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

ON

NEW JERSEY'S TAX PROBLEMS

Held:
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Assembly Chamber
State House
Trenton, New Jersey

B E F O R E

THE COMMISSION ON STATE TAX POLICY

AND

THE TAX ADVISORY COMMITTEE

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Dr. William Miller, Princeton
Staff Director of the Commission

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MR. ARCHIBALD S. ALEXANDER (CHAIRMAN): Will you please take your seats. We have again today a fairly heavy schedule of appearances and I hope those who appear will be as cooperative as those yesterday so we get through on time.

We have another member of the Advisory Committee here today, Mr. Gustav Lienhard of Edison and also of Johnson and Johnson. Do you mind standing up? (Mr. Lienhard stands.) We are glad to have you.

As you all know there will be a full transcript of everything said made available as soon as it can mechanically be done.

The first witness this morning is an old friend of a great many of us, appearing in this case on behalf of the New Jersey Highway Information Association, a former member of Governor Meyner's cabinet, head of the Department of Conservation and Economic Development, Dr. Joseph McLean of Princeton.

DR. JOSEPH E. MC LEAN: Thank you, Mr. Chairman. It is a privilege to appear before this distinguished Commission. I recall, I think, going back to 1946, I at one time served as economic consultant to this Commission when John Sly was chairman and Paul Stillman was vice chairman. I am pleased indeed to be hear to testify on the need for highway expenditures. I know it is always difficult to ask for more money for anything. I also, frankly, have a mental block about reading any prepared statement, whether I prepare it myself or not. But if you will bear with me, I'll try to get through this and then answer any questions that you might wish to ask.

I tried in this statement to indicate that we do have a crippling highway crisis at the municipal, the county and the state levels. We have to have a highway financing formula that is going to meet the traffic needs of this decade, the 1960's, all the way up to 1975 and beyond.

Analyses have been made by our group and they show that the unrealistic state fiscal policy is directly responsible for dropping the state from near the top of the nation's "good roads" states in the 1930's to a spot in the lowerst third of the 50 states in the current highway progress rating. So that unless we revise drastically the fiscal policy of the state to provide for adequate funds, we are going to jeopardize, I think, seriously the matter of the future growth of the state and the future prosperity of the state.

Our Association's study shows that state highway appropriations have been held at levels inadequate to meet the traffic needs of this fast-growing state. We are a fast-growing state. Everybody knows this. We are really the most highly urbanized state in the union. And we are a corridor state. We are right between New York and Philadelphia. We have a great deal of interstate commerce as well as intrastate commerce within the state. State aid has not been increased for county roads since 1946 and for municipal roads since 1953. We use the term here "pinch penny" policy for highway appropriations, and this policy has been continued despite the fact that state revenues from gasoline and motor vehicle taxes have quadrupled since 1946. Currently, more than half of the $206 million in

annual highway user taxes are diverted to non-highway purposes.

As a result of this diverson of highway user taxes, originally imposed for maintenance, construction and policing of our highways, the State Highway Department has fallen way behind on its master plan to build 821 miles of freeways to meet the 1975 traffic volumes as anticipated at this point. To date New Jersey has 270 miles of interstate highways yet to build or open to traffic out of its projected 376 miles; of 445 miles of intrastate freeways there are still 420 miles to build; and of 900 miles of planned dualization or widening the state still has 800 miles to modernize. I think these statistics are very revealing and indicate how far we are lagging in this respect. Municipalities and counties likewise are far behind in meeting their road needs despite ever increasing burdens placed on local property taxpayers because of the failure to increase state aid.

Our Association has suggested a "crash program" to bring about a greatly-accelerated highway construction program in New Jersey. Obviously, this would provide thousands of needed jobs for men employed in building the new highways. This in itself should not be and is not a major justification for the program as such, but it certainly is something that cannot be ignored. At the same time this would encourage new industries to locate here and present plants to expand facilities to insure additional job opportunities for the future. It would save New Jersey's three million licensed drivers millions of dollars weekly in extra car operating costs and loss of drivers' time caused by traffic congestion by traffic-clogged roads.

Construction of needed better highways would help reduce our rapidly-increasing traffic toll in the state. Basically, though, I think the prime justification for expanded highway expenditures is that it will build a healthier economy for New Jersey. And to me, this is a wise investment in the future of our state.

Our own study convinces us that it is grossly unfair for the state's three million licensed drivers to be saddled with a 50 per cent sales tax (6 cents state tax and 4 cents Federal tax) on regular gasline and at the same time be denied the modern highways these highway user taxes are supposed to provide. While nearly $600 million in highway user taxes have been diverted to other purposes in the past 16 years, we believe it is only equitable that gasoline and motor vehicle taxes be utilized to build critically-needed highways in the future.

We hope, therefore, the State Tax Policy Commission will recommend to the Governor and to the Legislature that action be taken to assure faster letting of construction contracts on previously-appropriated funds and to provide for doubled highway appropriations for municipal, county and state roads.

If I may add - and this is somewhat personal and not in my prepared statement - obviously, speaking now as an individual and not as a representative of this particular group on highways, I don't believe we can look at highways in a vacuum. We cannot look at any responsibility of government in a vacuum. We have to consider all of the realm of

expenditures and responsibilities of government and this is something that I know your chairman as State Treasurer had the responsibility for, to take an over-all point of view. We may need money for education, for health, for welfare, for highways and other purposes. Now, we believe that highways have been neglected and when I make this statement here today in favor of expanding our program for highways on the ground that we have neglected this particular program, I am still saying it in full recognition of the fact that we have to look at all expenditures of government and we cannot look at any single one of these responsibilities in a vacuum. But the fact remains, I think, looking at this in terms of a policy for the future of this state, that we have to invest more money in our highways. And when we do that, we are investing money I believe in a better economy for the state. This in turn, will produce some of the needed revenues that will support some of these other very basic and necessary functions and responsibilities of government. Thank you.

MR. ALEXANDER: Thank you. Could I ask you two questions before we see whether others have questions for you, Dr. McLean?

The State, you say, ranks in the lowest third of the fifty states in the current highway progress rating. Could you tell us how that is arrived at and who arrived at it?

DR. MC LEAN: It is arrived at by studies of the Public Roads Association, the public roads of the Federal government bureau, and by our own people, Mr. Haskins who is really our prime research man. I think this is a fact that

can be verified in terms of the status of our roads in this State.

MR. ALEXANDER: Well, I was wondering if you could give us that information - who is the author of this rating?

DR. MC LEAN: If I may ask Jim Haskins - Jim is our research man.

MR. HASKINS: The other day in a speech that Paul King from Ocean County made, he said that New Jersey was 42nd. I said the lowest third because in miles built, taking it out of the U. S. Bureau of Roads figures -- we can research it back and give you another memorandum on it if you'd like.

MR. ALEXANDER: Yes, if you would.

DR. MC LEAN: I think this is a conservative estimate, Mr. Chairman, frankly.

MR. ALEXANDER: Having driven down this morning, I am not inclined to disagree with you, but I want to know what the basis of it is.

MR. HASKINS: Yes.

MR. ALEXANDER: Also would you be good enough to tell us to what extent in recent years, if any, we have failed to be able to take Federal funds available for highway purposes, perhaps by reason of not matching them with State funds?

DR. MC LEAN: It is my understanding, Mr. Chairman, that we are matching the Federal program at least in terms of anticipating the future. But actually, we have not let the contracts. In other words, on paper we are matching

Federal funds. At the same time though it is my understanding that we have not actually let the contracts and perhaps there should be some acceleration of our construction program. Again I will lean upon our research man, Mr. Haskins, to furnish that.

MR. ALEXANDER: What I want to know is whether we have forfeited any Federal funds that might have been available by reason of not appropriating State funds?

MR. HASKINS: It is my understanding that we have not forfeited any.

DR. MC LEAN: I don't think we have either.

MR. HASKINS: Without an annual Highway Department report required in the State, it is rather difficult to get these figures, but I am sure Commissioner Palmer can give them to you.

DR. MC LEAN: My personal view, by the way, when Mr. Haskins mentions this, is we should have an annual Highway Report made available to the public. I believe in public information and I think this is something that should be done.

MR. ALEXANDER: Are there other questions from members of the Commission or the Advisory Committee? Mr. Nixon.

MR. NIXON: Of this $600 million that you make a statement that has been diverted over a period of 16 years, what portion of the highways that have been proposed would have been built out of that money.

DR. MC LEAN: I am sorry. With this competion

out here, I missed part of the question.

MR. NIXON: What proportion of the highways that have been proposed could have been built out of this $600 million?

DR. MC LEAN: I can't answer that except to say certainly a lot more than has been built, and again Mr. Haskins might be able to answer. I would like to make one point clear and I don't want to be misinterpreted here. I am not in favor of what you would call dedicated funds. I have never been. This is a personal matter now with me and I believe the founders of our new Constitution in 1947 were right in not having dedicated funds as such. Nevertheless there has been this tremendous diversion of funds away from the highway program and this is kind of - call it a moral commitment if you will to the highway users in the State. This money has been diverted and certainly you could have built, depending on time, circumstances, the cost, the living standard, an awful lot more miles. Now maybe Mr. Haskins has much more detail on this.

MR. HASKINS: Commissioner Palmer and Governor Hughes, both, have said we are one billion dollars short on the three billion dollar program.

DR. MC LEAN: This is looking ahead though to 1975.

MR. HASKINS: Of 821 miles of freeways, we have built maybe 60 or 70 miles. Now that almost $500 million which was diverted in the last eight years would have made up half of

that deficit. The other $100 million probably was diverted during Governor Driscoll's last four years.

DR. MC LEAN: Again I would like to add one thing. I admire Governor Hughes very much and one reason I admire him is the fact he came into office, I believe, with not only an open mind, but without the kind of limitations that may have hampered previous governors. I mean by previous governors, Governor Driscoll and Governor Meyner. These were restrictions that were forced upon them, let's say. But I do believe Governor Hughes is in a position really to offer fiscal leadership to the State and yet it is a very serious kind of leadership that we all realize. I am not here to advocate a tax as such. Nevertheless I think we have to take this inventory of State needs, what we need for highways and for other purposes. Then based upon that, determine whether or not the State will have to embark upon a new kind of fiscal program to support that program.

MR. NIXON: Could I ask one more question, please? I understand from listening to you you don't come out with any recommendation for any broad base tax.

DR. MC LEAN: We have not as such, no. I had a meeting with our Executive Committee this week and we felt it was not within the realm of our prerogatives really to say we are going to have to have a sales tax or income tax or something else. But we thought our position for the sake of this particular meeting and for the benefit of this Commission was that we should say that we do think we need more money for highways and that we need something of this

magnitude that we are talking about here.

MR. ALEXANDER: Another question - this time from Mrs. Clark.

MRS. CLARK: I was just wondering how much per year your Association thinks we should be spending in addition to what we are spending and still be fairly efficient.

DR. MC LEAN: Well, it's roughly in the magnitude of $100 million additional money. Isn't that correct? Again I am checking with Jim here because he has done the research for us.

MR. HASKINS: Based on Commissioner Palmer's various statements - for the last four years he has said we have needed $60 to $70 million more. Then you add to that the requests of the counties and municipalities. They feel that theirs should be at least doubled. And after they are doubled, there will still be a lot less for the counties than a lot of other states give their counties. I think if you talk about "doubled," it could be defended with the requirements that Commissioner Palmer has stated and has in the budget.

MRS. CLARK: As I understand there would still be $17 million, and then adding 60 to 70 on to it ---

MR. HASKINS: Yes, but that is without the counties and that is just for the master plan, which is the three billion dollar plan which they are going to be one billion dollars short on. Then you have to add State aid to counties and municipalities to that.

MRS. CLARK: That's $17 million, I think.

MR. HASKINS: It would come to about $100 million.

DR. MC LEAN: That's it roughly. Seeing the magnitude, I don't want to sound precise because I don't think I should and I don't have all of the facts and figures here, but I think $100 million is roughly the magnitude we are talking about.

MR. ALEXANDER: Any other questions? Mr. Metzger.

MR. METZGER: Do I understand you to say that if the revenue from highway user taxes is not diverted to other purposes there will be sufficient funds for highway construction and improvements?

DR. MC LEAN: I think that would be one way of interpreting my remarks. But as I indicated earlier, I am not a devote or an advocate of what I would call dedicated funds as such. But I do say that if the State had had a fiscal program of the right magnitude, perhaps we could have devoted the right amount of money to highways.

MR. ALEXANDER: Dr. Ashby.

DR. ASHBY: Does the money to the counties and the cities go on a matching basis or how is that handled?

DR. MC LEAN: Well, on that one, I'll have to refer you to Jim again if I may.

MR. HASKINS: New Jersey was the first state to give state aid to counties in 1890 and it gradually got up to $9,155,000 and it stayed there since 1946. Yesterday one of the freeholders who is a member of the highway committee said back in '46 they got their $9 million and the counties had to spend about $2.5 million. Now they are still getting their $9 million and they are having to put up $16 million

more to build the highways that they are building now, which are not meeting the needs. In other words, it's loading the money that should be coming back from the state from the gas tax onto the local taxpayer. In one case, Sussex County, the road and bridge fund takes 42 per cent of the tax dollar and in the State as a whole, I believe it is around 12 per cent.

MR. ALEXANDER: Any further questions? Thank you, Dr. McLean. I believe Senator Dumont wants to ask you something.

SENATOR DUMONT: I didn't hear all your testimony, Dr. McLean, but you have, say, $100 million worth of highway needs. Now don't you think it is part of your responsibility as an organization to suggest or recommend how these needs can be met? I have been listening now for 11 years to the fact that it is the Legislature's responsibility and the Governor's to determine the financing in the State. But isn't it also the responsibility of responsible citizen groups to make some recommendations along those lines too to meet these needs?

DR. MC LEAN: Wayne, you are a wonderful guy and you have a good debating skill. I would still have to say though that reflecting the viewpoint of our executive committee, they did not feel that it was our responsibility to come in and advocate a particular tax or anything else. They did feel it was our first responsibility to indicate the magnitude in somewhat generalized terms - the magnitude of expenditures for highways.

Now, in turn it seems to me that your Commission

based upon the testimony of other groups will put all of this together and, if you feel that the needs for education, health, welfare, highways and other purposes that are worthwhile, that government is interested in, and frankly which I feel are very important and taxes are, I believe, part of the price we pay for civilization, etc., then it seems to me you are in a better position to indicate the magnitude of a tax if you need it. Obviously, we all agree that we have to economize where possible in this state to save money in terms of the operation of the state. After that though, if there are these demands and necessary expenditures to be made, then certainly as citizens we have to look at it in that light.

I am not trying to duck your question. I am merely reflecting the point of view of our executive committee, which feels as a highway group certainly that we need the money for highways and that the highway expenditures will be an investment to the economy of the state and in turn will help to support all of these other vital functions of government. But our committee did not feel it was their responsibility to come in and say you have to have this kind of a tax. Here I am reflecting not my personal views, but the viewpoint of our executive committee.

SENATOR DUMONT: I don't say that this is something where you have to make a specific recommendation. But I happen to know it is exactly the same suggestion that was made to your organization by Commissioner Palmer only a few weeks ago at a meeting that I helped to arrange for your

organization to meet with him. We are well aware, particularly those of us who serve down here, of the highway needs of the state. We are well aware of the fact that there has been no increase in the state aid to the counties. Since 1946 the amount has remained static in state aid. The point is this: If these needs are going to be met — and you know as well as I do that if we hadn't had this so-called diversion of highway user funds in the past, the people of New Jersey would be paying far more state taxes today than they are simply to have met the needs that we have been confronted with over the years. I am not trying to argue with you on this point, but I think it is a responsibility that your organization and the others are going to have to face up to, that's all.

DR. MC LEAN: Speaking now as an individual and not as a representative of this particular group, I think my own record is clear. I have been abused by the Newark News - and I see Dawes Thompson here - and by some other newspapers because years ago when I was a nice academic boy at Princeton I advocated a broad base tax. So I think you know where I stand personally. At the same time I do not have the responsibility at this point to advocate a state tax on behalf of any organization as such. I do think there is a stream of logic though in first propounding the needs for expenditures before you decide upon any kind of a tax or any kind of a fiscal program.

MR. ALEXANDER: Could I follow Senator Dumont's

line of questioning just one step further, Dr. McLean? I take it since your organization does not feel ---

DR. MC LEAN: When you say "your," Archie, it is not mine as a person.

MR. ALEXANDER: But you and certain others present happen to be officials of it. You feel that it is not incumbent upon "our" organization to recommend a specific tax and you rather hope like a few other people in the state that the State Tax Policy Commission will produce ---

DR. MC LEAN: I am not trying to pass the buck to the Tax Policy Commission.

MR. ALEXANDER: May I finish, please.

DR. MC LEAN: Go ahead, Archie.

MR. ALEXANDER: (Continuing) -- a rabbit out of the hat or perhaps something orthodox, all of which then you hope that the Legislature will accept, and you in effect say this is really somewhat delegated, this responsibility, to other people so our organization will not assume it. I just ask: Will you then, if we do find a rabbit in a hat or have to be more orthodox than that in order to meet these various needs including the ones "our" organization proposes - are you going to be content to back up the delegations that you have made and help those who will try to recommend a remedy?

DR. MC LEAN: Certainly as an individual I will and this being the Easter season I am still in favor of bunnies and rabbits and if you find one, I think it will be wonderful. I certainly as an individual, certainly will

back you up.

MR. ALEXANDER: Well, I appreciate your ---

DR. MC LEAN: I will go back to our executive committee and attempt to influence them, let's say, with all of the persuasiveness I might be able to bring to bear to back up this kind of a statement. This in turn though I think has to be based on a full kind of assessment of all of the needs of the state for education and everything else.

MR. ALEXANDER: Any further questions? Your expert desires to say something more. Will you permit that?

MR. HASKINS: I would like to point out to the Commission that twice in the last year before Dr. McLean came into the picture we asked Governor Meyner and then Governor Hughes to appoint a citizens study group which would plan the accelerated program and in that case would have come up with a recommendation on a financing program. But we have not had any action on that and I thought possibly maybe there would be a sub-committee appointed out of this one that would make a study and, if so, we would be glad to help any way we can.

MR. ALEXANDER: We appreciate that. Thank you. Any further questions? Thank you very much, Dr. McLean.

The next appearance will be on behalf of the New Jersey Junior Chamber of Commerce, Mr. Newton.

LEONARD F. NEWTON: I speak as the past president of the New Jersey Junior Chamber of Commerce and as a member of the Tax Committee of this organization.

The New Jersey Junior Chamber of Commerce is sometimes better known as the J.C's. and I would like to immediately point out it has no connection with any other organization of a similar name. This is sometimes misconstrued to be a junior membership in a chamber of commerce. This is a misfortunate name problem. I wanted to make it clear on what we are.

Basically, this organization is made up of young men between the ages of 21 and 36 whose basic objective is to develop responsible citizens of young men and in turn to develop the communities in the state and nation in which they reside.

During the past ten years this organization has grown from some 1500 members to over 7,000 members now in 156 communities in New Jersey.

Some eight months ago we undertood a study of the state fiscal situation because it came to our attention that there were apparently problems that were unresolved and had been unresolved for some time, and I will now speak to the findings of that particular investigation.

Incidentally, this was conducted by a 22-member committee, representatives of chapters throughout the state and state officers. The conclusions that I speak of were adopted at a recent state meeting in Somerville on February 24th.

The essence of this report is our belief that true tax reform through a broad base tax, collected by the state, primarily spent locally and primarily tied to reducing the

burden of the property tax is vital to solving New Jersey's financial problems. In short, this is a qualified endorsement of a broad base tax. To date we have not endorsed any specific tax, although an investigation has been launched to see whether we will endorse a specific tax and, if so, which one and what type.

It is the belief of our committee and our organization that taxes will and must continue to rise in New Jersey to merely meet and provide for the existing level of services. The major portion of any rise in taxes will obviously fall upon the property owner, making what we believe to be an existing unfair situation even worse.

The basic question to us in our organization is: What is the most equitable method for collecting the necessary revenues to meet necessary needs? The property tax, we believe, is not the only measure of ability to pay nor is it the best method of allocating the individual's share of the cost of government. We are concerned about the hand to mouth financing on the state level in the great State of New Jersey which has been taking place in recent years. It has resulted in a steady stream of crisis bond issues with their attendant high interest costs.

Basically, we feel that our contribution in this area of taxation is probably going to lie primarily in the following program which we have recently instituted, namely, a statewide information program to build public interest in fair and sound state and local taxation and a continuation of the study of the fiscal problems of New Jersey.

It seems to us that probably the inability of our government to come to grips firmly with this tax problem has been in part due to the fact that even the informed element of our citizenry knows very little about our state tax situation and the needs and that this group must be informed if we are going to have a sound solution of this problem.

We are well aware that there are many groups who advocate particular needs and particular taxes. However, it is our interest as a non-partisan organization, interested basically in the public welfare, first, and without reference to any particular organization or cause to try and stir up public interest in this matter so that the results of this Commission and the will of our Legislature can be put into effect within the framework of a public opinion climate that will accept such results.

I think that is the basic tenor of my statement. I would be happy to answer any questions.

MR. ALEXANDER: Are there any questions from members of the Commission or the Advisory Committee? (No response.) Thank you very much.

MR. NEWTON: I would like to say, if I may, in conclusion, we will look with great interest on the information that your Commission develops and we would like to have access to it as it is appropriate so that we may in turn disseminate it to our 156 chapters for the public information program which we hope to launch.

MR. ALEXANDER: Well, perhaps I might say in

answer to that, first of all the transcript of these public hearings will be made available and so far as our conclusions are concerned, I imagine they will be printed in a report and as much of the supporting data as we can get in a reasonable report will be with it. Does that pretty well satisfy what you had in mind?

MR. NEWTON: Yes, it would. Thank you.

MR. ALEXANDER: The next witness will be on behalf of the New Jersey Association of Township Committeemen, and here again I think we have a statement, and Mr. Sutphin will be the witness.

RAYMOND N. SUTPHIN: Mr. Chairman and members of the Commission: My name is Raymond N. Sutphin and I am the president of the New Jersey Association of Township Committeemen.

The 235 New Jersey townships are slightly more than one-half the total number of all municipalities in the State. They cover a large portion of the entire area of the State and a small portion of the population. Although there are a few townships with substantial populations, most township governments are small municipal governments faced with the problems of rapid growth in rural and suburban areas. It requires no elaborate statistical documentation to state the obvious fact that these small municipal governments in Townships are the ones most immediately concerned with the tax and financial problems of transition from rural to urban conditions as New Jersey establishes itself as the most urban of all states.

The New Jersey Association of Township Committeemen has been studying tax problems for several years now for the simple reason that it represents the very units of local government where tax change seems most urgent. All of the problems of farmers and new homeowners with property taxes are regular concerns of every Township Committee at its every meeting. All of the things which this Commission is hearing described in the course of this public hearing are regular fare for Township Committeemen who sit on the front firing line with a responsibility to provide local governmental services and levy the taxes to pay for them.

It was on June 30, 1958, that The New Jersey Association of Township Committeemen testified before the Senate Committee on Revision and Amendment of Laws that "New Jersey can no longer, in good conscience, postpone a broadening of its base for the relief of property taxpayers." At that time, this Association announced its willingness to work with members of the Legislature and with other organizations to develop a specific program of property tax replacement. By way of substituting tangible proposals for generalities, the Association had already adopted, in the preceding January, a three-part recommendation which it believed to be both practical and capable of legislative adoption. As stated at the 1958 Senate Committee hearing, that program appears as follows:

> Part 1 that New Jersey adopt a 6 per cent corporation net income tax early in the 1958 Legislative Session and use the proceeds to meet State and local needs as follows:
> State 2% tax
> Local 4% tax
>
> Part 2 Exempt household and farm personal property and business inventories from the general property tax with no loss in municipal revenue.
>
> Part 3 that the Legislature take necessary steps to place upon the ballot at the 1958 General election a question for voter approval of a general sales tax for support of expanded State aid to local school districts.

After the Ninth Report of the Commission on State Tax Policy was issued, our Association circularized all townships with a comparative summary of its recommendations and those of the Commission together with a request that each Township Committee consider both proposals and express itself on the following three questions:

1. Do you favor the proposal of the Association of Township Committeemen?

2. Would you modify the proposals in the light of the Tax Policy Commission Report?

3. If you would modify, how should this be done?

As might be expected, replies received from township committees covered a wide range of comment. It must be recognized that the Committeemen represent a cross section of the same attitudes and opinions now being heard by this Commission. It is significant, however, that replies received were weighted approximately two for one in favor of recommendations by the Association of Township Committeemen. The principal doubt expressed was related to the suggested sales tax referendum. There was general support for the sales tax proposal, but there was a feeling that a referendum was unnecessary. It was suggested that such a referendum would no doubt be adopted by the voters and that the referendum was only an expensive and time consuming way to accomplish what the Legislature could accomplish without it.

This Commission will require no memory prompting to recognize that the corporation income tax and personal property tax recommendations by the Association of Township Committeemen are very much like the Commission's Alternative 2 proposals of its Ninth Report. Our Association approved the principals contained in Alternative 2 and only regret that they were not adopted by the Legislature instead of the modification of Alternative 1 which became the ill-fated Chapter 51, Laws of 1960.

Again on March 2, 1960, the Association appeared at another legislative committee hearing and restated its earlier recommendations. At that time, the Association repeated its belief that the time was long overdue when New Jersey must seek to transfer some of its local tax load from general property to other tax bases. Two more years of property tax experience since that time have only intensified this belief and made action more imperative.

But something else has been added since 1960. Adoption of Chapter 51, Laws of 1960, threatened township assessors with an administrative duty which they were not fully prepared to perform. Whatever the merits of "book value" assessment for business and farm personal property may be, it is not a system which can be effectively applied by part-time local assessors who may have limited training in accounting procedures and limited access to the books of businesses operating in many municipalities. These problems were magnified by provisions of Chapter 51 requiring separation of business inventories between those taxable and those exempt. It is no accident that efforts to implement Chapter 51 generated sufficient apprehension to twice cause the postponement of its effective date.

The Association of Township Committeemen suggests that two postponements of Chapter 51 are reason enough to abandon it in favor of a different approach. The bald fact is that this new method for assessing tangible personal property has not attained sufficient support to encourage any promise that it can ever be satisfactorily placed into operation. Townships are reluctant to again incur the expense of preparing to administer an unpopular act only to have it postponed.

In the light of recent experience with Chapter 51, the Association of Township Committeemen wishes to take this opportunity to modify its original recommendations with respect to personal property. Instead of using the corporation tax to replace only the property tax upon business inventories, it now recommends that the replacement be extended to include all

personal property. We recommend that real estate be carefully defined in a way to clearly include attachments and fixtures which are in fact a part of the building. Some of these attachments and fixtures which are now classified as personal property would thus be assessed as part of the taxable real estate. All personal property which does not fall within this category would be exempted from taxation.

Application of a part of the corporation tax as a replacement for personal property taxes will involve a suitable formula for channeling the tax revenue back to municipalities. Our Association is making no proposals at this time. It is recognized, however, that no formula is likely to channel to each municipality exactly what it now collects from personal property taxes. We would hope that whatever formula is developed would be carefully tested to preclude any major unexpected tax adjustments and that adequate provision would be made for hardship cases.

In this connection, the Association would call your attention to the necessity for special treatment of telephone and telegraph companies. These companies pay substantial personal property taxes, but are not subject to the present New Jersey corporation tax. Replacement of all personal property taxes with increased corporation taxes implies adoption of some alternative tax to reach telephone and telegraph companies. It goes without saying that revenues derived from this alternative tax should also be channeled back to municipalities as a part of the personal property replacement.

The present distribution of public utility taxes among New Jersey municipalities is sometimes criticized as inequitable. Our Association has been aware of these charges and some of our members feel a new formula should be developed. However, some of our townships are large beneficiaries of the present distribution and I think this will explain why we have no recommendations on the subject. About all we can do is suggest that the time when

many local tax distributions are being changed would appear to be about as appropriate a time as is likely to arise for a reexamination of utility tax distributions.

No statement from an Association of Township Committeemen would be complete without some reference to the farm tax problem. Most of the farms of the State are within the jurisdiction of townships. Our Association is most sympathetic with the financial plight of our farmer taxpayers and we would like to take some of the property tax load off their backs. Consistent with the State policy of preserving open spaces while they are still open, we recommend legislation permitting local assessors to value farm real estate on the basis of its use as a farm. Chapter 51 contained such a provision, but this part of the Act now stands in the shadow of an adverse court ruling on the question of its constitutionality. If no other solution can be developed, we recommend a constitutional amendment to recognize the kind of farm real estate assessments contemplated when Chapter 51 was adopted.

School tax problems are especially accute in Townships. Because most of the "population explosion" we hear so much about is occurring in the townships, our township taxpayers are in the position of having to build new schools as fast as possible in order to keep up with the growth. In the present price structure, this means inflated capital costs added on top of the other costs of establishing new and expanded school facilities. It is against this background that we restate, with as much emphasis as we can muster, our recommendation of 1958 that New Jersey adopt a retail sales tax and use the revenues to provide a major increase in state financial aid to local schools. The urgency of this increased state aid leads us to abandon our previous recommendation that the sales tax be submitted to the voters for approval on referendum. We now recommend that such a program be adopted by the Legislature in sufficient time to make the increased state aid available during the next school year. We feel very confident that studies by our Commission will support this recommendation.

MR. ALEXANDER: Thank you, Mr. Sutphin. Are there questions of Mr. Sutphin? Senator Dumont.

SENATOR DUMONT: Mr. Sutphin, do you realize how much replacement is necessary if all the business personal property taxes are eliminated in New Jersey?

MR. SUTPHIN: I believe that it would be, including all of them, around $90 million, Senator?

SENATOR DUMONT: That's right. You have recommended here that the corporation net income tax be increased to 6 per cent. That isn't going to produce $90 million or anything even close to it. Where would you get the rest of your replacement?

MR. SUTPHIN: There must be, of course, an added tax on the telephone companies to replace that approximately $19 million, which they believe I pay, about one-fifth of our personal property tax.

SENATOR DUMONT: It so happens - and I am not saying that there is not a need for a revision of the public utility tax structure in New Jersey - but it so happens that they pay public utilities gross receipts and franchise taxes which other forms of business organizations do not pay.

MR. SUTPHIN: That's right.

SENATOR DUMONT: Now, what are you going to do about that, replace them or leave them and add something more?

MR. SUTPHIN: Our proposal formula is basically that we try to replace as much of this tax that is eliminated. One of the proposals here is to reappraise our present

personal property in the plants to include all of the major fixtures as a part of the real estate. I think that alone would have quite a bearing on it. There is a great portion of the now personal property that are permanent attachments to the structures which could be added to it. Actually we have no quarrel with industry and we feel that we want to do everything that we can to encourage industry to come into our state. We are actually on bended knee in our small townships trying to encourage industry to come in. We want to be on a comparative basis with our sister states to be able to say that we can accommodate them on the same level.

SENATOR DUMONT: Well, you recognize, of course, that if the tax base were broadened and a substantial portion of that revenue were used for replacement of personal property taxes, as it would have to be under these recommendations I think you make, that obviously the amount therefore available for state aid to the school districts by way of increase would be substantially curtailed, would it not?

MR. SUTPHIN: I agree with you on that. Our formula here is, of course, not complete. But our feeling and our expression actually lean on your thinking that we cannot eliminate too much of our present tax so that if we do use a broadened base tax, and probably a sales tax, too much of that revenue would have to be used to replace this here. I agree with you there. That is absolutely right.

SENATOR DUMONT: One more thing here: You talk about the assessment of farm land. I just want to mention

one thing for clarification. That decision of Judge Knight's in the Superior Court is now, as you know, on appeal to the New Jersey Supreme Court in the second Switz Case. We have a bill in, some of us in the Senate, that we have been holding at the specific request of the New Jersey Farm Bureau, which would change somewhat the language in regard to the assessment of farm land as it was written in Chapter 51 and we can pass this bill any time, but we have been holding it at the request of the Farm Bureau until a final ruling was made in the second Switz Case as to whether or not the ruling of Judge Knight would be upheld or overruled by the Supreme Court.

MR. SUTPHIN: We are very pleased to hear that.

SENATOR DUMONT: This did not take a constitutional amendment. As a matter of fact, if you have a constitutional amendment, you may well get into a very controversial field, namely that of whether you are going to have classification of land in respect to its use, which is not permitted, of course, today under the New Jersey Constitution. It can only be permitted by amending the Constitution.

MR. SUTPHIN: Very good. We are very glad to hear you say that. I think it probably will be a solution to the problem.

MR. ALEXANDER: Are there other questions? Mr. Margolin.

MR MARGOLIN: I think you will agree with me that the quality of assessment depends in the long run upon the quality of the personnel charged with administration.

In townships you will find most of the part-time assessors and most of the untrained assessors and most of the elected assessors. What has your organization done in the last few years to train assessors or to take them out of the political sphere of influence?

MR. SUTPHIN: On the local level I don't think that a great deal has been done, but a greater interest has been aroused to train assessors and many meetings have been held. I know they have been held down in Burlington in our county over in Mount Holly for the assessors' group and I think that advancement has been made on that level to increase the possibility of local assessors to do a much better job. Also we have more than once tried to increase the necessity of having the assessors paid on a more equitable basis where in some of the townships they get so little pay that actually the work that is needed from them is almost impossible for such a small amount of pay that they do get.

MR. MARGOLIN: Does your association favor elected assessors as such?

MR. SUTPHIN: Well, we haven't taken a stand on that. There has been discussion regarding having assessing on a regional basis, on a county basis, but they have not taken a stand on that situation.

MR. ALEXANDER: I have one question, Mr. Sutphin. Well, I would like to know whether your association has taken a position with respect to possible consolidation of townships or, if that is not desired, the furnishing of common services perhaps to more than one township.

MR. SUTPHIN: In what respect?

MR. ALEXANDER: Well, police or fire or whatever you might wish.

Then I would like to know whether you consider the legislation at the present time adequate to permit that kind of cooperation between townships if they don't wish to consolidate?

MR. SUTPHIN: Well, at the present time there has been discussion, of course, in regard to public health where they are recommending a regional basis rather than on a local basis. As far as the police, of course, fortunately in our own township we are large enough that we maintain our own. I know in a great many cases the State Police take an active part in the small municipalities. But to answer your question specifically as to our organization, we haven't taken a specific stand on that. It is probably something that we should consider and spend a little more time on.

MR. ALEXANDER: Well, knowing the proper respect for home rule there is in this state, I really was interested especially in whether if there were a desire to collaborate, does the law permit it?

MR. SUTPHIN: We are strongly for home rule and we certainly don't want to get away from that. In our township meetings and in our association meetings and in our legislative meetings the thought of maintaining our home rule is very prevalent. We do try to maintain that.

MR. ALEXANDER: Thank you very much.

The next appearance will be by Mr. Duetsch on behalf of the League of Suburban Municipalities of Essex County.

J O H N E. D U E T S C H: From the outset, I wish to express my sincere appreciation to the members of your Commission for permitting me to appear here today to discuss our local tax problems with special reference to the suburban communities of New Jersey. I am appearing here, today, as the President of the League of Suburban Municipalities of Essex County, an organization of sixteen municipalities with common problems, the most pressing of which is the burden of constant increasing real estate taxes which our residents must bear. Today, I would like to highlight several aspects of the inequities involving the real estate tax with which the Essex County suburban communities are faced.

A first problem area relates to rising county taxes that have now reached the confiscatory level. The staggering county tax bill has resulted from two factors. First of all, the present method of equalizing assessed valuations in our counties has shifted an unfair burden of taxes to the suburban community. The equalization formula is based on a school-aid formula recommended in the Seventh Report of the State Tax Policy Commission.

It does not seem reasonable to apply a formula, designed for the distribution of state-aid to local schools, for the distribution of County taxes. It should be noted that the state-aid formula for schools considers two factors, namely, the number of school children and the relative wealth of a community. In distributing county taxes, we believe that two factors should be considered, namely population and relative wealth. We suggest this approach because of the realities of the present distribution of County taxes. In Essex County, our largest city with fifty per cent or more of the total population receives ninety percent of the county services for the payment of thirty-three percent of the county tax burden. While we realize our social burdens and we are prepared to meet them, we cannot continue to accept the inequities of the present method of distributing county taxes.

Even a brief tour and a cursory viewing of the buildings and ratables of the largest municipality in Essex County and one of the suburban towns, such as the Township of Livingston, would indicate rather quickly that either the present system of equalizing assessments in the county or the methods of assessment used produce a result that is not readily comprehended. It is inconceivable to us in Livingston that the ratables of the largest municipality in the county are only eight times that of Livingston. It is equally inconceivable that Livingston, which has a population of 24,000 people as compared to Newark which has apopulation of 405,000 people should bear one-eighth of the county tax burden. The per capita county cost for Livingston is $60.50 and the per

capita cost for Newark is $28.81. This wide range in per capita tax cost indicates that the method presently used to distribute county taxes is inequitable.

In fairness to our counties, we must mention another obvious reason for the growing tax burden. In recent years, the State Legislature and the Governor have transferred governmental responsibilities from the State to the counties. The transfer has been made without providing adequate state funds to administer the new responsibilities. The result has been increasing county budgets and tax levies. A fairly recent transfer of the responsibility for administering the aid to Dependent Children Program to our counties has aggravated the financial problems for this level of government. It can be said that the state succeeded in shifting another tax responsibility from the state to the local level. In addition, it probably permitted the balancing of the State Budget without providing for new revenues. We agree with the County of Essex and other counties that the state should pay seventy-five percent of the state and local costs for administering the aid to Dependent Children and other Welfare Programs. This financial assistance is necessary and vital to easing the confiscatory level of county taxes in our local communities.

There has been pending before the State Legislative bodies a proposal to shift all of the welfare programs to the county and rem ove the same from the municipalities. If this is accomplished, once again there will be a shift of the burden of taxation which will affect seriously the suburban low density

populated municipalities. If the bill is passed and if inadequate funds are furnished to the county to administer this program, the county tax rate will once again be increased, probably substantially, to cover the additional cost. The impact on the suburban communities is quite severe in that they are in the process of undergoing, for the most part, rapid growth involving new streets, sanitary and storm sewers and other utility installations, building programs for new elementary schools and additions thereto, and in some cases new junior and senior high schools, not to mention the increase in personnel for both the municipalities and the school systems. As evidence of this fact, I attach hereto a copy of the article appearing in the Newark Evening News which indicates quite clearly that in the high density cities, the cost of government has had a very moderate increase in the period indicated, whereas the suburban municipalities have had fantastic increases in the cost of government during this very short period.

I just as an aside would like to point out in the article which appeared on April 22, if you take the cities in our county, you will find Newark with 19.1 per cent; Irvington with 21.5 per cent; Orange, 24.31 per cent. Now you get to the suburbs. You have Caldwell Township, 76.29 per cent; Cedar Grove, 70.56 per cent; Livingston, 55.53 per cent; North Caldwell, 88.73 per cent; Roseland, 64.06 per cent; West Caldwell, 70.31. You have a copy of the article which has been photostated so you can see just what has been happening in our suburbs.

A second problem relates to the growing number of public housing units that are tax exempt, but do submit payments to the local community in lieu of taxation. We believe public housing meets a need. We further believe the properties should be exempt from local taxes. On the other hand, however, we believe the economic value of public housing developments should be included in the county tax equalization tables for the purpose of distributing county taxes. County services are provided to public housing units and they should be a factor in distributing county taxes. Let us remember that the payments received by local

communities from Housing Authorities in lieu of taxation remain in the Local Treasury - no portion of this payment is made to the county government. In the past, we have tried to obtain corrective legislation, but our efforts have resulted in failure.

A third area of concern relates to the tax exempt status of property owned by the Port of New York Authority and similar agencies. In these cases, the local community again receives rental income from the Authority. The money remains with the city or town. Because of the tax-exempt status, the economic value of these properties are not considered in the county tax equalization tables. We respectfully submit that the economic value of this classification of property should be considered by County Boards of Taxation in distributing county taxes. Our efforts in obtaining legislation to oorrect this inequity have not been successful.

I have attached to this statement:

A. A copy of the resolution of the 10 Essex municipalities. This was prior to the formation of the League. Now we have 16 actual members in the League as formalized. This was passed by them in December 1959 and forwarded to the legislators.

B. A proposal to amend Section 54:3-47 of the Revised Statutes with an introductory statement. We prepared that bill and submitted it to our legislators for introduction. It never got out of the stage, I suppose, of the committee.

C. A series of copies of letters which the Township of Livingston has written to the Essex County Tax Board, starting in 1958 through 1961. They came from the mayors and they dealt with this equalization problem. I have not attempted to go into the details of those. I think the facts speak for themselves. They are redundant as you go through the years quite naturally, but there are facts and figures in there that I think will be of interest to you.

In dealing with the county tax problems, we uncovered substantial properties which were owned by the municipality and

the land leased to private interests and which were untaxed. The land, after the leasing, thereafter was improved by the lessee. These properties were not included on the tax rolls for purposes of county taxes, despite an earlier opinion of the Attorney General with respect to the same. Action has now been taken to correct the situation. Copies of letters from Robert H. Harp to the County Board of Taxation dated May 17, 1961, the acknowledgment thereof dated June 5, 1961 and the letter of the County Board dated September 6, 1961 to which is attached a copy of the Attorney General's opinion referred to therein are attached hereto. We understand that the ratables of this type are now included on the tax rolls for the county.

We respectfully request your Commission to consider the following recommendations:

1. A revised formula for distributing county taxes with consideration to two factors - population and relative wealth.

2. An increase in the State's payment for all welfare programs to a level of seventy-five percent of the state and local costs.

3. Inclusion of economic value of public housing units in tax equalization tables by County Boards of Taxation.

4. Inclusion of economic value of property owned by Port of New York Authority or similar agencies in tax equalization tables by County Boards of Taxation.

It is our sincere belief that the adoption of legislation to enact these recommendations will eliminate some of the tax inequities in our present taxing policies.

At the last monthly meeting of the League held at the Town Hall in Glen Ridge on April 12th, the member municipalities indicated almost unanimous sentiment to the effect that they are not necessarily in favor of a broad based tax and look upon the creation of the Commission with a certain suspicion that their

purpose is to provide the official impetus for a new broad based tax with the further suspicion that such broad based tax would provide additional revenues to the State for their programs with little or insignificant help to the municipalities to permit a real reduction in their real estate tax levies. The League is hopeful their fears above expressed will be without merit and that your study will be a comprehensive one that will cover all phases of taxation in the State, at all levels, with recommendations not limited to new sources of revenue to the State but to methods of providing the municipalities and counties with definite relief from the present harsh burdens which real estate owners must now bear and to methods of equitably distributing the taxes between the municipalities and people of the State.

Our local communities cannot continue to accept confiscatory levels of taxation. We need relief and we look for assistance from this Commission in this all important matter. Our League of Suburban Municipalities is most willing to cooperate with your commission in this matter.

(The enclosures to which Mr. Duetsch has referred can be found in the Appendix, Vol. IV, to this transcript.)

MR. ALEXANDER: Thank you, sir. May I comment right away on something that you said towards the end, that you felt that the member municipalities meeting in Glen Ridge on April 12th look upon the creation of the Commission with a certain suspicion that their purpose is to provide the official impetus for a new broad based tax. Were the people there present familiar with the fact that the State Tax Policy Commission has been in existence for at least 17 years?

MR. DUETSCH: I think so. They are referring to this particular hearing and the impetus toward a tax convention and that type of thing. The statement is not entirely correct. The reference was more to the proposal for a tax convention.

MR. ALEXANDER: Well, the two resolutions under which the Commission is now operating, of course, were passed by the Legislature. From time to time questions are referred to the Commission which existed before the questions were put to them and may exist a little longer.

I also am curious about the question of these relative costs which appeared in the Newark News. Did they give any effect to changes in population or in ratables? Apparently they just give the gross increase and not the per capita increase. I wondered whether you could tell us to what extent increase in suburban population and new houses and so forth might have contributed.

MR. DUETSCH: I am quite sure that that article is limited to cost of government for the period 1958 to the current 1962. It speaks of cost only. It encompasses not only the municipal cost of government; it also covers the county cost and it covers the school cost if they have a separate budget for that. So the total that they have there is limited to that statistic and they indicate substantial growth in the budgets to the extent of 88 per cent in one community over a period of four years. Now on a basis of per capita cost, I don't have any figures because this is not my article. I point it out to you simply because

it does give you some indication of what the suburban communities are suffering in the way of increased taxes upon their homes.

In Livingston we have 6500 residentes as compared to 1950 when there probably would have been about 2500. Our population in the last 10 years has grown from just under 10,000 to 23,000 plus, less than 500. So you can see the growth in the community with which I am familiar.

MR. ALEXANDER: Well, it would be interesting if your group would study also the possible relationship of the increase in population and the increase in value of the ratables. Certainly when you do get new population requiring more services, you are going to get an increase. I don't mean to say that I am in favor of an increase, period. But there may be reasons which may explain some of this difference between the two types of municipalities in your county.

May I ask one other question regarding the comparison between Livingston and Newark which appears on page 2 of your statement, which suggests, I think, that the assessments are not made at a common level, a common ratio of assessed to true value. My question is: Have you pursued any remedies that you may have in Livingston in the County Board or in the courts?

MR. DUETSCH: We have - and those letters will indicate - constantly protested before the County Tax Board. We find, however, that in order to accomplish or to prove a case which would indicate, for instance, that one municipality is not assessing at a proper level even though they may be

on a 50 per cent level, is extremely difficult and extremely expensive. I can only point out to you one of the things that we feel is responsible to a large degree for the difference between a suburban community and a city. First of all that I think that we have homes that turn over within a normal pace. With inflation the difference between the consideration that they had to pay for the property and what they are getting on its sale has risen so our tax equalization formula keeps bringing us below the 50 per cent level which we are supposed to be on. By the same token, when you go down to one of the larger cities, there is not that great a turnover and certainly not that great a turnover in the larger office buildings, the larger structures, the industry that they have there. And quite frequently the turnover is never reflected in a deed that goes to the register's office because it is corporate holding and the stock of the corporation is sold.

Now, we have only one example and this was in the papers a year or two ago which dealt with one of the large buildings in Newark. It was completed and let's just say - I don't remember the figures - it cost $5 million. If it were supposed to be assessed at half of that, 50 per cent, it would have been assessed at $2 1/2 million. It was not assessed at that figure. It was assessed at something lower. It wasn't, as a matter of fact, even picked up on the end of the year assessment program on completion of the building. That was corrected and ultimately the assessment was increased. But here again, the difference between the

suburb and the city is this, that they have an income approach to the valuation of property. You can build an apartment house. It cost $2 million. It should be assessed at $1 million and yet it may not be assessed for anything like that. It may only be assessed at half a million dollars for the simple reason, using income approach, vacancy allowance and the other things, it never gets up to half of the initial cost.

Now, in a suburb when a new house is built documentary stamps are put on the deed. This is an indication of price. If our assessor does not believe that this is a true indication of price, he will then make inquiries of the people involved. So in our township we will be assessing fairly close to 50 per cent of a new home that is purchased. Now two years later or three years later that home is sold. It is sold again with the documentary stamps on and it indicates the difference. So we have this difference on our sales constantly between the original price and the sale price in this inflationary economy which is reflected. This is not happening in the densely populated areas and furthermore a home owner can't have his property assessed on the basis of the income it produces. We, ourselves, do not go to the homeowner and say, "If this is rented, we will assess it on an income approach." It is based on the value of that house at that time in the market.

MR. ALEXANDER: But this persuasive argument of yours has not been used in fact or you don't feel it can be successful in the normal legal channels?

MR. DUETSCH: Mr. Alexander, I would say we might be successful, but we discussed this with a wealth of municipal attorneys who are members of this League. They just advised us that they didn't think we could do it without a great deal of expense and a long hard fight to establish our point. When we got all finished with it, they couldn't guarantee that we would be successful in the slightest degree.

MR. ALEXANDER: Are there other questions? Mr. Davis.

MR. DAVIS: Using these Newark News figures, Mr. Duetsch, of the $6.5 million of Livingston taxes in '62, how much is county government?

MR. DUETSCH: It runs about $1.5 million or thereabouts. This is the point I would like to emphasize: In our own township - and you see the amount we collect by way of taxes - 8 cents of our dollar are used for our police, our fire, our roads and all the other things. Another about 8 or 9 cents goes for the debt reserve required. I am eliminating that although it really comes in the municipal part of the budget. The county represents 26 or 27 cents of our tax dollar and our schools represent the balance.

MR. DAVIS: And how much of the increase in this past year of $2.3 million was in the county increase?

MR. DUETSCH: That I don't have at hand. If I had brought some of my other papers with me, I could tell you immediately.

MR. DAVIS: I think it was 5 per cent.

MR. DUETSCH: It was higher because I remember that our rate is actually less than what we anticipated because the county budget did not come in at the figures that were originally evolved, for what reason I do not know.

MR. ALEXANDER: Any other questions?

SENATOR DUMONT: Just one.

MR. ALEXANDER: Senator Dumont.

SENATOR DUMONT: Mr. Duetsch, the second recommendation you make about the state's paying 75 per cent of the cost of the welfare programs, there is a bill in the Legislature right now, I think, that would do that. I don't know what its chances of success are, but I am pretty sure there is such a piece of legislation in.

MR. DUETSCH: I understand so, Senator, and I do hope that some action is taken because you have other legislation pending or has been pending or introduced in the past that would seek to pass along the same type of burdens to the counties and I think our cost in the county as a result of the Aid to Dependent Children the first year was 4 to 5 million dollars additional in the county. I don't know that that figure is accurate, but that is my best memory.

MR. ALEXANDER: May I ask: Do you have a proposal for where the state gets the revenue for that additional share of that welfare program?

MR. DUETSCH: No, I do not have any proposal. My own personal feeling is that if we do have a broad base tax, I would not be greatly unhappy provided that the

revenues received are used to reduce the tax burden because this seems to be the very theory upon which it is being proposed most of the time. I know the state needs a great deal of revenue and there is a great demand by all segments of the state for additional revenue. There is, of course, the problem of this constantly increasing real estate tax. So if you are going to have a broad base tax, whatever form it is, and this money does not filter down to the municipalities to give relief here and there is some guarantee of that, you can have an erosion in the same way that we have had it over the last few years where these programs are passed back to the county and the county picks them up and the real estate bill becomes larger, not only from their own municipal purpose but from the county purpose as well.

MR. ALEXANDER: Are there any other questions? Thank you very much.

MR. DUETSCH: Thank you, sir, and I thank all the Commission members for their time. I appreciate it.

MR. ALEXANDER: The New Jersey Welfare Council.

MRS. MILDRED MAHNCKE: My name is Mildred Mahncke. I am appearing instead of Mrs. Hoffman whose children woke up with chicken pox this morning. I am secretary of the New Jersey Welfare Council and a member of the Legislation Commission there.

I will read Mrs. Hoffman's statement.

I am appearing on behalf of the New Jersey Welfare Council, a statewide voluntary association founded in 1901, which works for the improvement of health and welfare services in this State. The Council represents over 200 member welfare groups operating within the State and more than 800 individual public-spirited citizens concerned with the interchange and coordination of information necessary to the betterment of health and welfare programs in New Jersey.

We are keenly aware that all programs of welfare and all policy and philosophy in servicing the needs of individuals within the State of New Jersey are always defined and delimited in the final analysis by the sums of money available. As our urban life has grown more complicated it has become impossible for the volunteer welfare agency supported by private fund drives to fulfill its once-traditional role in American life. Over the last 40 years provision of essential welfare services has become ever-increasingly the State's responsibility.

We are appearing today to discuss the welfare needs of New Jersey citizens, needs that can only be resolved by significant increases in the amount of State funds made available. We urge that the State Tax Policy Commission, in estimating New Jersey's requirements for future tax revenues, recognize and provide conscientiously for the State's responsibility toward its citizens who -- although most in need of our concern -- can speak least forcefully for themselves.

There are currently several programs of great significance awaiting full consideration and passage by the New Jersey legislature. These programs will entail a sizeable increase in welfare appropriations during the next decade. Among these are:

Mental Health Act. The State's archaic laws should be brought into conformity with modern concepts of the nature of mental health problems. The Mental Health Act (Bills A647, A648 and A649, introduced into the 1961 Legislative session) embodies the recommendations of the Legislative Commission on Mental Health, based on an extensive four-year study. The primary intent of this Act is to provide for care of the mentally ill and mentally retarded on a medical rather than a judicial basis. These bills were passed unanimously by the Assembly and advanced to second reading in the Senate. They failed of final passage because, although resultant increases in total program cost would be minor, concern was felt by the counties that they could no longer maintain their 50% share of the county-patient cost. The Freeholders have requested that the sharing of cost be reduced to 25% for the counties, and increased to 75% for the State.

Community Mental Health Clinics. Under the Community Mental Health Services Act of 1957 local out-patient clinics, aimed at both prevention and treatment of mental health problems, have been encouraged. The State shares in this program by reimbursing 50% of the total cost in each county up to a maximum annual payment of 20¢ per county resident. Present Senate Bill S-216 raises this maximum to 25¢ and would make possible a proportionate growth in the program's effectiveness.

Public Medical Care. S12, A27 and A353, bills now pending in the New Jersey Assembly, provide for medical assistance to the aged. This legislation is necessary in order for the State to qualify for Federal matching grants, provided by the 1960 amendments to Title I of the Federal Social Security Act, commonly referred to as the Kerr-Mills Bill. These bills again involve the thorny question of State-county sharing of costs. The bills specify a 50-50 sharing formula and are being opposed by the Freeholders who want the formula changed to 75-25%. The bill, a first step in the assumption of state aid to the medically indigent, will obviously require a

large sum of money to administer. We can further anticipate that State funds for medical health care will only increase as the proportion of the aged in the general population constantly rises. Without new sources of revenue it will be impossible to fulfill this critical and growing need.

Beyond pending legislation, there are recently enacted statutes focusing on accepted concepts that have failed of fulfillment because of lack of funds.

We are disturbed that the Beadleston Act of 1959, providing for special teaching aid to emotionally disturbed children so that their education can be integrated with the public schools' program, is now a law, yet is not being properly implemented for lack of State funds. The need for such legislation was well documented and is not necessary to detail at this time. However, it is important to observe how a sound social policy of services, worked into law, is crippled in its meaning solely because of lack of funds.

Another example is the recently enacted legislation creating a Youth Division in the Department of State of our State Government, intended to coordinate research and planning for the total needs of our State's children. Again, this important function, recognized and passed by law, is restricted at present by a total lack of funds.

The unmet current financial needs of our State institutions are well known. The State in 1961 enacted a bond referendum for institutional building, because the need was so critical. The moneys thus available only solve the most pressing and urgent building needs. If adequate funds had been available, this referendum would not have been such a dire necessity.

Substantial sums of additional money are needed each year for building and maintenance needs if we are to adequately meet our responsibility. The sheer weight of numbers, the result of population explosion and its concomitant problems, indicates that all our institutions will need expansion. This should be budgeted for on an annual basis.

At our Annual Legislative Conference held on April 3, 1962, Freeholder McKenna, representing the New Jersey Association of Chosen Freeholders, spoke on the question of State-county sharing of costs, urging that "the matching formula in all four categorical assistance programs [be changed] to a more equitable 75% from State funds and 25% from county funds." In reply, Mr. Engelman, Director of the Division of Welfare, Department of Institutions and Agencies, stated that, if the State-county sharing formula were changed to 75-25, then an additional 17 to 20 million dollars would be required annually for the State's support of presently existing welfare programs. We believe the Association of New Jersey Freeholders bases its position on the assumption that the money for such valuable services must come from additional sources, other than the already overburdened property owner.

In our testimony we have referred only to needs. We refer you to the Department of Institutions and Agencies for the specific figures the State Tax Policy Commission will need in order to project the rate of expenditure and necessary revenue. Our purpose in appearing here today has been solely to discuss avenues of welfare needs that require funds, so that your final report will reflect the welfare needs of our State.

MR. ALEXANDER: Thank you. Are there any questions? I was going to ask you about the price tag, but I see you have referred it to the Department of Institutions and Agencies.

MRS. MAHNCKE: Yes. We should have to do that and perhaps I should make clear that in the light of testimony that is here given, the New Jersey Welfare Council is not prepared to because it is not an organization which is concerned with state taxation primarily. We are concerned that the total sums of money available in the state and designated for welfare purposes be adequate for the needs of the citizens who are dependent on what the Legislature does. Thank you.

MR. ALEXANDER: Could I ask you one other question: In 1958 a special commission was set up by the Governor with regard to the Department of Institutions and Agencies and it made a recommendation regarding the sharing of welfare costs between the state and the counties and at that time Mr. Engelman whom you referred to here estimated the net effect as between municipalities, counties, and state of putting all four categorical welfare programs on a 50-50 basis and his estimate was that there were only two communities in the state which would have a larger share, counting their share of county taxes, to pay if everything were put on a 50-50 basis. Now the proposal is 75-25?

MRS. MAHNCKE: Yes. This is the proposal of the freeholders that it be put on a 75-25 basis and to this

Mr. Engelman replied that it would cost an additional $17 to $20 million if the programs were in no way expanded, that is, activated on their present basis.

MR. ALEXANDER: Are there other questions? Thank you very much indeed.

The New Jersey Taxpayers' Association, Mr. Tillinghast.

C A R L T O N W. T I L L I N G H A S T: Gentlemen of the Commission and the Advisory Committee: My name is Carlton Tillinghast. I am the Executive Director of the New Jersey Taxpayers Association.

The official notice of today's hearing confines the field of inquiry to two legislative resolutions. The first of these, adopted in 1961, relates to state financial assistance to the public schools. The second, adopted in 1962, broadens the field to include a comprehensive re-examination of state and local tax structure and tax resources. The objective of the 1962 resolution is an equitable distribution of costs among the state and its political subdivisions and among the taxpayers - both residential and business.

The official notice does not indicate any legislative mandate to examine the question of need. Notwithstanding this fact, public clamor for tax revision and increase offers some background for the legislative resolutions and prompts questions which the New Jersey Taxpayers Association raised three years ago in its publication "New Taxation for New Jersey - How Much and For What?". At that time the Association

asked the purpose for which tax revision or new taxation was being proposed. Was it:

-- To reduce or relieve local real property taxation?
-- To permit elimination or replacement of personal property taxation?
-- To expand state aid to local jurisdiction?
-- To finance increases in the regular state budget?
-- To provide more orderly financing of necessary state capital outlays?
-- To institute radically expanded or entirely new state functions and services?

Relief of Property Taxes

Among these purposes one of the most insistent has been property tax relief. More than any other general tax, this tax is the most directly and regularly felt by the taxpayer. Furthermore, this direct impact is felt at critical points in the economic and social structure, particularly:

- In growing municipalities where new services and schools are being established.
- In older cities where the exodus of residential and business taxpayers has thrown a heavier burden on remaining taxpayers.
- In large numbers of businesses whose real property is assessed at substantially higher ratios than non-business property.
- In railroad operations, where heavy assessments and taxation in New Jersey, coupled with difficult economic circumstances, endanger the continuation of vital rail transportation services.
- In the enlarging group of retired homeowners living on fixed incomes.
- In farm areas where higher land values have not been matched by higher farm income.

Further magnifying the problem of rising property taxes is the uncertain effect of uniformly applied assessments at much higher ratios of assessed to true value than have prevailed heretofore. This foreshadows a shifting of real property burdens and a substantial and presumably harmful increase in personal property taxation.

Pressure at the State Level

At the state level the problems of finance, and hence taxation, are also acute. On previous occasions, the New Jersey Taxpayers Association has called attention to the State's deteriorating fiscal condition and the mounting expenditure pressures for current operations, capital purposes and state aid.

These pressures may be classified as follows:

1. A large number of more or less specific demands for new expenditure programs, advocated by special interest groups and others.
2. A variety of new or increased expenditure requirements resulting from legislation already enacted and construction and other programs already begun or approved.
3. Normal expenditure escalation under existing legislation and programs.

The Total Impact

When all of these pressures -- both state and local -- are assembled, a mere cursory review will indicate the utter impossibility of financing them through any reasonable tax program. The total cost would constitute an altogether unthinkable threat to the economic wellbeing of the state.

Approaching the Issue

The commission's assignment would be difficult enough if the amount of money necessary to be raised by taxation were known at the outset. The Commission could then determine and recommend a tax program to produce that amount of money, which at the same time could be equitably apportioned and meet the other requirements of a sound and efficient tax system. Unfortunately, no such total figure is established. Instead, the questions of tax policy confronting the Commission are prompted by spending pressures which, before sound conclusions can be reached, must be examined, their costs estimated, their relative priority determined and large unavoidable expenditures planned over a period of years. Not until these steps have been taken will it be possible to establish realistically the tax requirements of a particular year. Although conclusions of this nature affect tax policy, they are outside the Commission's legislative mandate. They fall instead in the field of executive and legislative determination.

The 1962 resolution opens a still further issue, namely, that of determining "a fair and equitable distribution of the costs of governmental services between the State and its political subdivisions". The many diverse and complex problems in this area, of which school aid is but one, are not susceptible of either easy or quick solution, for they involve interrelationships throughout the whole field of state and local government. The Commission can perform valuable service by defining the specific relationships that result in fiscal hardship and offering recommendations of at least the initial steps that should be taken toward improvement.

Growth and Pressure

In general, expenditure programs result from growth and progress; that is, (1) the increase and movement of population, (2) technological progress and (3) economic growth. However, over the past decade, state and local taxes in New Jersey have already increased $5\frac{1}{3}$ times as fast as population and $1\frac{1}{3}$ times as fast as personal income. Thus the effort to resolve the current fiscal dilemma begins when state and local taxes are already at a relatively high level--to say nothing of Federal taxes.

To the public at large the pressures for new spending are not always apparent. Those advocated by well-organized special interest groups in time become quite apparent to the public. Meantime, less publicized pressures frequently remain obscure to the public view--without any lessening, however, of their impact on budgetary planning.

The following items, although not a complete list, are all exerting or promise to exert substantial pressure upon the state budget:

-- Multi-million dollar additional annual budget funds for state highway construction.

-- The demand for further expansion of the state's higher education facilities.

-- The annually increasing cost of the college scholarship program.

-- State participation in the proposed county college program.

-- Greater state school aid, including the proposed increase as well as sizeable annual escalation under the present program.

-- The increased cost to staff and operate the new state office buildings, college facilities and institutions now under construction.

-- Increased aid under existing welfare programs.

-- Proposed medical aid for aged and medically indigent persons.

-- Increased and new programs in various other fields such as health, beach erosion, etc.

-- Annual debt costs on the $40,000,000 bond issue for institutional construction and the $60,000,000 bond issue for "Green Acres".

-- The cost of developing additional recreational facilities in existing state owned open spaces and also on lands to be acquired with "Green Acres" funds, none of which is provided in the "Green Acres" funds.

This list is representative. Other items could be added. At the local level the pressures for additional spending are also great. They range over the whole field of local operations.

Obviously it is impossible to develop a tax program which reconciles these pressures on the one hand with the public welfare on the other, until some means has been developed by which the various expenditure proposals can be placed in a reasonable order of priority. This presupposes greater development of the processes for long term planning by means of which major expenditure increases can be anticipated for a number of years in advance.

This need is urgent at the state level, and particularly so in the field of capital improvements. On the latter phase of the subject, the New Jersey Taxpayers Association in March 1960 issued a report entitled "Controlling New Jersey's Capital Costs -- A Program to Improve the Planning of Capital Expenditures so as to Provide Needed Facilities, at Lower Cost". The findings of this report are still pertinent and its recommendations are commended to the attention of the Commission. (Copy appended to filed statement.)

State Budgeting

State budgeting today is well developed and follows sound budgetary practices except as to long range operations. To be sure, some capital outlays, averaging about 15% of the overall budget, have been handled through the budget on a pay-as-you-go basis. To an alarming extent, however, other items have been handled on a largely spasmodic basis with an increasing acceptance of a crisis psychology in meeting capital needs. Thus, in 8 of the last 13 years, the public has been asked to vote on 11 bond issues, not including the $285,000,000 Parkway bond question of 1952. As a result, the State's outstanding debt, which stood at $92,000,000 in 1952 will total $205,000,000 on July 1, 1962, not including $58,000,000 unissued bonds of the $100,000,000 authorized by the voters at the general election in 1961.

With better planning much of this borrowing could have been avoided, by spreading the necessary expenditures over a period of years with relatively modest annual outlays. Instead, letting capital expenditure needs accumulate until they become critical has had a corollary effect on tax policy, permitting questions in that field also to be deferred until an avalanche of expenditure demands forced consideration of the tax program. This has happened at a time when the State is now beginning to strengthen its capital planning processes. But if this planning is to contribute substantially to overcoming the State's fiscal problems it is necessary that it be carried all the way--to encompass not only the listing of needed items but

a positive and workable method for determining priorities, all leading toward maximum inclusion of needed expenditures in the annual budget in reasonably even amounts from year to year and with every reasonable avoidance of emergency borrowing.

The Broad Base Tax Issue

One version of the hearing now underway is that it is directed to the question of whether a new broad-base tax should be enacted. This question cannot be answered either clearly or safely until a proposed State expenditure program has been established. To do otherwise would be to acquire new tax funds, but then lay New Jersey open to a legislative "Donneybrook" to determine their use. Furthermore this question is not specified in the legislative mandate to the Commission.

Certainly the financing of any substantial part of the proposed and impending new expenditures would require new revenue. Some of this, no doubt, could come from the normal increase from existing tax sources. Beyond that, new taxation would be required. This raises a question to which New Jersey is particularly sensitive, namely, the State's competitive relationship to the other states and particularly the leading industrial states.

New Jersey's Competitive Position

In this connection there is often a tendency to cite New Jersey's comparatively low state expenditure and tax rankings as justification for new operating and state aid programs, overlooking the impact of combined state and local taxation on economic growth. According to the latest available data (1960), New Jersey ranks 18th from the top among the states in point of state and local taxes per capita.

The rank of neighboring and leading industrial states is as follows:

State	50 State Rank	Amount
N.Y.	1	$287.54
Calif.	2	278.18
Mass.	6	233.79
Mich.	14	216.79
Conn.	16	213.03
N.J.	18	206.90
Ill.	19	206.04
Md.	21	198.72
Del.	22	198.66
Ohio	30	184.73
Ind.	32	179.65
Pa.	37	173.09
Tex.	38	162.30

Regardless of governmental needs, the foregoing list makes it quite apparent that the resulting combined local-state tax effect on economic progress and the creation of job opportunities must be given equal if not greater attention, so as not to weaken New Jersey's competitive position among the industrial states. For instance, had a new broad base tax yielding $200,000,000 annually been imposed by New Jersey, as often advocated, the resulting increase in the State's per capita tax burden to some $240 would have raised the tax ranking to 4th place among the 50 states and to 3rd in the foregoing list. The effect this could have had on the State's economic growth is obvious.

The Personal Property Tax

In considering the State's competitive position, the personal property tax is of particular significance. It has long been common knowledge that this tax, most of which is levied on business, is grossly maladministered. This is attributable largely to (a) the very nature of personal property, (b) the structure of the assessment system and (c) the relationship which personal property taxation bears to the State's economic growth.

Major difficulty in assessing personal property stems from its variety. It includes business machinery and equipment, business inventories and farm stock and machinery. Within these classes are sub-classes and countless individual items. This whole troublesome area is administered by local assessors operating under conditions that make sound assessment utterly impracticable. Years of turmoil and inequity have borne this out, as has the failure thus far to solve the problems with a new comprehensive assessment law. Clearly, under existing administrative conditions, personal property taxation in New Jersey is unworkable.

Added to these difficulties, moreover, is that imposed by the relationship which personal property taxation bears to the State's economic growth. Since taxation is one of the important elements in determining whether each store on Main Street can operate profitably, or whether the individual industry can stay in business, the assessment of personal property can easily become the element which tips the scales for or against the creation of job opportunities.

Will Revision Achieve Its Purpose?

Whether it be state taxes or local property taxes, it is certain that taxes cannot be reduced or taxpayers "relieved"--at least more than temporarily--as long as expenditures move up faster than the population and economy that support such taxes. Until expenditure growth is controlled, the odds are for additional tax burdens rather than for successful tax "shifts", "offsets" or "reductions". Thus tax revision or new taxation for whatever purpose introduces the problem of assuring that it accomplishes its objective. Witness recent Michigan experience:

Voters of that state approved in 1960 a one-cent increase in their sales and use tax, to eliminate a $64 million state budget deficit and provide additional operating funds. The program became effective in January 1961. Now after one year's experience, a $95 million general deficit is in prospect at the end of the fiscal year in June. Although the new tax program will raise an estimated $102 million on a net revenue basis in its first 18 months, total additional expenditures have increased by $131 million. As a result, the accumulated deficit will not be eliminated but instead will be increased by about $30 million.

Operating at a Deficit

Returning to our own state, from fiscal 1956 to 1961, while levying several tax increases and experiencing a continuous upward trend in its tax take, New Jersey was nevertheless operating at a deficit. The budgetary difference was made up by exhausting most of the $52,000,000 surplus existing at the beginning of 1956. Some capital needs were met with bond issues. Others were left unmet. Meanwhile the enactment of legislation to increase future annual costs by still more millions of dollars continued apace. At the same time, rising local government costs were accompanied by rising local taxes producing mounting demands for more state aid. It was only a question of time when these conflicting pressures would produce the demand for an overall review of both the expenditure demands and the tax requirements.

Improvement of State Fiscal Planning

Now that this point has been reached, it is our hope that the Commission will submit recommendations designed to overcome a condition which contributed in a major way to the present dilemma, namely, the failure to project state needs systematically on a long term basis, and to review and up-date them year by year and to plan the expenditures accordingly. This implies a number of steps on the part of both the executive and legislative branches aimed directly at integrating operating and capital planning on the one hand with fiscal planning on the other. Toward this end the following steps are suggested:

(a) Amend the rules of the Legislature to conform with the "fiscal note" legislation (Chapter 27, Laws of 1962) recently enacted, so as to require a statement on legislative bills indicating the estimated cost of carrying provisions into execution.

(b) Institute as a regular annual procedure comprehensive budget studies projected several years ahead to estimate total future costs under existing programs, including state aid and debt service as well as operations, updating these studies each year.

(c) In particular, project the cost of staffing, operating and maintaining the new capital facilities now under construction, authorized or officially proposed.

(d) Strengthen budgetary facilities for maximum control over the establishment of new positions.

(e) Strengthen the study of organization and methods by establishing within the budget office a centralized force constantly probing into departmental operations, with its findings brought to bear on budget planning.

Recommendations

In conclusion the following recommendations are submitted:

1. That the Commission's report and recommendations be planned in such a manner as to give every possible encouragement to the installation of the procedures for the improvement of the State's fiscal planning (as outlined above):
   a. As a necessary step in any solution of the State's present fiscal dilemma, and
   b. As a means of avoiding a repetition thereof.
2. That any recommendations for the revision of the tax structure to finance the state government be coupled with recommendations for re-examination of established expenditure programs with a view to achieving all possible economies therein.
3. That any recommendations for revision of the tax structure be directed not only toward achieving equity throughout the tax system as a whole, but toward developing tax consciousness as well on the part of the entire taxpaying public, so that everyone may share the incentive for governmental economy at both the state and local level.
4. That, in any evaluation of needs, the relief of real property taxation, the replacement of unworkable forms of personal property taxation, and the provision of funds to finance necessary existing services and necessary future capital needs of state government be given precedence over proposals for new state expenditure programs, regardless of pressures for the latter.
5. That any recommendations intended to relieve the burden upon property taxpayers be coupled with specific provisions to insure that the relief will be real.

MR. ALEXANDER: Thank you very much, Mr. Tillinghast. Are there questions from members of the Commission or the Advisory Committee?

I should like to ask one, please: Does the Taxpayers Association have an opinion as to whether the present formula of funds for state aid to public school systems is valid, sound sufficient?

MR. TILLINGHAST: When the original report was issued some years ago on the subject of State School Aid, the Taxpayers Association came out very forthrightly in opposition to that report as representing an unsound distribution. The subject was then referred to the Tax Policy Commission for study and it rendered its report. The Association found its report sound and did nothing with respect to our opposing the bill for state aid and let it go through. We felt that the distribution program was a reasonably sound program that was presented by the Tax Policy Commission.

MR. ALEXANDER: But does the Association consider that that present method of determining state aid to local school districts is valid as of now?

MR. TILLINGHAST: With all of the pressures on our program, our operating program, we have carried our studies no further in that field specifically at the present time.

MR. ALEXANDER: That, of course, being the first question that was referred to the Tax Policy Commission by the 1961 joint resolution.

MR. TILLINGHAST: That's right.

MR. ALEXANDER: Just assuming for the moment that the Commission came to the conclusion that the present formula is not adequate, that it ought to be increased or the method of allocation changed, if that would require additional payment from the state, it seems to me that it automatically opens up the question for this Commission to consider - What are the future costs of services, present services, and what are the estimated future revenues from existing taxes? - if there is going to be added to the expenditures something additional for state school aid. So I don't see how, if we should reach that conclusion about the state aid formula, we can avoid considering other features. I agree with you that we should do anything in the way of recommendations to be constructive to prevent unnecessary expenditure and to increase the efficiency. Of course, we very well realize that whatever we report, it is up to the Legislature to make disposition of it or the people, as the case may be. I am a little bothered by some of the implications with respect to what you feel our mandate is.

MR. TILLINGHAST: The mandate is very clearly, as we read it, confined to re-examine the state and local tax structure and does not, as we read it, include the studies of need. Certainly, implied through the whole public discussion of this subject, need arises as a matter of course. It is bound to do that and we have tackled in our statement here a great many considerations with respect

to need. As to the needs in the area of schools, I would like to offer a couple of suggestions there having to do with statistics that have been used concerning the need. One of those statistics has to do with the number of substandard class rooms; the other has to do with the number of teachers holding substandard certificates. As to that statistic concerning class rooms, I would like to express the opinion that those statistics will be thoroughly unreliable any time as a basis for determining expenditure programs or tax policy or anything else until we have some idea of the turnover in those so-called substandard class rooms.

I have, for instance, in mind one school district which I know intimately which did a great deal of forward-looking planning. I would never expect planning to be much more in advance than this was and yet for a time there were substandard class rooms in use. In other words, the development is taking place so fast that a certain number of substandard class rooms, it seems to me, is thoroughly unavoidable. So simply to claim a gross figure for that and claim it year after year would seem to indicate that we are not getting anywhere. But how many of those class rooms that were substandard last year are still in use? If there are a great many of them still in use, then it is a subject for concern. But if there is a rapid turnover in there in which they are all pulling out quickly, that is quite another matter.

Now, over into the statistic concerning substandard teachers - the use of that to prove anything with respect to

expenditures and tax policy would seem to indicate that the criteria used are thoroughly sound and acceptable and there can be very reasonable question on that point, as to whether they are the best criteria. I think many people in this room possibly could cite instances of teachers who are known in their territories as being excellent, who may carry so-called substandard certificates because they haven't taken a particular course. So I would hope that the Commission would call for some qualitative examination of either of those statistics before making any really basic use of them.

MR. ALEXANDER: Thank you for those comments. I would just like to add as these hearings proceed and as the transcript of what different people have said becomes available, comment is obviously welcome on your part or anybody else's part on what other people have said. We just can't continue sitting indefinitely for answers, but we should like to have the answers and, among other things, we would be very interested in the Taxpayers Association's view on the current state aid formula.

Any other questions? Mrs. Clark.

MRS. CLARK: I conclude that you are thinking in terms of replacing much of the personal property tax. However, on page 8 you have stated: "Under the existing administrative conditions, personal property taxation in New Jersey is unworkable." Have you made any recommendations to improve the administrative conditions? Have you made a study or any recommendations?

MR. TILLINGHAST: We have worked in the field of property assessment almost continuously for a good many years. We have worked with various state officers and agencies that are interested in improving the assessment of property throughout. We have no recommendations, specific recommendations, to offer right here this morning on that subject. All that I can say is that our work in that field has been constructive right through, cooperating with the various state agencies.

MRS. CLARK: May I ask another question? From the previous speakers or one of the previous speakers, I gather it may become a question as to where the break will be between that personal property which may or may not be exempt. Do you have any recommendations along this line, that is, where machinery reaches an integral part of real property and should be included as real property and where it would be considered ---

MR. TILLINGHAST: That is a question to be determined in each particular instance and we know, of course, that the questions there are of particular difficulty many, many times, whether a piece of machinery that happens to be set on a cement base and tied into the floor, etc., is part of the building. It is a question that is going to have to be answered in each case. I don't think you could establish a general rule on that.

DR. ASHBY: Mr. Tillinghast, on page 7 in the last line, you say: "The effect that this could have had on the State's economic growth is obvious." I would assume it would follow from that then that New York and California and

Massachusetts are going backwards in an economic sense. Is there evidence to support this deduction or what would you offer in supporting that contention?

MR. TILLINGHAST: In support of the contention of this last sentence here?

DR. ASHBY: Yes.

MR. TILLINGHAST: I would say that the effort to bring industry into the state, to keep industry in the state, to have industry and commerce that are in the state develop and progress, is so intense that any time you move from the position of 18th in combined state and local taxes per capita up to the 4th place in state and local taxes combined per capita, that you would be laying yourself open to many, many business decisions which would be adverse to the economic welfare.

DR. ASHBY: But these figures are a combination of state and local expenses.

MR. TILLINGHAST: They are state and local taxes.

DR. ASHBY: So I could assume that New York and California are grabbing business out from this deduction.

MR. TILLINGHAST: We have made no particular study of New York and California, but certainly this list shows that on the subject of taxation alone, and not including all of the other considerations that go into the location of industry, New Jersey is in a favored position with respect to them.

DR. ASHBY: One more question: If an industry is locating in a state, what are the criteria that they set up

for their location?

MR. TILLINGHAST: There are many people in the room that can give that better than I, but they include such things as market, labor supply, the condition of the labor supply, the attitude of labor. They include nearness to raw materials. Taxation is not necessarily the major element many times, but I am told by experts in this field that after an industry decides to move taxation can become the very major item frequently in location.

MR. ALEXANDER: Mrs. Clark.

MRS. CLARK: I have another question on that. I assume that this $240 does not take into account any replacement of present taxes or probable check in rising taxes?

MR. TILLINGHAST: That is simply an addition of the effect of applying $200 million more to the 1960 figure. It is simply an arithmetic calculation.

MR. ALEXANDER: Any other questions?

SENATOR DUMONT: Mr. Tillinghast, on page 10, your fourth recommendation, I am not quite clear what you mean by relief of real property taxation, whether you mean reduction from the present levels of real property taxation or stabilization or levelling off of them in the future. But either way, plus the replacement of unworkable forms of personal property taxation, which I assume you mean by that includes both inventory and machinery and equipment taxes --

MR. TILLINGHAST: Yes.

SENATOR DUMONT: -- what is the proposal of your

organization as to how this replacement can be accomplished? It involves $90 million.

MR. TILLINGHAST: We have made no recommendations with respect to that replacement. This suggestion here, this recommendations, turns entirely on what the Tax Policy Commission, itself, may do. In any evaluation of needs that the Tax Policy Commission may make, we feel that it should give the relief of real property taxation and the replacement of unworkable forms of personal property and the provision of funds to finance necessary existing services priority over proposals for the new state expenditure programs. It does not involve any proposals on our part in the field of taxation.

SENATOR DUMONT: Then really what you are saying is that it is our decision in the final analysis to make and you haven't got any particular recommendation to make in that respect.

MR. TILLINGHAST: That's correct.

MR. ALEXANDER: Any further questions? Thank you very much.

We have either one or two more witnesses. Mr. Faulkner.

B. H. F A U L K N E R: My name is B. H. Faulkner, retired, former Commissioner of Montclair and Chairman of the Commission on Local Government, which developed the Municipal Optional Charter Law of 1950. Any and all views herein presented are strictly personal and unrelated to official positions of any organization with which I am presently associated, and I would like to underline that statement.

The mandates contained in Joint Resolution 6 of 1961 and the J R of 1962 refer primarily to the distribution of

governmental costs as between (a) the State and its political subdivisions and (b) as among residents and business of the State.

I plan to deal largely with the first of these divisions because of my interest in and knowledge of local government and for other reasons which will later become apparent.

Expenditures by local government (county and municipal) fall into three broad categories:

1. Those arising from responsibilities imposed by the State where administration thereof is retained by the State.

2. Those expenditures arising from joint responsibilities where administration and the costs thereof are shared.

3. Those arising from activities established at the option of the local governmental unit.

I realize that those are very broad classifications. There undoubtedly is some overlapping.

As to the first of these categories, the State has imposed these responsibilities without delegation of administrative authority and at the same time has imposed the cost burden on local property. This has been particularly true of impositions on the counties. The court system and its corollary penal and correctional institutions are a case in point. This policy of the State is in a sense taxation without representation. In all such instances administration and the costs thereof should be transferred to and assumed by the State.

As to the second category - that where administration and costs are shared - a study of the equitable distribution of both should be carefully reviewed. This applies not only to school aid but to all other such programs. In this connection I would strongly urge that the State assume the entire assessment function which is now shared. This transfer would permit the establishment of area assessing without regard to municipal and county boundaries, making possible better paid and more competent assessors with a degree of uniformity and equalization not now possible.

As to the third category - local services at local cost - there may be certain of these which may as time and circumstances indicate be deemed better assumed by the State. In any event the State should encourage - I might interpolate, the State possibly should demand - intercommunity and intercounty cooperation in the rendition of local services such as police and fire protection, tax collection, refuse collection and disposal, to name only a few of the more obvious.

It will become apparent that any action by the Legislature as here suggested in these three categories will result in reduction of local property taxes, a result which I think the Commission will find imperative. Due caution however must be exercised to make reasonably sure that such reductions are actually realized by the local property owner. To attain this objective, State supervision of local activities may be necessary in a degree far greater than at present.

It may be anticipated that there will be seen in these suggestions some departure from the ancient dogma of "Home Rule."

The fact is we are no longer rural but a highly industrialized complex with a great, if not the greatest, density of population of any of the fifty states. We sit in the center of a vast megopolis extending from the northern border of Massachusetts to the Carolinas. It is time that we recognize the part New Jersey plays on the eastern seaboard and the need for tightening and unifying our governmental procedures if we are to deal adequately with the problems of our fast growing urbanization.

Up to this point I have been referring to what I interpret as the first of the major mandates given this Commission. Now as to the second mandate, that dealing with the incidence of taxation on our residents and on the business industrial and commercial enterprises of the State.

It is interesting to note that the mandates given this Commission make no mention of State revenue requirements. The Legislature by implication has reserved to itself such a determination. The emphasis is on tax structure which connotes the techniques of tax imposition. If however the Commission interprets its mandates as to include a review of State revenue needs then I would respectfully suggest that this is a seemingly impossible task unless and until two major conditions are met:

a - The Legislature acts upon any suggestions which the Commission may make in reallocating the responsibilities and costs of government as between it and its political subdivisions and

b - The Legislature sets up an effective method of planning and projecting its capital and operating needs over a reasonable period into the future.

There is one additional condition which the Commission might suggest namely: that the Legislature eliminate the personal property tax on business. Personal property taxation has now largely been removed from the backs of our residents. Experience points to the impracticability of continuing it on business. Two years ago laws were enacted which sought to improve business personal property tax administration - for two years now the Legislature had delayed its operation largely because of the difficulties of administration and more importantly because of the danger of its adverse effect on the competitive position of New Jersey business vis a vis that of other states with the concomitant possible loss of job opportunities for our citizens.

If however the Commission should decide that the tax on business personalty should or must be continued, then I would strongly urge that it be assessed and collected by the State. How many illustrations we have (Teterboro is perhaps most outstanding) where industrial enterprises are located in communities which are largely industrial and where workers are located in nearby "bedroom" communities which do not have the taxing power on the industry which gives rise to their costs for schools and other municipal services.

In the light of the above conditions it would appear necessary that the Commission's report deal only with adjustment of intergovernmental activities and costs and the need for Legislative review of the State's revenue requirements. Thereafter would ensue further study and public hearings on the means for financing such needs. Thank you.

MR. ALEXANDER: Thank you, sir. May I ask you one question?

MR. FAULKNER: Indeed.

MR. ALEXANDER: Remembering as I do another commission of which you were chairman and some of the laws that resulted from its work - were you here this morning when Mr. Sutphin testified for the New Jersey Association of Township Committeemen?

MR. FAULKNER: Yes.

MR. ALEXANDER: Well, now, could you give us a model anywhere else in the United States for legislation which would give the best opportunity for this intercommunity and intercounty cooperation, the need for which you pointed out?

Is there any other state that has handled it satisfactorily in your opinion?

MR. FAULKNER: I am unfamiliar with it. I think New Jersey's situation may be somewhat different than others. Here we are a relatively small state in area, sitting in the midst of a very great metropolitan complex. It seems to me that the whole "Home Rule" question - in the first place I would like someone to define for me what "Home Rule" is - how much "Home Rule" do we have presently? The municipalities and counties of New Jersey are creatures of the State. We do not have constitutional home rule. Therefore, anything that the counties and the municipalities do is governed entirely by State procedure.

Now, there are a great many other states that do have constitutional home rule. We do not. Therefore, it seems to me in view of our situation in the eastern part of the United States, in view of the growing complexity of our State problems, that the home rule concept, such as it may be defined - and I think it would be very difficult to define it - must be modified in the interest of all the people in the State rather than for any particular community.

As I look at the northern New Jersey situation where the nine counties are a part of the great N.Y. metropolitan complex and our counties in the southwestern part of the State are a part of the Philadelphia complex, it is impossible for me to believe that any one particular community or any one particular county can by its veto power exercise the powers which are opposed to those which govern the area as a whole.

We must look ahead to the time when New Jersey's government must be unified. It must be centralized, although I dislike the word. But because of our particular situation on the eastern seaboard, it seems tome that we have to look ahead at least progressively toward more unification and unity in our whole governmental processes in New Jersey.

I cannot cite for you any particular state which has dealt specifically with this problem. It has been permissive. You remember only recently legislation was passed which would permit a group of municipalities to get together and acquire a common garbage dump. It is that sort of thing. When I think of 22 municipal fire and police departments in Essex County, it doesn't seem to me to add up. To what extent they should be concentrated in the county or whether or not the guidance should come from the State is something to determine in the future. We cannot go on indefinitely with the degree of so-called home rule which apparently is handed to 567 municipalities and 21 counties as we have presently. We have to look upon ourselves as a metropolitan community with the solution of metropolitan problems.

MR. METZGER: I know that the State of New York has such permissive legislation, Article XIV G of the Municipal Laws of the State of New York permits interlocal cooperation among the local communities.

MR. FAULKNER: If we do not have it here, we should have it.

MR. ALEXANDER: Any other questions? (No response.) Thank you very much, Mr. Faulkner.

Is Mr. Howley, councilman from South Amboy present? (No response.)

Well, there are no other witnesses to be heard. I have to read into the record two telegrams which we have received. Thereafter, we will be recessed until two o'clock.

First is a telegram from Harry F. Salomon, President of the Jersey City's Merchants Council: (Reading)

"Jersey City merchants wish to register strenuous opposition to any sales tax in this state for the following reasons: (1) A sales tax falls heaviest on those least able to pay, the consumers. (2) It would further reduce the buying power of the dollar, already hit by inflation. (3) It would wipe out the competitive advantage New Jersey's retailers now possess against the retailers of neighboring states. (4) It would substitute the easy out of new taxes for the more practical solution of reduction - unrealistic mountain of resentment against businessmen as 'tax collectors.' (6)" - Five seems to have been left out. "It is one of the most difficult to assess and to estimate accurately, leaving itself open to abuse and evasions. (7) So vast a new tax would require new administrative forces and expenses to collect. (8) Retailers of this state are already overburdened with taxes and restrictions. (9) Our great vacation and resort areas would be hit particularly hard by a sales tax. (10) It would actually result in broad-based reduction in the economic status of our citizens with consequent economic depreciation of our entire state."

The second telegram is from C. Paul Falcone, West Long Branch, President of the West Long Branch Democratic Club:

"Request that your committee consider recommending legislation to grant tax relief to municipalities which have lost tax ratables when no-profit educational institutions obtained improved properties. Monmouth College has acquired land valued at $185,000 and improvements valued at $3,600,000 in West Long Branch. At present tax rate that land would return approximately $5,000 and the improvement $100,000 in gross tax revenue to West Long Branch. The college now reimburses the borough with $9,500 per year. This college and other colleges are needed in our state, but it is not equitable for one municipality to bear the major portion of the burden. Use of these improved properties by commercial concerns for recreational or other profitable purposes would result in a gain of gross tax revenue to West Long Branch, but our higher educational facilities would suffer. Enactment is recommended of an equitable annual re-imbursement schedule by which the State compensates municipalities for the loss of existing ratables resulting by acquisition by non-profit school. Consideration could be given to the fact that loss of unimproved or vacant land is not as serious a loss in ratables as the loss of improvement ratables. Prompt action should encourage expansion or formation of desirable educational institutions and preclude action limiting their formation or expansion."

I am sorry. We have an additional witness, Mr. Edward T. Magee, 241 Union Street, Jersey City.

E D W A R D T. M A G E E: My name is Edward T. Magee and I live at 241 Union Street, in Jersey City.

I am appearing here as a private citizen and speak for no one but myself. I think I ought to say that for a long time I have been a school teacher in the Dickinson Public High School in Jersey City and this has given me an opportunity to become familiar with education, of course, and a student of educational finance.

I want to say to the Commission, if I may, that I am persuaded that a broad-base tax is not needed in New Jersey. I am opposed to the imposition of a broad-base tax because:

1. Education does not need additional large-scale state aid.

2. New taxes and new revenue will in my opinion not solve New Jersey's financial problems.

3. It would be unfair to people in urban communities, such as Jersey City.

4. It would be unfair to parents of children in private and parochial schools.

I should like to depart briefly from my prepared remarks by citing this publication which is put out by the Committee for School Support and which has done much, I feel, to popularize the notion in our state that a broad-base tax is necessary. This brochure went along with a film strip which makes the point that there are in our state people who do not pay their fair share of taxes and that the only way we can get them to live up to their responsibilities is

for the rest of us who do pay the taxes to ask our Legislature to impose a so-called broad base tax, a state sales or an income tax.

I maintain that this idea should bear a little investigation and I would say that this publication and this film strip is entitled, "Let George Help Do It," and the thesis here is that George, who is a mythical citizen who doesn't own the house he lives in or smoke cigarettes or drink liquor or bet on horses or drive an automobile or own one, doesn't pay taxes.

I maintain that that is not necessarily true, that a moment's investigation or speculation or thinking will convince any of us that even though we may not own the home we live in, if we rent it, part of our rent goes to paying property taxes. As far as people not smoking cigarettes or drinking or betting on horses, I believe too that most of us do one or more of those things and consequently contribute our share of the tax burden.

I would also like to invite your attention to page 6 of this publication which says that "schools will cost more over the next few years. The question is, why? Here is the answer: Inflation seems almost certain to continue. This is one of the reasons. While we have no rapid inflation such as we had right after World Ware II, we are still in a period of slow inflation. Each year our dollars are worth one or two cents less than they were the year before. This is not something we as individuals or even as a state can do anything about."

Now I can hardly believe that statement that we as individuals or a state cannot do anything about inflation because I have long believed that inflation on the part of the government results from the government spending more than it takes in in taxation.

In my prepared remarks I maintain that education does not need additional large-scale state aid. We are told that the $100 million increase in state school aid annually is necessary to "improve the quality of our schools and to lighten the burden of steadily rising local school taxes on property owners." This is from the statement on Assembly Bill 136 which was introduced last year and for a number of years past. But what of the fact that again this year our state ranks third in the nation in its per pupil expenditure, and its $528 average is exceeded only by New York's $615 and Alaska's $598? In other words, if our state is third from the top among the 50 in its per pupil expenditure, I maintain that that is evidence that we are doing a pretty good job in supporting education in our state. If we were down in the bottom half of in the bottom quarter, then certainly there would be a case for saying we are not spending enough. What about the fact that our state budget has increased six-fold since 1945, going from $80 million that year to next year's figure of one-half billion dollars, of which about 40 per cent goes for education? In other words, we have had a six-fold increase in our state budget in 16 short years. That is indeed incredible. During this same period, state aid to local school districts increased nearly 500 per cent,

while the pupil population increased only 94 per cent. The pupil population during these years did not double, but the state aid increased 500 per cent. These facts suggest that it is not more money that the public schools of our state need, but rather a return to the principles of true education. This is the position of Admiral Rickover who is a very serious critic of what is wrong with the public schools in our country.

As for the contention that a broad-base tax would relieve real estate taxes, experience tells us that such is wishful thinking. I cite a New York Times editorial called "Where Is the New Taxpayer?" which appeared February 23, 1960. The Times editorial reads: "So when our elected officials, lawmakers and educators propose to 'broaden the base' of taxation to support education, they are not really finding new people to tax who had somehow been escaping the collector. They are plucking the same goose, but in a new place.... If new, non-property taxes are imposed . . . the same people who are paying a real estate tax (everybody, that is) will be paying the new non-property taxes. The man who pays will still be the same old taxpayer."

Our state government would have more money in my humble opinion for education if it cut out some of the frills and nonsense.

As an example, I would cite a newspaper story which appeared in the Newark News on September 7, 1958, which tells about a split level house which was then erected on the campus of Montclair State College. This newspaper story is entitled "Tough Course." The caption under the split level

home, the residence, reads: "Dream House. This $66,000 home economics building is scheduled for completion at Montclair State College in January. Students will take turns housekeeping." And the reporter treats the subject with a tongue in cheek attitude by calling it a "tough course." When you look up the course description for Home Economics and ask what is it that the students learn there, you would find among other things they learn doing the laundry and cleaning the house. I just wonder if in this enlightened day and age, in this day when we are engaged in a life and death struggle with Russia,if we should be giving three credits for college work in such frivolous areas as this.

I would also cite to the Commission a story which appeared in the Newark Star Ledger on June 19, 1960, which is entitled "Many 'Needy' Students Live in Attractive Homes." It goes on to say that"some of the high school seniors who pleaded financial need and received a $1600 state scholarship come from homes with an outward look of prosperity. A spot check revealed that at least some of the 2252 students awarded the scholarships live in homes which would require a substantial income to maintain. The extent of this situation and how it came about can only be determined by a thorough inquiry which the state plans."

The second point in my remarks - new taxes and new revenue will not solve New Jersey's financial problems.

I think here, of course, I am something of a pessimist, but having lived a few years, it just seems to me that giving the government more money never solves the

problem because they are always back the next year looking for additional revenue.

Instead of solving New Jersey's financial problems, new taxes and additional revenue will only bring about the operation of what has been called Parkinson's Second Law, namely that expenses always rise to meet income. So it is with our sister state New York where they have the highest per pupil expenditure in the nation, $615 this year. They also have a state income tax in New York. But on March 25th last, we read in the Newark Sunday News that New York City, which incidentally has a sales tax, will have to have a city income tax within three years. But even that is not all. On February 1st last, the Board of Regents proposed that the Board of Education of New York City, Yonkers and four upstate cities be given "complete fiscal independence, with separate budget-making and taxing powers." In other words then, in New York you will have a municipal tax, a county tax, a state tax and a Federal tax and, of course, there will be this new entity, the local school district tax.

On February 28th there appeared in the New York Times a story which to my mind was the supreme irony, which began: "Governor Rockefeller urged the Legislature today to provide state subsidies so that low-income families could move into middle-income apartments, chiefly in New York City." It seems to me that this again illustrates Parkinson's Second Law.

I would also invite your consideration of Michigan, which like New Jersey is an industrial state with approximately

the same population. However, Michigan is far ahead of New Jersey on the tax and spend road. In 1948 its $471 million budget was about where our state is now. By 1959, however, Michigan's had risen to one billion, 91 million dollars. Incidentally, the tax which produced the greatest increase in revenue, the business receipts and corporation privilege taxes, rose from $8.5 million in 1948 to $108.6 million in 1959, an increase of 1,173 per cent.

And does Michigan have enough revenue today? I quote from a New York Times story of January 16th last: "At this point, (1962) however, the old problems like the Old State House remain: (This is a story on Michigan's financial plight.) the state has a deficit of more than $70 million... The rising cost of education and care of the mentally ill are expected to require new taxes... (Sounds like New Jersey.) Governor Swainson has warned the legislators against further procrastination in facing up to Michigan's fiscal problem. In a few days he is expected to recommend enactment of a flat-rate income tax..." On page 39 of "Michigan Fiscal Trends, Revised Edition 1948-1959," we read: "The major single tax in Michigan is the three per cent retail sales tax enacted in 1933 as a property relief measure." So here we had a sales tax put in 1933 to relieve homeowners. Now 29 years later they need in Michigan a flat-rate income tax.

A final comment on Michigan - it is from an article "What Is the Tax Climate Doing to Michigan?" by K. C. Tiffany, vice-president of the Burroughs Corporation:

> "I cannot agree with the thinking that further increase in State taxes will solve the State's

financial problems. In spite of enormous increases in both State and local taxes since 1948, we are again this year facing a deficit in the State general fund of about $30 million.

"In 1952 and again in 1953 the legislature appointed a legislative interim committee to study finances. This legislative committee appointed a citizens advisory group. Princeton surveys were engaged by the committee to study the Michigan tax picture. This study revealed that Michigan's problem was not insufficient taxes, but rather its State-aid policy.

"The Princeton survey study showed that the legislature had lost effective control over the financial policies of the State of Michigan."

Point number three: A broad-base tax would be unfair to people in urban communities in this State.

For instance, in the support of education, Hudson County had the highest per pupil expenditure in 1957-58 of all the 21 counties, $448. That same year a survey of the U. S. Office of Education showed that the people of Jersey City were the most generous of all the 91 biggest U. S. cities, having spent $445 per pupil.

But even this figure did not indicate the total effort of Jersey City people in support of education because only about 60 per cent of the community's children are in the public schools. 40 per cent are educated in private and parochial schools.

Yet the advocates of sales and income taxes say in effect that the people of Jersey City and Hudson County should be taxed further to support education in out-state communities, many of which spend only about half as much per pupil as we do.

Another unfair result of the broad-base tax would be to give tax monies raised in Hudson County to out-state

communities, thereby enabling these communities to keep their property taxes down. These lower property tax rates will then make these communities attractice sites for the relocation of Hudson industries and Hudson taxpayers will thus be financing their competitors.

I think it is also relevant to point out in this connection that Professor Raymond Vernon of Harvard University's School of Municipal Government, classified Newark, Jersey City, Paterson and Passaic as "dying cities" in 1959. How then can they give financial assistance to suburban and rural communities?

Point number four, a broad-base tax would be unfair to the parents of children in private and parochial schools.

When it is considered that about one-fourth of the children of our state attend Catholic schools and that therefore they would not receive any of the projected increase in education funds, it becomes apparent that the suggested legislation would discriminate against a sizeable group of children.

I think therefore that Catholics should object to the proposed new taxes on these grounds. Speaking as a Catholic, I think we ought to be guided by the position our bishops have taken with regard to Federal aid to education. The Catholic bishops are not asking for Federal aid to Catholic schools, but they maintain that if Federal aid is to be given generally, it would be unjust to exclude the 6,000,000 Catholic children.

Likewise, here in New Jersey, if we are to be taxed

further to provide another $100 million annually for education, our Catholic children should not be deprived of their fair share.

I would just like to conclude with the remark that I think as a private citizen that it is time that the government of New Jersey began to do what we taxpayers have to do in our private lives, namely, to live within its income. Thank you very much, gentlemen.

MR. ALEXANDER: Thank you, Mr. Magee. Senator Dumont has a question.

SENATOR DUMONT: Just one: Would you care to specify the frills and the nonsense which you charge the State government has been wasting the taxpayers' money upon?

MR. MAGEE: Well, I offer this idea of this course in Montclair State Teachers which I maintain is not a proper course for college credits. I have a picture here from the Newark News of October 11, 1959 - the Newark Sunday News - which shows two girls who are taking this course and the caption reads: "Gardening Chores." It says: "Maintaining the grounds around the house is a student responsibility too. In the photo are Rita Snook of Newton with a broom and Joan Woodman of Belleville who wields a rake."

Now Robert Linde who wrote a book called "Quackery in the Public Schools," in 1954 calls silly courses in teachers college intellectual leaf-raking. But here it seems to me that Montclair actually has a course in leaf-raking.

I know this is an extreme situation, Senator, and I don't wish to be thought of as a carping critic, but having

taught all my life in high school, I have seen many, many instances where there are frills and a waste of time on trivia in our school system.

MR. ALEXANDER: Any other questions? (No response.) Thank you very much, Mr. Magee.

We will have to reconvene at two o'clock.

(Recess for Lunch.)

AFTERNOON SESSION

MR. ALEXANDER: The first appearance this afternoon, at our request, is the Budget Director, Mr. Abram M. Vermeulen.

ABRAM M. VERMEULEN: The purpose of my appearing before your Committee today is to supply you with some facts indicating the trend of both revenues and expenditures in New Jersey over the 12 year period ending June 30, 1962.

In my opinion, these facts will supply you with foundation material on which forecasts for the future must be built.

First as to revenues - In the fiscal year ended June 30, 1951, revenues earned to support State appropriations equaled $180,900,000. In the fiscal year ended June 30, 1962, revenues are expected to be earned in the sum of $480,700,000, an increase of $300 million or 166%.

During this 12 year period the Legislature enacted certain revenue programs. For the 1955 fiscal year the Corporate Franchise Tax was increased from .008 mills to .02 mills. Motor Fuels Taxes were increased by 1¢ per gallon, and Racing Taxes were increased by a small percentage.

The total amount derived from this revenue program approximated $28 1/2 to $30 millions of dollars. This added yield made it possible to increase State Aid for Education.

In 1957 the Legislature enacted a revenue program by assessing an additional 2¢ per pack tax on cigarettes.

This yield made it possible to increase State Aid for Education for capital construction purposes in a like sum. It produced, during the first year, $12 million, and in each subsequent year, $16 million.

In 1959 the new 1 3/4% Corporate Income Tax became effective. It produced, roughly, $20 million in that year and is producing at the present time approximately $30 million, annually.

Also during that year an additional 1¢ tax on gasoline went into effect. That increase is presently producing approximately $20 million, annually.

In 1961 the Cigarette Tax was increased by an additional 1¢. In 1962 the Motor Fuels Tax was increased by an additional penny. Another cent was added to the Cigarette Tax, and the Emergency Transportation Tax was enacted, which is expected to produce annually the sum of $6 million.

Therefore, over the 12 year period revenue programs have been enacted which will raise, roughly, $144 million more in 1962 than was raised in 1951. In addition, the revenues produced over the 12 year period, from so-called natural growth, equal $156 million. The percentage increase from such natural growth is, roughly, 90%.

I would like to depart just a moment and have Walt show you some charts which would indicate the revenue trend.

The first chart is the revenue trend from all taxes, and you will notice the few places where there were

decided jumps for the years in which the new enactments took place. In the other years you will notice that there was a natural growth increase, and that's indicated by the chart.

Incidentally, the chart does not indicate the new revenue programs which were just enacted by the Legislature which raised Racing receipts by $8 million per year, and Inheritance Taxes for the first year $3,800,000. These are not shown on these charts.

On the second chart you will see the income from Beverage Taxes. And there has been no increase in rates in Beverage Taxes so that this chart would indicate conclusively the natural growth that is built in our revenue system.

On Pari-Mutual Taxes, you will notice that they remain fairly stable over the last four years. After we reached the sum of $25 million the Racing Taxes have not increased. However, in the next fiscal year they will increase because of the $8 million increase that was just enacted, as I just mentioned a moment ago.

In Motor Fuels Taxes you will see that the jumps are because of the increased rates which were applied by the Legislature. In the other years, with the exception of one year, you will note that there is normal growth also in this revenue yield.

In Corporation Taxes you will note, beginning at the front of the chart, that there was a constant increase in normal growth in Corporation Taxes, and in the first few years this represents only the take from Franchise Taxes.

In the large jump, of course, you will see the enactment of the new 1 3/4% income tax. And from that point on you will also note that there was natural growth beginning in 1960.

This is a chart showing the natural growth which is derived from Motor Vehicle fees. This has been a very constant source of income, and each year, after changing the rates in that third year when we went down to the flat fee for the small cars, and $5.00 for the next larger and $10 for the highest one, you will note that from that point on the natural growth is built in and it is running approximately $4 1/2 to $5 million per year.

In Cigarette Taxes you also note the natural growth and also the jumps in those years in which the tax was raised by a certain number of pennies per pack.

In Inheritance Tax you will also notice the natural growth in that particular yield.

Those are the charts we have on revenues and, incidentally, as I just mentioned Inheritance Tax, Inheritance Tax and the 1 3/4% Income Tax which make up part of our revenue structure are the only two revenue sources which are geared to so-called economy. The other taxes that we have are based on a rate-per-unit. In other words, if gasoline sells for 10¢ a gallon we still collect 6¢, now 7¢ per gallon tax; if it goes to 50¢ we still collect the same 7¢.

Our tax structure is rather inflexible, it doesn't rise and fall with the economy as is true in certain other

states.

As to expenditures, expenditures for general State purposes and capital improvements in 1951 were $101 million. Expenditures for these purposes in 1962 are $268 million, an increase of $167 million or 167%.

Expenditures in 1951 for State Aid purposes equaled $68,400,000 compared with $212,700,000 in 1962, an increase of $144,300,000 or 211%.

Total expenditures for all purposes in 1951 were $169,200,000 compared with $474 million in 1962, an increase of $305 million, representing a percentage increase of 180%.

To recapitulate, the Legislature over the 12 year period enacted revenue programs which now produce $144 million. Over the same period State Aid increased from an annual sum of $68,400,000 in 1951, to $206 million in 1962. Since this increase in State Aid approximates $140 million, it would appear that State Aid increases have been provided from new revenue programs whereas the costs of general State operations and capital construction purposes have been provided out of natural growth built into the revenue structure and surplusses existing on June 30, 1950.

Incidentally, we have been picking at that surplus as we go along since 1950 to the present date and it now, prior to this year, has gotten down to about $1 million.

There is being prepared at the present time a complete set of statistical tables which will show the increase in revenues and the increase in expenditures for

each of the years, 1951 through 1962. Charts will also be prepared which will indicate the trend over this 12 year period.

We do have one chart on the expenditure trend which I might ask Walt to show you now. The black bars represent the increase in the State Aid appropriations; the middle bars represent the increase in the general State operations; and the top bars represent the increase in State Capital. You will notice that there is a much more graphic increase in State Aid, the black bars, than you will find in the other two, and I think that bears out what I mentioned in my text.

Working forward from this material it should be possible to project for a number of years in the future the increased costs as well as the increased revenues to be produced from our present tax structure. A considerable amount of research and study must be given to these projects and when it has been completed it shall be forwarded to your Commission.

MR. ALEXANDER: Thank you, Mr. Vermeulen.

Are there questions from the Commission or the Advisory Committee?

Senator Dumont.

SENATOR DUMONT: Abe, this increase which allegedly is for one year in the racing season is actually a 20% increase, yet you are projecting that you will get a one-third increase in the amount of revenue from it. How do you base the $8 million on a 30 day increase in season?

MR. VERMEULEN: The $8 million is made up of two items. You will recall that the legislation not only provides for the State taking 8% as it now does - I think it now provides for 8 1/2% take on this 30 day meet - and in addition to that, the State exacts a surtax so that we collect not only what we ordinarily would collect but we collect the profits that are going to be made by the track in this 30 day period.

SENATOR DUMONT: You are going to take really 1 1/2% more than you get now.

MR. VERMEULEN: That's right. And it also takes a sizeable sum from the harness racing.

SENATOR DUMONT: Thank you very much.

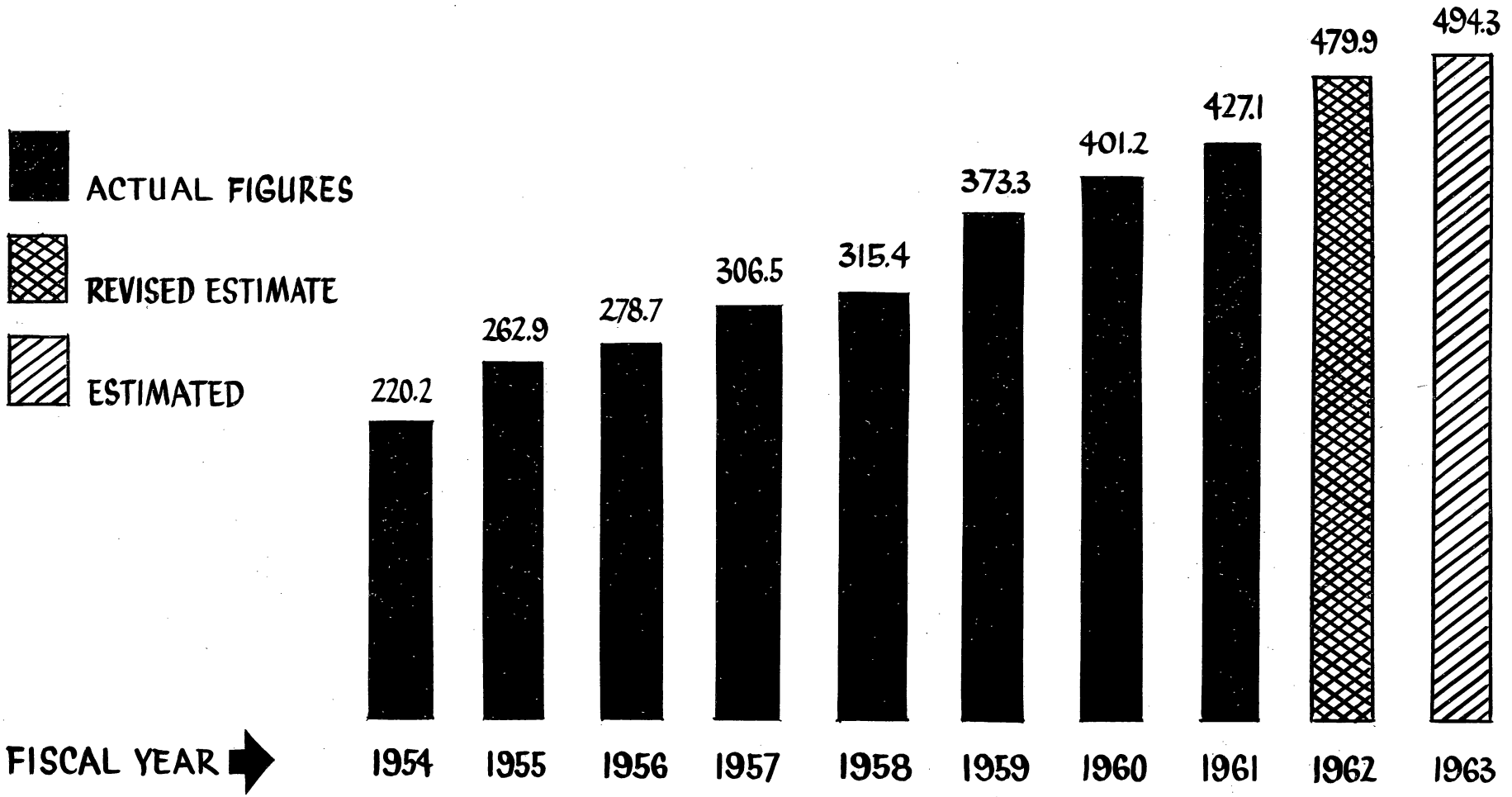
MR. ALEXANDER: There are no other questions?

Thank you very much.

(Immediately following are charts referred to by Mr. Vermeulen)

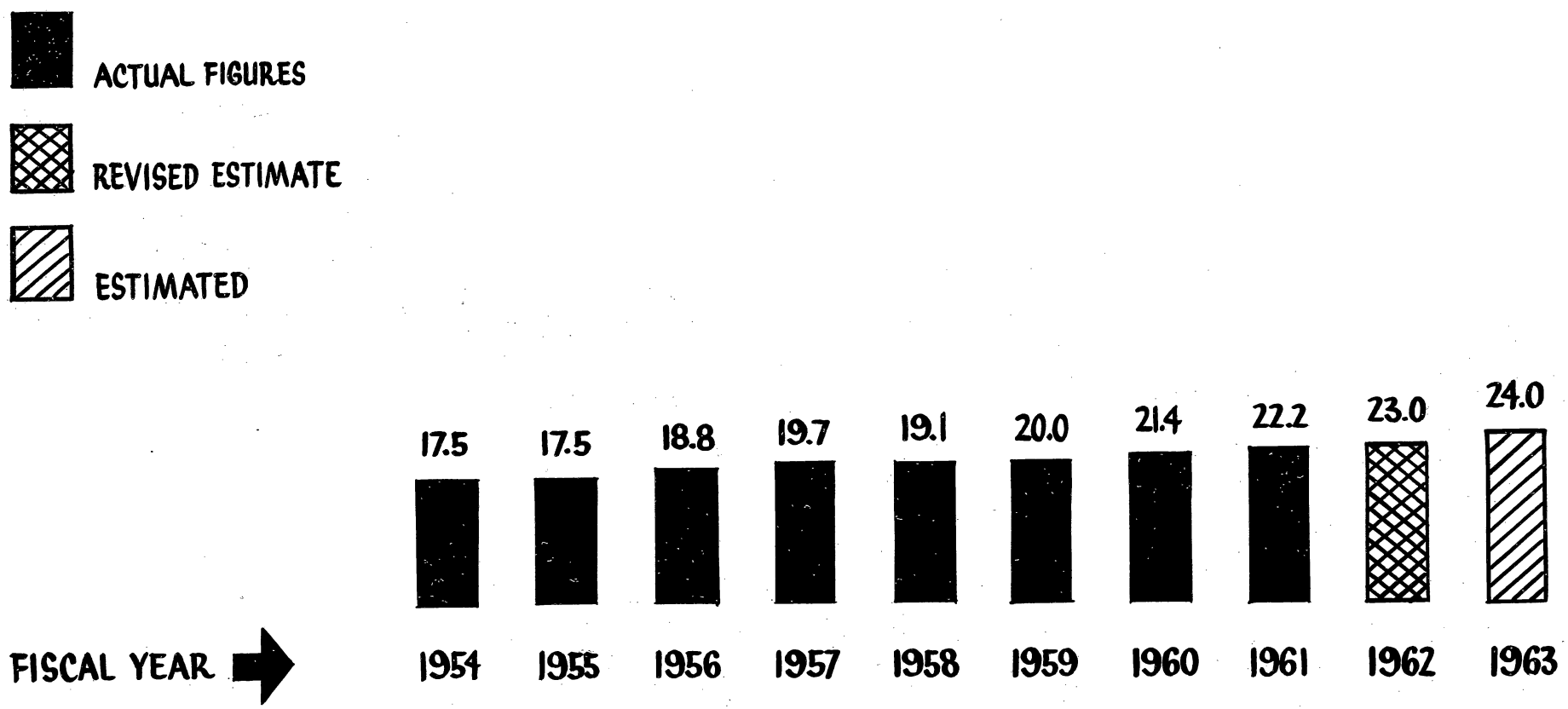
REVENUE TREND

ALL TAXES AND OTHER REVENUE



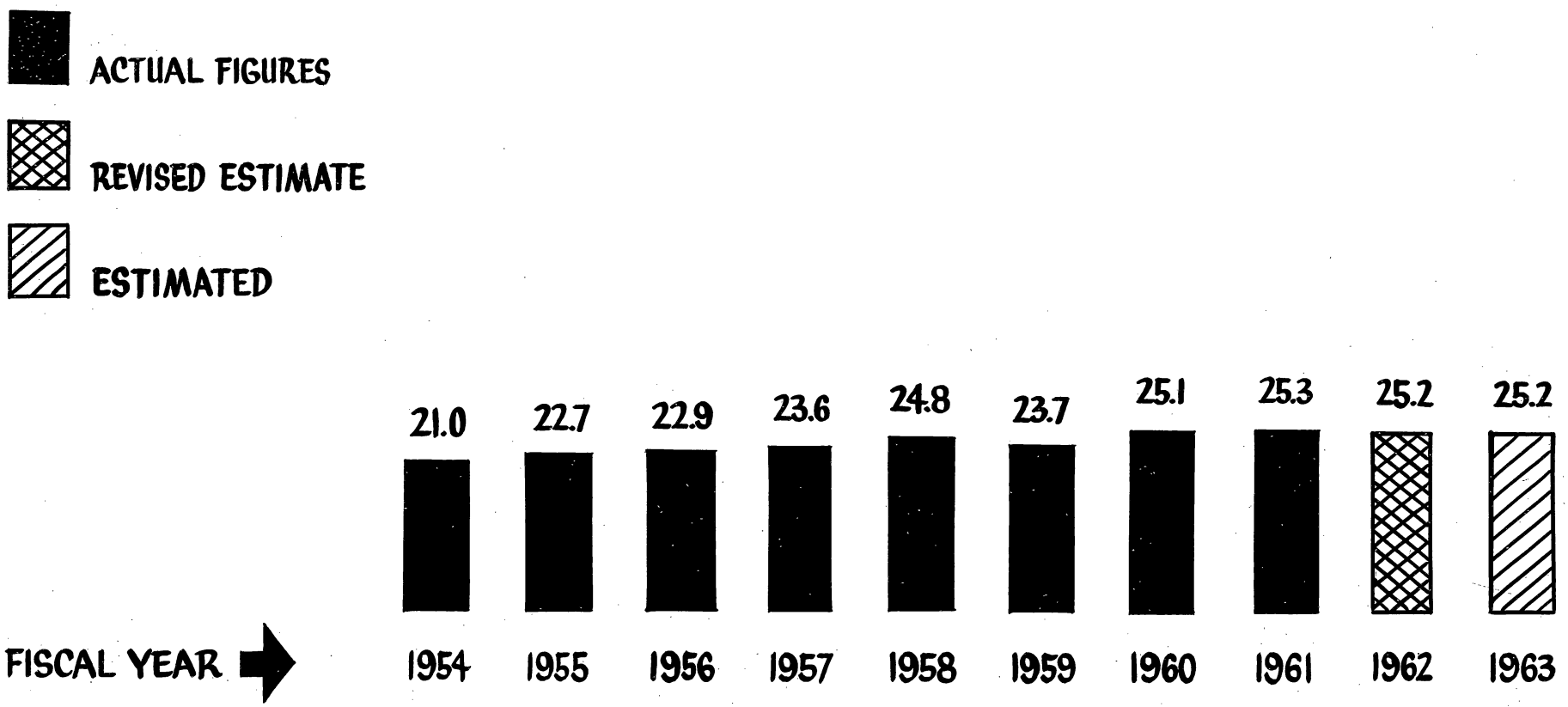
SCALE: 2" = 100 MILLIONS OF DOLLARS

REVENUE TREND
BEVERAGE TAXES



SCALE: 1" = 10 MILLION DOLLARS

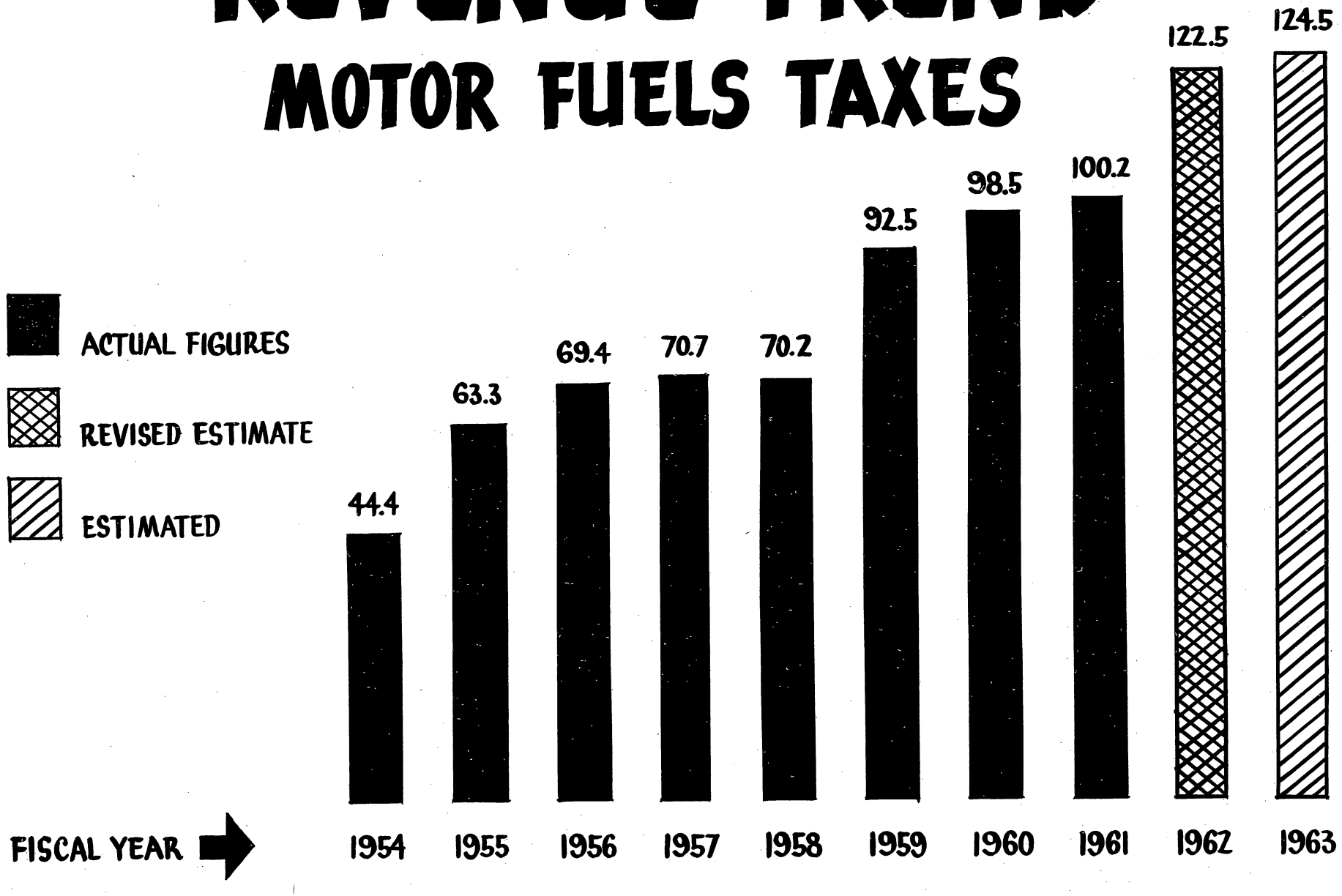
REVENUE TREND
PARI-MUTUAL TAXES



SCALE: 1" = 10 MILLION DOLLARS

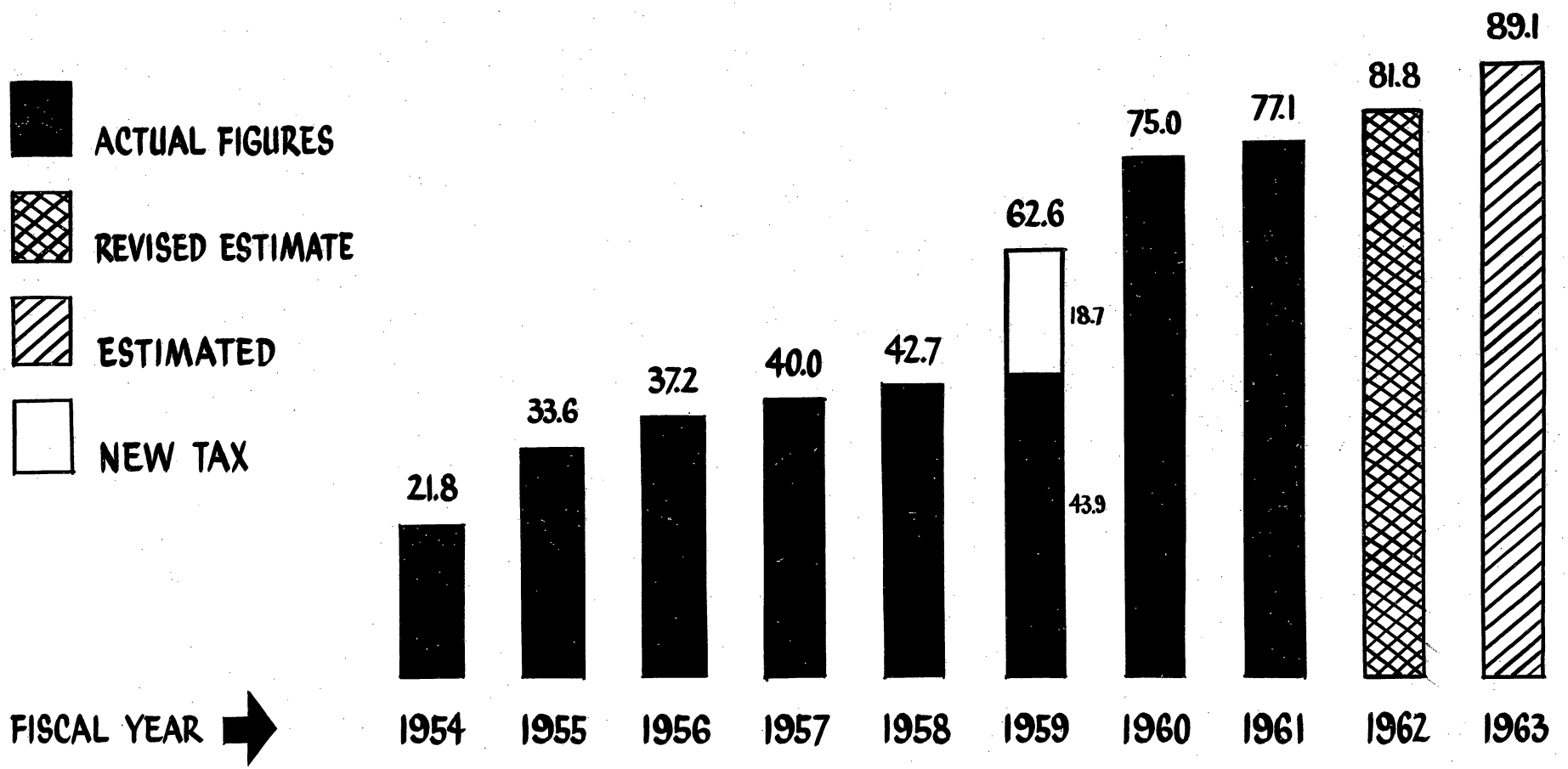
REVENUE TREND

MOTOR FUELS TAXES



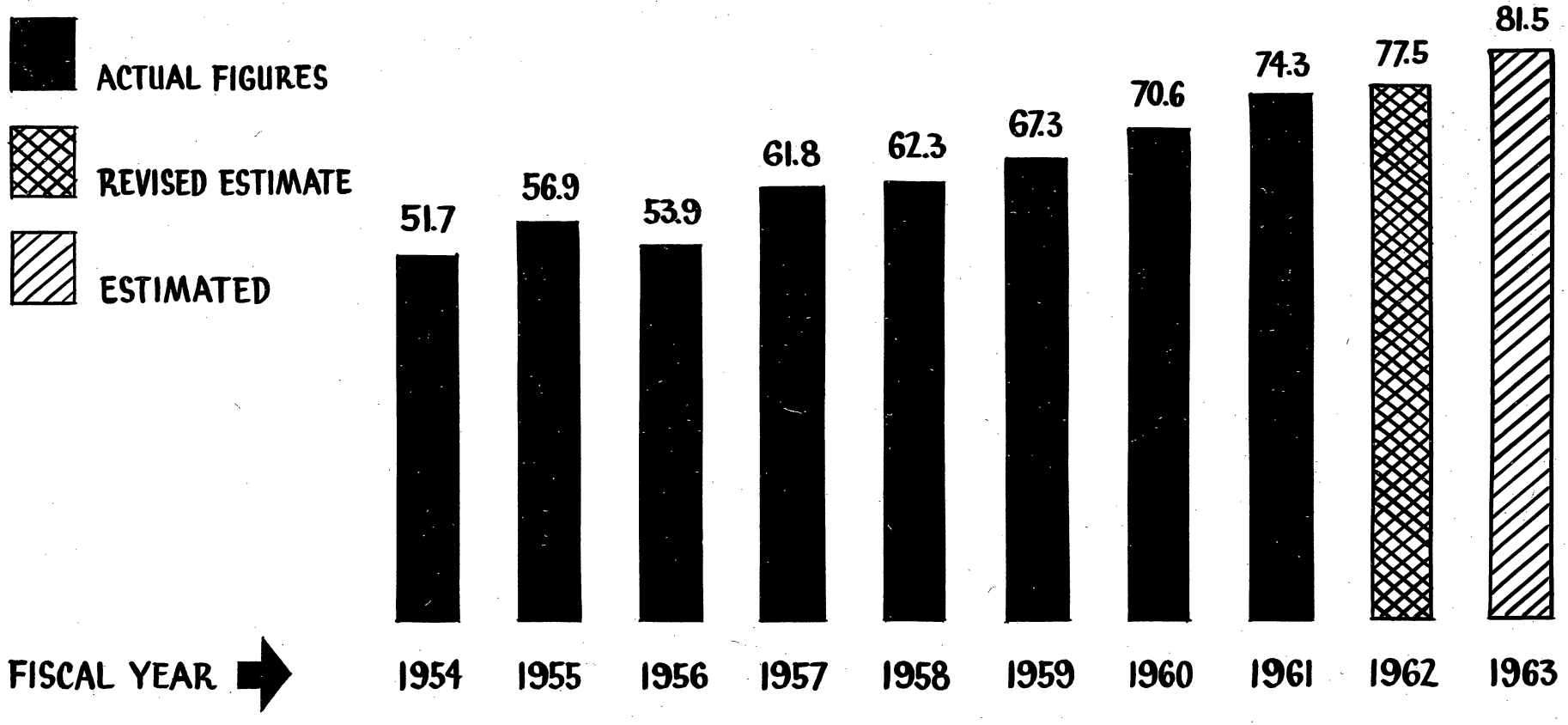
SCALE: 1"=10 MILLION DOLLARS

REVENUE TREND
CORPORATION TAXES



SCALE: 1" = 10 MILLION DOLLARS

REVENUE TREND
MOTOR VEHICLE FEES, ETC.



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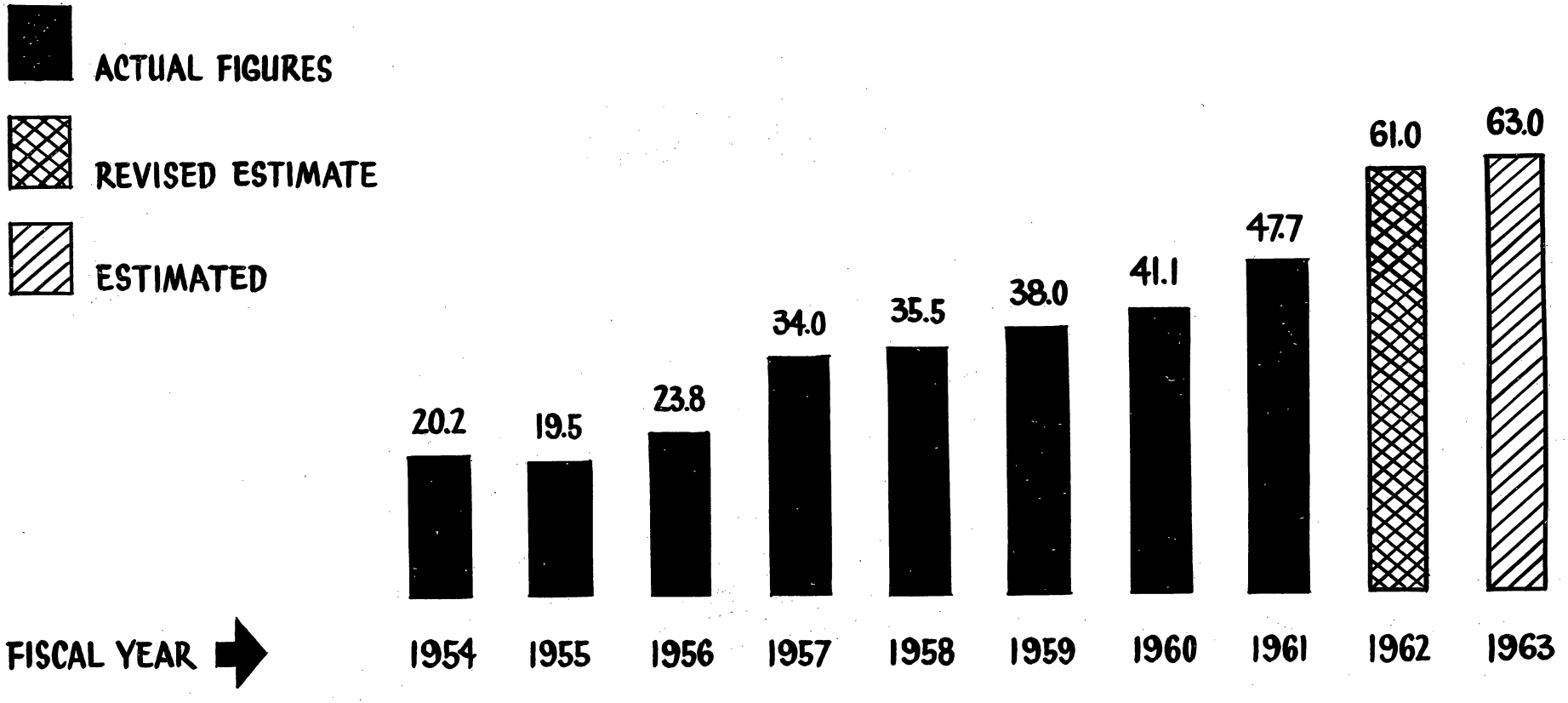
REVENUE TREND
CIGARETTE TAXES



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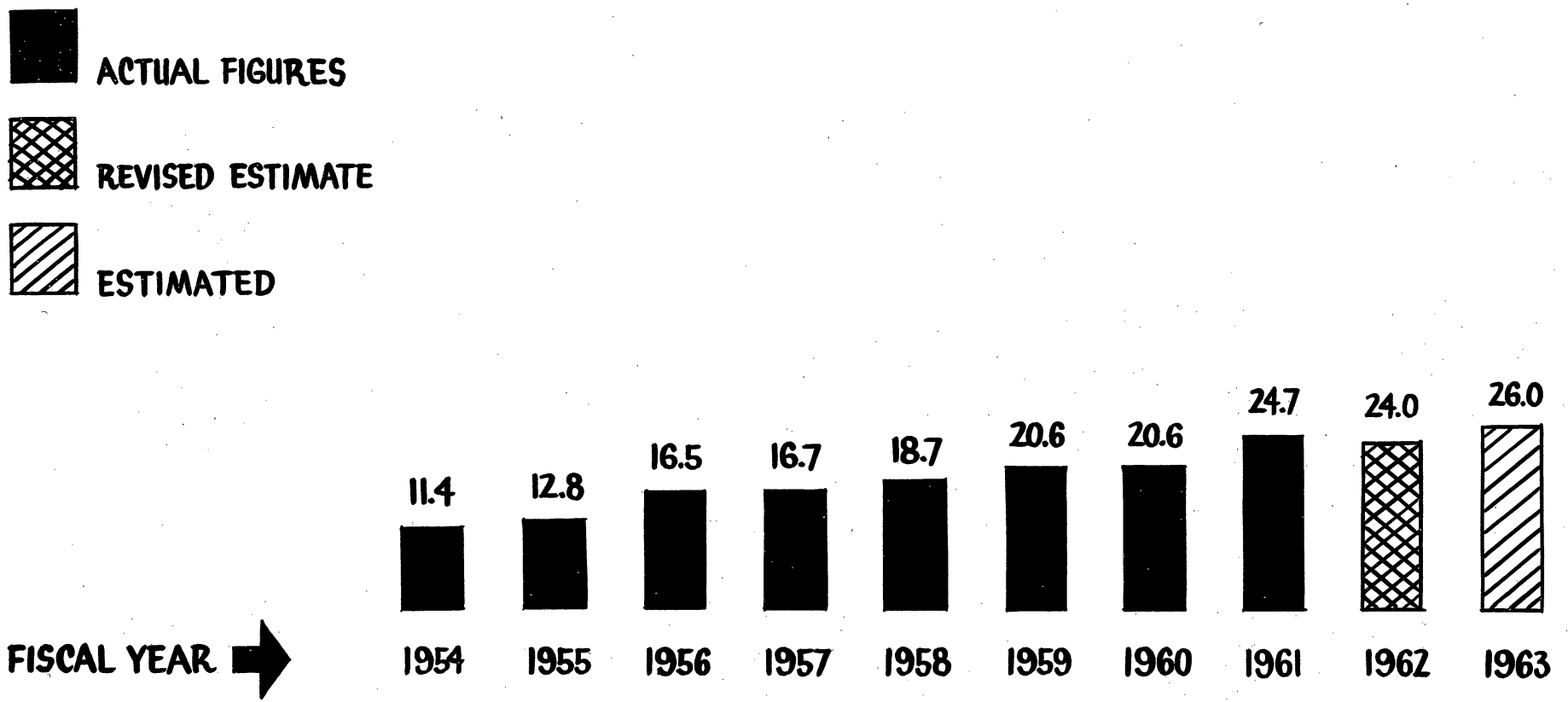
REVENUE TREND
INHERITANCE TAXES



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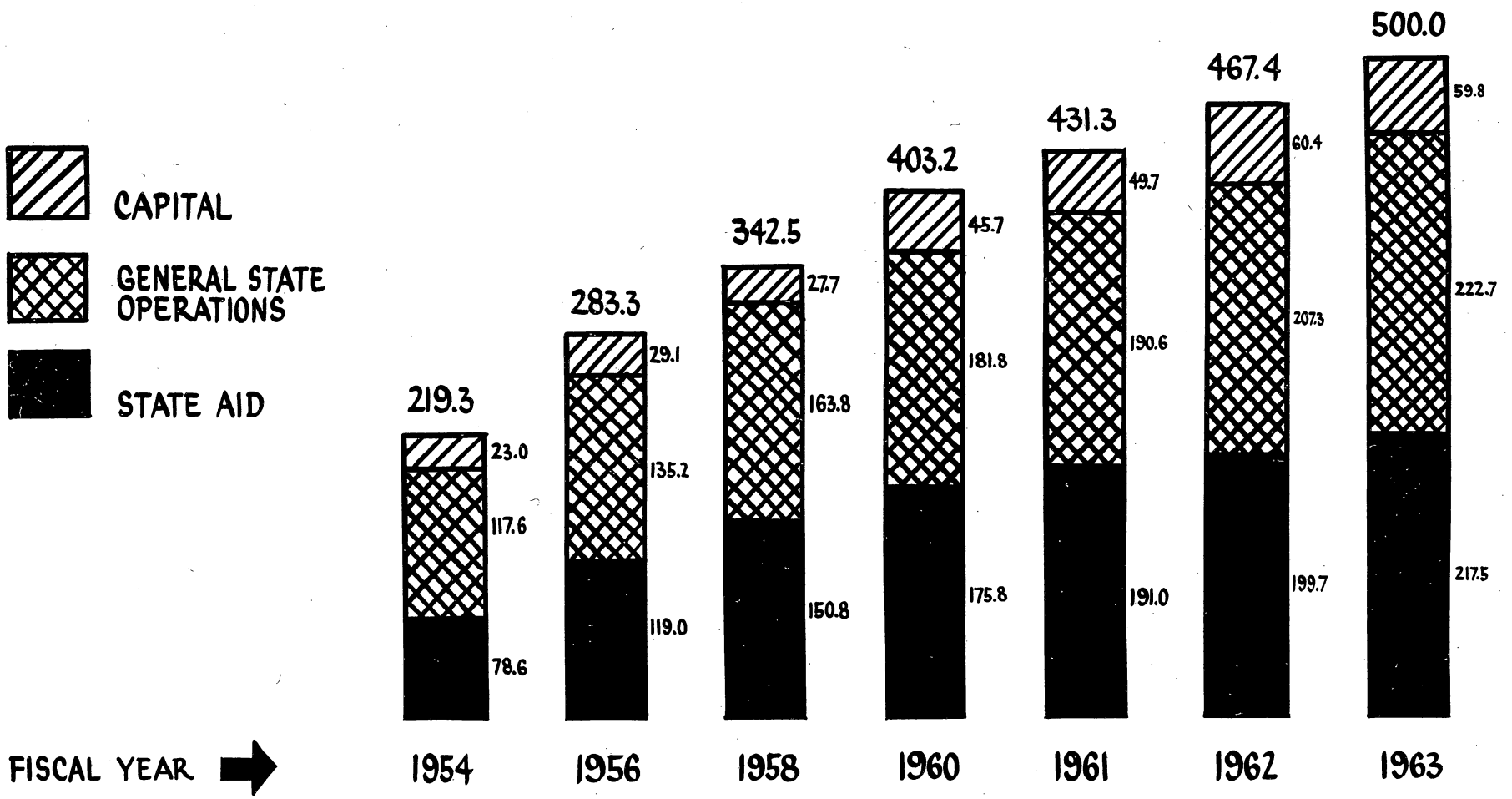
EXPENDITURE* TREND



SCALE: 2" = 100 MILLIONS OF DOLLARS

*BUDGET RECOMMENDATIONS

MR. ALEXANDER: Next will be the New Jersey State Chamber of Commerce, Mr. Acken.

ALBERT H. ACKEN: Gentlemen, my name is Albert H. Acken. I am Executive Vice President of the New Jersey State Chamber of Commerce and, on behalf of that organization, I present the following statement before this Commission.

The New Jersey State Chamber of Commerce has, for fifty years, taken an active interest and played a constructive role in the shaping and the development of tax and expenditure policies - at all levels of government - in our great State.

On the one hand the State Chamber has earned recognition in the public mind as a "watch-dog" agency, devoted to the provision of adequate governmental services, as determined by the Legislature as representatives of the people, at maximum economy and efficiency. The State Chamber has devoted itself unswervingly to this purpose, in the interests of the general taxpaying public as well as in the interests of the business community.

On the other hand, the State Chamber has, on many occasions, following research and study, determined to advocate governmental expenditures -- and even the levying of taxes on business -- to permit the initiation or expansion of governmental services and facilities where the Chamber felt that such was in the public interest. One example, from among the many available, was active State Chamber support of the greatly expanded State school aid program as proposed by this Commission in 1954.

I make these statements merely to demonstrate that our approach to governmental and economic affairs -- including the subject of this Commission's current study -- has been, and continues to be, one of searching out problem areas, gathering the facts, and developing solutions that will meet the requirements of the public interest.

We applaud the fact that this Commission was guided by these same principles in preparing its nine reports on taxation and public expenditure. We believe and trust that the new study getting under way -- in many respects the most important study of all -- will be conducted in the same fashion. In that belief, we view the current hearings as merely exploratory.

It is our firm belief that the major consideration of this Commission at this time must be revision of the existing tax structure in the interest

of improving the "business climate" of New Jersey and strengthening the overall economy of the State.

In speaking for the business community in this regard, I believe that we are also representing the general public of our State inasmuch as there exists an identity of interest through the inseparable relationship of the strength and vitality of the State's economy and the jobs that it creates and supports.

We have been pleased to note in recent months an increasing awaremess on the part of the general public of the importance to all New Jerseyans of the necessity to compete successfully with our sister states for job-providing business and industry. You will remember that this topic came to the fore in the recent gubernatorial campaign, a fact which, perhaps, played a part in motivating the directive to this Commission to undertake the present study.

The State Chamber is vitally interested in stimulating a good business climate through the tax structure as well as in other ways. We feel that a "bad" tax situation is much more influential in making business decisions that are adverse to the State's economy than is a "satisfactory" situation in determining new business locations. And certainly a bad tax situation shows the need for tax revision of the highest calibre. We are convinced that in certain important respects New Jersey has a bad tax situation.

It may be claimed that, upon the whole, New Jersey, as the site for new or expanding industry, does not compare too unfavorably with other states. We feel that such a generalization is pointless because this Commission, in its Fifth Report (1950), has already identified those businesses

against which the inequities and inequalities of the present tax system discriminate. They are: corporations in general, domestic corporations, business requiring substantial capital, companies with a large proportion of equity capital, and businesses earning little or no profit. This is a formidable list. And it is well that New Jersey has other factors of business climate that are favorable, for the trend in years since the Fifth Report has been to add to business taxes and to increase the property tax burden heavily.

The chief culprits, according to the Fifth Report of this Commission, are the personal property tax and certain provisions of the business tax laws. These are threats to the State's economic growth, which alone expands the available base for tax revenue. Our plea that these tax problems be dealt with in this review of our tax structure as an economic rather than a political problem is a sound one if the business climate of the State is to be enhanced. Good administration, equity, certainty, and non-discriminatory taxation are fundamental to a tax climate that contributes positively to a business, job-producing climate favorable to economic growth.

For these reasons, we strongly feel that tax revision should be the major objective of this Commission. But we emphasize that tax revision should truly be concerned with the fairness and equity of the tax structure, the distribution of the tax burden, and the keeping to a minimum of the adverse effects of change upon the community.

It would be unfortunate, indeed, if the efforts of this Commission -- and ultimately of the Legislature -- were directed only and primarily to providing additional tax revenue to meet the immediate expenditure levels confronting the State and thus fail to deal with the issues of tax revision on a broad basis and for the long term.

We are convinced that review and revision of the State's tax structure will inevitably require an examination into the present and future needs for public expenditures to be supported by that tax structure. Certainly tax revision proposals should be in such a frame of reference as provided by long-range projections of both revenue and expenditure trends.

It goes without saying that this Commission was fully aware that it would be exposed to the clamor to provide funds for increased expenditures regardless of their essentiality, and to the pressures of expediency through the short-term outlook of many interests. We sincerely believe, however, that this is an experienced Commission with a background of understanding, research and perspective in these areas, and that it will not lose sight of the true scope and purpose of tax revision.

We also firmly believe that this Commission, as it embarks on this study, will not lose sight of the fact that the taxpayer's present and prospective tax burden in New Jersey cannot be fully considered without thought to his already heavy -- and mounting -- burden under the Federal tax system. In the final analysis, the chief concern of the taxpayer is the impact that all taxes -- Federal, State and local -- make upon his pocketbook.

The State Chamber will be prepared to support the findings of this Commission -- and the Governor and the Legislature -- if thorough examination of the present tax structure and expenditure requirements, in relation to the needs of a growing population and expanding economy, convincingly indicates the need for enlarging the tax base. However, before the State Chamber could support any new tax, provision would have to be made for long-standing revision needs, and the means would have to be devised for the return to the municipalities of a substantial portion of the revenue so raised to provide for a significant measure of property tax relief.

Such an apportionment back to the municipalities would give recognition to present service levels and the likely development of services at the local level. This requires, however, reformulation of basic policy relating to State-local relationships. This also requires redetermination of each local program to which the State, actually or presumably, contributes, both as to the form of aid and its advantages and effectiveness, and to the resulting equity between State and local support of essential public services.

You will be interested to know that the State Chamber is presently engaged in its own thorough study of New Jersey's present tax structure, revenue needs and tax resources. We will welcome an opportunity to present to this Commission at a later date our findings, conclusions, and recommendations on those complex matters.

I might say that we have retained a consultant who has a fine reputation throughout the United States on the knowledge of State and local taxation who is working on this study at the present time.

I can assure this Commission of our continued desire to cooperate in any way possible in assisting it, the Legislature and the Governor in the development of a tax structure that will equitably meet the needs of the Garden State for many years to come.

I wish to thank the members of this Commission for this opportunity to present the views of the New Jersey State Chamber of Commerce at this time.

MR. ALEXANDER: Thank you, Mr. Acken.

I have one first question of you which is - When do you estimate that your findings and conclusions will be ready? because as you know, we are under considerable pressure to move as fast as we can, which we intend to do.

MR. ACKEN: Our studies should be completed by mid-summer, August at the latest, I would think. That's the time table we have in mind. Some of the information is already assembled but, as you can realize, this tax problem is a big one and it has got to be a package deal and we will come up with a package report. We hope to have it ready in time to be of benefit.

MR. ALEXANDER: Well, I don't want to rush you but I think the sooner the report is in the more chance it will have to be properly considered.

Are there any other questions of Mr. Acken?

You seem to be lucky. Thank you.

MR. ACKEN: Thank you very much.

MR. ALEXANDER: Next will be the Association of Municipal Assessors of New Jersey.

MARRIOTT G. HAINES: Mr. Chairman, my name is Marriott G. Haines, Assessor of the City of Vineland and President of the Association of Municipal Assessors of the State of New Jersey.

When Chapter 51 of the Laws of 1960 was first before the Legislature for consideration, the Association of Municipal Assessors of New Jersey had no hesitancy in criticizing those portions of the bill which did not appear

to be in the best public interest. For example, we vigorously opposed the elimination of assessments upon raw materials and goods in process, as provided for in the original draft.

You will recall that just before the bill became law an amendment deleted the exemption against goods in process. It was our position in general that these exemptions, considered in the ligh of the low ratio provided for inventory assessments, invaded too great a portion of the tax base, to the detriment of many taxing districts.

However, despite this and other objections to certain phases of the legislation, we strongly favored the adoption of a new law for the assessment of tangible personal property which would serve to eliminate the chief obstacles to the successful administration of the present law. It was and is our view that the assessment of tangible personal property at true value, as established by the judgment of the assessor, is unrealistic and administratively unworkable. This has been the uniform experience of most assessors and tax authorities who have investigated this subject matter. In fact, your Commission commented upon this problem in several of the periodic reports heretofore filed.

With the advent of Chapter 51 of the Laws of 1960 we readily saw that here was a law which at least offered an opportunity for the assessment of tangible personal property upon the basis of equality and uniformity, for the principal standard prescribed is that of "book value" as

distinguished from the former troublesome standard of "true value."

This means that the amount of each and every taxpayer's property can be readily ascertained by an examination of books of record and other available data. Instead of placing the assessor in the impossible position of determining the market value of all types of machinery, equipment and inventory, Chapter 51 eliminates the requirement for individual judgment and substitutes in its stead a readily ascertainable basis for assessments.

After Chapter 51 was finally adopted, the Director of the Division of Taxation, in cooperation with an advisory committee composed not only of assessors, but of lawyers, accountants, bankers and representatives of the Chamber of Commerce, New Jersey Manufacturing Association and a cross section of the business community, met on several occasions for the purpose of implementing the law by adoption of rules and regulations. Thereafter, the Director promulgated uniform declaration forms for the reporting of taxable property for taxpayers.

Many protests were heard from representatives of small business upon the grounds that the forms were unduly complicated. After the effective date of Chapter 51 was initially postponed, the Director promulgated a simplified form for small business which served to eliminate the basis for most of these objections but, nevertheless, the Legislature recently saw fit once again to postpone making Chapter 51 effective. As a result, for the year 1963 the

assessors of New Jersey are again faced with the problem of assessing under the archaic and unmanageable law which has been in effect for so many years heretofore.

Assessing problems in this regard have been compounded by the recent decision of our Appellate Division in the case of Passaic vs Botany Mills, Inc., in which it was held that tangible personal property must be assessed at the same common level as real estate. Thus, this decision presents an additional problem which assessors must cope with in 1963.

Accepting as we must the conclusion that the present tax laws for the assessment of tangible personal property are unworkable, and in the absence of substitute legislation, none of which has yet been introduced, our Association opposes any further postponement of the provisions of Chapter 51 of the Laws of 1960 as regards personal property assessments, and wishes to go on record as favoring the broad principles embodied in this law. Our study indicates that the provisions of this act are fair, uniform and equitable. It eliminates the threat of "tax lightening" which in the past has been an ever-present threat to the business community of New Jersey; it provides for the complete exemption of raw materials which is taxable at 100% of value under the present law; it taxes inventory at the low rate of 25% of the assessment upon machinery and equipment, and in general affords all assessors an opportunity to deal with a difficult situation upon a more reasonable and workable basis. Ad valorem assessing of tangible personal

property is not in itself objectionable. The difficulty in the past has been due to the impossibility of proper administration.

In dealing with this subject, we should not overlook what is probably one of the most important considerations. It is common knowledge that the flexibility of the present personal property tax law has been used as the basis for unfair competition among various taxing districts. We all know that it is common practice to attract industry upon the promise of preferential tax treatment. This practice is not only in violation of the law but causes business to ignore the natural advantages of a taxing district in favor of such preferential tax treatment. We deem it intolerable to continue assessing personsl property under such conditions.

However, in the final analysis no assessment system is better than its administration. For many years our association has advocated more stringent qualifications and adequate training for assessors. In keeping with this objective, for the past 8 years, we have, in conjunction with Rutgers University, conducted an annual in-service training course. Each year, approximately 200 assessors spend a week on campus at Rutgers University pursuing an intensive program of lectures and case studies. All of this is designed to give New Jersey more efficient assessors.

In addition, courses in assessment administration and appraisal are offered under the auspices of Rutgers University in various parts of the State, all of which are open to and are attended by assessors. Moreover, within our association we have

recently organized the Society of Municipal Assessors, in which membership is restricted to assesors who are successful in passing a difficult examination. We propose that those assessors who receive the coveted symbol of membership (S.M.A.) shall be thoroughly qualified in all branches of assessment administration.

We feel that the time has now arrived where the State of New Jersey should recognize the need for trained, professional assessors, and in keeping with this objective limit the appointment or election of future assessors to those who establish their qualifications by standards to be established by law. These standards should include passing a comprehensive examination supervised by a new state agency to be created by law. This agency should be composed of experienced members of the assessing profession to be appointed by the Governor, and their duties should be principally to examine, license and supervise qualified assessors. Such a program will supply a reservoir of competent assessors who will be available for future service.

As an integral part of this program, legislative provision should be made for joint or regional assessing districts, in order to permit two or more of our smaller taxing districts to jointly obtain the services of a licensed assessor at a cost consistent with their resources. In this connection we recommend the adoption of legislation substantially in accord with Assembly Bill 744,1961, introduced in last year's Legislature by Assemblyman Matthews of Essex County.

Time limitations do not permit me at this time to discuss several other assessment problems worthy of your attention.

I have been directed by our Executive Committee to request an opportunity for a small group of us to meet with your Commission or representatives at some time in the future in order to discuss in greater detail problems and suggestions directly related to assessment administration.

We shall appreciate favorable action in this regard as soon as possible.

Thank you for this opportunity.

MR. ALEXANDER: Mr. Haines, I wish all the requests were as easy as the last one made. You will get prompt action on the meeting.

I wonder if you would care to comment on something that was stated in an earlier appearance, today or yesterday, suggesting that assessment should be done perhaps at the State level or county level. You have here a proposal for joint assessment which would go apparently part way in that direction. Do you have a view as to the proposal made earlier?

MR. HAINES: This will be personal. My own personal reply to that suggestion would be that I would prefer to adhere to the suggestion in our plan because we are representing the grass-roots taxpayers, so to speak, and we do like to keep in mind the thought of home rule. We do feel that on a regional basis it would be better than on a county or State-wide basis.

MR. ALEXANDER: Are there any other questions of Mr. Haines?

Thank you very much.

Next will be The Bergen County Committee for School Support.

Will you step up to the lectern, please.

DR. JOHN B. GEISSINGER: Am I at the right place at the right time, sir.

MR. ALEXANDER: Yes, sir.

You are representing the Bergen County Committee for School Support?

DR. GEISSINGER: Yes, sir. There are several of us who have been asked to talk two or three minutes.

MR. ALEXANDER: I just wanted to be sure.

MR. GEISSINGER: I am John Geissinger, Superintendent of Schools in Tenafly, New Jersey.

As a past president of the New Jersey School Superintendents' Association, I can testify to the serious need for increased state aid in many parts of the State. I have heard from my fellow superintendents of the bitter resistance on all sides to continued increases in taxes on real estate.

The fact that the school budget, chiefly supported by property taxes, is the only public expenditure on which people may vote and express their opposition to all taxes, further complicates the problem of financing a school program. It would seem to us that a broad base tax in which all would share - non-residents, tourists, transients, summer vacation guests, as well as resident property owners - may be the only way to relieve the heavy burden on the property owner as well as to provide much needed additional revenue.

School costs in New Jersey demand the appropriation of the major part of the tax dollar in all parts of the state regardless of wealth. As Superintendent of Schools in Tenafly, Begen County, I represent a rather well-to-do community,

suburban to New York City.

My views are not necessarily those of the majority of residents of Tenafly and are not the official point of view of the Board of Education and Borough Council of Tenafly, since they have not authorized me to speak for them. In fact an influential Tenafly resident has recently declared publicly against the total concept of broad-base taxes.

There are even those in such favored communities who declare against the whole concept of general federal or state aid for highways, libraries, and public health, as well as for education. These people say: "Let the individual localities pay for the services they want according to their ability and their desire to pay." Yet the facts are that many of these same people vote against school budgets and bond issue referenda on the grounds that taxes on real estate are already too high. A dozen or more communities around Tenafly defeated their school budgets in February of 1962. Even Tenafly itself defeated its school budget in 1957.

The 1962-63 school budget in Tenafly shows an increased expenditure of over $126,000 while state aid will be increased less than $10,000, thus further increasing the tax burden on real estate, since state aid will provide only 8.1% of the revenue needed to meet Tenafly's school costs.

If this is true in so favored a community as Tenafly, how much more is additional revenue needed from some source other than real estate tax, not merely as an expendiency or emergency measure, but from some broad base where all will share in bearing the tax burden and where all will benefit from the mutual effort.

MR. ALEXANDER: Thank you, sir.

Are there any questions?

Then there are others from your group, are there?

DR. GEISSINGER: There are. Mr. Harvey Scribner from Teaneck.

HARVEY B. SCRIBNER: Mr. Chairman and gentlemen, my name is Harvey Scribner from Teaneck, New Jersey. I come before you this afternoon in the hope of offering some encouragement to you in your labors toward making adequate educational support your number one priority.

It is my firm conviction that when the state assumes its proper role in assisting the various communities within the state to support their educational objectives that many of our other related problems will fade away.

Teaneck for many years has taken great pride in its schools. The town has deemed a sound educational program as a requisite to a good community. The township with little assistance from the state has met the high costs of increased enrollments. It has borne the burden of rising expenditures with the real estate taxpayer carrying the lion's share. The taxpayer's patience has currently reached the point of saturation.

For the first time in the history of Teaneck, the taxpayers this year solidly defeated the school budget on two separate occasions. New Jersey as a State government has a definite responsibility when its communities which have been the pacemakers begin revolting at the consistently increasing property tax. When people revolt at the single opportunity of voting on a direct tax, which they get, - namely, the school tax -

then it behooves the State to assist in the matter for the preservation of that which the communities have already gained.

Our State ranks approximately forty-first from the top among the fifty states in its percent of assistance to the local school system. It is my firm belief, however, that our current level of educational opportunity afforded to the Youth of New Jersey far exceeds the level which the State participates in the support of its schools.

I think it behooves the State to step in and assist the communities in preserving that which they have gained.

New York State currently plans to assist the local school communities on an average rate of $316 per pupil. Does not New Jersey, with similar problems involved, have a similar responsibility to its youth?

Education, to my way of thinking, is one of our greatest hopes for the future security of this great country. The Teanecks of New Jersey are looking to you for assistance to counteract the problem which they face in supporting a sound educational program. Town lines are non-existant as are state borders in this battle to remain a free-thinking, well-educated nation. Ours is a mobile society. New Jersey has a responsibility to support its many communities in the work which they have carried to the point of revolt on the part of the real estate taxpayer.

I hope that I may be able to assure the people for whom I talk that you gentlemen are ready to stand and be counted on this all-important need for greater aid to education at the local level.

Thank you.

New York State, with two and a third times as many districts as New Jersey, did not in any year have even one-half as many budget defeats as New Jersey. The most striking contrast was in 1960 when New York had eight defeats to New Jersey's sixty-three. New York's percentages of defeats in this five-year period did not go as high in any year as 3% while New Jersey's range was between 8.2% and 16%. In wealthy Bergen County the 15 budget defeats this year, out of 70 voting districts, amounted to 21%; last year was almost as bad, with 13 defeats.

The 42% financial support that New York State provides its schools, compared with New Jersey's 18%, makes a difference between education respected and education humiliated. Certainly the national average of 40% state support of education is not too much for New Jersey school districts to expect in a state whose per capita income far exceeds the national average.

I hope, gentlemen, that your goal will be a minimum of 40% state support of New Jersey's schools and the fairest possible new state taxation to support our schools and all other essential services.

Thank you.

MR. ALEXANDER: Are there any questions?

Are there others from Bergen County?

MR. GEISSINGER: Yes, sir. May I present the next one and then I will ask them to present their succeeding speakers, if you don't mind.

May I present the Superintendent of Schools at Hackensack, New Jersey, Dr. Hobart De Puyt.

DR. J. HOBARD DE PUYT: Mr. Chairman, Hackensack is an established community with a stable population. We have no enrollment problems, no teacher shortages and no serious building problems. Our citizens have willingly provided money to support a good school system, offering a broad comprehensive program and staffed with well-trained highly-competent teachers, half of whom receive the maximum provided in our salary guide.

For a long period of years Hackensack was the shopping center for a large portion of Bergen County. With the rapid growth of surrounding communities and the development of local shopping facilities, together with the increase in number of large highway shopping centers, Hackensack has suffered serious retail trade losses. In fairness to merchants it has been necessary to shift an increasing percent of the tax load to home owners. Of course, this situation is not peculiar to Hackensack but is true of all long time established cities.

To maintain the quality of education which we have at present and which we believe all New Jersey children should have and to continue to improve this quality an increasing amount of money will be required each year. How much longer can we reasonably expect local real estate to carry an ever-increasing per cent of the cost of quality education?

It is vitally important to Hackensack that ways and means be found very soon to increase the amount of money which we receive from the State yearly for educational purposes. For this reason I urge you to provide a broad based tax as soon as possible.

Thank you very much.

MR. ALEXANDER: May I ask you one question, Dr. De Puyt?

DR. DE PUYT: Yes, sir.

MR. ALEXANDER: Do you have any teachers in the Hackensack system who are not fully certificated for the courses that they are teaching?

DR. DE PUYT: I would say that we might have three provisionally certified teachers. The answer is substantially, no.

MR. ALEXANDER: Thank you.

Any other questions?

DR. DE PUYT: I would like to introduce, Mr. Chairman, Arnold Profeta, Superintendent of Schools in Palisades Park.

ARNOLD PROFETA: Mr. Chairman and gentlemen of the State Tax Policy Commission and Advisory Committee: The Palisade Park Public Schools are faced with the constant dilemma facing most New Jersey school districts - namely, that of providing the best possible educational program for all of the pupils in the district and its inability to secure sufficient funds to provide quality education for all of its students.

This problem is not unique with Palisades Park, but one district's experiences may help this Commission in its studies.

Palisades Park is a small residential borough located in the southeastern corner of Bergen County, about two miles from the George Washington Bridge. It has a population of 12,000 which the regional council predicts will reach 20,000 by 1980.

The local system contains two elementary schools and a junior high school housed in two buildings. Grades 10 through 12 are sent as tuition students to a neighboring high school. The total school population is 1600 pupils.

The net valuation of taxable property for 1961 was $13,352,313. It has declined during the current year to $12,900,000 because of removal of personal property from the tax rolls and exemptions to individuals 65 years and older.

During the last two years the residents of Palisades Park have told the Board of Education in no uncertain terms how they feel about the increasing cost of education as reflected in their higher tax bills. The budget was defeated on two occasions during the last two school elections.

In February 1961, the voters rejected the total budget of $896,108 twice and subsequently the Mayor and Council removed $20,000 from the local tax levy.

In February 1962, the voters rejected the total budget of $925,983. The Board of Education then cut the budget by removing $51,000 from Capital Outlay and and $17,000 from the Current Expense portion of the budget. This $17,000 represented a cut of $7,000 from the teachers' salaries (to take care of turnover and advanced degrees) and $10,000 from the tuition account. The budget was defeated again. The Mayor and Council did not make any changes and returned it to the Board of Education without additional cuts.

The background for this action by the voters may be seen by the following data. The school and total tax rate has been increasing as listed below in relationship to the school budget:

	School Tax	Total Tax Rate	School Budget	Increase
1960-61	5.39	9.72	843,642	47,142
1961-62	5.44	9.78	896,108	52,466

The situation in Palisades Park is further aggravated by the fact that its educational plants are old and many of its facilities are inadequate or obsolete. One building, housing an elementary school and junior high school, was built in

1908 and 1915. The facilities here cannot properly house a modern comprehensive program considered adequate for elementary and secondary education.

In addition, Palisades Park needs its own high school. Its present sending-receiving contract terminates within five years and will not be renewed. The Board of Education is studying proposals to provide a six year high school and to modernize its elementary school buildings. This program will increase the total budget figures.

Another factor in the situation is that 46% of the boys and girls of school age in Palisades Park attend non-public elementary and secondary schools. It is conceivable that the cost of providing non-public education for their children plus increasing local taxes, can and does create some resistance to local school budgets.

The Palisades Park School District feels that all of the school children are entitled to equal educational opportunities - everywhere in the state.

It is obvious that school costs will continue to rise and that under the present state financial formulas and legislation, the burden will continue to fall most heavily upon the local real estate taxpayer. As has been demonstrated in Palisades Park, this has resulted in a resistance to growing school budgets and their subsequent defeat.

We would therefore strongly recommend to this commission that two proposals be incorporated in its findings:

1. That the Legislature provide additional state aid to the local school districts, namely, to provide 40% of each local school budget rather than the 18 to 20% now available.

2. That the Legislature adopt a broad base tax program that would -

   a. provide the necessary funds for additional state aid to education.

   b. more equitably distribute the cost of the additional aid to education, as would be the case with a broad base tax program.

We would like to thank the Committee for School Support and the members of the Commission for the opportunity of presenting this statement to you this afternoon.

Thank you.

MR. ALEXANDER: Thank you.

May I ask you two questions - the same as the last speaker. Do you in Palisades Park have any members of your teaching staff who are not fully certificated for the courses that they are teaching?

MR. PROFETA: We do have three or four teachers who have provisional certificates which is a step below the fully qualifying certificate.

MR. ALEXANDER: But that's not serious.

MR. PROFETA: No. And they are working toward the removal of this.

MR. ALEXANDER: The other is a more difficult question. Do you know what the cost in increased state aid would be to provide that 40% that you spoke of?

MR. PROFETA: For Palisades Park?

MR. ALEXANDER: No, for the whole state.

MR. PROFETA: No, I do not know. I have not worked that out.

MR. ALEXANDER: What would it be for Palisades Park?

MR. PROFETA: It would be probably around $220,000.

MR. ALEXANDER: It was $800,000.

MR. PROFETA: Our present state aid is $110,000.

MR. ALEXANDER: Are there other questions?

Thank you very much.

MR. PROFETA: Thank you.

DR. EDWARD F. DONAHUE: I am Superintendent of Schools at Bogota. My name is Edward F. Donahue.

I have been a Superintendent of Schools for four years in New Jersey. For two out of three years a very reasonable budget was defeated in one of the richest communities in northern Bergen County. During my fourth year while serving in another community of lesser means, the educational program was improved by great local effort. This actually required sacrifice on the part of the taxpayers to get a reasonable educational program. It was necessary to forego in some cases, however, for future budgets various items such as participation in an educational television program.

Our Board of Education made truly great effort to increase the teacher salary schedule with the hopes that the guide would be raised so that salaries paid would be just "below the average" for teachers in Bergen County.

The taxpayers and parents feel that the children of the community need the best teachers but top-notch new staff members can be attracted only by offering them the highest salaries.

The local taxpayers cannot pay the increased costs for the education that the children need. Increased state aid is the only answer.

Three years ago, as I implied before, I moved to New Jersey from Connecticut. In that state I saw how progress in financial power through increased state aid financed by a "painless" sales tax made possible improved educational programs.

I enthusiastically and thoroughly support a broad-based

tax which will provide greater state aid to towns for superior educational programs.

Thank you.

MR. ALEXANDER: Thank you. Any questions?

MR. KLINE: Would you allow me to ask you a question? I am not a school teacher or a superintendent and I am not employed by them.

MR. ALEXANDER: I think we better establish the rule - if you could get one of the members of the Advisory Committee or the Commission to ask your question.

MR. KLINE: I'm too dumb to get any advisory committee. I just wanted to ask a question.

MR. ALEXANDER: Well, I'm sorry.

MR. KLINE: If I am not allowed to, it will be all right but I have to get the taxes up anyway. What I want to know, those people are employed, do they get --

MR. ALEXANDER: You will either have to get one of the members of the Advisory Committee or the Commission to make your statement or give it to us in writing.

MR. KLINE: I can't do that. I haven't got that time.

MR. ALEXANDER: It's not that we don't think your statement would be good but we can't allow that as a general rule or we would never get through.

Have we anybody else to be heard from the Bergen County Committee? Then I think the Committee on Adult Education, Mr. Ray Ast, is next.

RAY AST: Members of the Commission and the Advisory Committee, I wish to thank you for the opportunity of presenting

a few viewpoints that we would like to renew before you.

As the Association for Adult Education in New Jersey our Association represents leaders in not only public school education but we represent leaders in the senior citizen groups, in labor union groups, industrial groups, various religious and cultural groups, libraries, museums, university extensions, the various community advisory as well as community planning groups.

I am here to plead with you for a realistic and serious consideration of the field of adult education in whatever program or plans you present for the benefit of the Legislature and the Governor. We are pleading this on the basis of a number of very seriously recognized needs in our adult population in New Jersey.

Historically, we began our studies roughly 15 years ago. In 1954 a bill was introduced in the Assembly, No. 104, introduced on February 8, which suggested this particular approach of aiding adult education. In 1957 Senate Joint Resolution No. 3 passed the Assembly and Senate and referred this adult education concern to the State Tax Policy Commission. In January, 1959, we submitted to the Tax Policy Commission a particular study that we had made on the nature of our adult education programs in the State at that time.

A staff memorandum was completed by the Tax Policy Commission as of March 8, 1961. We have been continuing our studies of the nature of this problem and analyzing them from the point of view of experience in other states as well as our own. We have arrived at, and I have presented to you there, a

brief outline of an alternative program that we feel can benefit our State as well as - and in fact we would say at the present time perhaps in the light of many other needs - equal to the program which we originally suggested.

A point or two we would like you to consider from the standpoint of the adult citizens. In New Jersey, according to 1960 census, there were 3,600,000 approximate, adults 25 years of age and older. Of that 3,600,000 almost 90,000 of our adults, 25 years of age and older, had no schooling whatsoever, no basic formalized education. We have approximately 13%, or over 400,000, who have less than a 7th grade education - in other words, have completed as much as 6 years of education. 56% of our population in New Jersey, adult population, - 56% of them, over 1,300,000 of them, according to the 1960 census, have completed merely an 8th grade education. And we have 36 plus percent of our total population who have less than a high school education, out of the total population.

Now, to that figure one would have to add the 13,000 foreign born immigrants who came into our state during the period July 1, 1960 through June 30, 1961. So this problem of lack of formalized education by a great percentage of our adults, plus the immigrants, is of serious concern, particularly in this changing age that we have, the age of invention, when we realize that 90% of all invention of mankind occurred within the last 20 years.

At this point I would like to emphasize this leadership incentive plan which we have outlined for you on that two-page or page-and-a-half statement.

In looking at this problem we recognize that at the present time there are in New Jersey only two full time directors of adult education and, of those two, one of them is essentially vocational education. That means there is only one who had the opportunity for full-time development of basic education programs, and he is doing a tremendous job.

I would like, if you have an opportunity, - Camden, The Camden Courier Post of December 2, 1961, an article there, "Opportunity Knocks at the Fetters School," referring to basic education program school which he is providing there, and in a statement which was made in the Camden Courier Post in reference to what can be done and is being done. "You can't rehabilitate neighborhoods without rehabilitating people." And he points out that this program for the adult group, in their own local neighborhood community, in their own local neighborhood school is in itself a remarkable advancement. Well that can be done to assist, where you do have people with the time.

Now in terms of direct reference that I would like to make. On page 1 of this two page section that I have presented to you, I would like you to notice the second sentence of the first paragraph: "The development of programs in such problem areas as the senior citizen, retraining for the unemployed, basic literacy education, English and citizenship for the foreign born, high school equivalency, community redevelopment, to name a few, require considerable organization and planning." It takes the efforts of full-time directorship in order to develop such.

You will notice the first sentence of paragraph 2. At the present time we do have 160 school districts currently operating adult education programs in New Jersey enrolling about 100,000 adults. Now this does not include the variety of programs that have been set up in museums, libraries, and the like, that I mentioned previously.

By having a full-time directorship you can develop in depth more than some of this superficial programming in adult education.

Paragraph 3 emphasizes the direction we would like you to consider and we hope you will give it serious consideration.

Paragraph 4. We refer to the problems that the clock-hour basis of aid to adult education would be fraught with.

The reimbursement program would enable a board of education - would enable the adult program in a given community to really attempt to develop a thorough job of adult education for our citizens.

I would like also to refer to the Staff Memoranda which was prepared for the Commission as of last spring, 1961, in which many of the details of needs in New Jersey are outlined.

I do hope that you will give this program your warmest and sincerest consideration. We feel it is needed. We hope you are alert to these needs.

Thank you very much.

MR. ALEXANDER: Mr. Ast, are you filing with us other papers besides this short one.

MR. AST: We can and we will. We have already received

approval of Dr. Raubinger on this particular program. We would like to document it if there is, shall we say, a really serious interest on the part of the Commission and the Committee. For this reason we have documented the previous one and each of us in the field, I myself, have a full time teaching job and it makes it difficult unless we do see a possibility.

MR. ALEXANDER: Well if your proposal is sufficiently documented by what you have said and what has been filed, that's all that is necessary. You referred to one or two other documents which we haven't seen, so far as I know, and if we should see them, you better file them.

MR. AST: Well you do have the copy, I believe, that was submitted. This was prepared by Dr. Paul Essert for the Tax Policy Commission. The Tax Policy Commission had requested its preparation.

MR. ALEXANDER: When was that filed?

MR. AST: It has a date of Princeton, 1961. This is a staff memorandum prepared for the consideration of the State Tax Policy Commission under SJR - they have the wrong number on here, 5, it should be 3, - of the Laws of 1957. This had been requested by the Tax Policy Commission. Dr. Paul Essert had prepared it. We supplied him with all of the material.

MR. ALEXANDER: Thank you. Any questions of Mr. Ast?

MR. AST: Thank you very much indeed.

Following is the statement submitted by the New Jersey Association for Adult Education, referred to by Mr. Ast:

Incentive Program for Adult Education

Adult education could play a more effective role in the community if programs were related more closely to the major concerns of the people at the local level. The development of programs in such problem areas as the senior citizen, retraining for the unemployed, basic literacy education, English and citizenship for the foreign born, high school equivalency, community redevelopment, to name a few, require considerable organization and planning.

There are 160 school districts currently operating adult education programs in New Jersey enrolling about 100,000 adults. The directors of these programs generally carry a full time assignment in addition to their responsibilities in adult education. This fact is a major reason why most of the programs are not developed in depth. Communities generally have a number of organizations involved in some phases of adult education; however, unless there is one person responsible for the coordination and development of these programs, it is conceivable that some of the areas of major concern will be overlooked and those that are included may be treated rather superficially.

If the State could devise an incentive program where the local school district would be reimbursed 2/3 of the cost of a full time director of adult education, or 2/3 of the cost of a part time director for smaller districts, (local districts supplying office space and secretarial help) these individuals would have time to develop a cooperative program of adult education involving those organizations that are currently working in this area on a piecemeal basis. They could develop among these organizations concerns about the major problems in the community to the degree that the community would feel obligated to initiate programs to alleviate tensions in these areas.

This emphasis on leadership deviates from the general pattern of state aid for adult education. If this concept is developed it will be a first for New Jersey. In the twelve states where there is a program of state aid for adult education, the aid is granted to the local district on the basis of clock hours of instruction. Experience has shown that this type program is fraught with problems. Criteria needs to be established for the purpose of approving courses. Is the course education or is it recreation? Is it organized by the public schools or is it developed by another community group? Extensive records need to be maintained and a comprehensive program of supervision at the State level is essential.

A reimbursement program for the director of adult education would permit him, as an employe of the board of education, to take the leadership in this area and solicit the cooperation of other organizations in the community and bypass the problems involved when aid is administered on the basis of clock hours of instruction. The amount of record keeping could be reduced to an annual report to the Department of Education.

It is not conceivable that all school districts should have directors of adult education, either full or part time, The nature of the adult education program lends itself to the facilities available at the secondary level. The emerging patterns of secondary education in New Jersey with 44 regional districts involving approximately 160 school districts is ideal for this type of incentive program. If fifteen or twenty of the larger districts, including the regionals, would have full time directors of adult education considerable progress could be made in developing the general pattern of adult education throughout the State as well as initiating programs around major concerns at the local level.

The purpose of this short memorandum is to present the bare outline of the concept. If acceptable, details would need to be developed in greater length.

Respectfully submitted,

New Jersey Association for
Adult Education

Ray J. Ast, Jr. - President

MR. ALEXANDER: Let me just say in further clarification that if there are others who are moved to make a statement or ask questions, so far as hearings before this Commission and Advisory Committee are concerned, to the extent that we have time, we will hear anybody who wishes to appear and make a statement. So far as questions of people who are appearing is concerned, that should only be done by members of the Commission or the Advisory Committee. But we are not trying to prevent anybody from stating his views, but to make it orderly.

The next appearance will be on behalf of the School Districts of Cape May, Mr. Donahue.

Is Mr. Donahue here?

Perhaps we are running ahead of schedule.

Is Dr. Donald Walling of Rutgers University here?

Mr. Gilliland or Mr. Bicknell from Somerset County?

Is Mrs. Goldberg from Monmouth County here?

MRS. JACK GOLDBERG: I represent the Committee for School Support in Monmouth County. I came early and I have been listening to the other members and, actually, I could have gone on at great length but I feel that being brief will be equally effective because it is rather simple.

No one likes to look for new or increased taxes.

Living in the Township of Raritan for over 6 years, and I have been watching the surrounding communities - Union Beach, Keyport, Middletown, and Holmdel - the need is great and the taxes for the home owner ever increasing. Some people tell me we should be proud that New Jersey is one of the two states without a sales or income tax. My stock answer is, "How can we be proud when many of our children have poor school

facilities and split sessions?"

There are bills in the Assembly and the Senate, which you know, which have remained in committee for many years to increase the school aid. Yet where is the money to come from? The home owner can no longer bear the burden alone.

The ever-increasing tax rate must be halted without jeopardizing our children's education.

Each year in most of the townships people turn out in great numbers on election day for school budgets, specifically to vote down the budgets. They all say they would like better education for their children but they simply cannot afford it. The only answer to us seems to be a broad base tax.

In the Township of Raritan some of our principals and teachers use converted kitchens and closets for their offices and they make do with very limited facilities. We need help and we need it now.

Gentlemen, I wish you would consider the fact that every child in Raritan Township at present is attending school on a part-time basis because of split sessions. This is from kindergarten through high school. It's as simple as that. I have spoken to our County Superintendent of Schools, Mr. Garrison, and to our local Superintendent of Schools, and I asked if there was anything specific that I should bring and there answer was "We need help. We feel the only way is through a broad base tax."

Thank you.

MR. ALEXANDER: Thank you, Mrs. Goldberg.

Are there any questions?

Is Mr. Frank M. Kennedy here?

FRANK M. KENNEDY: This is a statement addressed to Mr. Richard J. Hughes, Elected Governor of the State of New Jersey; Mr. Archibald S. Alexander, Chairman; and other august members appointed to the State Tax Policy Commission.

Mr. Chairman: As reported in the newspapers, these hearings are to conclude Friday, April 27, 1962. I wish to make this request, that these hearings not be concluded until all concerned citizens who wish to express their views have been heard and that their opinions be factually recorded as a part of these proceedings.

2. As requests have been made, as reported in the newspapers, for almost $350 millions of dollars already to partially satisfy requests to date, which will be required in new taxes, it is rather evident that, if you wish to satisfy all these needs, before a final tax policy is resolved the State of New Jersey is going to require a budget of one billion dollars, at least, to conduct the State's business. This means that it will require double that of the present proposed fiscal budget. I believe that when these facts are fully revealed there may be quite a few concerned citizens who may wish to express their views.

3. It is the purpose of this request that the Chairman and member body of the Tax Policy Commission resolve at this meeting whether the concluding date will be extended or not. And if extended, to arrive at a definite date, if possible, when these hearings will be concluded. If a definite extended concluding date can be resolved today, that it be

immediately put out as an official press release, for publications in newspapers and other news media. I feel that these proceedings are of deep concern to many citizens and their final resolvement can materially affect our future growth as a State.

4. If this statement is reported in the public news media, I request that it be reported verbatim. Copy of the text is available to any individual who may be interested.

Signed Frank M. Kennedy of Pennington, Hopewell Township, New Jersey.

MR. ALEXANDER: Thank you, Mr. Kennedy.

Would you mind staying there a moment or two, there may be a couple of questions someone would like to ask.

But first, I would like to get the record straight once again about these public hearings. The first notice of public hearing was put out over two weeks ago and stated that there would be public hearings beginning yesterday at 10 o'clock and continuing so long as there were people who desired to be heard. The number of people who desired to be heard appeared to be able to be compressed, without injury to anybody, into yesterday, today and tomorrow. We will not know until tomorrow evening whether there are still other people who wish to be heard, but we intend to have reasonable opportunity to be heard in public to be given to anybody who wants it. But we, unfortunately, cannot be here every day from now on in the hope that somebody may wish to come before us.

MR. KENNEDY: May I put a question to the Chair?

MR. ALEXANDER: Certainly.

MR. KENNEDY: Well as of now it has been resolved that the hearings will conclude tomorrow.

MR. ALEXANDER: No, sir, it has not.

MR. KENNEDY: Well then, if it is necessary --

MR. ALEXANDER: If you read that in the press, the press was misinformed.

MR. KENNEDY: All I know is what I read in the papers and often times that's wrong. That's why I so stated what I did.

MR. ALEXANDER: I will give you a copy of the notice.

MR. KENNEDY: All right. That's good.

Now here's another question I would like to address to the Chair. Being that most citizens work and are pretty busy and have very little time --

MR. ALEXANDER: Including the members of the Commission.

MR. KENNEDY: I would like the Chair's permission tomorrow to have an additional statement prepared to present to this body.

MR. ALEXANDER: Will that be something that you wish to read or that you will file with us?

MR. KENNEDY: Something I will file and, if the Chair so wills, I shall read it.

MR. ALEXANDER: I shall be very glad to accept such a statement. Our general rule was that 15 minutes would be allowed for an oral statement and additional material could be filed. Everything which you have stated orally or which you file in a paper will go into the transcript and the transcript is going to be available for anybody who wants it,

including your statement today.

MR. KENNEDY: Yes, sir. Then I understand that tomorrow if I appear with my statement, so far as orally, 15 minutes time will be allowed for reading orally.

MR. ALEXANDER: I had hoped you were going to be generous and consider the time you had today counted against the 15 minutes, but if we have time to put you on tomorrow, we would be glad to do so, verbally, otherwise it would be better, I think, for you to file your statement.

MR. KENNEDY: Does the Secretary have a record of what time I have used so far?

MR. ALEXANDER: The Secretary?

MR. KENNEDY: Yes.

MR. ALEXANDER: We will be here --

MR. KENNEDY: So I will know how long to prepare my statement.

MR. ALEXANDER: We will be here between 10 and 5.

MR. KENNEDY: But I say, for my clarification, so say 10 minutes is allotted me, maybe I can present my statement within 10 minutes but if I can't I will only recite 10 minutes of it and the rest will be filed.

MR. ALEXANDER: Right.

MR. KENNEDY: Is that approved by the Chair?

MR. ALEXANDER: Mr. Miller or Mr. Neeld, who are both here all the time, - do you know them?

MR. KENNEDY: No, I do not know them, sir.

MR. ALEXANDER: Mr. Neeld is sitting over there and Mr. Miller is temporarily absent. They are arranging the

schedule for the convenience of the witnesses. If you will talk to him, he will see what can be done about getting you on tomorrow.

MR. KENNEDY: All right. Thank you, thank the Chair and the member body.

MR. ALEXANDER: In any event, you would get your statement into the record by filing it.

MR. KENNEDY: What if the hearings were to conclude before that statement were -- This is just a question for my clarification - say the Chair should so rule that the meetings are concluded as of a certain time and the statement is not read, what is the procedure then?

MR. ALEXANDER: If you attach that much importance to reading the statement, we will have a special meeting at some future date at which you can do so, if you can't get in tomorrow. You will probably be the only person in New Jersey who gets the second go at it, but that's all right.

MR. KENNEDY: It's just for clarification, sir.

MR. ALEXANDER: I have ruled.

MR. KENNEDY: Thank you.

MR. ALEXANDER: Does anybody want to ask any questions of Mr. Kennedy?

Is Dr. Donald Walling of Rutgers University here?

Is Mr. Gilliland or Mr. Bicknell here?

Mr. Donahue from Cape May County? Will you step up to the lectern, please.

WILLIAM H. DONAHUE: Mr. Chairman, I just have a very brief statement to make.

MR. ALEXANDER: Do you have copies of it?

MR. DONAHUE: With your permission, I will have them typed this afternoon and filed tomorrow. Is that all right?

MR. ALEXANDER: Fine.

MR. DONAHUE: I would like to present just one facet of the problem of providing a reasonably equal educational opportunity for all boys and girls in New Jersey under our present method of financing schools.

In January of 1959 a survey was conducted in our school, Lower Township Consolidated School in Cape May County, to determine how many boys and girls had attended school in other districts in New Jersey before entering our school. This survey showed that out of a turned average daily enrollment of 725 students, 237 had attended other schools in New Jersey.

This means that about one out of every three children had attended at least one other school in New Jersey. Many had attended several.

I believe that studies recently conducted by the State Department of Education bear out the fact that there is a tremendous mobility in our school age and our adult population in New Jersey now.

Now the cost of providing an education for these children can vary very greatly just within one county. Look at rural Cape May County for example - and I am using just the rural school districts in Cape May County.

The school taxes on a $15,000 home, which would be necessary to provide a $450 school program, vary, as follows, under the present formula:

In Dennis Township this kind of a program would cost a person owning a house valued at $15,000, $376.

In Lower Township, it would cost $122.

In Middle Township, $255. in taxes.

Upper Township, $180.

West Cape May, $312.

Woodbine, $423.

Anywhere from a low of $122 to a high of $423 to provide a financially equal educational program. The difference can be just in living across the street or across the road.

Lower Township, where this kind of program would cost a person owing a house of this value, $122, borders on West Cape May where it would cost $312. Upper Township, where it would cost $180, borders Woodbine where it would cost $423.

Needless to say, at the time these figures were compiled there weren't any $450 school programs in these districts. We just couldn't afford them with our resources.

Our increase in effort, as compared to increases in State Aid has been, I feel, most impressive. For example, Dennis Township State Aid between 1956 and 1957, and 1959 and 1960, decreased by $16,000, while total school taxes increased by $61,000.

Upper Township State Aid in that period increased $6,000 while its total school taxes increased by $80,000.

In other words, we are trying, but many of our

retired, elderly people, living on very fixed and small incomes, have just about reached the breaking point.

The whole point that I have been trying to make is that as these children move about the State, their educational opportunities are going to vary greatly simply because different districts have to make tremendously different efforts to support school programs costing an equal amount.

In many cases in our County, the sacrifices required by this effort rapidly are becoming impossible for many people to make. Much more State Aid, supported by a different and more general form of taxation, is the only hope for us to support a decent education for our children without forcing many people to give up their homes and move away.

Thank you very much for giving me the time to appear before you.

MR. ALEXANDER: Are there any questions anybody wants to ask Mr. Donahue?

Thank you.

Just to get the record straight, I would like to read from the notice of these hearings:

"NOTICE is hereby given that the Commission on State Tax Policy will hold public hearings in the Assembly Chamber in the State House, Trenton, beginning at 10:00 A. M., Wednesday, April 25, 1962, and continuing with appropriate recesses for the balance of that week and on subsequent dates, if necessary."

Is Dr. Donald Walling or the gentleman from Somerset County here?

Then I will take this opportunity to read a statement which I should read in public for insertion in the record:

TO:

COMMISSION ON STATE TAX POLICY
ASSEMBLY CHAMBERS
STATE HOUSE
TRENTON, N.J.

The City of South Amboy would like to present to this Commission the following tax situation in our City:

A - The Facts are as follows:

(1) The City of South Amboy is approximately one mile square and has two major industries which produce approximately 52% of the taxes for the City yearly, namely: Railroads and the Jersey Central Power & Light Company.

(2) Approximately one-third of the City area is owned by the Railroads, all of which is zoned for either heavy or light industry.

(3) The largest portion of this area is classified as second-class Railroad property.

(4) This property together with improvements thereon was last appraised for assessment purposes by the State of New Jersey in 1913.

(5) The rate used by the State to determine that to be used for gross receipts tax is based upon the average tax of all the municipalities in New Jersey.

(6) Assessments in South Amboy are based upon 16% to 18% of value.

B - The Problem

(1) The State requires a revaluation program at 100% of true value by all municipalities.

(2) Middlesex County will require a 50% assessment of true value.

(3) The tax rate in South Amboy will be reduced because of legislation and regulation to a rate below $5.00 per hundred.

(4) It is estimated that due to this enforced rate reduction and assessment ratio a loss in tax receivables of $250,000 to $300,000 can be expected, or 30% of the tax receipts per annum by the City, and this may be conservative.

(5) It is expected that because of present legislation the present gross receipts tax will be based upon $5.00 rather than the present $7.50 due to the fact that the average tax rate of the State will be reduced below $5.00 per $100.

CONCLUSIONS -

1. The gross receipts tax should be based at a fixed rate of $7.50 and the $5.00 minimum be eliminated.

2. The second-class Railroad property in the entire state in particular and all other classes of Railroad properties and improvements should be brought to current values by current appraisals.

(a) While this appraisal work is being done the present tax dollar income to the municipalities should be maintained excluding therefrom (1) any of their holdings which may be sold to persons other than Railroads or affiliates, (2) any of the improvements that may be eliminated by demolition.

3. We in South Amboy feel it is inequitable that (a) a municipality is forced on one hand, through legislation and regulation to operate at current values and that Railroads will be assessed on values based on 1913 appraisals, (b) that a legislated reduction of the average State tax rate will be only to the benefit of a Public Utility at the expense of the municipality and individuals of the State.

John J. Howley

John Howley, Chairman of Taxes
City of South Amboy

Now, has Dr. Walling arrived? I know Mr. Gilliland and I know he is not here.

Well, unless the members of the Commission or the Advisory Committee want to do something else, I think we will have to stay here a bit in case somebody comes but we can at least recess.

(Recess)

After recess

MR. ALEXANDER: Dr. Walling, will you step up to the lectern, please.

D R. D O N A L D W A L L I N G: I should like to thank Governor Hughes and the Commission on State Tax Policy for this opportunity to express my personal views as a private citizen on some problems and proposals in financing public education in New Jersey. While I have an academic and research interest in educational finance generally, I also represent a home owner who has brought substantial financial problems (five sons) to rapidly-growing East Brunswick in rapidly-growing Middlesex County.

School taxes have skyrocketed because others with young children have moved into East Brunswick demanding and getting good education, because our credit rating is low and interest rates on our school bonds have been as high as 5.25 per cent, since state aid for education in 1962-63 is based on 1952-53 cost levels, since there is no state aid at all for one year on the 600 additional students who enter each September (since state aid is computed on the preceding year's enrolment), and since state school building aid is based on enrolments two years earlier - 1200 less than the facilities that must be provided.

The above situation has created serious problems in rapidly-growing districts like East Brunswick:

1. Retired persons are unable to pay increased taxes on real property.

2. Property taxes rise faster than take-home pay and some homeowners are compelled to sell their homes.

3. School budgets are voted down by the people in many districts.

4. Municipal officials urge the defeat of school budgets and elimination of school personnel or services.

5. Industry is reluctant to locate or expand in a locality because of the tax situation.

6. Interest rates on school bonds have been excessive.

7. Some candidates for school boards are elected on a "platform" of cutting costs, regardless of the need for or quality of the educational program.

8. A growing feeling that boards of education are spendthrifts and that basic educational essentials are needless frills.

Increasing the present $200 foundation program in New Jersey to a more realistic level based on current operating costs would help to solve all eight problems listed above. This level was defined in your Seventh Report in 1954 as follows: "Any foundation school program included within a state aid formula must be sufficient to provide a satisfactory minimum educational offering."

Furthermore, increasing state aid is the best single way of improving the credit rating of local school districts and of helping them to provide necessary school buildings by removing the overload on the property tax and shifting some of the load to other tax bases. This indirect pledge of the State's "faith and credit" does not in any way impair the state's credit rating as would any action which placed the state's "faith and credit" directly behind each district's bonds. Nor does it require a constitutional amendment.

I am submitting to the Chairman a single copy of a December 1961 publication from the United States Office

of Education, entitled "Bond Sales for Public School Purposes," July 1, 1960-June 30, 1961. This shows that New Jersey school districts and municipalities - and when I say "municipalities," I should clarify this and add that in many instances, in the Chapter 6 districts, the municipalities issue the bonds, so these bonds for school purposes whether they are issued by the district or by the municipality.--they are not municipal bonds - although they actually are municipal bonds for school purposes. In New Jersey we are paying, in that one-year span, an average net interest cost of 3.67%, which is higher than the national average (this shocked me, by the way; I just couldn't believe it) of 3.52, despite the high income level of our citizens and the short terms of our bonds. We have a very high income level and we have quite short term school bonds, generally 18 year bonds to 20, as a common practice.

Throughout the nation only 42 issues, out of, I believe, 1067, (about 4 per cent of the sales) were given the lowest acceptable Moody rating of Ba. New Jersey is credited with 11 of these - over 25 per cent of the nation's total, and about 14 per cent of New Jersey's total sales.

If you will look at the charts - I have forgotten the exact number - most states have no districts classified as Ba. I don't think I need to stop to say that East Brunswick is a Ba. district, and when we got our 5-1/4% rate in 1957 the first bid was 6% and they had to really go to work to get the bid down to 5-1/4. The State tax limit in New York is 5% interest rate on bonds and in New Jersey it is 6%.

At the time that East Brunswick floated its bonds, South Plainfield had 5.25% interest rate, and Levittown, Long Island, New York, where the average house wasn't more than half as valuable as the houses in South Plainfield and East Brunswick, where the income level was not as high as it was in my district - they sold their school bonds at 4-1/4% in Levittown, New York, in practically the same month. They have about $8,000 of true value behind a child, I believe, and at that time East Brunswick had $25,000.

Additional state aid dollars will buy much more - this is a tricky sentence . Additional state aid dollars will buy much more than additional local dollars. Educational costs will rise whether we have added state aid or not. By shifting more of the burden from real estate, the credit rating of school districts will improve and save interest dollars, which are just wasted dollars so far as I am concerned. That 1/2% per cent that we are higher than New York State on short-term bonds is money down the drain, I'm sure we will all admit, This is the New York experience. There will be fewer school budget defeats and less loss of time, morale, and education. My wife is a board of education member in East Brunswick. She took Herb Brogan's place when he resigned, and she ran uncontested for the seat, and as we have discussed this, the time that is spent in preparing a budget by the administration, the tremendous time, then it's down the drain, and one feels, as many districts have, why waste the time due to a good budget?- knock one off in a few days and make it high enough, because it's going to be cut anyhow.

One district has asked for legislation in Middlesex County; Sayreville has asked that the two votes on the budget be eliminated, that one is enough, and if they defeat it the first time, why waste the time and the money for a second election? They are asking that we just go immediately to the municipality, and there is certainly good sense in that. As to the second vote, I suspect that in 90 per cent of the time if they defeat it once they will defeat it the second time.

In addition to revising the foundation level to your criterion of "a satisfactory minimum educational offering," depending on the cost level which you determine - and I would judge that the $300 level, which I have heard is at least 5 years out of date at least - the level of $350 per elementary child, without doing any great research, is probably a reasonable one. New York has just revised its, and their costs are similar, and I think they are close to the $500 level for elementary children, and 25% higher for high school children. I'm not sure of that, but they have just had a Deiffendorf Commission and everyone was fighting, both parties, to raise the state aid. Both parties were vying with each other to see how high they could get it. The attitude of taxpayers, which is all of us, toward the importance of education will improve.

In addition to revising the foundation level, I would urge you to eliminate the one-year attendance lag in current operating aid and the two-year attendance lag in school building aid. A 5% increase in enrollment annually

might be required for eligibility.

New York has a new provision here - I don't know what it is - I think it's 4 per cent. There was a big debate and the Long Island group (Joe Carlino) - and I think that group won out, and I believe they have a 4 per cent figure. Earlier, when I was in New York State, in charge of business in a large district on Long Island, it was 10 per cent, and we were quite happy because we made it every year and went on to the September 30th enrollments of the current year. But I believe that is down now to 5 or 4 per cent.

Furthermore, there is a critcal need for incentive aid to local school districts to encourage consolidation into educationally and financially more desirable units. At present there is no such aid. In fact, the aid to a consolidated district may be less than the total aid to the component districts if consolidation had not been effected.

In the case of the Westwood-Washington Township consolidation, their state aid is dollarwise less than the two districts would receive if they were separate, definitely less, because one district, Westwood, is on minimum aid, and the other district is on formula aid, so they actually receive less money by getting married and, as you know, there have been great moves to de-consolidate this district.

Incentive aid is presently given to regional high schools. While such reorganizations are desirable in that they make it possible to improve high school education, few educators view them as being as educationally or financially desirable as a complete reorganization or consolidation.

National studies recently have decried regionalization in New Jersey, in Massachusetts and, I believe, California, and have said the only truly desirable district and the most efficient one educationally and financially is the district which has children from grades kindergarten through twelve, and I have never heard anyone in New Jersey really criticize this statement. How anomalous it is to pay a premium for an interim step and none at all for taking the complete, generally more desirable step. It is suggested that the incentive aid to consolidated school districts be greater than to regional districts to encourage consolidations both of independent local school districts and of some existing regional districts and their elementary school components.

Thank you, gentlemen, very much.

MR. ALEXANDER: Thank you very much, Dr. Walling.

Are there any questions? [No response]

Now what order are you appearing in, from Somerset County?

MR. E. L. GILLILAND: Mr. John Bicknell will speak first. He is President of the North Plainfield Board of Education.

J O H N B I C K N E L L: I am very happy and honored to have this opportunity of bringing this message to you today along with many other messages that you have heard.

Not only am I president of the North Plainfield Board of Education, but I am representing Somerset County Boards of Education as their immediate Past President.

Somerset County is a fast growing area. It has a

population of nearly 144,000 in the 1960 U. S. census. Future population studies by the Somerset County Planning Board of December 1961 indicate that we have a potential growth in population of 493,000. Of this number many will be children of school age.

During the past 10 years we have doubled our school population, while the number of residents increased by 50,000. School pupils on roll in September 1961 totaled 31,522.

Local budgets for school purposes have gone to a new all-time high of $21,000,000 for 1962-63. Only $10,000,000 was necessary to run the schools five years ago.

State aid coming to the local districts five years ago was $2,642,616, which was about 26% of the total budget figure. In 1962-63 we are expecting to receive $2,917,909 or about 14% in state aid.

A steadily increasing population will produce an additional 11,000 more pupils in our schools in the next five years. These children are already here, as indicated by pre-school census taken throughout the county.

Residents are increasing much more rapidly than jobs, creating local tax pressures in our expanding communities. If the costs of education continue to increase as the economy of New Jersey has increased during the past five years, Somerset County can look forward to total budgets in excess of $30,000,000 for the support of schools. If state aid does not increase substantially during the next five years, Somerset County can expect an increase in school support in the form of state aid to about $3,400,000 on total expenditures of $30,000,000.

Where does the local property owner stand? He stands to be taxed another sum equal to about 30% on his local tax bill to support public school budgets. This is a conservative estimate and allows for no improvements in the school program.

On top of these current expenses, the taxpayer must be asked to pass on bond issues great enough in value to supply a place to educate the 11,000 extra children. This figure could exceed another $15,000,000 in capital funds, plus the cost of interest on same for long-term bonds.

How receptive can communities be to increasing costs when the State refuses to assume their fair share? More budgets will be defeated yearly, as will many of our bond issues. Taxpayers will become more aroused; school boards will be less receptive to approve an increasing demand for services, and education can't remain at its present level and at its present cost.

While New Jersey has been standing still in its state aid formula, neighboring states have moved rapidly in their support of public education. New York has increased its aid to local districts for the next school year to 45.9 per cent. Each district will get a 7% boost in state aid. Salary guides in New York State attract many of our better teachers each year. We are unable to get new teachers to come to New Jersey from New York because our salaries are too low to attract them. Other services cost great sums too. Thus the local property owner is having a real problem in paying his taxes to support the schools, his county government, and his municipal services.

I would recommend, with the full support of our Somerset County Boards of Education, that the State of New Jersey Commission on State Tax Policy recommend to the Governor and the State Legislature the establishment of a broad base tax to increase state aid to support public education. Respectfully submitted, John Bicknell, President of the North Plainfield Board of Education and Immediate Past President of Somerset County Boards. Thank you.

MR. ALEXANDER: Thank you very much, Mr. Bicknell. I am delighted to hear from my home county twice, and any questions we might have, perhaps we can ask and you can decide which of you wants to answer.

Mr. Gilliland.

E. L. G I L L I L A N D: Thank you, Mr. Alexander.

I noticed on the top of page 2 of Mr. Bicknell's paper that the words should be "state aid to about $3,400,000," not an increase of that amount. So would you make that correction at the top of page 2.

MR. ALEXANDER: Do you have a copy of your written statement?

MR. GILLILAND: The yellow folder you have is almost what I am going to say and, for the record, that is complete enough.

I deem it a great privilege to be here today and appear before this Committee and to discuss with you people for a few minutes some of the problems that we are having in our county. A few weeks ago, I did a little crystal gazing and came up with some statistics which I thought might be very good for this Committee to hear.

Crystal gazing can be a dangerous practice.

However, in education some facts are available and definitely point out responsibilities of the future we must face in the education of our youth.

A basic and undeniable fact is the growing number of boys and girls in Somerset County of school and pre-schoool age.

Consider, if you will, how fast our school-age population has been increasing. Ten short years ago our schools enrolled 16,727 pupils. This year, we have 31,522 and in five years hence, the number will be approximately 42,000 plus.

How do we know? They are already here. Only the emmigration of entire families from Somerset County, due to some unforseen event affecting our total population, can change the picture.

It follows that a continuation of planning, which has been done in the past 15 years, must go on in 1962 and the years that follow.

In 1962, the initial steps must be taken for the additional 11,000 pupils we will have five years hence.

Here are a few of the things we must anticipate:

1. 11,000 pupils will require a minimum of 500 more classrooms.
2. An additional 500 qualified teachers will be needed.
3. Equipment, textbooks and supplies of all kinds are a must.
4. Custodians, bus drivers, cafeteria workers and other personnel will also be required.

Many times, the question has been asked: "When will all this end?" The answer is simple that there is no end in sight.

Why?

Since 1947, the line birth record of the United States has been broken by each succeeding year. Somerset County has conformed quite closely to the national picture.

For example, in 1951 we had 1,597 boys and girls knock on our schoolhouse door and ask for admission to kindergarten. In 1961 we

had 2,856 callers and the law required that all be admitted. Keep in mind the child who entered in 1951 is still with us and will be with us for another three years; while the child who entered in 1961 will be with us until 1974.

Now, while we are educating the boys and girls who came to us in 1951 and 1961, let us take a look at what has happened to our babies born in the first big bulge in the birth rate in 1947.

On the average, he and she will be married in 1967 - children can be expected to arrive in 1969 and in 1974 just five years later, they will be knocking on the schoolhouse door.

There will be many more than we have knocking now.

In 1947, we had the first "bumper crop" of babies. Thus more boys and girls to be married in 1967 ... to have more babies in 1969 ... to enter school in 1974. Add to this, the wave of increased pupil enrollments between 1947 and 1961 which is passing through our schools. You see, there is no end in sight.

What have we done about the increased enrollments in the past?

When our babies born in 1947 knocked on the doors in 1952, our boards of education in Somerset County had many new facilities ready for them. Taxpayers during the ten-year period 1951-1961 voted $33,939,400. for new school facilities. In this expenditure were five new high schools, Manville opened its doors in '56, Watchung Hills Regional in '57, Bridgewater-Raritan in '59, Franklin in '61, and Ridge in '61. To these new high schools additions have been added in Watchung Hills Regional and an addition in Bridgewater-Raritan is about ready for bidding. New additions were added in Bound Brook and North Plainfield during this ten-year span.

The noted growth in the high school facilities rather highlights the "building boom", when one studies what had happened in the thirty-year period previous to 1951. Somerset County had four established high schools during that thirty-year period. Each one of them had added some facilities with quite noticeable additions in North Plainfield and Somerville. However, in 1951 we had 3,900 boys and girls in grades 9-12 and this year 1961-62 we have 8,074 and can expect 9,676 in 1964 and 10,327 in 1967. Another 2,500 will come to us in 1971 making our high school enrollment about 13,000 in that year.

Naturally, the high school growth reached us several years after the elementary grades had grown considerably. Kindergarten classes grew from a total of 36 in 1951 to 76 in 1955, to 100 in 1960 and to 108 in 1961. As these kindergarten children advance through the grades our population in the schools increases at the rate of about 2,000 to 2,200 per year.

In order to house these extra elementary children, of the total expenditures of nearly $34,000,000., more than $26,000,000. was spent for school rooms for grades K-8.

industrial growth in Somerset County has tended to bring children to all grades. Our county population grew from 99,000 in 1950 to nearly 144,000 in 1960. It is expected to be double our 1960 population in 1974.

While the pupil population more than doubled in the ten-year span, the teaching staff increased from 600 to more than 1,500. More custodians, more secretaries and more maintenance employees were needed and will continue on the increase as our school population increases.

Despite the fact that most colleges and universities have the largest enrollments in their history, the State of New Jersey must be concerned with the fact that too many young people of intellectual promise and healthy ambition can't be enrolled in an institution of higher learning. These young people are being turned away on the basis of admission standards which each year rise another degree as a greater number of applicants approach the colleges. The constant raising of admission standards year by year means that the institutions of higher learning are denying fullest educational opportunities to people who were perfectly acceptable collegematerial only a few years ago. If we needed those people in our society then, we need them much more in these difficult and challenging times. Dr. Mason Gross, President of Rutgers University, made these statements recently and said, "I feel very strongly that a State University has a clear commitment to provide for all the qualified young people who come to it for a college education."

Perhaps the Junior College and the Technical Institute may come into its own in New Jersey as it has in the Mid and Far West. Our New Jersey Legislature has several bills before it this session which could alleviate some of our enrollment problems of the four-year colleges. If they pass one of these bills for the Two-year College, and counties like ours see fit to pass a referendum in favor of same, we could, within a very few years, have such an institution in Somerset.

A recent release from the United States Office of Health, Education and Welfare quotes, "There are 90,000 full-time teachers who are not qualified by the standards of their own states." "One-fourth of the elementary school teachers in the United States are not college graduates." "Half the English teachers in junior and senior high schools lack the minimum college requirement for an English major." We are much better off here in Somerset. In June 1961 we had less than 50 teachers of a staff of 1,475 who held Emergency Certificates and another few had Provisional Certificates. We are justly proud of our teaching staff and hope there will be a general uplifting of their standards. Each year Trenton State College offers more than twenty courses on the college level to those persons desiring to improve their certification. But as long as we continue to grow and as long as colleges and universities turn away qualified youth we will have to continue to take teachers with substandard certificates to teach our children.

Yes, there will be more boys and girls to educate. It will require more revenue either from Federal, state, or local sources. It's impossible to educate 11,000 more pupils five years hence for the same amount of money being spent on education today. In a five-year period 1956 to 1961, total budgets increased from $10,049,829. to $18,793,207. and this year's (1962-63) budget the total is about $21,000,000. State Aid increased very little - from about $2,642,616 (1957-58) to $2,917,909 (1962-63). We will need more aid for more pupils; more money to pay for bonds and interest on new buildings; more money to pay salaries of personnel to operate our schools, the teachers, administrators, custodians, secretaries, etc. We must look at all of this with our American goal - the education of all children to their fullest capability.

To some, the future educational problems are staggering and most burdensome in terms of finance.

What the future holds for you and all of us in Somerset, we look at the "crystal ball" again and consider who will produce all the food for this increasing population? Who will set the milk on the doorstep each morning for our increasing population? Who will perform all the services - doctor, lawyer, etc.? Will our churches be big enough? Will there be enough leaders for our youth programs?

The picture is not dark by any means. It is characteristic of a young, growing progressive nation on the march. Somerset County is a part of this picture.

If you're living in Bernardsville today, you may have 11,999 neighbors someday in the future while you only have 5,514 today. If in Bedminster you might have 13,499 neighbors from your group of 2,321 today. Warren folks may have 43,000 from its group of 5,386 and Peapack might have 6,000 at its peak from 1,804 of today. You see from these figures we could reach a population of 493,000 residents in Somerset from our population of 143,913 in 1960.

In the future as we plan in 1962, I am confident the challenge will be met and the problems solved, just as they have been in the past. Were it otherwise our nation would die.

Babies, more babies, children of elementary school ages, students of high school and college ages, challenges and more challenges, but what could be sweeter than 11,000 more babies - the lifeblood of our nation.

Now I would like to add this sentence to the end of my statement which I will leave with you:

Mr. Bicknell mentioned the Herald Tribune's article which was in the paper yesterday, and I'm sure it has been shown to you many times, which indicates the new formula of New York State. It says here that the education state aid will increase the 42% this year to 45.9% next year. Each district will get approximately 7% boost in state aid next year under the terms of a bill signed by the Governor.

It is a privilege being here with you this afternoon. I would hope that you would look upon these things that we have presented from our county as favorable information that you might present to the Governor to consider a proposal to the Legislature to enact a broad-based tax.

I could go on and tell you about my property personally in Bound Brook where I am now paying $802 taxes on it, which will be increased during the next year $56 in taxes for the support of schools, where our budget was voted down twice, where the municipal government took but $4,000 off, but where it has been a disaster to our community. You will hear something more about that tomorrow when you hear Mr. Freedman, the President of the Board of Education of Bound Brook.

It has been a privilege being here. Thank you.

[The following figures were submitted by Mr. Gilliland]

1962-63 BUDGETS

SOMERSET COUNTY	Current Expense	Capital	Debt Service	1962-63 Total Budget	1961-62 Total Budget
Bedminster Twp.	$ 282,050.	$ -	$ 32,200.	$ 314,250.	$ 301,800.
Bernards Twp.	1,029,200.	45,609.	196,398.	1,271,207.	1,121,145.50
Bernardsville	779,496.	58,000.	101,499.	938,995.	841,235.
Bound Brook	1,004,766.42	3,480.40	118,106.50	1,126,353.32	1,133,548.26
Branchburg Twp.	540,397.	8,000.	68,322.50	616,719.50	552,995.45
Bridgewater Twp.	3,121,460.	49,940.	525,000.	3,696,400.	3,285,120.
Far Hills	77,200.	-	-	77,200	72,010.
Franklin Twp.	2,040,577.	56,870.	329,065.85	2,426,512.85	2,315,329.35
Green Brook Twp.	477,370.20	4,453	54,038.68	535,861.88	512,247.84
Hillsborough Twp.	1,104,481.	5,720.	154,569.	1,264,770.	1,163,100.
Manville	1,073,734.04	46,054.17	213,737.	1,333,528.21	1,121,195.50
Millstone	68,680.	-	-	68,680.	69,348.
Montgomery Twp.	371,109.	5,420.	20,343.75	396,872.75	342,038.25
North Plainfield	1,668,195.	30,135.	187,448.	1,885,778.	1,786,955.
Peapack and Gladstone	187,135.	-	11,974.	199,109.	184,509.
Rocky Hill	54,375.90	2,100.	-	56,475.90	51,333.
Somerville	1,644,829.	22,607.	82,579.	1,750.015.	1,680,874.
South Bound Brook	370,522	10,140.	19,687.50	400,349.50	370,464.50
Warren Twp.	518,347.	9,600.	116,710.	644,657.	524,429.70
Watchung	358,432.88	17,406.00	127,510.75	503,349.63	449,429.79
Watchung Hills Reg. H.S.	810,600.	15,000.	209,180.	1,034,780.	924,751.
County Vocational	210,829.	16,100.		226,929.	153,715.
TOTAL	$17,793,786.44	$406,634.57	$2,568,369.53	$20,768,793.54	$18,957,574.14

1962-1963 STATE AID

SOMERSET COUNTY District		1 No. on Roll 9/30/61	2 Foundation Program Col.1 times $200	3 Equalized Valuation 1961	4 Eq.Valuation times 5 mils or 4 mils (Reg.)	5 25% Shared Taxes
1	Bedminster Twp.	400	$ 80,000	$ 29,562,496	$ 147,813	$ 5,081
2	Bernards Twp.	1,721	344,200	53,071,965	265,360	15,882
3	Bernardsville	938	187,600	45,533,807	227,669	12,306
4	Bound Brook	1,680	336,000	46,559,263	232,796	24,961
5	Branchburg Twp.	961	192,200	26,136,720	130,684	8,226
6	Bridgewater Twp.	5,485	1,097,000	202,203,390	1,011,017	65,955
7	Far Hills	95	19,000	8,314,921	41,575	1,212
8	Franklin Twp.	4,510	902,000	97,960,726	489,804	63,232
9	Green Brook Twp.	974	194,800	23,583,342	117,917	9,511
10	Hillsborough Twp.	1,971	394,200	55,218,715	276,094	27,589
11	Manville	2,379	475,800	53,462,965	267,315	19,315
12	Millstone	116	23,200	2,129,841	10,649	1,211
13	Montgomery Twp.	644	128,800	25,038,349	125,192	10,784
14	North Plainfield	3,434	686,800	84,583,991	422,920	34,191
15	Peapack-Gladstone	275	55,000	13,279,831	66,399	4,306
16	Rocky Hill	76	15,200	3,479,486	17,397	1,060
17	Somerville	2,328	465,600	61,094,074	305,470	38,259
18	South Bound Brook	876	175,200	14,028,564	70,143	7,706
19	Warren Twp.	1,098	219,600	31,105,943	155,530	9,434
20	Watchung	641	128,200	28,357,659	141,788	11,142
21	Watchung Hills Reg. H. S.	920	184,000	30,488,240	121,953	11,764
22	County Vocational	-	-	-	-	-
	TOTAL	31,522	$6,304,400	$935,194,288	$4,645,485	$383,127

Somerset County Superintendent of Schools
November 21, 1961

	6	7	8	9	10	11
	Local Fair Share Col.4 plus Col. 5	Equalization Aid Chap.85 P.L.1954 Col.2 minus Col.6	Minimum Aid Chap.85 P.L. 1954 Col.1 x $50	Formula Aid Higher of Col. 7 or Col.8	Transportation Aid 75% of 1960-61 Amt. Approved by Co. Supt.	No. of Special Classes
1	$ 152,894	$ -	$ 20,000	$ 20,000	$ 11,230	-
2	281,242	62,958	86,050	86,050	23,994	-
3	239,975	-	46,900	46,900	8,087	-
4	257,757	78,243	84,000	84,000	1,881	-
5	138,910	53,290	48,050	53,290	28,410	-
6	1,076,972	20,028	274,250	274,250	125,805	4
7	42,787	-	4,750	4,750	3,690	-
8	553,036	348,964	225,500	348,964	75,847	3
9	127,428	67,372	48,700	67,372	10,571	-
10	303,683	90,517	98,550	98,550	66,656	1
11	286,630	189,170	118,950	189,170	3,688	-
12	11,860	11,340	5,800	11,340	3,432	-
13	135,976	-	32,200	32,200	25,424	1
14	457,111	229,689	171,700	229,689	1,560	2
15	70,705	-	13,750	13,750	6,367	-
16	18,457	-	3,800	3,800	2,925	-
17	343,729	121,871	116,400	121,871	531	5
18	77,849	97,351	43,800	97,351	653	-
19	164,964	54,636	54,900	54,900	22,328	-
20	152,930	-	32,050	32,050	8,478	-
21	133,717	50,283	46,000	50,283	30,160	-
22	-	-	-	-	-	-
	$5,028,612	$1,475,712	$1,576,100	$1,920,530	$461,717	16

	12	13	14	15	16	17
	Special Class Aid Col. 11 at $2,000	Atypical Pupil Aid Sending Districts ½ Cost in Excess of $200	Home Instruction Aid ½ Cost	Total Aid Chap.85 P.L.1954 Col.9,10,12, 12 & 14	Deduction Veterans Pens. Liability	Per Pupil Aid
1	$ -	$ 358	$ 161	$ 31,749	$ 819	$ 50.00
2	-	806	1,169	112,019	3,699	50.00
3	-	-	180	55,167	4,221	50.00
4	-	841	123	86,845	9,152	50.00
5	-	1,137	132	82,969	777	55.45
6	8,000	33	3,926	412,014	5,372	50.00
7	-	-	-	8,440	461	50.00
8	6,000	2,116	2,688	435,615	2,930	77.38
9	-	1,189	272	79,404	-	69.17
10	2,000	1,834	2,294	171,334	757	50.00
11	-	3,420	942	197,220	2,273	79.52
12	-	-	-	14,772	-	97.76
13	2,000	250	209	60,083	312	50.00
14	4,000	431	952	236,632	9,474	66.89
15	-	471	110	20,698	-	50.00
16	-	-	-	6,725	-	50.00
17	10,000	-	3,289	135,691	11,761	52.35
18	-	641	648	99,293	422	111.13
19	-	750	192	78,170	1,153	50.00
20	-	1,220	-	41,748	2,490	50.00
21	-	2,320	933	83,696	-	54.66
22	-	-	-	*	-	-
	$32,000	$17,817	$18,220	$2,450,284	$56,073	60.93

* Anticipated State and Federal Aid - $63,124.

STATE BUILDING AID

	1	2	3	4	5
	Av. Ratio to True Value 1961	Av. Daily Enrollment 1960-61	Foundation Programs, Col.1 times $30	Equalized Valuation 1961	Local Fair Share, ½ mil times Equalized Valuation	Total Aid Available Col.2 minus Col.4
1	18.42	383.7	$ 11,511	$ 29,562,496	$ 14,781	$ - *
2	19.46	1,604.6	48,138	53,071,965	26,536	21,602
3	14.75	900.4	27,012	45,533,807	22,767	4,245
4	19.85	1,588.3	47,649	46,559,263	23,280	24,369
5	14.51	876.5	26,295	26,136,720	13,068	13,227
6	B-10.44 R-20.97	5,092.5	152,775	202,203,390	101,102	51,673
7	18.87	90.8	2,724	8,314,921	4,157	- *
8	20.25	4,100.5	123,015	97,960,726	48,980	74,035
9	16.92	903.8	27,114	23,583,342	11,792	15,322
10	11.98	1,851.9	55,557	55,218,715	27,609	27,948
11	12.77	2,276.5	68,295	53,462,965	26,731	41,564
12	20.50	109.8	3,294	2,129,841	1,065	2,229
13	11.44	615.0	18,450	25,038,349	12,519	5,931
14	20.28	3,347.3	100,419	84,583,991	42,292	58,127
15	21.29	299.9	8,997	13,279,831	6,640	2,357
16	14.81	70.0	2,100	3,479,486	1,740	360
17	22.34	2,237.2	67,116	61,094,074	30,547	36,569
18	23.59	819.1	24,573	14,028,564	7,014	17,559
19	17.05	1,011.2	30,336	30,927,221	15,464	14,872
20	11.06	612.6	18,378	28,737,809	14,369	4,009
21	-	855.4	25,662	30,344,489	15,172	10,490
22	-	-	-	-	-	-
		29,647.0	$ 889,410	$ 935,251,965	$ 467,625	$426,488

* No State Building Aid

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MR. GILLILAND: Twenty-three something, right now.

MR. ALEXANDER: As you probably know, that is Dr. Asby.

MR. GILLILAND: I do.

MR. ALEXANDER: Are there any further questions? [No response]

Thank you very much.

MR. GILLILAND: Thank you very much for hearing us.

MR. ALEXANDER: I think that concludes the day. We will reconvene at 10 o'clock tomorrow. Thank you.

H E A R I N G A D J O U R N E D.