudson visiting homemakers program, because our state decided to change its eligibility rules, causing a loss of \$70,000 a month. We cannot afford to replace this program and live within our caps. This sort of thing happens again and again because of lack of coordination.

I ASK YOU in all honesty, in all sincerity, to cease the mandated costs because we in the counties have a responsibility unto the Mayors who preceded me, unto all the Mayors of the County of Hudson and to all the 567 Mayors of every community in this State who all have their individual problems. Thank you.

SHEIL. Thank you very much Freeholder Fusilli. We appreciate your fine presentation. Any comments from the other members of the panel?

VAN WAGNER. Just a brief note Jim. I guess since I've known you for five years in the Legislature, you have been carrying the same message down there in Trenton, not only on behalf of the people of Hudson County but on behalf of all the people in this State and I think you ought to

be commended for it.

FUSILLI. Thank you, sir.

SHEIL. Thank you, Jim. Our next speaker is Mr. Robert Bowen of the U.S. Labor Party. Mr. Bowen.

M R. R O B E R T B O W E N. Thank you for the opportunity to be here. The question of tax policy goes to the heart of what I consider to be -- and what the U.S. Labor Party considers to be -- the American dilemma. What has emerged as the result of the tax debate over the last several years, is the biggest schism in U.S. history since the American Revolution, with hard-working skilled workers pitted against corporate interests, pitted against the interests of the State, pitted against the interests of Federal government. Individual state governments pitted against other individual state governments. Regional divisions within the state; cities competing with cities; counties competing with counties. All the things that Mayor Smith outlined earlier in terms of the horrible conditions which the urban centers in this country have dropped to are absolutely true and absolutely real. However, it is a mistake to say that some redistribution either of taxes of the existing wealth of the nation or anything similar is going to solve the problem. Tax policy cannot be divorced from overall economic policy, and therein lies the real secret of the American dilemma. We have introduced a brief in the Supreme Court in the State of California in response to a number of petitions to the Supreme Court to rule Proposition 13 unconstitutional. The arguments against Proposition 13 -- basic and general Constitutional arguments -- which would apply for any broad tax measure such as Proposition 13 represents are twofold. First of all the Constitution of the United States and the Constitution of several states of this nation guarantee government the responsibility and the right to secure the health, the safety and the welfare of the population, and to procure for the population those social services which will enhance the economic productivity of the state and individuals within the population. Secondly, the Constitution of the United States guarantees to each individual state a form of republican government that is unique among western nations in history.

Any broad basic tax cut which severely jeopardizes the ability of the state, the municipality or the Federal government to procure for the citizenry the social services to guarantee the health, safety, and welfare of the population is unconstitutional, and we are quite confident that the Supreme Court of California will rule in precisely that manner very shortly.

Secondly, the affect of such a broad base slash of essential social services creates a condition of virtual anarchy within the state government and within Federal government, and makes it impossible for government to rule, thereby denying the rights of the citizens of the state the right to constitutionally guarantee republican government.

Where's the solution to all this? We can talk for hours -- and we have already talked for several hours -- about some of the problems. The solution is guaranteeing a continuous, perpetual

growth of the tax base of the nation, of the state, of the municipality that has been alluded to, particularly in Mayor Smith's remarks earlier. However, one does not procure a growing tax base for government on the basis of merely attempting to redistribute the existing resources of the state, the existing productive resources of the nation (population). The basic premise on which the government of the United State was founded -- I recommend reading federalist papers by Alexander Hamilton, particularly the report on manufacturers, the report on public credit, and the report on the creation of the First National Bank. The institution of this nation upheld by the Supreme Court continuously over 200 years was created to guarantee a central source of credit, long-term, low interest credit, to provide the investment and the incentive for the development of capital intention, energy intention, which would procure for the population and for our prosperity the machinery, the tools with which to fashion for ourselves the conditions for its perpetual improvement. And I think that among the nations of the world, the free public educational system in the United States underscores that more than anything else.

On economic policy there is an emerging condition internationally that represents a solution for this state, for this county, and for this nation, to the American dilemma. The non-European members of European Economic Committee have created a fund known as the European Monetary Fund. By January of 1979 that fund will be capitalized to the extent of \$50 billion and that capital will be used for two express purposes and the formation of the fund over the months between now and January will see certain stages in the implementation of these two purposes. The first is to stabilize the value of the U.S. dollar by stabilizing the value of gold at somewhere between \$240 and \$300 an ounce -- an operation which has been under way for the last ten days or 12 days -- will stabilize the value of the dollar relative to the deutesch mark at approximately a three to one ratio, which is roughly 50 percent above its present value and a dollar below its recent high of four deutesch marks several years ago. The second function of that fund, and sister funds being created in Asia under the guidance of the Japanese, and in the Arab countries -- the OPEC countries, pooling the oil reserves that have accrued to those countries since 1974, will provide a massive pool of long-term, low interest investment credits for major industrial development projects throughout the Third World, agricultural development projects throughout the Third World, and the technological and scientific improvement and advancement of industry within what the European nations and hopefully, within the United States itself. The immediate benefits that would accrue to this country as a result of such a policy being endorsed and hopefully pursued by the Carter Administration, and by the several state governments, and by the corporate sector, and by the labor movement in the United States, would be a \$200/300 billion a year increase in the capital goods export markets for American industry. I submit that the State of New Jersey's primary, positive characteristics, despite some of the negative things that appear on the surfaces are the following: Probably -- and if not equalled only by California -- the greatest assemblage of scientific

manpower and skilled labor power anywhere in the world. This State's history as the leader in the country in industrial innovations, a leader in the country of creating for the entire nation, the export markets that have provided the basis for the prosperity of the United States over 200 years, must be revitalized and can be revitalized virtually immediately.

There are two immediate considerations that should be taken by this Committee. The first is with respect to Energy Policy. This State already has -- along with a number of other states -- a significant commitment to the development of nuclear power. The furtherance of that commitment to the extent that the State of New Jersey would become the energy hub of the entire Atlantic Seaboard both in terms of the technology, the development of the technology, through the institutions of higher education, through the seven hundred odd research institutions associated with the private sector in the State, and by the State of New Jersey making a major commitment to the development of nuclear energy as such through the constructions of ten or twenty one geiger-watt to two geiger-watt size nuclear generating facilities over the next ten years would immediately create the conditions for the State becoming a centerpiece -- a revived centerpiece -- of industrial production throughout the United States.

The second consideration that I would urge this Committee to undertake in collaboration with the -- I believe it is the Committee on Governmental Affairs which recently passed Senate Bill 994 creating a new Department in the Cabinet of Industry and Economic Development -- that that department should be charged with the responsibility of pursuing, in collaboration with the several states and Federal government, the creation of export markets for the various industrial goods presently produced in this State, and by monitoring the intentions of the financial community and various foreign governments for industrial development which is largely going to be based on nuclear energy technology over the next decade, two decades and three decades, to locate those opportunities for which the resources of this State are uniquely prepared to meet -- the challenges for which this State's present capabilities are uniquely prepared to meet.

Thirdly I would also recommend, with respect to a tax policy, that this Committee consider that the basis for procuring revenues to the State should be based on the consideration of the source of those revenues. Now what I mean by that is this. Rather than attempting to distinguish between the private sector, industry, and the labor force -- income taxes, sales taxes, property taxes and so forth -- it is my opinion that a progressive income tax is essential. However, it is my opinion also, that a progressive tax which penalizes those activities in the State which do not contribute to the enhancement of the productive powers of the State, is essential and which benefits those activities within the State -- particularly capital goods, industrial sector -- should be minimal. Investment credits would then flow into steel production, petro-chemicals, electronics industry, nuclear-fusion research at Princeton University, Stevens Institute of Technology and other research facilities within the State. Investment dollars would be encouraged to invest in



revitalization of our cities and provide the concentrated brain-power, the concentration of society, the concentration of individuals engaged in increasing their knowledge and disseminating that knowledge to the broader masses of the population would be encouraged and would be made extremely feasible. Thank you.

SHEIL. Thank you very much Mr. Bowen. We appreciate your presentation and we certainly will take your recommendations under consideration.

VAN WAGNER. Could we have that in writing too?

BOWEN. Sure.

SHEIL. If at all possible we request every speaker to present a written copy of their presentation. Now as I said previously, we are listing the speakers in order of the names that were given to me. We have four more speakers scheduled. I'm going to ask that we take a half hour break now. On our return at 1:35 p.m. our first speaker will be Edward Magee, then Kenneth McCarthy, Joseph Schasny and Joe Duffy -- those are the names in the order they were given to me. We will now take a short recess and meet back here at 1:35 p.m. Thank you.

L U N C H      B R E A K

E D W A R D   T .   M A G E E .   My name is Edward T. Magee. I am President of the West Side Ward of the Republican Club. Members of the Joint Committee on State Tax Policy, Senator Sheil and Assemblyman Van Wagner, let me begin by commending your committee for pringing this hearing on taxes to the City Hall in Jersey City. Unfortunately however, since it is being held in the forenoon, working taxpayers would have to give up a day's pay in order to be here and voice their opinions.

SHEIL. Excuse me Mr. Magee. Just for the record I would like to speak in behalf of those taxpayers who work from 4:00 to 12:00 and 12:00 to 8:00 that they are able to come here this afternoon and this morning. And that's why we are trying to alternate the times of the meetings. Thank you.

MAGEE. That is correct. I am a native of this city and during all the years I have lived here, the tax burden on our people has gone only one way -- up. And the quality of life has been deteriorating. Experience shows therefore that increasing taxes does not improve our situation.

In the matter of caps, then, which are a statutory limitation in increases in municipal and county budgets, I would urge that they be kept. After all, they were promised as part of the state income tax package.

Now there is another matter having to do with local taxes about which I would like to speak to you. I refer to Bill A-1413 which allows the Port Authority of New York and New Jersey to develop an industrial park in Jersey City. The overall effect of this bill is to transfer another huge tax burden from the commercial-industrial sector to the home owners and rent payers of Jersey City. As Alvin E. Gershen declared in the Jersey Journal on March 25, 1970:

"...long established residential, commercial and industrial owners are paying the full (tax) rate and are inexorably being pushed toward leaving by the ever-increasing tax rate"

A-1413, which I understand has not yet been signed by the Governor, will drive more people and businesses out of Jersey City.

I quote from the bill: (Par. 11, p. 16)

"The port authority shall be required to pay no taxes or assessments upon any of the property acquired and used by it for any of the purposes of this act... the port authority... IN ITS DISCRETION (my emphasis)... will undertake to pay in lieu of taxes a fair and reasonable sum... not more than the sum last paid as taxes upon such real property prior to the time of its acquisition by the port authority, etc., etc., etc."

Members of the Joint Committee, as an example of the terrible injustice tax abatements and exemptions work on the citizens of our municipality, let me cite the case of the Ralston Purina Company, which presently occupies one of the installations in the Port Jersey complex. Because of abatements granted by the Jersey City City Council in August 1972, it pays only a small fraction of the real estate tax rate levied on rent payers, home owners and entrepreneurs whose property is

at market value. Yet, last year, according to Moody's Industrial, it enjoyed net sales of \$3,756,000,000. Another firm having a similar tax abatement and also located in the industrial park is the C. F. Mueller Company. It used to be owned by the Mueller family which lived on Gifford Avenue in Jersey City but some years ago it was sold to Foremost McKesson, Inc., which last year had net sales, according to Standard and Poor's, of \$2,694,619,000. Where is the justice in forcing us rent payers and home owners of Jersey City to subsidize these and other corporate giants?

Another reason for my long-standing opposition to real estate tax exemptions and abatements is illustrated by a recent disclosure in the press that the Port Authority has been criticized for not using enough competitive bidding in the building of the World Trade Center in Lower Manhattan. This installation also enjoys some kind of tax exemption and yet rents space in competition with other office buildings which pay real estate taxes based on the value of the property. On July 23rd last we read in The New York Times:

"...alleged contract irregularities cited by (New York) State Comptroller Arthur Levitt in a report last January are now under investigation by District Attorney Robert M. Morgenthau of Manhattan."

I am intrigued by the way in which a panel of experts who reviewed the procurement policies of the Port Authority likened its competitive bidding procedure to

"...an auto race where the judge can decide which lap will be the last one, and can see the alignment of the cars as he decides when to raise the flag."

What would you think of the promoters of such a "race" if you had bet money on one of the entries?

Perhaps it is not yet too late to reconsider the wisdom of going ahead with the proposed Port Authority industrial park in Jersey City. At any rate I supply you with a copy of the TIMES story.

I would like to comment briefly, if I may, on material that I heard as an Auditor here this morning. I would say that I am afraid that in New Jersey we are going to be urged by people, elected officials, that what we need in New Jersey now is another tax. Mayor Holland said that he thought that the income tax should be increased on those who earn more than \$20,000 a year. And Assemblyman Van Wagner asked Mayor Smith, "what would your reaction be to a State property tax?" And Mayor Smith said that we would support any kind of tax burden if it is shared equally by everybody. So I would say that I am distressed that there is any talk about another tax hike. One last thing, I would like to react to Mayor Smith's castigation of the residents of South Orange, Deal, Allamuchy and people in suburbia generally because apparently they get away with it and we poor people in Jersey City have to pay. It's unfair to us. I will remind you members of the Committee and my listeners that when the U.S. Attorney Lacey prosecuted the Hudson Eight, the members of which,

the organization machine has been in control of this City for 61 years, and it seems to me they are showing some responsibility for the conditions that obtain. So I don't think it's quite fair of the Mayor to blame people who live out of town. And I would say when they were prosecuted and convicted, of course, by the U.S. Attorney Lacey, he said that you would have to go back a hundred years to the time of the Boss Tweed Gang in New York to match any plunder such as what the leadership of the vandal organization perpetrated on the people of this City and this County and the way Judge Shore when he convicted them he said about the organization that it is a rotten system existing only to enrich itself. I would also, finally, make the observation that our former Mayor Flaherty and our former President of City Council are about to come out of the Federal penitentiary after having served half of their time for these irregularities. That is going to happen shortly. So I think the Mayor is injudicious in blaming people who don't live here for the conditions that obtain in Jersey City. Thank you very much for your attention.

SHEIL. Thank you for your presentation. Assemblyman Van Wagner?

VAN WAGNER. Mr. Magee, I would like to make a comment, and it's in no way in sense of anything that was said by any speaker. But our purpose here is to develop information and I think that the points that were raised by both Mayor Smith, Mayor Collins, the gentleman from the Chamber of Commerce, the gentleman from the legislative department, indicate that the difficulty that we have faced in New Jersey comes from many years of tax structure whose reliance rested in a piece of dirt. In fact, in the early history of this country, one's privilege to vote, rested with whether or not you owned a piece of dirt before we had universal suffrage. I appreciate your remarks. However, I must say and I believe that the condition of this in New Jersey, is the condition that has been with us over a number of years and became worse because of the fact that we use property of the State almost as a source, almost as a commodity in determining its value, in determining its worth. And what has happened, to a large extent, and from your remarks you made us aware of this, is that in your inheritance that that property base by which richer suburban communities have been able to provide greater amounts to the income, less the tax rate, has deteriorated. And it has deteriorated for a number of reasons. You broaden the opportunity of the port authority. Now we ask you, if you would, to check to find out how much taxes have been derived thus far from that property. By virtue of the legislation that is proposed is relevant to port authority development of those industrial parks. Also among this in that legislation was the fact that before any kind of development would take place that they would have to be fully written, relative to the rental payments and the in lieu of payments that the port authority would make to either the cities or the city, the City of Newark, the Borough of Brooklyn or in the City of New York. So I just want to make that thing clear that in no way does that legislation contemplate further deterioration

in taxable ability of that property. I had a part in drawing that legislation. We spent three days in Albany. By letter in writing, the port authority indicated that they would reimburse up to 50 percent of the rentals collected from that park which could amount to a very very substantial amount of money and possibly higher than might be derived from the property tax. I hope you people are aware of that.

MAGEE. May I say in answer to that that last February Mayor Smith talked about this port authority industrial park in Jersey City, he said at the time that it would be a \$269 million operation. He said he was informed that it would pay \$2.6 million in some kind of tax to the city, or in-lieu of tax payments to the city. At the time I tried through the press and said if you multiply \$269 million by \$95 per thousand tax rate which was our rate last year -- the rate that Ed Magee pays on his two-family frame house on Union Street, or someone who rents an apartment in Jersey City -- you would find that this \$269 million operation should pay \$26 million in taxes. Instead, the man says it would pay \$2.6 million -- that's just one-tenth. So I say that's the rottenest kind of injustice and it's no wonder that people are moving out of Jersey City. Why should they stay and pay taxes on the assessed valuation of their property, or apartment, where they live and conglomerates that do \$3 billion worth of business pay one-tenth of the tax that the resident pays? Where is the justice in that? I am a long-time student of this. I could say further that down on Montgomery Street we have the Ukrainian National Home which is a \$10 million office building, which if you multiply it by the tax rate, should pay about \$950,000 a year real estate taxes. It pays only \$200,000 -- it pays one-fifth. The former Mayor said to me "don't you want some kind of development here?" I said "yes, of course, I want development but I couldn't afford to live in the places that are tax-abated and it isn't fair to make me subsidize outfits that can rent offices at high rates to other rentees." In Jersey City we had four tax-abated properties. At the time they said these buildings cost \$120 million to put up. If they paid the taxes that were \$80 per thousand at that time, they would pay something like \$10 million in real estate taxes a year. They were paying less than \$1 million altogether. This was three years ago this happened and Jersey City has continued to go downhill. Most people are cynics. We don't believe that abating the taxes of these financial and industrial conglomerations (and I should say in parenthesis that nobody is more pro-business as an institution than Ed Magee).

VAN WAGNER. Quite possibly those tax-abatement properties you are referring to, might not that have been their incentive to locate in Jersey City rather than in Woodbridge, Teaneck or someplace like that?

MAGEE. Nevertheless we are subsidizing them. Do you see my point, sir?

SHEIL. Our next speaker will be Kenneth McCarthy representing the citizens, and comes from Jersey City. Ken McCarthy.

MR. KENNETH C. MCCARTHY. As you just said, Senator Walter Sheil, I am representing the citizens of Jersey City. As a matter of fact, the citizens of Hudson County, and even further than that, the citizens of the State of New Jersey. I would like to know what's been going on with all of the money as far as taxation is concerned -- income tax money, meadowlands money, casino gambling. I want to know where all this money is going. Do you have any material here that I could see?

VAN WAGNER. I could give it to you item for item if you care to listen.

MCCARTHY. I would like to know if it's given any help to the State.

VAN WAGNER. With the enactment of the three cent sales tax which came about during the Hughes Administration -- the sales tax, income tax, or whatever you want to call it -- that in the main was the largest source of revenue to the State of New Jersey.

Assemblyman Van Wagner went on to give Mr. McCarthy a point by point explanation by way of response. However, due to technical and accoustical difficulties the recording is inaudible and therefore we are unable to provide a verbatim transcript of this part of the hearing. On the subsequent tape the audio picked up the discussion with the following statement by Mr. McCarthy.

MCCARTHY. What I can't understand is that Jersey City and Hudson County -- and this is political, I have to come out with this -- they were always looked upon by whoever was running for a position, and they have us in the first base where we had home runs but as soon as the affair is taken over we're forgotten, we're abandoned. And that's what a lot of people tell me, we're like an abandoned coal mine, nobody cares about Jersey City. That's what I'm ashamed of. I'm proud of Jersey City. I was born here and I'm still living here today, and I'll still stand up and speak for Jersey City. When I see certain things going on I think it's a shame, it's a disgrace. Not only in Jersey City. It applies to all the major cities in the State of New Jersey.

I would like to bring up another issue. Since 1926 retired City employees -- and this mostly applies to people in Newark and Jersey City, a member of my family is one of them -- have never had an increase since 1926 when it was founded for retired city pensions. A few minutes ago somebody brought up the subject of the cap, 5 percent, I think it was Vincent Fusilli the Freeholder, you can't go over 5 percent for whatever it is. Isn't that correct? Now the State Senator and the Assemblyman are going to get, effective this January, \$8,000 added on to their salaries which presently is \$10,000 -- which means an 80 percent increase. Now how is that justified? At the same time I'm trying to say that these retired city employees -- very bluntly I'll come right out and say it's my aunt who is 77, but I speak for all of them, whether a woman or a man who worked for it, has never had an increase ever since they've been retired. Now my aunt, in her case, it's been since 1963 she's been getting two thousand four hundred and some odd dollars and that's all she gets for shelter, for food, for clothing. Now where is this justice? Down here in Jersey City they're always telling me "it's not us Mr. McCarthy, it's down there in Trenton in the Assembly and



the Senate". Four times they've given increases to widows, I'm not against that, but for people who work in the City, where's the equality, the justice in that? If you look behind you the seal of the Corporation of Jersey City it does say "Liberty and Prosperity". Where is it for retired city employees? There's about 800 of them, 833 to be exact. Now if they got an increase of \$1,200 which they fully deserve, if they got that there'd be an equivalency of \$977,000 which the people in the Senate and the Assembly will receive in their increase in January of 1979. That's what I'm saying about tax-exempt. Why should they have an exemption of that? In other words, take away that increase. Set a good example. Don't be like Congress. Don't be like the Federal Senators and the House of Representatives who gave themselves an increase of \$13,000. They got it for "cost-of-living". Now does that make any sense? The cost-of-living for retired city employees who're 75, 80 years of age who still exist to some extent, and there's nothing given to them. Or did you know anything about this at all?

VAN WAGNER. I can't argue with the fact that all people who are retirees, including those who live on social security and other types of restricted retirement income, are in dire need of cost-of-living increases. Frankly, I don't necessarily see the relationship between that issue -- which is an issue that we've dealt with on a number of occasions in the State, in fact I believe that just recently the Legislature voted to increase the cost-of-living benefits for State retirees, and other such retirees. In terms of the increase voted by the Legislature for the following term, it is true that a legislator earns \$10,000 a year. Members have earned that amount for the past ten years and believe me when I say I'm not crying poverty, I am simply laying out to you what that money means to the Legislature. A legislator in the State of New Jersey does not get reimbursed for any expenses including those which he incurs while driving to and from Trenton, travelling to and from the eight public hearings that Senator Sheil and myself have attended this summer, as well as other members of our Joint Committee, or wherever we have to go. This includes office equipment and supplies. So when you say a legislator in 1979 is going to earn \$18,000 in the State of New Jersey, I would submit to you that if you take a comparison of even some of our rural states with less people and larger Legislatures, you would find that the payment to the New Jersey legislator is much less. When one considers that from the amount of money a legislator earns he pays fully for every expense he incurs. Your point is certainly well taken Mr. McCarthy, those people you're talking about somehow have to be better dealt with. If the City does not have the capacity to do it then perhaps the State has to look at it and help those people.

MCCARTHY. Let me say this one other thing in reference to the Vietnam veterans who were attending, in this case Jersey City State College, which applies towards the State and after seven years of fighting they've finally given approval to the issue of giving a tuition allowance to these Vietnam veterans going to college. Are you familiar with this? \$4 million. It's eliminated

after one year because out of the \$4 million, \$2,400,000 still remains, and some checks are still laying over there in Jersey City State College I've been told by some of the youngsters who said nobody picked it up. They said there were bulletins posted on all the boards, they were notified, it was put in the paper. What I'm trying to say is it was decided a long time ago where they were going to give something like \$500 per semester, then \$400, then \$250, then the \$100, then \$50. I can't understand why it was changed, why it was eliminated. In other words the Vietnam veterans are not eligible for that \$50 for half a semester or \$100 for a full semester if they have twelve or more credits.

VAN WAGNER. Do you know the whole scenario of benefits received by Vietnam veterans? The whole range of benefits that are received, both Federal and State.

McCARTHY. I know about them, they vary according to whether you're married or single, something like \$280.

VAN WAGNER. Originally the program was designed to give each Vietnam veteran \$400 a year towards his tuition, as a tuition reimbursement. That was Hamilton's bill when he was an Assemblyman, and I'm familiar with the bill because I was a co-sponsor of it. After discussion, and considering the amount of money available, it was agreed that that was the amount that would reimburse them for \$200 a year, or 50 percent of that cost. At the time the idea being that the Department of Higher Education would revise its entire tuition grant program thereby providing aid to a wider range of the population, those higher up on the income scale -- the middle income range was \$15/16,000 a year. Included in that group of people would be the Vietnam veterans. What actually happened was that when the money was appropriated and allocated, less than half of the number of veterans that were estimated as applying to get into that program, actually took advantage of it.

McCARTHY. Do you think about 18,000 of them applied. That's what we've been working on.

VAN WAGNER. I don't know actual numbers. What happened was that when that money was laying there, the Department of Higher Education reappropriated the balance for the entire tuition aid grant program. I have spoken to some of the students on campuses in my area, and there is a program we've worked out which may in the long run wind up more beneficial to the Vietnam veteran than the original Vietnam veteran's assistance program.

McCARTHY. Well, I would like to add this. Of course there's a lot of changes going on not only on the Federal level but on the State level and the Vietnam veterans were affected by this more than the other veterans who have time, they've spent their lives, they've had families (if they got married). Their time has been spent, but the ones who would be affected by this preference job, applying for jobs with the State, would be the Vietnam veteran and that's why I was very upset about it. Besides the fact a veteran is a veteran, I don't care if he peeled potatoes or sat in the office, or emerged as a hero, I don't really care. That goes for the

Federal and the State issues. Now they're having a change in Civil Service Preference completely. I would like to say this one last thing. Why is it -- and maybe Senator Sheil is aware of this -- that they have plans of taking away the \$50 veterans' deduction? Richard Leone had planned that, he was the chairman of that Study Group, they all had planned to take away the \$50 deduction on property taxes. It was supposed to save \$22 million for the State -- so they claimed -- if they had that.

VAN WAGNER. As a matter of fact when the program was passed in 1976 what the Legislature did was assume the full cost of that \$50. Previous to that both the \$50 veteran deduction and the \$160 senior citizen deduction in effect were really not \$50 and \$160 because what happened was those who were eligible got the exemption but that amount of money was passed on back through the rest of the tax base which means that they wound up paying part of their own exemption. Do you know what I mean?

MCCARTHY. Yes I understand it.

VAN WAGNER. So in 1976 the State assumed full cost of those benefits and I can tell you right now without equivocation, there is absolutely no thought, or motivation, or plans, to do that.

MCCARTHY. There's one thing I have against that, I don't see why there should be any difference between the war-time veteran and the peace-time veteran because a fellow or a woman today serve in the armed forces. There's 14 million people who served in World War II -- 14 million people didn't see combat -- now why is it that these people in peace-time, in the cold war, they don't have that benefit from the State? Don't you think now that it's 1978 the old traditions should be changed? The same which I'm trying to say about Jersey City.

Another thing. In 1976 I believe residential was \$316,524,200, and then for people with apartments like me, \$124,471,350 -- totals up to be \$440,995,000. Commercial and industrial together is \$306 million, and then it said exempted from tax was \$343 million, totalling up the value of Jersey City \$1,91,363,054. I would like to ask this question to conclude this whole thing. Where is the value of Jersey City today, and what was meant by this fellow who represented the Chamber of Commerce? He said something about change to tax exempt. What did he mean by tax exempt? Did he mean Churches? Did he mean down here on Wall Street -- that's our nickname for Montgomery -- the Ukrainian Building, then PATH, Journal Square?

VAN WAGNER. The bulk of tax exempt properties are hospitals, churches, schools, social service. I think he was talking about the totality of the tax exempt properties. I'm only saying what I think he was talking about.

MCCARTHY. I guess he was being a good shepherd for the flock of lost sheep. I think he should leave the church alone -- that should be exempted as it has been since the history of the country 202 years ago. I don't care if it's a Jew, or Protestant, or Catholic, I don't care what. Religion is religion. Quote "It's what you can change that counts", and that's the motto of the Harry Moore

School for the Handicapped Children. This applies towards we the people, and it applies towards State government, and also City government. They should change around, the way things are being treated towards Jersey City especially we the people, who broke our backs, when we did everything here; like in the City of Newark too. We did everything for the State and now we're being treated like scum. Thank you.

SHEIL. Thank you very much Ken. Our next speaker with us this afternoon is Joseph Schasny who is a resident Jersey City taxpayer.

M R. J O S E P H S C H A S N Y. My name is Joe Schasny and I live at 167 York Street in Jersey City. Gentlemen, elected servants of the State, and the representative up there who is our tax expert, and the people in the audience. First of all, I remember when the good Senator Sheil and the Mayor were campaigning and so-called walking the streets until our Mayor reached Trenton, then he got lost someplace over there, because now he is talking the same way as the previous group that was there. As a matter of fact when you mention Mayor Smith and you mention Paul Jordan we call them the Smith Brothers. I don't see the people that should be here. The Senator knows that when he walked the streets during his campaign how the people felt as far as taxes were concerned, where schools were concerned, about police protection, fire protection. There are houses in this city of Jersey City that can't even get fire insurance on their property. Banks who red-line our areas don't give us any mortgages. It makes me want to cry to be a veteran of two wars when I see, and I'm envious, of a Jewish Realtor getting a half a block property for a dollar as I understand it, plus a quarter of a million dollars to develop it, and to bring in between 5,000/10,000 Jewish refugees, and I'm a product of the community and of this state and pay taxes and suffered the consequences of poor service and corrupt politicians. Not being able to buy a \$65,000 home, but being given as a veteran and a disabled veteran, a no-interest mortgage. Mind you, I'm not condemning this man, I envy him. Nobody is doing that for the people in this country. They've divided us every which way; black against white, old against young. But yet when you leave this country and no matter where you go or whatever nationality you are, you are considered an American period. You're not classified as an Irish/American, a Polish/American, a Russian/American. I live in an area that's the most integrated area in the city. The Senator is part-owner of a building here that they bought in a corporation situation, they're going to condemn it and tear it down and make a parking lot out of it, and the burden of the taxes are again going to fall on a handful of people that are still living here in the hopes that something would be changed. We feel like Diogenes with the lamp, we can't find an honest man, an honest politician. And as the old saying goes, no matter how much things change it seems like the same old story in Jersey City, in Hudson County.

SHEIL. Could I just respond to that?

SCHASNY. Yes Senator.

SHEIL. You made reference to property which my wife owns. We had offered some of you members of the Historic Paulus Hook Association (Mr. Schasny is vice-president of the Association) if you wanted to live there rent-free. As you know it's an eyesore to the city and we cannot attract people like the American Stock Exchange to come over here to Jersey City unless we can provide restaurants for them to eat in, shopping centers, and this is our goal -- to demolish these eyesores.

SCHASNY. Do you honestly think the Stock Exchange is really going to come here?

SHEIL. I know they'll never come unless we make every effort to make them come. We're certainly going to try.

SCHASNY. Let's take the welfare away from the business people. As a one-time labor leader, as a student in the business division of the Essex County College, and as a volunteer worker for handicapped, I have three factions to draw from. When I was in the labor movement I figured industry was the enemy, that's how we were taught. Now that I'm going to school and getting to the other side of the fence -- and mind you both sides leave a lot to be desired -- the sooner that these people, the intellectual people, and technical people, and all the computers and stuff that we have in this country, instead of bailing billions of dollars throughout the world. And our enemies are in better shape than our allies throughout the world, including us, who're supporting the world and being the Big Brother to the world, and being knifed in the back every time we leave this country and go over there. We're not respected. We're hated. When Khrushchev says that he'll take this country without firing a shot, I believe him. The Assemblyman here says he lived in Jersey City. I know a lot of other guys who lived in Jersey City and they're now laughing at me because I stayed here. I was never a believer of running. The chickens will eventually have to come home to roost. You talk about income tax. We created another bureaucracy. When they created the income tax in the State of New Jersey they just created another bureaucracy under the false guise that it was going to self-destruct. Now mind you Senator, you ran, I supported you and the present Mayor and the present so-called team that's in there. You were against taxes. Jordan was the enemy. Byrne was the enemy, and all the people who supported the tax situation. One of the top people who supported the tax situation is now head of the Civil Service and he is howling to do away with Veterans' preference. He himself didn't pay the income tax. There isn't a day goes by that you don't pick up a paper and the same legislators have a hot thing for taxes upon taxes and are indicted for not paying it themselves. We were told that we were only going to get an increase in our city taxes -- we got an increase in our taxes, we got an increase in our electric bill, we got an increase in our car insurance. I remember as a veteran after World War II we were looking for a veterans' bonus (this is one of the few States that didn't give it). They came up with a cigarette tax then all of a sudden the word came back from the politicians "no good, you're going to pay for your own tax". Knock it down. We knocked it down the next time it came up on the ballot, it came up with

schools and highways. That's the old cliché. Hit the people where the children are concerned. And with the highways we created an exodus out of the urban areas into the suburban areas, destroyed the mass transportation system that we have because I worked for the railroad and I know what went on there. The railroads rate this community. We were known as Jersey City and Hudson County area for industry in the Garden State. But no longer are we the Garden State or the area for industry here. And as long as you're going to give welfare to business as an incentive, this is no incentive -- we're subsidizing transportation, we're subsidizing housing. I've been active communitywise most of my life, I'm the father of six children, and like I said I was born here, I'm a city fireman and I see what's going on. We had a woman come to the courts and holler for 100 percent taxation. We got a 100 percent taxation. But the business and industry has so many loopholes in our taxes. I remember getting literature and hearing speeches where businessmen, millionaires, and some of our corporations were paying less taxes than the workingman. Where are we going? I'd say what tax? Don't give me gasoline tax. As a matter of fact we had a snowstorm here; any year we appropriate X number of dollars in the budget toward snow removal. This year we got hit with it. All of a sudden the Governor who said because he was elected unanimously that the people approve his income tax. Not so. Ask the Senator, he walked the streets. Ask the Mayor. And let's stand downstairs here where we pay our taxes and ask the individual as he comes in to pay his taxes, did he vote for Byrne because he was satisfied with the State income tax? It was the lesser of two evils, it was a no-choice situation. After Bateman opened up his mouth and put two feet in it, we had no other choice but to go for Byrne. I supported Byrne in his first election. It's the same story all the time. I remember going to Trenton to ask for money for the deaf and hard of hearing kids to create a Commission for the deaf. He told us there was no such money. At that time this Commission was under the Department of Labor, then they shoved it under the Department of Education -- again a step-child of that department as previously in Labor. Yet when he was defeated there was a \$300 million surplus. What happened to it? Within two months of the Governor being in office he's hollering that he needs more money. As Jack Kennedy said "don't look at what government can do for you but what you can do for your government".

We talk about tax abatement for churches, for charities. Fine. Let's define the law. You made a statement "let's hold workshops". A lot of our money is spent on researching things to find out if the program is going to be feasible before the program is implemented. We implemented the State income tax which should have been taken care of in the immediate communities where the taxes were collected and not sent to Trenton to set up another bureaucracy to administer it and then send it back to us with a postage fee that could have been used in another area. The gasoline tax was supposed to be for highways. The Port Authority wants that bill passed on the Greenville Yards for one thing, they want total domain of being able to say what they want to do and what they don't want to do, and when the Port Authority can defy the Congress of the United States by not bringing in its



books and then testifying and crucifying a news reporter for not giving information -- there's something wrong. We've got a dictatorship within a democracy. And the more we create these autonomous authorities which supersede the local authority, where's the home rule?

Due to technical and accoustical difficulties the next portipn of Mr. Schasny's testimony was inaudible and therefore we are unable to provide a verbatim transcript of this portion of the hearing. Subsequently Mr. Schasny's testimony picked up as follows.

SCHASNY. What county do you live in?

VAN WAGNER. Monmouth.

SCHASNY. If I'm not getting too personal can I ask if you own your own home and what is the assessed valuation?

VAN WAGNER. The assessed valuation of my home?

SCHASNY. Yes.

VAN WAGNER. \$32,500.

SCHASNY. How large of a plot?

VAN WAGNER. Little over half an acre.

SCHASNY. I pay over \$600 here for what was originally a three-family dwelling and I occupy the whole house because you couldn't keep one family with more than one child on any floor and I have six. In the summer when we get a northeaster or any kind of a big storm, I get anywhere from three to six inches of water. Not my fault, but because it backs up from the city sewer into my cellar. I can't use it as a playroom or anything like that. Anything I put down there has to be at least a foot and a half off the ground. But yet I'm paying taxes for that, and I'm paying the penalty of a so-called sewer system that was supposed to be rectifying this. Now again we're coming up that they're going to put sewer systems in different areas.

VAN WAGNER. We pay separately for sewers. And garbage.

SCHASNY. There's even a way of rectifying the garbage situation.

VAN WAGNER. Well, I don't want to go into that.

SCHASNY. Thank you for letting me come here, and like I said, if I'm wrong I stand to be corrected and I wont argue the point.

SHEIL. Thank you for your comments Joe. I can't help but end this with kind of a pun about statistics. They say statistics are like-bikinis -- what they reveal is startling but what they hide is vital.

SCHASNY. Right! What I'm trying to point out is that people like myself who are hurting are wondering when the heck is it going to end. I've got grown children and they say I brought them up wrong, they should have been muggers, dope addicts, or on welfare because everything's open to those people -- schooling and everything else. I've got a boy who is 18 years old, he graduated at 17 and wanted to get into the CETA program, they wouldn't let him in. Some hispanics filling out the

forms, you've got to be 18 years old, but he said he knew kids that were 14 and 15. He said "are you a dropout?" No. "Are you a dope addict?" No. That's not available to you, it's only available to them. Talk about incentive. What incentive are they giving to the decent kids in our community to help them make their communities better. Let's think about the good kids as well as the bad. I've got a nephew who was a straight "A" student studying to be a doctor in Einstein University in New York, his mother and father are working two jobs each to get him through his schooling. In any other country -- even in your communistic countries -- this child would have been put up on a pedestal and aided in every way to gain his education. Not here. Thank you.

SHEIL. Thank you, Joe. Our next speaker is Joseph Duffy, President of the Historic Paulus Hook Association, Mr. Duffy.

M R. J O S E P H D U F F Y. Thank you Mr. Chairman. Members of the Committee. My name is Joseph Duffy, I'm a lifelong member of our city and I'm addressing this Committee as President of the Historic Paulus Hook Association. I have several points to cover but I think we've gone a long time and it's getting late, so I'll just stick to one factor. I don't want to repeat what Ed Magee said about tax abatement but I want this put in the record. I'm opposed to tax abatement in principle. That is, tax abatement in my judgment does nothing for cities as a whole. If on the other hand the State wishes to recompense or send back to the city the difference between what an industry should pay on tax abatement, or tax incentive, the difference between the normal tax rate and the rate they're paying in taxes, then I will change my policy but I see that what has happened in Jersey City with tax abatement it doesn't pay, it's not doing the job it's supposed to be doing -- help us to come back to where we ought to be -- therefore I'm opposed to it.

Assemblyman Van Wagner, could you clarify one point for me and I'll just stick to this one point? Is there only one State law which gives industry -- and I'm addressing my remarks only to industry -- tax abatement, I'm referring to Fox-Lance, or are there other avenues by which industry can get a reduction in paying the normal tax rates?

VAN WAGNER. Yes.

DUFFY. What are they?

VAN WAGNER. There's Fox-Lance which you mentioned. I believe there's one other law which is based on the concept of Urban Industrial Zoning and which provides certain incentives for industries who will locate in higher impacted industrial areas. That is somewhat different than Fox-Lance in this respect, it is administered by the Economic Development Authority. So, the abatement there is not really abatement of the tax base, it's really abatement in terms of the financing that's provided to the industry. Perhaps I'd better reiterate and say that I believe that in terms of a specific technical law that the State can employ to give abatement, I believe Fox-Lance is the only one by which the State might do that. There are other mechanisms by which the State can provide incentives but they are not necessarily tax abatement incentives. So Fox-Lance pretty much

singularly, is the tax abatement mechanism in the State.

DUFFY. What you're saying then is there are other legislative mechanisms by which industry -- and I'm restricting this to industry -- can get relief from taxes.

VAN WAGNER. Relief, either from taxes or other types of costs that are incumbent....

DUFFY. I'm restricting my questions merely to taxes.

VAN WAGNER. Just Fox-Lance.

DUFFY. Is the Committee willing to recommend to the Legislature a proposal or a law or some kind of an edict to give to the cities -- like Jersey City and our big industrial cities, Newark, Camden, Trenton -- the difference between what an industry pays under whatever formula is involved and what they ought to pay? The reason I'm saying this is because as previous speakers have mentioned, and according to Ed Magee, the burden falls on us who are here and who are homeowners, and in my judgment this is where I feel that tax abatement in principle is wrong. Unless this is done I will stick with my theory that tax abatement in principle is wrong unless the cities are given the difference which goes on the back of the current taxpayers.

VAN WAGNER. In my own opinion I can say this to you, I will not say that tax abatement is wrong but tax abatement (and this is where we're going to agree) without some type of mechanism to alleviate the total burden that falls on the community that wishes to give tax abatement, without that kind of mechanism, is incomplete, it doesn't go far enough.

DUFFY. Exactly. That's my point.

VAN WAGNER. As a concept I don't think it's necessarily wrong.

DUFFY. Well as I said, it's sometimes necessary but unless the city gets that difference the necessity, in my judgment, is wrong because it again falls back on the people who want to stay here and are staying here.

VAN WAGNER. I think there's hope in the sense that in 1977 in the Appropriations Committee, and again in 1978, the Legislature enacted an agreement for in-lieu of taxes for State-owned properties. Over the past several years there has been movements by various legislators throughout the State to extend that concept to county and municipally-owned properties. Of course, with the revenue coming from the State itself, to say fine, the revenue is going to come from the State itself -- it's really saying it's going to come from the people except it comes from a broader base. The concept we're talking about, with Fox-Lance, is that kind of concept that really isn't an in-lieu payment concept. In other words if you give this industry this kind of abatement, in lieu of getting that abatement we will provide you the difference, or perhaps a percentage of the difference between the tax rate you would have collected and the tax rate that you're setting as an abated tax rate. And I agree with you when you say that that's a sounder concept than the present Fox-Lance concept. That's as much as I can say at this point.

DUFFY. well, will the Committee recommend this to the Legislature that the results of this

hearing particularly in Jersey City, as the feeling of at least four of the speakers that were here today, expressed this idea? Incentives are necessary, granted, but -- and there's a big BUT -- it falls on the shoulders of people who want to stay here and are paying taxes, and as every speaker has said, it is unfair to us who are homeowners because we are subsidizing these particular industries who're getting it. We don't want to chase them out, we welcome them, but at the same time give us a break.

VAN WAGNER. I can't speak for the whole Committee -- this is one of three Subcommittees that are conducting hearings throughout the State, and have been since early June -- but I would have to say at this point based on this hearing and the other hearings we've attended, that among the observations that will be made by the Committee will be the in-lieu of tax payment situation as it relates to all abated properties including those receiving Fox-Lance treatment.

DUFFY. The recommendation should be industries. Industry is the big holder of properties in the large cities. Look around Elizabeth, Camden, Trenton, Jersey City and Newark -- industry is their primary holder of land. The Federal, the State and the County buildings and so on, I don't think measure up to the total of the land they use as compared with the total amount of land used by industry. If I'm wrong maybe your expert here can correct me. Is the total amount of land occupied by industry in the State of New Jersey greater than the total amount of land used by Federal, State and County authorities, do you follow me?

VAN WAGNER. All levels of government and authorities? I would have to say no!

DUFFY. Thanks very much. Thanks for listening.

DEARDORFF. Senator Sheil has been called away to make an urgent telephone call. Now we will hear from Margaret Jeffers.

MARGARET JEFFERS. Assemblyman Van Wagner and Mr. Deardorff, I am here today representing the Association of Municipal Assessors of New Jersey. What they wanted this Committee to think about (and we don't have the answers believe me) is a different type of administration of the Homestead Rebate Act. As far as every assessor's office is concerned the more the State takes over, the more work we get it just seems. Right now in my office there's 21,000 line items which have to be checked -- the assessments, the deductions -- if there was only some way to make it a flat reduction, to make it work like for the senior citizens that you only have to apply if you are a new owner, or you get cancelled if you die or move, but in this way we're going over the 21,000 line items like three times a year. This print-out is for 1979, then you get the print-out before they send the checks, then the people call you up "I didn't get my check", "my check's not in the right amount". You don't know how to answer them because Trenton does the approvals. I just think, and I am concerned about the Federal Revenue Sharing, I really am, but if there was only some way to talk to the Federal officials to do something, to take it off the tax bill once and for all then 90 percent of your work is done and 10 percent you do every year. It is becoming an administrative

nightmare and that's what the boys in the Association wanted me to ask you to think about. I don't know whether you've heard it any other place or not.

VAN WAGNER. Yes we have -- in Somerset, Monmouth, Ocean -- they've all said exactly what you have just said.

JEFFERS. Alright. I just wanted to bring that to your attention.

VAN WAGNER. Everybody picked up Margaret's point on the Federal Revenue Sharing situation. That is quite possibly why we go through the direct route of sending the rebates out because if we do not, and merely reduce it from the property tax which we do with the present homestead security, the one on the \$80 security, according to the Federal Revenue Sharing law we would then reduce the local and State tax effort by \$192 or \$240 whatever that amount would be, thereby reducing the amount of Federal Revenue Sharing that would be received by the State and local municipalities. So that's why we should first get Congress to change the Federal Revenue Statutes...

JEFFERS. Of course it's really not less tax effort if it was explained to them, if we could just get to them and get that little technicality out of the way it would save a lot of work.

VAN WAGNER. Exactly. Exactly. Are you the Jersey City..

JEFFERS. Tax Assessor.

VAN WAGNER. Can I say something to you?

JEFFERS. Yes.

VAN WAGNER. I'd like to say it publicly. You did a monumental job with the homestead rebates. The people of this City are fortunate for the job you did on the homestead.

JEFFERS. We tried.

VAN WAGNER. You worked on Saturdays and Sundays too.

JEFFERS. We did. We don't get any more help for this. As time goes by it gets more and more boring. The first time it was a challenge if you know what I mean, but now we're on the third run around. I do wish some thought could be given, even a flat rate might be better, because with this formula we have to check the assessments every year, you've got to pump in the tax rate every year. I know it's a fair formula but it's very complicated.

DEARDORFF. Would it be of any value if we handled this like we do the veterans' and senior citizens' deductions?

JEFFERS. That's my thought, but you can't do that with the Federal Revenue Sharing.

DEARDORFF. What I mean is if once you applied you didn't have to apply again unless your status changed.

JEFFERS. That's right, it would make it so much easier.

DEARDORFF. In fact this is really what we had anticipated was going to be done. It is in the law that there is the authority for the Director of the Division of Taxation to do it. It was our understanding that once you applied if you stayed in the same house you'd never have to apply again,

and in talking with your Association President, Joe Crane, he and some of the other people indicated that that alone would reduce the workload immensely, and this could be done just by regulation.

JEFFERS. We would be able to cope with it at the local level if that's the way it was. Right now it's a case of check this, check that. I talk to towns with two and three thousand but everything is comparable, maybe they only have one clerk. You see I have 21,000 and I have more than one clerk but it's still taking the time of one or two people almost the whole year and you're neglecting your own assessment work which you should be doing.

DEARDORFF. Another thing that the Association people brought out was the fact that the timing particularly coming in August when you have your added assessments and many other things to do, and you're supposed to be doing these other things too. The time element was very bad.

JEFFERS. I can see why the State needs you if they want to mail the forms.

DEARDORFF. They could mail the forms out automatically and all you'd have to do is send them the corrections..

JEFFERS. They want all the new assessments, Mr. Deardorff, so you have to check the whole thing.

The other thing I wanted to mention -- and this is myself talking and I'm not now talking for the Association -- and that's on abatements. I know there's a committee studying abatements so I won't labor you with it, but I did want to bring to your attention that the Fox-Lance -- is it 15 years old? -- limited dividend the same. Based on the economy at that time, I think with the inflation that we've had in the last few years that whole thing needs to be restudied. That's all I want to bring to your attention, and I thank you very much.

DEARDORFF. Thank you, Margaret.

VAN WAGNER. Our next speaker is Mr. David Coward whom I believe represents the Municipal Engineers.

M R. D A V I D B. C O W A R D. My name is David B. Coward, I'm the vice-president of New Jersey Society of Municipal Engineers, Inc. Our Society has a membership which represents 317 municipalities in the State.

A Task Force was formed in 1977, which I'm sure you've heard before, to study the needs for annual capital improvements and maintenance funds for County and Municipal roads. We engineers were well represented on that Task Force. The study was completed in December 1977 and the report was forwarded to all municipalities and county governments within the State. It is my understanding that your committee has received a copy of that report.

Many municipalities and counties have adopted resolutions of support of the findings and recommendations of the Task Force. Other groups such as the New Jersey Alliance for Action, the County Engineers association, the Consulting Engineer's Council, as well as our Society, have gone on record in support of the report. I would like to cite some of the important points brought out in the study.



1. State aid was discontinued during calendar year 1974 and as a result some \$30,000,000 per year as aid to counties and municipalities was discontinued relative to their respective highway systems (that is a breakdown of \$15,000,000 for State Aid Road system funds and \$15,000,000 for Formula and Herrick funds).
2. 95 percent of New Jersey roadways consist of county and municipal roads -- approximately 7,000 miles of county roads and 23,000 miles of municipal roads.
3. New Jersey drivers who use the 30,000 miles of municipal and county roads receive little or no return for their transportation user taxes which are greater than \$530,000,000 per year.
4. In addition to the 7,000 miles of county roadway, county government is responsible for approximately 3,000 bridges over twenty foot span.
5. In 1975 county and municipal government spent \$82,000,000 on capital improvements and \$147,000,000 on maintenance (not including resurfacing). Due to the crisis situation the local governments now find that they must spend more money on maintenance than on capital improvements.
6. At the local level with the investment rate noted for 1978 New Jersey is attempting to receive a 100 year road life from roads which are designed for a twenty year life. As a matter of fact, in my municipality of Summit, loss of Formula Funds alone has resulted in maintenance deferral from a 7 year return period to a 15 year return period.
7. Over \$290,000,000 collected from people who use the 30,000 miles of county and municipal roads is used for other than transportation purposes.
8. Current New Jersey accident statistics indicate that on an annual basis the State can anticipate 1,100 fatalities, 119,335 people injured, and 136,867 auto damage accidents.

Our budgetary problems at the local level have further been compounded by the 5 percent "CAP" law. After the mandatory costs have been satisfied, little or nothing is left at the local level for road work. Capital surplus funds picked up the slack in many cases but they too, are drying up. Bonding is the only alternative left but the inability to increase indebtedness or the lack of willingness to go this route in the face of other public demands, are real constraints.

So that we municipal engineers may meet our responsibility to the motoring public, I respectfully urge this Committee to take whatever steps are necessary to reinstate NOW State Aid for Local Roads. Thank you very much.

DEARDORFF. Mr. Coward, could I ask you a question that's not directly related to the State? I believe that the Federal Highway Laws have not changed in that money from the Federal Highway Trust Fund cannot be used for maintenance, is that correct?

COWARD. That's correct as far as I know.

DEARDORFF. At one time there was quite a movement afoot by the various State Highway Commissioners, and I suppose from county and municipal engineers, who were trying to get at least a portion of the Federal Highway Funds allocated to maintenance, that is if the states and local governments would want them to. Do you know of any push by professional organizations such as your own to have this done?

COWARD. I am not aware of any. No.

DEARDORFF. Do you think that this would be a reasonable source of revenue?

COWARD. I would say so. Yes, sir. I feel that the problem has reached proportions where it would warrant that sort of action. I think it would be justified. Yes, sir.

DEARDORFF. Thank you Mr. Coward.

VAN WAGNER. We've had wide discussion on road maintenance, particularly with regard to the absence of State road aid, and I have a great concern about what's happening with the road systems in this State because what was once the finest road system in the United States is rapidly deteriorating. In structuring aid programs, would it be your recommendation as a professional in the field, and based on previous remarks, and perhaps placing more emphasis on maintenance and reconstruction, rather than new construction, would that be something to be projected? Or would that pretty much be a policy?

COWARD. I'm not aware of that as a policy but I believe that the thinking would be directed in that way. Yes. I think maintenance is becoming the main concern. I am sure you can appreciate it gentlemen, the difficulty in trying to construct new roadways where there is a tremendous objection to this. However, we have this tremendous investment -- I believe it is \$29 billion in the State of New Jersey -- and we cannot let that deteriorate to the point where it may cost us \$58 billion let's say, to replace the whole system. We have that roadway network and we think we need that roadway network. So I think maintenance is the name of the game at this point.

VAN WAGNER. Rather than construction?

COWARD. Rather than construction. I see need in some other areas also, but we've got to get down to what we have and maintain it, preserve it, because it is heavily used there's no question about it. Heavily used every day.

VAN WAGNER. We have some of the most widely used roads in the United States right in this part of the State -- in fact we've got the reputation of being the corridor between New York and Philadelphia.

COWARD. We hear a lot about mass transportation replacing the automobile. I can't see it happening. As the ex-Mayor of Summit always said "until Detroit takes the pill we'll have the automobile with us". It is a way of life, and it probably will be for several years to come. Goods are delivered over the highways, trucks use the highways, our ambulances use the highways,

buses use the highways, car pools use the highways. I can see no way within 50 years that we are going to give up our highway system -- we need our highways. We would appreciate anything you and this Committee can do for us.

VAN WAGNER. Please come down to Trenton and visit us. Let's create this dialogue and even if we don't always agree, that's good too.

COWARD. We have a very active committee as you know, and we've spoken to a lot of people. Thank you for your offer.

VAN WAGNER. Senator Sheil has now returned. Let me introduce our next speaker who is Assemblyman Janiszewski.

SHEIL. Let me apologise to you, Mr. Duffy, to Mrs. Jeffers and Mr. Coward. I had to leave the room to take an important phone call but my colleagues here will keep me abreast of what happened. Assemblyman Janiszewski.

ASSEMBLYMAN ROBERT C. JANISZEWSKI. Thank you Senator Sheil. Assemblyman Van Wagner, Mr. Deardorff. Had I testified earlier I might have pointed out various other problem areas that I would like to discuss as coming within the tax policy of the State of New Jersey, one of which has been mentioned many many times today, and that being the issue of tax abatement. However, I will refrain from those areas as they have been heavily addressed by other speakers except to say that we should be very careful so as not to produce an effect which has been growing in these past ten or fifteen years relative to tax exempt properties. We get it from time to time on the floor of the Legislature from legislators representing given areas, who feel that their municipality is at some point being shortchanged and that the remaining tax ratable base is being overburdened. The reason for it being the growing number of acres within the municipality that have become tax exempt either through ownership by the municipality, or tax exempt agency, another tax exempt body, or some other public authority. So I think this is something we have to take a close look at where we are going in terms of the total amount of acreage within the State that's becoming tax exempt and I'm sure we will find that through legislation -- like Fox-Lance and other abatement programs -- that the numbers are growing and the result can only be that the remaining taxable acreage shrinks and most taxpayers as a result are paying a greater share of the total tax burden.

Aside from that, today I would just like to point out what I describe as an inequity within our State tax policy, more specifically the Public Utilities tax formula which from a Hudson County viewpoint is something that is a potential danger for us, especially damaging for us, and has a potential to be even more damaging in the future. I have prepared a written statement which I've given to the staff and I'd like to read from it and comment on it as I go along, although I usually don't like to read statements.

The formula which determines the distribution of utility tax collections to municipalities

which house generating plants is, in part, based on the total generating output of the State, as compared with the generating output of the municipality wherein the facility is located. So in reality the municipality is reimbursed for the tax collection based on its percentage of energy output as compared to the State. The revenue pie of collections from the utility tax is split based on the percentage output generated by the facility within the municipality.

Now Hudson County contains a large number of generating facilities located in Jersey City, Kearny, a large one in Harrison and a small plant in Bayonne as well. At the time that the utility tax formula (distribution formula) was constructed of course, no-one anticipated the advent of large nuclear generating facilities within the State -- this has only been a recent occurrence -- but the effect of that has been to increase the total energy output within the State and to change the percentages of that total comparing one municipality to another. With the advent, particularly the nuclear generating facility in Lower Alloways Creek which is presently functional, we find a circumstance evolving at the present time -- it has been so during the last seven years and will continue to do so -- which points up what I feel to be a weakness within the disbursement formula on the utilities tax. Had the formula rates remained the same over the past seven years from 1971 to 1978 with the percentage distributions as they were in 1971, Hudson County over that span of time would have received some \$195.8 million as its collective share for the facilities that Hudson County contains of the public utilities tax. The purpose of that of course, its primary utilization within the County, is to offset the demand on the local property tax owner who otherwise would have to pick up the slack. It was so recognized by the legislation that the homeowners in a given area deserved to be in some way recompensed or reimbursed, for the existence of the generating facility within their area, which I am not arguing against. Essentially, to offset the cost of services and the housing of this generating facility, the formula was set up initially. As I said, had the 1971 figures remained intact prior to the beginnings of the Lower Alloways Creek generating facility, Hudson County would have received \$195.8 million. However, as a result of the functioning of the nuclear facility at Lower Alloways Creek we have received over that span of time, \$165.3 million or a LOSS TO THE COUNTY OF HUDSON OF SOME \$30.5 MILLION over that seven year span of time. And this is only the beginning. At the present time, Lower Alloways Creek produces 10 percent of the State's energy needs. By 1985 if the estimate continues, that facility will produce some 25 percent of the State's needs and thereby further reduce Hudson County's share of that utility tax disbursement as a revenue source for the county with the effect only being that we will not reduce costs but rather increase costs as a result of normal inflation, but reduce revenue to take care of those costs with the homeowner, the property owner, being the ultimate person who would have to pick up that slack.

Some may argue that the present formula is a fair one and contains equity for municipalities which contain these generating facilities. My opinion would be that that is not the case, and

all one needs to do is look at the circumstance presently existing at Lower Alloways Creek in order to come to that conclusion. And again I speak from a Hudson County orientation, so I think one might look through a jaundiced eye at what I am about to describe but nevertheless I feel that it is a fair evaluation.

Lower Alloways Creek is a suburban community which houses some 4,000 residents and is presently receiving roughly \$8 million from the utility tax at a 10 percent generating output. By 1985 State projections, based on the estimate that it would be at 25 percent output by that time, Lower Alloways Creek would be scheduled according to the present formula, to receive somewhere between \$20 and \$35 million, depending on generating facilities in other parts of the State. The affect of this input of money from the utility tax for Lower Alloways Creek is that at the present time the 4,000 residents or thereabouts have paid virtually no property tax whatsoever, and the municipal budget shows a surplus which exceeds the surplus of the entire State of New Jersey. Now, to me that says that we have a community that pays no property taxes and is looking forward to a future which will increase the amounts of revenues going in there as a result of the utility tax. To do what? They certainly cannot reduce property taxes lower than zero, and what other purpose is it being put to? At the present point the surplus as I say is extremely high, so you find a circumstance where there is no property tax and monies that could otherwise be utilized are sitting in certain accounts in various banks collecting interest and dust. And what of the Hudson County taxpayers? We're suffering through some of the highest tax rates in the State, and if there's a further erosion of our tax base -- not simply from abatements as other people have pointed out -- but also an erosion of receipts which we presently are receiving from the utilities tax. An erosion of receivable revenues resulting from this tax formula which as we look at it down the road, will continue to erode as a result of the emphasis being placed on nuclear facilities at Lower Alloways Creek and other potential sites. The final result is an even greater tax burden on our Hudson County taxpayers. I don't think it is the intent of State tax policy to support an erosion of an already shrinking tax base, and neither do I think it would be the intent of the Legislature to place a greater tax liability on the communities which have a track record that shows they are at least able to pay. Neither do I think it is the intent of the Public Utility Tax Formula to take from the poor and give to the rich. To reduce receivables in a County like Hudson which has a great need of these funds given its property tax levels, and to give these monies to Lower Alloways Creek where the tax burden is zero, where there is so much money available that the municipal authorities cannot find ways to spend it so it sits idle in a huge surplus.

The aging urban areas in my view, populated by hard working struggling people -- like the Mayor many times refers to who in many instances with our income levels here have a difficult enough time to put food on the table and pay the rent -- to my mind should not be about the business, through their property tax payments, of subsidizing a surplus existing in Lower Alloways Creek.

I would think that a revision of the utility tax formula would be in order. I'm not prepared at this point, nor do I think I will be in the next few days or so or perhaps at any time, to propose a remedy within the utility tax formula. We have the expertise available, men like Gil Deardorff up there who is doing a fantastic job in tax policy for the State and has done so for years, would be much more creative in their attempts to perhaps seek a revision that would produce a greater amount of equity. I think a revision would be in order that would be responsive to the needs of the taxpayers where the greatest need is, rather than where the lesser need is.

I thank the Committee for their time. I know it's been a long day for all of you, I'm only one of many who have talked here today, and I appreciate the opportunity to present this to you. Thank you.

SHEIL. Thank you for your presentation.

VAN WAGNER. Bob, I'd like to make a few comments. To all of you out there, I can tell you without qualification that the issue that Mr. Janiszewski just outlined, there is almost total unanimity with his thinking between the Hudson County delegation and the members of the Monmouth County delegation because we too are faced with that eventuality. And believe it or not, not every community in Monmouth County is a Deal, we have places like Asbury Park, Keansburg and areas which I represent that are poor towns. We did attempt, in fact we've made several attempts, to do what you have said Bob. I think Assemblyman Littell from Sussex County, and former Assemblyman Sweeney made an advanced study of the redistribution formula. Subsequent to that I introduced a bill to do substantially just what you outlined here. We can show you that legislation if that would help you draft something with Senator Sheil.

I have to tell you that we are going to meet -- and I say "we" because not even Gil knows -- we are going to meet on the proposition of not only Lower Alloways Creek, but we have other places in New Jersey which derive substantial amounts of money from the present structure of the Franchise and Gross Receipts Tax. I agree wholeheartedly that we would be defeating the purpose of tax reform in the State if we took money from those municipalities which need money and give it to those who already have more than they need. As we have indicated, it is not going to be an easy thing to do but I think it is a proposition which must be publicized and I appreciate your bringing up the subject because you put it as well as anybody I have ever heard put it, in describing the situation as it is. But I just wanted to let you know in advance that we have information that might help Senator Sheil and yourself in drafting legislation.

JANISZEWSKI. Assemblyman Van Wagner, I appreciate your commentary on that. I have been aware that attempts have been made in the past but that of course shouldn't preclude us from attempting to do something in the future. At this point in time the inequity has become such an obvious thing that an area with a zero base has a tremendous surplus and we with a very high tax base have to scratch for every nickel. Just this morning I went to a Title XX Homemakers' meeting where 350



disabled senior citizens were no longer able to avail themselves of a homemakers' service, which they desperately need, due to a lack of funds. If we could but dip into the surplus of Lower Alloways Creek we could not only take care of those 350 people but another 3,050. It's a matter of money. At some time we will have to stop paving the streets with gold and share some of that gold with the rest of us. Thank you very much.

DEARDORFF. Bob, just for the record, of course you know that Senator Merlino has been trying to do something in this line to fund some of the senior citizen programs, particularly the life-line program, and here's something I would like you to think about in this whole regard because there are many different ways you can go -- and there are going to be many different ways that are proposed -- to redistribute this money, some of which might even hurt Jersey City. But as you know, all of the money whether it's Franchise or Gross Receipts, is really based on the gross receipts of the public utility companies in Jew Jersey; the amount of gross receipts they get which, with the increased cost of fuel and everything else, is going up at a faster rate than it ever has before. But because of that these monies are actually being paid by the people who use gas and electricity, whether they be residential, commercial or what. What would you think of a formula which would compensate any municipality substantially, for having a plant because it is not the most attractive type of business to have in a community, and they do not pay general property taxes, they pay these other things in-lieu, to compensate any municipality that has a plant and then to distribute the money to the municipality on the gross receipts in that municipality that are paid into the public utility companies? Naturally the heavily urbanized areas where the greatest number of people are should benefit in direct proportion to how much they pay in after this first bit is taken off. You might just think about this. It has never been proposed before but it could possibly be an equitable solution.

JANISZEWSKI. I think that is an excellent suggestion and perhaps a good starting point for us to begin to look into the matter, and along with Assemblyman Van Wagner and Senator Sheil and others who are interested in a solution to this difficulty, I think Gil you have at least come up with a good start if not a solution. Thank you.

DEARDORFF. Thanks, Bob.

SHEIL. Thank you Assemblyman Janiszewski. I would like to close the meeting but before doing so I want to express my appreciation to all the speakers who appeared here today, we certainly will take your suggestions and recommendations under consideration. I particularly want to thank Assemblyman Van Wagner and Gil Deardorff for coming to Jersey City and working hard with us and the staff. When we were deciding where to have these meetings I spoke up even although I realized that by having one in Jersey City I probably would be attacked and that the Mayor might be attacked, but we felt we should come into the lion's den because we genuinely love Jersey City and Hudson County and believe me no-one is more sincere in wanting to make things more liveable for the

Jersey City and Hudson County residents. We welcome the opportunity to be here and certainly we will make every effort to try to have future meetings up here as well and we will try to alternate the time so that all of our citizenry will have a shot at attending. Our next meeting hopefully will be in the evening. Thank you very much. Dick, do you want to say something?

VAN WAGNER. Yes. Briefly I would like to say that the people of this city will see the hope that they had realized because of people like Mayor Smith, because of people like Senator Sheil, Assemblyman Janiszewski and the other members of the delegation who since they arrived in Trenton, in the short time they've been there including the Mayor, have worked toward no other end than improving the quality of life in the city. I for one, will join with them in any way I can to assist them in what I think is going to be an accomplished goal. I think that the people of this city will see that goal accomplished because of their untiring efforts in this regard. I would just like to commend you, Senator, and thank you for the privilege of allowing me to sit here with you.

SHEIL. It's my privilege to have you Dick. Gil, do you want to say anything?

DEARDORFF. I would ordinarily not say anything but I would like to put in my oar to say that one of the things that I think the general public should understand is that the efforts of people like Mayor Smith and Senator Sheil cannot be accomplished over-night. If they're taking the steps in the right direction you can't be too impatient and expect it to happen tomorrow, but as long as they're going in the right direction that's the important thing.

SHEIL. Thank you. This meeting now stands adjourned.

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