

P U B L I C H E A R I N G

before

THE NEW JERSEY TAX POLICY COMMITTEE
TASK FORCE B [Fiscal Needs and Forecasts]

Held:
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Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF TASK FORCE PRESENT:

Former Governor Alfred E. Driscoll [Chairman]
John P. Lewis
George Baldanzi
Donald G. Borg
Senator Harry L. Sears

Also

Dr. William Miller
Staff Director

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FORMER GOVERNOR ALFRED E. DRISCOLL [Chairman]: Ladies and gentlemen, the time having arrived for this particular hearing, we will begin and we will ask the first witness, Dr. William Freund, Vice President of the New York Stock Exchange, to present his views.

D R. W I L L I A M F R E U N D: Thank you, Mr. Chairman.

My name is William Freund. As a member of the New Jersey Economic Policy Council, I am pleased to testify on behalf of myself and my colleagues on the Council. The Economic Policy Council was established by legislation in June of 1966 to provide economic advice to the State, somewhat like the Council of Economic Advisors at the Federal level. I might add we are non-partisan. We meet regularly with the Governor, the Treasurer and other State officials on economic aspects of current policy issues and for periodic reviews of economic conditions. I do not, however, I might add, purport to speak for the Governor today.

My fellow Council members are Dr. William Baumol, Professor of Economics at Princeton University, and Dr. Monroe Berkowitz, Professor of Economics at Rutgers. Heading our office on Economic Policy is Dr. Harry Stark of Rutgers University, who is in the Chambers here today.

In recent years, state and local governments across the nation have been facing financial problems of grave proportions. I expect this trend will continue and become increasingly acute for New Jersey. The growth of this State's economy has on the whole paralleled growth nationally. It is my expectation that over the next decade the U.S. output gross national product will expand some 6 to 6 1/2 per cent per year, with 3 1/2 per cent constituting real growth and about 2 1/2 to 3 per cent per year inflation.

Undoubtedly New Jersey's revenues and expenditures will have to grow at a substantially faster pace than that 6 to 6 1/2 per cent for two reasons: One, I expect that cost inflation will hit New Jersey much harder than the

2 1/2 to 3 per cent average predicted for GNP. Two, New Jersey has an enormous backlog of unmet needs in capital projects as well as social services.

My guess would be that to make up for lost time in the past, to meet the costs of inflation and to satisfy the demands of a growing and increasingly impatient population, revenues must increase some 10 per cent per year in the decade ahead. I expect that inflation will be a very serious problem. In fact, I would not be surprised to see prices for State expenditures rise at an annual rate of 5 per cent during the 1970's. This means that revenues will have to rise 5 per cent each year simply to cover higher costs. The reason for such a heavy dose of price inflation is the fact that service industries generally - and our State is in the service business - have not enjoyed the benefits of improving productivity. If, for example, in manufacturing you have a 6 per cent wage gain per hour and a 3 per cent increase in productivity, the effect on prices is about 3 per cent. The problem with the service industries is the enormous difficulty in achieving higher productivity levels. It is tough for the school teacher, the fireman, the policeman to achieve productivity gains that are comparable to those in commerce and industry.

Because productivity gains cannot be counted on in the service industries to moderate the pressures emanating from higher wages, it behooves your Committee to include an adequate allowance for inflation in projecting the State's fiscal needs.

Your Committee knows better than I the urgent need to increase services to the public sector. Our population is growing and its awareness of the problems of poverty, pollution, education, transportation and urban decay is becoming daily sharper. Even a 5 per cent annual increase in services would be a modest effort. So what I have done is to add together price inflation and some modest allowance

for an increase in services and come up with a 10 per cent annual growth in revenue requirements.

The State of New Jersey's tax system as now constituted is unable to generate the increased revenues required. We depend excessively on the property tax as a major source of revenue. I believe that the property tax has contributed to the decline of our cities and the enormous urban problems we face. Clearly reliance on the property tax will have to be de-emphasized lest we drive the last vestiges of commerce, industry and population from our cities.

The problem with property taxes, and to a considerable extent even with the sales tax, is that these taxes fail to keep pace adequately with the growth in the State's economy. Economists know that property taxes are not what they call income elastic; that is, they fail to generate revenues proportionate to the rise in State incomes. And the result is an ever-widening gap between needs and the financial resources to meet them.

If I can emphasize one message for this Committee today, it is the importance, indeed, I think, the inevitability of an income tax in our State. That will be required, I believe, if our State is to have any hope in the future of matching revenues to our most urgent fiscal needs.

In the Third Annual Report of the Economic Policy Council, which was dated January, 1970, we asked Dr. Lawrence Faulk, who is also instrumental in your Committee work, to prepare some estimates of New Jersey's financial outlook to 1985. I am sure that some of these figures are already in need of updating. But I think the general thrust of the conclusions still holds. If the State of New Jersey were to depend solely upon existing State revenues and if on the expenditure side it were to limit outlays to present programs and the minimum capital expenditures recommended by that 1968 Governor's Committee to evaluate capital needs, then New Jersey would face a deficit of nearly one billion dollars by 1980 and almost two billion dollars by 1985. While

these figures may not be completely current, they correctly define the orders of magnitude. If anything, they probably err on the side of understatement.

The Economic Policy Council is presently in the process of recommending to the Governor various means for enhancing the incentives of individuals and firms to promote urban rehabilitation. We are searching for what economists call excess benefit taxes, which not only generate revenues but provide an inducement to improve the quality of our environment. An example are effluent charges which will reflect the cost of safely disposing of certain water pollutants. Such a tax added to other pollution restrictions would recognize that our rivers and waterways are not free goods or unlimited natural resources. I am hopeful that in time your Committee will consider incentive taxes, not only to improve air and water but as a means of stimulating economic growth in our central cities. These taxes will also have the effect of increasing State revenues. But this source of revenue alone cannot displace, in my view, the urgent need for an income tax. Unless the State adopts an income elastic tax, one that grows with an expanding economy, essential needs and priorities will go untended. Even existing programs may have to be curtailed. Only an income tax can provide adequate revenues in the '70's to cover inflation, to upgrade services and, above all, to channel funds to our cities to meet their desperate needs.

That is the end of my statement, Mr. Chairman.

GOV. DRISCOLL: Thank you, Dr. Freund. Do any members of the panel have questions that they would like to address to Dr. Freund who is anxious to catch a train and has a tight schedule.

MR. BALDANZI: I would just like to ask one question - whether your advocacy of an income tax is to be imposed on the present structure of taxation in the State.

DR. FREUND: Yes, that would be my view.

MR. BALDANZI: And leave the property taxes the way

they are now?

DR. FREUND: You would leave the property tax. I think that the income tax would be required to generate the additional revenues and that no funds would be available for a reduction of property taxes. My hope would be that the rapid increase, year by year, in property taxes could be mitigated.

MR. MILLER: I have a few questions. I don't know how your time is.

DR. FREUND: That's all right. I will be happy to answer them if I can.

MR. MILLER: Well, to get to them in the order in which you presented them, the income elasticity problem - do you have any view as to the relative income elasticity of property, sales - of course, income tax would be direct - but of property and sales taxes?

DR. FREUND: Some of the evidence that I have seen - and I would have to collect it and submit it separately, if you wish me to do so - is that property taxes have a very low income elasticity, on the order of perhaps only 1 per cent. I think one could quibble about the research results here. But I think the thrust of the research is clear, that property taxes simply do not rise automatically with growing incomes of residents within the State.

MR. MILLER: You say they don't rise automatically. There are two elements of property tax: the evaluation of the property and the rate. I assume what you are suggesting is that the values of real estate do not rise as rapidly as income rises.

DR. FREUND: That's correct.

MR. MILLER: Can't that be corrected by just increasing the rate?

DR. FREUND: Yes. This is what has been happening throughout the State and it has been happening regularly, and I am saying it doesn't happen automatically and it doesn't automatically generate the added revenues which, I believe,

the State will require.

MR. MILLER: Taking the same trend of thinking, you make a point that the property tax is certainly a discouraging kind of element as far as economic growth is concerned. You also make the point that it is necessary to retain it in some form to be realistic. I wonder if you have any view as to what would be, shall we say, the optimum or tolerable rate of taxation on property which would avoid the kind of discouragement you mentioned?

DR. FREUND: No, I don't think economists have a notion of what is an optimum rate, but we can observe what has happened in our central cities, namely, that property taxes have discouraged, particularly middle-income residents, from remaining there. They have induced many of them to move out of the area. The cities have remained centers of employment. The commuters come in and they require a vast amount of social services. In fact, as the middle-income, itself, moves out, the need for social services tends to accelerate, the taxes rise and you are caught in this vicious cycle of higher taxes, more demands for social services, lesser ability to pay, lesser tax base, and higher rates.

MR. MILLER: Is it your conclusion if the property taxes were a good deal lower, our ghetto problem in urban areas would not be there?

DR. FREUND: No, I would certainly not go that far. But I think the present level of property taxes have served to aggravate our ghetto problems.

DR. LEWIS: Dr. Freund, I was very much interested in your point that New Jersey could anticipate somewhat higher than average inflation in the next ten years and I take it your argument there is that the composition of output in the State is weighted more heavily than average toward services which don't participate in productivity gains or don't generate productivity gains as fast as average.

DR. FREUND: Yes. In the interest of time, I skipped a few sentences in the prepared testimony. If I may, I would just like to read those sentences now.

[Reading] It is difficult for the school teacher, the fireman, or the policeman to achieve productivity gains comparable to those in commerce and industry. One way to improve a teacher's productivity is to enlarge the size of her classes but this leads to a reduced quality of education. One way for the Police Department to improve its output per man hour is to increase the size of the policeman's beat, but this reduces public protection.

The thrust of my argument is that it is exceedingly difficult in the service industries as opposed to manufacturing industries to obtain the 3 to 4 per cent annual increases in output per man hour that have characterized the American economy.

DR. LEWIS: The question I was coming to was whether your essential point is not -- doesn't it have to do with the bundle of things that governments, including New Jersey government, tend to buy rather than the particular sort of average productivity in this State as against other states? New Jersey government like other governments are going to be buying a bundle of things that are weighted toward services.

DR. FREUND: Yes, I think there is much truth to what you say. Really what I had in mind, and I accept your addition to my argument because I think it is accurate -- but what I had in mind is that government is a labor intensive business. When you manufacture automobiles or sewing machines or air conditioners and you have an assembly-line plant, it is possible through automation and the like to increase output per man hour. Where you have an industry that is highly labor intensive as government inevitably is, it becomes exceedingly difficult to gain improvements in productivity output per man hour. This is why I think you will find and why I recommend that in your planning for the next decade, you make an allowance not for 2 1/2 to 3 per cent

inflation but twice that much.

GOV. DRISCOLL: Dr. Freund, do I understand that you would advocate an income tax without coupling it in any way with tax reform? Do you think, per se, the State needs an income tax?

DR. FREUND: Yes, I do. I think tax reform is always a desirable objective. But I think the primary ingredient of such tax reform will have to be an income tax.

MR. BALDANZI: Don't you think it is a pretty strong assumption to assume that the productivity of government cannot be improved?

DR. FREUND: No, I don't make that assumption at all that it cannot be improved and obviously we have been reading in the newspaper even within the last few days of efforts to do exactly that. All I am saying is that in planning for the decade of the 1970's, it would be unrealistic to expect that year by year average improvement in productivity would be in the 3 to 4 per cent range, as I expect it will be for the American economy in general. This is what gives us nationally the only real hope I think we have of containing inflation, that we will offset wage gains by productivity gains to some extent. As I indicated, a 6 per cent rise in wage costs if offset by a 3 per cent improvement in productivity, assuming corporate profits remain the same, will lead to a 3 per cent price inflation. But if at the State and local level, you have also a 6 per cent wage gain and the productivity improvement now is only 1 per cent rather than 3 per cent, then the price pressures, budgetary pressures, will be 5 per cent rather than the much lower level for the economy generally. And this has, in fact, been the experience of all of our states and of our municipalities and of our cities. They have all be wracked by inflationary pressures.

In the analysis of the Economic Policy Council, these intensive pressures emanate from the relatively absence of productivity improvements. This is not to say that there

will be no productivity improvements. But I think it would be short sighted to assume that they will be achievable year in and year out at a substantial rate in state government.

MR. BALDANZI: I would think that there is a little more efficiency in government than what you allege there to be. Even if you take some of the assignment such as collecting garbage in the City of New York, it is not a fact that they are still pushing a broom. They have some of the most modern, technical equipment which will improve the efficiency of every individual collector in the whole City of New York. The same thing applies to the Police Force. They don't have anything such as a policeman's beat. They are completely motorized. They can cover a greater area of responsibility. I do believe, however, that there could be a very searching analysis of introducing methods in the government - and I don't want to use the cliché, comparable to business, - but there is a requirement for someone to take a good, hard look at government at all levels and take out some of the non-productive elements that exist there. Then at that time you could measure the relative efficiency of a growing state or local government, depending upon the population and service requirements.

DR. FREUND: Mr. Chairman, may I just add something?

GOV. DRISCOLL: Certainly.

DR. FREUND: I have no quarrel at all with what has been said and I would favor as much as anyone improving productivity in state government. My only point is that it is difficult to count on a substantial improvement in productivity year by year for the next decade.

May I give a very homely illustration. Take the supermarket which is rather efficiently run. I have noted, for example, that all kinds of productivity improvements have been introduced into the supermarket: pre-wrapped meats, for example; improved cash registers that accelerate the flow of customers, etc. And these productivity improvements

can be made and have been made in the supermarkets. What is difficult for the supermarket to do, because it is also a service business, is to attain these productivity improvements year by year. They tend to be bunched. You get an efficiency crew in and you get an improvement in productivity in one year. But to sustain these productivity improvements year by year is exceedingly difficult in all service businesses.

MR. BALDANZI: I would like to see the government adopt the same techniques as private enterprise whether the supermarket or the telephone company. They now have a whole generation of telephone operators; we do our own work. In supermarkets, we do our own work. Nobody waits on us anymore. If the government could work out a technique like that of getting all the citizens to work for them, it would be wonderful.

MR. MILLER: I am troubled, as I suspect the Council is, with the size of the revenue gap projected even for 1980 or 1985. I notice it runs from a billion in 1980 to 2 billion or almost 2 billion in 1985. But, of course, the two billion, to get its dimension, is more than the total amount raised for all property tax for all purposes in New Jersey, schools and otherwise, this year.

You are suggesting that the way to close that revenue gap would be through an income tax, I take it.

DR. FREUND: That's right.

MR. MILLER: But would not the entire proceeds of the income tax be used in just closing that gap and leave nothing for reducing property taxes, which you also pointed out are a problem?

DR. FREUND: Well, let me be very candid. We have not worked out these details of what the rates of an income tax would be, what revenues would be generated by such a tax, what effect it would have on the property tax, and so on. All I am saying is that these figures suggest an urgent need for an income tax.

MR. MILLER: They don't suggest that it will or will not

solve the other problems you mentioned though.

DR. FREUND: That would take a lot more study than we have been able to give it and I am sure your Committee will address itself to many of those questions.

GOV. DRISCOLL: Thank you very much, Dr. Freund. We appreciate your appearing today and giving us the benefit of your views.

DR. FREUND: Thank you. I enjoyed being here.

GOV. DRISCOLL: Our schedule calls for Mrs. Helen Fenske to be our next witness. Apparently she is not here so we will move on.

I know Dr. McCormick has to assure the election of the President of the United States back at Rutgers. We would like to hear from him at this time.

D R. R I C H A R D P. M c C O R M I C K: My name is Richard P. McCormick and I am not appearing in behalf of any group. I am just here on my own.

It would be gratuitous for me to tell this Committee that New Jersey is sorely afflicted with grievous problems or that tax reform is a prerequisite to the solution of most of these problems. If this were not the case, we would not be here this morning.

Our plight has been described in authoritative terms in recent years by the Governor's Select Commission on Civil Disorders, by The Citizens Committee for Higher Education in New Jersey, by the Governor's Commission to Evaluate the Capital Needs of New Jersey, by a lengthy series of reports from the State Tax Policy Commission, and a host of similar studies. I don't think we have to debate the fact that government is not meeting its responsibilities in New Jersey, responsibilities that can only be met through increased public expenditures.

We all know that we need greater state revenue. We know, too, that only through a graduated income tax can such revenue be obtained. But along with an income tax must come a general

overhaul of our tax policies. Our present tax sources are not only inadequate, they are also inequitable, incoherent, and positively destructive in their consequences. Reliance on the property tax must be drastically reduced, local planning must be freed from the incubus of the "ratable" syndrome, the major share of the costs of education and welfare must be assumed by the state.

Mr. Chairman, as I drive through New Jersey, I am constantly impressed by being greeted as I enter each town by a sign saying in effect, "Greenville welcomes industry." I will know that we have a humane and reasonable tax policy in New Jersey when I drive through the State and those signs are replaced by signs reading, "Greenville welcomes people - old people, poor people, even people with children."

New Jersey ranks among the wealthiest states in the nation. Yet its citizens have traditionally paid a smaller portion of their income in state and local taxes than those of almost any other state. Our present desperate predicament is the consequence of that policy of public niggardliness. Oppressed by local property tax rates that are among the highest in the nation the New Jersey citizen is all but unaware of the relatively light total tax burden he bears. Now we must ask him to pay the costs of decades of neglect, or else live in a rapidly deteriorating environment.

It is not difficult to perceive the dimensions of our needs; neither can there be much disagreement about the solution to

our financial problems. All that remains to perplex us then are the questions: How did we ever get in such a mess? How can our citizens be brought to face the hard facts that confront us?

I am not a fiscal expert, but I do understand the history of this state and history provides the answer to our first question and may suggest an answer to the second.

Early in our history, when we were a tiny underpopulated colony with meagre resources, we became extremely sensitive about our precarious position between the two booming provinces of New York and Pennsylvania. We developed an image of ourselves as a "poor, slavish dependent," to employ the term used in an early 18th century New Jersey pamphlet. Poor slavish dependents demean themselves; they are penurious; they adopt parasitical relationships; they resort to dubious expedients. They do things differently.

So it has been with New Jersey, especially in the realm of fiscal policy. Let me cite a few examples.

When the other states were making at least half-hearted efforts to meet their financial obligations to the Continental Congress, New Jersey in 1783 stopped any further payments to the general government. In the 1830's New Jersey granted monopoly privileges to the Camden and Amboy Railroad and required the road to levy transit duties on passengers and freight moving through the state. These duties, paid by the citizens of other states, financed nearly all the costs of running the state government in the decades before the Civil War. We became known, not to our credit, as the "State of Camden and Amboy."

Late in the 19th century we discovered another bonanza, well suited to a poor slavish dependent. We liberalized our corporation laws, garnered substantial revenue from the proliferating trusts, and earned from Lincoln Steffens the sobriquet of the Traitor State.

More recently, we recall the attempt in 1963 to sell the \$750,000,000 bond issue to the voters with the enticing explanation that most of the cost would be borne by out-of-state motorists. And who can doubt that a major argument in favor of the sales tax was that it would exact contributions from visitors to our state?

A peculiar brand of logic has dominated discussions of fiscal policy in New Jersey. For decades the most potent argument against broad-based taxes in New Jersey was that virtually every other state had them, consequently we should seek advantage by not having them. Similarly, we should not pour money into medical schools because other states were doing so. We could even take a perverse kind of pride in the knowledge that New Jersey ranked near the bottom in per capita expenditures in almost every category of state services. All of this was congruent with our self-image as a "poor, slavish dependent." We could thus justify our belief that the whole array was out of step, except us.

We have indeed been dependent. We have depended on the universities of other states to educate our youth, a practice which as recently earned us the title, as I learn in the newspapers, of the "cuckoo state." We have depended on other state to provide us with our school teachers, and train our doctors. We have depended for our cultural sustenance on our

neighbors. We have looked to them as well for public recreational facilities and for well maintained historic shrines.

Too long, and at too great cost to ourselves, have we maintained this demeaning self-image of a "poor, slavish dependent." Once there was some basis in fact for such an image, but it does not fit or become our state today.

As the eighth most populous and the seventh wealthiest state in per capita income, we are no longer poor and slavish, and we can no longer be dependent on others. Our fiscal policy, indeed our whole public policy, should reflect our real status, not an anachronistic, self-defeating image. We can afford to meet our responsibilities.

How can our citizens be brought to face the hard facts that confront us? Herein lies the challenge to our political leaders. It is their responsibility to present the case to our people, and when this is done honestly and courageously, the people of New Jersey will respond. They responded to Governor Alfred E. Driscoll when he led the movement for a new constitution. They responded to Governor Richard J. Hughes when he called for endorsement of a \$990,000,000 bond issue. When they understand the tragic consequences of neglect, when they are no longer deluded by the cant of "no new taxes," when they see that the course we have been pursuing is self-destructive, our citizens must respond.

I urge this Commission to dispel the image of New Jersey that has been so injurious to our general welfare. Hold up a mirror in which New Jersey can see not only its weaknesses but its great strength and its tremendous potential. Give

our political leaders a plan for tax reform that is realistic, honest, and equitable, and if our leaders are courageous and forthright, the people of New Jersey will sustain them and redeem our commonwealth from the afflictions that we deplore.

GOV. DRISCOLL: Thank you very much, Dr. McCormick. As a distinguished historian, I am sure you are aware of the fact that in the Revolutionary War the Pennsylvania troops mutinied in Morris County, killing certain officers, because they hadn't been paid for quite a long time. I just put that in to give a little balance to the fact that New Jersey was not without company during that period.

Do the members of the panel have questions they would like to ask?

MR. MILLER: I wonder, Dr. McCormick, whether you could comment on any evidence, historical or otherwise, that the quality of services available in New Jersey is any the less than it is in other states which have different revenue systems.

DR. MC CORMICK: The quality or the quantity?

MR. MILLER: Both.

DR. MC CORMICK: Well, let me mention the area with which I am most familiar. Certainly there can be little disagreement that the quantity, and I would also add the quality, of services provided in the field of higher education are very conspicuously less than that provided in other states. Hence, this tremendous reliance upon other states to provide higher education for our young people. We have had just in the last few days another report which indicates that despite the expansion of our educational facilities over the course of the last few years, we have not moved forward and that the only state that is still below us on the list in terms of net export of students is Alaska.

MR. MILLER: Thank you.

GOV. DRISCOLL: Dr. Lewis?

DR. LEWIS: No, I don't think I have questions. I

just want to congratulate Professor McCormick on his statement.

GOV. DRISCOLL: Any further questions? [No response.]
If not, thank you very much, Dr. McCormick. We appreciate your being with us and be sure to get President Jackson elected, will you?

The next witness scheduled to appear before us is Mr. Luartes, representing the United Seniors of New Jersey.

A N A C L E T O R. L U A R T E S: Mr. Chairman, Senator Sears and members of Task Force B Committee: This is my wife who is going to act as my ears in case you want to ask questions.

With your permission, I would like to first submit to you the alternate proposal I wish to make at this time inasmuch as you have the main proposal in front of you. Due to the short time that I am allotted, I do not wish to omit the following in my testimony:

Drastic and far-reaching changes in the tax law with a view to efficiency and economy must be made. Full participation by all levels of government must be engaged in order to fully realize the intent of this proposal.

While it is not advisable to concentrate power, it is a must to coordinate that power for our common good.

We propose the imposition of the surtax with existing agency as the collector and the disbursing authority. This is enough to finance the school system of the nation plus easing the tax burden on senior citizens and part of the over-all property taxes.

Incidentally, by way of introduction, I am the Chairman of the Disabled American Veterans, Chapter 4, and also the Legislative Chairman of the United Senior Citizens of New Jersey.

I suggest - and this is my own view - that all existing officers on county levels of the Office on Aging be discontinued. It is my observation that these officers do

not do anything for the elderly other than duplicate the programs that were already in efficient operation before the emergence of these Offices on Aging.

Discontinue forums and White House Conference on Aging, but submit the questionnaires to the membership of all Senior Citizens Clubs in order to obtain a realistic and true picture of the state of the economy of this segment of our society. That is the elderly.

I have attended such forums. In some of them the seniors in attendance were not even allowed to ask questions, let alone be heard. One forum in particular which was conducted in Camden County, I was denied the chance of mentioning that a petition was available for the signatures of those who wished to sign it at the time. I have the petition here and I will read it only if you want me to.

The state government should impose a supplemental income-wage tax in lieu of the sales, school and property taxes and must repeal the biennial property re-evaluation statute. Assessments must be based on the purchase price paid for by the current owners and market value applied only when the property changes ownership. With this method, there will be no need for periodic changes in tax exemptions for the elderly since there will be no changes in the amount of their tax liabilities.

Incidentally the passage of exemptions for the elderly which was raised from \$80 to \$160 is not consistent with the intent of the state with regards to the veterans. For example, the disabled veterans are not able to earn their full potential so far as earning capacity is concerned and their exemptions were based on their service to the country, whereas the exemption for the elderly is based on their contribution to the economy of our nation.

Local government should repeal all ordinances detrimental to the intent of the proposals above. We also suggest that conversion of large homes into apartments for use

by elderly people must be allowed in all communities at the option of the owners - such conversion, also at the option of the owners, to be subsidized by the state and part of the rents to revert back to the financing agency to amortize the conversion cost and part of the rent to go to the owners to aid such owners financially.

The above proposal is a direct approach to our inequitable system of taxation which requires reform now instead of later on.

One final suggestion is for support of Senate 4152 which will establish the Office of Assistant Secretary on Housing for the Elderly and other provisions aimed at making a life for the elderly as he or she planned it to be.

There are at the present time many suggestions on preparation for retirement. How can one prepare for retirement when there is no limit to one's liabilities for taxes? When one retires his income becomes limited and fixed. The working forces of the community, the State and government and industry, plus the legislators, get periodic increases in salary and the elderly sustain loss of buying power and increased taxes. It is obvious that tax reform is needed now. I want to thank you. [Statement of Mr. Laurtes on page 77 A]

GOV. DRISCOLL: Thank you very much. Are there any questions from the panel? If not, we appreciate very much your presence today and are grateful to you for giving us the benefit of your opinions.

MR. LUARTES: I want to thank you and in case you wish to find out about the petition, I submitted several of them to Task Force C.

GOV. DRISCOLL: Thank you very much.

Next on our list is Mr. Mark M. Jones of Princeton.

M A R K M. J O N E S: Mr. Chairman and gentlemen, I thank you for this opportunity to put forward a few ideas in the public interest. What I have to say is I came to the basic philosophy, if your outgo exceeds your income, your upkeep will be your downfall. I know that is not pleasant

wisdom for men engaged in politics and government, but it is still true.

Citizens and taxpayers who may desire to be helpful to the New Jersey Tax Policy Committee and its Task Forces are confronted by fundamental difficulty at the outset. It apparently arises from Executive Order 5, which established the plan under which the several Task Forces have been composed and their tasks prescribed.

Executive Order 5 is confusing. It does not indicate whether the Tax Policy Committee should proceed logically and with regard for the fact that taxation is not really the problem. In other words, it does not recognize the obvious fact that government spending is the problem. Government spending comes first. It is the cause. Taxation is an effect.

Another difficulty which arises from the Executive Order is that it leads to the belief that the whole procedure may be to continue the program of more and more spending, in disregard of the economic situation and the record of more than a decade of excessive spending on the part of the State and local governments of New Jersey.

A question which therefore arises at the outset is whether the inquiry is to be from the standpoint of the payers or the spenders. In particular does it have an important bearing on what is said and done by any who may try to be helpful to Task Force B under its stated purpose - "fiscal needs and forecasts."

The Forces in Control

The economic forces which have imposed the necessity for this policy study for the most part arise from outside of New Jersey. They are internal only to a minor degree.

Inflation has become a convenient alibi for all those who desire to continue excessive government spending, the main cause of the inflation. It is inflation in the public sector. It is inflation in private enterprise only with respect to its impact and consequences. It is the first inflation in the history of the United States that is due to colossal government spending. It is wild government spending which has been going on at every level; namely, Federal, State, and local. The inflation arises principally because of the shortcomings of education in the United States during the past generation or two. The period involved by this spending madness is the 36 years since the control of the Democrats began in 1933. During that time Federal, State,

and local governments in the United States have spent 3 trillion, 750 billion dollars. The education which produced the political leaders who have been in control of the country during this time failed to prepare them to understand the simple fact that all government expenditures are nonproductive overhead expense of an economy from an accounting standpoint, and as such must be held within due proportion to production and the income of the people; otherwise they bring about an economy in liquidation, which we now have.

In addition to this largely external set of fundamental forces, we have internal factors which also have left a very definite mess to the administration now in office. I mean that New Jersey also was taken on a wild orgy of crazy spending by the Hughes Administration in its fanatical effort to impose a complete system of Socialism on the State. Conspicuous examples of this are provided by the four- or five-fold increase in spending during the Hughes regime, the creation of the socialistic Department of Community Affairs, and the development of a housing racket which ought to be abolished as a public scandal. There are others of course.

One of the basic questions which ought to be confronted by those running things in New Jersey is what is to be done about this long trend to politicalize the economy at the expense of productivity?

What About the Taxpayers?

Then there is the question as to whether Task Force B is to proceed in accordance with the general plan of the Tax Policy Committee. Or is it to pay attention to the economic position of the taxpayers and the economy of New Jersey after a generation of the excesses of government spending on every level?

The point of departure from which you really take up your task if the economy and the taxpayers are to be considered, would include such consequences of our socialistic binge over these several recent decades as the following:

1. The plight of 40 million American families (about 80 percent) which for the first time in the history of the human race own large amounts of life insurance and of savings fixed in dollar amount, such as U. S. savings bonds, savings deposits. The average amount of such savings per family is about \$50,000. From the huge total of these assets, nearly \$700 billion at today's prices has been "embezzled" by the subtle process of inflating the Nation's purchasing media during the past three decades.

2. The accumulating impact of the inflation on the value of the dollar, the value of which in comparison with that of 1933 is now down below 20 cents.

This means destruction of more than 80 percent of the purchasing power of the dollar.

3. The 23 percent increase in taxes levied by the State Government, made effective this year, is another case of shocking disregard for the economy and the taxpayers.

4. The orgy of spending by New Jersey on education of the wrong kind without accountability, assessment, or evaluation under the self-interest pressure groups in education which operate on the level of illiterate labor unions, is another consequence of ever-spreading politicalization.

From the standpoint of the taxpayers, the number one problem of New Jersey probably is how to get something done about too much education of the wrong kind, which is not worth half of what it costs.

Not a Tax Problem

If it were possible really to proceed logically with the job of a Task Force assigned the subject of fiscal needs and forecasts, there might be an opportunity to render a great service to the people of New Jersey. To do so, it would have to radically alter present plans. This would be necessary because these plans begin at the wrong place. They assume that taxation is the problem. It is not the problem. The problem is spending. More important, the property tax is not the problem. The real problem so far as property taxation is concerned is the excessive spending on education without even the most elementary requirement of responsibility - accountability.

The Education Racket

New Jersey seems to present a special problem in the form of the education racket. This, for the most part, is made up of a parasitic bureaucracy of a few thousand people who spend two or three million dollars a year, and perhaps more, to pressure the State Legislature and the State Government always to spend more money on so-called public school education. Supplemented by another self-interest pressure racket, the labor monopoly, they operate as if a teachers' organization could educate and at the same time be a self-interest labor union. This whole racket plunges on as if there could be some rational justification for it.

What are the results of our so-called education? Is it education of the kind that is needed? Does the apparent chaos on campuses and in cities have no relation to what has been done and not done in the name of education?

One basic problem from the standpoint of a system of representative government is the cancer that has taken control of government in most of the States and particularly in Washington. It is the self-interest pressure group

which exploits government and uses it to prey upon citizens and taxpayers. Something of a Shadow Soviet for that purpose has been built up around the State House in Trenton. It is time that something was done about it.

Neither government nor the press gives a damn about the public interest. They are incapable of defining it and protecting it.

Accountability

From the standpoint of organization engineering, the system of government now common in the United States is only half developed. It still remains at the jungle level, where it substitutes power for responsibility. It is only natural that such irresponsibility makes no provision for accountability.

What have the people of New Jersey been getting for the billions that they are putting up each year for taxation within the State? It is now running at an annual rate in excess of \$3 billion. What are the results? Why should such elaborate squandering be continued year after year without assessment?

Then of course there is the equally fundamental question as to the additional billions embezzled from the people of the State of New Jersey by the Federal Government. What about the angle of fiscal needs and forecasts in New Jersey from the standpoint of the Federal income tax?

Fiscal Needs

The most important fiscal need from the standpoint of the State Government of New Jersey is a cut in government spending aggregating 35 to 40 percent at least, and probably more.

This of course would automatically come about if this Task Force or the Cahill Administration were to determine fiscal needs on a nonpolitical basis. There are plenty of reasons to believe that less than half of the outlays now being made by State and local governments are necessary or in the public interest.

Is the New Jersey Tax Policy Committee going to operate on the same level as all these forces which have been degenerating our society?

GOV. DRISCOLL: Thank you, Mr. Jones. To set the record straight, you referred to present plans.

MR. JONES: I mean what is on paper.

GOV. DRISCOLL: The Tax Policy Commission --

MR. JONES: Yes - Executive Order No. 5.

GOV. DRISCOLL: [Continuing] -- and particularly this

Task Force would not be conducting a public hearing or continuing its studies if it had a plan. We are in the process of considering New Jersey's needs, its requirements and all phases both from the point of view of where we can save and where we must spend. I just want to make that very clear for the record.

MR. JONES: I appreciate that, Mr. Chairman. My sympathy is with you because it is inevitable that you should be materially affected by the forces that create you and maintain you. So I am merely talking about what you will have to do to rise above the control that you are subject to.

GOV. DRISCOLL: Also to keep the record straight, you used some rather extravagant language. As Chairman of this Task Force, I must reject that language. It is not applicable in my judgment under present circumstances nor has it been applicable based upon my experience in the past.

MR. JONES: Well, it is based on very long experience, Mr. Chairman, and I believe it is an understatement.

SENATOR SEARS: May I ask you first, Mr. Jones, what is your profession or occupation?

MR. JONES: I have been in the field of organization engineering for about 50 years. I have given a great deal of time and attention to taxation; that is, I have been the coordinator of five large tax programs in Washington that have had to do with the tax problem on every angle.

SENATOR SEARS: In Washington, were you undertaking assignments at the request or direction of the administration in Washington at the time?

MR. JONES: In only one case. In four cases, it was representing private interests.

SENATOR SEARS: Your basic suggestion here is, of course, germane particularly to the work of this Task Force because it is dealing with fiscal needs and forecasts and, of course, suggested cuts in government operation are very much a part of that total picture.

You have said - and I just want to take your optimum

figure - that there ought to be a 40 per cent cut in government spending at the State level. That is a fair statement of what you have suggested here. Is that correct?

MR. JONES: That's correct. Of course that would involve some great changes in police, as you will obviously know.

SENATOR SEARS: The current 1970-71 budget is at a level of approximately \$1.6 billion - in other words, \$1,600,000,000. That is what the State government is paying for all of its services and all of the contributions that it makes to local government and all the rest, education, etc. So your suggested cut, if it could be brought about, would amount to something on the order of \$640 million of this year's budget. If it could be achieved, that certainly would have a very great impact on the ultimate goal of this entire Committee which is to try to bring about recommendations or to formulate recommendations which will in effect produce an almost total tax reform in New Jersey. This in the context of tax reform, of course, would be very meaningful.

I would like to ask you to be more specific because I think that a suggested cut of that amount ought to be accompanied by a suggestion as to what particular areas we could drastically cut expenditures in order to achieve that result.

MR. JONES: Well, my first suggestion is the same as the Governor's Management Force and that is to take a good hard look at education. I have spent a great deal of time and money on that subject on behalf of the taxpayers and I can tell you that there is a lot of gold in those hills and while a lot of emotion is involved, if you will go at it from the standpoint of common sense and organization engineering, you will find at least half of the money being spent on public school education today can be dispensed with, not in a way that will please the people that are now running it, but from the standpoint of results and productivity.

In other words, we are not getting the kind of education we need at all. What more evidence of that do you need than the things that are going on in the country. You see, the educators have virtually been running the country now. They confessed to me in 1935 at Teachers' College they were going to do it and they have done it.

SENATOR SEARS: The total commitment in the State of New Jersey to education at all levels - this includes higher education - in this budget year is approximately \$750 million. What you say - and I assume you direct your remarks to the secondary level --

MR. JONES: Of course, I say local spending on education has got to be reconsidered.

SENATOR SEARS: I understand that. But would you think that a drastic cut such as you suggest in expenditures for education would or would not necessitate a total change in our philosophy and commitment to education?

MR. JONES: Yes, it would be a change in our philosophy in the sense that public school education which is financed compulsorily by taxation should be limited only to those things that are required in order to develop the individual to be a responsible participating citizen, and that would make a drastic change, I can assure you. In other words, the frills and flipperies that now compose more than half of the program of education should be seriously reconsidered. They could have any kind of education they want if they pay for it, but I mean the part that is financed on a compulsory basis by taxation should be limited to that which is necessary in order to develop a responsible, participating citizen.

SENATOR SEARS: Would you say then that what you are suggesting is we go back to the 3-R's concept and that we just teach the basics and that's all?

MR. JONES: No. I would say you would have to have those, naturally, but I would redesign the program of

public school education so that it is primarily built around vocational education of a new kind, of the kind that is necessary in an era of science and technology.. Then I would go on and add those things which survival demands, which is first: how to manage a family; second, how to manage money and property; and, third, take up the question of self control, self direction, personal discipline, etc.; fourth, I would show them how to maintain your physical self and take care of yourself. In other words, these things - and there are one or two more - but these things would all be inculcated at different points between the first grade and the end of high school and, of course, the idea of preparing for an illustrious career in college and universities would be considerably modified.

GOV. DRISCOLL: Are there any other questions?

MR. BALDANZI: May I ask you who is going to make all these decisions for all these people?

MR. JONES: Well, whoever is running the decision-making process that now exists. In other words, why hasn't it been made when you are going along? You see, the procedure is only half-baked. If you make an assessment each time before you plan the next program, you would automatically see these things and these needs and they would be taken care of. Now the process is defective. It is not responsible.

MR. BALDANZI: What you are saying is that somebody has to make a decision and that decision will be a determination that the youth of this country, maybe in large proportions, will be consigned to a role in life from now on in some sort of vocational school, that they are not to be exposed to any school of higher learning.

MR. JONES: They would be exposed to everything. But as fast as their rating came out, they would be applied to that in which they have the horse-power to function. In other words, it would be based on their own potential - that's what each one needs. One needs the opportunity to realize his own potential.

MR. BALDANZI: Isn't this what Hitler did when he had

the Youth Corps in Germany and Mussolini had the same thing?

MR. JONES: No, no.

MR. BALDANZI: He didn't?

MR. JONES: No.

GOV. DRISCOLL: Mr. Jones, would I be correct in assuming that you would characterize yourself as a conservative?

MR. JONES: That would not be an over-statement.

GOV. DRISCOLL: It would not be an over-statement. Are you familiar with the educational system in the Soviet Union?

MR. JONES: Only slightly.

MR. BALDANZI: That's exactly what they have.

GOV. DRISCOLL: This is exactly what they have. I have studied it and I have visited it.

MR. JONES: Well, that has no bearing on it. The question is whether what we need and how can we work it out. We don't necessarily have to go about it the way they do. But you have to get these same results because these are elementary. There is nothing theoretical or political about it. Even the experts are telling you now that we have to find a way quickly to show the family how to manage itself. I cut a piece out of the paper yesterday about it. It is coming up everywhere. So what I am saying to you is that this is just the kind of result or conclusion you arrive at if you go about the thing on a logical and impartial basis. If you follow the propaganda of the Teachers' College crowd that there is nothing the matter with education that more money won't cure, you will wind up where we are.

MR. BALDANZI: When you say that you want to be logical and you want to be practical, how can you make a statement such as you make in this document, that "New Jersey seems to present a special problem in the form of the education racket"? Then you say, "This, for the most part, is made up of a parasitic bureaucracy of a few thousand people who spend two or three million dollars a year, and perhaps more,

to pressure the State Legislature and the State Government always to spend more money on so-called public school education." Then you go on to say, "Supplemented by another self-interest pressure racket, the labor monopoly, they operate as if a teachers' organization could educate and at the same time be a self-interest labor union." Actually you are condemning the whole educational system of this country --

MR. JONES: Not at all.

MR. BALDANZI: [Continuing] -- as represented by the people who are the teachers, the professors, and the schools.

MR. JONES: Not the whole system, only the people that are at the top who are running it, who are mostly socialists.

MR. BALDANZI: They are all socialists?

MR. JONES: Not all - I didn't say all.

MR. BALDANZI: According to you, even ex-Governor Hughes is a socialist.

MR. JONES: Well, he has made a record that would deserve consideration from that standpoint.

MR. BALDANZI: That he is socialistic?

MR. JONES: Yes.

GOV. DRISCOLL: Are there any further questions?

DR. LEWIS: I would just like to pursue one thing.

MR. JONES: Could I stop and say that Mr. Hughes the other day in Princeton got up and admitted that he started out with a budget of \$300 million and when he left office it was \$1,300,000,000. He offered that voluntarily publicly.

MR. BALDANZI: Does that make him a socialist?

MR. JONES: Well, the things that were done under it would make him one.

DR. LEWIS: Mr. Jones, you have emphasized that the causes, the sources, of many of the situations you object to in New Jersey originated outside the State, that they are national or somewhat larger. One thing that you mentioned is inflation and I think that probably all of us would

readily admit that the causes of inflation are not very local, that they are ---

MR. JONES: They are everywhere.

DR. LEWIS: [Continuing] -- they are everywhere. My question is: If you were an actual member of this Committee, if you were attempting to estimate prospects for the next ten years, would you predict, granting it is something people in New Jersey don't have much control about, a substantial inflation during the next decade?

MR. JONES: No, I wouldn't. I would predict a substantial recession that would take the wind out of inflation and it may happen any time, within a week or longer. It can happen any time because you cannot go so far to excess as to make all the mistakes in the book and run out of mistake to make, as we have done, without having a reaction, and we are awaiting that reaction.

DR. LEWIS: I take it you expect a substantial economic depression then.

MR. JONES: It could be. They have shown greater resourcefulness in resorting to artificial means of averting the ultimate consequences than ever before. But there is no reason to believe that they can keep it up forever because they have no place to go - they don't know what to do.

DR. LEWIS: Do you expect it to be of the magnitude of 1929 or '32?

MR. JONES: I don't know. I hope not. I couldn't say. But I think it means that people will suddenly crystalize the realization that the principal cause of this has been this unusual development of inflation in government, namely, inflation in the public sector. Because you see now we are running at an annual rate of \$400 billion this year in spending on the government level - Federal, state and local - and that is approximately half of the real product of the economy. There is no reason to believe that you can have a going-concern economy if your overhead exceeds 23 per cent of the national income. We are in a position

where we have three times that. Our problem is - how do we get down from that mountain peak without falling in a pile, in a crash? I charge this to the education of the past generation.

GOV. DRISCOLL: Any further questions? If not, thank you very much for appearing and giving us the benefit of your thoughts on this subject.

Mrs. Fenske is with us now.

MRS. HELEN FENSKE: I am going to submit a statement. I don't have all my figures together as yet.

GOV. DRISCOLL: All right. Thank you. We will mark you present and charge you with the responsibility of submitting a statement to us.

Our next witness is Mr. Douglas Angleman, Chief Statistician for the New Jersey Bell Telephone Company.

D O U G L A S M . A N G L E M A N : Mr. Chairman and gentlemen, my name is Douglas M. Angleman. I am the Chief Statistician for New Jersey Bell Telephone Company. My business address is 540 Broad Street, Newark.

My appearance before you this morning is to present written testimony on the economy of New Jersey, as we see it, in 1980. Copies of this testimony have been given to your staff. I would like now to review briefly some of the highlights of that testimony.

The economic climate of the State of New Jersey in 1980 will continue to be determined very largely by the performance of the nation as a whole. Hence we will turn our attention first to the outlook for the nation's economy ten years down the road.

Implicit in our projections are these assumptions:

(1) There will be no significant change in either international tensions or in the United States military posture.

(2) There will be no major balance of payments or currency crises develop.

(3) The political and social climate in the United States will remain relatively unchanged.

(4) There will be no major technological breakthroughs.

With these assumptions then, here is what we see for the nation in 1980: Population will be 14 per cent or 30 million higher than today's 205 million and over half of this increase will be in the young adult age group 18 to 35. The labor force will approximate 104 million, some 16 million or 18 per cent above the present levels, with unemployment in the 4 per cent range. About 100 million people will be gainfully employed. The gross national product, GNP, if you will, the broadest measure of economic activity, currently at \$989 billion will double to close to \$2 trillion. After adjustment or in real price terms, GNP will increase 60 per cent, an average annual gain of about 4.3 per cent. Inflationary pressures will moderate but price stability will not be achieved. The GNP deflator, the most comprehensive measure of price movements, will on the average increase 2 to 2 1/2 per cent per year through 1980, with the increase for the entire period amounting to about 25 per cent. Total personal income will double by 1980, with disposable income, that is, after tax income, reaching \$1.3 trillion. In constant terms, this will be nearly two-thirds larger than today.

Capital spending by business, while moderating from the high rates of recent years will nevertheless be a positive factor in supporting the economy. The government at all levels will be spending far more than today, twice the present \$220 billion. Housing starts, currently at a very low 1.3 million, annually will swell to 2.5 million in 1980.

Now to focus on New Jersey, whose economic wellbeing will continue as in the past to parallel that of the nation, population will grow to nearly 9 million, an increase of

1.7 million or 23 per cent over the present level. Immigration will continue to play the largest role in this growth, although birth rates will be higher in the '70's than in the 1960's.

Households will reach 2.9 million, an increase of 26 per cent or 1 more family for every 4 that there are today.

The labor force will grow 900,000 to reach 3.9 million. Employment will be up to 3.7 million from the present level of 2.8 million, with an unemployment rate of about 5 per cent.

Gross state product, a measure directly comparable to GNP for the nation, is projected to reach \$84 billion, more than double the current level of \$40 billion, or in real terms, 60 per cent higher than in 1969.

Manufacturing while continuing to dominate the economy will have declined somewhat in importance as service-oriented industries expand.

Total personal income, \$65 billion, will be more than double the 1969 level of \$30 billion. Income per average household will exceed \$22,000. In real terms, the total buying power of the residents of this State will be more than 50 per cent greater than in 1969.

Housing starts, which may not exceed 32,000 this year, will be a major factor in the expansion of the State's economy in the 1970's and will reach an annual level of 68,000 by 1980, more than double the present rate.

That, gentlemen, is the bright picture we see for the economy of our State in 1980. If there are any questions, I shall be glad to answer them or provide an answer at a later date.

[Complete statement submitted by Mr. Angleman can be found beginning on page 51A of this transcript.]

GOV. DRISCOLL: Thank you very much. Dr. Lewis?

DR. LEWIS: I have a few questions. First, I think this is not a vital question, Mr. Angleman, but I have been

trying to compare the trends that you see in the nation and in the state. You indicate New Jersey's population rising faster than the U.S., 23 per cent against 14 per cent, the labor force about 27 against 18. But the gross state product, you say, would go up 60 per cent, the GNP also 60 per cent in real terms. Now if these numbers are to be taken literally or precisely, it would suggest that you think that per capita income in New Jersey isn't going to rise as fast as it does in the country generally. Is that right or is that just because the numbers aren't quite that firm?

MR. ANGLEMAN: In the first place, the numbers are rather rounded and could be interpreted as not quite that firm. But I think that income in New Jersey will continue to exceed that of the nation as a whole, although I feel that there will be a closing of the present gap that exists.

DR. LEWIS: I see. I would like beyond this very useful sort of frame you have given us to see if I can ask you a little bit more about what the New Jersey Bell Company is thinking about changes within the composition of the economy in the State. Let me just mention two. I suspect you are doing some of this kind of analysis. One would be, of course, whether you see any interesting changes in the age composition of the population that are particularly probable in New Jersey. Another kind of question would be what you see as to the deployment of people. Do you see changes in the pattern of the percentages living in central cities or will they be more in the suburbs? Are there any regional trends that you anticipate within the State within the coverage of the company? Do you have this kind of sort of demographic pattern projection that you work with at all?

MR. ANGLEMAN: Very broadly, to answer the first of your questions, there is going to be a rapid increase -- let me put it another way -- the age group that is going to increase the fastest will be in the young adult group, those

people coming out of high school or college and going into business or employment of one kind or another. The second group that will be growing the fastest is probably your over 65 group. However, I think you will find that by that time there will be more people in the tax-paying brackets than there will be in the very young group or the very old group.

Now as to your question regarding the dispersion of the population, I am sure you are aware, as most people are, of the movement away from the northeastern section of the State and the very rapid growth that has been occurring in Ocean County and the areas along the shore and in the Morris County area. We see this as continuing. We think that the growth in Ocean County and south of Ocean County is where your next major growth is going to come.

Along with that and probably later in the decade of the '70's, you will find further growth in Hunterdon, Warren and western Morris County.

I don't know whether that answers your question or not.

DR. LEWIS: Yes.

MR. BALDANZI: The only question I would like to ask is whether the phone service will improve by 1980.

MR. ANGLEMAN: I can assure you we are doing all we can to do that.

GOV. DRISCOLL: The question is out of order.

MR. ANGLEMAN: And I think it will bear no resemblance to what we now have, not only from the quality of service but also the type of instruments and so on that you will be using.

SENATOR SEARS: Your projections obviously are based on resources and information that you have at hand in the day-to-day operation of the company. My question really is: If we need some of that backup information or it becomes material, would it be made available?

MR. ANGLEMAN: Senator Sears, I would be very glad to talk to the Committee at any time.

MR. MILLER: I note your assumption that birth rates will be higher in the 1970's than the '60's. This seems to be contrary to what some of us are observing. Do you have any comment that would justify this?

MR. ANGLEMAN: Immediately following World War II, there was a rapid expansion in the birth rate so that we had a very large increase in the number of children for about a period of 8 to 10 years to the middle '50's. Those people are now coming to marriage age. They will be marrying; they will be having children. We do not foresee any real increase in the fertility rate, that is, the number of children a particular woman might have during her child-bearing years. But because there are more people, more women of child-bearing age, you are going to have more children and the birth rate will go up.

MR. MILLER: Unless, I suppose, you have social values develop which, in fact, represent a decline in the family formations and in the birth control results which would give you more families with less children. Isn't that possible?

MR. ANGLEMAN: We predict that the number of people per family is going to fall. But the birth rate for this period anyway is going to increase. As you undoubtedly know, the birth rate in New Jersey is lower than that for the country as a whole.

MR. MILLER: Along the same line, in your distribution of the population growth - you did answer Dean Lewis I know - I wonder if you could elaborate any further, if you do have any views on it, on the future characteristics of the population in our major urban centers - stability, decline, also age distribution, type of housing, etc.

MR. ANGLEMAN: I do not have any information here that would break down the age distribution of the population by urban versus suburban or rural areas. I could see what I could do to develop some of those figures if the Committee would be interested in them.

MR. MILLER: Is it safe to assume that a declining population will mark the condition of the major cities?

MR. ANGLEMAN: I would say, yes.

MR. MILLER: And what takes its place, anything?

MR. ANGLEMAN: So far as the cities themselves are concerned?

MR. MILLER: Yes. You mentioned a greater orientation to service industries. Is it likely that there would be any offsetting influence of that kind in the center cities, comparable, let's say, to the office-building activity in New York City we have seen over the past decade?

MR. ANGLEMAN: I am sure there will be continuing efforts to alleviate the blight conditions that have been developing in our major cities. I do not know what form that will take.

MR. MILLER: This is a problem we ought to think about.

GOV. DRISCOLL: Anything else? Thank you very much for your very interesting presentation.

The next witness is Mrs. Filippone, President of Environmental Research Associates.

M R S. E L L A F I L I P P O N E: Thank you very much for letting me appear here today.

I am Ella Filippone, President of Environmental Research Associates, Inc. I am an economist and a member of the American Economic Association and the Royal Economic Society of London, England.

Inasmuch as our economy has been judged by its growth, we will assume that although the pace may slow down somewhat, we will still see considerable growth not only in New Jersey but throughout the nation. New Jersey's unique position in the environmental crisis can be illustrated by various well-known facts. We are the most densely populated state with an average of approximately 909 people per square mile. The average household annual buying income is \$8,797, which

makes us one of the nation's richest and third highest median income in America. Although we have a little over seven million people living here today, the projectionists compute the population to reach nine million by 1985, which would mean that we will be growing at a greater rate in the 70's than we did in the 60's. In addition, New Jersey ranks 7th in the nation in value added by manufacture in all industries even though we are 46th in size. The list of corporations found within the State is most impressive.

The Conservation and Natural Resources Subcommittee of the Committee on Government Operations held hearings this spring in Washington on "The Environmental Decade" (Action Proposals for the 1970's) in which they concluded that the deterioration of the environment is basically a matter of interaction between man and nature. It is resultant from:

"1. A growing and prosperous population, demanding more and more of our limited and shared natural resources;

"2. The steady accumulation of deleterious contaminants and byproducts in the natural systems of air, land, and water;

"3. The inadequate process of evaluating the consequences of environmental alterations which occur through manufacturing, urbanization, agriculture, mining, transportation, construction and other developments;

"4. The poorly understood health and psychological effects on man himself of changes in the physical and biological characteristics of our natural environment."

Certainly all of these points can be re-emphasized for New Jersey.

Solutions to environmental problems will have to be assisted by all levels of government, and I sincerely hope that this Commission will formulate a set of recommendations to the Federal Government of legislation which could assist not only New Jersey but the rest of the country as well, as pollution and other environmental problems know no boundaries.

The following table gives you some idea as to costs over the next five years on a national basis. I am not

going to read these. I think these can be looked over.

[Following is the table referred to by Mrs. Filippone]

Sewer systems, new and improved	\$30 billion	
Municipal waste-treatment plants	10	"
Controlling sediment	6.8	"
Industrial waste-treatment equipment	4.4	"
Cooling power-plant water	2.1	"
Waste treatment on ships	0.7	"
TOTAL COST OF CLEANING UP THE WATER		\$54 billion
Auto-pollution control	\$5.9 billion	
Controlling smoke, fumes, dust from industry	5.3	"
Government research, other programs	1.6	"
Controlling incinerators, open burning	0.3	"
TOTAL COST OF CLEANING UP THE AIR		\$13.1 billion
Updating collection systems	\$2.8 billion	
Eliminating open dumps	1.2	"
Increasing incinerator capacity	0.2	"
TOTAL COST OF DISPOSING OF SOLID WASTES		\$4.2 billions

(based on data from U.S. Departments of the Interior and Health, Education and Welfare.)

We estimate that air pollution costs each American \$65 a year. For those who live in the most highly polluted areas, the cost per person, including higher medical bills, household maintenance and other expenses, can be more than \$200 yearly. Pollution control devices on cars to meet standards through 1974 will cost the driving public an additional \$48 per unit or a total of \$2.6 billion nationally plus \$300 million for maintenance. By 1975, when stricter standards for auto emissions are expected to become effective, the cost per unit is estimated by industry sources at \$200 per unit. In addition, motorists will pick up another high tab for nonleaded gasoline. Industrial plants put some 29 million tons of toxic pollutants into the air, and although New Jersey has the most stringent code in the nation, for most businesses costs of upgrading facilities to cut air contamination are substantial.

The price tag on air pollution abatement, however, is nowhere as astronomical as that for water. Money alone is

not enough. More research is needed. The two chief sources of water pollution are municipal sewers and industrial plants. Together they pour more than 45 trillion gallons of waste each year into the U. S. waterways. Let us consider the problem of inadequate sanitary sewers within the Passaic River Complex alone. According to comments by Commissioner Richard Sullivan, the treatment facilities are most inadequate inasmuch as many communities quickly outgrow their treatment systems. He recommended regionalizing the systems from 149 individual treatment plants to 19 or 21 regional plants. In addition, he indicated that the spending of \$4.5 million to desnag the river would only transfer the problem to the people downstream and is a temporary solution. Funds should be appropriated for a complete analysis of the system, and Commissioner Sullivan's Department of Environmental Protection should have sufficient personnel not only to enforce the codes but also to participate in research studies of particular problems. It is vital to the wellbeing of the State that future budgets be increased considerably to include environmental research.

One of the most serious pollutants of our streams is sediments, washed from croplands, overgrazed pastures, highway construction, and bulldozed urban developments. Cost of controlling such erosion is figured at about \$1,000 per mile of new highway, and anywhere from \$100 to \$1,000 for a single-family home site. We must through our laws, either municipal or statewide, begin to curtail this type of pollution.

We must also curtail certain types of expansion, such as the development of our marshes and flood plains. Instead of planning for super new cities in such areas, we should begin to revitalize our present cities.

Congress recently appropriated \$450,000 to conduct feasibility studies on urban environment in six target areas by the U. S. Geological Survey. New Jersey, unfortunately,

is not one of them. These studies will probe to determine the nature and extent of the impact of urbanization on the water and land resources of these areas. Rapid urban expansion which we in New Jersey experience daily imposes great demands on the water and land resources of the regions involved -- the land surface, the soils and vegetation, waters and minerals, and the opportunities and hazards which the land presents. Again I strongly recommend that a systems analysis of this type be undertaken, if possible jointly by the State and the Federal Government.

Rather quickly, I'd like to make a few suggestions:

1. The social, physical and economic conditions of the central cities must be enhanced, essentially through a reorganization of metropolitan growth patterns, an increase of the income of the cities, and of the residents, a reduction of the excessive concentrations and high densities and a general improvement of ghetto and depressed areas.

2. Several incentive programs should be established to encourage the rehabilitation of our cities with extra dividends for the establishment of vest-pocket parks and other recreational facilities and incentives to encourage high quality pollution abatement facilities in industry.

3. Incorporate the "New Town" concept "in-town" under the Model Cities program.

4. Utilize a greater amount of the transportation fund for mass transit in New Jersey instead of for new highway construction.

5. Higher grant-in-aid programs for municipal and regional sewerage plants. For example, use the approach that the higher the treatment, the higher the grant - going to 50 per cent for secondary treatment to as high as 75 per cent or more for tertiary treatment.

6. Federal sharing of income taxes with states and cities is essential in order to end the excessive reliance on property and sales taxes and to reduce the pressures for still more Federal aid for education, welfare, and other

services.

It is now vital that clean water, clean air, and untouched nature is looked upon as an essential part of the standard of living, and in the projections for the next decade, appropriations for such projects must be made.

GOV. DRISCOLL: Thank you very much. Suppose we start on my right. Mr. Baldanzi?

MR. BALDANZI: I have no question.

GOV. DRISCOLL: Senator Sears?

SENATOR SEARS: No questions.

GOV. DRISCOLL: Dr. Lewis?

DR. LEWIS: I think I have just one question. Mrs. Filippone, did you hear Dr. Freund's testimony at the beginning of the morning?

MRS. FILIPPONE: I heard the latter part of it, not the beginning.

DR. LEWIS: He did mention that the Economic Policy Council was hoping to come forward with some recommendations for incentive taxes with respect to pollution. I wonder (a) what your general attitude toward this kind of tax is, whether you see it as an important means for contending with the environment problem and (b) whether you happen to have made any estimates at all of what the quantitative impact of such taxes might be?

MRS. FILIPPONE: I can give you an illustration which I think is most startling and very encouraging. The country of Sweden is far ahead of the United States in pollution control and they have used primarily incentive-type taxes and precisely the recommendation that I make for sewerage treatment incentives. It comes from Sweden. They had something like 110 plants that met secondary treatment standards. They passed a law which instituted incentive. Theirs is not exactly the same percentage as I suggested. But they took 50 per cent for secondary treatment and then they slowly upgraded their percentage participation for tertiary treatment. They now have - I think it is something

like 1,100 sewerage treatment plants in Sweden that are tertiary, which are the best you can have at the present time. Their water quality is unsurpassed in the world. It has all come about through this type of incentive. I firmly believe if you give someone a reason - and I am speaking of the corporate individual also - to do something, they will do it voluntarily.

The system of penalizing and fining is, I think, not the best way to get someone to do anything. Even if you take it on a personal viewpoint, if you are made to do anything, you are not too willing. But if you are given a reward, which an incentive is, then you will go about it, I think, much more willingly once you see it is inevitable.

DR. LEWIS: You notice although the two devices have the same goal so far as checking pollution is concerned, you have switched from incentive tax - disincentive tax, if you will - to an incentive reward or grant, a contribution by government, and that, of course, has a very direct implication for a group like ours that is worrying about total taxes versus total needs. What you suggest would come in as a need for additional expenditures.

MRS. FILIPPONE: This is the only way we are going to take care of the problem.

DR. LEWIS: Yes. I thought what Dr. Freund was referring to - and I think this is true because I know that his colleague Professor Baumol is interested ---

MRS. FILIPPONE: I am quite familiar with him. Dr. Baumol and I don't always agree.

DR. LEWIS: You don't always agree.

MRS. FILIPPONE: No.

DR. LEWIS: You don't think it is very sensible to try to charge people the difference between the private costs and the social costs.

MRS. FILIPPONE: Not always. Not always - because it isn't always equitable. This is a new area. We are beginning

to develop the concept of environmental economics. This is a concept that has not been taught in our universities today because the inter-relationship even in training of our executives in the business colleges - we have been training people to produce, but we have not been training them to be equally efficient with the wastes. This is why I feel since we have this gap in our teaching of production processes and economics, all of must absorb some of the costs of this error. It is a recognizable error and we must all begin to understand it. Now we have been most efficient in making our automobiles to run faster, to be bigger, to be better. But we have not been as efficient in taking care of the waste product. We can produce more cars faster and better, but again we now have the waste problem and it is a serious one. This goes on throughout all of industry.

I spoke recently with an executive of one of our large corporations on the problem of the sulfur dioxide that goes into the air. It is a difficult one. Again we have used our intellect to develop greater steel mills, greater aluminum facilities, but we don't take care of our wastes. There is where we are all at fault. You can take it from the largest to the smallest, even to our own households.

I think that is why we must give to everyone, even the recycling programs you hear of throughout all of New Jersey where the Scouts and the different organizations are beginning to have drives to collect the glass and separate cans -- We are not efficient in doing this yet. We don't know where to go. The few plants that do collect the glass bottles are getting an oversupply. We haven't taken care of the entire circle. There is a big gap. I think the only way to do it is to have people want to. The government, municipal, state and Federal, I think is going to have to participate by helping. It is going to be a tremendous cost and if we don't do so - and I think all of your biologists and people who watch the trends in population growth agree - we are going to have a severe - I don't want to be a dooms-day caller

because I feel we can overcome it - a catastrophe. They do ask: Must we have a catastrophe before we see this? It will cost us money. I'm sorry, but it will. I think we must be willing to begin to pay for it.

I think we are very fortunate that we have Commissioner Sullivan here in New Jersey and I urge you very strongly when you are working on budget projections to consider this department and give it more help. Every time we have gone there, the people aren't there. Also our civil service structure in the State should have a little bit of review.

GOV. DRISCOLL: I was intrigued by your reference to glass bottles, having been in that business. I would like a little personal information if I may.

MRS. FILIPPONE: I don't know whether I can give it to you or not.

GOV. DRISCOLL: How would your philosophy apply to the collection of throw-away bottles?

MRS. FILIPPONE: Well, Governor Driscoll, I hate to admit it, but I remember back in the war days when all of us kids collected tin and iron and took it down to the local movie house and were paid a nickel or a dime. We went all over the neighborhood looking for anything that we could put on that scrap heap. I think in New York now they are beginning this type of operation in parts of the City of New York where a new industry is evolving and people are paying on a pound or a ton basis and they are paying me and you and anyone else who wants to bring it to them and then in turn turning it over to the recycling establishment. Possibly this is a way to use our private enterprise system to begin to come out of this problem. We have to see how it works. Possibly this is a solution.

I think the problems of our environment are all so new that we are now in a development stage in its absolute infancy because we have just begun to recognize it. Hopefully people on commissions such as this will also give it some credence.

MR. BALDANZI: I just wanted to raise a question. Do you feel that this is something that we have just discovered exists?

MRS. FILIPPONE: I think for the general public, yes. I think there are always people who come along who have great foresight. And there have been people when we start to look back into the history of it who have been warning. But I think the overwhelming knowledge and recognition of this problem is very recent. I know up at Harvard they were studying it in 1968. Dr. Ravell had seen certain population trends and had begun to talk about it back then. But I think public recognition - and only the public can ask our government to do certain things ---

MR. BALDANZI: But I think the point which Mr. Miller raises is that there are certain facts which have been available for a long time, to industry, to government and to people, having to do with this whole field of pollution of one kind or another. When I was a young man I worked in the coal mines and everybody knows that strip mining in this country has destroyed the countryside by hundreds of miles and everybody was aware of it. But nobody paid any attention.

MRS. FILIPPONE: That's right.

MR. BALDANZI: The government or industry did not assume any responsibility for putting the earth back together. They just went on and continued to do it. Everyone also knows, as it was just dramatized here not too long ago, that in the coal-mining industry, particularly in West Virginia, they have discovered that you can get all sorts of things, silicosis and diseases of the lungs, that come from mining coal. Everybody knew this too. Company doctors in all the mill villages knew it. They never exaggerated it. They used to bury their mistakes or keep people in ignorance about these things.

So I agree we shouldn't adopt a policy which will now condemn everyone else and say, "This is their problem."

There is no doubt that they will need assistance of some description or another from government. But I also believe that part of this can be tacked right on to the price of doing business. I see no reason why the automobile industry, which by all yardsticks that there are is a highly profitable industry, even if they wanted to add on a couple of dollars when you buy an automobile, shouldn't give it a good burial when it is all over. There is machinery now where they take these things and just shred them. This is not unusual. You can ask anybody who was in World War II. We had a lot of scrap metal. We got it back from the Japanese in forms of bullets. The steel industry in this country never bothered with it because our resources have been too rich.

MRS. FILIPPONE: Yes, but aren't they now beginning to do it?

MR. BALDANZI: Now we are going to have to do it.

MRS. FILIPPONE: Yes, we are.

MR. BALDANZI: So I think this is something which cannot be solved merely by referring it to the government, either on the Federal level, the State level or the local level.

MRS. FILIPPONE: I don't mean to do just that. There are many changes in our economic practices which we have to institute for this and I fully realize this. I was consultant for 12 years to various corporations and I am well aware of the manufacturing processes in the automobile industry, steel, aluminum and in several chemical industries.

MR. BALDANZI: Every one of them.

MRS. FILIPPONE: It applies to everyone, yes. But I would like to make one comment - and I have also worked with several members of Congress - I worked on the Joint Economic Committee for a few years - with regard to your very good illustration of strip mining, I think as our population has been growing, and with due credit to the media that we now have at our disposal - I must give credit to television - our people, our citizenry have become more informed. It is

no longer absolutely necessary, and I am not saying we should eliminate the three R's by any means, but people can sit in front of a TV set and learn. I think they are becoming more knowledgeable and, therefore, the strip mining, the pollution, coupled with the fact that we have more people and more waste and more need, are being brought to their attention. This is why we are beginning to see this concern.

I was very interested in the projections by the gentleman from Bell Telephone. I sincerely hope that here in New Jersey we can curb some of our growth through good planning. We don't have to develop, I feel, every parcel of land in this State. If we are a little bit more efficient, we might be able to stop some of this expansion and thereby some of the pollution.

MR. BALDANZI: But I don't think expansion is necessarily synonymous with pollution.

MRS. FILIPPONE: If it is good expansion, it isn't. But if it is haphazard, it is.

MR. BANDANZI: This is what we are trying to solve.

MRS. FILIPPONE: Right. This is what I am trying to say here.

GOV. DRISCOLL: Any other questions?

MR. MILLER: In connection with your very concise and good paper --

MRS. FILIPPONE: Well, thank you very much.

MR. MILLER: [Continuing] -- you made an estimate or at least repeated the estimate from the national data on what the cost over the next five years would be for various forms of pollution abatement. It runs about \$70 billion.

MRS. FILIPPONE: Yes.

MR. MILLER: I wonder whether you have any way of converting that to what the cost would be in New Jersey for the same activity.

MRS. FILIPPONE: I am very glad you asked that. I have been trying to do this over the last week. The percentage

figures are not equal. For water pollution the statistic comes to about 7 per cent of the total figure. This is an average. When you begin to break down the different listings I have, it is lesser. For sewer systems, new and improved, it is a higher percentage, but comes to about 7 per cent for water.

The total cost of cleaning up our air ---

MR. MILLER: Seven per cent of the national figure?

MRS. FILIPPONE: Of the national figure, yes.

The cleaning up of the air is down to 5 per cent because we have done considerable work in this area. August 15th of this year was the closing date on incinerators. All incinerators that did not meet the code were closed.

MR. MILLER: Supposed to be closed.

MRS. FILIPPONE: Well, supposed to be or are supposed to be up to standard. So we do not have as high a percentage contribution as we would otherwise - as we would have had last year, for example.

The waste disposal problem is up to 9 per cent and that is rising constantly and that is because of our density, our reduction of landfill area, and it could go even higher than that because we have not yet begun to build any kind of waste disposal plants within our State. This is one that is directly related to our population growth and the lack of landfill operation that is now beginning to develop and the cost to transport our waste to an area farther away from its source. That is up to 9 per cent of the total figure and it is the highest in the country.

DR. LEWIS: So that means New Jersey has to spend over five years something like \$5 billion or \$1 billion a year?

MRS. FILIPPONE: That's right. Otherwise it will get worse.

MR. MILLER: Will that do the job? You couldn't cure all this pollution in five years, could you?

MRS. FILIPPONE: No, you couldn't.

MR. MILLER: That's just a start, isn't it?

MRS. FILIPPONE: That's just the beginning. It is a very sad figure.

MR. MILLER: What percentage of the pollution treatment requirement is what we call municipal or domestic and what is industrial? Do you have any breakdown of that?

MRS. FILIPPONE: I have that figure some place.

MR. MILLER: Isn't the municipal a good deal more than half of it?

MRS. FILIPPONE: I think if you put it in round percentages, the municipal comes to about 60 or 65 per cent. That's an average and it is off the top of my head. I could give you that figure.

MR. MILLER: If that is so, how would you use any tax system to deal with the problem? Would you tax the municipalities?

MRS. FILIPPONE: Well, at the present time, the Federal government provides 55 per cent.

MR. MILLER: Promises to.

MRS. FILIPPONE: Yes, if you meet certain qualifications that they call for. But they will for certain communities provide 55 per cent. Here again in this particular area we have to follow the only example which is what we started out with in Sweden. They did it there.

MR. MILLER: The Federal government, you say, provides 55 per cent and the State provides 25 per cent, which is 80 per cent. That is only the cost of the treatment plant and the main interceptor.

MRS. FILIPPONE: Right.

MR. MILLER: It doesn't still pay for the local connection.

MRS. FILIPPONE: No, and I think this should be carried by the municipality.

MR. MILLER: Would you say then that industry should be encouraged to connect with the municipal systems so that the Federal government and the State government will be paying that part of the cost?

MRS. FILIPPONE: No, not totally. I think that industry

before it places any kind of waste into any sewer line, any trunk line, any municipal waste disposal plant, must first process its own effluents.

MR. MILLER: That's pretreatment.

MRS. FILIPPONE: Right - pretreatment.

MR. MILLER: Then when they connect up, they pay their share of the cost.

MRS. FILIPPONE: Oh, yes.

MR. MILLER: Wouldn't that be a better solution than trying to seduce or induce or encourage by use of the tax system?

MRS. FILIPPONE: Since we have such a conglomerate group of municipalities at the present time - and I don't see how we are going to change that within New Jersey - we have to try to encourage them to comply. I believe up on the Rockaway River we have closed down several. We have stopped building in certain communities. We closed down certain plants until they can upgrade so that they can handle the loads they have at the present time. This is going to be a continuing process if we don't get them to build bigger and better, I'm afraid.

GOV. DRISCOLL: In other words, would you be rewarding municipalities that have done the worst job to a greater extent than municipalities who have done the best job?

MRS. FILIPPONE: I think if we were speaking about this ten years from now, my answer would be yes, but right now, no. I can only go by the evaluation that our Commissioner of Environmental Protection has given me and right now our plants are all not very good. I speak only of the Passaic River area which involves the Passaic River and its seven tributaries. But here we have one of the ten dirtiest rivers in the country and we have municipal sewerage plants, very few of which are up to secondary treatment. So we won't be rewarding; we will be helping a very desperate situation. This river that we have here is one of the

most vital lifelines of our State and we must do something about it. We must help it. And it's not a reward, Governor, it's a need.

GOV. DRISCOLL: I grant you it's a need. There is no question about that. All of our rivers, including the Hudson and the Delaware, are in desperate shape and action is required. I wasn't trying to disassociate the need.

MRS. FILIPPONE: I understand. I am just trying to emphasize the need.

GOV. DRISCOLL: Any other questions? [No response.] Thank you very much for a very interesting presentation.

MRS. FILIPPONE: Thank you.

GOV. DRISCOLL: Mr. Duncan Thecker of the New Jersey Citizens Highway Committee.

D U N C A N C . T H E C K E R: Governor Driscoll and distinguished members of the Committee:

My name is Duncan Thecker. I am President of the New Jersey Citizens Highway Committee. I also, before you ask the question, am in the ready-mix concrete business, and I have with me two other members of our Executive Committee, Mr. David Taylor of the engineering firm of Taylor, Wiseman and Taylor, and Mr. William Bruce of the engineering firm of Parsons, Brinckerhoff, Quade and Douglas, who are here to give such assistance as they may be called upon to give.

I have a prepared statement. Before I start, I would like to preface it with a request that you give us first consideration when you reapportion that 50 per cent of the funds for education that Mr. Jones recommended because we have a place that we can spend it.

To continue with our statement - the New Jersey Citizens Highway Committee appreciates this opportunity to appear before you to discuss the State's highway needs. Our organization, formed 24 years ago, is composed of a broad cross-section of business, civic and labor representatives, as well as other citizens who believe that a viable highway network

is essential to the continued progress of New Jersey and its people. We are concerned over the likely prospects that by 1972 the State Department of Transportation will be as good as broke when it comes to major State highway financing.

It is our intention at this time to present only a general view of the State's highway needs. We will not recommend specific financing methods since, as we understand it, this Task Force is concerned with needs alone. We would like to re-appear before the Tax Policy Committee at a later date to elaborate on some of the observations we will make here today.

While we will not make specific highway financing recommendations, we do feel compelled to take notice of the present sources of revenues for New Jersey road building. Unlike all but a handful of states, New Jersey does not specifically allocate highway user funds for highway purposes. In fact, our level of diversion, amounting to \$160 million annually in highway user taxes alone, is greater than almost any other state. And we might add that some states allocate for highway construction even more funds than are raised by highway user revenues.

As a result, Transportation officials annually must go hat in hand to Federal and State administrative and legislative officers for whatever appropriation may be made available to them to put together another year of inadequate road building. This, despite the fact that users of New Jersey highways, by their overwhelming approval of the Transportation Bond issue of 1968, by their willingness to pay for toll roads to reach their destinations faster, and by their obvious willingness to pay increasingly higher motor fuel taxes, time and again have displayed their willingness to finance the improvement of our sadly neglected highway network.

The Transportation Bond Issue was designed to compensate in part for New Jersey's failure to pursue aggressively a realistic continuing highway program. In 1968 Federal funding

of interstate and certain intrastate roads was limited, and a partial freeze of interstate monies continues even today. State appropriations similarly were limited. So a \$640 million bond issue was recommended to cover a minimal but essential program of highway and mass transit improvements. We might point out that the New Jersey Citizens Highway Committee gave the strongest possible backing to this referendum and worked hard for what turned out to be its overwhelming approval.

Of the total amount of the bond issue, \$440 million was for highways. As matters now stand, only \$180 million of the total remains to be appropriated. Based on the Transportation Department's own estimates, there is every reason to believe that the State will run out of bond issue monies by 1972.

The 1968 Master Plan for Transportation recognized that the Transportation Bond Issue would finance only a small portion of our non-interstate highway needs - estimated at the time as \$2.7 billion - and that additional funding would be required for major State highway construction and improvements at a later date.

That date now is upon us - and these funds must be found.

Even the bond monies obligated to date have not come close to doing the job intended. The rapid rise of inflation is one reason; the diversion of \$14 million in bond issue funds for "operational expenses" - a diversion never contemplated when the bond issue was proposed and passed - is another. These operational expenses, covering such items as utility relocations and certain engineering requirements, always had been provided directly from State appropriations before passing the bond issue.

We also are concerned over the fact that the State has sharply reduced its appropriations from general revenues for State highway construction, separate and apart from bond

issue money. For example, the appropriation for construction dropped from \$62 million for fiscal year 1968 - the year in which the bond issue was passed - to \$35.4 million in fiscal year 1969 - the year following approval of the bond issue - thus reducing the effect of the bond issue by some \$27 million in one year alone. Furthermore, almost all of the \$35.4 million covered only the State's share of matching funds for Federal aid.

Transportation Commissioner John C. Kohl in a letter to our organization has stated "that highways are, and will continue to be, the basic web of any total transportation system," and "most of this web, freeways excepted, is deteriorating" at a time when the public continues to "demand optimum driving conditions in a utopian environment." As indicated by the Commissioner's statement, departmental studies show that the growth of population and continuing reliance on the automobile by most persons in New Jersey - what parallels the national trend of expanded use of automobiles - will necessitate a major highway effort for the foreseeable future. The department has confirmed the validity of a 1968 special study of State and local highway needs which estimated that an expenditure of almost \$12 billion was required to meet New Jersey highway transportation requirements adequately through 1985.

We simply cannot afford to ignore the importance of highways to a growing New Jersey. Admittedly there are those who believe greater emphasis should be placed on mass transit. But we would point out that the ratio of highway users to rail commuters is well over 100 to one. And we also must note that the principal form of mass transit, buses, requires an adequate highway network. In New Jersey, buses now carry some 1.2 million riders daily, or nearly nine times as many as are carried on the entire rail network.

We recognize that a balanced, coordinated system of transportation includes rail rapid transit where it can do the job, but the public has made it clear that it will continue

to place principal reliance upon motor vehicles if only because mass transit simply does not take people where they usually wish to go.

Certainly you, Governor Driscoll, recognized this fact by the emphasis which your Administration placed upon the New Jersey Turnpike and the Garden State Parkway. The same type of foresight is, we believe, as necessary today.

I might add that since the construction of the Parkway was completed in 1954, there has been no major highway completed in the State of New Jersey.

Foresight, where related to highway planning, is a dollars and cents proposition, and for many reasons.

Unlike most other State services, a new highway, when completed and open to traffic, produces direct and immediate benefits to the State and its people. Highway construction pays an immediate return in terms of industrial and residential development, new jobs, enhanced property values, new tax ratables, savings in motor vehicle operation and maintenance, savings in travel time, and substantially reduced death, injury and accident tolls. Highway safety experts estimate that the New Jersey highway death rate, now running at the rate of more than 100 per month, could be reduced by at least one-third with more modern highways designed for safety. The number of lives which might be saved by better highways is indicated by the fact that last year the Parkway and the Turnpike had a combined rate of 1.8 fatalities per 100 million vehicle miles compared with an over-all state rate of 5.7 fatalities per 100 million vehicle miles for the same period, or 300 per cent more.

The economic benefits, worth many times the cost of highway construction, are shown in a socio-economic report prepared for the State Transportation Department on the impact of Route 287 on Middlesex and Somerset Counties. This study found that the area traversed "has experienced immigration of industry, commerce and persons which can be directly related to the accessibility that the highway provided."

Another very practical consideration is the fact that any delay in building a needed highway will cost taxpayers dearly when the road is finally built. The inflationary spiral is one obvious reason. Others may not be so obvious. An extended delay often results in development of the area proposed for the highway route, causing either realignment of the route or design complications resulting in much higher construction costs. And the soaring price for right-of-way acquisition as well as such other factors as local objections to disruption could eliminate the proposed highway altogether, regardless of the need. And we can refer to Route 278 between Route 1 and Elizabeth being eliminated and the balance of the road having no plans for the future because of local objections. Funds have been taken out of the Federal Highway Program.

Two points bear emphasizing:

1. Except for toll roads and the 1968 Transportation Bond Issue, there has been no bond financing for highways since 1930 and financing from other sources has been totally inadequate.

2. During the same period, other State services have received continuing and greatly increased State financial support, like education.

We submit that an updated Master Plan for Transportation must be undertaken immediately as the first step toward formulating a sound, long-range approach toward meeting New Jersey's present and future highway needs. Furthermore, we believe it essential that New Jersey highway planning be conducted on at least a five-year cycle rather than continuing the catch-as-catch-can path to nowhere. The absence of long-range planning, coupled with the lack of an appropriate financing program, has prevented our highway growth from keeping pace with our tremendous population and economic growth.

GOV. DRISCOLL: Mr. Thecker, your time is up, and we

appreciate your statement. The Committee will consider the entire statement, but I do want the members of the Task Force to have an opportunity to ask you questions. You went through that very rapidly and very well.

[Following is the balance of Mr. Thecker's statement which he did not read.]

An updated Master Plan for Transportation is vital, but even that will be an exercise in futility unless the New Jersey Tax Policy Committee as a whole and the Administration meets the challenge of determining how best to finance the program. We recognize that improvement of our highway system is directly related to other priorities which must be considered by this Committee, and with this in mind we are prepared to support any reasonable financing program so long as adequate highway financing is included as an indispensable element in the program.

As we indicated in the outset, we are preparing additional materials for presentation before the Tax Policy Committee in the near future. That, too, will emphasize the need for proper highway planning and financing as a key ingredient to New Jersey's future economic and social wellbeing.

In the next generation, according to the Transportation Department, the New Jersey population will increase by half and our automobile population by three-fourths, while highway traffic will more than double.

"New Jersey has a traffic volume and concentration of congestion unequalled anywhere in the world," the State Tax Policy Commission said in 1950. That statement is just as true two decades later, but we are not much closer to meeting our highway needs in 1970 than we were in 1950. We look to this Committee to furnish much of the impetus toward solving our 20-year highway gap before it is beyond solution.

Thank you.

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GOV. DRISCOLL: Are there any questions?

MR. LEWIS: Mr. Thecker, I congratulate you on a well organized and cogent statement. I just wonder, as we project the picture of this State in another ten years with an increasingly dense population, and thinking about the environmental problems, pollution and so on, it's certainly not a novel thought that as enormously useful and in many ways as constructive as it has been that in one sense the villain in the piece is the automobile.

Now I just wonder, in thinking about highway needs of the State, if your group has considered at all any possible relative decline in the use of the automobile. You said the public is voting by its dollars to -- that motor transportation is still it's favorite way. Do you think there is any likelihood that there would be some increasing constraints on the kind of freedoms to use automobiles that we now have, that is to buy second and third cars without any additional penalty, and so on?

MR. THECKER: I don't think there has been any evidence of that in the economic history of the country, quite to the contrary. I think in our State, where this was the intent we have made every effort to reduce the use of automobiles by not building highways to use them on, the highway population has substantially increased in spite of the inadequacies and in spite of the problems that arise in traveling on the roads that we still have that have never changed since 1954. If we lull ourselves into an ostrich type philosophy that cars will go away if we don't build any highways, I think we're only compounding a tremendous error that has already been initiated.

MR. LEWIS: Do you see any prospects of change in the average size or speed of automobiles?

MR. THECKER: If we built the highways, the cars could be as large as they are today and go faster, and

safer.

MR. LEWIS: And if we had smaller cars, I suppose we wouldn't need quite as much highway space, would we?

MR. THECKER: My own personal feeling about smaller cars is that they're rather dangerous to travel in on the highways that we have, and the trucks will still be there at least as large if not larger.

MR. LEWIS: Has there been any experimentation anywhere in the State - I'm new to the State - with special lanes for busses?

MR. THECKER: Well, I think we have that on the New Jersey Turnpike.

MR. LEWIS: Yes, you're right, on the outside.

MR. THECKER: And I think it's successful.

MR. LEWIS: Do you see an increase in that kind of thing?

MR. THECKER: I think we have that with the planning that the New Jersey Highway Authority has for another Parkway, which would still retain the automobile limitation on the existing Parkway and have another Parkway to carry truck traffic.

MR. MILLER: Granted that the highway need is measured in the master plan, does your organization have any analysis of priorities, highways as opposed to other urgent public needs?

MR. THECKER: An analysis?

MR. MILLER: Yes. In developing highway need, I take it this is without regard to competing needs for public funds.

MR. THECKER: We're not trying to say that there is not a need certainly for education, and neither are we trying to say that there is not a need for some improved form of rail transit. But when we consider the small number of people who actually use rails, as

compared with the seven million people who live in the State, and all of those who use rail also use the highways, - we're not trying to pre-empt the improvement of rail transit but it's all part of a total program. However, we are concentrating our effort and our so-called intelligence on highways, but not to obviate any other method of transportation.

MR. MILLER: I take it you are trying to move people and goods where they want to go.

MR. THECKER: Exactly.

MR. MILLER: And you are proposing that this be done on the highways, or at least that's the way people want it, I take it.

MR. THECKER: That's the way it is and that's the way apparently it's going to be because, in spite of the fact that you build railroads - after all, the country started from waterway transportation and then they built rail facilities between cities but the people still moved outside those areas and they are still continuing to move because we're a mobile people and we don't want to stay, obviously, in the densely urban areas.

MR. MILLER: On the other hand, your studies have not made any serious evaluation of the usefulness of rail, for example, as compared to highway transportation, if the rails went where the people want to go. I know they don't always go where you want to go.

MR. THECKER: Would you like to take over? Would you hear from Mr. Taylor, please.

GOV. DRISCOLL: Mr. Taylor will answer that question.

MR. TAYLOR: The only comment I can make on that is that I think you will find from the studies that have been made - I am familiar with the Delaware Valley Regional Planning studies - even projecting into the future with expanding rapid rail transit, a considerable extension to the existing line, the percentage of passenger trips that will be made along rails is still a very small percentage

of the total passenger trips that will be made. As I recall, their projection showed considerably less than 10% of rail rapid transit in the Philadelphia metropolitan area.

DR. MILLER: Well, there's a good example. You have a new rapid transit line there which presumably carries passengers who might otherwise be driving across the bridges.

MR. TAYLOR: There is no question about that.

MR. MILLER: Suppose you had a great deal more of that, would that be, from the viewpoint of satisfying public needs, something that you've evaluated?

MR. TAYLOR: I don't think we are quarreling with this concept at all, but we are saying there are applications where rail rapid transit is unquestionably desirable and a much better solution probably than highways to carry a similar number of people. But the problem is only applicable in high density corridors and this is a fairly limited number of the total passenger trips that are made. Our only problem is we feel this has been over-emphasized as the solution. That is not in fact a solution at all.

MR. MILLER: Of course, high density corridors are the places where you have the problem, are they not?

MR. TAYLOR: We have the problem all over the State.

MR. MILLER: One other question. In connection with the use of the highway fund resources, do you include major expenditures on municipal streets and roads?

MR. THECKER: In the figure that we have?

MR. MILLER: Yes.

MR. THECKER: No.

MR. MILLER: I don't think you do.

MR. THECKER: No, not municipal but county and state.

MR. MILLER: Have you considered the advantages of that kind of expenditure as compared with the inter-urban type of road in solving the need?

GOV. DRISCOLL: Another associate of Mr. Thecker

will answer that question.

MR. BRUCE: There is a growing need for this type of study, where we study what can be done with the inventory of streets and roads without building new arterials. This is going forward and I think it will do a great good.

MR. MILLER: Well, is it not necessary to have that information before you can evaluate the need for spending a given sum on the highway program as it was conceived twenty years ago?

MR. BRUCE: In some particular localities, yes.

MR. MILLER: Thank you.

GOV. DRISCOLL: Are there any other questions?

MR. THECKER: We would like to request an opportunity to return and answer some of the specific questions which you have, and if you have others that you would forward to us, we would be very happy to answer them. If we can help you with your problem, we would be delighted to do that. And we also would like to be a little more specific about what we are presenting than we have been today. This was rather short notice and we tried to give sort of a general summary but we would like to appear again and get into a little more detail, if this is acceptable.

GOV. DRISCOLL: Thank you very much.

One of the figures that we can obtain, but I don't have it in my head at the moment, is the amount of diversion that goes on at the Federal level. At one time the Federal Government was the greatest diverter of gasoline taxes in the entire country.

MR. THECKER: I think New Jersey superseded that.

GOV. DRISCOLL: No, no.

Thank you.

I think we will take a recess for lunch until 2 o'clock, if that's agreeable.

(recess)

Afternoon session

GOV. DRISCOLL: I think the time has arrived for us to get the afternoon session started, and we're looking forward to hearing from Mr. David F. Moore of the North Jersey Conservation Foundation.

D A V I D F. M O O R E: Mr. Chairman, my name is David F. Moore. I am Executive Director of the North Jersey Conservation Foundation, a non-profit membership foundation with offices in Morristown, New Jersey. The Foundation operates in three major areas, acquiring open space for public purposes, environmental education, and assisting municipal conservation commissions and other conservation groups in a service capacity.

I would like to address my comments to one specific portion of the outline provided by your Committee - the anticipation of service needs and financing open space preservation. And even more specifically, I wish to comment on the role of the private sector in this effort.

I am sure the environmental crisis statistics are familiar to us all. I need not dwell on what New Jersey is. In testimony before the Open Space Policy Commission earlier this year, several introductory statements were made, and I have attached a copy of my statement before that Commission for your information. (p.80 A) Additionally, I would recommend your careful review of the Open Space Policy Commission's final report, as many of the proposals of that group are also directly applicable to your work.

The New Jersey Open Space Comprehensive Plan shows, even with anticipated Green Acres programs, a deficit of public open space of 205,082 acres by the year 1980. This estimate may be reduced if the Open Space Policy Commission's report is favorably acted upon by the Legislature and the people of the State of New Jersey. But a deficit of 50,000 acres to 100,000 acres

will probably result in any case. It should be obvious that the millions of dollars necessary for the acquisition of this land cannot be raised from the public sector exclusively. Some private methods must be adopted.

The present State taxation policy punishes conservation groups for their attempts to privately make open space lands available to the public. These groups have been virtually halted in their attempt to acquire land, even by gift, because the land is taxed at the highest rates, in spite of title restrictions, in spite of public easements and in spite of its availability for the same types of recreational uses as publicly owned land. Let me give you an example - the Foundation was given 35 acres of land in Hunterdon County. The land, in two parcels, was to be given in turn to the municipality, when the town was prepared to administer it. The tax bill came to \$3,000 the first year, representing 10% of the Foundation's operating budget. It seems almost criminal to ask contributors to pay this expense for land usable as public open space almost exclusively by the residents of the town in which the land was situated and to which the taxes were to be paid. The Upper Raritan, South Branch, and Stony Brook-Millstone Watershed Associations, New Jersey Audubon Society, Philadelphia Conservationists, and Wildlife Preserves, Inc., among others, are all in the same predicament. We can do more, we must do more, but we must be exempt from the property tax to do so.

Taxation, also, has an influence on philanthropic-minded individuals willing to restrict the use of their land by easement or deed restriction. Under current State policy, land permanently restricted so that it may never be used for any purpose other than open space is taxed according to its potential highest and best use. This is true even when the easement is positive, allowing public use of the land. Here again,

taxation policy must be changed if New Jersey is to take advantage of private philanthropy.. Valuation of such restricted land must be based on its true value. If it cannot be used for building purposes and its sale value between willing buyer and willing seller is thereby reduced, the tax valuation should reflect that change.

Finally, the cry for the preservation of an agrarian way of life and the economic necessity of maintaining prime farm land in a productive state in New Jersey suggests a change of tax policy to assist those agriculturists willing to continue farming. Three tax incentive alternatives might be explored, alternations of the farm land assessment system.

1. A major reduction in taxation rate on the basis of the farmland assessment system, perhaps a 40% reduction in return for a 10 year rollback of taxes if and when the use of that land changes from farmland to some other purpose. The rollback rate based on the latest market value.

2. A 50% reduction on the same basis, but permitting public use of the land for limited recreational purposes.

3. A complete removal of property tax in exchange for a permanent deed restriction to keep the land undeveloped and permit limited recreational use by the public.

If such alternatives are not available very shortly to New Jerseyians, the Garden State can never expect to recover from an already overstressed environment.

Now, I have attached another statement, also, to the master copy, in the back, - testimony that was prepared for the Tax Exempt Commission. (See p. 84 A)

GOV. DRISCOLL: Have you submitted copies of the two statements, to which you refer?

MR. MOORE: Yes. I was only able to supply one

copy, but there is a copy available.

GOV. DRISCOLL: All right. Thank you.

MR. MOORE: I might just point out parenthetically something that should be but may not be obvious. The public ownership of land serves to channel and control developmental growth by acquiring land that should not be developed that can reduce the drain on the total tax revenue by demanding vastly increased service charges.

We rather feel that acquiring public open space in places where the development potential is limited, such as flood plains, slopes over 12%, places that are very difficult to service and very expensive to service might very well channel development into the right direction and thereby have the over-all effect of reducing the tax burden on the people of the State of New Jersey.

One final point. I think it also is obvious to anyone who has studied natural systems that no such system can grow indefinitely. Sooner or later there has to be an end or a mid-point. We are part of the national system and I think it's time that we recognized the fact that somebody, sometime, sooner or later, is going to have to draw that line.

Thank you.

GOV. DRISCOLL: Thank you very much, Mr. Moore.

Are there any questions that anyone on the panel would have?

MR. MILLER: Mr. Moore, on your description of the tax consequences for the 35 acres in Hunterdon County, the \$3,000 annual tax bill, it looks to me that what you are talking about is \$90,000 or \$100,000 worth of land. Are 35 acres worth that?

MR. MOORE: Well, there was some debate as to whether or not that was the proper valuation. We had thought about appealing that. It was prime development land. It is adjacent to a housing development that was already in progress, and it was donated for two reasons -

primarily because it was in the flood plains.

MR. MILLER: Was it restricted in perpetuity to public recreational use?

MR. MOORE: The intent was to do that, but it was not done by deed at that time, no.

MR. MILLER: Well, if it had been done you would have had no reason to pay that much tax on it.

MR. MOORE: Unfortunately, under the assessment rules in the State of New Jersey, there is no provision for that.

MR. MILLER: Oh, I can't believe that.

GOV. DRISCOLL: Well, the Audubon Society is paying taxes.

MR. MILLER: Yes, but depending on how they hold the land.

MR. MOORE: Unfortunately, that's not the case.

MR. MILLER: If it's restricted in perpetuity. The trouble is, most of those restrictions have time limits that can be relaxed. Maybe that's the problem.

MR. MOORE: I have checked this out with the State Division of Taxation and they indicate to me that no matter what the restriction that it must be judged on --

MR. MILLER: On its value for sale between a willing seller and a willing buyer. A willing buyer won't exist for property restricted in perpetuity to recreation use. It may be there is some other problem.

MR. MOORE: Well, I think you will find that all of these organizations are in the same boat and are paying prime rates.

MR. MILLER: Well, that's another problem. But on the proposal for the rollback and change in the farmland assessment act, do you know whether this is a proposal which has the support of farm owners?

MR. MOORE: I doubt it.

MR. MILLER: I didn't think so. Well, if the present farmland assessment is voluntary, would you

propose that it be made mandatory?

MR. MOORE: I think it would be helpful if it were. However, I think with the political realities of that situation it would be pretty difficult.

MR. MILLER: So that if this proposal were adopted, there would be no takers, or few.

MR. MOORE: I think there would be some takers. And I think some would be of benefit. Maryland has tried this with some measure of success. Then, again, philanthropy is involved. There's no question about that.

MR. MILLER: Thank you.

GOV. DRISCOLL: Any other questions? If not, thank you very much, Mr. Moore.

The record will show that Mr. Donald Borg has joined us. Welcome to the party, Mr. Borg.

MR. BORG: Thank you.

GOV. DRISCOLL: The next witness is Mr. Fred Ferber, President of Sussex Woodlands, Inc.

F R E D F E R B E R: My name is Fred Ferber. I live in the Township of West Milford, Passaic County. I address myself to the problem of local real estate taxes and its impact on the quality of our environment, particularly open space preservation.

Eleven years ago, my wife and I purchased 3300 acres of probably the most beautiful and unspoiled upland property sandwiched between the Wawayanda State Park and the Newark Watershed, the Township of Bernard and Upper Greenwood Lake.

Taxes at that time were about \$17,000. Today we pay \$70,000. That's within 11 years. Most of the property is landlocked and drains into the Newark Watershed. We have 16 miles of hiking trails maintained by the New York-New Jersey Trail Conference and by the League of Conservation Legislation. Thousands of hikers and campers, scouts, enjoy their use. Students from New York and North Jersey colleges participate in outdoor

classes.

We maintain one of the best wildlife preserves. We have otter, bear, beaver. There are very few services available in our Township but the taxes increase rapidly on account of growing expenditures for educational expenses.

West Milford is a town of commuters, workers that commute to industrial parks nearby. It has a weight economy mostly supported by summer residents. Four years ago a group of citizens representing watersheds, and myself, met with Governor Hughes to request some consideration, some tax relief for non-profit conservation property. The Governor was very sympathetic. We were amazed to what degree he really accepted our presentation. About a year later we received a questionnaire to fill out which may have given us some relief. We never heard anything after, anymore. His encouragement at least gave us some hope.

I am appealing to your Committee today to give particular consideration to tax relief to help abolish confiscatory taxes for land you cannot take away from a community that it's just stuck with, and perhaps to support a broad base income tax. Perhaps it will be too late to save our property. It is scheduled for delinquent tax sale on December 10, but it may help the many private conservation organizations, non-profit organizations, and concerned citizens who frantically try to save the remaining few open spaces in New Jersey for the future.

I'm sorry that it was more of a eulogy than a statement, but many thanks.

GOV. DRISCOLL: Thank you very much, Mr. Ferber.

Are there any questions by any member of the Task Force?

MR. MILLER: Well, I have the same question here that already Mr. Moore has answered. I take it that you

were unable to get a reduction in assessed valuation even though you were willing to make a permanent dedication of this area for conservation uses?

MR. FERBER: For eleven years we have used the land just for this purpose. There are thousands of people camping and hiking. We never charged.

MR. MILLER: Then you remain free, whenever you want to, to sell it, if you wish.

MR. FERBER: That's right, except we have made provisions - for instance, when we purchased the land we asked the National Audubon Association to develop a plan for non-profit development. But since we had a mortgage on it, I was unable to put it into the real use we had in mind.

MR. MILLER: Thank you, sir.

GOV. DRISCOLL: Thank you very much, Mr. Ferber.

Our next witness is Mr. Joel Kaplowsky, Chairman of the Department of Environmental Sciences, Rutgers University.

A. J O E L K A P L O P S K Y: Mr. Chairman and gentlemen, my name is Joel Kaplowsky. As the Chairman has indicated, I am Chairman, Department of Environmental Sciences.

This Department, just for some background information, was actually created by an act of the Legislature on April 7, 1920, under which we received \$10,000 to organize a multi-discipline research team to solve some water and waste water problems. Actually, we are the oldest teaching and research department of its kind in the Nation, and this is our 50th Anniversary.

Our Department is made up of various disciplines and we handle problems of water pollution, air pollution, solids waste, radiation, etc. In fact, the new Environmental Protection Agency formation covers the various specific sub-disciplines that we teach and research.

Unfortunately, I received rather short notice

about this particular session and hearing, and I merely prepared a very short statement which I would prefer not reading. It's a little bit more the rhetoric that I hear day in and day out about the environment. However, I have enumerated a list of points that I would like to emphasize so that perhaps we can have some type of a dialogue and get to some of the in-depth areas or problem areas that we all face.

Initially, I would say that the implementation of present technology must be made for the next five years and this should be considered as the immediate need. In other words, anything within a five year period, because of construction time, design time, and so forth, anything that's five years from now is what we call, at least I would call, immediate. Now, anything beyond five years should be considered as future needs but, more important, these must be established from some priority base.

From my years of experience in the pollution field since 1938, I have again and again faced problems, whether it was a municipal problem, whether it was an industrial problem, and so forth; that everything goes back to the key deficiency is that we do not have an established priority of use, namely land use or water use.

I can rationalize again and again that this was the primary cause for hesitation because it all involves money. And hesitation, whether in a municipality, an individual or an industrial giant, or so forth, unless they have some security that what their goal - once they develop and build something, pour concrete - that unless this has some stability of remaining, shall we say, stationary for a given time period, they are usually quite reluctant or hesitant to go ahead. And, frankly, having been in the enforcement phase for many years before going to the University, and also in research, I find that it's difficult to argue against the position when they

are never sure that the number that's being adopted will remain at this level or whether the use of the area will be modified once they get building and once they start to develop in an area.

I honestly feel, without a priority base, that we will always have chaos, we will never have any definitive way of sound financing with regard to environmental problems.

I've also observed, over the years, that we will require a higher and higher - standards will be coming out which are inevitable as we grow in density and grow in population and in industrial growth. Now, as we increase in our use of the environment, obviously our standards have to change and they will become more and more stringent. Unfortunately, this requires a much greater effort, as far as your researcher is concerned, and for more highly trained people. We won't be able to move as we have in past years, which in development of the science or the field of pollution we move from the art to invention to science. Now we can't afford that trial and error period of art to invention. We must start with science and move backward, or I should say in reverse, not backward.

I have also observed, in comment on some questions raised this morning with regard to incentive money, - we've been through this over the years, the last 20 years with Federal money and support, whether or not this really is an incentive. Unfortunately, my experience has been that the people will react, across the country, - and we have done many of these evaluations with the states -- at one time I represented Delaware and we had meeting after meeting and we find that the incentive only worked - as much as was being offered that is exactly how much we would produce. In other words, at the time the program was a \$50 million program. This would generate maybe between four and five hundred million dollars worth of

construction nationally. And when we projected for five or ten years hence, the question was how much money would be offered at the Federal level and we just proportionated it accordingly. And this was done, at the time, by 48 states and perhaps 13 interstate agencies. Independently we all made the same conclusion. In other words, in our experience with the people in the municipalities, they are waiting for their share, federal share or state share, for construction and it is very difficult to force somebody to do something if they, or you, have any hope of receiving some outside aid.

We have also observed this same thing to take place with regard to manpower. We studied the manpower mix in the water pollution area, which is the oldest of the group, in fact they have fairly good records back to the early 50's, and we find that the number of professionals and supporting staff - they increase directly proportional to the money that is made available for construction. And this statistical comparison is so powerful, it confirms what I said before about, you will get the manpower once the money is available for construction. I mean, this is when the incentive begins.

Now, with regard to New Jersey, I have taken some national figures on water pollution primarily because this has seemed to be the oldest program of the various groups of the different disciplines, whether it's air or solid waste, and so forth, and it has managed to level off. So I think that the breakdown from this is far more valid than some of the areas that are still in their infancy, as far as development.

I did not use the 7%, as suggested this morning, I used the 5% figure because I'm a little reluctant to move higher at the present time because we have run into some confrontations of going higher than even the 5% that I would like to use. We have recognized that New Jersey has 3 1/2% of the Nation's population. We have, perhaps,

11% of the chemical industry and, as pointed out this morning, we have more people, more pollution, more cars per square mile than any other state, which is a mixed blessing, I suppose. However, in looking at some of the manpower reports from the Federal Government, I was surprised to note that in the breakdown of what would be needed in the State of New Jersey, they want it resorted back to perhaps 3 1/2%. This surprised me for the simple reason that their guidelines, and when they made up what they call their Manpower Mix or, I should say, their Manpower Model, they indicated that this was based upon not only population but industrial concentration and a number of other factors.

We are supposed to meet with a man who did a projection for the Federal Government, in the next couple of weeks, to find out how come they only gave New Jersey a 3 1/2% share, you might say of the whole package, as far as what is needed.

Using the 5%, we have indicated in the next five years that we need at least 2500 more professionals, maybe another 2100 technicians, maybe another 1800 or so operators, and operator assistants another 1200 in New Jersey alone. And this is strictly for water pollution problems. I think you could easily double this figure if you included air pollution and also solid waste problems.

GOV. DRISCOLL: I'm sorry, sir, your time is up.

MR. KAPLOPSKY: The point that I would like to close on - I said, you can't separate water, air or solids. I think when you deal with the environment you've got to consider all of these as a single package.

GOV. DRISCOLL: Thank you very much.

Does any member of the Task Force have questions they would like to address to this particular witness?

You're on the banks of the Raritan?

MR. KAPLOPSKY: That's right.

GOV. DRISCOLL: How much would it take to clean up the Raritan and how many years?

MR. KAPLOPSKY: Well, I would qualify that. Initially, I would say, first of all I think that the Raritan - at one time we thought we were cleaning it up when we built the big trunk sewer down in the Middlesex County area.

GOV. DRISCOLL: George Smith had a lot to do with that.

MR. KAPLOPSKY: I think our Department, between the period when I was absent from the Rutgers' Department was when most of the survey work was done. They took samples of all of the industries and everything and designed a treatment plant. However, there have been many changes that take place on a river which, I believe, changed the ground rules. In other words, the quality that we could have if there was no growth or development, no modification in chemicals that were being manufactured on the river, - I think perhaps we would have what we were looking for in the way of water quality on the river. However, you can't just continually pour people into an area and development without any modification in what I call the priority of use, the water use, the land use. But I think it would be a little unfair to the specialists working in the field to come up with a perfect answer, supposedly, unless there were some reins on the use of the environment or some clear understanding that the environment can't move any more and that if you want to use an area, you will just have to get everyone else to decrease their effort proportionately.

To answer your question specifically, honestly, I really wouldn't know how much money. I'm sure you're talking -- if they set standards very high, it could be tens of millions of dollars without a question.

GOV. DRISCOLL: Any other questions?

MR. MILLER: I'm not sure whether you gave up trying to make an estimate of what public funds would be required, assuming things stayed as they are now, to achieve the water quality standards which have thus far been promulgated.

MR. KAPLOPSKY: Well, as I said, the specific numbers, I didn't have time to work up but perhaps we can get some perspective if we just throw some things around.

As I recall, New Jersey's plan for five years or so was roughly a billion dollars in waste water treatment and construction, of which I think we recently passed a referendum of two hundred odd million dollars, two forty-seven for water pollution, I think the total sum was for water supply, two sixty or two seventy-one I think was the total.

Now, nationally the projection has been made with regard to the whole area of pollution. Two years ago a projection was made that we needed at the turn of the century about \$275 billion to clean up the air, the solids and the air pollution problems, of which \$110 billion was earmarked or projected for water pollution, \$105 billion for air pollution and \$60 billion for solids waste.

Now, more recently these figures have - well, they are very low compared to some of the more recent projections. Some people are projecting \$8 billion alone per year just for water pollution.

Now if we just took a proportion of this and used maybe the five or seven percent share that New Jersey would have, I think we could see roughly how much of a financial problem we are facing here in New Jersey just to maintain ourselves.

Now my point that I'm trying to make is that what we're talking about is immediate need. I call this immediate need. That's the backlog. And we have pressed

for many, many years to get the people interested and it has been a very hard, uphill fight, as Dr. Miller really can vouch, in water pollution. We had to almost change everything. We just barely got all the states to get pollution laws. At one time there were just a few that had laws. It was just strictly police power locally. And you always face the very practical problem where an industry would say, well, if you push me too hard, I'll move next door where there are no laws. Well, now there isn't such a thing. Now we can stand up. But all of these things took a lot of sweat and a lot of time. But there is more to water pollution than - I should say pollution control - than what now appears as a popular theme. There is a lot of hard work and a lot of complex problems.

MR. MILLER: Do you foresee that the technology is likely to improve so that these very large numbers, as far as cost is concerned, might not be attained?

MR. KAPLOPSKY: Oh, the technology will improve. Unfortunately, we have certain basic principles that we know and I think, hopefully, that the people do not put too much stock in technology of bailing them out of a bad situation. For example, we use the truism or cliché that pollution control is only as effective as your solids handling capability, for the simple reason that whatever you improve in pollution, say water pollution, - you have nice clean water here, you always have a residue that you must handle. The same thing with air - you have electrostatic precipitation, you have solids, you have scrubbers, you have water pollution which is also solid backing it. The same thing with solids waste, industrial, demolition or domestic solids. Everything is a solid problem. So, as you purify your waters more, say even your water pollution, - most of the time, right now, people talk about secondary treatment. Well, this only removes maybe 30% of the solids that are

involved because water is ninety-nine point pollution or sewage or industrial agent, maybe 99.9% is water. And this is one-tenth of one percent. This is your headache. But if you build more and more into treatment, if you take out the last two-thirds, you are increasing the solids problem by 200%. You've got yourself strapped in some kind of a boondogle.

So I think that the answer or the direction is not only re-circulation of water but also re-use. Unless we get into re-use, we've really got a problem.

MR. MILLER: Well, taking it from there, we've had suggestions that the process of applying both public and private capital to the problem can be accelerated by some sort of tax concession to the private discharger to induce him to invest more capital in handling his problem, at least. Do you see this as a likely alternative?

MR. KAPLOPSKY: As you perhaps know, Dr. Miller, this was kicked around many times, pro and con. They were talking about incentives. And we have three primary arguments and they've just come up recently as to what will give them the biggest incentive. One was a tax incentive of maybe 7%, or so, on the capital they put in. Another one was - some argued that we ought to have a stronger law, and this was needed. Another one argued that what we need is plain money.

Now generally speaking, the industry hasn't run as heartily as some people would think for this so-called tax incentive. I honestly think, as I said before, - and this is what has come to me more - for example, here in New Jersey the combined industrial effort has been to work quietly to form what we call an Environmental Studies Institute, which they are trying to form at Rutgers. We are part of this organization. We're trying to develop it because we are asking here that - add on to the technological capability that we already have at the University, but add on the various areas of

the social aspects, the economic aspects, the political, the legal, the medical, - include these as part of the total problem so that we can adopt levels of quality that are realistic. This is what they're after. They're after standards that they can make a long-range investment soundly. And they are horrified, or I should say petrified, at the thought of building many millions of dollars worth of construction only to find out that the ground rules change by the time that the concrete is dry.

So I think that this is what they want more than anything else. They want some reasonable security that this is what they will be required to live with. And they are not even arguing whether it has to be up here or here (indicating) as a level. They just want it to be reasonably rigid so that they can make a planned investment. I think this is what they want more than an incentive or what-have-you. Of course, they would take that too.

MR. MILLER: Thank you.

MR. LEWIS: I would like to ask Professor Kaplowsky a very broad question. It may be so broad that you can't answer it even if it's meaningful.

I suppose what you and others here today have been talking about really is that we're going to have to have a much higher volume of what you might call environmental defense expenditures in our system than we've had in the past.

MR. KAPLOPSKY: Prevention is worth it's weight in gold, yes.

MR. LEWIS: All right, correction or prevention. This is going to have to be a bigger share of our use of resources than we've had or we're going to be in deep trouble.

Now a lot of what we've also been talking about is how do you pay for this. I would assume that really the only source - the group that's going to pay for this

is the people, somehow or other.

We talk a lot about industry, but while it may be possible to squeeze profit margins a bit, if you plug these environmental defense expenditures into industrial costs they are mostly going to be passed through to prices. So you have two choices, really, - do people pay for it as consumers through the prices they pay for the products; or do they pay for it as taxpayers?

Now, my very broad question is, if you sort of accept this formulation, from all of your experience do you have any present kind of bias - well, first of all, do you have a judgment as to in the next ten or twenty years how this balance is likely to go? Are we likely to be paying more for this purpose, as taxpayers or as consumers; and, second, do you have any bias as to how you think the thing ought to tilt?

MR. KAPLOPSKY: Well, personally I feel that it will go by the route of the consumers. And the only thing that the industry can't do now, unless they get that so-called fixed goal that they can be shooting for - they have difficulty in trying to find out how much they should tax on, you might say, to the price of an article or product. And what many people do not realize is that the reason why they can't do it right now, so readily, is because waste treatment is a very, very expensive item.

Secondly, you lose money. It isn't a matter of making money on waste treatment as a by-product, it's how little you use. This is the whole objective as a researcher or whatever you're doing. They immediately wipe off a profit. It's how little you lose that's the constant goal.

Now, once you have a fixed degree of treatment that they have to shoot for, I think the product price

will go up accordingly and they will pay for it.

And to give you some example: At one time industry was saying that 3 1/2% of their capital investment could go for water pollution control, for the sake of discussion, and they could get by. Now I see for all pollution controls they're talking about something like 6 or 7%. This is the industrial projection. Now it's up to 6%. But I've seen cases where you get smaller industries where it can be ten or twenty, forty or fifty percent, or more, of their total capital put into waste treatment. And then you can see, any little stretch or bend somewhere in competition, a man not being required to treat in the next state, and down he goes. He can't afford it. So you've got to have an understanding that these things mean jobs, it means prosperity to your state and you've got to work with your neighbor and you've got to do these things progressively and do everything you can for the man to stay alive because this one hand feeds the other.

So this is something, while we haven't rushed as fast as some people would like us to, where primarily we've seen more problems.

Now, as far as taxpayers paying for it, I don't think this will go on forever. I mean, many of us do right now but I think it will go back to the product. I think it has to because I use this same argument and everytime I see an unnecessary gadget, I think of the plastic as nondecomposable or the metal parts in it that cause a metal waste, acids, color, phenols and everything that goes with it. So, as a matter of priority, if they price it for what it costs us to treat, then it would be different.

And the argument has been - a few years ago the New York Times was 35¢. It costs 7¢ to get rid of it. Now it's more and I guess it's proportionately higher. So, make the paper just add another ten or fifteen cents

to pay for its disposal. It will make a difference in how many pages they put in there.

GOV. DRISCOLL: Any further questions?

MR. BALDANZI: I just want to get his views. I don't think anybody disagrees with your presentation. The question that is first in this Committee is the question of money. And, also, isn't this problem of such a nature that if we're all sincerely interested in it, it ought to be also a serious business for each state to initiate a national set of rules of the game here because you can't be tightening up on an industry in one state and it's going to go to Mississippi to get away from it. In other words, I think this problem is a much broader situation.

MR. KAPLOPSKY: Well, I've kicked this around in some discussions and that's as far as it goes, but I can foresee some problems here. For example, an industry would locate in New Jersey and they may have now maybe ten or fifteen different reasons. They have a labor market, number one; they have transportation advantages; they have tax advantages; and so forth and so on; water supply; waste disposal; they have all these things available. Now when an industry wants to locate somewhere this is what they look into.

Now, I can't, at the moment, - it's just beyond me to see how we can regulate all of these different evaluations so that his freight bill from here to New York would be the same as from Miami, Florida, up to New York City, for the sake of argument. In other words, there are some advantages and disadvantages and this is the game they are playing. So I don't see how you can --

MR. BALDANZI: Well, I'm not discussing freight. I'm talking about environmental control which costs money.

MR. KAPLOPSKY: This is my point.

MR. BALDANZI: Shouldn't there be some general

regulation of that phase?

MR. KAPLOPSKY: Well, I guess maybe I'm not making myself clear. This is all part of the cost of the product that you're going to price out. This is my point.

GOV. DRISCOLL: Mr. Baldanzi is asking whether or not there shouldn't be uniform regulations with regard to water pollution, for example.

MR. BALDANZI: Anything that pollutes the atmosphere.

MR. KAPLOPSKY: I think this would be - and it's not meant in a way - this is more of an idealistic approach or ideal situation - but let me give you an example of why it cannot work or will lead to all kinds of problems.

It was just a few years ago that I sat on a special committee to develop standards of quality for the Lower Lake Michigan area. Now, there you have a water supply that's superb. They want it protected and they want to adopt certain numbers of quality that they should attach to that water supply so no one else changes it. So you run into a problem. Of course, there's drainage through land and there are some industrial discharges that come in through the Indiana Canal, and so on, in that area.

Well, the problem that you face is that if you adopt a number of quality for that particular lake, you want to keep it in the condition it is in now, but it is so unpolluted now that you're not going to put that number on it so it can be matched by somebody else that has a water supply somewhere else that is still potable but perhaps three times as concentrated in chemical composition.

Do you see what I'm saying? So, in order to make Franklin Dam, outside of New Brunswick, available, or the Delaware River, - I should say the supply to the City of Philadelphia, maybe to Trenton and so forth, - in order

to make that water acceptable, as far as numerical numbers, you would have to increase the levels in the Great Michigan source of supply so that New Jersey or Trenton would have a water supply; otherwise, they would have to remove everything that's in it to get it down to an equal level. So you have this widespread of what is acceptable. It depends upon the area, it depends upon the use, and so forth.

MR. MILLER: But the viewpoint of the cost to state or local government, or to industry, maintaining given standards, so that New Jersey doesn't, let's say, spend its money and then have its standards undercut elsewhere, - doesn't the national policy against - the anti-degradation policy, isn't that intended to guard against that?

MR. KAPLOPSKY: These are minimums, as far as I'm concerned. It's just like, when you deal in water pollution you don't even consider discharging raw waste into a stream. You say, automatically, you can't discharge any settleable solids or any floating material. This is the way you start your regulation. So your baseline is already established. This is what they're talking about in general. You become more stringent as people get closer together and the use of the land - where you deal with somebody on 50 foot lots, you can't compare it to somebody that has an acre apiece. Your problems are quite different.

MR. MILLER: To your knowledge are the present New Jersey standards - which have federal water quality in many respects - any higher than those in, let us say, competitive areas in the rest of the country?

MR. KAPLOPSKY: Any higher? No, I would say, right now they are all within that so-called secondary treatment level and I think they will get higher. They're changing things. They're trying to break the back of the technology by saying that you have to have a minimum of 90% removal

instead of an average, and this alone will just force tertiary treatment in New Jersey. I think it's coming. If we do not control the development and growth of land use, we are going to have to go to tertiary treatment or even desalinization of your waste material in order to have a livable environment. And this is going to cost an awful lot of money because these things cost more than twice as much as what they do now.

MR. BALDANZI: I'm not just talking about cost, I'm talking about this idea of piracy that could go on. In other words, business and industry basically are looking for opportunities to run a profitable business, and it's not unusual for a business to locate in an area where the tax bases and the availability of manpower and all of the other restrictions or abundance of what they need to run a profitable enterprise is available to them. So that, assuming for the moment we're not now discussing whether there are basic minimums to protect the environment, whether water pollution, polluting the air, whatever it may be, what I'm trying to get, just as a layman, is - I agree that we have to do certain things in New Jersey, I think it has to be done all over, but isn't it also true that simultaneously with this there ought to be an umbrella on a federal level that would prevent someone from taking advantage of what you do to induce somebody to go where the grass is greener? That's all I'm asking.

MR. KAPLOPSKY: Well, I'm merely saying that this can apply - if you're applying this just to the pollution aspect, my point was that when these discussions come up of using this as a rigid thing we get the same reaction from all of the people who are the dischargers, you might say, that this is the same thing to them as standardizing your rate of transportation, the level of salary and everything has to be made rigid all the way up and down

the line; otherwise, the other one has an advantage over you.

MR. LEWIS: Professor Kaplowsky, may I try putting some words in your mouth?

MR. KAPLOPSKY: Yes.

MR. LEWIS: I think what you're saying is that really pollution is a relative thing; it depends on the density, for one thing, of the population in the area where you pollute and you would say that when you produce a product that consists of something of value you are also creating some negative values which are the pollutants.

Now the same amount of effluent released as a negative value is a bigger negative value in a highly populated area than it is out in the countryside someplace. And, therefore, in this particular dimension the countryside is a more attractive place to locate a factory, sort of intrinsically. It's a lower cost place. On the other hand, if it's a thousand miles away from the market and the densely populated place is thirty miles away from the market, you would have a location - a transport advantage. And he's against trying to equalize all of these things and, therefore, prevent the market from working. As you do when you have a delivered price as where you make the fellow pay the same freight charge when he's 30 miles away as if he were, say, 500 or 1,000 miles away. In the same way, you shouldn't make the guy out in the country pay the same anti-pollution charge as he does if he has the advantages of a densely populated area.

MR. KAPLOPSKY: Thank you for that.

MR. MILLER: Oh, but why should the quality of the environment depend upon the access of the market?

MR. KAPLOPSKY: You're making an assumption here that there is a value, an exact value of the quality environment that you can live with or that you should accept or not accept. I think this is such a broad base

and it depends upon the people. If the people want to accept, say a three part per million B0 level in a stream and somebody else wants a 5 part per million level, and a large majority wants 3 parts per million, the question is, should you stop them?

MR. MILLER: But the national policy to which Mr. Baldanzi was addressing himself says you have to have 5 parts per million.

MR. KAPLOPSKY: Well, I can play the game. And then someone else will say 7 parts per million. The national level is usually something that is a livable level, like they're trying to set some national standards, that they are talking about at the present time, of which you can be more stringent, depending upon the local problem and the local area. And you will find that this is what you will be doing. In many cases in New Jersey with air pollution, we have rigid state standards and there are some people that want even lower levels. We have the same thing with federal laws.

GOV. DRISCOLL: We've heard a great many complaints about pollution, air pollution as the result of exhaust from our cars, and the use of lead in gasoline. Now, assuming that we are going to get a regulation or a series of regulations limiting the use of lead in the gasoline, would you say that that regulation should only apply in metropolitan areas where there are the most cars and not apply in Montana where the danger from pollution from cars is relatively small?

MR. KAPLOPSKY: Well, this is something that you're regulating at a source, in other words, in the manufacture.

GOV. DRISCOLL: I'm just trying to get a principle established here.

MR. KAPLOPSKY: Yes. This is something that will go back to every product, as far as this is concerned. And I might point out that many times there are industries,

not only the petroleum industry, that are doing things quietly and very conscientiously, you might say as good citizens of this nation, to try to improve. And they are doing the same things. Their researchers are actually going back to every product they've made and modifying it.

GOV. DRISCOLL: Excuse me for interrupting but I am just trying to establish whether or not you believe that we should have uniform standards throughout the country where there is a difference in the dangers because of either excess population or very small population.

MR. KAPLOPSKY: Well, the uniform standards, as I said before, - the principle here applies only as a minimum. In other words, I can buy this, all lead should be kept out of the gasoline if you have a proper substitute and then, obviously the things you can't control by that procedure you have to control with after-burners or what-have-you, as far as controlled exhaust. But this again goes back to that minimum requirement as a base line. These have to go.

MR. BALDANZI: The only thing I would want to just close on is that today's congested areas were yesterday's rural areas.

MR. KAPLOPSKY: That's our land use problem here. We can't give you a number unless you control the traffic.

GOV. DRISCOLL: Any other questions? If not, thank you very much.

MR. KAPLOPSKY: You're quite welcome.

Now, Mrs. Little, Citizens for Conservation. You have been most patient.

B E T T Y A. L I T T L E: When you're talking about Montana and the pollution it kind of drove me crazy because one of the reasons that I'm now an Environmental Economist is because of the pollution in Montana. I went up to the Rockies to get away from all of this and all that the rangers talked about was pollution. I crossed the mountain range there at Glacier and came into the Valley on the

other side and it's unbelievable. If you think New Jersey is bad on a smoggy day, go all the way out west and you can't hardly see your hand in front of your face. So this is part of my own commitment.

And we've talked some today about cost. I think sooner or later we are going to have to bear the cost of our environmental pollution. When we make some sort of an acceptance of this now, we may be able to say who will pay for it, in other words whether it will be users or whether it will be government. If we put it off, it will have to be government. There will be no other way to do it.

My name is Betty A. Little, as several of you know. I am testifying for Citizens for Conservation, Bernards Township. CFC is a Bernards Township based conservation group concerned with the total environment as well as our own Township. We have an active and educated research team working on many aspects of the environmental crisis in New Jersey. And we have done considerable research on the problem before you today. I am an Environmental Economist with 20 years of experience in business, teaching, and the last in conservation. I am still working with Fairleigh-Dickinson University, where I taught finance for seven years.

Only in the last twelve months have we become conscious that in this state and in this nation we are faced with an environmental crisis of such magnitude that only a rapid change in our concepts and our priorities will make solution possible. This Commission, because it is exploring every facet of government, every source and every use of funds, is in the unique position of being able to implement these changes. We urge you in your considerations to place the quality of the environment as a primary goal.

Our research has drawn out a number of very interesting points which may be useful to this Commission.

1. There is a considerable body of data to indicate that with a rapidly rising population government sources of funds will tend to rise more slowly than government uses of funds; that on a local level each man will cost more than the last and this increase will rise sharply. For example, Somerset County school costs have risen 18% from 1968 to 1969. At this rate they would increase 4.2 times by 1980. And as a result of the research I did in this, I'm now working with the school systems there in their forecasting. So I will have some hand in that. But there is some indication that these costs may rise even more rapidly. With a growing population, the burden of such costs becomes unsupportable to some segments of the population, as you heard this morning.

Our first suggestion is that we change the way in which we are doing things. In the field of transportation, for example, we should be rejuvenating the Jersey Central because we need mass transit which is less expensive in terms of dollars and environmental quality than highways. Second, that we assign costs as much as possible to users. That, for example, we provide for on-site pollution abatement. Taxes could be used in a creative and imaginative way to compensate for losses of property rights or as an incentive to industry to undertake costly innovations. Where, for example, a company such as Humble Oil returns clearer water to the Arthur Kill than it takes out, they should be compensated for the contribution they make to the general good. Government expenditures might also be kept down by providing tax incentives to restore our cities and to preserve open space and still provide flexibility within our system.

2. We see the need for systems analysis in the growth of our State. Some consideration must be given to the total needs of a person living in this State in terms of housing, education, sewerage, and transportation.

We know of only one very limited study that has been done - that was in the Morristown area. The people of this State are everywhere raising the question of "Is growth good?" In Bridgewater Township, for example, where over the last ten years they have been able to obtain some of the most desirable ratables in the State, seventy new industries have moved into Bridgewater Township which is only about 33 square miles, hardly larger than my own. And in spite of these seventy new ratables, the tax burden has risen 300%. We think that it is the place of government to protect the interest of all of the people of the State who live here now, and this can only be done through a study of their needs. There is now, for example, no open space planning for this State, and yet with 12,000 new people entering the population each year we have a minimum annual recreational deficit of 120 acres for municipal recreational land alone. That's not for pollution abatement. By 1980, the need for recreational and open space may be the most critical need we have.

3. Our third conclusion is that neither the concepts nor the data are now organized in a meaningful way. In many instances, as in the field of education, historical data bears little relation to forecasting. We, therefore, urge this Commission to identify areas and initiate special reports placing environmental quality as a chief concern, and then calling upon the vast resources of industry, educational institutions, citizen groups and every level of government for assistance.

I think, for example, you should ask that some of these reporting jobs be done by Rutgers. They have been working in the pollution area but not in the systems area.

We suggest that such a study be undertaken involving the water resources of this State. Forty-two inches of water falls in an average year in New Jersey to replenish our water table and reservoirs. Water is New Jersey's most valuable natural resource. We have more

water than 96% of the United States, and yet we are facing a water problem of crisis proportions. Our watertable throughout the State is dropping, and almost every waterway in the State is polluted. This fall we used water from Boonton and Wanaque Reservoirs to flush the Rockaway River in a manner used by the ancient Egyptians. This is incredible in a time when we can put a man on the moon. It may be that the 20 or so regional sewerage plants suggested by the State Department of Environmental Protection replace the 700 or more plants which now exist will make it possible to recycle water. Only about half of these provide secondary treatment. Industry has told us that they have the technology, but no single municipality is in a position to be innovative. The recycling of water could result in better sewerage treatment, adequate water supply, and restoring of our rivers to recreational quality. In such a study the needs for and uses of water should be related to people. The Passaic River Coalition met only this week to explore the possibility of just such a study. This group concerned with finding an environmental solution to the problems of the Passaic River Complex is only one evidence of the citizen concern which has developed within this State over the past 12 months. We need a vast reordering of government expenditures and revenues in this State to restore our environment. We offer this Commission our assistance and we look to this Commission for the leadership that will be necessary to begin this task.

GOV. DRISCOLL: Thank you very much.

Are there any questions?

MR. MILLER: I have a question. That is, what part does taxation play in your scheme of things?

MRS. LITTLE: This is almost like Pandora's Box. It really is related to many things that have already been said here today. One is the preservation of open spaces. If we take, for example, only your flood plains, the

conservation groups are willing to buy flood plains, your park systems are willing to buy flood plains. Conservation easements can be obtained for flood plains. This is desirable because it produces a desirable open space for pollution abatement and for recreational needs. If we allow these kinds of property to be developed just piecemeal, and this is happening, I know, - I have been along the Passaic River which is most of Northern New Jersey and it is being filled in and industry is being built on it - there will be no way to clean the water properly. And this kind of a cost will have to be borne by government through increasing their water processing along the River. It seems to me that that is the most expensive way in which to handle our pollution problem, to let it come into being and then to try to remedy it. So your tax could be used, you see, as an incentive.

As far as the incentive to industry, we've talked to considerable numbers of industrial people on this tax incentive for pollution abatement. Particularly in the field of water, which is my specialty, you have problems. First of all, the technology is being updated almost day by day and then the standards are being raised. And industry is, therefore, reluctant to put in new facilities which they feel in three or four years will be outdated. I know when I talked to Russell Train about this, he said that he could see that this was the sad sort of problem. And I said, "Perhaps what we're doing in the way of tax incentive is not enough." It is a great deal cheaper to even let them wipe the full cost of this abatement off in a few years than it is to try to take them to court repeatedly for small fines. It ties up our government people in litigation. And if they pay the fine and the pollution abatement is not carried through, it's expensive to society. So I think incentives can be used but the question is, are we giving enough incentives. And we have to recognize too what public

opinion is now. Industry can't afford to turn their back on this kind of thing too much longer. And I think the tax incentives would do some very real good in these areas.

MR. MILLER: By that tax incentive you mean to amortize as a deduction from federal taxable income --

MRS. LITTLE: Yes. Or if you are considering a State tax, to do it on this level too.

MR. MILLER: In the State of New Jersey?

MRS. LITTLE: Yes. We haven't worked this out yet. We're waiting for the December hearing on the corporate tax structure, but this would be the sort of thing that we had in mind.

I think, you see, you get industry fighting this in every way they can. I've worked for industry for a long time so I have some idea how stubborn they can be. And they don't look at this as a problem that they themselves, as individuals, can't get away from. If you are president of a steel company, you get in an airplane and fly someplace and you feel you can escape the problem. Eventually they will realize that these are world problems and at that point there will be very little that we can do about it. But I think with public opinion growing, as it is, especially in this State, together with tax incentives could be a real inducement. We are depending on the chemical industry here. It is, I believe, our largest industry in the State of New Jersey. They are also among the great polluters. I think we must share the responsibility for the pollution. They came here because the rivers were a good place to put their sewerage. That's why they built their plants. And this is a new problem which we've just recognized and we should share it.

MR. MILLER: What is the extent of the problem with industry as compared with municipal sewerage?

MRS. LITTLE: Well, I think the problem with municipal sewerage is really bad. I'm still working on

the thinking on this. One reason that we have tended to go toward the regional plant is because, again, municipal governments don't want to upgrade their sewerage any faster than they have to, which means they drag their feet. They are still building the same old kinds of buildings they were doing before, just making more and more plants. And one of the things that disturbs me very much, and when I spoke to Federal Water Quality, when they were here in the fall, in Newark, I said, "I think we must change the way we fund these programs." It is cheaper now, with these very high interest rates, - it is cheaper to consider changing your input, your operating cost, and maybe we ought to try to fund that sort of thing rather than to build new plants. You can take the same plants and upgrade the treatment 40% by using a substitute for your rocks. I don't want to go into all this tertiary, but in the secondary treatment you need a rock base and you can replace that with a plastic foam type of product which will upgrade, automatically upgrade, using the same physical facility and the same building. We are not doing that kind of thing. We are continuing to build the old-fashioned type of building because of the way the funding is coming. So I have recently begun to think that regional - some sort of regional plants may be necessary. Also the recycling of water is a very innovative type operation. We understand from industry that this is entirely possible but municipalities do not demand water recycling, especially ones like the town I live in because water is free, it comes out of the sky and goes into the reservoir, and then we put polluted water into the river in replacement of it. What our water supply needs is a population forecaster - like our water recycling needs in the Passaic Basin will go up about four times. We will have to do that by the year 2000 or control population.

MR. MILLER: Thank you.

GOV. DRISCOLL: Any further questions? If not, thank you very much.

Mr. Sidney Willis, Secretary of the New Jersey Open Space Policy Commission.

S I D N E Y W I L L I S: Governor Driscoll and gentlemen, I'm Secretary to the New Jersey Open Space Policy Commission and I am Director of the Division of State and Regional Planning.

I have a prepared statement on behalf of the Commission which, with your permission, I would be happy to file with your staff. It describes the work of the Commission and the efforts we have made to develop proposals for the retention of open space in agriculture within the State. (See p. 89 A)

I also have a statement, which was prepared for the Senate Committee on Resources, which is pertinent to the subject matter and I would like to file that as well. If I may do so, I would simply hit on some of the highlights that I think the Commission would want me to present to you today. (See p. 94 A)

GOV. DRISCOLL: The statements to which you refer will be filed.

MR. WILLIS: Thank you.

The Commission has been working since 1969. It's membership is composed of people appointed by the two Houses of the Legislature and the Governor, and ex-officio members - the Commissioners of Environmental Protection, Agriculture, and Community Affairs.

Among our members are many respected citizens in the State - Mr. Fred Ferber, who addressed you earlier is a member of the Commission; Mr. H. Mat Adams; and others whom I'm sure you would recognize; and Senator Wayne Dumont. John Waddington, former State Senator from Salem County, is the Chairman of the Commission.

We have, at this present moment, recommendations in some 20 areas, and those recommendations have been

submitted to the public and there have been public hearings and we are now preparing a final report which we would expect to deliver to the Legislature and the Governor by the end of the year.

I would like to select a few of those areas, particularly those that are pertinent, I believe, to the consideration of this Committee. I would hope that they don't sound like a shopping list. They do have dollar amounts on them and I will comment on those dollar amounts. But they were based on a good deal of study by, I think, some people who are familiar with the problems of the State, as well as its financial problems.

In the area of State acquisition and development, the Commission has arrived at a recommendation that the State should be expending in the order of \$10 million a year for both the acquisition of additional lands and the development of lands already acquired, and that that money should be spent, roughly, one-half by the State Government and one-half for matching grants to counties and municipalities.

The Commission supports a \$100 million bond issue, which it will recommend for the forthcoming November referendum.

I would say, in respect to these figures, that the data and analyses that the Commission went through arrived at a conclusion, to which they agreed, that \$25 million would be a more appropriate figure in terms of the cost of land as we now know it and the national standards for land in relation to population which now exist. So I would suggest that there was a great deal of judgment exercised there, and the Commission did not simply accept outside professional standards and assume that that was wisdom itself.

The Commission, in addition, was very cognizant of the deficiencies in recreational land and generally recreational services in urban areas, and recommends

an additional \$3 million a year for the operation of recreation programs, particularly in urban and suburban areas. Assuming there generally a trade-off between the costs of land and the impracticability of acquiring large amounts of land to balance with populations but placing emphasis more on the provision of the programs, the provision of lighting so that facilities could be more intensively used, the provision of policing and other services necessary to maintain an operating recreation program in the urban areas of the State.

And those are the three principal money proposals the Commission has made.

In addition, the Commission suggests in the order of \$100,000 a year from operating budgets to be available to assist the Conservation Commissions, which have been proliferating around the State, and effectively calling attention to and studying their own communities, and promoting and endorsing programs for environmental protection at a very small - at a municipal level -- some assistance to those groups through the Department of Environmental Protection in the order of \$100,000 a year.

The Commission did restudy the matter of farmland assessment and, I think it's fair to say, generally thought that, although it is not a longterm solution to the retention of open space within the State, it has been reasonably effective and they would recommend no changes at this point.

The Commission further studied the possibility of preferential assessment for other private open spaces, golf courses and others, and may have some recommendations to make in that area with respect to longterm tax abatement, as long as the public interest in either having the right to acquire it at some future time or at least certainly being sure that no exclusion or any abuse of the privilege of tax abatement would occur.

The Commission has made a number of recommendations, will make a number of recommendations, in the area of

the organization of the State for purposes of planning and for purposes of capital programming. And its recommendations include a State Planning and Development Commission and the movement of the State into the protection and policing of critical areas, including flood plains and other land adjacent to State tracts and other major critical land areas within the State.

I would only add to that - and I would be happy to answer questions - that with respect to the State Planning and Development Commission recommendation, there has been a bill prepared. It will be outlined by Commissioner Hume to the public a week from now, and we would expect that there will be a bill in the Senate with the sponsorship of Senators Knowlton and Coffee, for prefiling in December and for consideration in the session in January.

In addition, as several of you are aware, particularly Mr. Miller, the Division of State and Regional Planning has been for a number of years preparing some preliminary rudiments of a State planning capital improvement program, which has been regularly published, and a program was prepared and submitted this year outlining seven areas, broad public areas, for public services and detailing the proposals made by the various state departments. That program is available to your staff. And, without trying to synthesize it in one sentence, the total figures supported by departments is roughly in the area, for the next six years, of some \$2 billion. I think that's consistent with the Capital Needs Commission's previous recommendations in this area and the report acknowledges as well that, given current sources of revenue, there would have to be some substantial change somewhere half way through that period in order to meet those kinds of capital expenditures and meet the payments that would come due on the

ones in the early years.

I will be happy to answer any questions.

GOV. DRISCOLL: Thank you, Mr. Willis.

Are there any questions?

Thank you very much.

And these are the papers to which you referred?

MR. WILLIS: Yes, sir.

GOV. DRISCOLL: Thank you, Mr. Willis.

We will now ask Mr. George Wagenhoffer, of
the Federation of New Jersey Taxpayers.

MRS. MIKSIEWICZ: I am taking his place.

GOV. DRISCOLL: You are? I'm sure you're a big
improvement.

A N N M I K S I E W I C Z: My name is Ann Miksiewicz, a Director and Chairman of Action of the Federation of New Jersey Taxpayers (FNJT). I am here to represent a heretofore truly silent majority, the State's taxpayers.

Members of the New Jersey Tax Policy Committee - the Federation of New Jersey Taxpayers (FNJT) is a state-wide organization composed of local taxpayer groups, school watchdog organizations and many interested individual taxpayers. The FNJT is a coordinating body and an informational exchange for these groups and individuals. We have been in the vanguard to prevent the enactment of a personal income tax law for the State of New Jersey. As an organization, we have testified at many public hearings. We have given many valid arguments against tax increases due to the burgeoning cost of government. Testimony was given at the recent sales tax increase hearing which I would like to offer as evidence of what taxpayers throughout the State are saying and how we thought hard-earned tax dollars could be saved. It is coincidental, but that statement covers most of the items in your guideline for today's hearing.

To save the time of rereading it, Mr. Chairman, I offer you a copy of this testimony. To further validate our claims, the Governor's Management Commission report which made headlines on Monday, November 9, 1970, also says in essence many of the things we have said before.

Members of the Tax Policy Committee, the FNJT was on target then as it is now. At many legislative hearings partisan politics overtakes the senses of those who are holding the hearings. The die is usually cast long before - the hearings are a mere formality.

I urge you to listen carefully, read the prior testimony, weigh the evidence, and hopefully you will make a recommendation in favor of the taxpayers. There is little solace in what you call the tax or how you take it from the people. There is only one taxpayer

and he is being victimized to a point of desperation. WE HAVE TOO MUCH GOVERNMENT! Today's new breed of "empire builders" are the appointed bureaucrats and their "empires" are the bureaucracies they are creating to entrench themselves and their followers in the maze of socialized state. In recent years the trend has been to try and "redistribute" the wealth of our citizenry. The person unwilling to work is told that he is "entitled" to the same standard of living as the person who is gainfully employed and providing for his own needs. This is not the American way! Great Britain, once a world power, is now a third rate nation struggling for survival, a victim of a socialized State. The myriad of "social" legislation passed in recent years just cannot be supported by the taxpayers any longer. New taxes, additional taxes or higher taxes is not the answer. The only sensible alternative is to REDUCE SPENDING!

The illogical conclusion of most politicians that people want "more government" is just not true. The people who are crying for more government ARE NOT THE ONES WHO ARE PAYING FOR IT! I implore you to listen to the people who are paying for it. You have heard before that this is the year for the tax revolt. Well, it is. Paterson, Passaic and Plainfield all have a taxpayers' strike going on at the present time. There are at least 10 other cities that have tentative plans for a taxpayers' strike. This is only the beginning, a desperate but necessary move by the foundation of our society, the taxpayer.

Our esteemed Governor has one first going for him now. He is the first Governor to have a picket line at his Inaugural Ball. He may also be the first chief of the State to a bankrupt state if relief is not forthcoming to the overburdened taxpayers. There is a good possibility of a taxpayers' strike throughout the State of New Jersey. A TAX BY ANY OTHER NAME IS JUST AS

REPULSIVE. Your recommendation must be to reduce spending. There is no other responsible way to a program of fiscal sanity for the State of New Jersey. It appears that with a recommendation for reorganizing and eliminating departments and agencies by the Governor's Management Commission, State spending can be cut down. With some budget paring and austerity budgets DEMANDED by the executive and legislative branches, we can hold to some more tax savings. By new legislation limiting welfare payments and abuses, more money can be saved. It takes a little effort.

We have been pouring an incalculable amount of money into our State's school system and find we are nowhere near a "quality educational system." Our larger cities that have little or no citizen control of the school boards have school systems that are literally falling apart at the seams. Our Commissioner of Education, instead of being a stabilizing factor to the school system is actually destroying the very foundation of education in the State of New Jersey. All we are asked to do is keep filling up this bottomless pit known as education with our hard-earned tax dollars, and it is not accomplishing a thing. We need legislative reform, not new or additional taxes. If our Governor and legislators say it can't be done, I want to remind them that any new or additional taxes means a like amount taken away from the taxpayers' family requirements and he must then cut down somewhere. Well, what is good for taxpayers is good for government. TIGHTEN UP YOUR BELTS, GENTLEMEN, YOU'LL GET NO MORE FROM US!

Prepared and submitted on behalf of the FNJT by George Wagenhoffer, Treasurer and Trustee.

Gentlemen, I would like to give you a little something extra as long as I have time: The FNJT would like to go on record as stating we are not against all taxes. Government must have sufficient funds to carry on necessary and essential services. The Federation stands ready to defend costs for our representative type

government. However, we will with equal vigor oppose unnecessary spending in many areas and demand an immediate reduction or holding the line in essential services. The mood in general of the taxpayer is one of revolt. He no longer will be content to be the victim of confiscatory taxation. Many feel that this is the year for the tax revolt. A feeling of frustration has overtaken most of the State's taxpayers. As you know, there are quite a number of strikes going on. The frustration is due to the fact that their elected representatives are not carrying out their wishes for an all-out effort to hold the line or reduce spending.

I will give you another excerpt. My time is running out.

The FNJT who is the voice or, if you prefer, the lobbyist for these taxpayers, will make a plea at this time for you NOT to increase any tax and to check the validity of the statements of the State having a three hundred million dollar deficit in the new budget. You legislators are responsible for the financial expenditures of and the allotments to the various divisions and departments. We hope you are judiciously protecting our hard-earned dollars.

The FNJT would like to recommend at this time the elimination of tax money for subsidies to private industry of any type. Tax dollars should not be spent to clean up pollution of any sort caused by the industries. They make the profits and we taxpayers are going to three jobs hunchback. Many overlapping and/or duplicated services should be curtailed. The budgets for many departments are beyond reasonableness and should be cut. The Department of Community Affairs is an affront to representative government and should be eliminated in its entirety. Legislation should be enacted to nullify the power of any appointed body or department head that can supersede the duly-elected officials of any municipality or to overrule the will of the voters in any given district. It is government by the "unelected" bureaucrat and his

"empire building" tactics that the taxpayers can no longer afford. It is also government by decree and mandate that he will no longer accept. You are the elected officials and you are responsible to the electorate. All budgetary requests should be reviewed with austerity being the prime factor. I think it behooves you to return the government of the people, by the people, and for the people, TO THE PEOPLE. And the people are telling you to reduce spending as a sensible alternative to increasing taxes. Try it! It may get you re-elected if you decide to run again. Thank you very much, gentlemen.

GOV. DRISCOLL: Thank you. Are there any questions?

MR. LEWIS: I have one question.

You referred a couple of times to the Governor's Committee on Management that recently reported. I just wondered what your impression was of how thorough a job it did of combing for possibilities for reducing government expenditures.

MRS. MIKSIEWICS: Well, I traveled throughout the State appearing with different tax groups, and the delegates have come to us too, to the Federation. The outcry is that the taxpayers are being pushed aside. It's the ones that are making all the money. We are the people who are working for this, and we do not get any profit; we are being overburdened. Wherever anything is being spent by the Government, whether it's Federal, State or County or Municipal, we bear the brunt of it. No matter where you go, it's always the cry - the taxpayer will pay for it. I have heard numerous people here stating - I came in this afternoon - that the industry, we should let them go on, pollution and all. Right in Linden where I am, it is nothing but a chemical city, and I have been fighting pollution. In fact, I was the only one that got after DuPont and I think it was American Cyanamide, Merck's and all, to see what they could do about it. I started that in my Municipal Council.

GOV. DRISCOLL: Excuse me, but I think you missed the thrust of the question. The question, as I understood, was, having referred to the Management Commission's report, how thorough a job do you feel that they did.

MR. LEWIS: You referred favorably to it.

MRS. MIKSIEWICZ: Well, I didn't refer - as I say, George Wagonhoffer did this and I didn't really go through the Commission's policy. I couldn't answer that question.

MR. LEWIS: I don't know in detail about the work of that Commission. From the newspaper accounts of the results, I get the impression that it came up with a lot of at least very detailed suggestions, a lot of suggestions for saving money, and they add up to about sixty million dollars or about four per cent of the State budget, and you get there after some time. Now that doesn't sound like the kind or degree of reduction that you are talking about.

MRS. MIKSIEWICZ: I don't think that we as taxpayers are really satisfied, because we have had no relief whatsoever. We have been really cast aside. It's the middle class that really pays. It's been poured down our back that we can no longer- as you know, in the city most of the welfare rolls show we are getting more people in that we don't even find jobs for. My own conception of the idea would be to give these people that are on welfare something to do. Some of those idle can be given welfare but some of them can go out to work. I have to go. I am incapacitated at times but when I need the extra money to pay my taxes or if there is an illness in my family, I have to go out and earn money and I don't see why they can't. Some of these people sit down and take the extra check that is coming, and I think it's horrible at times. We are losing homes and all now in our city.

MR. MILLER: You were talking about the overburden of the taxpayer. Is there any particular New Jersey State tax by which you feel there is an overburden?

MRS. MIKSIEWICZ: Well, we were against the sales tax and we do not want a State income tax. We have been fighting to have this ACR-33 come out of committee for two years now. It's the third number; I think it was 65 and 35, and 33 now, and it hasn't come out of committee. I think if you put that on a referendum and have the people vote for it instead of it being thrown and dictated to us as the sales tax and all - I think the people should really have a say in it. We pay the government; we pay you people, and I think that some of it should come back to us where we have a say and not be dictated to. This is the outcry I have gotten from all the people.

MR. MILLER: Well, are you opposed to the sales tax now as being an excessive burden?

MRS. MIKSIEWICZ: You've gotten a sales tax and it was supposed to be relieved. You said "Bond issues - no sales tax," you've got the bond issue, you have the sales tax, and now they are working on a State income tax, and it just keeps on and on. Now you will have the lottery; that's supposed to help us out. I don't think there's any end to the taxation. Where do we stop?

Right in my own city, Simmons was on strike and General Motors, some of the American Cyanamide, Hercules Powder in the neighboring city of Parlin. My brother-in-law who is the head, or he's the plant superintendent, each week is laying off 300 and 600. I mean, let's face it. It's going to be that soon we won't be able to own our homes.

GOV. DRISCOLL: There was an inference in your statement to the effect that this Commission is being paid. For your information -

MRS. MIKSIEWICZ: Well, I didn't make that inference. It was made not by me but by one of the trustees. Please don't hold that against me.

GOV. DRISCOLL: We are working on our own time and at our own expense.

MRS. MIKSIEWICZ: Just as I am too.

MR. BALDANZI: You haven't said it but I get in listening to you that one of the things you are complaining about is that the local property tax - you are talking about losing homes and things of this sort. Is this one of the avenues that you think needs some attention?

MRS. MIKSIEWICZ: Yes, that's right. That's one of them. The elderly people are even complaining that in the senior citizens homes they can't have the bare necessities, the doctors and all that, when they are sick. They can't even get the food or the medication that they should really have.

MR. BALDANZI: The other thing you make reference to, and I don't think you are going to find too many people disagree with you that there is a need on a national basis to take a good hard look at the whole welfare system of this country. We all agree there is something that ought to be done.

MRS. MIKSIEWICZ: That's right.

MR. BALDANZI: As a matter of fact, the national administration is trying to formulate a policy and everyone is concerned. I think no matter what political affiliation the officers in each State or community has, this is something that concerns everybody. But going beyond that, do you really believe that in this day and age that we can afford to cut back on necessary things like education and all the other services which are necessary within the community? I understand your position on your property taxes which you say are unreasonable at this stage and you feel the sales tax should be repealed and you don't want an income tax. But all of these items we are talking about, where they have to do with the environment, where they have to do with the educational system, with police protection, whatever we may talk about in an area, requires money which the State doesn't have and the community doesn't have. So how do we go about

resolving these if we cannot get the people to understand there just isn't any Santa Claus.

MRS. MIKSIEWICZ: Well, just as I stated in one little line in here: We are overspending in our government. We've got to cut down. If I have to eat hamburgers, -

MR. BANDANZI: In what area are they overspending in the government?

MRS. MIKSIEWICZ: Overspending federal, State, no matter what; political plum jobs like we have down -

MR. BANDANZI: We are talking here about the State now.

MRS. MIKSIEWICZ: Well, even State; for instance, raising their pay for one. I sat here until 11 o'clock when the Assembly went into caucus session at 11 o'clock and by two o'clock they raised themselves \$2,500 to \$10,000. Right? I'm just bringing that up as a point. I'm not saying they shouldn't have it. Some well earn it and stay here many hours and all. Sometimes you must curb it for a while and wait until you get back on your feet. First things come first. We've used education so much in spending money, and what kind of education do we have now? Rioting.

MR. BANDANZI: You can't say that every student in school is having a riot.

MRS. MIKSIEWICZ: Well, most - where I come from, in my town and nearby in Plainfield, we have had it and you've had a riot right here in Trenton. Most of New Jersey, let's put it, is having it - Paterson, Passaic.

MR. BANDANZI: What do you do - abolish the schools then?

MRS. MIKSIEWICZ: No. I don't think we are spending enough on education. We are giving too much to the higher ups. The teachers are walking away with new big salaries; they are raising it even like - well, I'm not supposed to bring up the local. I'm doing it because I am just familiar with the figures. Recently I looked at it and

I was amazed at the administration costs that went up. Administrator's Assistant getting \$30,247 in a city. I mean, let's face it. I don't think they're personally worth that, some of them. I've witnessed their work. I've followed them up on different things. I'm not a professor at it. I don't profess to be one that would sit down and say "Well, this is it, and you're going to cut down." Sure they are to be paid but I don't think they should keep raising and raising. We don't get that raise, and when one of them goes on strike he never gets back what he has lost. If he asks an extra five or ten cents, he's got to go on strike and if it lasts a couple of months, where do I end up? Welfare. But I'm too proud to go on welfare so I have to go out and work. I never get that back. Am I right in that respect?

MR. BALDANZI: You are talking about a local community now.

MRS. MIKSIEWICZ: Yes. Your federal spending, your county, your State. It comes down right to the bare facts - the mere taxpayers, the middle class person. He's the one who's hit the hardest, and he has nowhere to run. We have to do it, and we are the hard-working people who go out to work. Some of us go to three jobs to keep up.

I had a fellow get up at this meeting the other night. I was in Roselle and he got up and he says, "I'm running for three jobs, and the politicians are running to three banks smiling all the way with my check." I just looked at him and I said, "Well, you may feel that way but actually it's true to a certain extent." As I stated before, if I have to eat a lower cut of meat, the government should be able to tighten up their belts a little. There must be a happy medium. I don't say abolish all taxes. Let's be a little reasonable about it. The exorbitant raises - look at Nixon getting a big raise. He took it and the rest of them - the Governors and all. Let's get down to the bottom facts. You've got to curtail it like the workers do. But industries don't give us a raise just like that. We've got to fight - go on strike.

MR. BALDANZI: I don't think that resolving the question of whether President Nixon should get \$200,000 a year is going to solve the problem in New Jersey.

MRS. MIKSIEWICZ: Well, you start taking it at the top all the way down to the bottom, start tightening everybody, I think we will be able to save it. You've got to do it somewhere.

MR. BORG: May I ask a question? Do you think a general refusal to pay taxes would improve matters?

MRS. MIKSIEWICZ: I'll tell you what: In Paterson, the month of July, \$700,000 was kept back, and if they don't get the taxes in there, these men are going to start talking turkey, as I understand from one of the leaders there that had started this tax strike, and they are coming to their demands. One of the statements that was made was that if 30 students can take Rutgers, surely the largest percentage of taxpayers who really bear the brunt of paying can really get out there and demand what they want too, because we are the ones that are paying your salaries. We are the ones that are paying for these services, and I think that somewhere along the line it should be stopped. They are not thinking of giving us services. That's the way I feel about it.

MR. BALDANZI: I live right next door to Paterson and there was a piece the other day in the paper where Mr. Rooney, who is head of the Taxpayers Association, was leading the strike and he had already paid his taxes several months ago, while he is telling other people not to pay theirs.

MRS. MIKSIEWICZ: Well, I would have to have proof of that.

MR. BALDANZI: Well, I'm just telling you that it appeared in the papers.

MRS. MIKSIEWICZ: I don't believe all newspaper items.

MR. BALDANZI: He didn't deny it.

GOV. DRISCOLL: We thank you very much for being with us this afternoon and we will adjourn the meeting.

[HEARING ADJOURNED]

THE ECONOMY OF NEW JERSEY: 1980

Testimony of

Douglas M. Angleman

Chief Statistician, New Jersey Bell Telephone Company
before Task Force B of the New Jersey Tax Policy Commission

November 12, 1970

THE ECONOMY OF NEW JERSEY: 1980

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INTRODUCTION

The economic climate in the State of New Jersey in 1980 will continue to be determined very largely by the performance of the nation as a whole. Hence we turn our attention first to the outlook for the nation's economy ten years down the road.

Fundamental to our appraisal of the economic future are the assumptions upon which it is based. Our projection for 1980 assumes:

- (1) There will be no significant change in international tensions; the cold war will continue at its present level of intensity and no nation will resort to atomic warfare. The United States will accomplish a gradual extrication from Indo-China but no solution will be reached in the Middle-East.
- (2) There will be no significant change in the military posture of the United States. While some shift from military expenditure to social programs will develop - this will be gradual and will not produce economic disruption.
- (3) No significant balance of payments or currency crises will develop. While the British pound will continue to be under pressure, and may indeed be devalued once again, international financial institutions will be able to contain those pressures and stave off a wave of competitive devaluation.
- (4) No significant changes in the political and social climate in the United States will occur. Present unrest seems likely to intensify as pressures mount for social change regarding minority groups, urban decay, and environmental pollution, but no serious disruptions of normal economic processes will occur.
- (5) There will be no major technological breakthroughs. However, research and development programs will continue to afford productivity gains of the order of magnitude of the last decade.

With these as the basis for our forecast, let us turn to the projection of the nation's economy in 1980 recognizing that any such long-range projection cannot pinpoint conditions as of 1980 but can only provide broad bench marks.

THE NATION

POPULATION

Central figures in any projection of the nation's future economic activity are the people who will participate in it. Population and its characteristics provide the springboard for any plunge into the future since people provide both the hands that will create future output and the mouths that will consume it.

The size of U.S. population in 1980 will be determined by the number of births, the number of deaths, and the net in-migration taking place between now and then. Death rates and in-migration are quite stable and, barring major catastrophies, are predictable within close limits. The major source of variation in population projections lies in fluctuations in the birth rate. The principal variables affecting the birth rate are the number of women of child-bearing age and the fertility rate - births per women of child-bearing age. Because of the very low rate of births during the 1930's, the number of women of child-bearing age was relatively small during the 1960's. Also the fertility rate had been declining under the influence of "The Pill." These forces combined to produce a drastic decline in the birth rate starting in the late 1950's. A rapid increase in the number of women of child-bearing age stemming from the "baby-boom" of the post-war period is expected to reverse this decline fairly promptly. However, the continuing decline in the fertility rate will ensure that birth rates do not return to the high post-war levels. Indeed, the fertility rate would not have to fall a great deal more to reach the level of 2.11 sought by proponents of zero population growth. Our expectation is for continued, though moderate, population growth throughout the 1970's which will yield a population of 235.2 million in 1980. This will amount to an increase of about 14.5 per cent over the 205.4 million Americans in 1970.

Changes in the age composition of the population will contribute to an acceleration of economic growth. The coming of age of the baby crop of the post-war period will yield a significant increase in the numbers and proportion of people between the ages of 18 and 35. This group will expand by some 17 million by 1980. These young adults will enter the labor force in great numbers thus adding to the productive capacity of the economy. They will also provide the basis for an increase in the number of households and hence in consumers.

GROSS NATIONAL PRODUCT

The broadest measure of aggregate economic activity is the Gross National Product (GNP). This consists of the value of the total output of goods and services generated by the economy over a year's time. GNP may be valued at currently prevailing prices (current dollar GNP) or, removing the effects of inflation, at prices prevailing during a selected base year (constant dollar GNP). Constant dollar GNP is often referred to as "real GNP" since it indicates the nation's real output - that is the physical volume of goods and services produced.

There are two principal routes by which one may travel in moving toward estimates of gross national product. One is the supply route which strives to determine the volume of output that could be produced. Such potential gross national product at any moment in time is a function of the quantity of resources available for production and the efficiency with which they are employed. By specifying the volume of labor effort devoted to production and the productivity of that effort one can estimate the aggregate supply of goods and services to be produced.

The other approach is to examine the demands to be placed upon production and by summing them determine the total volume of goods and services that will be needed to satisfy those demands. Actual production at any moment in time is a function of the spendings which consumers, business firms and governments register in the market place. By aggregating these we can project the aggregate demands to be brought to bear on the economy. We have explored both the supply and demand routes in making our estimates.

SUPPLY PROJECTION OF GNP

Output of the economy depends upon: (1) the amount of labor effort devoted to production and (2) the effectiveness of that labor effort. The first depends upon the number of workers employed and the amount of time they are at work. The second depends upon a number of factors subsumed under the general heading of "productivity." Productivity is generally measured by output per manhour - constant dollar GNP divided by the total number of hours of labor effort.

Labor force projections are derived from population estimates and assumptions about participation rates, that is, the proportions of major segments of the population that can be expected to participate in productive activity. Applying current trends in participation rates to our projections of the age distribution of the population in 1980 yields total employment of 104 million persons in 1980. This is an increase of some 16 million or just over 18 per cent above present levels. 55 A

The historical trends have been for the average work week to decline while output per man-hour has risen. We anticipate that tendencies toward longer paid vacations, more paid holidays, and a shorter work week will continue the reduction in average hours worked. On the productivity side, output per man-hour has experienced a fairly steady increase over the postwar period. The massive capital investment of recent years, the rising levels of education of the labor force, the rapid accumulation of technology with accelerating research efforts, the efficiencies associated with increasing scale of operations - all will continue to provide increasing gains in productive efficiency.

Combining these factors yields our projection of constant dollar GNP for 1980. According to this analysis, real output will grow by 4.3 per cent through the decade of the 1970's, and will amount to \$1,145 billion in 1980, an increase of just under 60% from current levels.

Translation of constant dollar into current dollar GNP depends, of course, upon anticipated behavior of prices. While we anticipate a moderation in the inflationary pressures of the last half decade, we do not expect that the economy will achieve price stability during the 1970's. Thus the prospects for the long-term value of the dollar must be based on the expectation of unremitting upward pressure on prices. The question is simply a matter of how much prices will rise. We expect the annual rate of increase in the GNP deflator (the most comprehensive measure of price movements) to be two to two and one half per cent per year through 1980. Prices of manufactured goods are likely to be among the most slowly rising; durable goods such as automobiles, furniture, appliances, etc. will see annual price increases in the 1/2 of 1 per cent range. Nondurables such as food and clothing will move up more sharply. It is services such as education, medical care, travel and transportation which seem likely to provide the major upward thrust for consumer prices. Rising construction costs will push up the prices of apartments and new homes for families and of new buildings for industrial, commercial, and governmental purchases by from 4 to 5 per cent per year. This price behavior will push the current dollar GNP to very close to the \$2 trillion level by 1980 - double that of 1970.

DEMAND PROJECTION OF GNP

The major components of demand for final product are the spendings by consumers, business firms, and governments. Our projection of GNP examines

each of these sectors in turn and then aggregates their individual spendings to determine the total demands to be placed upon the economy in 1980.

In consequence of the growing number of families and the rise in their incomes, the income flowing to consumers will double between now and 1980. Personal taxes and other government obligations, currently absorbing just over 19 cents, are expected to capture some 18 cents of each dollar of personal income. Thus income left for spending will amount to just over \$1.3 trillion in 1980. In constant dollars, this will total \$820 billion, up 60% from the slightly over \$500 billion level in 1969. Consumers use their income to buy goods and services, to make interest and other payments, and to save. Their purchases of consumer goods are affected by such factors as the age distribution of the population, shifts in relative prices, and values of asset holdings. We anticipate that the interaction of these factors will cause households to devote about 92 cents of each after-tax dollar to consumption expenditures. Hence from \$578 billion in 1969, personal consumption spending should rise to more than \$1.2 trillion in 1980 dollars. In constant dollar terms, this is an increase of about two-thirds over the level of 1969.

We expect the pace of business spending to moderate from its unsustainably high rate of recent years. However, the long-term prospect for economic growth appears excellent for the 1970's and this favorable outlook will sustain capital spending. The continued upward push of labor costs will maintain pressure for the substitution of plant and machinery for labor and act as a further support for investment spending by business.

An additional source of strength for investment will come from a resurgence of residential construction. Home building has been severely restricted during the last half-decade primarily as a result of having had to bear the brunt of a highly restrictive monetary policy. The backlog of demand for housing that has been building up, the rising curve of household formation that the age distribution of the population is generating, and the growing market for second homes that is emerging as incomes continue to rise - all militate for what may well amount to a housing boom, once credit markets ease and mortgage funds become readily available once again. Thus housing starts, currently about 1.3 million per year, will swell to near 2.5 million by 1980. Continued above average increases in costs will further boost residential spending in the coming decade.

By 1980, governments at all levels will be spending far more than they are today to deal with domestic problems that defy solution in the

marketplace. Direct federal participation is expected in some programs, but the greater portion of increased funds will be channeled through states and local governments. While some reallocation from military to domestic programs seems likely, only modest savings are probable from a Viet Nam ceasefire and withdrawal. However, it is spending for domestic programs that is likely to swell the federal budget in years to come. Spending for health, education, improved environment, housing and urban renewal will grow most rapidly.

The major upsurge in government spending will occur at the state and local level. Much of this increase will be financed by federal grants and revenue sharing. While the declines in the birth rate in recent years might argue for a reduction in spending for education at the elementary level, a demand for improved quality will offset any savings that might have been made. Moreover any such savings will be more than offset by continued expansion at the far more costly secondary and college levels. Thus spending for education may reach \$135 billion by 1980, very nearly triple the present \$47 billion level. During the coming decade, growth in spending for streets and highways will be replaced by spending for other forms of transportation - particularly urban mass transport. Rapid growth in spending on health and hospitals seems certain with the extension of adequate medical care to a greater proportion of the population. The demands for the reduction of air and water pollution will force massively increased spending for sanitation.

Aggregation of the major categories of spending yields a projected GNP of about \$1.15 trillion in 1980. This is close to our estimate of the potential capacity and indicates that the economy will be capable of meeting the demands placed on it.

What is the significance of such a level of national economic activity for the State of New Jersey?

NEW JERSEY

New Jersey's great economic strength has been in its diversity and there is no apparent reason for this characteristic to change significantly in the forecast period. We can expect, therefore, that our state's economic well-being will continue as it has in the past to parallel that of the nation.

POPULATION

General

Although New Jersey is small in area - only four of the fifty states are smaller - it ranks eighth in population. As a result, New Jersey is the most densely populated state in the union - 950 people per square mile of land area. Despite this, there's plenty of room to grow in - nearly half of its twenty-one counties have less than 500 persons per square mile.

There is one very significant factor which makes population projections for New Jersey - as it does for many other states - more complicated than for the nation as a whole, and that is net in-migration. Recently in New Jersey nearly two-thirds of the population increase has been coming from this source.

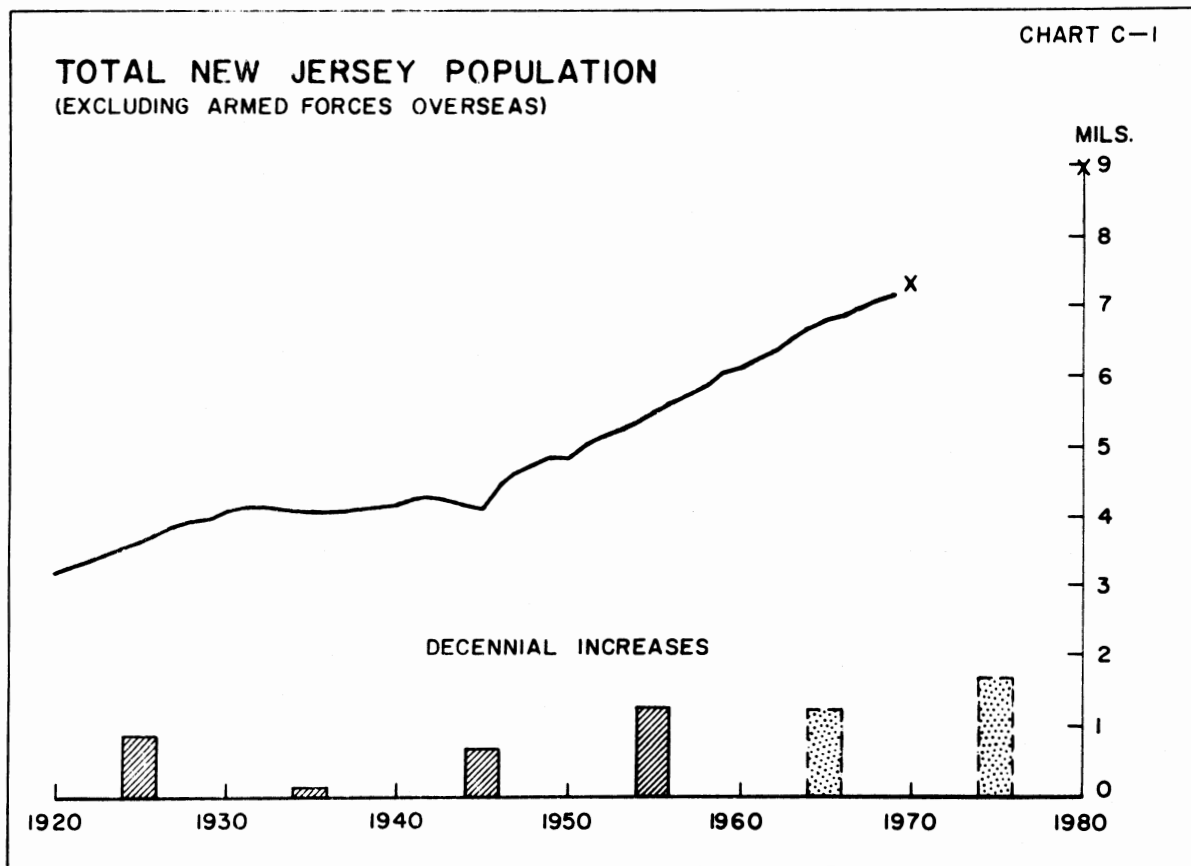
Total population in the State is expected to approximate 8,974,000 by 1980, an increase of 1.67 million or 23% over the present (1970) population of about 7.3 million. This reflects an annual growth rate of 2.1% which will continue to outstrip that of the nation (1.4%).

The crude birth rate in New Jersey, after increasing in the 1950-60 decade, has declined in recent years and has consistently trailed the national average by one or two per 1000 population. In 1960 it was 21.7 per 1000 people while the national average was 23.7. By 1968 it had dropped to 15.8 per 1000 population, then rose slightly in 1969 to 16.1. For the same reasons discussed in the national section of this report, we anticipate a reversal of the declining trend of the recent past. Since the death rate in New Jersey is expected to continue decreasing, albeit only very slightly, the natural increase in population will accelerate during the projection period.

The general ingredients - economic, social and geographic - responsible for the net in-migration trend which were operating in the past are expected to continue into the future. These factors include New Jersey's proximity to New York City and Philadelphia, the heavily industrialized nature of the State, its shoreline which attracts trades and building catering to the tourist industry, its lake resort areas in the northwestern section, the

cost of living relative to New York City, the availability of suburban and rural living in New Jersey, and its attractiveness to retired persons.

Within the next month or so, the final results of the 1970 Population Census will be released and most certainly will be at variance with our estimates for 1970 - also with the Census Bureau and N.J. State estimates. Currently, we differ from these other two sources of published population estimates and projections within a range of about 4%, plus or minus. Preliminary Census figures, which are expected to be higher when the final tally is completed, are less than three percent below our estimates for 1970. Total New Jersey population is shown in the Chart C - 1.



All counties in New Jersey, except Hudson County, are anticipated to experience increases in their populations by 1980. The fastest growing county is expected to be Ocean. Between the two extremes of Hudson and Ocean lie wide variations. Population projections by counties are shown in the following Table T - 1.

Table T - 1

POPULATION PROJECTIONS TO 1980 - NEW JERSEY (IN THOUSANDS)

County	April 1 Census	July 1		
	1960	1970	1975	1980
Atlantic	160.9	178.7	189.3	202.0
Bergen	780.3	996.7	1,109.5	1,262.5
Burlington	224.5	326.3	389.0	459.2
Camden	392.0	474.4	523.2	577.7
Cape May	48.6	62.7	71.2	80.0
Cumberland	106.9	128.3	140.8	155.2
Essex	923.5	950.9	974.2	1,009.3
Gloucester	134.8	179.4	205.0	233.2
Hudson	610.7	584.4	580.0	584.0
Hunterdon	54.1	64.7	71.0	78.0
Mercer	266.4	305.5	322.0	352.0
Middlesex	433.9	592.5	727.3	843.3
Monmouth	334.4	457.6	530.5	611.6
Morris	261.6	362.9	423.0	498.0
Ocean	108.2	169.5	209.1	249.7
Passaic	406.6	461.0	494.3	532.8
Salem	58.7	68.9	76.0	83.0
Somerset	143.9	196.6	222.9	254.4
Sussex	49.3	61.9	69.1	77.0
Union	504.3	614.7	678.7	750.3
Warren	63.2	70.1	75.1	80.9
Total State	6,066.8	7,307.7	8,081.2	8,974.1

Age Distribution

An important shift in the age structure of the population is expected during the 1970's as a result of past and anticipated trends in birth rates. In 1965, the first wave of the post-war births, which started in 1946, had just begun to enter the college age group (ages 18-24). As a consequence, this group will grow substantially more rapidly than other groups during the next few years, as shown in Table T - 2. It is expected to increase by about twenty percent between 1970 and 1975 and by an additional 15% to 1980. It will comprise over twelve percent of the total population in 1980 compared with about ten and one-half percent in 1970.

N.J. Population by Age Groups					Table T - 2			
Age Group	Numbers in Thousands				Percent of Total			
	1960	1970	1975	1980	1960	1970	1975	1980
Under 5	644	592	651	781	10.6%	8.1%	8.1%	8.7%
5 - 17	1,373	1,826	1,857	1,852	22.6	25.0	23.0	20.6
18 - 24	459	779	937	1,081	7.5	10.7	11.6	12.1
25 - 64	3,052	3,422	3,851	4,345	50.1	46.8	47.6	48.2
65 & over	562	689	785	915	9.2	9.4	9.7	10.2
Total	6,090	7,308	8,081	8,974	100.0	100.0	100.0	100.0

The 65 and over age group is expected to be the next fastest growing group. The gain reflects improvements in medicines and medical techniques which continue to affect longevity.

Because of the low birth rates late in the affluent Sixties, the number of children under 17 years of age will be the slowest growing group.

The most significant implication of these changing characteristics is the decreasing proportion of the combined older and younger age groups (0-17 and 65 and over) - meaning that the number of dependents and retirees relative to those in the labor force will decrease.

HOUSEHOLDS

Households in New Jersey are expected to increase to about 2.9 million by 1980 from the current total of about 2.3 million - a jump of around 26%.

New Jersey's rate of household formation has been well above the national average - 2.7% average annual growth in New Jersey vs. 2.1% in the nation during the 1950-1960 period. Household formations have been spurred in large part by increasing numbers of people choosing to live alone instead of with

relatives or in boarding houses, etc. and more independent older folks. The steady decrease in the death rate, though slight, nevertheless has increased the number of persons living longer and hence the relative importance of the old age group. Further, the number of marriages is on the upswing after the decline experienced in the 1950 decade. However, the marriage rate (per 1000 population) in New Jersey continues well below the national average - in 1969 the New Jersey rate was 7.6 compared with 10.4 in the nation.

New Jersey's low birth rate naturally affects the number of persons per household in the state. Although the birth rate is expected to increase, the number of persons per household is anticipated to drop from the present 3.25 and stabilize at about 3 persons by 1980.

LABOR FORCE

Technically, the labor force consists of the total noninstitutionalized population fourteen years of age and over either employed, or not at work but looking for a job. More realistically in today's climate, the more likely age for entrance into the labor force would be 16 years, due to changes in the minimum age for employment and the vastly greater number of people going to and graduating from high school. Past history shows that the civilian labor force in New Jersey grew at a slower rate than did the population from 1940 through 1965. The trend has since reversed as a large number of youths born in the late '40's and during the '50's are now, and will be, entering the labor force. Also contributing to the reversal is an increasing number of women participating in the labor force.

Currently, about forty per cent of New Jersey's total population is participating in the labor force. By 1980 this percentage is expected to increase to over 43%. Based on these relationships and our total population estimates, New Jersey's labor force is projected from 3.0 million today (1970) to 3.9 million in 1980.

Changes in the age distribution of the population will be reflected in the labor force, with the 18-44 age groups growing proportionately more rapidly than the 45 and over group.

EMPLOYMENT

Total employment in New Jersey grew by around 500 thousand jobs from 1960 to 1970. It is expected to rise by over 800 thousand more to 1980. While the extractive industries, of agriculture, forestry and fishing, and mining will experience a continued decline, as shown in the following Table T - 3, the other major employment categories will all reflect increases.

New Jersey Civilian Employment

Table T - 3

	<u>Number (In Thousands)</u>			<u>Per Cent Change</u>	
	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1960-1970</u>	<u>1970-1980</u>
Agric., Forestry & Fisheries	30	16	11	-46.7%	-31.3%
Mining	4	3	3	-25.0	-
Contract Construction	129	150	192	16.3	28.0
Manufacturing	820	881	1,050	7.4	19.2
Transp., Comm., Pub. Util.	155	173	217	11.6	25.4
Trade	467	553	674	18.4	21.9
Fin., Ins., Real Est.	96	116	147	20.8	26.7
Services	404	565	823	39.9	45.7
Government	244	378	567	54.9	50.0
Total	2,349	2,835	3,684	20.7%	29.9%

The major contributions to the increase in job opportunities will be made by services and government - both Federal and state and local. Indeed, sixty per cent of the increase in job opportunities in the state will be provided by these categories of employment.

The largest major category of employment, of course, is manufacturing which now provides close to one-third of all jobs in the state. The principal employers within manufacturing are electrical machinery and chemicals, each of which industries happen to be among the national growth leaders. While employment in New Jersey in these industries is not expected to grow at the national rate, it will contribute about one-half of the increase in all manufacturing jobs.

Within the manufacturing component, declines in employment will be most marked in primary metals, textiles, and apparel - though other industries will also show job reductions. Major increases in employment will take place in chemicals, metal fabrication, electrical machinery, instruments, and printing. Most rapid relative growth in employment will be in instruments (e.g. mechanical and electrical measuring, medical, surgical, photographic) and printing, both of which will be growing at better than 3 per cent per year.

Although manufacturing has been the major employer in the state, its importance has been, and will remain, on the decline, while employment in

trade, services, government, communication and public utilities will continue to advance. As these service-producing sectors gain increasing importance in the total employment picture, the economy of New Jersey will come to be more self-sufficient, and less dependent on demands originating outside the state. But, despite strong employment growth in these sectors during the current decade, the pace of the New Jersey economy in 1980 will continue to be led by the manufacturing sector with its close ties to the national economy.

GROSS STATE PRODUCT

Gross State Product (GSP), a measure directly comparable to GNP, has been found useful for analyzing the economy of the state. New Jersey Bell Telephone Company has developed estimates of GSP for the economy of New Jersey; these estimates form the basis for our projections for 1980.

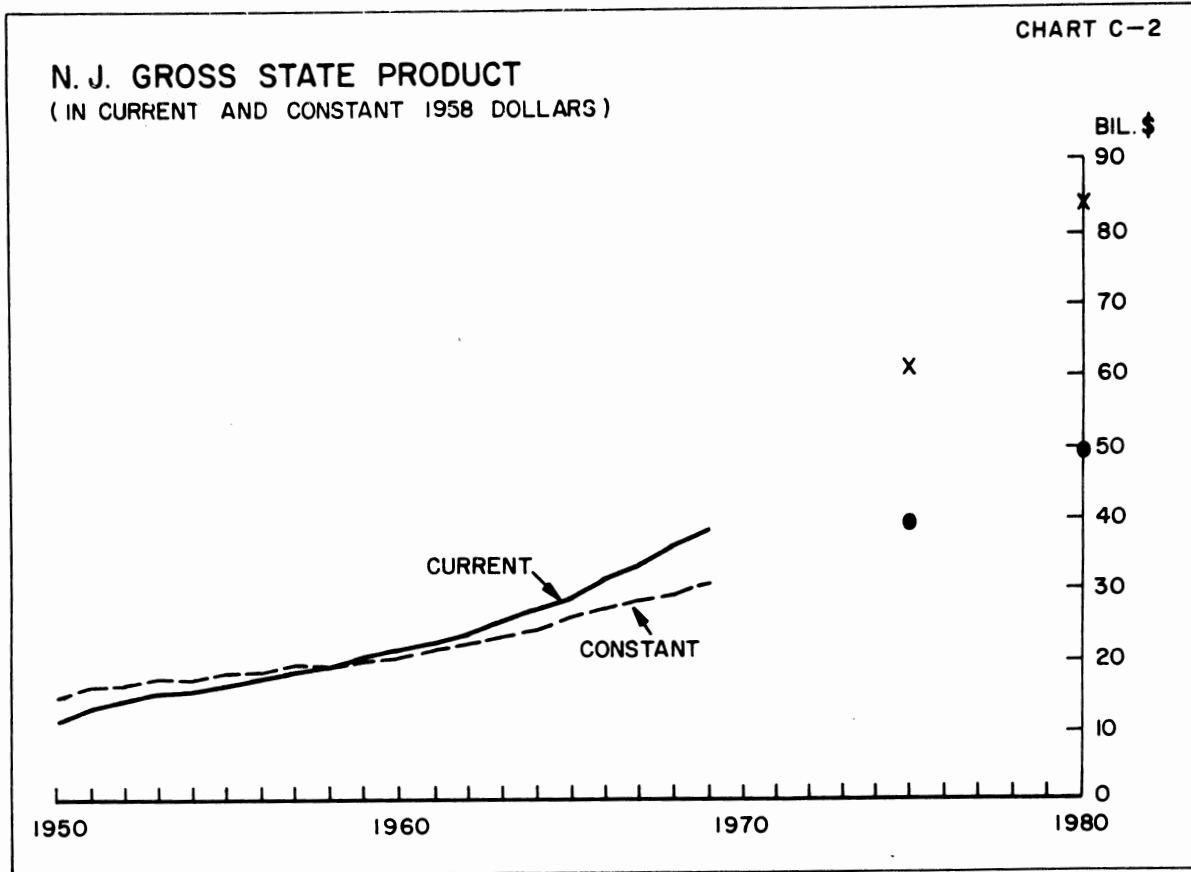
The Gross State Product (GSP) provides an annual aggregate measure of economic activity in the state of New Jersey and permits comparative analysis of the state and national economies. GSP measures the amount of output or "product" originating in each of ten major sectors. Thus, through the GSP estimates it is possible also to trace and project trends and changes over time in individual economic sectors within the state.

Past and Projected Growth

From 1950 to 1969 New Jersey's GSP more than tripled, advancing from \$11.8 billion to \$38.7 billion for a gain of \$26.9 billion, or around six and a half per cent per year in current dollars.

In real terms, the growth in GSP was somewhat less spectacular, but notable nevertheless. During the 1950 to 1969 period, GSP in constant 1958 dollars doubled, rising to \$30.6 billion in 1969 from \$15.0 billion nineteen years earlier. This advance averaged just under 4 per cent per year, matching the national rate of growth in real output over the same period.

As shown in Chart C - 2, GSP in 1958 constant dollars is projected to rise to nearly \$50 billion by 1980 - an average annual rate of real growth of nearly four and one-half per cent. In current dollars, total Gross State Product is estimated at some \$84 billion in 1980 - more than double the current level.



Total GSP - Billions of Dollars			Table T - 4	
	1960	1969	1975	1980
	Actual		Projected	
Current \$	21.2	38.7	61.0	84.0
Constant 1958 \$	20.5	30.6	39.6	49.4

GSP by Industry

To a large extent, New Jersey's economic base parallels that of the nation, with only slight variations by industry - agriculture, mining and government being somewhat less important sectors in the state than in the nation, manufacturing, the state's largest industry, and transportation being slightly more important. Manufacturing, though declining as a per cent of total GSP over the years, will still be New Jersey's number one industry in 1980. Its dominance will be eroded during the decade by the growth of other sectors, principally trade, finance, insurance and real estate, transportation, and communications and public utilities. While

New Jersey is not expected to keep pace with the very rapid national growth in output of the communications and public utilities categories, expansion in these areas will be at a near 5 per cent annual rate. Financial activities (banking, real estate, etc.) will grow at close to 5.5 per cent per year. These trends conform to the national norms of increasing shares of services and durables and declining shares of nondurable goods consumption.

New Jersey's Share of GNP

New Jersey's share of GNP has remained fairly constant over the years at its current 4.2% and by 1980 aggregate GSP will still account for about that proportion of the Gross National Product. However, the major sectors will show some changes. The state's share of national manufacturing product will continue to decline. Most rapid growth in output relative to the rest of the nation will occur in trade, finance, and transportation.

Summary

Overall we anticipate real growth in GSP during the decade of the Seventies will be at a higher rate (about 4.4% annually) than during the 1960's (3.8% annually). And among the major sectors of the state's economy, the non-commodity producing industries will be growing at a faster pace than the commodity producing industries as New Jersey follows the national trend toward a more service-oriented economy.

NEW JERSEY PERSONAL INCOME

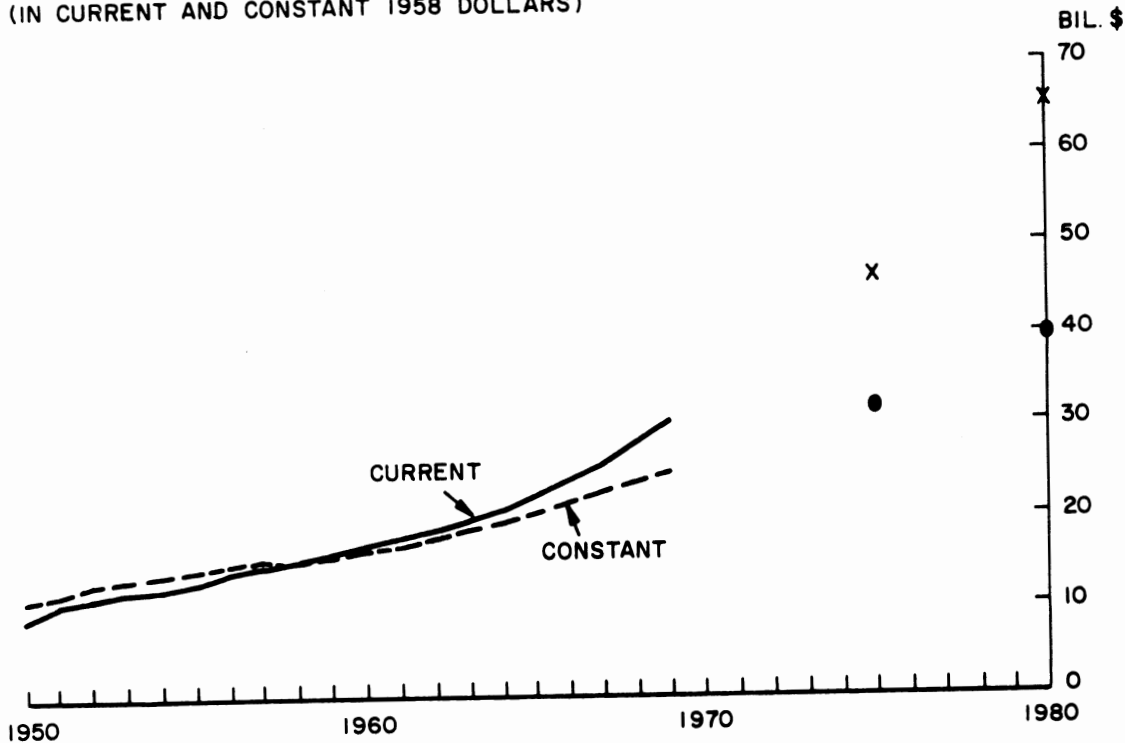
Past Growth

New Jersey's good gains in total personal income over the years, and its consistent rank among the top ten states in total personal income (usually placing eighth), have reflected the strength and diversity of its economy and the education and skill of its residents. From 1950 to 1969 total personal income in the state more than tripled. This growth, at an average annual rate of 6.7%, surpassed the national rate during the same period and carried total personal income in the state to \$30.3 billion in 1969 from \$8.9 billion in 1950, as can be seen in Chart C - 3. On a per capita basis, personal income advanced to more than \$4,200 in 1969 from just over \$1,800 nineteen years earlier. Average income per household made similar strides - to \$13,200 in 1969 from \$6,300 in 1950.

CHART C - 3

N.J. PERSONAL INCOME

(IN CURRENT AND CONSTANT 1958 DOLLARS)



Projections

Looking to the future, personal income in the state will continue to show strong gains, rising to \$65.4 billion by 1980. This growth will bring per capita income to about \$7,300 in 1980. Personal income per household will reach some \$22,600 in 1980. Discounting the effects of inflation, that is, looking at personal income in real terms shows New Jersey's rate of growth at 4.5% to be a bit above the national rate during the 1969-1980 period. Chart C - 3 shows the projected rise in real personal income in the Garden State from \$24.5 billion in 1969 to nearly forty billion by 1980. On this "real", or buying power basis, total income will rise from \$3,400 per capita and \$10,700 per household in 1969 to \$4,400 per person or about

\$13,700 per household in 1980 (Table T-5). Although the gap between per capita income in the nation and in the state is narrowing, New Jersey per capita income is expected to maintain a level better than ten per cent over the national average during the 1970's.

New Jersey Personal Income				Table T - 5	
	1950	1960	1969	1975	1980
	Actual			Projected	
<u>Current Dollars</u>					
Total (Billions)	\$8.9	\$16.5	\$30.3	\$46.4	\$65.4
Per Household	6,336	9,007	13,196	18,124	22,552
Per Capita	1,834	2,707	4,241	5,748	7,288
<u>Constant 1958 Dollars</u>					
Total (Billions)	\$10.8	\$16.1	\$24.5	\$32.0	\$39.8
Per Household	7,643	8,753	10,685	12,471	13,734
Per Capita	2,212	2,631	3,434	3,955	4,438

Major Sources of Income

Of the major sources of income, wages and salaries and other labor income (such as employer-paid fringe benefits) have accounted for a larger portion of total personal income in New Jersey (about 70%) than in the nation as a whole. On the other hand, proprietor's income, property income and transfer payments have been somewhat less important sources in our state than in the U.S. In the future, wages and salaries and other labor income will continue to be the principal sources of income for New Jerseyans, with other labor income gaining in importance as employers agree to longer paid vacations, more paid holidays and broaden fringe benefits. But, transfer payments (principally social security payments and veterans benefits) and property income will be a growing portion of total personal income in the state.

After-Tax Income

While the personal tax burden has historically been somewhat lighter in New Jersey than in the nation as a whole (since New Jersey has had no personal income tax), the amount left for spending after taxes are paid has been declining nonetheless for New Jersey residents. And, with demands for public services growing, it is unlikely that New Jersey residents will be able to avoid shouldering part of the cost of these services in the future. Thus for the forecast period, it is estimated that taxes will take about 16 cents out of every dollar of income by 1980 - versus an average of about 13 cents during the decade of the Sixties. Disposable personal income, then, should total about \$54.9 billion by 1980, more than double 1969's estimated \$26.2 billion.

In real terms, this means that by 1980 the total buying power of residents of New Jersey will be more than fifty per cent greater than in 1969. Consumers do not spend all of their disposable personal income, of course; some goes to interest and other payments, some is saved. But, the bulk of after-tax income will go for personal consumption expenditures, which in New Jersey will take something over 92 cents of every after-tax dollar during the decade of the Seventies.

THE NEW JERSEY CONSUMER

In Table T - 6 we present our projections of the major categories of consumption expenditures by New Jersey residents in 1980. Overall, the outlook for New Jersey closely parallels that for the nation as a whole; in current dollars, a slight decline in the proportion of the consumer dollar allotted to durable goods spending is anticipated, a moderate increase in non-durables spending is forecast, and a rapid advance in spending for services is expected. In constant dollar terms, however, since prices are expected to be more stable in the durable goods line, a slightly larger proportion than in 1969 of the consumer dollar will be devoted to durables spending in 1980. Among durables, recreation goods (color TV sets, stereo-systems, sports equipment); appliances and home furnishings; and automobiles will be strong gainers. Non-durables growth will be great in automotive products - gasoline, oils, etc. - more moderate in clothing and food. Services of all kinds will continue to be the most vigorously advancing segment of consumer spending with demands for health, welfare, education, recreation and travel services all advancing smartly.

There are, however, a few areas in which New Jersey consumers will deviate from the national norm and these are worth some attention. Because of slightly more rapid population growth than that anticipated for the nation as a whole, the rates of increase of total spending and of most categories of spending are somewhat higher than the national figures. Similarly a higher than national rate of housing construction seems likely to induce faster growth in durable goods purchases - particularly furniture and appliances. Also, due to the greater extent of, and distances involved in commuting, transportation spending takes a slightly larger bite out of the New Jersey household's budget. The higher rate of increase in private educational expenses is attributable to the relative lack of public facilities for higher education in the state which forces the Garden State to engage in academic emigration and produces a net unfavorable balance of trade in college students. New Jersey residents, in common with most people living along the East Coast, are more active foreign travelers than are the denizens of the rest of the nation; hence the more rapid increase in spending for foreign travel.

N.J. Personal Consumption Expenditures				Table T - 6	
	Millions of 1958 Dollars			1969-1980	
	1960	1969	1980	%	Annual Rate
Total	\$13,801	\$19,625	\$31,851	62.3%	4.5%
Durable Goods	1,546	2,728	5,071	85.9	5.8
Nondurable Goods	6,500	8,655	12,905	49.1	3.7
Services	5,755	8,242	13,954	69.3	4.9
Recreation	787	1,208	2,317	91.8	6.1
Housing	2,070	3,081	5,611	82.1	5.6
Medical Care	869	1,315	2,345	78.3	5.4
Personal Care	207	306	540	76.5	5.3
Private Education	221	333	569	71.0	5.0
Household Operation	1,891	2,767	4,685	69.3	4.9
Personal Business	676	1,021	1,657	62.3	4.5
Clothing, etc.	1,504	2,139	3,363	57.2	4.2
Transportation	1,518	2,310	3,631	57.2	4.2
Foreign Travel	55	101	152	50.7	3.8
Relig. & Welfare Act.	207	294	420	42.9	3.3
Food & Tobacco	3,795	4,637	6,626	42.9	3.3

HOUSING

Past

Housing construction in New Jersey, which trended strongly upward through most of the postwar period, suddenly leveled off in the mid-1960's at roughly 56,000 units annually. Between 1965 and 1969 housing starts plummeted 38%, totaling just 36,231 last year. Several reasons for this near-critical slump in homebuilding may be given; scarcity of mortgage funds and high interest rates; sharply rising costs of new homes; a condition of moderate over-supply which had developed by the mid-1960's; a relatively low rate of family formation in the 1960's compared to the previous decade; and a substantial, steady decline in the birth rate beginning in 1962.

Future

This year should mark the low point in the housing slump, with perhaps 32,000 to 35,000 starts, and by next year a recovery will be underway. The renewed growth will be gradual and the 1965 record of 58,450 starts is unlikely to be matched before the second half of the decade. By 1980 new home construction will be about double 1970's rate at 68,000 units annually.

The two biggest blocks to growth in housing recently - the cost of the home and its financing - will not be eased much in the coming years, but the demand for new homes will be so great that a major building recovery seems certain.

Costs

With recent construction contract settlements setting precedents by granting generous wage increases two and three years into the future, with land becoming scarcer and more valuable and with price rises of building materials not expected to diminish appreciably, there is little chance that the cost of a new home will increase by less than 5 - 7% a year. But, new ideas and improved technology, with some escape from restrictive building codes and union rules, should help to offset rising costs and wages just about enough to allow family earnings to catch up with the cost of housing so that by 1980, once again the average family will be able to afford a new home.

Mortgages

Mortgage rates, which have been rising since 1967 and are currently at an all time high of more than 8½%, may begin drifting lower soon. It is doubtful that we will see rates below 7% by 1980 but 7½ - 8% is a distinct possibility within a year or two as the supply of mortgage money is brought more in line with the demand. Some of the factors which will encourage easier mortgage conditions in the 1970's are:

- . a slowing of the business capital investment boom which will reduce the competitive demand for funds in the near future
- . direct federal aid, housing subsidies, rent or mortgage payment supplements, interest rebates, and tax breaks for homeowners or builders
- . increased assistance from such agencies as the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA) and the Federal Home Loan Bank Board
- . the raising or elimination of interest rate ceilings for Savings & Loan Associations which would help them attract deposits and increase their mortgage lending ability
- . possible federal or state requirements of private pension funds and banks to invest certain percentages of their holdings in the mortgage field

Demand

After five years of declining housing construction, any small surplus there might have been, back in 1965, has long since vanished and now a considerable backlog of demand has accumulated. While homebuilding dropped 38% in the years 1965-69, New Jersey's population rose more than 7% and number of households, more than 11%. With 99% of all houses currently

occupied, there is virtually no excess supply to satisfy any increased demand.

And an increase in demand is inevitable. Even though the postwar baby boom has ended, its repercussions will be felt. Those born in the beginning of the boom (the late 1940's) are coming of age and marrying. From 6.9 per 1000 population in 1967, the marriage rate jumped to 7.6 in 1969 and will undoubtedly go higher in the next few years, remaining higher throughout the '70's than at any time during the '60's. The birthrate, which was 16.1 per 1000 population last year, only slightly above the 1968 postwar low, is destined to rise steadily as the grown postwar babies begin to produce a new baby boom of their own.

Public Housing

Normally 96 - 98% of the housing units started in New Jersey are privately owned - public housing filling only a small portion of the state's housing needs. Assuming a substantial recovery in private housing in the near future this relationship should continue to hold because a major housing crisis would thereby be averted and the need for the Government to step in and provide public housing would be lessened.

Private Housing

Between 1958 and 1969 the percentage of total private housing units classified as 1-family houses declined from 80% to 60% as multi-unit structures (chiefly apartments, town houses, condominiums and complexes) have enjoyed a booming growth. As private mortgage financing becomes easier, one of the major advantages of multi-unit structures will be reduced and the ratio of single to multiple-unit buildings will tend to stabilize. By 1980, when the postwar babies reach the home-buying age bracket of 30-35, begin to expand their families and outgrow apartments, single-family homes will predominate in new housing growth.

Mobile Homes

Mobile homes in New Jersey are an important segment of the overall housing picture but are excluded from housing start counts because a mobile home is assembled in a factory, not built on the site. With New Jersey's high per capita income, mobile homes will enjoy a healthy growth in the state, but because of stringent zoning regulations, will not compete with conventional housing. Mobile home shipments may total 5,000 in 1970 and rise to possibly 20,000 by 1980, but their major use will be as a second home or summer residence - or as a replacement of old mobile homes.

Regional Housing

The concentration of new housing growth first shifted from Essex, Union and Hudson counties to Morris, Bergen, Passaic and Somerset counties, and then to the east-central part of the State - Ocean, Monmouth and Burlington counties. The next few years will see further growth in that area and also in Atlantic and Cumberland counties. By 1975 a westward shift will have begun so that Camden and Gloucester counties in the south, Mercer and Somerset in the center, and western Morris County in the north will experience new or renewed growth. By 1980 the faster pace of homebuilding will have reached the western parts of the State - Hunterdon, Salem, Warren and Sussex counties.

The following table gives projected housing starts for each county and for the northern (New York Federal Reserve District) and southern (Philadelphia Federal Reserve District) portions of the State.

HOUSING STARTS BY COUNTY		Table T - 7		
County	Actual	Estimated		
	1969	1970	1975*	1980*
Atlantic	1803	1600	4500	5400
Bergen	4132	3400	2800	2800
Burlington	2803	3300	5600	7000
Camden	2267	3300	5400	6000
Cape May	1010	1000	1800	2600
Cumberland	922	2000	4200	4800
Essex	1398	1400	1100	1200
Gloucester	1059	900	2100	3600
Hudson	1636	1100	1100	1200
Hunterdon	351	400	1200	2800
Mercer	2068	1500	3000	4000
Middlesex	2704	1800	2400	2800
Monmouth	3391	1600	4200	3800
Morris	2088	2200	3000	3600
Ocean	4729	4800	5600	4000
Passaic	1163	1400	1400	1500
Salem	308	400	1200	2200
Somerset	724	1000	1800	2800
Sussex	570	800	1400	2900
Union	846	900	1200	1400
Warren	259	200	1000	1600
Total	36,231	35,000	56,000	68,000
Region				
North	19,252	16,200	22,600	28,400
South	16,969	18,800	33,400	39,600

* based on assumption of 35,000 starts in 1970.

SUMMARY

Growth in the national economy will contribute to economic expansion in New Jersey in the 1970's, but all sectors of the state's economy are expected to out-perform the nation.

A 20% population increase in the '60's and an estimated 23% growth in this decade will substantially increase the demand for goods and services, and the state's productive capacity.

By 1980 employment will have increased 30% and production by 60%.

Personal income will more than double in current dollars, raising the average household's real income by almost one-third.

Taxes will take a slightly larger share of earnings but real take-home pay will be up by about 25%.

Total spending will rise almost two-thirds in the '70's in real terms; the greatest increases will be seen in spending for leisure-time goods, appliances and home furnishings, automotive products, medical care, education, recreation and travel.

A particularly strong sector of the state's economy will be housing construction - the annual rate of new housing starts is expected to double between 1970 and 1980.

SUBMITTED BY ANACLETO R. LAURTES

Testimony of Anacleto R. Luartes before Task Force B of the New Jersey Tax Policy Committee on behalf of the United Seniors of New Jersey, November 12, 1970:

Mr. Chairman and Members of Task Force B of the New Jersey Tax Policy Committee:

My name is Anacleto R. Luartes, Legislative Committee Chairman of Chapter 4 Disabled American Veterans and the United Seniors of New Jersey. To save you the trouble of inquiring, I wish to volunteer the information that I am a Filipino caught in the main-stream of American life from which I do not choose to escape. But I do not wish to be driftwood in the ebbtide of our country's wrong policies. My creed is to help right any wrong wherever I see it. That is the main reason for my being here today.

I was privileged to appear before Task Force C to present the "why not's" of the immediate enactment of a tax reform law that is sorely needed now. Allow me to add more facts relating to the necessity of the immediate enactment of the reform law. At the present time most of the financial needs in the operation of local governments, and in many instances the state and federal governments, are derived from taxes on properties, some of which are owned by seniors and retirees with fixed income. Periodic salary increases to workers are a must as a part of our improving economy. But why put the burden on property owners? Home-ownership should be encouraged, not discouraged. Incentives must be provided toward homeownership and the best way for its accomplishment is to ease the taxes on homes.

Changes in many areas of our economy must be made to provide equal benefits and opportunities. I hope some of these areas will be explored and corrections made.

In as much as we are concerned with tax reforms, I wish to emphasize that it is later than we think. The reform is now overdue. I feel convinced that there is nothing we can establish now that is not already known to our legislators. All that is needed is action - now.

However, since this hearing is being conducted, we, believing in the principle of equal justice and equal opportunity to live in dignity, independence and free choice of our way of life, to this end, we submit the following, with the suggestion that sound judgment, logic and common sense, our moral obligations towards one another, prudence and, above all, compassion be applied in the consideration of the reform tax law, we suggest:

1. Establishment of a minimum income limitation on which families or individuals can reasonably subsist from which no tax should be levied.

2. Repeal sales tax. No compassion nor logic and common sense was considered in the enactment of this tax law. We have a welfare program whereby, we award certain amounts based on the needs of the recipients and we, in turn, take part of that award back in the form of sales tax.

3. Repeal the bi-annual compulsory re-evaluation state statute on properties. This state statute should be declared unconstitutional since it simply penalizes the homeowners and places the burden of government on them.

a. All assessments should be based on the established valuation prior to the enactment of the bi-annual ~~ree~~valuation state statute.

b. Re-evaluation should be undertaken only when the property changes ownership, no matter how. And then current market value or sale price should prevail.

4. No school tax should be imposed on persons sixty-five years old or over with no school children, providing they have income of \$5,000.00 or less. Only that part above \$5,000.00 should be taxed.

5. Repeal all property tax laws on non-business properties and impose taxes on all business and gainful establishments of which there are many in the State. In the case of a senior citizen apartment renter that part ^{above} ~~exempted~~ 20% of income should be reimbursed to the renter by the State upon proper identification as may be required by the State.

a. We have just witnessed a change in the senior citizens exemptions. It is reasonable to presume that some senior citizens would be paying more taxes than they paid before the increase in exemptions.

b. Any reform tax law should provide a "no further increases" in tax responsibilities of seniors and retirees after they reach the age sixty-five or when they retire whichever comes first. This provision will eliminate the necessity of periodic changes in the exemptions as in the case of what just took place in connection with the election.

6. We strongly suggest that, in lieu of the suggested repealed laws, a tax law on wage income above \$5,000.00 on percentage basis is the most equitable and just tax law which will be borne by those best able to shoulder them. Such tax law will aid the present seniors and provide a future of economic security for our young people.

Thank You

STATEMENT FOR THE OPEN SPACE POLICY COUNCIL PUBLIC HEARING

August 13, 1970

NORTH JERSEY CONSERVATION FOUNDATION
300 Mendham Road, Morristown, New Jersey 07960

Mr. Chairman:

I am David F. Moore, Executive Director of the North Jersey Conservation Foundation, a non-profit membership Foundation with offices in Morristown, N. J. The Foundation operates in three major areas. Acquiring open space for public purposes, environmental education and assisting the municipal conservation commission movement. I am also representing today the Upper Raritan Watershed Association, again a non-profit membership association with offices in Far Hills, N. J. The Watershed Association deals with all matters pertaining to the total environment and all its natural resources within that land area drained by the north branch of the Raritan River, including parts of Morris, Somerset and Hunterdon Counties.

In 1960, New Jersey became the most urbanized state in the nation in terms of population density. The 1970 census shows no signs of change. Some 40,000 acres per year are converted into some kind of development. This rapid development of our once open landscape has come about because of our geographic location, the abundance of our resources, the strength of our economy and the attractiveness of the living experience in our great state, where the best of urban culture, the recreation and rural retreats and the stimulation of seashore playgrounds may be enjoyed.

These very attributes which have made us a great state are today being endangered through over-use. Farm areas disappearing at a rather alarming rate, park lands cannot be purchased in ratio to the needs of our expanding population, urban unrest due at least in part to a lack of breathing space is altogether too prevalent, water and air pollution control carry an ever-increasing price tag for all of us, adequate water supplies for the future may well prove before too long to be a limiting factor in our economic prosperity.

We all know that an adequate amount of open space land in New Jersey is vital for our total well-being. We appreciate the role played both sociologically and economically by our forests, farms, marshes, fields, flood plains and mountains. Ecology has become a watchword. We know that the part open space lands fill in the total scheme of the environment far exceeds our knowledge. Although we have studied, inventoried and evaluated the major influences of flood plains and marshes in controlling floods, we are doing little to preserve them so that they can serve their natural function. We now know that in making decisions about our dwindling reserves of open space we have but one chance to make a

choice, one chance to prove our wisdom, and no chances to redeem ourselves whenever and wherever the wrong choice is made.

We realize the Open Space Commission is a manifestation of the legislative concern for these very reasons, and we therefore commend the commission for its intense interest in the work that has very obviously gone into the creation of the papers on open space policy that we are reviewing today.

I cannot begin to comment on all the material that was prepared, but there are several important points that we feel need reinforcement. First, as organizations vitally concerned with conservation commissions, dealing with commissioners daily, we recognize the tremendous demand for assistance and service the municipal conservationists have created. The movement shows no signs of slowing down. Although the open space policy commission has recognized the need for assistance in coordination at the state level the sheer weight of the service demand in addition to the interdisciplinary character of conservation problems make it imperative to provide such municipal assistance at the cabinet level in State government, a special office adequately staffed. If this is not possible, an alternative would be to provide such an office established directly under the jurisdiction of the Commissioner of the Department of Environmental Protection, at the very least. Rather than requiring commissions to pay for services, it would seem much more appropriate not to compete with private enterprise and private groups and offer financial assistance to commissions instead. I am sure others will dwell on this aspect in far more detail, particularly the Association of New Jersey Conservation Commissions.

Secondly, the need for immediate funding for open space acquisition is simply overwhelming. The Commission in offering a variety of funding proposals, all of which we are in agreement in principle upon, must provide a stronger stand for immediate funding of both state and local programs. As an absolute minimum, 20 million dollars should appear on the ballot this Fall to give the people of New Jersey a chance to express their willingness to provide open space for this and the future generations. Delay, caused by the lapsing of the previous Green Acres Program, has already cost the people of this state millions and millions of dollars in speculative and inflationary losses, to say nothing of the unique sites that essential additions to existing park areas lost to virtually irreversible development. None of this 20 million I have discussed should go for recreational development. Capital expenditures should be controlled legislatively. However, this does not preclude the opportunity of providing funds to administrative agencies for maintenance and protection of those open spaces they have acquired. Not to do this would be a serious mistake indeed.

Funds are very badly needed in both urban and suburban areas. The formula offered for matching funding by the commission does not seem to account for one, existing court decisions on zoning which

are rapidly having the effect of making cities of suburban areas, two, the availability of 50% matching funds for urban areas, plus urban renewal and other state and federal matching and grant programs, and three, the 1970 census indicating a much more rapid growth in suburban areas than in cities.

Should we make the same mistakes over and over again? Should we permit the remaining natural beauty in suburban areas to be destroyed? We think not. Increased density is necessary perhaps, but it is far more efficient to prevent blight than to remove and then rebuild. The cities need help to restore and rebuild, the suburban areas need help to retain the small amounts of open space they have left, so that they do not have the same problems as our cities tomorrow.

Thirdly, the open space policy commission seems to have neglected what we envision as the most critical problem, the contribution to public open space made by private groups. Philanthropists have given most of New Jersey's State Park System prior to the Green Acres Program. They have donated the Great Swamp and literally hundreds of smaller county and municipal parks, and private groups stand ready and willing to assist all levels of government in the purchase of open lands. But we have been thwarted in our attempts simply by taxing lands held by private groups just as if they were prime development lands, even when restricted or when a less than fee interest was involved. State guidelines must be provided for assessors to correctly apportion taxes according to the true market value on these restricted lands, and in addition, legislation must be provided to take advantage of the ability of private groups and the philanthropy they represent. In short, land held for public purposes by private conservation groups should be property tax exempt.

While we are on the subject of taxation, these points should be considered. Much greater attention should be paid to tax relief for scenic agricultural lands. As long as the existing system of taxation continues with its emphasis on local property taxes and as long as the speculative interests of farmers remains as strong as it is, the Maryland system or a modification of it might be appropriate. Here, on designated lands, farmers are offered complete permanent relief from property taxes. This is in return for a deed restriction on the land spelling out its permanent use as farm land. Another point on taxation should be made. The commission recognized the need for in lieu payments of taxes, and if such payments are made, the Pennsylvania system, as discussed, seems most equitable under the existing system we have in the state of New Jersey. It would, of course, be far more appropriate to reduce the emphasis on land taxes, particularly in rural and suburban areas where agriculture still dominates.

As a fourth major point, the Commission recommended a host of advisory and supervisory Boards and Councils. It would seem that if such bodies are needed to cut across departmental and jurisdictional

lines as is certainly necessary to solve many environmental problems, there must be a strong group operating from the Governor's office. Mr. White's suggestion of regional boards operating beneath this central unit would seem to have some merit. Such regional units as TIRAC, Skylands, Pinelands, The Hackensack Meadowlands, and a Passaic Valley Complex Commission would fit neatly into this scheme, with the regions following resource oriented boundaries such as watersheds. Some of these concepts are well known, others are not. I have attached a description of the Passaic Valley Complex plan for the Commission's use.

Finally, we would highly recommend the Commission's investigating more innovative methods of open space preservation; purchase lease-backs, purchase sell-backs, the use of the private sector in negotiations, in a manner similar to that done with the Philadelphia Conservationists, the World Wildlife Fund and the North Jersey Conservation Foundation. Consideration of public discountable bonding more fully described in a paper by Mr. Lyle Fitch, which I have also attached for the Commission's use, should also be given.

I would also like to speak at this point for the New Jersey Chapter of The Society of American Foresters, representing over 100 professionals in the forestry field in New Jersey. The Society wants to particularly emphasize the need for an open space bond issue now, either to support existing legislation currently before the New Jersey State Senate - or a new proposal along the lines discussed earlier in this statement.

We generally find agreement with the concepts and hope that the Commission provides a strong and comprehensive report to the legislature and Governor and makes sure that New Jersey has a tomorrow. We've studied and planned, commissioned, consulted and committed, now let's do something!

TEXT OF REMARKS TO NEW JERSEY LEGISLATIVE TAX EXEMPT STUDY COMMITTEE

AT

EAST ORANGE, NEW JERSEY

FEBRUARY 26, 1969

BY

RICHARD D. GOODENOUGH, EXECUTIVE DIRECTOR

UPPER RARITAN WATERSHED ASSOCIATION

Mr. Chairman, my name is Richard D. Goodenough. I am Executive Director of the Upper Raritan Watershed Association with offices in Far Hills. Ours is a non-profit corporation dealing with all matters pertaining to the total environment and all its natural resources within that land area drained by the north branch of the Raritan River, including parts of Somerset, Morris and Hunterdon Counties.

In 1960, New Jersey became the most urbanized state in the nation in terms of population density. It continues to become more so, some forty thousand acres per year are converted into some kind of development. This rapid development of our once open landscape has come about because of our geographic location, the abundance of our resources, the strength of our economy and the attractiveness of the living experience in our great State where the best of urban culture, the recreation in rural retreats and the stimulation of seashore playgrounds may be enjoyed.

And yet, many of the very attributes which have made us a great State are today being endangered through overuse. Farm areas are disappearing at a rather alarming rate. Park lands cannot be purchased in ratio to the needs of our expanding population. Urban unrest, possibly due, at least in part, to a monotonous sterile concrete environment, is realized. Water and air pollution control carry an ever-increasing price tag for us all. Adequate water supplies for the future may well prove, before long, to be a real limiting factor to our economic prosperity.

We now know that an adequate amount of open space land in New Jersey is vital for our total well-being. We now appreciate the role played--sociologically and economically--by our forests, farms, marshes, fields, flood plains and mountains. We now realize that the part they fill in the total scheme of the environment far exceeds our knowledge of even a few years ago. We have studied, inventoried and evaluated the major influence of flood plains and marshes in controlling floods, of forested ridges in controlling soil erosion and, hence, muddy rivers, of forest, field and farm in allowing recharge of ground water supplies and stream flow of all open space in providing wildlife habitat, aesthetic relief and clean airsheds. We now realize that in making decisions about our dwindling reserves of open space, we have but one chance to make a choice--one chance to prove our wisdom--no chances to redeem ourselves whenever and wherever the the wrong choice is made.

The realization of the significance of open space and the need to use all available tools to save what is saveable is not that of a few people and groups. It is shared by a broad spectrum of our constituents, by a host of civic and service organizations and by the legislative and executive branches of State government. The modern era of this realization and its accomplished results began with passage of the Water Bond Act of 1958 providing two new reservoirs with surrounding open space and recreation lands. The Green Acres Bond Issue of 1961 passed substantially in all but three of our counties, and that in a day when bond issues were anything but popular. Two years later, the people spoke again, even more strongly, when every county approved the public question on the farmland assessment amendment. It was amazing to some that the Hudson and Essex County electorate, for instance, should vote 2-1 in favor of giving more favorable tax treatment to farmers. But those voters in Hudson and Essex realized the benefit which those farms in rural New Jersey--many miles away--afforded them.

The wisdom of the legislature has been seen on numerous occasions, also, in passing much needed programs, all geared toward meeting the need of safeguarding resources, protecting and managing properly our open spaces, passage of the Municipal Conservation Commission Bill, The Natural Lands Trust Bill, Continued Support for the Skylands Bill, a bill passed in the Assembly to give added protection to our coastal wetlands, new and visionary procedures in wiser use of pesticides, administrative changes through legislation upgrading the Bureau of Parks and Recreation to division status within the Department of Conservation and Economic Development, expanded funding and staffing of existing State programs, invigorated and expanded programs of County Park Commissions, and land acquisition programs of many local government bodies, all are the result of efforts during the past three years. All are commendable.

Obviously, all of this is prologue. Obviously, the "punch-line" of my statement comes at the end. I have attempted to outline as briefly as possible the generous open space and conservation mandate given by the voters and the accompanying forthright response by their elected leaders at all levels of government. But one matter is painfully bothersome, and this is simply that in all of this broad effort, the potential role of the private sector has somehow been overlooked. The private sector in this field of acquiring, protecting and managing properly open space areas is no alternative, nor is it a panacea for our needs, but it could be a meaningful tool to join with the public subsidy for open space. It is not. The reason is simply that the private, non-profit conservation organizations of this State, while possessed of a significant capacity to acquire and manage lands, cannot afford to do so because of the burden of the real estate tax which they are obliged to pay as would any individual. The organization which I represent

has an ability to inspire confidence and trust among certain owners of attractive lands, which, for that reason, we could acquire and protect for the total public benefit through gift and bequests. We also have at least some capability for acquiring funds and grants for the purpose of protecting lands not available through direct philanthropy. In short, we, as well as many other bona-fide organizations of long-standing and well-demonstrated integrity, are ready and willing to help in this massive chore if only we are encouraged a little....if only we are allowed....if only we are relieved from the burden of paying real estate taxes. Even though we are faced with local tax bills, the Upper Raritan Watershed Association, during the past two years, has extended itself by acquiring nearly \$100,000 worth of land. Our deeds are restricted by reverter, management and assignment clauses so that the lands will always, to the greatest extent possible to envision, remain as open space....open to the public and yielding a multitude of public benefits. We pay \$1,100 a year in local taxes and this from people who are members in our Association by paying dues of as little as \$2.00 per year. We can do no more. I know, and I'm sure you will hear in these hearings, that other similar organizations in our State are similarly willing to help in this effort, but are similarly limited in their capability to do so.

I urge strongly that this Committee very seriously consider recommending legislation to grant tax exemption to non-profit conservation organizations on open space lands that they own and maintain for conservation purposes. I quite fully realize the difficulty in granting additional exemption status categories in a State where so much revenue reliance is placed on the local property tax. I quite fully realize the potential "pandora's box" effect of a possibly seemingly narrow purpose. I can only suggest that the public voting and legislative record

of the past and present gives a strong indication of the need and the desire to accomplish the ends of which I've spoken. I can suggest that with proper interpretation it will become clear that the need to protect, through every tool available, our water, air, forests, wildlife, recreation areas and aesthetically pleasing retreats is not a narrow interest, but rather one affecting every citizen of our State. And if it all comes down to a matter of hard economics, then the time may be right for a deep and comprehensive analysis of our whole tax structure, possibly allocating the burden on a far broader base where a broader base pays for an ever-increasing spectrum of services required and where less municipal impact would be felt for unusual local circumstances.

In granting tax exemption for any purpose, it is important to design it in such a fashion that only the truly responsible organizations can qualify. I am absolutely sure that it will be entirely possible to structure legislation to accomplish that and that alone, and we offer council toward that end.

As the most densely populated state in the nation, we are in the forefront, like it or not, in meeting our environmental challenge. We must be cautious and yet aggressive in using new tools. We have to start realizing what might be.... not regretting what might have been. We have to do more acting and less reacting. We can't sit back and let someone else develop the formula into which we can then plug our problems and turn out an answer. We have to be the ones to produce the formula.

I've tried to suggest one formula today, gentlemen, and I thank you for the opportunity.

Since April 1969, the New Jersey Commission on Open Space Policy has been actively engaged in the development of a series of recommendations which, when executed by the State government, will aid in the provision of open space and recreation facilities for the State's increasing population. In carrying out its legislative mandate, the Commission has reviewed a considerable amount of data prepared by State agencies, private organizations, and other states.

In November 1969, the Commission hosted a public meeting at Rutgers, The State University, in order to ascertain from the general public and from organizations and governmental agencies what were considered by them to be the primary issues and priorities of open space preservation.

In the months following the public meeting, the Commission, with the aid of its consultant, Mr. William H. Whyte, developed a series of preliminary recommendations for discussion purposes. These draft recommendations were presented to the people of New Jersey in semi-final form during two days of a public meeting held in the State House at Trenton during August 1970. The purpose of the meeting was to obtain the reactions of the public, government agencies, and private open space organizations to the recommendations the Commission was considering for inclusion in its final report. At the present time, the Commission is revising certain of its proposed recommendations in light of the testimony received and is preparing to publish its report and recommendations to the Governor and Legislature. It is expected that the Commission's report should be available at the end of 1970.

At this time, however, the Commission would like to make known some of its intended recommendations as they affect the fiscal responsibility of the State of New Jersey. As has been mentioned, the focus of the Commission's work has been to develop proposals for filling the needs for open space in an increasingly urbanizing state. Since the Commission realizes that intelligent open space policies can only be achieved in the broader framework of State planning, one of its recommendations will be the establishment of a State Planning and Development Commission to coordinate and implement planning and development policies. Within a narrower framework, areawide Resource Review Commissions should also be set up to provide guidance for planning and zoning.

The basis for open space acquisitions by the State would be the annual capital improvements program prepared by the State Planning and Development Commission and adopted by the State Government. Nevertheless, the Commission on Open Space Policy recommends that priority should be placed on acquiring selected lands in the more densely populated areas of the State and those lands surrounded by or bordering on State-owned properties. Moreover, the Commission recommends that development policies should be initially focused on increasing accessibility to and improving existing facilities, while developing a broader range of facilities.

To implement such ~~a program, an initial large-scale program of acquisition and development of open space lands.~~
~~To implement such~~ a program, the Commission recommends that \$10 million be appropriated annually by the State of New Jersey for continued acquisition and development of lands and recreation facilities,

although, in the Commission's judgment, \$25 million per year over the next 30 years would be a more reasonable relationship to the needs. *not*

Additionally, the Commission recommends that, as early as 1971, the Legislature place on the ballot a referendum on a \$100 million bond issue to provide the larger sums needed for large-scale acquisition and development. From this bond issue, a \$2 million revolving fund should be established to acquire property to be placed in a land reserve for future needs.

Other specific expenditures recommended by the Commission include an annual \$3 million appropriation by the Legislature to be used as a matching fund for the expanded operation of municipal and county recreation programs and ^{an} appropriation of \$100,000 to finance the activities of the Department of Environmental Protection in providing assistance to local Conservation Commissions.

In conclusion, the Commission feels that, in view of the pressing need to preserve open land and protect New Jersey's precious natural resources, the sums recommended are modest. To postpone needed land acquisition is to face the dilemma of spiraling land costs and the threat of imminent development. Therefore, the Commission on Open Space Policy intends to vigorously urge the adoption of these ^{immediate} ~~initial~~ and long-range recommendations.

Proposed Capital Improvements Program, Fiscal Years 1970-1971 to 1975-1976, prepared by the Interdepartmental Committee for State Planning

Land Resources: Acquisition Needs

There are currently 357,000 acres of State-owned open space lands. This figure meets the standard of 24 acres per 1,000 population; however, in the heavily populated northeastern counties and in the central corridor counties there is a total deficit of 113,000 acres.

The total cost of acquiring open space acreage in urban areas is likely to be at least \$700 million if all goals are to be met and all deficiencies eliminated. The State's share of this amount is about \$200 million.

The 1971 - 1976 capital improvements program of the Department of Environmental Protection contains \$44 million for park land acquisition of which \$19 million is for the balance of Liberty Park. The Department also recommends that a second Green Acres program for both State and State-aided acquisitions be approved, subject to limitations of acquiring land in such critical areas as the northeast, north shore, the central corridor and other areas where the greatest deficiencies exist. The total land area acquired through such a program is likely to be limited to 10,000 acres due to high land costs.

Recreational Development Program

The Department's recreational development program provides for 47 projects with an estimated six-year cost of \$100 million. The total program would provide added capacity for an estimated 86,500 daily visits and more than 5.5 million annual visits.

to the State's beaches, boating and fishing areas, campsites and similar facilities. This is double the present capacity of such facilities.

Specific areas for which funds should be designated are to the Palisades Interstate Park Commission which maintains a 2000-acre park in the heart of the metropolitan northeast; the Tocks Island area for which most of the land is yet to be acquired; and park development projects at Spruce Run-Round Valley.

S I D N E Y W I L L I S: Senator Dickinson and Senator Coffee, I am here in three different capacities and I hope that my statement can be consistent internally and I think the principal thrust of it will be.

I am Secretary to the Open Space Policy Commission and I am Chairman of the Interdepartmental Committee for State Planning, which annually prepares the State Capital program, and I am Director of the Division of State and Regional Planning which is in the Department of Community Affairs and I am here representing all three, but I will try to keep my statements separate.

The Open Space Policy Commission has been referred to by a number of speakers previously and I would merely like to provide you with a copy of our Interim Report, dated March 12, 1970, which was prepared for the Legislature, and a copy of the list of members. Senator Dumont did speak previously and he is our Vice Chairman; John Waddington, former State Senator, is our Chairman; and the members include three department heads as ex officio and the Dean of the School of Environmental Science, as well as such citizens as Mr. Evert; H. Mat Adams, former Commissioner of Conservation; William Haffert; and others. It's a 19 member Commission.

The Commission was appointed by an act of the Legislature last year, in March, and has been, as

Senator Dumont reported to you, meeting regularly.

I don't want to dwell on the Commission except to indicate that we are intending to deliver a report to the Governor and the Legislature in September of this year. We have been working quite diligently, the members of the Commission have been working quite diligently on that. Our interim report, I believe, suggests some of the thrusts of the recommendations that we would be making and includes recommendations with respect to a standard state in-lieu formula. This is a tough one that everybody has been wrestling with and, with the help of the Department of Environmental Protection staff and others, we have prepared analyses of various alternative ways of approaching this and what it might cost on a standard size program.

I think those figures and our recommendation would be helpful to you and they will be available to you along with the recommendation of the Open Space Policy Commission in September.

In addition, the Commission is considering some recommendations with respect to the organization of state planning, urban open space needs and agricultural retention, and I see you do have a copy of the Farm Bureau's Report that was made to the Commission.

My principal point with respect to the Commission is that these are some very important - and I think the citizens of the State who are carefully

considering the very issues that are raised in both of these bills, I am sure you would want to hear from them before there is much more procedure on these particular pieces of legislation.

Now with respect to the Interdepartmental Committee on State Planning, we have been, as you know, preparing a capital program for the last six years. The procedure is to assemble the comments and recommendations of the State departments, all of the State departments, all of whom are represented on the Committee, and to forward a single recommendation of State capital projects over the forthcoming six year period. We have consistently forwarded these recommendations to the Governor and to the Legislature. Ultimately they are printed and published for that purpose. And this report was referred to by Mr. Haines representing the Taxpayers Association.

This year's report has been prepared and delivered to the Governor and has some suggestions in relation to this matter, the matter of a Green Acres II which I would like to convey in part to you.

I know you are aware as well of the Capital Needs Commission which met in 1968 and which had certain recommendations with respect to these issues as well. And I would like to note some of the comments that were made from both of these because I think they are pertinent to your record and to the issues which are

before you.

The Capital Needs Commission noted in their capital program that 123,422 acres of State and 17,496 acres of local open space was acquired under the original Greenacres program costing \$60 million - \$40 million of State acquisition.

The Department of Conservation and Economic Development advised the Commission that another \$60 million - in that case \$30 million State and \$30 million local - was needed. And the Department advised that it had 138 applications for local open space which, on a fifty-fifty matching basis, would cost the State at least \$25 million - that was several years ago.

The Capital Needs Commission recommended a \$30 million matching grant program but did not recommend a State acquisition program nor did it recommend a State recreation development program which at that time was estimated at \$97 million in the Outdoor Recreation Plan prepared by the Department of Conservation and by our own Department. They did not recommend because of other higher priority considerations. They did, however, acknowledge the needs in their report which was published.

On the basis of the Outdoor Recreation Plan, 24 acres of State open space per 1,000 population - that's the general standard that we've been using in our joint work - the State would need a total of

240,000 acres. With Green Acres acquisition we have over 300,000 acres but most of this is far from urban centers. While there is a State surplus in that sense, there is a deficit of some 40,480 acres in the North Jersey region alone.

For Fiscal 1970, the Department of Conservation and Economic Development submitted a project request totaling \$6 million for land acquisition. This project was about midway down the Department's priority list, recognizing at that time that they were also recommending reservoir acquisition and other natural resources' programs.

The Committee, that is the Interdepartmental Committee, recommended that the entire amount be applied to acquisition in those close-in deficit areas and we specifically identified this project in our priority list, which was published and made available to you, as Green Acres II, Land Acquisition in recreationally deficient regions. And the figure at that time was \$6 million.

Last year the Department of Conservation and Economic Development submitted a project, again half way down their priority list, for land acquisition of more important lands totaling \$44 million, with \$26 million actually requested in a six year period and with \$7.5 million requested for fiscal 1971. We, therefore, included this project in our capital

improvement recommendations to the Governor and to the Cabinet of a \$100 million for either bond or other State financing. And the breakdown of that \$100 million I think suggests the approach that the Committee at least takes as to how the money should be divided among alternate purposes here.

Under the State amount, \$50 million recommended for the Conservation Department's most urgent recreation development projects. And the word "development" signifying there that these funds should be spent, in large part, on the development of lands that are already acquired by the State. And \$15 million for land acquisition in the deficit areas, in the urban areas or surrounding the urban areas, primarily the North Jersey Region and the Central Corridor Region which includes Mercer County, - totaling a \$65 million State program. The State Aid component, \$15 million for local land acquisition; \$20 million for the development of local land, including that already acquired locally and that which would be acquired under the \$50 million for a total of \$35 million in an over-all program of \$100 million.

These proposals, of course, are subject to the Governor's review of all recommended proposals in the Interdepartmental Committee's report and need to be considered in the light of such other bond issues as may be of an even more immediate priority nature.

In summary, however, \$100 million program would appear to be a reasonable one in view of the needs in the various proposals put forth but it should include both development and a large heavy component of heavy acquisition and local development of sites within urban areas.

We think we would like to encourage, one, the acquisition of open space in deficit areas, and the development of areas we already have, especially those close in where they can do the most good.

Our general opinion, as a Committee, is that we have enough open space for the moment in the far-out reaches of the State. Any open space bills or proposals we support should contain the stipulation that the bulk of additional acquisition should be in the close-in areas. Recreation development should also be included.

I might say, we do not limit the authorization primarily to close-in areas. We will end up with a larger over-all surplus at the State level and a greater deficit where the people are, especially since the people are increasing where they are now, those population figures are increasing in the close-in areas, and at that point there will be a justification for Green Acres III still without meeting the most critical needs, in our opinion as a Committee.

Now from the point of view of the Division of State and Regional Planning, we have I think made our position fairly clear over a number of years. We have published an open space policy plan which was made available to the Legislature and to interested persons, and those are, of course, still available to you and I will leave a copy with you again.

They would like to summarize our position as this: Open space is needed in the State and will be needed on a continuing annual basis as long as the State's population keeps growing. We will always be in a catching-up kind of situation and a single one-shot bond issue will not take care of all the needs. Two, the last Green Acres program was presented as a now-or-never proposition, pointing out that if land isn't purchased immediately it will be gone forever. This led some people to feel that the program should buy as many acres as possible without, in some cases, careful regard as to how useful that land might be. As land values go up in the future the resources to pay for the needed land, in addition, as population grows, should also increase.

Thirdly, the critical land needs of the State for recreation purposes are in the urban areas and these include stream-valley land as well as other open areas which can be used for active recreation. Most of this land will have to be acquired through purchase.

There are very few innovative ways which don't require money to acquire this land.

The most critical land needs are where the urban population of the State is living right now.

Fourthly, while we still need additional open land in the less developed and rural areas of the State, we have got to be much more selective in what is purchased. It is in these areas where the use of police powers in centers and limited acquisition through easements have the best chance of success. And I believe the Open Space Policy Commission will have some specific recommendations in that direction for you.

Fifthly, we went through a sixty to eighty million dollar program of acquisition but there have never been limited appropriations - but there have been very limited appropriations during this period for making the land useful for recreation purposes. The next program should be for both acquisition and development and it should provide a breakdown for these two items. It should also provide a breakdown between State and the county and municipal program, perhaps along the lines that the Interdepartmental Committee did suggest, and I repeat it to you.

Sixthly, the aid program for county and local levels should be based on the potential local tax resources. The measure which seems to be the easiest to develop and apply is one based on equalized

valuation per capita within the municipality or county.

Now what I'm suggesting here is that there be some variation which would make it more palatable and possible for the poor urban locations to be able to match the State grant and to acquire the open space and to maintain it and to develop it locally. And the formula that was used, I don't have the figures before me but most of the larger cities and the older urban communities were not able to participate or did not choose to participate - I prefer to believe the former - and I think that the formula should be such that it would be more appealing in those specific areas where the needs are the greatest.

And, finally, both acquisition and development activities should be based on a plan and program at the State level, which has been prepared, giving proper recognition to similar studies now being conducted in almost every county of the State. Any aid programs for county and local acquisition or development should require plans and programs at these levels of government with indications of how these plans and programs relate to each other.

Now if I may summarize, A-155 and S-350 do, as I believe a number of people have recommended, need some considerable revision and amendment. The in-lieu matter, the matter I've raised as to the concentration in critical areas; funds for development as well as

for acquisition, all of these I believe should be included.

Secondly, these bills need to be considered in light of other high priority needs.

Now I am not at liberty to present at this moment the entire six-year capital program which we've recommended to Governor Cahill on behalf of the Interdepartmental Committee, but I do suggest that there is now a considerable backlog of carefully documented capital needs from almost every department of the State Government. Many of these are irrefutable. It's not possible to meet all of the demonstrated needs in the next six to ten years unless there is some substantial increase in resources available to the State Government. And I would like to suggest, if I may, that the decision as to whether that will be done and the decision as to what the State's capital borrowing will be and, accordingly, the substantial principal and interest payments that ultimately come due on such borrowing should be made as a decision of the Legislature and the Administration and should not be made by a series of single bills for individual items which I think the item for Green Acres II may suggest.

And finally, of course, needs should be considered in relation to other open space and conservation needs, including agriculture retention and other matters

which are being considered by the Open Space Policy Commission, and they will be reporting to you in accordance with their statute at the earliest possible date in September.

Thank you very much. I will be happy to answer any questions.

SENATOR DICKINSON: Thank you very much. You have added a great deal to the knowledge of the posture of the State Government and it has been most helpful and we are very appreciative of your coming today.

Senator Coffee has been kind enough to come in as a substitute for me, as I have a meeting in New York. I thought that there would be interest in this but I didn't realize how much interest. So I really apologize for leaving but I must do so.

SENATOR COFFEE: Mr. Willis, you have raised some very interesting points and I would think that we just have to develop, in the way of conversation, in more depth some of the recommendations and suggestions that you have made.

I want to do this because perhaps of all the witnesses who have testified here before this Committee this morning you, appearing and representing as you do three different areas, as you have outlined, and being in a very important and sensitive position presently in our State Government with a genuine concern about where we go next, suggests to me that we have

to listen to you and talk more with you and the various agencies and groups that you represent here this morning.

I think the most important thing that you have indicated, as far as I am concerned and as a sponsor of one of the bills, is that you feel that both of these bills under discussion really are, at this point in our conservation and environmental program here in the State of New Jersey, too simplistic. And just as the Federal Government has continued to develop their land acquisition and development program, you appear to be suggesting that New Jersey follow their method and that we be more sophisticated in any new land acquisition program, no matter how we look at it, and include many more things than any one of these bills has embodied in it, singularly, or both bills put together.

I would like to have your opinion on a number of questions I would like to ask and it would concern a formula, well, many formulas, because you have opened this line of questioning.

First of all, do you feel that there is a greater need at this point and more money is needed by municipalities and counties for new land acquisition for conservation, open space and recreation purposes, than is needed by the State, in the type of land acquisition program that they would pursue at this

point?

My suggestion, and I don't know whether you were in the room when I testified, was that, whether it be a \$100 million program or a \$60 million program, the formula be arrived at somewhere in the vicinity of 60 percent of these monies going to the municipalities and counties and 40 percent of the total, no matter what the total would be, for State land acquisition and development programs.

MR. WILLIS: The formula that we suggested would have called for about one-third of the money going to localities and the remainder being used by the State Government. However, I think the significant breakdown which I presented suggests that only about 30 percent of the funds - and there is no magic to these numbers - I don't want to suggest that this came out of some kind of a computer and they are not subject to further consideration -- but we did suggest that about 30 percent of the money should be used for acquisition, half local and half State, and that the predominant amount of the money should be made available now for development of existing projects.

Now I know that there is a thrust often to acquire land because of the increasing value, and there is no question that land acquisition costs for all State purposes have been increasing at a fantastic rate, but development costs are increasing at the same rate

and there are people who need recreation services available to them, and land acquired and held for some future time is not servicing them now. So we suggested that most of the money, 70 percent of the money, be spent for the development of recreation sites, either those now in hand or those which might be acquired by the remaining \$30 million.

Now that breakdown leaves the State as the dominant user of the money, and I would suggest that that probably flows from the fact that the State and the Department of Conservation, the present Department of Environmental Protection, has done a great deal of homework, they know what it's going to cost to develop the various projects, lands, areas that they've acquired, and those costs, by the way, are well above the figures I'm using for all projects, but their first priority projects seem to be in the order of \$50 million and we thought that that made sense to proceed with; and local recreation development, an estimated figure of \$20 million would go a long way.

I don't know if that specifically answers your question but I think --

SENATOR COFFEE: Well, wouldn't this bring about a problem. I'm told that there are about \$30 million worth - this is in dollar value - of applications backed up, these applications coming from municipalities and counties, mostly municipalities, and

under your formula, even with a \$100 million program, we wouldn't have enough money to satisfy the backlog of applications that already exist. And I have to assume that these are all legitimate applications; I have to assume that primarily coming from municipalities they are in areas that we should look at and that probably should be taken care of.

MR. WILLIS: In open space all proposals are probably legitimate. I'm trying to introduce the factor of priority. And again without suggesting that we have a crystal ball which makes it possible to put all of these out very scientifically, it would seem that if we're talking \$100 million then no particular area of documented backlog of needs would be fully met under our \$100 million. That would go for the State's own program or for land acquisition in the deficit areas, which I defined for you, or for local acquisition in areas where they have already submitted projects. Now all such projects are probably legitimate but the factor of priority seems to suggest, and I look back to the Capital Needs Commission whose members were, I think, highly respected members of the New Jersey Community - Dr. Goheen and others who are certainly sensitive to open space needs - and when they were presented with the full array of State needs and rather boldly suggested \$2 billion in State projects, they did not include within that \$2 billion of high

priority needs recreation acquisition of open space. And I think that although we should be proceeding in this area at some level, possibly \$100 million is the number, we should be considering the other needs which have also got to be met, the institutions and other areas for some of which I might say the needs are not even carefully documented, as in this case they are, but still we know they exist, - that those needs have got to be met. And should we proceed meeting a large part of all such carefully documented needs, including \$100 million for open space acquisition, at some point very, very soon some substantial increase in revenues available to the State Government has got to be provided. That's a decision that clearly we're moving toward and the State Legislature, and the Governor and the Administration will have to worry that one together. But I merely suggest that it would be better to make that decision by facing it squarely, looking at the full array of needs which are fully documented - either accept our report which we make available to you or accept the report of the Capital Needs Commission - they are generally consistent - accept those needs and accept the costs which will come rather quickly, certainly within the next five to six years. If the decision then is to proceed across a broad array of capital needs in New Jersey, then certainly we should proceed in open space acquisition as well, in the

order of \$100 million now. We suggest, as I believe others have suggested, that this probably should become a continuing item in the State Budget at a rate of \$10 million a year, if you want to pick a figure out of the air, and we could use that money and I am sure we could use it wisely, but taxes will have to be there as well.

SENATOR COFFEE: Do you think that we can assume here in New Jersey that the Federal programs will continue to exist and, as an example in land acquisition we can expect to receive approximately 50 percent of the total land acquisition cost? And the second part of that question: Through the Bureau of Outdoor Recreation there is a fund, money available for development and for land acquired under the HUD program you can follow up and receive funds to the extent of 50 percent for development of these areas. Do you feel that here in New Jersey we can count on this continuing and, if so, should we not revise our total formulas somewhat to the extent of saying when we buy land we're going to get 50 percent perhaps from the Federal Government and 50 percent from the State Government, this is 100 percent perhaps exclusive of administrative costs that the local government or the State government would have to pick up. Are we on the right track or should we be asking the local governments, meaning municipalities and counties certainly, to pick up say 10 percent of the cost, maybe

up to 25 percent of the cost?

MR. WILLIS: My general feeling is that in every case where state or Federal aid is made available it should be matched in some formula by local governments.

I've had considerable experience at the local level and I think that meaningful projects are those which require some pain locally as well. And I think we should always have a matching procedure for local and county projects. That formula should vary based on need but there should always be some proportion paid locally, yes.

Now with respect to Federal projects, I observed over a period of years that too often we design our efforts on the basis of prospective Federal dollars. This is clearly true in our transportation program; it's been true, and I realized how uncertain many of us were when the bond authorizations for the pollution control of last year were dependent on Federal grants that at one point were going to be available and then were not and then again were going to be available. I think we're a grown-up state and we should be able to proceed pretty much along our own direction providing the staffs in the various departments with a certain amount of flexibility, not trying to write too terribly much in the law, so that they can take advantage of the Federal money to add on and to expand and to do more with funds

that are made available. But I think the basic State appropriations should be what the State as a state feels is of high priority in their point of view -- our needs as an urban state are not often matched by congressional priorities -- we should proceed as we see it and then build into and use whatever we possibly can that becomes available from time to time by the Federal Departments.

I worked with the Department of Housing and Urban Development and they're a fine department to work with but this year it's housing and next year it may be open space and the year after that it may be sewers and water, and I don't think we can design to meet the long term needs of a state that's growing at the rate of 120,000 people a year by playing around with those kinds of formulas.

SENATOR COFFEE: Thank you, Mr. Willis. I thought it was important that we should develop a little of your philosophy. You have been very helpful. I assume that you are submitting to us the interim report of the Open Space Policy Committee.

MR. WILLIS: Yes, and a list of the backgrounds of the various members.

SENATOR COFFEE: Fine. I would like to have those for the record.

SUBMITTED BY
R. V. GOORDMAN

G.R.I.T.

*To Alfred E. Driscoll, NJTPC
from R. V. Goordman, GRIT
Re: Letter of Nov. 7, 1970*

GROUP FOR REPEAL OF INEQUITABLE TAXATION

PROPERTY TAX REPEAL

Our group is currently proposing that the system of property taxation be repealed and replaced by a system of income taxation.

We feel that the property tax system is regressive, illogical, and unfair. In addition we feel that this form of taxation is tantamount to a trespass on one's title to real property and as such is perhaps unconstitutional.

In the following we assert some of our objections to property taxation. The categories of objection are Humanitarian, Conservation, Legal, and Sociological.

We sincerely believe that these aspects are foremost in the minds of the majority of people when seriously thinking about property taxation.

HUMANITARIAN ASPECT

Property taxes are a heavy and unfair burden on disabled, widowed, retired, and other homeowners who are suddenly faced with a drastic reduction of income.

CONSERVATION ASPECT

Property taxes, even when the rate seems low, have the effect of forcing the owner of woodlands to sell to developers of industry and housing.

In New Jersey the average 1970 tax rate is about \$3.50 per hundred dollars of 100% assessed value. Assuming typical values of \$500 to \$1000 an acre for rural area woodlands the result is shocking: the owner of 100 acres of woodlands has to pay an annual tax of \$1750 to \$3500.

The owner of 100 acres of woodlands in urban fringes or suburban areas is assessed at closer to \$5000 an acre for an annual tax of \$17500.

Woodlands do not send children to school, do not cause noise, do not pollute the air and water, do not demand municipal services, and they are absolutely essential to our mental and physical health. So then, why tax woodlands?

LEGAL AND SOCIOLOGICAL ASPECTS

Technically speaking the property tax is tantamount to confiscation since every N years the tax collector receives an amount equal to full market value or principal value of the property. We call this period N the VIRTUAL CONFISCATION PERIOD. Actually the TRUE CONFISCATION PERIOD is even shorter because of interest considerations. More explicitly the VIRTUAL PERIOD is

$$N = \frac{\text{Market Value or principal Value}}{\text{Annual Property Tax}} = \frac{1}{100\% \text{ Tax Rate}}$$

In Newark, N. J. where the 1970 tax rate is \$8.44 per \$100 of real value the VIRTUAL CONFISCATION PERIOD is 11.8 yrs. Newark Council President Louis Turco has forecast a 1971 tax rate of \$13.53 per \$100 of real value which means a VIRTUAL CONFISCATION PERIOD of 7.4 years.

Confiscatory taxes discourage owners from making improvements. When the CONFISCATION PERIOD becomes short enough the property loses all value and owners desert the property thus encouraging slum growth and urban blight.

In addition the poor are denied the opportunity of buying decent housing since the qualifying salary for a home mortgage is based upon the ability to meet monthly payments of real property taxes in addition to payments for interest and principal.

Constitutionally speaking it is probably forbidden for government to punish one for being poor just as it is probably forbidden for government to reward one for being rich. However, the Federal Income Tax Deduction for property taxes does in fact punish the poor and reward the rich. That is the higher one's income the greater is the amount that one can effectively transfer from the Federal Government to one's local government for a given property tax. If all municipalities had the same distribution of income levels there would be no relative inequities. However, the higher income earners tend to settle in municipalities separate from the lower income earners and therein lies an inequity.

In addition there is the trespass nature of the property tax system. For example, a municipality levying a tax on one's possessions and then threatening to dispossess one for failure to pay that tax is to us tantamount to a virtual trespass on one's title to property. It becomes actual trespass when that threat is carried out.

That is municipal governments act as virtual landlords in complete disregard for one's title to property.

No. 594. GENERAL REVENUE OF STATE AND LOCAL GOVERNMENTS—STATES: 1967

[Data are estimates subject to sampling variation; see source]

STATE	Total amount (mil. dol.)	PERCENT OF TOTAL						PER CAPITA ¹ (dollars)				
		From Federal Government	From own sources					From Federal Government	From own sources, taxes			
			Taxes				Other		Total ²	Property tax	Sales and gross receipts	Individual income
			Total	Property tax	Sales and gross receipts	Individual income						
U.S.	91,197	16.9	66.9	28.6	22.5	6.4	9.4	77.58	306.30	131.54	103.76	29.44
Ala.	1,243	24.6	54.5	9.7	31.9	4.9	8.0	86.34	191.37	23.96	112.06	17.06
Alaska	290	51.8	29.6	7.2	7.4	7.8	7.1	552.69	315.60	77.70	73.48	83.43
Ariz.	847	21.6	61.8	28.1	25.1	3.1	5.5	112.20	320.51	145.89	129.98	16.21
Ark.	691	27.8	56.8	14.8	27.2	4.5	10.3	97.57	199.56	52.03	95.40	15.85
Calif.	11,739	19.0	66.3	34.1	19.9	4.3	8.0	116.52	406.47	209.12	121.84	26.98
Colo.	1,069	18.7	63.4	29.1	19.8	7.3	7.2	100.98	343.15	157.28	107.15	39.63
Conn.	1,332	13.5	73.8	38.4	23.4	-	12.0	61.70	335.92	174.77	106.44	-
Del.	284	13.4	62.6	12.4	11.7	19.1	19.4	72.87	339.52	67.46	63.57	103.82
D.C.	461	31.8	59.7	20.2	20.9	13.9	4.7	180.98	339.84	114.98	119.20	79.39
Fla.	2,507	14.9	66.3	26.1	29.3	-	9.4	62.35	270.74	109.11	122.56	-
Ga.	1,707	21.0	60.0	18.8	27.8	5.9	7.5	79.62	227.33	71.30	105.32	22.30
Hawaii	475	23.2	63.2	12.8	31.4	13.4	5.6	149.19	406.60	82.48	202.09	85.94
Idaho	325	18.8	63.0	23.2	19.8	9.6	10.4	87.29	293.49	107.87	92.33	44.67
Ill.	4,472	13.5	72.7	35.5	30.3	-	6.9	55.58	298.32	145.81	124.21	-
Ind.	2,118	12.3	69.5	33.6	23.8	7.5	4.6	52.20	294.27	142.48	100.90	31.69
Iowa	1,351	15.0	68.0	34.3	18.1	7.9	7.7	73.54	333.77	168.26	88.89	38.55
Kans.	1,064	14.9	67.4	33.9	19.7	6.7	7.1	69.67	315.21	158.46	92.01	31.22
Ky.	1,223	27.0	55.1	14.9	23.2	9.8	7.2	103.58	211.40	57.14	88.95	37.46
La.	1,648	21.2	58.2	11.9	23.9	2.2	20.2	95.39	251.81	53.65	107.57	9.76
Maine	374	19.2	67.8	32.9	28.3	-	6.6	72.81	236.23	133.17	-	-
Md.	1,622	12.8	72.3	29.8	21.5	13.3	7.7	56.30	318.42	131.19	94.88	58.66
Mass.	2,676	14.0	74.9	38.8	15.6	10.0	10.5	69.07	309.70	191.65	77.09	49.45
Mich.	4,052	14.6	67.0	29.4	26.1	1.5	10.0	69.15	316.31	138.68	123.44	7.75
Minn.	1,914	16.4	65.7	32.6	10.4	13.0	9.7	87.63	350.74	174.04	55.45	69.22
Miss.	830	25.4	55.6	15.4	30.7	1.3	8.2	89.99	196.47	54.38	108.45	4.43
Mo.	1,814	18.5	66.1	27.0	24.1	7.4	7.6	72.84	260.46	106.46	95.17	29.32
Mont.	352	24.7	58.9	33.0	10.4	6.7	8.8	127.46	303.59	170.10	53.75	34.56
Nebr.	635	18.4	61.3	44.3	12.3	-	4.7	81.46	271.48	196.38	54.41	-
Nev.	294	24.0	56.5	22.6	24.2	-	9.7	158.98	374.31	149.66	160.38	-
N.H.	260	16.9	68.0	43.1	15.7	1.0	8.2	64.24	257.86	163.47	59.64	3.95
N.J.	2,990	11.2	74.9	42.7	22.1	0.4	9.7	47.84	319.84	182.14	94.52	1.55
N. Mex.	564	30.1	48.2	10.8	23.5	2.1	11.8	169.40	270.98	61.02	132.40	11.55
N. Y.	11,277	11.1	74.7	29.4	19.1	16.5	9.7	68.56	459.40	180.98	117.75	101.24
N. C.	1,717	18.2	65.8	17.4	25.6	11.0	11.8	62.02	224.56	59.34	87.29	37.50
N. Dak.	352	19.8	50.6	25.8	14.5	3.1	7.2	109.14	279.11	142.33	79.78	17.35
Ohio	3,917	14.4	66.7	34.5	22.3	3.0	6.9	54.07	249.77	129.18	83.43	11.38
Okla.	1,141	24.9	55.1	18.1	21.0	2.8	13.2	114.05	252.09	82.86	96.17	12.00
Oreg.	1,035	19.3	61.0	28.9	7.9	14.8	9.4	99.92	315.80	149.92	40.67	76.70
Pa.	4,526	14.6	71.6	24.1	26.5	5.0	16.0	56.94	278.77	93.66	102.98	19.65
R.I.	388	19.7	68.9	31.4	26.9	-	10.6	84.66	296.60	135.16	115.71	-
S. C.	811	19.2	63.0	13.4	31.7	7.7	10.2	59.91	196.52	41.67	98.92	24.12
S. Dak.	336	21.7	60.9	34.1	20.2	-	6.6	108.09	303.34	170.06	100.70	-
Tenn.	1,378	23.8	59.5	17.4	30.2	0.7	11.2	84.32	210.86	61.79	106.84	2.31
Tex.	3,994	18.0	61.9	28.1	21.2	-	12.6	66.23	227.36	103.22	77.75	-
Utah	513	25.9	58.4	24.1	20.1	7.8	6.4	129.85	292.59	120.99	100.92	39.01
Vt.	211	25.0	63.4	25.4	15.6	11.9	10.5	126.47	321.05	128.78	78.84	60.11
Va.	1,628	18.5	65.8	19.8	22.9	11.8	11.3	66.42	236.04	70.90	82.35	42.47
Wash.	1,738	16.9	63.8	19.6	38.4	-	5.8	95.07	359.11	110.50	216.18	-
W. Va.	688	27.0	58.2	15.5	32.0	3.9	6.8	103.32	222.69	59.36	122.62	15.05
Wis.	2,081	12.3	72.9	30.4	14.6	17.7	10.2	61.14	362.29	151.07	72.45	88.15
Wyo.	229	31.4	48.1	26.3	15.5	-	6.3	228.65	350.20	191.70	112.73	-

— Represents zero.

¹ Based on estimated population as of July 1, 1967, excluding Armed Forces abroad.² Includes other types of taxes not shown separately.Source: Dept. of Commerce, Bureau of the Census; Census of Governments, 1967, Vol. 4, No. 5, *Compendium of Government Finances*.

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