

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

before

SENATE ENERGY AND ENVIRONMENT COMMITTEE

on

SENATE, NUMBERS 859, 860 and 861
(Lifeline Program)

Held:
March 23, 1978
Senate Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Frank J. Dodd (Chairman)
Senator Joseph Hirkala
Senator Matthew Feldman
Senator Lee B. Laskin

ALSO:

David C. Mattek, Research Associate
Legislative Services Agency
Committee Aide

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SENATE, No. 859

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1978

By Senators MERLINO and FELDMAN

Referred to Committee on Energy and Environment

AN ACT creating an Energy Relief Fund from revenues of the public utilities excise tax and amending P. L. 1940, c. 5.

1 BE IT ENACTED by the Senate and General Assembly of the State
2 of New Jersey:

1 1. Section 11 of P. L. 1940, c. 5 (C. 54:30A-59) is amended to
2 read as follows:

3 11. Before making the apportionment of the excise taxes im-
4 posed by this act to the several municipalities entitled thereto, the
5 **[State Tax Commissioner]** Director of the Division of Taxation
6 shall cause to be deposited annually in a special fund to be known
7 as the "Energy Relief Fund," a. a sum equal to 75% of that
8 portion of the total annual tax revenue received which is in excess
9 of the total tax revenue received for the year 1977, and b. a sum
10 equal to that portion of the excise taxes to be apportioned to any
11 municipality which is in excess of \$1,200.00 per capita, which sum
12 shall be diverted from that municipality to the Energy Relief
13 Fund. The proceeds of said fund shall be used exclusively for the
14 purpose of providing economic relief to the residential consumers
15 of gas, electricity and fuel oil as shall be provided by law. The
16 Director of the Division of Taxation, in addition, shall deduct from
17 the gross amount of such taxes the expenses of auditing and
18 verifying the statements of each taxpayer and making the respec-
19 tive apportionments of the taxes and a share of any general
20 expenses which cannot be allocated to any one taxpayer in pro-
21 portion to the amounts of the taxes payable by the respective tax-
22 payers under sections 6 (a) and (b) of this act. The **[State Tax**
23 **Commissioner]** Director of the Division of Taxation shall certify
24 such expenses to the respective taxpayers who shall make payment
25 thereof to the **[State Tax Commissioner]** Director of the Division
26 of Taxation within 30 days after such certification.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

1 2. Section 12 of P. L. 1940, c. 5 (C. 54:30A-60) is amended to
2 read as follows:

3 12. The balance of the excise taxes imposed by section six (a)
4 of this act upon each taxpayer in the year 1940 and each year
5 thereafter is hereby apportioned to the various municipalities in
6 the proportion that the apportionment value of the scheduled prop-
7 erty of such [taxpayer] *taxpayer* located in, on or over any public
8 street, highway, road or other public place in each municipality as
9 of the preceding July 1 bears to the total apportionment value of
10 such scheduled property of such taxpayer in this State as of that
11 date; *provided, however, that no municipality shall be apportioned*
12 *a smaller sum than it was apportioned in 1977, except to the extent*
13 *that such sum, together with such sum as may be apportioned pur-*
14 *suant to section 13 of P. L. 1940, c. 5 (C. 54:30A-61), exceeds*
15 *\$1,200.00 per capita.*

16 The [State Tax Commissioner] *Director of the Division of Taxa-*
17 *tion* shall, on or before May 1, 1941, and annually before May 1 in
18 each year thereafter, compute the balance of such excise taxes and
19 such apportionment thereof in the manner herein provided.

1 3. Section 13 of P. L. 1940, c. 5 (C. 54:30A-61) is amended to
2 read as follows:

3 13. The balance of the excise taxes imposed by section 6(b) of
4 this act upon each taxpayer in the year 1940 and each year there-
5 after is hereby apportioned to the various municipalities in the
6 proportion that the apportionment value of the scheduled property
7 of such taxpayer located in each municipality as of the preceding
8 July 1 bears to the total apportionment value of the scheduled
9 property of such taxpayer in this State as of that date; *provided,*
10 *however, that no municipality shall be apportioned a smaller sum*
11 *than it was apportioned in 1977, except to the extent that such sum,*
12 *together with such sum as may be apportioned pursuant to section*
13 *12 of P. L. 1940, c. 5 (C. 54:30A-60), exceeds \$1,200.00 per capita.*

14 The [State Tax Commissioner] *Director of the Division of Taxa-*
15 *tion* shall on or before June 1, 1941, and annually before June 1
16 in each year thereafter, compute the balance of such taxes and the
17 apportionment thereof in the manner herein provided.

1 4. This act shall take effect immediately and shall apply to any
2 tax revenues received pursuant to section six of P. L. 1940, c. 5 on
3 or after January 1, 1978.

STATEMENT

This bill provides for the establishment of an Energy Relief Fund from revenues of the Public utilities excise tax to be used for providing economic relief to residential consumers of gas, electricity and fuel oil.

This bill does not reduce municipalities' receipts from the public utility excise tax. Rather, it earmarks 75% of future increases from that tax for the reduction of energy and fuel costs for residential consumers. Municipalities will still enjoy annual *increases* from this revenue source, although at a diminished level.

The bill does set a ceiling of \$1,200.00 per capita which can be received by any municipality. The State's average distribution per capita is \$48.11. Only three municipalities have received more than \$680.00 per capita in the past year and only two are over the \$1,200.00 ceiling—Lower Alloways Creek at \$5,213.62 and Upper Township at \$1,295.50.

The bill contains "save harmless" language which guarantees every municipality, with the exception of those few over the \$1,200.00 ceiling, the receipt annually of a sum that is equal to or greater than that which it received in 1977.

SENATE, No. 860

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1978

By Senators MERLINO, FELDMAN and LIPMAN

Referred to Committee on Energy and Environment

AN ACT establishing a State energy coupon program.

1 BE IT ENACTED *by the Senate and the General Assembly of the*
2 *State of New Jersey:*

1 1. The Legislature finds and declares:

2 a. That a minimum supply of natural gas, electricity, and home
3 heating oil for lighting, space and water heating, cooking, and other
4 essential household uses is a basic necessity of life;

5 b. That the rapidly escalating costs of natural gas, electricity, and
6 home heating oil threaten to deprive low-income families of the
7 use of these necessities and thus jeopardize their life, health and
8 welfare;

9 c. That public policy requires that a minimum essential supply
10 of natural gas, electricity and home heating oil be available to those
11 in need at a cost within their means; and

12 d. That a State energy coupon program, allowing qualifying per-
13 sons to increase their energy purchasing power in relation to their
14 need, is an effective and efficient method of accomplishing this end.

1 2. As used in this act:

2 "Qualifying head of household" means a person who owns a
3 home, or who rents and maintains an account with a public utility
4 or private home heating oil supplier, and whose annual gross in-
5 come, combined with the annual gross incomes of all resident family
6 members, does not exceed 2 times the poverty level income standard
7 defined by the United States Department of Labor as adjusted for
8 family size;

9 "Board" means the Board of Public Utilities;

10 "Energy coupons" means printed tickets or certificates issued
11 by the Board of Public Utilities and sold by its designated agents
12 to qualifying heads of households as hereinafter provided.

1 3. Any qualifying head of household, duly certified as such by
2 the board, shall be eligible to purchase energy coupons at a dis-
3 count in accordance with a schedule to be established by the board

4 for his annual adjusted family gross income range, which coupons
5 may be used as cash toward the payment of his home utility or
6 heating oil bills.

1 4. It shall be the duty of the board to:

2 a. Prepare, or cause to be prepared, and distribute energy
3 coupons to local and county offices on aging, welfare offices, banks
4 and such other outlets as it may by regulation designate as its
5 agents, for purchase by qualifying heads of households. Each such
6 outlet shall account for the number of coupons so distributed and
7 for receipts from the sale of such coupons in a manner prescribed
8 by the board in consultation with the State Treasurer;

9 b. By rule or regulation promulgated pursuant to law, prescribe,
10 and from time to time revise as may be appropriate, a sliding scale
11 of discounts at which such energy coupons shall be sold, which scale
12 shall correlate the percentage of discount to various ranges of
13 adjusted annual gross family income up to that level required for
14 qualification; provided, however, that in prescribing such sliding
15 scale the board shall ascertain the limits of available financial
16 resources to implement the provisions of this act;

17 c. Establish means and methods for purchasers of energy
18 coupons to demonstrate proof of eligibility, the percentage of dis-
19 count to which such purchasers are entitled, and the quantity of
20 such coupons which may be sold to any individual purchaser;

21 d. Take appropriate action to publicize the existence of the
22 energy coupon program established pursuant to the provisions of
23 this act, the eligibility requirements therefor, the identification of
24 outlets at which such coupons may be purchased, and such other
25 information as the board, in its discretion, deems necessary to in-
26 form potential beneficiaries, public utilities, home heating oil
27 suppliers, and other interested citizens; and,

28 e. Promulgate pursuant to law any other rules or regulations
29 which it deems necessary in order to effectuate the purposes of this
30 act.

1 5. Energy coupons shall be accepted by all public utilities and
2 home heating oil suppliers at face value towards the payment of
3 home utility or home heating oil bills, as the case may be, and may
4 be redeemed at any bank. Energy coupons shall be deemed to be,
5 and treated by banks as, drafts of the State.

1 6. The State Treasurer shall credit all receipts from the sale of
2 energy coupons pursuant to the provisions of this act to the Energy
3 Relief Fund created pursuant to Senate Bill No. 859 of 1978, now
4 pending before the Legislature, and shall make all disbursements in
5 payments of coupons redeemed by banks out of the said, Energy
6 Relief Fund.

- 1 7. This act shall take effect upon the enactment of Senate Bill
2 No. 859 of 1978, except that the board and the State Treasurer
3 may upon the enactment of this act take any actions they deem
4 appropriate in anticipation of the enactment of said Senate Bill.

STATEMENT

This bill mandates the establishment of a State energy coupon program. It provides for the purchase of energy coupons at discounted rates by qualifying heads of households, as defined in the act, which coupons may be used to pay household utility and home heating bills. It charges the Board of Public Utilities with the chief administrative responsibilities, and the State Treasurer with the responsibility for handling proceeds and disbursements. Funds for making up the deficits created by the discounts are to be drawn from the Energy Relief Fund created pursuant to Senate Bill No. 859, upon the passage of which bill this act is contingent.

Specifically, this bill requires the board to prepare and distribute energy stamps to various state outlets, at which qualified persons may purchase them. It also requires the board to establish a sliding scale of discount rates correlated to various adjusted gross annual family income ranges, to develop a means of certifying eligibility, and to set limits on allowable purchases. The bill also requires all public utilities and home heating oil suppliers to accept such coupons in payment of home utility or fuel oil bills, and requires banks to redeem them.

This program is deemed an efficient and effective means of assuring that families of modest means will be able to purchase the minimum amount of natural gas, oil, and electricity essential to their health and welfare at a time when costs of these necessities are rapidly escalating.

SENATE, No. 861

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 14, 1978

By Senators MERLINO and FELDMAN

Referred to Committee on Energy and Environment

AN ACT to amend "An act concerning electric and gas utilities and supplementing Title 48 of the Revised Statutes," (now awaiting action by the Governor as Assembly Bill No. 1830 (2nd OCR) of 1976) and to repeal section 7 thereof.

1 BE IT ENACTED by the Senate and General Assembly of the State
2 of New Jersey:

1 1. Section 3 of P. L. 1977, c. (C.) is amended to
2 read as follows:

3 3. a. Any user, having an income not in excess of \$12,000.00
4 per year for a married couple or head of household, or \$9,000.00
5 for a single person exclusive of benefits under [the] one of the
6 following:

7 (1) The Federal Social Security Act and all amendments and
8 supplements thereto:

9 (2) Any other program of the Federal Government or pursuant
10 to any other Federal law which provides benefits in whole or in part
11 in lieu of benefits referred to in, or for persons excluded from
12 coverage under, paragraph (1) hereof including but not limited to
13 the Federal Railroad Retirement Act and Federal pension, dis-
14 ability and retirement programs; or

15 (3) Pension, disability or retirement programs of any State or
16 its political subdivision, or agencies thereof, for persons not
17 covered under paragraph (1) hereof, shall be entitled to receive a
18 lifeline rate.

19 The commission shall establish a schedule of eligible users within
20 the above income limitations based upon number of dependents.

21 b. A residential consumer shall be entitled to receive a lifeline
22 rate only at his principal place of residence. No person may receive
23 a lifeline rate at more than one residence.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

1 2. Section 4 of P. L. 1977, c. (C.) is amended to
 2 read as follows:

3 4. *The Legislature may appropriate funds from the Energy*
 4 *Relief Fund, created pursuant to Senate Bill No. 859 now pending*
 5 *before the Legislature, to aid in the establishment and maintenance*
 6 *of a lifeline rate for eligible users. [In the absence of specific]*
 7 *To the extent that funding for any lifeline rate established pursuant*
 8 *to the provisions of this act may be insufficient, the remaining cost*
 9 *of establishing a lifeline rate shall be borne by restructuring of*
 10 *the rate structure of users in all classes of customers and in a*
 11 *manner not inconsistent with the provisions of this act.*

1 3. Section 7 of P. L. 1977, c. (C.) is hereby repealed.

1 4. This act shall take effect immediately, but shall remain
 2 inoperative unless and until Assembly Bill No. 1830 (2nd OCR) of
 3 1976 and Senate Bill No. 859 of 1978 are enacted.

STATEMENT

This bill amends the "lifeline" utility rate act to authorize the use of funds derived through the Energy Relief Fund, created pursuant to Senate Bill No. 859 of 1978 now pending before the Legislature, to aid in the establishment and maintenance of a lifeline rate for eligible users. It provides that income from pension, disability and retirement programs is excludable income for purposes of determining eligibility for the lifeline utility rate. The bill removes the requirement that the proposed lifeline rate and schedule of eligible users be submitted to the joint committee prior to approval, while retaining the requirement that the joint committee shall make recommendations to the Legislature concerning the continuation or any possible modifications to the lifeline rate.

SENATOR FRANK J. DODD (Chairman): Good morning, ladies and gentlemen. Our apologies for the traditional delay in starting the hearing. We didn't want to break our past track record by starting on time.

I would like to thank the people who have come from near and far. As I was driving in, I saw the busses coming down. I thought, "My God, there must be another demonstration at the State House." I am glad you are here."

My name is Senator Dodd. I am Chairman of the Senate Energy and Environment Committee. To my right is Senator Hirkala. The other committee members will be here. We will be conducting the hearing this morning on three energy-related bills: Senate Bill 860, the Energy Coupon Program; Senate Bill 861, amendments to the Lifeline Act; and Senate Bill 859, creation of an Energy Relief Fund.

Our first witness will be the sponsor of the legislation, our Senate President, Senator Joe Merlino, who will be followed by our Energy Director, Commissioner Joel Jacobson. Senator Matthew Feldman has just arrived and is sitting to my left. Senator Merlino.

SENATOR JOSEPH P. MERLINO: Thank you, Pat. Perhaps you have been away for several weeks or so, but we have kind of broken away from that tradition of being late in the Senate and we are on time. The sponsor was on time this morning too.

SENATOR DODD: Not on St. Patrick's Day.

SENATOR MERLINO: Okay.

SENATOR FELDMAN: You know, starting off that way, Senator, it will be very difficult to get Senator Dodd to approve your bill.

SENATOR MERLINO: I am sure the approval of this bill will come from those gathered here today, including Senator Dodd and the two of you.

I think the real purpose in our being here is S 859, the controversial - at least, the alleged controversial manner in which to finance the Lifeline Program and the Coupon Program set out in the other two bills.

The Lifeline Bill passed by the Legislature at the end of the last session was not a comprehensive program. It was only the first piece. While the Governor has already approved that first piece, we must act quickly to legislate a complete program around it.

For that reason, Senator Feldman and I have introduced a package to complete New Jersey's rate relief program.

In the Lifeline Bill (S 861), we propose certain corrective measures in the Lifeline Law. These corrective measures we feel must be made.

We restore absolutely essential language in lines 17 and 18, namely, "shall be entitled to receive a lifeline rate". The Assembly's deletion of this phrase effectively voided the Senate's income test.

Section 3 of the bill eliminates the Legislature's claim to approve or disapprove electric and gas rates. If there is anything that we should not get into as a Legislature, it is setting utility rates. Not only is it questionable government, it is rather insane politics for us to get into that area.

We provide for partial funding of lifeline rates from the energy relief fund.

Energy Coupons (S 860) - Lifeline doesn't provide one cent for home heating oil, which is the single biggest energy expense for most households living in older housing.

It only provides a benefit for people who don't use much energy, which are usually people out of the house all day. Many of the elderly, and most families with children, use too much gas and electricity to qualify for lifeline because there is somebody at home all the time. That is the problem that the energy coupon program is designed to meet.

The coupons would be sold for cash at a discounted rate to be determined by the Board of Public Utilities - say \$10 worth of coupons being sold for \$6 in cash. That would effectively reduce the beneficiary's energy cost by 40 percent. That is not in the bill. That is merely an example that I am citing.

The Board would determine the discount rate based on "the limits of available financial resources" from the energy relief fund.

Coupons would be available through county offices on aging, welfare offices and banks. Public utilities and fuel oil suppliers will accept them at face value.

Energy coupons will be an enormous boon to working people, especially those with large families, to old people and to the dependent poor. They will be especially important for people in our cities. If we want a new "urban" program, this is it - and it is help directly to people.

Now the controversial section of the Energy Relief Fund Bill (S 859) requires no new taxes, rather it is funded by a redirection of revenues already being raised.

The public utilities gross receipts and franchise taxes have been providing municipalities with a steady source of income since 1940. But it is a cockamamie distribution that has long been the target of reformers. I think ongoing over the years, there has always been at least one and sometimes two law suits in our courts directed to this very question. The tax currently amounts to \$48 per resident in New Jersey, but is distributed at a rate of \$22 per person in East Orange, \$27 or \$29 in Trenton, and \$22 in Passaic - yet \$667 in Upper Township and a staggering \$5,214 for every resident of Lower Alloways Creek, which has become the new Kuwait, or another one of the Arab states.

Senator Feldman and I don't want to take away from municipalities any of the money that they are already getting. Realistically, we can't do that. But we do want to use much of the future growth from this State tax to finance the energy rate-relief program as outlined previously.

We propose to deposit 75 percent of this utility revenue increase in the energy relief fund, starting with increases received this year over what municipalities are anticipating.

In Sections 2 and 3 of the bill, we guarantee that no municipality will lose any revenue, except for one, and that is Lower Alloways Creek, because we propose to set a maximum payment to any municipality of \$1200 per capita.

By leaving municipalities 25 percent of the annual increase, we ensure that they will continue to receive some growth from this revenue source. And I have some attached estimates here to the statement I am reading from, which show that municipalities in every case but one will have increases. They will be totalling \$47 million in additional revenue in three years, almost as much as the income tax's revenue sharing program.

Do not lose sight of the fact that the energy relief fund will be for one reason and one reason alone, and that is to give help directly to the people. Between old people in our cities and the sheiks of Lower Alloways Creek, I want the utility

tax money that we will pay to help the old and the needy meet their electrical bills which are now getting completely out of hand. They are into orbit; they are out of reality. Because there is one particular community in this State that likes to live in a fantasy is no reason why the rest of the people of this State, particularly the old people and the poor people should live in darkness and in the cold.

I didn't read my entire statement, Pat. You have a houseful of people. I tried to cut it down as I went. I might have made some grammatical mistakes in doing so. But I think you all got the message.

(Complete statement submitted by Senator Merlino
can be found beginning on page 1X.)

SENATOR DODD: Thank you, Senator Merlino.

The Senate President has set the tone for what I hope we will follow the rest of the day. Those of you with prepared statements that will be speaking, if you could submit your prepared statement, it will be included in the record; and as you speak, if you could abbreviate your remarks, it would be appreciated.

We do have some twenty-odd speakers today. With some luck and your cooperation, we can complete this hearing and you can get your points across. There is no sense in repeating ourselves several times. We have been through this many times. We know what you are saying. You don't have to hit us over the head with it.

Are there any questions of the sponsor? (No questions.)

Thank you, Senator.

SENATOR MERLINO: Thank you.

SENATOR DODD: The chair will now recognize the Commissioner of our Energy Department, the Honorable Joel Jacobson.

J O E L R. J A C O B S O N: Thank you, Senator, Senator Feldman and Senator Hirkala.

I am afraid I am going to have to apologize in advance. I really think I am going to take a little longer than Senator Merlino. And I would be so bold as to ask you to recall the quotation of Goethe who said when he once wrote a very long letter, "Please excuse this long letter. I have no time to write a short one." I will speak as briefly as I can.

First, I want to commend the Legislature for the obvious compassion demonstrated in responding to this problem of rising utility rates. As one who has sustained a personal anguish of having to vote for higher rates, I know your concerns, I know the problems, and we welcome very much the participation of the Legislature in trying to respond to this dilemma.

I would like to offer, if I could, however, a word of caution, based upon what I believe to be a pragmatic analysis of the problem. None of these bills is going to solve the problem. We are, no matter how much we are concerned, no matter how nobly we are motivated -- we are merely responding to a treatment of the symptom and not the cause and I fear, but I must submit the thesis, that the resolution of the cause is beyond your control and beyond our control. So while I share the idea of treating the symptom, I believe it is important for our people to understand the nature of the problem.

I will give you the nature of the problem as quickly and as succinctly as I can: In 1972, it cost \$2.34 to buy a barrel of oil to generate electricity. In 1977, the price was \$13.70, and therein lies the problem. I might point out that one of the major utilities in this State in the year 1975 spent out of every dollar it allocated for expenses 40 cents for the purchase of fuel to generate its electricity. In 1972, that figure was 32 cents. While 8 cents doesn't sound like much, when you compute it as a portion of the billions of dollars that are expended, you begin to see the mammoth proportions of the problem. My point is: We are treating a symptom and everybody should really understand that.

I believe that 1830, the bill that was passed by the Legislature, can only serve as the proper backdrop for discussing the other three Senate Bills before you this morning. Senator Merlino has already pointed out some of the problems that we have with 1830. Governor Byrne signed this bill because of his commitment to provide relief for senior citizens and low-income citizens. He recognized, as we all did, that the legislation contained some technical and practical deficiencies and it is our hope that this legislation will correct those. Certainly the one that Senator Merlino talked about, putting the enabling phrase back in the legislation, would be quite helpful because the bill that passed does nothing.

Secondly, we would like to point out that there are two other considerations with regard to family members that should be considered in the resolution of this problem. The bill does not now make any allowance for the income of other wage earners who may live in the same household. On the other hand, it does not provide for any consideration of dependents who may live in that household. It certainly appears to me that an individual who has a wage-earner youth working is in a little different position than an individual who has three or four dependents who are obviously not working and, therefore, causing more severe economic reversals for him. We would urge you to consider that.

Another point which we believe requires approach is the ability to determine

eligibility. Are the eligibility requirements to be established on a daily basis if somebody falls below the level of income? Are you to do it once a year? These things must be spelled out merely because of the administrative and bureaucratic problems which must be resolved. We can do the job, no matter what you say. But it becomes perfectly obvious that if we are to determine eligibility based on the daily change in situation, the staff required to provide this service will have to be beefed up considerably, and we all know your concerns with keeping the cap on the expenditures of State government.

Another point that I speak about - I was going to say with heat, but I really don't mean that and perhaps vehemence is the correct word - is the concept of the oversight provision. I think this is wrong for three reasons. First, as I read American history, I believe it is wrong because it violates our concept of the separation of powers. We have three equal branches of government and I really don't believe that the concept of oversight serves that particular concept of democracy. On that basis, I just think it is wrong.

Secondly, I really think it is politically unwise. I don't believe that the technical, complex problems of setting rates can be done in the hurly-burly of debate on the floor of the Senate or the Assembly of the State of New Jersey. I believe these require calm, evidentiary hearings in which the evidence is reviewed, chewed, and digested, and the best judgment made as a result of this process. Because of the fact that there are times when political sentiment may be contrary to what is required economically, it is difficult to expect an elected official to respond to those pressures. For that reason, I would submit that it is wrong to have elected members of the Public Utility Commission. There have been many times when I know it was politically popular to do something that I didn't do because the evidence indicated it couldn't or shouldn't be done. In that respect, I would suggest that the hand of the Legislature in the setting of rates is unwise for a number of reasons.

Finally, the oversight provision would cause further delay. Even if everybody agreed as to the benefit that we are setting forth, the requirement to go back to the Legislature would only delay the implementation of it. For those reasons, we think the oversight provision is wrong.

Now the Board of Public Utilities is going to hold hearings throughout the State to consider the implementation of 1830. These hearings will be announced very shortly. We are looking for citizen participation and input. And at the conclusion of the hearings, they will make a specific recommendation for its implementation. I would like to indicate to you, however, there is one method by which we could implement it that I believe would give us a handle on what we are really talking about. Take the major utility in the State, Public Service Electric and Gas. If the Public Utility Commission were to institute lifeline rates at 250 kilowatt-hours per month, the following would happen: I have the statistical and arithmetic data to buttress these figures and, if you want them, I will give them to you. But just let me give you the results of them. The current cost for 250 kilowatt-hours at the present level is \$17.71. This equates out to a 5.6 percent cost per kilowatt-hour. If the lifeline rate of 250 were to be established for Public Service, the \$17.71 cost would be reduced to \$11.73, which would equate to a 3.2 cents cost per kilowatt-hour. The individual would save \$5.98. Obviously, when you relieve the burden on one group of citizens, you must impose it on the other. What would be the impact upon all other citizens who are not involved in the lifeline rate? I am delighted to

tell you it would be minimal and that the shift would be, the current bill being \$17.71 for those who use 250 who are not eligible for the lifeline rate, finding their bill increased to \$18.02, an increase of only 31 cents. Equating that on the cost of a kilowatt-hour, it would increase from 6 cents to 6.1 cents per kilowatt-hour.

Suppose the usage were 500 kilowatt-hours, which is closer to the average usage throughout the State for this utility. The current bill would be \$30.11; under lifeline rate, the lifeline applying for the first 250, the bill would be reduced to \$24.44 for the lifeline recipient. For the non-lifeline recipient, the bill would be increased from \$30.11 to \$30.73, or a 62 cent increase, again a minimal shift.

I am suggesting that here is a program that can be implemented immediately with the corrections made in the legislation that we suggested, which would have a minimal adverse impact upon those who are not involved and a maximum benefit for those who are the recipients of it.

Now there are no precise figures to determine the estimate of the cost of this, mainly because the demographics as to who would be eligible, what numbers, are somewhat nebulous. But there is a range of reasonableness within which we can compute what the cost would be. Our computations are that if the lifeline rate were to be established at 250 kilowatt-hours per month, the shift involved for Public Service would be \$35 million annually; and, estimated for the entire State, would be something around \$50 million annually. Other variations in the establishment of the lifeline rate, of course, would have other effects and different impact in the cost of the shift.

So it is my judgment that 1830 can be implemented with maximum benefit for the eligible recipients and minimum adverse impact on other customers.

Now I would like to set forth one thing further, gentlemen. You have charged the Department of Energy with the establishment of a master plan. We are currently at work on that master plan. We hope to have it completed within a month and subject to public hearings as required by your legislation during the months of May and June, and promulgated before the deadline of July 11, 1978. Within that master plan, we believe we have a significant solution for the problem of pricing of utility rates in the State. It is to be based upon the economic theory known as long-run incremental cost-pricing. It is very complex. I think I understand it, but I am not going to try to explain it here. My point is: Lifeline can be established immediately as a stopgap measure. It is our judgment that when the master plan is developed, promulgated and accepted, we will have the long-range solution for the restructuring of utility rates in this State, which will provide the relief required for needy citizens and, at the same time, enhance the conservation effort about which all of us are so much concerned. We would ask you, because this legislation destructs in three years, to give us that opportunity to work that master plan in so that we can all consider the various options of a lifeline plan or the master plan restructuring that we have suggested.

Against that backdrop, I will speak as briefly as I can, Senator, about the bills before us. Again I want to talk about concepts rather than individual bills because I believe a unified approach must be given to all of the responses.

I have no objection to the establishment of an energy relief fund from gross receipts and franchise taxes. I am fully aware of the intense opposition to

this by the municipalities of this State. And I would like to offer, if I may, a statistical analysis, dull as it may be, to indicate the nature of this particular problem in so far as the municipalities are concerned and the rate-payers are concerned. This tax is based upon revenue derived by the utility. That means when the utility earns more or has more revenue, the tax goes up. I want to point out to you three figures that indicate the nature of the problem. In 1974, the number of kilowatt-hour sales for Public Service over the previous year decreased by 4.7 percent. It went down. The revenues, however, went up considerably because of the fact that their fuel costs were boosted by 66 percent. Now, if the utility were to have its tax derived from the usage, they would have received even less in '74 than they did in '73. They received a considerable amount more because of the fact that the fuel costs pushed the revenues up. Gentlemen, I am suggesting that this is a compounded evil: the necessity of raising utility rates to compensate for higher fuel costs and, as a consequence of that, imposing a higher tax on the utility which again must be recovered from the rate-payer.

Now the figure for 1975 is almost as bad. Kilowatt-hour sales were down almost 2 percent. The tax yield went up 21 percent and fuel costs increased 13 percent.

For the five-year period between 1972 and 1977, kilowatt-hour sales went up 4 percent, but the tax yield went up 101 percent.

Again I am suggesting that this is a compounded evil where the utility rate-payer pays twice. The revenue being derived for the municipality is based upon this inequitable, unfair system. I understand the desire of the municipality to grasp as much as it can. But it appears to me that a plan that provides for a portion of the future increase, not to lose anything of the existing or past revenue, because of this compounded evil of this system, is not an inordinately unfair, inequitable way to raise money for a fund to provide relief for citizens.

Having said that, I have problems with the energy stamp concept for a number of reasons. The first is, if the energy stamps are to be used by the gas and electric customers who are already lifeline recipients, they are going to be receiving a lower lifeline rate and then a reduced payment impact because of the energy stamps. That may be the way you want to go. But I point out that there are some people who may be assuming higher burdens because of what others in a more harsh response might say is double-dipping. I am not casting any moral judgments on this; I am merely pointing out the consequence of what would happen.

Secondly, if energy stamps are to be financed by electric and gas customers to provide relief for oil-heating customers, you will have the gas and electric customers subsidizing the oil-heating customers. A better way might be perhaps to consider a lifeline rate for oil-heating customers. I can understand there might be reaction and opposition to that, but it would seem to be eminently more fair to have the lifeline's subsidy come from within that class of customers rather than to ask the electric and gas customers to provide relief for the oil customers.

Thirdly, I want to suggest that the implementation of an energy stamp program again creates administrative and bureaucratic problems of staggering proportions. We can do the job, but I want to point out to you the need for increased staff would be significant and it would establish a brand new bureaucracy. Hopefully, it could be implemented without fraud. It would take eternal vigilance. I repeat, we can do the job, but it would require increased staffing.

SENATOR DODD: Would you have a guesstimate on the dollar amount that would be required?

COMM'R JACOBSON: I really don't, Senator. I could work that up for you. I don't have it now. But I would be delighted to try and work it out for you.

The fourth point is that you have a two-tier level of eligibility requirements. You have the \$9,000 single and \$12,000 double in the Lifeline Bill and you have twice times the poverty level in the Energy Stamp Bill, which is \$11,000. I think you are again causing bureaucratic problems by having a two-tier level of eligibility. I would suggest you pick one and stick with it.

I think, Senator, that about completes my response. I would just like to conclude by repeating that the Department of Energy and the Administration is eager to cooperate with you and to serve this noble motivation of relieving the crunch of increased utility bills on senior citizens and lower-income citizens in our State. We believe that the bill currently before the Public Utility Commission, if properly corrected as per the suggestions made here, can provide immediate relief for these citizens. We believe that the development of our master plan paper over a period of as long as it takes to get it through the legal process will, hopefully, resolve it on a permanent level. It is my judgment that we can do that.

And, finally, we share your concern, in discussing these complex socio and economic and political problems, that the keynote for its approach and solution should be compassion, and we join with you in that.

SENATOR DODD: Commissioner, one basic question: The stamp program and the concept of what we are discussing on these measures today, in your estimation is this income redistribution and would this belong perhaps in another social program? Could you achieve the same end by redistributing income and putting a different hat on it, if you will?

COMM'R JACOBSON: The argument of the utility industry has been that those of us who are involved in setting rates should not be social engineers. They say that this is a social-economic problem which has national proportions and can't be resolved by fooling around with a rate structure. That is their argument.

I really can't believe that a Public Utility Commission such as we have in the State of New Jersey can isolate itself from things around it. I tell you frankly, Senator, I have sat at a hearing in Atlantic City - and I am not normally an extremely emotional person -- but I found it difficult on one occasion to fight back the tears when I heard a little old lady come before me explaining her problems in paying her gas and electric and telephone bills. The truth is, you could have provided her with gas, electric and telephone service the rest of her life and still not have resolved her economic problems. So it is a social problem. On the other hand, I believe, within the confines of the regulatory system, we can institute economic adjustments that will do the same thing without necessarily violating the concept or falling prey to the charge of social engineering.

SENATOR DODD: You did answer it well. To help people in need, we as a government on all levels find different ways and nice titles to redistribute income. We have food stamps. Now we will have energy stamps. We will have clothing stamps, transportation stamps and gas stamps. If we are going in that direction, perhaps we should readjust and say, let's not do it with all the frills - let's just do it - if that is indeed someone's intent.

Do the members of the Committee have any questions?

SENATOR FELDMAN: I have one question to ask the Commissioner with regard to his remarks on the energy coupons. Lifeline, I believe we agree, even if perfectly funded, is still an imperfect solution to the problem of affordable energy costs. And here I am talking specifically about heating oil, which is the single largest energy expense in the households of many citizens of our State, particularly those living in older housing - and there hasn't been any housing boom, as you well know. So how can we help these people with fuel oil?

COMM'R JACOBSON: I have given some thought to that, Senator, and I have a suggestion to make that may cause violent reactions in some circles, but at least let me throw it out to you. We estimate - and again these are imprecise figures, but they are within a range of reasonableness - that there were close to 2 billion gallons of home heating oil sold in the State in the year 1976. The figure I have is 1.8 billion. The average home uses 1500 gallons a year, at 49 cents a gallon, which means that the normal cost for the home heating oil owner is \$735 per year. The normal cost is \$735 a year. Just to pick a plan out of the sky at random - if you were to provide a 5-cent per gallon discount for those who are eligible, and assuming that 25 percent are eligible, we could save \$75 a year for the person who receives it. In other words, his bill would be \$660 and, according to our calculations, the remainder would only have their bills increased \$25 to \$760. So there is a way of shifting it with those figures: 25 percent eligibility, a 5-cent per gallon discount.

SENATOR HIRKALA: Commissioner, in your presentation you mentioned that the present cost of 250 kilowatt-hours is \$17.71 and that, if a lifeline rate were established, it would bring that cost to \$11.73.

COMM'R JACOBSON: Right.

SENATOR HIRKALA: And for those who were not the beneficiaries of the lifeline rate, their costs would then be increased from \$17.71 to \$18.02.

COMM'R JACOBSON: Right.

SENATOR HIRKALA: Can you please tell me who prepared these figures?

COMM'R JACOBSON: They were prepared by my staff, based upon the information we have of the rate structure of the utility and in accordance with the instructions of the bill, which were that the lifeline rate must be the lowest rate being sent to a large customer. I have those figures if you want to have them.

SENATOR HIRKALA: Did the Public Utilities Commission in any way help your staff to prepare those figures? Did you work in conjunction with the Public Utilities Commission in trying to establish this as a fact?

COMM'R JACOBSON: You mean Public Service Electric and Gas?

SENATOR HIRKALA: No. I am talking about the Public Utilities Commission. Did they help?

COMM'R JACOBSON: Of course.

SENATOR HIRKALA: Did their staff members help your staff?

COMM'R JACOBSON: The Board of Public Utilities is part of our Department of Energy. It is the same staff.

SENATOR HIRKALA: Commissioner, in your first remarks, you mentioned that none of these bills are going to solve the problem. When saying that, do you feel that under the present lifeline rate law we have a hold on the problem and that these other bills would be superfluous and unnecessary?

COMM'R JACOBSON: Well, the first thing I said is that it is not going to solve the problem because the problem is beyond our control. If you were to tell me

that I could regulate the price of oil and gas, in addition to making me, personally, the happiest man in the world, it might be a little bit better. But you can't do that. So we can't solve it.

This bill can be placed into effect almost immediately - 1830 - with the corrections that I talked about and with the legal requirements of the hearing and the effective action by the Board of Public Utilities. It would, in my opinion, be a good first step. It would provide immediate relief for a large number of citizens.

For the long-range solution, I asked for the time to let us prepare our master plan because we really believe that under the approach we have now we are going to devise a system of rate structure in the State for pricing of gas and electricity that will substantially do the same thing - provide relief for those who need it - and not impose crushing burdens upon those who have to assume the burden.

SENATOR HIRKALA: Commissioner, I am sure every member of this Committee was interested in your presentation, and especially in the recommendations that you have made. I would suggest that you send the recommendations to our Committee staff so that they would not be lost in the transcript of this hearing, which may not be completed today and possibly not for another month or so. I would really like to study your recommendations further because they seem to make a lot of sense.

COMM'R JACOBSON: Senator, thank you very much. I would like to offer the complete cooperation of our department, myself, personally, or any member of our staff, meeting with the members of your staff and delineating and perhaps coming upon a package for the entire problem.

SENATOR LASKIN: I would like to ask a question which isn't directly on the point of some of the comments you made. But, Commissioner, it seems to me that traditionally in government we try to shift moneys around to make rates less for certain segments of our population. But isn't the problem in our State and I guess almost every other state the fact that our utilities are gobbling up the number two heating oil in order to make their plants work? Isn't that really the problem? And if we could attack the use of so much oil by our utilities - and I am not blaming anybody, but it just seems that's the way it is, that we must use oil to work these plants -- and if we could come up with some program which may be long range to lessen the use of this oil in our utilities, everybody's rates will be lower. Isn't that really the basic problem that we face?

COMM'R JACOBSON: I would characterize it just a little bit differently, Senator. It is going to be very hard to generate electricity without having some fuel running the boilers to turn the turbines. It is true that the major fuel in this State is oil and it is also true, as I think I indicated before you came in, that the price of oil was \$2.34 a barrel in '72 and it is \$13.70 now. The utilities have recommended that we shift considerably to the generation of electricity by nuclear power. I am not going to get into any value judgments about that. Everybody has his opinion about that. It is true, based upon the figures I have seen, that in the past, generating by nuclear power has relieved considerably the dependence on oil. My recollection is one utility saved as much as \$300 million by using nuclear power. You have corresponding problems about which you know. But that is true.

Senator, I have to point out one of the problems we wrestle with in our office. Since oil is becoming increasingly expensive, and perhaps unavailable, as the supplies are depleted, and since coal is also becoming increasingly expensive because the people who own the coal are generally the same people who own the oil and they may decide they want to quadruple the price of coal too, even though it is not cost related, and if nuclear power, as some people have maintained, is too dangerous --- so if we can't use oil or coal or nuclear power and we are running out of natural gas, we are going to be reduced to burning wood again. I don't regard that as a very propitious manner of meeting the energy needs of the future.

One of the things that we are doing - and I wish that the Administration were doing more - is to spend more money for research and development for the installation of solar energy. It is my judgment that by the year 2025 solar energy will be the major source. Happily, I am not going to be around for anybody to say I was wrong. But certainly we should be taking steps now to build that bridge between what we have today and the ultimate year of 2025 when our grandchildren are going to be around to enjoy, I hope, the same energy resources we did.

SENATOR LASKIN: Thank you, Mr. Chairman.

SENATOR DODD: Commissioner, thank you. And if you can get those figures on your best guesstimate on the cost of administering the program, that would aid us greatly.

COMM'R JACOBSON: Thank you very much, Senator.

SENATOR DODD: The Committee will now call Herman Hanssler from the League of Municipalities. Mr. Hanssler, do you have a prepared statement?

HERMAN W. HANSSLER: Yes, Mr. Chairman, I do. I promise you that statement is not as short as Senator Merlino's or as long as Commissioner Jacobson's.

SENATOR DODD: That's a good compromise.

MR. HANSSLER: First of all, I want to make it clear that the membership of the organization I represent, the New Jersey State League of Municipalities, respects your Senate President, Senator Merlino, whom we feel is a humanitarian trying to do a job for the citizens of this State. However, we do have a few points of disagreement.

I will start off by saying that my name is Herman W. Hanssler. I am a Council Member in Lawrence Township, Mercer County, and I am President of the New Jersey State League of Municipalities. I am appearing before this Committee today in my capacity as President of the League, an organization which represents 561 of the 567 municipalities of this State.

I understand that there are three bills under consideration at this hearing. My comments will be directed to only one, and that one is Senate 859.

Over the past year, the New Jersey State League of Municipalities has participated in the dialogue on the public policy issue of making provision for lower utility rates for small volume users, many of whom are the elderly and the poor. Several bills were introduced last year to accomplish the objective of assisting these low volume users in obtaining at least a minimal subsistence level of utilities.

There were essentially two methods of financing these subsidized rates for low volume users. One method involved the restructuring of the rate system whereby the loss sustained by offering the lower rates for this special category of users would be absorbed by the remaining subscribers to the utility service. That particular method, as we all know, is the method which ultimately passed the Legislature and was signed into law as Chapter 440 of the Laws of 1977.

The other method of financing is through the establishment of some kind of "Energy Relief Fund" for the purpose of supplying revenues for this purpose. Under this plan, monies would be obtained by diverting revenues now statutorily distributed to municipalities based on franchise and gross receipts taxes. This diversion of franchise and gross receipts revenues is the basis of Senate 859.

I want to make it clear that the New Jersey State League of Municipalities has no quarrel with the concept of the reduced so-called "lifeline" rate and consequently this organization did not oppose Assembly Bill 1830 which became Chapter 440. But I want to make it equally clear that the League is strongly opposed to any plan which would siphon off franchise and gross receipt revenues now being distributed to municipalities. Senate Bill 859 would divert 75 percent of all growth in excess of revenues received in 1977 to the support of the Energy Relief Fund.

While it is impossible to document the exact amount of future revenue losses to municipalities as a result of this proposal, a reasonably accurate projection can be made, based on the growth pattern of recent years. The total growth of these revenues from 1973 through 1977 amounted to \$178 million. If we apply the 75 percent formula contained in Senate 859 to that amount, we find that almost \$134 million would have been lost to municipalities if the bill had been in effect during this period. That is an average loss per year of \$26,784,531 to municipalities. It appears safe to conclude that a similar pattern would apply in the future.

I would also like to point out that this estimated \$26,784,531 per year loss in revenues would not be felt by only a small number of taxing districts in which large utility plants are located. These revenues are based on franchise and gross receipts taxes which, in turn, are based on transmission lines and other facilities in addition to the generating plants themselves. Consequently, every municipality receives a distribution of these revenues and all of the municipalities would be deprived of these monies in the future in terms of the growth factor.

The New Jersey State League of Municipalities views this type of legislation with considerable concern. It is not the first time, nor most likely will it be the last time, that the Legislature accepts responsibility for a particular socially desirable objective and then reallocates funds which traditionally have been paid to municipalities in order to finance the new program. The record speaks for itself. In 1974, the annual distribution to municipalities of \$25 million in sales tax revenues was curtailed, and so was another \$30 million in county and municipal road aid. In 1977, the Legislature enacted a new payment in lieu of taxes on State-owned properties. This new legislative promise amounted to \$18 million for a full fiscal year. Yet Governor Byrne's Budget for 1979 carries an appropriation of only \$5.7 million to be distributed to over 100 municipalities. State Treasurer Goldman has told the Appropriation Committee members that the item was cut because,

and I quote, "the money is not available." Thus once again, the Legislature and the Administration have not fully funded a new law enacted as recently as last October 26th. Last year during initial discussion of these lifeline bills, a formula was seriously proposed which would have deprived our municipalities of approximately \$66 million annually in receipts from these taxes.

While franchise and gross receipts taxes on public utilities were traditionally a local payment in lieu of property taxes, the State imposed a temporary excise tax on utilities in 1963 in order to balance the State budget. This temporary tax was made permanent in 1966. This original tax netted slightly over \$12 million, which in 13 years has grown to over \$50 million. Future growth in this State utility tax is estimated to produce \$57 million in 1978 and \$64 million in 1979. We respectfully suggest that if the State desires to aid low income persons with their utility bills, the State can finance such benefits from State utility revenue sources that will soon produce over \$60 million. If the State would desire to finance this lifeline benefit from its share of the public excise tax, we would have no objection. But the Legislature cannot continually pass statutory promises and finance them through traditionally local revenues.

In this context, I would like to remind the members of this Committee that the municipalities of this State are operating under the constraints of the 5 percent budget cap law, and a large portion of that amount is committed to the support of such mandated items as pension payments, insurance and utility charges. Depriving municipalities of the estimated \$26 million yearly through the loss of 75 percent of the growth in franchise and gross receipts taxes would only further add to the financial straitjacket in which they find themselves.

In conclusion, I want to reiterate the League's strong opposition to this or any other formula whereby Chapter 440 of the Laws of 1977, the so-called Lifeline Law would be funded through the pirating of traditional revenue sources which have been the domain of our municipalities. (See page 5X for tables submitted by Mr. Hanssler)

Thank you very much. (Applause.)

SENATOR DODD: Ladies and gentlemen, we have one rule and I think you will understand the reason for it. We cannot and do not show any response to any of the speakers because then it would be a matter of who brought the largest cheering section. You can understand that. So please, if you can, restrain yourselves. I feel like standing up cheering sometimes; sometimes I would like to invite some of them outside. But in order to conduct this in a fair and impartial manner, please do not applaud.

Any questions by the Committee?

SENATOR HIRKALA: Mr. Hanssler, you mentioned that the New Jersey State League of Municipalities does not quarrel with the concept of lifeline rates, you did not oppose Assembly Bill 1830, and in a nutshell what you are trying to convey to this Committee is that you are opposed to the bill in question, Senate Bill 859, primarily because the method of funding, establishing an Energy Fund, would be inimical to the interest of the municipalities in our State. Is that correct?

MR. HANSSLER: That is correct, Senator.

SENATOR HIRKALA: And in establishing an Energy Fund, if the Senate and the Assembly and the Governor finally enact such into law, you do not actually oppose that concept, providing any method of funding is again not injurious to the municipalities and the revenues that they have come to expect, which would be

allocated to them?

MR. HANSSLER: Yes, sir.

SENATOR HIRKALA: Thank you very much.

SENATOR FELDMAN: I have been to many hearings in the close to ten years that I have served in the Senate and the hearing today is one of the most important because the intent of this bill is to reshape a formula that you spoke very strongly about - and against. Senator Merlino stated that the formula has been the target of reformers for many years. I imagine he uses the word "reformers" as part of his statement in the broadest sense, not people who want to turn the world upside down, but who feel there is an injustice in the present formula. In the statement that he released, he stated that municipalities have experienced a revenue windfall from hard-pressed consumers since energy rates started to skyrocket four years ago. They have gotten increases of 18 percent a year. Now you talk about 5 percent caps a year. Yet increases of 18 percent a year have been more or less a windfall to municipalities and all of us have been involved in municipal government at one time or another. We pay taxes in our own hometowns. We know the burden that municipalities have today to live within their financial limits and financial means.

The bill really doesn't take away from municipalities any of the money that they are getting. Realistically, we can't take that away. But I think the intent of the bill is to use much of the future growth from this State tax to finance an energy rate relief program. Now how else in your opinion -- and you mentioned that it should come from State revenues. We know that to many people that is just as unrealistic as this may be. We are going to have an impasse. I don't say there is support for this bill, but I certainly don't think there is support for State revenues to subsidize the energy relief program that we are going into. So, other than State revenues - and many people today say very loosely, "Let's take it from the State" - how else can such a program be implemented - how else can we help senior citizens in drafty homes who cannot afford the luxury of southern climes during the winter months and are experiencing skyrocketing fuel costs? And these costs are going up. They are going up. Where else - how else can we help these people?

MR. HANSSLER: Senator, that's your problem and we are going to work with you. I don't mean to pass the buck, but we do want to make it clear. You are asking me and I want to solve it just as much as you do. I am sure the members of the State League in every one of the 561 municipalities in the State would like to solve it for their local residents. But, you know, we have talked about sparing the property owners undue tax burdens. We have given them relief. You had the wisdom to pass the income tax. Now we are getting back to the same old vicious circle where the squeeze will once again be put on the local property taxpayers. And remember that many of these local property taxpayers are some of the very people that you are trying to help with the Lifeline Bill. If you were on local government, as you said you were at a time prior perhaps to the times that we are experiencing today ---

SENATOR FELDMAN: I was a mayor for eight years, to set the record straight. I was a mayor for eight years.

MR. HANSSLER: I am not going to ask you when, but perhaps at a time different from now. The inflationary pressures on the communities have been tremendous and the costs are escalating. So when you take the elasticity out of a tax that is now

available to the municipalities, you are depriving them of the future means of taking care of increased costs. Everybody is faced with it. The important thing is to have an equitable distribution of the monies needed to take care of this Lifeline Law. We promise to work with you to try to come up with a solution. But let us not pass the buck back to the municipalities at this time.

SENATOR FELDMAN: Is the formula equitable? I am getting back to that question. The tax currently amounts to \$48 per resident in New Jersey, but it is distributed at a rate of \$22 per person in the municipality of East Orange, \$27 in Trenton, \$22 in Passaic. And the Senator mentioned Lower Alloways Creek.

Do you feel that there should be some redistribution of the formula? In your opinion, is the formula fair - is it equitable?

MR. HANSSLER: I have not given that aspect of the problem my undivided attention. It could be that it is not equitable. But that is no reason to take the future growth of it away from the municipalities. If there is an inequity, then let's treat that subject independently.

SENATOR DODD: Senator Laskin.

SENATOR LASKIN: No questions.

SENATOR DODD: Thank you very much, Mr. Hanssler.

MR. HANSSLER: Thank you.

SENATOR DODD: I would like to call Thomas Carney and Gene Zoppo of the Federation of Senior Citizens.

T H O M A S C A R N E Y: Good morning, ladies and gentlemen. My name is Tom Carney. I reside at 235 Linden Avenue, Belleville, New Jersey. I am here today representing the New Jersey Federation of Senior Citizens. First, I would like to thank Senator Dodd and his committee for allowing us the important opportunity to share with you our thoughts on Senate 859, 860 and 861. As the organization which first raised the issue of "Lifeline Rate Restructuring" before the New Jersey Public Utility Commission in the winter of 1975, we have a special obligation to comment on these three measures by Senators Merlino and Feldman.

First, let us say we commend the efforts of these two Senators in attempting to develop a more comprehensive approach to the question of energy and utility rates. Anyone who has made a serious examination of these problems soon discovers that no one idea or piece of legislation will provide a total answer to the challenges which the utility crisis poses for New Jersey today.

While these bills accomplish many things, such as the altering of the income guidelines for lifeline, so as to exclude federal pensions, there are a number of problems which we have with the bills. However, due to the time constraint here today and the array of talent on hand to offer testimony on these three bills, we will restrict our comments to a portion of S 861. It is that section which seeks to amend our initial Lifeline Bill, A 1830; the section we make reference to is found on page 2 and reads as follows:

The Legislature may appropriate funds from the Energy Relief Fund, created pursuant to Senate Bill No. 859 now pending before the Legislature, to aid in the establishment and maintenance of a lifeline rate for eligible users. (In the absence of specifics) to the extent that funding for any lifeline rate established pursuant to the provision of this act may be insufficient, the remaining cost of establishing a lifeline rate shall be borne by restructuring of the

rate structure of users in all classes of customers and in a manner not inconsistent with the provisions of this Act.

Such a provision, in effect, changes the primary financing of lifeline rates from rate restructuring to subsidization from the "Energy Relief Fund," the latter being established with the passage of S 859. The Federation feels that this constitutes an anti-lifeline approach because it virtually eliminates one fundamental goal of a lifeline rate restructuring plan, namely, the conservation of energy. Under lifeline, one does not only establish a "low, fixed and affordable rate," but one also restructures the remainder of the rates so as to encourage the careful use of energy. This is commonly done by shifting the cost of the low usage, lifeline discounts onto the large energy users in the residential, commercial, and industrial classes. This is an extremely effective method of encouraging the desirable goal of energy conservation because it is exactly this usage that is most elastic; that is to say, larger users' consumption appears to be most sensitive and have the greatest capacity to change in relation to the pricing mechanism, i.e., rates.

Once the concept of rate restructuring is eliminated or to a large extent substituted by State subsidy for needy low users, this incentive to conserve is destroyed. In the long run, with the scarcity and skyrocketing of costs of energy, it may be that this conservation element of lifeline is of greater value both economically and environmentally to all users than the modest discounts provided under such a plan to those eligible.

It is also important to note that to the extent that conservation is achieved under lifeline, New Jersey's hard-pressed industrial community will also be assisted. If we can reach any substantial level of conservation, the two largest cost factors in energy production will be reduced: fuel and new generating plants.

Therefore, we strongly oppose this critical section of S 861. While it is technically an amendment to our original bill, A 1830, it has the effect of completely changing the character and effect of this important bill. In reality, without rate restructuring, A 1830 or any other proposed lifeline bill, ceases to be a lifeline program. It may even be that such an energy plan, as set forth in S 861, which utilizes public subsidization to finance lifeline will have the effect of increasing consumption. For those needy who have been doing without adequate gas and electricity, they will be better able to afford higher levels of consumption, yet there is no incentive for savings among other classes of users. The total effect may be an increase in consumption which will hurt all users, including industry, more than the lower rates will help eligible small users.

Therefore, we strongly urge you on behalf of the 468 clubs of the New Jersey Federation of Senior Citizens to amend S 861 in order to eliminate these provisions. In this way, the other benefits of this important bill will remain intact while we will not be creating an anti-lifeline bill. To do so, would be to take a large step backwards for all the State's residents.

Thank you very much.

SENATOR DODD: Mr. Carney, Senator Hirkala has a question.

SENATOR HIRKALA: Mr. Carney, how long has the Federation of Seniors been fighting for the establishment of lifeline rates?

MR. CARNEY: Since September of 1975, sir.

SENATOR HIRKALA: And you mentioned you had 438 or 468 ---

MR. CARNEY: 468.

SENATOR HIRKALA: (Continuing) --- 468 affiliate clubs within your

organization.

MR. CARNEY: That's right, Senator.

SENATOR HIRKALA: That is a remarkable number of clubs - fantastic for a politician.

MR. CARNEY: We hope it will grow.

SENATOR DODD: Do you give out endorsements at election time?

MR. CARNEY: I am afraid because of the nature of our organization, I cannot answer that question properly.

SENATOR HIRKALA: Mr. Carney, I want to compliment you on your proposal to the Committee and I want to say that over the years those Senior Clubs who have come before the Legislature have always come in a fine-spirited and dignified manner. Once again, your recommendations to the Committee will receive our utmost consideration. Thank you.

MR. CARNEY: Thank you very much, Senator.

SENATOR DODD: Anything else? (No response.) Thank you, Mr. Carney.

The Committee would like to call Mayor Joe Pepe of Neptune Township.

J O S E P H M. P E P E: Mr. Chairman and members of the Committee, my name is Joseph M. Pepe and I am the Mayor of Neptune Township in Monmouth County. I am testifying today on behalf of the New Jersey Conference of Mayors. I am the Legislative Chairman of the Council of Mayors and I represent 567 municipalities in New Jersey.

I know I need not emphasize the present inflationary pressures that make it increasingly difficult for municipalities in New Jersey to make ends meet. Yet Senate Bill 859 introduces a new State program and asks the municipalities to support it financially, a burden which if mandated - and I underline mandated - will have a definite detrimental effect on the continuing of certain basic services.

If the State wishes to mandate costly new programs, the State should also pay for those programs.

The long-range effect of this legislation is staggering. The formula, as prescribed in this legislation, will deny us 75 percent of the growth after 1977 of revenues from increases in utility fees. This revenue is applied in most cases to property tax relief and cannot be deleted from municipal budgets without layoffs and cut-backs and further increase in real estate taxes.

Senate Bill 859 is not opposed in concept - rather the opposite. However, it does require further study to arrive at the equitable method of funding, fair to municipalities as well as the beneficiaries.

S 859 would give money to senior citizen property owners and take it back through increased real estate taxes. This approach is reminiscent of the way the State handled the State tax revenues and the Road Aid Program - given and then taken away.

I strongly urge that Senate Bill 859 not be released from committee due to the financial burden it will impose on the municipal governments of New Jersey and because it runs counter to the whole spirit of tax reform, which is to reduce the reliance on the property tax as a source of revenue.

To give you a graphic example, in my township, which has a population of approximately 31,000 - we are the second largest town in Monmouth County - my gross receipts tax and franchise tax in 1977, unaudited, would amount to \$730,000 and I

don't accept the fact that there is going to be an 18 percent increase. The way we figure it, it is 11 percent, which would generate \$80,000 over and above the 75 percent, and that would cost us \$60,000, which in turn will force us to raise our tax rate 3 points. So, in effect, that would wipe out the benefit to the senior citizen and increase his actual payment of taxes.

As the Legislative Chairman of the New Jersey Conference of Mayors, we are on record now that we will oppose any bill that comes out of the legislative bodies that mandates a cost to municipalities. I won't go into the details. The previous speaker for the League of Municipalities outlined it very well. We all understand the problem. Thank you.

SENATOR DODD: Mr. Mayor, we are trying to establish how many towns would be affected. How many towns would have the utilities that would be directly affected?

MAYOR PEPE: I don't have that figure in front of me, but I think it is some 22 or 23.

MR. MATTEK: Virtually every municipality in the State benefits to some degree from the tax.

MAYOR PEPE: Under your plan.

SENATOR FELDMAN: Every municipality where there are telephone poles. This is part of the utilities.

MAYOR PEPE: I just want to make one other point to you. Let's go back, say, 50 years. When the utilities first were expanding and the need for this expansion was obvious, many municipalities were up in arms. They didn't want those types of facilities in their municipalities. So now, 50 years later, those municipalities who have, I would say suffered, but who have endured with those utilities and who have generated an extra income -- now you want to take it away from us. Why? I am not opposed to helping the senior citizens. I am all for that. But I think it is the responsibility of the Legislature to come up with the money. As a mayor, I find it very difficult to operate on a day-to-day basis, and I am not being facetious here - I'm telling you the truth. Every day is a problem. We just had a winter with terrible snow storms. As a result of the damage to the roads - my town is no different than anybody else's - I will have to spend a million and a half dollars in road construction this year. I don't know where I am going to get the money. Where am I going to turn? Are you going to take away what I already have in the budget to utilize? I think it is very unfair.

SENATOR DODD: Senator Feldman.

SENATOR FELDMAN: Mr. Mayor, would you disagree with the statement that the State sends back to municipalities at least 54 percent of the dollars that they collect?

MAYOR PEPE: Mr. Feldman, I don't want to be repetitious.

SENATOR FELDMAN: The point I want to make is that I believe the State is doing its job.

MAYOR PEPE: I don't want to be repetitious. You took away the sales tax. You took away the road aid tax. If we allow you to continue in the fashion you are now, you will take away everything we have. What I am saying to you is: Don't shirk your duty. You are elected officials like I am and the rest of the mayors. But what you are doing here is passing mandated costs to the municipalities. Then you don't get any of the heat. The mayors in the local towns get the heat. And I am not going to sit here and defend any of you any longer.

SENATOR FELDMAN: First, you misinterpreted my question. I have asked you whether or not you are aware of the facts because the general public may feel that the State is doing nothing with the funds the State collects. Now I believe the State sends back 54 percent of every tax dollar it collects to the municipalities of this State. This is the point that I want to get across, that you, yourself, are not covering the expenses of Neptune Township, I believe, by property taxes alone in your municipality. You are getting help from the State to run your schools. You are getting State aid for roads, for social services ---

MAYOR PEPE: Let me make it clear here that when you talk about schools, you are talking about an autonomous body that has nothing to do with running the municipality. That is a separate entity. I don't even want to talk about the school boards, okay? I am talking about running the municipality.

SENATOR FELDMAN: But the burden of schools is also on the home property taxpayer, is it not? You cannot divorce it from municipal government.

MAYOR PEPE: I, as the Mayor of Neptune Township, derive no benefit from your aid to schools, except when the people vote on the budget, if they reject it, then I have a say. Otherwise, it is an autonomous body. I have nothing to do with the Board of Education. Are you aware of that?

SENATOR FELDMAN: The taxpayer from the same pocket has to support his schools and his municipal government. Personally, I feel there should be more communication between municipal officials and boards of education. I don't believe - and we are getting away from the subject - that boards of education should be the whipping boys for municipal officials. Neither should municipalities be the whipping persons for boards of education. We are one community. We are one people. We may disagree, as you have disagreed, and you have articulated well. But I don't want you to leave the impression the State is callous, the State is insensitive, or that the State is doing nothing for municipalities when 54 percent of the money the State collects goes back to the 567 municipalities throughout the State.

MAYOR PEPE: I would like to counter that by saying, it is true that the State does contribute, but the State takes back half of what it gives us. So we are no further ahead than when we started. I don't want you to give the impression here that you are giving us something that we are not entitled to. We have to fight every day to keep our heads above water. You don't have a 5 percent cap; we do.

SENATOR DODD: We have a cap also.

MAYOR PEPE: Well, my increase in insurance was \$225 thousand last year on a budget of \$6.5 million. That didn't give me a hell of a lot of room.

SENATOR DODD: We are not going to talk about here whose caps are tougher, the State's or municipalities' or counties' or school boards'. We all have them and that is not the case. We could get off on five other sidelines.

Any further questions? (No questions.)

Thank you very much, Mr. Mayor.

We would like to call Assemblyman Costello. I believe he is here.

A S S E M B L Y M A N H E R M A N C O S T E L L O: Good morning, Senators.

SENATOR DODD: Good morning, Assemblyman.

ASSEMBLYMAN COSTELLO: I will try not to get involved in anything that would be argumentative. I am here, in a sense, in a dual capacity. I am a mayor also, the Mayor of the City of Burlington. However, I do represent here today not only the

City of Burlington, but the communities from my district and the county of Burlington who are not here today to present their arguments in opposition to these bills.

There have been some statements submitted and there are others who will testify from the county and my district. But I would like to address my comments concerning the City of Burlington.

First, let me say in all fairness to Senator Merlino and the City of Burlington, we cannot be compared to Lower Alloway. The City of Burlington is an old community. As a matter of fact, we just celebrated our 300th birthday last year. And, as an old community, we have many of the ills and problems that are found in many of the large communities - problems which have been acquired over the years.

The City of Burlington over the years, because of its tax structure - I have to confess that - has attracted a segment of the population of the State of New Jersey about which we are all concerned; and, that is, the senior citizens. Out of the twelve thousand some people in the city, I venture to say that perhaps 30 percent would fall in this category of senior citizens. We love them. We want them there. We do everything humanly possible to make their lives comfortable. But I must confess, we have something we never asked for, something that was legislated and given to us and eventually made us become the envy of those who do not possess it; and, that is the power plant. It is there and that is what attracts them. And we do have, incidentally, a housing for senior citizens and we are trying to provide that with these federal programs that we are presently involved in.

I might say that the City of Burlington has been extremely fortunate in this regard, in that we use what surplusses we have from these gross receipts tax to try to re-establish a community that at one time was the heart of the county, and, as I indicated earlier, has suffered many of the ills that old communities experience. We have lost industry. We used to be a heavily industrialized town. We are down to perhaps one or two industries of any significance. We are experiencing an unemployment rate in excess of 10 percent, something closer to 12. We have the lowest per capita income in the area in our community, and our welfare roles are without doubt one of the highest.

We also have within our three square miles a federal housing project with in excess of one hundred and some school children that cost us, I am told - I am quoting the School Board - somewhere in the vicinity of \$200,000 to educate.

So, you see, while I may agree with the concern of providing some relief - and I do agree - to our senior citizens, not necessarily senior citizens, but those who are experiencing a great deal of hardship throughout the State --- And, incidentally, I supported the Lifeline Bill, the 1830. I think it is great. I might add at this time, I appreciated the Commissioner's comments that before we endeavor to do anything else, let's give 1830 an opportunity. Let it sink or fly. Let's see how it goes before we complicate anything further with more bureaucracy and what have you.

One thing that confuses me - and I will be called up here to Trenton to vote -- I am going to be concerned about what this is going to do to those communities who receive presently, not only a good chunk of gross receipts moneys, but urban aid, safe and clean streets moneys and other programs. You know what happens there. We come back. We are concerned. We add money to them. We tried to give them some assurance that we are going to hold them safe harmless, as we did last week to a couple of communities. In one sense, we are going to make

sure that they get it at this end; then, with this type of legislation, we are going to take it away down here. Now, what do we tell Newark and Jersey City and Linden? How do we compensate for what we are taking from the front end? Are we going to come back and do what we did last week that didn't set too well with a lot of us; and, that is, mess around with the formula, which is something nobody likes to do, to compensate for what we took from the front end? If that be the case, then how do you compensate the City of Burlington and the other towns that are going to lose \$40 and \$50 thousand? If you are going to do this with Newark, Jersey City and Linden - and I wouldn't say that they wouldn't be entitled to it, because we can't recognize a need today and then take it away from them tomorrow - what are you going to do to compensate these other towns? Some towns are going to lose \$40 thousand and they are here today to tell you they can't afford it.

Incidentally, our loss over the next two years, as it was explained to me by our Treasurer -- not in the next two years, but in the second and third year, will be somewhere around \$600 thousand. I can assure you gentlemen - and I will close with this - if that be the case - we are only three square miles - but there is such a thing as a small migraine headache and, baby, we have them. We are a small Newark and we don't know how to fight our way out of it. We are trying. And if you take this away from us, then I would be the first one to throw in the towel and say, "That's it. I don't know where to go. Come on down and help me solve my problems." And I will agree with you, Senator, we do get 54 percent and the communities are extremely appreciative of that. I know you are trying to do a job in that regard.

I said I was going to close, but I must point out that the whole concept of everything was to keep the property taxes down -- the local property taxes. You take away some of this and it is inevitable that they have to go up. Where are they going to go up? The answer is - in many of the communities that can least afford it. I am talking about the Newarks and what have you. And, at the bottom of the list, is the City of Burlington. I thank you very much.

SENATOR DODD: Senator Hirkala.

SENATOR HIRKALA: Assemblyman, I have just been doing some compilation here and I am sorry I didn't bring it up with Mayor Pepe. But Commissioner Jacobson mentioned that, in the restructuring of the lifeline rate costs, for 250 kilowatt-hours, a person presently spends \$17.71; and the beneficiaries of the Lifeline Rate Bill, if it were put into effect, who are seniors, would have their bills go down to \$11.73. Then for those remaining citizens who do not get anything, their increase would be approximately 73 cents per month. Multiply that 73 cents per month over a 12-month period, you get approximately \$8.

In the case of Neptune Township, they would lose \$60,000; and that \$60,000 is the equivalent of 3 tax points. So those taxpayers who would get an increase of 3 points in their tax rate because they are not receiving their full allowance of the increase in gross receipts and franchise taxes would pay an additional tax on a \$30,000 home of \$9 per year. So the trade-off in the case of Neptune Township would be approximately \$1 a year. Of course, that trade-off would be different for the 567 municipalities.

As a mayor, I certainly do concede that you have your problems, forgetting your legislative duties, going back to the taxpayers of your municipality. I wanted to point out that difference in the cost. However, I now come to the main question; and that is: As a mayor and as a legislator, you do not have any opposition to the

bill, providing a funding mechanism can be obtained which would not again be injurious to the municipalities of the entire State. Am I correct?

ASSEMBLYMAN COSTELLO: I would not be in opposition to any bill that would provide --- Do you want to repeat the second part of the question? In other words, are you asking me ---

SENATOR HIRKALA: You are not in opposition to this bill, establishing an energy fund, provided the funding mechanism is not taking away from the municipalities the growth that they expect in the gross receipts and franchise taxes.

ASSEMBLYMAN COSTELLO: As long as it doesn't mess around with the growth that we anticipate, no, I don't oppose it.

SENATOR DODD: Perhaps I could rephrase it from what I gleaned from you, Assemblyman, and from Mayor Pepe - and I am sure we will hear it again and again today - by saying that if the State wants to do this, the State in its own right should either raise the sales tax, raise the income tax or impose a new statewide tax, but don't take it from existing sources where it is coming out of one pocket or another. Is that what you are saying?

ASSEMBLYMAN COSTELLO: Senator, I am not saying that. I will wait until I get to that point before I decide what I am going to do.

SENATOR HIRKALA: In fairness to Assemblyman Costello, he never said anything like that. I don't want any newspaper reporter to report that he advocated that either.

ASSEMBLYMAN COSTELLO: I am not even thinking it.

SENATOR DODD: Thank you very much, Assemblyman.

We will call Carl Bauman from the New Jersey State Chamber of Commerce. We will hear two more speakers after that. We will take a break at 12:30 for lunch, return at 1:45, and continue the hearing until 4:00. I doubt if we are going to get to all the people who wish to speak today. We will continue the public hearing during the normal legislative session, which would come in April.

The Committee will hear from Mr. Bauman and his able assistant, Mr. Lou Applegate, from the State Chamber of Commerce. Mr. Bauman.

H. C A R L B A U M A N: On behalf of the Chamber, I wish to thank the Special Senate Committee for permitting us to testify here today.

My name is Carl Bauman. I am Administrative Services Director, Engineering and Construction Division of the American Cyanamid Company in Wayne. However, I am appearing today as Chairman of the Energy Committee of the New Jersey State Chamber of Commerce.

At the outset, I wish to state that we are generally supportive of that excellent statement made by Commissioner, Joel Jacobson. I think our presentation will cover areas which will support that position even more strongly.

We have opposed the concept of lifeline rates because it is, in essence, a form of involuntary redistribution of people's resources for what is due in considerable measure to the condition of our national economy -- a new form of social problem.

We feel that employment, not continuing public aid and assistance, is the answer to much of the needs of poor people. And, new burdens for commerce and industry can only affect New Jersey's collective private-sector employment capacity in an adverse manner.

However, the lifeline proposal is now law and today's hearing has been called to examine the impact of the three-bill package - Senate Bills 859, 860 and 861 - upon the Lifeline Law, Chapter 440, Laws of 1977.

Because this is a very complex proposal with a considerable number of as-yet unquantified features, our Chamber has developed several exhibits which we hope will clarify the picture.

The new law provides that funds for the lifeline increments for gas and electricity shall be derived from (1) a redistribution of electric and gas rates and (2) from gambling licenses and taxes.

The amendments to this law, now under consideration, will complicate both the funding and the administration of the lifeline increments.

S-859 will provide an additional source of funds by setting up an Energy Relief Fund derived from 75% of the excess of 1977 collections of the gross receipts and franchise taxes paid to New Jersey's utilities by the consumers of gas and electricity.

I call your attention to Chart 1, on which we have plotted the gross receipts and franchise taxes on electric and gas sales of the Public Service Electric and Gas Company in the years 1972 to 1977. Further, the chart also shows estimated taxes for the years 1978 to 1980. The estimates for electricity and gas show a buildup of funds for 1978 estimated at \$16.1 million. This estimate, which is based on the previous years' receipts, is probably rather sound. The estimates for 1979 and 1980 include increases in revenues due to estimated fuel cost increases.

However, there is no evidence that any attempt was made to offset increases by potential reductions in revenues expected to result from conservation and cogeneration. New incentives to move in this direction are expected both from the U. S. Department of Energy and the Congress itself. The Chamber, therefore, questions the magnitude and the availability of the Energy Relief Fund after 1980. It could continue to rise; stay about where it was; or, decrease, depending on the nation's success in further conservation and the efficient use of all its generating resources.

The Chamber is concerned that, despite the intent of the Legislature

to place the burden of the funding for lifeline costs upon taxation and licenses, commercial and industrial customers will nevertheless subsidize this venture.

The next chart, which we entitle, "Funding of Lifeline", will illustrate this problem. This chart shows the sources and application of the funds for two cases of lifeline increments - they are the 150 kilowatt hour assumption and the 26 therms for gas. And, of course, the uplimit of 300 kilowatt hours and 110 therms. My notes indicate that Commissioner Jacobson selected the 250 kilowatt hour, which lies somewhere in between.

The first uses this combination we just referred to. The proposed amendments to the law, however, also include fuel oil as an energy form requiring lifeline relief. To date, the Chamber has not been able to determine what this quantity will be based upon, and we have, therefore, left the upper part of the chart open. Unfortunately, our artist did not. You will find that in your copy of the testimony being given here today. We have no idea what that might be, but that element does include the oil relief fund.

The Relief Fund for the year 1978 has been estimated at \$16.1, as previously stated. We have no means now of estimating the contribution made by gambling taxes and must, therefore, conclude that the balance of lifeline subsidy will have to come largely from a redistribution of the rate structure. We show that here: The \$16.1 is in the yellow blocks and everything above that is completely unknown for the moment and, as we indicated, probably more so as time goes on.

We can comment similarly on the source and application of funds if the lifeline increments were to go as high as 300 kilowatt hours and 110 therms. Here, the picture gets worse. The shortfall would be \$73 million for 1978, plus an unknown amount due to the impact of the lifeline increment on fuel oil consumption. And, bear in mind, the figures I am quoting now are just for one utility in the State and its consumers. Again, you can see the deficit line here - the amount we have to get from somewhere.

From this chart we conclude that there is no way commerce and industry in the State of New Jersey can avoid subsidizing the benefits called for by the lifeline program.

Now, let's examine the impact lifeline would have upon other classes. From figures supplied by Public Service Electric and Gas, compiled for retail customers within their jurisdiction, we have prepared this chart. It shows the impact on class customers in each of its rate schedules, as shown in here. Note that even those who can meet the lifeline means test will have increases in their bills whenever their energy consumption is in excess of the thresholds specified for the law-level rate. The chart shows that this class of customer as a whole would actually experience an increase in their bills. We have here a paradox -- the people you want to help will actually be hurt. Moreover, the non-qualified residential customers do not get off scot-free either. They too would have their bills increased. Space heating and water heating customers would have increases almost as large as commercial and industrial customers but, as usual, the real losers are New Jersey's business enterprises, which you can see here to the right. These are percentage points and they can easily be converted to dollars, and I will be pleased to give our work sheets to the Senate Committee after this talk is over.

For simplicity, our charts do not take into account the matter of

administrative costs for the proposed program, which we see as being quite high. Nevertheless, the chart reveals the absurdity of public relief being provided through a public agency - or a PBU - since all the classes of its customers, including the recipients of the relief, will be charged on some basis for the revenue shortfall. It is a rather circuitous way of providing this type of relief - to set up something as complicated as this structure only to find that you are affecting every class of customer anyway and finding some other more complex means of tremendous expense to feed the money back in some fashion to those who need it.

We have prepared a similar chart for the lifeline impact upon gas customer classes, and same patterns seem to be prevalent. As a class, the lifeline qualifiers would have their rates increased 2.7%, based on a 26-therm lifeline; almost 1% if the level went to 110 therms. In other words, as you go higher in lifeline, you tend to eliminate any increase on those recipients. Here, too, the residential non-qualifiers would experience a 5.2% increase at the 26-therm level and, of course, higher at the other.

The most striking thing about this chart, however, is the anomaly of interruptible and offpeak commercial and industrial customers, which we have plotted here to the right. Most experts in the field of conservation, concerned with the most efficient uses of energy, argue that the interruptible and offpeak customers have a most beneficial effect upon total system efficiency because they werve as demand levelers. Yet, these two customer classes would experience greater increases than would general service and residential customers. For example, the off-peak customer, who normally pays much more than his share of the cost of service, will show increases of 7% at the 26-therm rate and over 8% on the 110-therm basis.

The subsidies on Charts 3 and 4 are summed in a somewhat different manner on Chart 5 - the last chart. Here we we show the lifeline impact of both electricity and gas for the two assumed lifeline conditions. However, the bars are shown broken down into residential and commercial and industrial customers, rather than by rate schedules. It is quite evident that commerce and industry would be taking the brunt of the cost of lifeline. We have combined those schedules, as you saw on the previous charts, in one designation known as "industrial and commercial units." The charts speak for themselves.

The Chamber urges that the laws of economics be allowed to operate here in the best interests of the public. We are convinced that the burden of funding will fall more heavily upon commerce and industry than any other utility customer class. And this, in turn, cannot help but adversely affect the State's ability to generate more private-sector employment, which has been clearly identified as a major priority of the Administration. It should be borne in mind that commerce and industry in New Jersey already bear a substantial burden of public costs - on the average of at least 30% of all local property taxes, for example, and in some municipalities as much as 90% of the State taxes, such as the corporate net income tax.

The idea of using a regulatory institution to administer welfare strikes us as being a dangerous foot-in-the-door precedent for a proliferation of such practices to the detriment of our economy.

Viewing the three-bill package, the Chamber finds itself in a dilemma. On the one hand, we are confronted with a lifeline law that, in our

opinion, could, depending upon the way it is implemented, moderately or seriously damage the New Jersey economy. We have opposed the basic concept because we are convinced it will result in job losses, which will only serve to make more people poor.

On the other hand, we find this package of modifying bills unacceptable even though we recognize the intent of the sponsors to soften the economic impact of the lifeline law so as to reduce the burden lifeline would place upon the economy and jobs. The intent is quite commendable, but the execution here is so convoluted, vague, ambiguous, administratively complex and potentially costly as to be unacceptable for imposition upon society.

We have said all along that lifeline is actually a matter of welfare and that, if the Legislature is convinced that New Jersey must have it, then it should be financed from the general treasury and supported by direct taxation.

As a possible alternative, the lifeline subsidies could be limited each year to the amount that can be accumulated for this purpose in the Energy Relief Fund through gambling fees and taxes, plus the proposed excess portion of the gross receipts and franchise taxes.

We frankly doubt that New Jersey consumers will accept the kind of utility bill increases we see this complex proposal entailing, if they understood those increases were solely a matter of welfare.

We, therefore, conclude: The lifeline law is not workable; the package of three modifying bills seem to be equally unworkable; and, despite laudable intent, they will produce results grossly unfair to the public and discriminatory among those who may meet some of its qualifications, as we have demonstrated.

What is being proposed here is simply a new form of welfare. To the extent energy costs may be a genuine problem for some people, that problem should be incorporated into the welfare system, which has the capability of dealing with such matters - the bases for establishing eligibility, for devising thresholds, for handling allocations, and channels for funding.

We respectfully suggest that the best answer would be for the Legislature to proceed with the development of an entirely new lifeline proposal utilizing the welfare mechanisms.

But, if this approach is deemed to be politically unattainable, then the program should be limited, as we have already suggested, to the yield of casino taxes and fees, plus the resources already specified by S-869 for the Energy Relief Fund.

Since we put this paper together, we came upon a very interesting document. The Chamber received a copy of "LIFELINE ELECTRIC RATES IN CALIFORNIA - One Utility's Experience, Presented by William M. Gallavan, Vice President, Rates and Valuation, Pacific Gas and Electric Company to the Ninth Annual Conference of the Institute of Public Utilities, Graduate School of Business Administration, Michigan State University, December 14, 1977."

Most of the fears expressed in my testimony have actually become fact in the State of California, which has had a lifeline law since 1975.

Parenthetically, I testified during those proceedings on the possibility of lifeline going the way it might have.

I quote from this report: Chapter 6 - "Observations Given Our Experiences." This is a quote from Mr. Gallavan: "We are often asked whether lifeline has been

a success in California. This is a difficult question to answer unless we first know what it is supposed to accomplish." Mind you, this is after three years of experience. "If we assume it was supposed to benefit low income consumers, the results are inconclusive in total, but we do know it penalizes some low income customers and helps others. If we assume its purpose was to encourage conservation, we are doubtful of its success. However, if we assume its purpose was political and designed to take heat off legislators, regulators, and utilities, there has been some success. One of the results of lifeline has been that it has reduced PG&E's popularity as a target of those who wish to register displeasure with the entire economic system. In addition, we are not the constant 'whipping boy' for the press and the politicians we were in the 1974-'75 period. And, there is also substantially less interest in legislating rate reforms in California. Whether this is due to the advent of lifeline or simply customer acceptance of the fact that energy costs are increasing, we are unable to tell. It is likely that each of these factors has had some impact."

In his address, Mr. Gallavan also stated that: "...the Fresno County Economic Opportunity Commission, which after a study of its low income clients concluded that 'The State Lifeline Act is failing to protect elderly and impoverished families from rising utility rates because minimum usage allowances for natural gas and electricity are inadequate."

Elsewhere in his presentation, Mr. Gallavan reviews the financial impact of lifeline rates revealing a staggering total subsidy of \$270 million for his company alone. He stated that studies prepared by PG&E show that a significant number of low income customers are using large amounts of electricity. He quoted a PG&E 1977 study which shows that 50% of customers with income less than \$7,500 per year consume electricity in excess of their lifeline allowance. We apparently were rather conservative in our charts. What is even more frightening is that during 1976, approximately 50% of PS&E's residential electric sales, and 17% of its total electric sales, were made under lifeline.

Other problems quoted in the PG&E report relate to the problems of administration and implementation of lifeline. These problems are aggravated by the inability to pinpoint qualifiers; duplicate qualifiers in the same household who use different names; the effect of climatic, geographic and seasonal differences on lifeline customers; the problem of resale customers, such as municipalities, having to charge higher prices to their customers for electricity because of the exclusion of lifeline from resale rates.

The problems described by Mr. Gallavan are too numerous to repeat in the Chamber's testimony. However, the Chamber is attaching a complete copy of Mr. Galavan's address - which I will not read. We would like to conclude our statement by quoting one other paragraph from the PG&E report:

"If we fail to resolve these problems and provide a firm policy of limiting the lifeline subsidy, on which business can depend for its investment decisions, we are greatly concerned that lifeline may occasion further negative responses in business locational and expansion decisions, thereby adversely affecting the State's economy." Thank you for listening to us, gentlemen.

SENATOR DODD: Mr. Bauman, thank you. Are there any questions?

SENATOR HIRKALA: Yes.

SENATOR DODD: Senator Hirkala.

SENATOR HIRKALA: Mr. Chairman, Mr. Bauman has brought in a new

element to these hearings today. Generally, we fell into a pattern. When I reflect back on what has happened today, I like the former pattern. I can't help but look at this 14 page presentation and give my thoughts concerning one paragraph. I would like to quote from Mr. Bauman's prepared text, on page 7: "What is being proposed here is simply a new form of welfare. To the extent energy costs may be a genuine problem for some people, that problems should be incorporated into the welfare system, which has the capability of dealing with such matters." I feel a little hurt for our citizens of New Jersey because I thought our legislative concern was directed to help our citizens not suffer the indignity of turning to welfare when they need a little helping hand.

So, Mr. Bauman, I want to call your attention to that one paragraph which seems to have destroyed your whole presentation, in my mind, because we are not advocating any welfare system for these citizens, we are trying to help them so that they can enjoy a little better lifetime in their declining years.

MR. BAUMAN: Senator, the Chamber agrees with your view, that people should be helped. We deplore the word welfare. We, in business and industry, feel that there should be none; we should supply the jobs to prevent the welfare programs. The program, as it is now established - my testimony shows - is difficult to achieve. The record indicates that. A very outstanding commissioner has pretty much gone over the same ground. I have quoted from California's experience and, having been privy to other experiences in other states, can endorse it.

Opposition here is in favor of people. We do that every day by the programs we set up - our own company has done that. I will say this for the Chamber: That is an incorrect statement. We are not against people; we are for them. But, we are for people in a helpful way - providing jobs.

SENATOR DODD: Mr. Bauman, one brief question. May I add that Senator Hirkala's views are Senator Hirkala's views and they do not reflect the policy of the management.

MR. BAUMAN: Thank you.

SENATOR DODD: Whatever they are.

You have done, obviously, a great deal of work in preparing this statement. A great deal of effort went into it. I would like your opinion on how this will affect - or could affect - the business community in this State? We use them as whipping boys so often and yet we fail to remember from time to time that they are the ones that provide jobs and not all of them are the multi-million-dollar-making-enormous-profit type; some of them are "ma and pa" type operations that are just getting by and some aren't. I would like to know how that would be affected.

MR. BAUMAN: I would like to comment on that. I am within a month of retirement and I will join the ranks of the senior citizens. And, of course, I may be speaking against my new rank by stating that I am opposed to this type of thing and I am because I found that, as most economists will tell you today, there is no free lunch; nobody gets anything for nothing. You just switch from one hand to the other. There are healthy ways to do it and that is the healthy way in which I was brought up in this country: Get the jobs going, provide the jobs, do them honestly, and get the production to a place where we can achieve all these things that we have achieved over the years.

I saw an interesting piece in the paper recently which said that industry has deteriorated in popularity. We have become the real whipping boy.

I forget the statistics exactly, but I think our position on the popularity poll is way down; it is a matter of maybe one-third of the position.

But, let me see if I can go back to your question, Senator Dood. We have experienced problems in other areas of the country. I have been asked from time to time, well, after all, what difference does a 10% increase make to a big industry? What percentage of your operating expense is it? Well, if you look at it that way, the percentage of total operating cost may be small but when there is no way to pass that burden to the public, it becomes large in that it contains, maybe, your operating margin -- your profit margin, if you will. And, we have cases in our company where companies have had to be quietly put aside because a profit margin has disappeared because of a certain rising special cost. It may have been a utility cost or a fuel cost or a transportation cost. It is alarming that-- We are in the Chemical Industry and I have been watching the chemical output in a magazine like "Chem Week", and the output keeps climbing but the price margin remains flat. And, any kind of reversal will bring that one down.

We are operating on a rather close margin and any businessman will appreciate what I am talking about. The answer is not new give aways because you get to a point where you haven't the means. You don't know where to get it from. You can't pass it along.

I had the experience about three years ago of citing to one of our senior vice presidents in charge of one of our real large divisions that, "Well, if we can't succeed in getting this particular rate tailored to the cost of service, we will have to pass it along." And, he became extremely indignant. He said, "Where? We are in tremendous competition. We would have to eat it." The effect then, at the moment, is qualitative. I think some qualitative proof might be shown if we try hard enough. But, you cannot continue in this direction indefinitely without damaging the business and industry in this State.

SENATOR HIRKALA: Mr. Chairman? Mr. Chairman, you said to Mr. Bauman, Senator Hirkala's views are not the views of the management. My view was that this is not a welfare matter and that the Legislature was concerned that our citizens do not have to undergo the indignity of submitting to welfare. And, I would like you to clarify your remarks on Senator Hirkala's views - or, Senator Hirkala's views are not the views of the management. Do you mean to imply that you don't agree with my views on that welfare issue?

SENATOR DODD: It sounds like an SCI hearing. Joe, you know this is supposed to be an impartial hearing. I know we all come in here with opinions to begin with. To stay impartial so that we are not swayed by one side - that is why we don't applaud or boo-- We try and be objective. This is a hearing for us to learn about these bills and we are not here to take sides or bolster one group or business, or another; we are here to find out how these bills work and what different segments of our society think about it. Mr. Bauman thinks one way, the senior citizens, perhaps, think another way. Senator Hirkala thinks one way; Senator Dodd thinks another. That is why we are here. That is the sole purpose of my remarks, sir.

SENATOR HIRKALA: Well, for the moment, Mr. Chairman, I felt that your remarks were very inappropriate to me.

SENATOR DODD: My apologies if it was taken that way.

SENATOR FELDMAN: Mr. Chairman, may I direct a question to Mr. Bauman?

SENATOR DODD: Senator Feldman.

SENATOR FELDMAN: The bill passed by the Legislature recently provides virtually no funding for the lower gas and electric rate except by increasing the rates on higher users. Many indigent people and many people on fixed incomes are higher rate users because they have their air conditioning going during the summer - they just don't go down to the shore. In the winter, they don't go to Florida and they have their heat going full-blast. They cannot afford, perhaps, the three dollars to see a movie, so that T.V. is going all the time and they are included among the higher rate users.

I do appreciate the fact that with industry this can aggravate New Jersey's competitive position in industry, since energy is its major requirement. Now, the program that we are discussing can perhaps fill the gap and that is the reason for the bill, sponsored by Senator Merlino - where it would take the burden off industry. It would take the burden off people who live on fixed incomes and would provide some energy relief fund. I am not talking about welfare; I am talking about an energy relief fund.

How else do you feel, other than raising taxes, which the general public would feel - what other way can be used to finance the energy relief program, which is the intent of the bill and which the Committee itself will discuss? I know there are many long hours ahead of us because of the depth of the testimony that will be given today in other testimony that will follow. This is a very intricate and very difficult bill.

MR. BAUMAN: Let me address myself to the first part of your question, Senator Feldman, if you will. I will try to get close to the microphone and also look at the exhibit. You will notice here that this does provide a little bit of relief for industry. We don't deny that; we show that in the bar down below, that sixty million. But, the rest is still a large question. There are no funds that cover the red area and we deliberately put those in red on the chart. There is nothing in the law, as we see it now, that tells us how this gap will be overcome through this type of taxation.

All things are in phase, it would appear to us - and I think we can prove that by exhibits - that this will always remain about the same proportion of the total subsidy required. So, therefore, if you grant a little relief, it is only small relief. The bulk of it still has to be paid for by commerce and industry and other citizens - your residential customers, which makes it that much worse.

Now, you ask where we would get the funds from. Well, in business there is only one way to get the funds - produce a service or a product at a profit. That business which transfers its fund from one sub-division to another will quickly - not very quickly sometimes, you have read some of the cases of corporate maneuvering - in some cases, go out of business, ultimately. It still gets down to a very simple formula: We must sell more at a higher price than we make or, ultimately, we will be out of business; we will be able to reach no further.

All we are saying here is: First, don't burden industry by more troubles than they have now in trying to survive in the State of New Jersey. We are a world-wide company and, gentlemen, let me tell you, we are all going elsewhere - to Louisiana, in Texas, in Georgia, in Florida and abroad. We are

not kidding; it is happening. And, what you are doing, in a sense, is making the situation worse when you hit this one pocket that we are talking about. Instead of saying, face the fact; we must put our house in order, we must say, if you need this money for the moment, let's take it out of general taxation and let everyone pay for it. It doesn't put on us any different burden. But, when you take it out of one and put it in another, we quickly lose track of where the money came from to start with and who it benefits in the long run. Certainly you, yourself, Senator Feldman, indicated that many people who need to stay home and watch T.V. will be hurt the most. That is true. Yet, there are other people who can afford the money who will be getting free rides because they don't use that amount of electricity or gas or oil. They get out and gallivant around in their cars and all.

We, in accumulating testimony from other places which had a form of lifeline, find that the end results are not what we expected them to be. They don't help the people; they hurt them.

Now, another factor is this: Suppose you can pass -- Suppose we in industry can take the money, or the extra subsidy, and pass it along to our customers. It finally gets back to the fellows you are trying to protect - the people you are trying to protect - and larger increases. The money is passed to a distributor from manufacturer, to wholesalers from the distributor; each one tags on a profit and before you know it, that one dollar, let's say, of subsidy may become two or three - and we have heard testimony in other states where it has become more than that. So that the subsidy, which you think you are taking out of one pocket and handing to another, actually comes back to the man who needs it most many times over, in the long run. I think that is part of the reason for our current inflation, which doesn't seem to be going anywhere but up.

Now, I hope that answers your question, Senator.

SENATOR DODD: Mr. Applegate.

L O U A P P L E G A T E: Being the man from the Chamber that has to live with our fine Senators here, I think that I should point out that on page 7 of our statement, Senator Hirkala, there is another paragraph, which I would suggest you look at also and that is the very last paragraph which reads this way: "But, if this approach is deemed to be politically unattainable, then the program should be limited, as we have already suggested, to the yield of casino taxes and fees, plus the resources already specified by S-869 for the 'Energy Relief Fund'."

I would like to point out another part of one of the bills - S-861 - which is really the cause of our great concern. We are not babes in the woods as far as the political scene is concerned and we recognize on your list, for instance, that three-quarters of the people testifying today represent municipal officials who are undoubtedly going to make a strong effort to defeat 859, the source of the money.

Failing that, where are we? I think that is the concern that Mr. Bauman has been making for us because the language is still in S-861. Line 7 starts: "To the extent that funding for any lifeline rate established pursuant to the provisions of this act may be insufficient..." Now, that is the act taking the money, of course, from the utilities' gross receipts tax - three-quarters of it going back to the municipality. This is the part that scares us: The

remaining cost of establishing a lifeline rate shall be borne by restructuring of the rate structure of users in all classes of customers and in a manner not inconsistent with the provisions of this act.

So, literally, depending on whether your bill passes or not, we may be right back where we are under the current A-1830 law. I think that is the reason for our great concern. I think we say in here at one point that we recognize in the end that business is going to get it and we are trying to meet, representing our members and our element of society, this way. And, we think we have a legitimate point and we would hope that you would give it fair consideration.

SENATOR DODD: Senator Laskin.

SENATOR LASKIN: Mr. Chairman, the present speaker has introduced the topic which most greatly concerned me about the bill: The statement that you just read.

By the way, Mr. Bauman, on page 8 you have another statement that somebody could get very angry about too, about the politicians passing the bill just for political expediency. But, I happen to agree with you so-- (laughter)

MR. BAUMAN: This is a quote. This is not my statement; this is a quote from California.

SENATOR LASKIN: The way I look at this bill is that it is a tax bill. It may sound crazy but, in addition to your specific problems about it hurting business and industry in some areas, I look at this as a plain simple tax bill because I have most sympathy with the municipalities. They deal with the public and they are going to have to pass on the real estate tax increases that are going to pay for the lifeline problem. And, the people that are going to get the benefit of lifeline are going to get it taken right away from them under this formula.

Now, what horrifies me, assuming that we have to come up with money for implementing this program, is the sentence you just read, to the extent that the money is insufficient; we have to make up for it some other way. That absolutely horrifies me because that is an open end and we are going to be increasing and increasing taxes and changing that rate structure and jockeying it around month after month to meet that last clause.

Suppose that clause were not in the bill? Bear in mind we have lifeline, whether we like it or don't like it; that is the law. This Committee has a tremendous burden of coming up with a formula to implement that program. It is now the law, so we can't go into the merits of lifeline. Suppose we didn't have that sentence and the bill ended with the clause about how the energy relief fund would be funded - the one that is right prior to the one you mentioned? Suppose the bill ended there? Would you take a different position - without going into the merits of whether or not we ought to have lifeline?

MR. BAUMAN: Well, subject to check and study, I would say, by removing the restructuring of the rate structure, it would be very desirable because you are into a lot of dynamite, as we have tried to illustrate today - and the good Commissioner did too. There is a more efficient way of doing it is what we are really saying.

SENATOR DODD: Thank you very much, Mr. Bauman. Thank you, Mr. Applegate. (see page 6x for Chamber of Commerce's chart and full text of California Report)
We will call one more speaker, Clarence Saunder of Trenton and that

will be the last speaker before the lunch break.

C L A R E N C E S A U N D E R S , JR.: My name is Clarence Saunders, Jr. I live in Trenton and I am a Democratic Committeeman from the North Ward here. I have a wife and three children.

I'm here to tell you how Senator Merlino's proposal would affect me and the people in my neighborhood.

My electric bill last September was 312 kilowatt hours. That's probably higher than the lifeline level. For October it went to 392 kilowatt hours.

In February it was 664. The latest bill is for 552 kilowatt hours.

On gas alone, my family's use was 30 CCF in September; 70 in October; and 148 in February. Sometimes we have to use the oven in the kitchen for heating the house.

I can't afford it. My gas and electric bill came to \$51.00 for October, and \$110 for February. For one full year, I must pay close to \$700 for gas and electric.

My oil bill is \$50 every 10 days in the winter. That comes to \$750 a year.

Fourteen hundred dollars is a lot of money for basic energy, especially when my total family income is \$11,000.

Part of the reason for those high oil bills is that the house we live in is so old and drafty, but the landlord isn't about to insulate it. Why should he when I pay the oil bill? If somebody did make him insulate it, he'd raise the rent too.

Now, from what I know about Senator Merlino's proposal, it would allow people to buy energy coupons at a discount. So, if I had a bill of \$100, I could buy that much in coupons with say \$70 and save 30%.

On my oil and electric bills of \$1400, a 30% reduction would save my family over \$400 a year. For us, that is a lot of money and it means we can pay the grocery bill.

That's what the program means to me. And, considering I earn \$11,000 a year, it will mean a lot more to the other people in my area. Most of them earn less than that.

I hope you will pass this bill.

In response to Mr. Bauman, it is not welfare; I work.

SENATOR DODD: Mr. Saunders?

MR. SAUNDERS: Yes?

SENATOR DODD: My staff tells me that with an \$11,000 income there is a possibility you wouldn't qualify for the coupons.

MR. SAUNDERS: I wouldn't qualify?

SENATOR DODD: That's right. It is twice the poverty level. You would be just about at the break point - a dollar or two either way, you could qualify or you couldn't.

MR. SAUNDERS: Well, I have run into that case so many times. I can't see it personally but, nevertheless -- with the saving of food stamps and what not, I am above that level also.

SENATOR FELDMAN: I believe, Mr. Saunders, it will help others who are within the poverty level - perhaps the voiceless who couldn't be here today. You are representing them.

MR. SAUNDERS: Right, in my neighborhood anyway.

SENATOR DODD: Thank you very much, Mr. Saunders.

The Committee will return at 2:00. We will now adjourn for the lunch break. May I remind the people that there is an excellent cafeteria in the very next building and there are several restaurants in the immediate area.

(lunch break)

AFTER LUNCH

SENATOR HIRKALA: The public hearing is about to reconvene. I would appreciate everyone taking their seats so that we may proceed in a quiet atmosphere in order that the proceedings can be transcribed accurately. The next speaker for the afternoon session of the public hearing on the lifeline bills and energy fund bills will be Mayor John Rafferty of Hamilton Township. The Chair is calling on Mr. Rafferty because of an emergency situation. He must return to the township. Mayor John Rafferty.

MAYOR JOHN RAFFERTY: Thank you very much, Senator. For the record, Senator, on my left is our Finance Director of Hamilton Township, Paul Kramer.

Senator, I would like, at this time, to give to the stenographer a resolution that was passed by the Hamilton Township governing body, expressing opposition to Senate Bill 859, proposing amendments to the franchise and gross receipts tax law. This was passed unanimously on March 21, 1978. Thank you, sir. (see page 26X)

I am not here, gentlemen, to address myself to the merits of the recently enacted lifeline legislation. I am here today to oppose a bill - 859 - that is being considered as the mechanism to fund the lifeline program. As we all know, the bill will allow the State to retain a percentage of every municipality's public utilities gross receipts tax revenue each year.

Now, just for a brief background on Hamilton Township, gentlemen: We are the 8th largest municipality in the State. We have approximately 90,000 people. We are 50% developed. We cover 40 square miles.

The future impact of this bill would be difficult to forecast, but if it had been passed last year, Hamilton Township would lose \$1,500,000 in anticipated revenues to support our 1978 budget. A total of \$42,000,000 would have been lost throughout the State, and this figure does not include the loss of interest on investments or the future loss of federal revenue sharing. This loss of revenues would have to be made up at the local level by increasing property taxes.

Now, I believe Assemblyman Costello indicated that there were a number of people that moved into his District, based on his tax rate, which depended somewhat upon the gross receipts tax. The same with Hamilton Township, gentlemen. We have thousands of senior citizens and I feel that the proponents of the bill are trying to assist individuals, such as senior citizens on fixed income and those who just can't meet the inflationary costs of today. However, in Hamilton Township there would be thousands of these senior citizens that would be adversely affected because by taking away our gross receipts, we have to come right back and impose on them, of course, a real property tax - or a rise in the real property tax.

The New Jersey Gross Income Tax was touted as a major step in reducing reliance upon property taxation and was part of an overall tax reform program to shift part of the tax burden from local property taxes to a state income tax. The bill in question, I feel, is inconsistent with that concept. And, something that bothered me very much is that our representative in the Senate in Hamilton Township is Senator Joseph Merlino. Senator Merlino, of course, was a moving force behind the income tax and seems to be an extremely moving force behind 859.

I strongly oppose this bill, not only because of the negative impact on Hamilton's tax base, but also because it could mark the beginning of a statutory scheme that mandates state-wide programs be financed by local government revenues. Also, I feel that it is sort of getting the foot in the door. Once the gross receipts is tapped, I feel that the state will come back and just nibble away at it. It is sort of like missing church on Sunday; the first time it is so difficult but after you miss it once, you know, it is not too hard after that.

It appears that the sponsors of this bill feel that an existing public utilities tax should fund the lifeline program - this is obvious. Public utilities do pay a franchise tax - this was brought up previously - and gross receipts tax for municipal use and an excise tax for state use. And, I say why not use the excise tax and leave our revenues alone.

Gentlemen, I won't be redundant but I echo the sentiments of Mayor Pepe, Mayor Hansler, and Assemblyman Costello insofar as they, in turn, stated the position of the League of Municipalities and the New Jersey Conference of Mayors. I have been an elected official in Hamilton Township for eight years - committeeman for six and Mayor for two and one-half. I thank you very much for your consideration.

SENATOR HIRKALA: Are there any questions? (no response)

Mayor, I would like to know what the dollar equivalent is for each tax point.

MAYOR RAFFERTY: One hundred and five thousand, Senator.

SENATOR HIRKALA: One hundred and five thousand for one point?

MAYOR RAFFERTY: Yes, sir.

SENATOR HIRKALA: Thank you very much.

MAYOR RAFFERTY: Thank you, gentlemen.

SENATOR HIRKALA: Our next witness will be Mayor Patrick Fiorilli of Vineland City.

MAYOR PATRICK FIORILLI: Gentlemen, thank you. I am Mayor Patrick Fiorilli of the City of Vineland, New Jersey and I am here in two capacities, since the City of Vineland is unique to the particular business we are talking about; we are not only a city of electric consumers, we are the only city in the State of New Jersey which owns and operates an electric generating plant. We are both buyer and seller in this capacity. That should present a problem in itself, plus the fact that our municipal utility does not pay gross receipts tax or franchise taxes, while some of our franchise area within the city does pay it through Atlantic City electric.

The problem that you are facing here - the lifeline rates - is something that we have considered for some time and looked into. We do not come under the Public Utilities Commission. We have available to us certain avenues to

follow and we were continually frustrated by state and federal laws, which prohibit us from setting up a special class. I am sure that Senators Merlino and Feldman ran into the same frustration when they proposed bills such as these.

We, in converting to coal in one of our larger units and efficient management, have an electric rate 11% cheaper than any utility in this state for residential consumers. In fact, after listening to Mr. Jacobson and taking his 500 kilowatt figure from Public Service and then applying the lifeline rates, we are currently cheaper than even the lifeline rates would cause at that rate.

Our concern, principally, in the city was with the senior citizens. We feel that somewhere somebody owes them something and that they have been lied to for years. They have been deceived in everything. They span this century. They offered their services as young people in the First World War and were told that it was a war to end wars and that was a farce. They survived the great depression and knew what it was to go to bed hungry and suffered all the suffering that was needed. They were called upon in the '40 to give their sons and daughters to defend the country. They were called upon in the '50's and '60's to give their grandchildren.

Back in the '30's when Social Security was developed, they were told that at their retirement age, which would probably be in the '60's and the '70's, they would not have the worries of attempting to survive in an economy that was well over their heads; and they believed it - it was the American dream. They worked to buy their own homes and they worked very hard. And, then along came the miserable failure of federal bureaucracy and government housing and they began to build government financed housing for senior citizens so that we could stack them away in pigeon holes like so many letters in a mail rack. Rather, we should have been finding a way to keep them in their own homes. The thing that drove them out of their homes in the State of New Jersey was the ever-increasing property taxes. They found that the social security check, which could probably have allowed them to survive in the '50's, did not meet the taxes and the inflation of the '70's. And, they paid and they paid and they paid over and over again and each time government, at one level or another, your level or ours, came along to offer hope.

When it comes to electricity - and I speak principally of that - we are aware of what the senior citizens do. These people - these noble people - didn't complain that much. They bought the smallest light bulbs they could buy. They turned their thermostats back. They wrapped themselves in blankets. They did all they could to conserve, more so than any other segment of the community. They didn't ask for a lot, but they found they couldn't make it. We saw that difficulty as they would come in with electric bills. As I pointed out, we are cheaper than others, so I can imagine their difficulties in other areas.

When the lifeline bill was originally proposed, it was a beautiful idea. It seemed like some solution to the American dream that they had been told of, which turned into a nightmare by the time they retired. And, we agreed with the lifeline bill. Then came the problem of funding, and I realize there is difficulty in funding this and that no matter where you take the money from someone is going to holler and someone is going to have to pay.

The proposal to take it from the gross receipts tax and the franchise tax might seem like a good idea from the state level. You are proposing to take

75% of the increase in these taxes and yet the only weapon that municipalities have had to fight inflation that amounted to anything was that increase in gross receipts tax. We have applied this to local services, which have been demanded. We have attempted to keep tax rates down. We have tried to allow the senior citizen to own their own home and stay in it, which is a lot cheaper than all the federal give-away programs that they could ever come along with. And, these people would be guaranteed that the home they worked for all their lives would be the place that they would live in until the end of their lives. Even that was a failure.

To come along now and take this money from the gross receipts tax would mean that this year it would look beautiful -- we will give you stamps or some other method to reduce your electric bill. But, next year and the year after, as the municipalities grow and as services are warranted, as demands are made on us, we will have to put into action those services without additional funding. And, the solution then is to go back to the property tax and raise it. What we are saying to these old people is: We are going to lower your electric bill by one dollar but somewhere down the pike, in three or four years, we are going to take back five dollars. We are going to drive you out of your home. I don't think that was the intent of this bill. I am sure both Senators Merlino and Feldman did not have this intention.

Perhaps it is because you have been away from the local level longer than we have - you don't see inflation at the pace that we do. You don't see the problems, particularly in Vineland where the people come in to us, to the city, with an electric bill and say, I can't pay it; what do I do? Or, you have a person come in and they show you a bill where they have used 180 kilowatt hours and you know there is nothing in that house running - no refrigerator; nothing. And, they can just about get by on a meager social security check. Most of them are too proud to go to public assistance of any other sort. They feel they worked all their life. They don't want a hand-out. They don't want a give-out. They need help. In most cases, they won't come in for it if it is available.

But, to provide them now with a reduced rate and to come back later and add to their property taxes, would be a grave crime, I would say. It would be something that I would want no part of. I think we owe them more than that. I think we owe them the dignity and respect to live in their own homes until the day they die. If someone went out and worked 40 or 50 years to buy a home, they are entitled to have that home. We don't have to stack them away in public housing somewhere. They should enjoy the rights of their house and their yard and their grandchildren coming to visit. We should not do anything that would deprive them of that in the future. And, gentlemen, in my opinion, in the next year or two or three, as cities grow - and I refer particularly to Mayor Rafferty's community and my community, which are 30 and 40 percent developed and which will grow, - we need the facilities of this franchise tax. We depend on it as one of the very basic things. I ask you to reconsider this bill and to reconsider the funding. Perhaps it is time that all of us in government, municipal, state, and federal, took an about face. Maybe it is time we begin looking for money to help the senior citizens by stopping rewarding those who will not work. Let's reward the people who have worked all these years and who have paid the bill and those who will not work, let them go to work and provide for themselves. Maybe that is the area to look for the money in. This is your problem. This is your funding.

We do not object to lifeline. I don't think there is a community in this state that objects to it - or anyone else. What we do object to is offering a small, piecemeal percentage on an electric bill or a gas bill or an oil bill today and then penalizing someone for it two or three years later. Thank you, gentlemen.

SENATOR HIRKALA: Are there any questions? (no response) Thank you very much for your appearance, Mayor.

MAYOR FIORILLI: I might add one thing--

SENATOR FELDMAN: I want to just compliment the Mayor for a very dispassionate, scholarly approach to the problem. You did it without a note and you were able to articulate from the depths of your heart.

MAYOR FIORILLI: Thank you, sir.

SENATOR FELDMAN: My concern is-- I am asking for some projection of figures. I am as concerned as you are as to whether or not we are taking more from the fund than we are giving in tax relief. I mean, you have raised this and it is a very cogent question.

MAYOR FIORILLI: It would depend on individual communities. Where you have a totally developed community--

SENATOR FELDMAN: As legislators we have to look at the entire state picture. You are in a very fortunate community of Vineland, with your own utility, so to speak, which showed a great deal of foresight by those that conceived of the idea. But, there is a lot to be said for what you said and I want to thank you for coming.

MAYOR FIORILLI: I have a lady from my community who came up here. I think we noted her on the schedule. She is a senior citizen whom this will directly affect. She would like to say a few words, if she may?

Can I call on Mrs. Alice Hoover? Would that be all right, sir?

SENATOR HIRKALA: Mayor, I will entertain that. However, I would caution you that we have approximately 33 more witnesses who have waited all day. I would be very happy to have her speak for a minute or two.

MAYOR FIORILLI: She is sitting right over here. Would you come up, Mrs. Hoover? I don't know what she is going to say.

SENATOR HIRKALA: Would you please identify yourself?

A L I C E H O O V E R: Yes, I will - gladly. My name is Alice Hoover. I am used to standing up to speak and this is going to hamper me a little bit, so you will forgive me if I get a little frustrated?

SENATOR HIRKALA: Yes.

MRS. HOOVER: I like to do this (gesturing with hands). My name is Alice Hoover. I live at 35-92 North Elsie Drive, Vineland, New Jersey.

What Mayor Pat Fiorelli said, that he didn't know what I am going to say -- he didn't. Five or six - seven - of the senior citizens in my community, right in my neighborhood, studied this program thoroughly. It looks good, very good, to us, as far as the benefits appear. Now, we definitely need help. I am a senior citizen and so are they and we are living on fixed incomes.

We were able, in discussion, to overlook our benefits and take a broad view of the thing. In our discussion of the funding, we have come to the conclusion it is not good. We approve of the principles of the program, with the exception of one: We do not believe that any person - single person - earning \$9,000 a year is entitled to the benefits of this program. I know, and the rest

of them agreed with me, if any of us were getting \$9,000 - even with the taxes that are being deducted - we would not be asking for any relief.

Now, I had this down briefly, so that I won't take up too much of your time, but I think I am going to read the letter. It was signed by the five other senior citizens in our group. We don't belong to any association - just simply a concerned neighborhood. If you will bear with me, I will read it - and I will make a few comments on it.

This meeting was held on March 18th and we discussed it and the letter was written on the 19th. "We, the undersigned senior citizens, being of sound mind and using our God-given power of thought and judgment, do oppose the method of funding of this lifeline - the energy stamp bills. Also, we oppose the use of energy stamps." Now, if Senators Merlino and Feldman have ever had any experience with the senior citizen, especially the older one, I don't believe they would have suggested energy stamps.

Now, many of these people are a little confused. I am not. I am not confused - not yet. But, this issuing of energy stamps to these people is going to add more confusion to them and that they need like a hole in the head.

Now, they forget. Even if they are able to get the stamps, many of them would be physically unable to go someplace and pick up the stamps and as I understand it, no one else should pick them up for them. They can't be mailed to them because of the possibility of theft out of their mailboxes.

Now, in our area, we have to walk clear up the entrance of our mobile home park - by the way, that's where I live - to get our mail. There would be a possibility of theft.

The fact that some senior citizens lay stamps aside and they forget would also be bad. They forget when they got them. They forget where they put them, even if they remember they got them. That is very detrimental. We oppose this use of energy stamps wholeheartedly, sincerely, and very, very definitely. We are against it. Very definitely. No energy stamps, please. No matter what you do, no energy stamps.

All right, let's see: "We approve the principles involved in the bills, with the exception of the one." I have already stated that it was the \$9,000 income for the single person. "We, the undersigned senior citizens, would be eligible to receive the aid in paying our electric bills." God knows, we need them. In our particular case, it is only electricity we would be eligible for because we have to use propane gas for cooking and we have to use kerosine oil for heating and neither of those two utilities are under the Public Utility Commission. They are not considered utilities but that is what we use them for. So, there should be some - while I have your attention - kind of legislation made to control the prices of this kerosine and propane gas. They keep going up, and up, and up. Everytime they make a delivery, they cost you more. So, we would like you to consider that, besides this.

Okay? "On one hand we would be receiving aid with our utility bills"- electric only in our case, the rest of the city of Vineland would be benefitted from the oil and gas. Let's just take a figure - a saving - of \$5.00 per month on our electric bill and for the rest of the people, \$2.00 per month on their gas bills. That is in the summer time. Perhaps there would be \$10.00 a month on their oil in the winter time. We are certain in the long run we would not

benefit much. No one in the City of Vineland would benefit much and I have no reason to believe that the rest of the State would either. We wouldn't benefit much, if at all. As a matter of fact, we think we would be penalized further on.

"Depriving the municipalities of 75% of the gross receipts or franchise taxes on new revenue on new growth of the utility companies would, we believe, number one, stop the municipality growth in this state. Number two, it would result in higher property taxes. Number three, it would increase the 12 1/2% gross receipts tax and the franchise tax, which at the present time results in 13%"- that is 1/2% on real estate. That is what we are paying right now; 13% of our electric dollar goes to pay these taxes. Atlantic City, which services our area, does not pay these taxes; we pay them. They come out of our bills; they are hidden taxes that are included in our bills.

Now, I have this on authority from Atlantic Electric Company itself. Included in my November bill was a statement: "We thought you would like to know where your electric dollars go." Thirteen percent, they informed us, is included in our bills, in the rates that they -- the bill they send us. So, who is paying? The consumer is paying these taxes.

Now, increased revenue, with the gross receipts and the franchise tax, means that we are still going to pay those. We are still going to pay that gross receipts and franchise tax on new revenue, besides what we are already paying. Had anybody thought of that? Or, did you know that we pay those taxes?

All right, at a designated time - I am speaking only of Atlantic Electric now, I have no reason to believe that the other utilities don't do the same thing, I don't know - Atlantic Electric, of Pleasantville, New Jersey, pays to the City of Vineland these taxes that they have withheld from us.

SENATOR HIRKALA: Mrs. Hoover, may I interrupt you for just one moment? As a courtesy to Mayor Fiorilli, we allowed you to speak. I don't want to cut you off, but I do want to call to your attention that we have 33 additional witnesses and we intend to close the hearing at 4:00 P.M.

MRS. HOOVER: All right.

SENATOR HIRKALA: I am not only going to call for your cooperation, but also all succeeding witnesses, to try to limit your remarks. We already have compiled an extensive record that this Committee will deliberate on.

With that remonstrance, may I ask you to continue and to try and sum up? Please excuse me for interrupting you.

MRS. HOOVER: Yes, I will excuse you. I was wondering all morning why so much time was allowed to so many people. I was wondering if we were ever going -- if we weren't going to have to stay here overnight.

SENATOR HIRKALA: I am prepared to stay overnight but I wouldn't expect my colleagues to.

MRS. HOOVER: All right. We people have lived long enough, believe me, to understand somewhat how some things happen; they just snowball and snowball and snowball. The idea is good and it goes on and on and on. There, see?

This thing about taking out of the energy relief fund expenses of auditing each and every taxpayer is tremendous. It is a tremendous expense and it is deducted from the energy relief fund, which is no small item to consider.

The question arose in our discussion: All right, they are going to audit everything; who is going to audit the auditors? Now, I have heard no one

make a - maybe I missed it - suggestion for an alternative to this tax that is proposed here. Let me make one? May I?

SENATOR HIRKALA: Yes.

MRS. HOOVER: I say tax the casinos. They are going to be in business and they will not quibble about this funding of this relief fund, which will be mere peanuts to them - the money that they are going to take in. All right?

SENATOR HIRKALA: Thank you very much.

MRS. HOOVER: I sincerely, truly, ask you to reconsider this funding. Give it more thought, please? Thank you very much for your attention.

SENATOR HIRKALA: Thank you, Mrs. Hoover.

Our next witness will be Assemblyman Alan Karcher of Middlesex County.

A L A N K A R C H E R: Senator, with your indulgence, my Mayor from the Borough of Sayreville has come with me, and he has a prepared statement which he would like to read. His name is John Czernikowski. I would just like to add some comments after his statement. Thank you.

SENATOR HIRKALA: Mayor, will you spell your name for the record?

J O H N E. C Z E R N I K O W S K I: Yes, surely. C-z-e-r-n-i-k-o-w-s-k-i. I come here today to speak not only for myself and the governing body of the Borough of Sayreville, but also for our 35,000 residents. With me I have our Council Finance Chairman.

I first want to begin by telling you what we in Sayreville do not have and do not receive from the State of New Jersey:

1. We do not receive any part of the millions of dollars which are appropriated annually for urban aid.
2. We do not receive a penny from the millions of dollars allocated annually to the communities for "safe and clean streets."
3. With regard to aid to education, the Borough of Sayreville's taxpayers put up approximately 90 cents out of each dollar spent for public education in the Borough. To emphasize a point, I would indicate to you that with our 35,000 residents we represent approximately one-half of one percent of the total state population, yet the amount of state aid for education which Sayreville receives is approximately 1/1000th of what is the annual amount to be appropriated in the current budget. Moreover, at the same time that we are receiving such a minimum amount of state aid to education we are educating approximately twenty percent of our total student population in totally "non-aided" parochial schools.
4. We receive no in lieu tax payments from the State.
5. We receive little, if any, attention or money addressed to the intolerable highway conditions existing on state-owned roads within our community.

Furthermore, I would point out that the community pays what we consider to be a grossly disproportionate amount of County taxes to Middlesex County. At the same time, Sayreville's industries, businesses and individuals pour literally tens of millions of dollars into the State treasury on an annual basis. A total audit and analysis has never been attempted, but I am sure that it would indicate that the industries, businesses and residents of Sayreville probably pay three to four dollars to the State for every dollar that returns to the community in any way, shape, or form.

On top of an already unjust tax burden already imposed upon the Borough of Sayreville by the present tax structure, I should add that the industrial nature and character of our community, including the presence of the New Jersey Central Power and Light generating station with its radiating transmission lines bisecting and dissecting the entire community, has left us with a town whose character is not as attractive as those which have been able to preserve the residential, suburban, or rural nature. What the Borough of Sayreville has had as a consolation during these years, the fact that we have been able to provide a stable tax situation by virtue of receiving what is small compensation for what we have learned to live

with over the years, this stable tax base has allowed us to attract additional industries providing employment for our residents, and most importantly has been able to assure that our substantial number of senior citizens who, during their working years, gave their life-blood to the plants, factories of our area, could be assured that when they were forced to live on Social Security or other fixed income, that at least their real property taxes would not be confiscatory and would allow them to live out the balance of their years with some vestiges of security and dignity.

There is no question but the senior citizens of the State, of which I shall soon become a member, should enjoy guaranteed utility services at reasonable rates, but should this be accomplished by allegedly playing Robin Hood? Should this mean that senior citizens of one area should benefit by robbing the senior citizens of another area?

These questions really need not be answered as there exists literally dozens of alternatives to funding an Energy Relief Fund - the promised revenues from casino gambling being just one alternative. There have been many others as well. If the lifeline concept is to become a reality, if the Energy Relief Fund is to become operational, let the burden fall equally upon taxpayers throughout the State. The present suggestion, which would only impose upon the Borough of Sayreville and towns like it, and their senior citizens residing therein, to further subsidize the State, is both economically unsound and politically unwise. Such a move can only be counter-productive and encourage anger, foster jealousy and promote disharmony between citizens not only of separate communities but of separate ages.

Gentlemen, I therefore recommend to you that the present proposal be immediately discarded and that you would turn your attention to finding fair, equitable and reasonable methods by which to fund the lifeline concept. Thank you.

SENATOR HIRKALA: Are there any questions of Mayor Czernikowski? Hearing none, I will listen to Assemblyman Alan Karcher from Middlesex County.

ASSEMBLYMAN KARCHER: Thank you, Senator. I just wish to add a few brief comments to what the Mayor has said in just a little broader perspective as the representative of the 19th District, which is a unique district. We only have four communities in our district. However, three of those communities are severely and adversely affected by this legislation. Woodbridge has a generating station. South Amboy has a generating station and Sayreville has a generating station.

I think what the Mayor said about Sayreville can truly be said about the other three communities, or the other two communities. The same type of disproportionate tax burden falls upon them when you review the revenues they receive, and the minimum amount of State aid they receive. That is really the crux of the matter. While on its face it might appear that there are certain benefits with having these generating stations, there are certain encumbrances. There are certain burdens which these communities have faced over the years. Up until two or three years ago, a generating station - whether it be the old coal-burning type or the high sulphur fuel burning type, the new geared generating station - these were not exactly the most attractive things that people wanted in their neighborhood. These communities in this district were those who accepted it, and they intended and they had every right to expect that they would have certain benefits flowing from their presence within these communities.

What I do want to emphasize and what I want to speak about very briefly in accord with what the Mayor commented on is the proportionate fairness of taxes.

If this Committee is truly interested in an equitable approach, and a fair approach and a broad-based approach and a broad perspective and a broad orientation, I would refer you, gentlemen, to the fact that the State of New Jersey collects thirty major taxes. They are all litanied here in our report which we all receive every year, and I would refer you to the tables which show the distribution of those taxes. For years no one has complained about the fact that certain communities in this State receive disproportionate benefits not of the gross receipts tax but literally dozens of these taxes.

So, if we are going to review one particular tax, I would recommend strongly that we have an overview and we look at some of the other taxes that this State collects and redistributes. The Borough of Sayreville - and I think I can fairly speak for them, and I think I can fairly speak for the other three towns in the community, Perth Amboy, Woodbridge and South Amboy - would be delighted if this State would take the approach that we are going to distribute taxation or distribute the benefits of taxation, the revenue aspect of it with regard to state aid, on a proportionate, fair, equitable basis. Out of all that is done now, there is only one method of revenue sharing, and that is the revenue sharing provision itself which sends the money back equally. Now, if the State wants to send back all taxation, on that kind of basis, if we are going to get the story next year that our children in our school district have suddenly become equal to children in other school districts, and that they are not going to get the measly \$100 a piece, but they are going to get the \$1500 or \$1600 or \$1800 that other towns get, we will be happy. We will be happy.

If you are going to say that you are no longer going to distribute urban aid or safe and clean streets money or in lieu payments to just certain towns - we are going to distribute that to everybody - that is a fair approach. We would welcome that, but I don't think that can be done. If it is not going to be done, then the selectivity, the discrimination shown in trying to focus on this tax only is certainly something which I don't think is fair or equitable.

Lastly, let me make one other comment. Assemblyman Otlowski and I have put forth in our recommendations and our report of suggestions to the new Energy Department certain proposals which we have had with regard to potential funding of a lifeline concept, which we do in fact support. Not only was casino gambling something that was sold to the people of New Jersey, on the basis - among other things of course - that it would generate revenue that would assist senior citizens in their tax burden and utility burdens, --- I think we have an obligation. I think we have an obligation to look to that first. But there are other alternatives. The alternative that Mr. Otlowski and I have put forth is with regard to a state facility for the funding of future utility construction on this same model and same idea and the same bases on which we now have had the economic development through the Economic Development Authority. Such a concept with our own projections - with the utility company's own projections - as to capital construction needs, if we could have a 5% differential savings in the funding of that by doing it through tax free bonds as opposed to forcing the utilities into the open marketplace, that alone, not immediately, but that alone, between now and the year 2,000 will generate more than substantial funds to fund this lifeline concept.

So I with the Mayor ask you also to address yourself as well to the viable alternatives which are present. Thank you very much.

SENATOR HIRKALA: Thank you, Assemblyman. Are there any questions from members of the Committee?

SENATOR FELDMAN: You have expressed that you are in favor in principle with this equitable distribution of taxes, and I would like to see that concrete proposal of yours.

ASSEMBLYMAN KARCHER: I have had one for a long time, Senator. We have said particularly that we ought to fund T & E on a per capita basis, so that--- I truly believe that my children living in Sayreville are equal to any other child - no better, no worse, not above, but not below. And I think everybody in my district thinks that their kids are just as good too, and they can't understand why a kid in one town gets \$2000 and we get \$200.

SENATOR FELDMAN: I have a question for both of you individually or perhaps collectively. On the stampe program the energy stamps, you haven't touched on that. Do you feel that is a method in which we can help the indigent or those who fall within the poverty level or twice the poverty level throughout the State? I am talking about the principle of the stamps.

ASSEMBLYMAN KARCHER: The principle, obviously, Senator, is something, but the mechanism, my personal belief, is that it has a connotation that has a certain stigma, a negative stigma, particularly with regard to senior citizens and people living on fixed incomes. I think that they want to hold on to the last vestiges of their dignity, and I don't think that enhances it, if you are asking them to buy their energy with stamps. That is my own opinion.

SENATOR FELDMAN: Thank you. That is what I wanted to know.

SENATOR HIRKALA: Thank you very much, Mayor and Assemblyman. Our next witness, Chris Hansen. Mr. Hansen, for the record, would you identify yourself and the organization you represent.

C H R I S A. H A N S E N: Thank you, Senator. I am Chris Hansen, and I am here today as the President of the Linden Chlorine Products, Incorporated, and as the Chairman of the Chemical Industry Council of New Jersey.

Linden Chlorine products employs 300 people and is a 40 million dollar a year business. There is a slight typographical error in the printed statement. The chemical industry is New Jersey's largest; in fact, New Jersey's chemical industry is the largest in the country. The chemical industry in New Jersey employs about 130,000 people, has annual sales of 10 billion dollars and 1.2 billion dollars in payrolls each year.

The chemical industry is extremely competitive. Cost must be managed very carefully. New Jersey's position of being first in the United States is rapidly being eroded because of higher costs in the Northeast and the abundance of raw materials in the South.

I gave testimony on December 13, 1977, before the Senate Transportation and Communications Committee regarding the disastrous effect that S-1830 would have on the chemical industry if passed in the form that existed at that time. The bill was substantially amended. The adverse effects on industry were reduced as a result of the amendments. However, even in its amended form, it is of serious concern. It will add significantly to the cost of doing business in New Jersey placing the New Jersey Chemical industry at an even greater disadvantage than it now has.

The three bills, S-859, 860 and 861 will further minimize the effects of A-1830 on industry and, with some basic changes, these bills can be supported by the chemical industry. The needed changes are these:

1. The legislative oversight provision should be reinstated. In view of the fact that this is landmark legislation, its effect should be followed carefully to insure no dire effects go unnoticed.
2. Lifeline funds should be limited to the amount of money available in the Energy Fund from casino gambling sources and from the utilities gross receipts taxes.
3. Social Security or one other pension should be excluded in determining income limits.
4. One method should be selected to provide assistance to the needy instead of giving help through both rate reductions and energy coupons.

I would like to make a few comments regarding the Lifeline concept itself. Fundamentally, I believe the Lifeline concept is unsound. Basically, a social problem has been created by the skyrocketing cost of energy. While I think we should provide assistance to those who require it, I do not believe it necessary to set up new programs and bureaucracies to deal with a cost problem.

All knowledgeable experts agree that energy will become progressively less abundant and more expensive during our lifetime. We must be realistic about this; no amount of shifting the cost to someone else can prevent it. The keynote of our policy on energy should be conservation, sound usage, and the development of economic alternatives. Lifeline legislation will be counter-productive with respect to energy conservation. Instead of trying to save money, people in lifeline will be encouraged to use it.

Electric power rates should be set to reflect the true cost of service. Any other basis will, by definition, price it below cost to one class of user and thus artificially encourage its use. The cost of service basis has been adopted by the New Jersey Public Utilities Commission before rate setting. It is the only fair and rational basis. The House Commerce Subcommittee on Energy and Power has formally adopted it. It will likely become national policy by law. Lifeline will destroy the cost of service basis which is fundamentally a sound approach.

Although contrary to policy, and you gentlemen may not know it, the cost of service principle has already been distorted in setting electric rates in New Jersey. Residential customers as a class pay only 87% of the fair price when related to their cost of service, while on the same basis, the larger industrial users pay at the rate of 110%. This is true even though large user rates are lower than small users' rates. These statistics were presented by Public Service Electric and Gas at rate hearings in 1975 and 1976, and after

examination were acknowledged correct. However, the rates were set as I stated previously. This rate setting was politically expedient, in my opinion. It is time that such action be stopped and public officials act consistently with policy which is in the best long-range interest of New Jersey.

Many people do not believe that industrial rates are too high. They think they are too low. They don't think that industry is paying more than its fair share. The reason for the large difference between industrial and residential rates is obvious, when you consider my plan uses more electricity than, say, 75,000 households. But it takes only one mile of wires; one meter reader a few minutes a month, and a few repairmen for service. My company owns a substation and all the transformers. Visualize, if you will, the hundreds of miles of wire, thousands of poles, the hundreds of utility company transformers, the substations, the numerous meter readers, clerks and repairmen to provide the same amount of service to a quarter of a million people. This kind of comparison illustrates why industrial rates are justifiably much lower than residential.

Some people say that low industrial rates encourage waste. Let me assure you that this is simply not true. In my company, for example, in the last several years, we have reduced our usage per ton of production by over 30%. The chemical industry as a whole has reduced its usage by 15% to 20%. I have attached two tables which clearly illustrate that New Jersey industry is already at a competitive disadvantage. In each of these charts prepared by different groups for different purposes, it is clear that industrial power in New Jersey is significantly higher than the rest of the country. And A-1830 will make the situation even worse.

You might want to take just a second, gentlemen, to look at those two tables. They are on two different bases. One is based on a consumption of 10,000 kwh with a maximum demand of 40 kw, and you can see when you look at New Jersey, using Newark - I think we have to exclude Vineland, although it is still very high itself - which is served by Public Service, you can see it is much higher than almost anywhere else in the country. The only place that is any higher than that is in Tauton, Massachusetts and in New York City, which I think is in a class all by itself. If you look at the next table which comes from a chemical publication, Public Chemical Week, you can see the same sort of thing. It shows again that rates in New Jersey are much higher than the rest of the country. The only places that exceed it are in San Juan, Puerto Rico, Bridgeport, Connecticut, and Providence, Rhode Island.

Our competition in Pennsylvania, New York State, Louisiana, Texas, and these kinds of places have rates much lower than we have.

For a company like mine whose electricity costs are a major part of his total cost, the result of A-1830 will be serious. Contrary to popular belief, we cannot pass the increased cost on to our customers. The same is largely true for the rest of the chemical industry in New Jersey. The reason for this is, our competition is largely out of state where power rates are substantially lower than our own. Installations in New Jersey have become what we call in the chemical industry "swing operations." Companies with installations in other states run them at capacity and use New Jersey installations to make up the difference. The Lifeline legislation will further aggravate this situation.

Many states in the surrounding area subsidize utility rates in order to attract and encourage industry. While I hate to think of it, if the present

trends continue with regard to industrial costs in New Jersey, we may have to come to you with a request for Lifeline rates to preserve industry. Again, I think this is the wrong way to go. I believe that everyone should pay for their own individual cost of service on a fair and rational basis. Social programs should be paid for and administered out of the State treasury. It is extremely dangerous, upsetting and counter-productive to juggle utility rates in an effort to solve social problems.

In summary, I feel that Lifeline is fundamentally unsound. On the other hand, the changes you are considering will minimize the adverse effects on industry and jobs. I therefore urge favorable consideration along the lines that I have suggested. Thank you, gentlemen.

SENATOR HIRKALA: Are there any questions? Thank you for bringing a new concept into these hearings.

MR. HANSEN: Mr. Applegate is the Executive Director of the Chemical Industry Council of New Jersey, for the record.

MR. APPLGATE: If you were wondering why I was here, that is the reason.

SENATOR FELDMAN: He advised me that I would enjoy your remarks. He alerted me.

MR. HANSEN: Thank you.

SENATOR HIRKALA: Our next witness will be William R. Holzapfel. Would you please identify yourself for the record, Mr. Holzapfel, and tell us whom you represent.

W I L L I A M R . H O L Z A P F E L: Yes. Mr. Chairman and Senators, I am William R. Holzapfel. I am the Chairman of the Public Utility Law Section of the New Jersey State Bar Association, and I am here today to represent the position of the New Jersey State Bar Association.

The State Bar Association wishes to express its support for Section 3 of Senate Bill No. 861. This provision would repeal Section 7 of A 1830, the Lifeline Law that was enacted by the Legislature at its last session. The Bar Association has not taken a position on the over-all question of "Lifeline" rates for utility customers. The law, as enacted, has two sections which provide for legislative oversight with respect to the manner in which the Public Utility Commission implements the lifeline rate. The first of these, Section 6, provides for a Joint Committee of both Houses of the Legislature to (a) study the cost and effectiveness of the rate and to recommend to the Legislature within eighteen months whether lifeline should be continued and modified and (b) thereafter report annually to the Legislature concerning whether this rate should be continued or modified. We consider this provision for legislative oversight to be well within the prerogative of the Legislature. The second section of A 1830, however, dealing with legislative oversight, Section 7, is another matter altogether and one to which we take serious exception. It provides that every time the Public Utility Commission adopts a lifeline rate (or schedule of eligible users) or revision thereof, the Senate and General Assembly shall have the right to disapprove the Commission's action within 60 days. The disapproval is to be expressed in the form of a concurrent resolution. Section 3 of Senate Bill No. 861, which is currently before this Committee, would repeal Section 7. It is for that reason that we support its enactment.

The Rules of the Senate and General Assembly provide that no action by the Governor is required with respect to a concurrent resolution. Thus, the Legislature has reserved to itself the right to veto action by the Executive Branch of the government without, as is ordinarily the case with legislation, submission to the Governor.

We respectfully submit that Section 7 of A 1830 may well be unconstitutional. An act of legislation requires passage by the two Houses and submission to the Governor. See New Jersey Constitution, Article IV, Section 4, paragraph 6; Article V, Section 1, paragraph 14. Chief Justice Weintraub, on behalf of the unanimous Supreme Court, has described a concurrent resolution of the Legislature as being "ordinarily an expression of sentiment of opinion, without legislative quality or any coercive or operative effect." That is from *Re New York Susquehanna and Western Railroad Company*, reported in 25 N.J. 343, 348, in 1957. It is a New Jersey Supreme Court case.

We reject the argument that signature by the Governor of A 1830 has bestowed a blanket gubernatorial approval on whatever action the Legislature may take by concurrent resolution with respect to a lifeline rate. We submit that the Constitution contemplates each legislative act being considered by the Governor and that the Governor cannot relinquish or waive the powers of his office.

We, therefore, recommend that Section 7 of A 1830 be repealed because the provision for legislative oversight may be unconstitutional.

We appreciate the opportunity to have appeared before this Committee this afternoon. Thank you very much.

SENATOR HIRKALA: Are there any questions from members of the Committee?

Hearing none, may we express our thanks for your testimony this afternoon.

I will now turn over the chairmanship back to our chairman, Senator Pat Dodd.

SENATOR DODD: Thank you, Senator.

Mr. George Clarkson, Public Service Electric and Gas.

We would like to say hello to the folks from Blairstown. I want you to keep awake and on your toes. Is it true that Blairstown is beyond hope? Someone just told me that. (Laughter.) Senator Dumont sends his regards also.

Mr. Clarkson.

G E O R G E C L A R K S O N: Thank you.

Mr. Chairman and Senators, my name is George Clarkson. I am General Manager of Rates and Load Management, speaking for Public Service Electric and Gas Company. On behalf of the company, I wish to thank you for inviting us to participate today. I previously testified before the Board of Public Utilities and also State legislative committees on the matter of lifeline.

It is our position that due to the multitudinous problems associated with an attempt to fund lifeline to needy citizens, resulting in possible combinations of coupons, rate restructuring and/or licensing receipts, that the Legislature should consider providing a single program to accomplish this end. In addition, the Legislature should recognize at the outset, as has been pointed out to you today by Mr. Bauman, that the amount of the proposed revenues to be used from gross receipts and franchise taxes will be inadequate in and of themselves to provide the necessary dollars in an Energy Relief Fund or other means to cover the potential costs of a lifeline program, details of which are included in the present statute.

I think I would like to give you some statistics relative to Public Service and its customers, to put some of the things you have heard today in proper focus. I will not go into all of the matters regarding Chapter 440 of 1977. I think you have heard enough of those today.

Public Service supplies electricity to approximately 1,464,000 residential, 176,000 commercial, and 8,000 industrial customers. Our records indicate that approximately 569,000 residential electric customers use 300 kilowatt-hours or less per month and approximately 925,000 residential electric customers use 500 kilowatt-hours or less per month. I might inject in here that within the framework of the means test that has been proposed in the present legislation there is a possibility that we would have as many as 560,000 customers qualifying for the lifeline amounts electrically.

The company also supplies gas to 1,152,000 residential, 150,000 commercial, and 4,300 industrial and interruptible customers. Approximately 460,000 residential gas customers use as little as 26 therms or less per month and approximately all of Public Service residential customers use 110 therms or less per month. The reason for quoting the latter figure is because this is the number that is usually quoted as including heating for customers. So we are saying to ourselves that just about all of our residential customers use these amounts.

I indicated I would not go into the specifics of existing legislation. Let me say this, that Public Service does not know specifically how many of its customers will opt for lifeline rates. But we do have reliable demographic information which gives us an indication of the revenue impact under existing law.

Depending upon the minimum uses established by the Board of Public Utilities,

electric and gas lifeline subsidies could be between \$70 and \$90 million in total, as was pointed out to you by Mr. Bauman this morning; or could go down to the levels that Commissioner Jacobson talked about, somewhere around about \$35 million. Suffice it to say, and the point that I am trying to make here and will make later on, is that even at those various lifeline levels, whatever the BPU decides, the energy relief fund brought about by some percentage of gross receipts and franchise tax overages will be inadequate to fund this program. That is the point I am trying to make.

Let me now specifically talk about the individual bills, themselves. Enough has been said today about the 75 percent of future increases that have been suggested above a '77 base in S 859.

While Public Service applauds the concept of funding lifeline amounts with public funds generally, we are concerned over the introduction of another program over and above that that has been spelled out in former A 1830. The reason for this concern can be seen from our tax statistics, which I just indicated I would give to you.

In 1977, Public Service paid to the municipalities, without the State's surcharge, which is approximately one and one-half percent, \$208 million. It is estimated that in 1978 we will pay the municipalities approximately \$230 million. The difference of \$22 million at 75 percent is approximately \$16 million, of which - and I think this is important - \$14.5 million is associated with electric revenues and only \$1.5 million is associated with gas revenues. If you were to split the company apart, if we were not a combination utility, those are the amounts that would be available to supposedly subsidize gas or electric, if that were the case; and the subsidization program is one of some concern. This is the same \$16 million or \$16.1 million that Mr. Bauman showed you on his charts this morning.

Now if you compare that with the numbers that I just quoted - Commissioner Jacobson's suggestion of the \$35 million or Mr. Bauman's suggestion of the \$70 or \$90 million potential - I think there is no question that additional funding would have to be made available, which under the present law would come about by rate restructuring. That's the way it is put together. This multi-faceted program, I would submit, would create tremendous administrative problems and constant rate changes. One of the tenets of rate-making and rate design is stability in rates and the fact that customers, in general, would like to know, at least for a reasonable period of time, that their rates remain relatively stable or within certain bounds. The combination of this kind of a thing and, particularly an open-ended bottom with rate restructuring on top, would leave the rate pattern in the State of New Jersey, I submit, in chaos.

The Legislature should address itself to the question of adequate funding - I think this has been pointed out quite a bit today - and should set up one single administrative program to handle the lifeline needs of poor and needy citizens. The Legislature might also address itself to questions of subsidy, as I just indicated, as between varying levels of electric and gas dollars available if gross receipts and franchise taxes were to be considered the vehicle as they have been proposed in S 859.

In so far as S 860 is concerned, that is, the Energy Coupon Program, which also provides for the Board of Public Utilities and the State Treasurer to act as administrators, the Public Service has opted for years for an adequately funded program administered through the use of energy stamps. We have been going down this route since about 1975. We felt then and we still believe that such a program is a much better long-range solution to the problem of assisting low-income families

With their energy costs in a period of inflation. In the interest of simplicity, effectiveness, and administrative ease, however, there are other methods which in the near term might prove to be a better solution. Such a program might be the use of some kind of a charge taken from public funds to all other than lifeline customers' bills.

I think you have also heard today that the question of this idea of stamps is one that requires a great deal of administration and one which a lot of people might not necessarily want to opt for.

Secondly, we believe, as Commissioner Jacobson pointed out to you in his remarks, along with others, that a single means test, whether it be in enacted legislation or pending legislation, is the most beneficial to all. Again, I don't think we have to belabor the point. Twice the poverty level in S 860 compared to existing legislation with a \$9,000 single test or a \$12,000 married test give three potential levels of means test, which I think are confusing, and something which sort of talks for a single program to reduce abuse, handle administrative problems and be much more understandable to those who would qualify.

We agree with the concept of a State agency handling means tests in general, but we don't know what agency specifically. It has been suggested that the Board of Public Utilities do it. Commissioner Jacobson mentioned certain administrative problems and additional costs. We feel that no area of any means identification should be handled by the utilities, specifically. When the State properly identifies qualifying customers and gives them a means whereby the utility can record them as lifeline customers, then the program would go forward. It would be extremely difficult for us to be in a position of arguing with or refusing a customer a lifeline rate at the utility level if we did not have something in hand that the State had given this person in order for us to say, "Yes, you qualify - the State has determined so," not that we, the utility, have said you do or do not.

The Legislature should also address itself to the question of customers qualifying for lifeline rates in existing law and, in addition, qualifying for energy coupons with which to pay for these lower lifeline rates. While it is recognized that this is a double subsidy, and possibly something that the Senate and the sponsors had in mind anyway, we should be aware of the fact that there will be some monumental administrative problems in this kind of a thing.

Finally, on S 861, again I will not go into all of the details of the specifics of the bill. I am sure you are familiar with them. We, the company, concur in the repeal of Section 7. I believe Bill Holzapfel just mentioned this to you. Legislative oversight in an area as complex as utility rate-making should be left to the administrative agency which has the organization, experience and expertise in handling such matters.

Once again, in closing, let me reiterate the concept of a single program. The lifeline administrative process should be fair and equitable to all in accordance with the established criteria. It should avoid unnecessary complications, be compatible with established regulatory procedures and insure the revenue stability of the utility companies involved.

Thank you very much for your time.

(Written statement submitted by Mr. Clarkson can be found beginning on page 27X.)

SENATOR DODD: Mr. Clarkson, our Office of Fiscal Affairs says that in 1980, the projected cost will be approximately \$100 million. In your estimation would that be enough to fund the program?

MR. CLARKSON: I'm sorry, Senator. I didn't understand what you said at the beginning. What would be sufficient - \$100 million?

SENATOR DODD: The Energy Relief Fund.

MR. CLARKSON: Right.

SENATOR DODD: In 1978, the projected cost would be \$35 million; in '79, it would be \$67 million; and in 1980, it would be \$102 million. Would that be sufficient to fund the program that we are talking about?

MR. CLARKSON: Depending upon the levels that the Board of Public Utilities picks, yes, sir. All of it, of course, is dependent upon what those levels are. I think you heard from Commissioner Jacobson this morning that his staff had been working with us - incidentally, they are our numbers - at a level of 250 kilowatt-hours. There have been levels suggested of 150 kilowatt-hours all the way up to 500. Of course, as you recognize, the more you determine a lifeline amount should be, the more money is involved. I think that we have to rely on the Department of Energy and their Board of Public Utilities, now being enacted into law, to be the ones to determine these amounts. But they are talking about 250.

SENATOR DODD: Any questions by members of the Committee?

SENATOR FELDMAN: I have just one question to Mr. Clarkson. You mentioned oversight and that it should be done, did you say, by the Energy Committee or the Commission headed by Mr. Jacobson?

MR. CLARKSON: No. All I said, Senator, was the fact that we viewed Section 7 in the existing law as being a constitutional problem. I am not a lawyer and could not address myself to how that would be handled.

SENATOR FELDMAN: As to oversight - Congress has an oversight committee - if we were a full-time Legislature I am sure that it would be part of the Rules of both Houses because many times when a bill is enacted into law and carried out two or three years after implementation, it is not carried out in the manner that the Legislature, the Committee or the sponsor had intended that it should be.

So oversight is important. I just wanted your views on that.

MR. CLARKSON: I think that you can appreciate the feeling --- Let me just speak for Public Service. I am sure you recognize the fact that if we were to set up a series of lifeline rates - lower rates for some, higher rates for others - and a couple of years from now somebody down in Trenton decided that the bill was unconstitutional and people started to think about it a little bit and started to hold back the amount of overages of their moneys on the basis of an unconstitutional bill, we would be in the position of a revenue erosion situation, which we would not like to see. It is for that reason that we sort of suggested the question that we see a constitutionality problem. How it could be handled, I could not speak upon.

SENATOR DODD: Any further questions? (No questions.)

Thank you very much, Mr. Clarkson.

I would like to call Charles O'Connell, Blairstown Township. Mr. O'Connell, Senator Dumont called and said we had better put you on next.

C H A R L E S V. O ' C O N N E L L: Thank you. We certainly appreciate it, Senator Dodd.

We are geographically beyond hope, but we have no despair.

Just briefly, if I may Senators, I would like to point out that Blairstown Township is a 32 square-mile rural community of approximately 3500 people, located in the northwest corner of Warren County. It is located approximately 14 miles south of Newton. And we certainly welcome you to come visit our community at any time.

We are here today with our Committee and with our townspeople to oppose the consideration and the enactment of Senate Bills 859, 860, and 861; and, for that matter, any other legislation that would change at all the formula for the distribution and allocation of what is known as the gross receipts tax revenue under existing law, namely, 54:30A-49 to 67, inclusive.

It appears from the proposed legislation - and it is quite evident after listening to what has been said at this hearing today - that Senate 859 is intended to fund the Lifeline Bills, which would provide reduced rates for the elderly and for families earning less than \$11,000, whereby energy coupon stamps would be obtainable by them to pay for their oil, gas and electric bills from a certain percentage of the gross receipts revenue received by various municipalities. It further appears that the method of funding the proposals under the bills mentioned would freeze the municipalities' share of gross receipts at the 1977 level and use 75 percent of any increase in the tax revenue above the 1977 revenue to finance and fund the lifeline legislation signed by Governor Byrne on March 2nd, 1978.

I have not as yet today heard a review of the general history of the existing laws that you gentlemen, sitting as the Energy Committee, seek to modify and alter in major respects. If I may, with your indulgence, I would like to review that history.

What is now known as the "Gross Receipts Tax Act" was originally enacted in 1940 - and, from time to time, various sections of it were amended, up to the amendment in the laws of 1963 - and provides the sole means by which a public utility may be taxed, these utilities being exempt from local assessment of taxes, except as to certain real estate - and that is particularly set forth in the statute. The purpose of the Act was to provide, and does provide, a formula to which the excise tax imposed by Title 54 upon a public utility for the privilege of exercising its franchise and using the public streets, highways, roads or other public places in the State, shall be apportioned among the various affected municipalities.

The proceeds of the tax collected by the State from each utility are then apportioned and allocated by the State among the municipalities accommodating and housing utility property from which the tax revenue is derived. The Act assigns a unit value to each type of public utility property located in the State, in accordance with the statutory schedule set forth in R.S. 54:30A-58, and the taxes collected are apportioned and distributed on the basis of the relative value of the scheduled property in each municipality housing such property. That section which I just mentioned, Section 58 of Title 54, assigns a unit value to electric generating stations. Blairstown Township has such an electric generating station.

As I indicated, and it is important to remember, Blairstown Township does have an electric generation station, but has nothing else. It is the sole utility in our community. We have had a favorable tax rate for many years; and, despite that tax rate, we are unable to generate any interest in the industrialization of our township, absent this one generating station.

In brief, the so-called Gross Receipts Tax Act provides for the taxation of the gross receipts of public utility companies and, generally, exempts such companies

from any other taxes upon their property, their franchise, their stocks or gross receipts, with the exception of that which the statute permits. It is obvious that the Legislature in enacting the gross receipts tax, intended it to supersede and to serve as a substitute for local municipal taxation. It also is very clear that the legislative design in the enactment of 54:30A-49 to 67, inclusive, was and is an excise tax upon the gross receipts and supplanted any effort of the local municipalities to levy taxes, with the exception of certain real estate.

It is, therefore, obvious that the intent of the legislation is very clear. It was to "exempt" the property of the public utilities, other than the real estate, from taxation, and substitute the gross receipts tax in place thereof. This intent was clearly expressed by the Legislature and is still expressed in the existing law where the Legislature has said, and the courts have so interpreted, that one purpose of the law was to exempt from taxation, other than imposed by this Act, the franchises, stocks and certain properties of the utility companies enumerated in the Act. This tax program fairly and equitably compensates the local taxing districts for money lost in lieu of assessments on specific utilities located in certain municipalities. This tax program existing under the current laws of R.S. 54:30A-49 through 67, was a forerunner and predecessor of the applicability of the Gross Receipts Tax Act and the current statutes. It is significant to note that in the predecessor statutes in 4 Compiled Statutes of New Jersey, page 6250, enacted as Public Laws of 1884, defined as an Act to revise and amend an "Act for the taxation of railroad and canal property" - in effect, a forerunner and predecessor of the applicability of the Gross Receipts Tax Act and the current statutes - it states that any tax imposed on railroad or canal property should be in lieu of other taxes. Obviously the same principle of law applies today as effected by the Gross Receipts Tax Act.

In 1888, of course, it involved railroad and canal property which was taxed by the State of New Jersey, in lieu of the other taxes apportioned, and allocated certain amounts to various municipalities. Obviously the same principle of law is applicable today as effected by the current Gross Receipts Tax Act. So what we see here is that since 1888 to the current date, a period of almost 90 years, with certain modifications and not affecting the principle of the Gross Receipts Tax Act, this Act has been repeatedly upheld by our courts from challenges upon its validity and attacks upon its constitutionality.

The opposition by our Township Committee and our townspeople is predicated upon the method of funding the legislation before you. You seek to freeze the municipalities' share of gross receipts taxes at the 1977 level to fund and finance the Lifeline Energy Bill signed by Governor Byrne. Of course, I repeat, we must not overlook or forget that the monies that the individual taxing districts are receiving is to compensate them for the taxes that they lose by not levying an ordinary assessment and that this gross receipts revenue is in lieu of those property taxes. It must be further understood that the revenue that may be received by the Township of Blairstown, as well as the other municipalities, are subject to fluctuation. It is quite possible that a municipality may receive less money than it did in previous years. This happened in Jersey City several years ago when the share of gross receipts, as I understand it, was reduced because the utility was placed in an adjoining municipality.

I am sure it is well known to the sponsors of this legislation that there

is a sizeable number of "giant industrial complexes and other substantial revenue-producing sources" housed and located in their districts that produce substantial rateables and revenue; yet, there are other municipalities that only house public utilities and whose only source of revenue is from gross receipts in lieu of taxes upon these utilities. Blairstown Township, located in a rural area, has no industry in its community to generate revenue from rateables.

Why then should the sponsors of this legislation penalize these municipalities by seeking to freeze their revenues at certain levels and thus deprive them of their rightful revenue? It is respectfully submitted that this legislation should not be favored or approved, especially when we are all aware and know the increased costs that municipalities are confronted with and encountering for increased and rising costs of services, costs of capital building programs and improvements, school building projects and programs, and other mandated services by the State and the county, for which no funding is provided.

I respectfully submit that this legislation should not be permitted because it is unfair and inequitable to single out those municipalities that receive gross receipts revenue in lieu of taxes.

I would like to make some remarks regarding the legal aspects of the bill if I may. These bills, as proposed, will fractionalize the percentages of the gross receipts taxes established by existing statutory formulas. In my opinion, the proposed bills would violate the constitutional validity of the present Gross Receipts Tax Act and would conflict with the provisions, purposes and design of the intent of the distribution and allocation of gross receipt taxes.

Senator Merlino earlier this morning in his comments in support of the bill indicated that the purpose of the bill was to redirect some revenue. But, gentlemen, I respectfully submit that you cannot redirect that revenue unless you are aware of the consequences of that redirection.

We are a growing community. As every community in the State has experienced, we have had over the past years the need for additional monies to provide the services demanded in our community. At this point in time, we are adding a \$2.5 million grammar school addition. We are already contemplating and appropriating moneys for sewers in our municipality in the Blairstown Village area. For years, we have relied upon the gross receipts tax and in 1978 we need every penny of those receipts to balance our budget.

Our only asset, as I indicated earlier, is this public utility. What will we do then with the growth pattern in our community, with the increased costs of servicing our community's residents and with the increased costs of managing our community if, in fact, we are not given an equal share and our proper share of the increase in the gross receipts tax? We have, thus, no alternative since we have no other industry but to turn to our taxpayers and raise our revenues by additional real estate taxes. I believe that this alternative to Blairstown is unfair and unjust. We have the burden of the utility, but not its full benefit.

I repeat that the gross receipts tax was to compensate for lost taxes and I submit that it is not equitable to single out these municipalities that receive gross receipts taxes in lieu of taxes to benefit, no matter how noble, one particular element of our State. I believe that the funding for this proposed legislation, which I think is appropriate in certain cases, should come

from a statewide base because it is going to be distributed statewide to a category of individuals.

I would conclude with this one statement, that over the past several years we have read in the press and heard, with the enactment of the State Income Tax Act, our real estate taxes would be reduced. Yet here, early in March of 1978, we stand before you with a situation where our townspeople would have to have their real estate taxes increased; and we have not benefitted by the State income tax that has been in effect the past several years.

Thank you, gentlemen.

SENATOR DODD: Thank you, Mr. O'Connell.

Are there any questions by the Committee? (No questions.)

Are you an official of the town, Mr. O'Connell?

MR. O'CONNELL: Town Attorney, Senator Dodd.

SENATOR DODD: Our staff commented on the excellent presentation and the background work you have done on this.

MR. O'CONNELL: Thank you. I might add for the record here in the State Senate, our Town Attorney was Mr. Archie Roth, who was Town Attorney in Blairstown for more than 30 years. He was a very highly respected attorney in Blairstown and in the Warren County area. He passed away on Sunday. Much of the background work and much of the knowledge involving this tax were as a result of the particular ability of Mr. Roth who was with it for more than 30 years. In his passing, he took a great deal of knowledge concerning the whole development of this tax structure. Thank you.

MR. JOHN B. FODERA: I am the Deputy Mayor of Blairstown. Mr. Archie Roth died about a week ago. I would like us to give him an "applaud," if we may.

SENATOR DODD: What is your request?

MR. FODERA: I would like to give Mr. Roth an "applaud," even though he died a week ago.

SENATOR DODD: I would ask this gathering that we have a moment of silence in remembrance.

(Moment of silence in memory of Mr. Archie Roth.)

I would like on behalf of Senator Laskin, Senator Feldman, Senator Hirkala and myself, to thank you people not only from Blairstown, but everyone who has come down here. We as Senators and as staff get paid for doing this. This is simply our job. But you, as citizens, take the time out, no matter what side of a cause you are on or what the cause may be. We wish we could see more of this in government. Because when you don't tell us your specific needs and wants, although we may not agree, and we don't hear from you, we go to the area of least resistance. That is the unfortunate commentary on our political system today. You are to be commended for coming down. Thank you. (Applause.)

MEMBER OF AUDIENCE: Point of order, please. I have been here all day, as many of the citizens have which you just recognized - and I do thank you. But many of us are private citizens and do not have the benefit of a lobbyist, a Senator or an Assemblyman, to notify us when there is going to be a hearing like this. So we have to wait and sign up either at the last minute or when we get notice. We do not have the benefit of being invited. Yet we sit here and listen to everyone else all day.

May I suggest that in the future, if you want to be democratic, you put

everyone's name in the hat and then pull a name out and let us go on that.

SENATOR DODD: Ma'am, to clear this up, this is an official State of New Jersey public hearing with notices in every paper in the State of New Jersey. The Legislative Hot Line has that current information. It is public record. We do have to make that additional effort. I know what you are saying. But there is no easy way to contact seven and one-half million people. I know what you are saying. It is part of the problem.

We will get in possibly one or two more speakers before the conclusion today.

Margaret Jeffers, Assessor of Jersey City, from our Hudson delegation.

M A R G A R E T J E F F E R S: My name is Margaret Jeffers. I am the Tax Assessor of Jersey City. I am here today representing Thomas F. X. Smith, the Mayor of Jersey City.

I will not take long, gentlemen. We are not protesting the program as such, which I am sure you know. What we are definitely protesting is Senate Bill 859, which uses 75 percent of the growth factor for the implementation of this program.

I think everything has pretty well been said by the statement of the League of Municipalities and by the statements of the various mayors who have been before you today.

There are just a few other thoughts I would like to bring to your attention. One is that the amounts that we receive from gross receipts are actually income from a ratable located within the city in which this plant is located. The resulting income, therefore, I believe belongs to all the taxpayers in Jersey City. It is the one item of anticipated revenue that has increased through the last few years; and, as you know, in urban areas there are other problems which cause loss in value and, therefore, loss in tax income. We are a city that receives and needs urban aid, even with this income from gross receipts and franchise taxes.

Future increases in tax rates fall on all citizens of this city, including the senior citizens.

I believe that the taxpayers of Jersey City deserve this income from this plant and the other property we have from the utilities because we have this and have lived with it while our surrounding suburban towns did not want them - and do not want them today.

We agree with the League's position and strongly urge that you do not pass 859.

SENATOR HIRKALA: Are there any questions from members of the Committee?

SENATOR LASKIN: That was a beautiful statement.

SENATOR HIRKALA: We have to commend you for your brevity.

MS. JEFFERS: It has all been said.

SENATOR HIRKALA: We will let Tommy Smith know the wonderful representation that you gave for the Mayor and the community.

MS. JEFFERS: Thank you.

SENATOR HIRKALA: Our next speaker will be Shepard Bartnoff. Mr. Bartnoff, for the record, will you please give your name and the organization you represent.

S H E P A R D B A R T N O F F: Thank you.

My name is Shepard Bartnoff. I am President of Jersey Central Power and Light Company.

I appreciate the opportunity to appear before this Senate Committee on Energy and Environment and to discuss with you the views of Jersey Central Power and Light Company with respect to the three Bills which are now pending before this Committee. Jersey Central feels it has a strong interest in these bills. It serves 43 percent of the area of New Jersey with electricity. This is an area with a population of over one and three-quarter million people. Now we have been keenly aware of, and deeply concerned, with the problems to which the various kinds of "Lifeline" legislation have addressed themselves. We know there is a problem. We have expressed our concern on many occasions in hearings before various Committees of the Legislature and before the Board of Public Utilities.

Now the State has expressed in the Lifeline law that assistance for the purchase of a minimum quantity of electricity for low-income families is a matter of State policy. This being the case, Jersey Central is prepared and eager to participate in the initiation of the State's policy in an efficient and diligent manner. When Governor Byrne signed the Bill, however, he indicated that supplementary and amendatory legislation would be necessary to create a viable program. We agree with the Governor.

This Committee now has before it a series of Bills setting forth an approach to the revision for which the Governor called. My comments today are addressed to those Bills and our views on the issues inherent in them.

The first concept to which I would like to address myself is that of the energy coupon program anticipated by Senate Bill No. 860. In the past, we have recommended and endorsed an energy stamp program. In our view, however, consideration of this program, at least as regards the gas and electric industry, now ought to be deferred. We have the concept of Lifeline as a matter of law in this State. We are working with the Department of Energy and the Board of Public Utilities to implement that concept. It would be very difficult to attempt to implement the Lifeline policy while, at the same time, trying to deal with a second new program. We are also concerned that there is not adequate information available as to the cost of an energy stamp program and that it is probably much greater than is generally thought. Additionally, it is quite clear that there is not adequate public funding available for an energy stamp program at this time. Finally, the Lifeline statute states that it expires in three years. By that time, the Legislature, with the assistance of the Board of Public Utilities and the Department of Energy, might be in a position to enact and fund a rational, consistent energy coupon program to replace the Lifeline law.

While we continue to believe that the energy coupon program is a better long-range solution to the problem of assisting low-income families with their energy costs in a period of inflation, it contains too many unknowns to make possible a swift implementation of that policy. The Lifeline Law is an existing fact which is capable of such swift implementation.

Senate Bill No. 859 would allocate some of the growth in revenues from the gross receipts tax, to the extent that they exceed the 1977 level of such revenues, to create an energy relief fund. We believe that there ought to be complete public funding of the Lifeline program in order to avoid creating a burden on other ratepayers. The method suggested by Senate Bill No. 859 might be a start in that direction. In our view, the Legislature ought to consider other

sources of public revenues to provide for complete funding of the Lifeline program. While we have recommended against the adoption of the energy coupon program for gas and electric customers at this time, it is our view that the method of financing which was suggested for that program in proposed Bill 859 - in proposed Bill 860, I guess it is - ought to be used to finance the Lifeline program.

I would like to note that the Lifeline law does not address itself to the problems of persons whose homes are heated by oil. The Legislature may well want to continue its inquiry as regards an energy coupon program for that form of home heating. We do not consider it appropriate to use the gross receipts tax, which is created by a tax on gross revenues received by a public utility from its customers, to fund a subsidy lifeline or energy coupon program for those who heat their homes with oil. Instead, we would suggest that the Legislature might consider a similar tax on the gross receipts of heating oil suppliers which would be used to fund an energy stamp program for low-income families who use that form of home heat.

One of the provisions of Senate Bill No. 861 would be to repeal Section 7 of the existing Lifeline law. This provides for a form of legislative oversight which requires that actions of the Board of Public Utilities involving Lifeline decisions lay over before a joint committee of the Legislature. In our view, this form of legislative oversight, as regards utility ratemaking, is disruptive to the regulatory process and is potentially harmful to our ability to finance construction so as to be able to serve our customers. We are not against the concept of legislative oversight. It is the responsibility of the Legislature to review the work of administrative agencies created, staffed, and funded by the Legislature. It is the legislative oversight of individual administrative actions, and particularly those that involve ratemaking, that we do not believe to be appropriate for individual legislative review.

With regard to the question of eligibility for the Lifeline law, we do not believe it is our role as a utility to attempt to choose which of our customers ought to, or ought not to be in these programs. We are concerned, however, with what we perceive as some irrationalities in the eligibility provisions in the Lifeline law. The Legislature might well want to consider the kind of eligibility standard expressed in S 860; that is, one which incorporates an already accepted standard and which automatically adjusts to changing economic conditions.

These are my remarks on behalf of myself and the company. I appreciate the opportunity to appear before this Committee and express these views.

SENATOR HIRKALA: Thank you very much, Mr. Bartnoff. I might say that I enjoyed your presentation. I think it makes a lot of sense. Of course, your statement and all the testimony here will be given consideration by the Committee.

I want to make an announcement. We will listen to one more speaker. The Chairman has announced we would adjourn at 4:00 P.M. For those of you who have not been reached this afternoon, may I express my apology. You have ten days in which you may present written testimony which will be entered into the record. Those of you who would like to appear before the Committee will have that opportunity. This hearing, after its adjournment, will be continued at a future date to be determined by our chairman, Senator Frank Dodd. Thank you very much, Mr. Bartnoff.

SENATOR LASKIN: I have a question.

SENATOR HIRKALA: Excuse me. Mr. Bartnoff, Senator Laskin would like to ask you a question.

SENATOR LASKIN: I just have one simple question. It may not have a simple answer. What impact would there be on the consumers if the utilities just by restructuring rates were to, in effect, put through the lifeline policy or concept, as enunciated in the law, without public funding of any kind - just by restructuring the rates to carry out the policy of the law that was signed last year?

MR. BARTNOFF: As a matter of fact, that law does have in it a provision that to the extent that other sources mentioned in that bill might not be sufficient, there could be a funding of the lifeline portion of the consumers, if we might call them that, through such a restructuring. It is a simple question, Senator, but, as you said, it does not bear of a simple answer because the entire process of rate-structuring is not a simple one. And what effect it would have would be markedly determined by the nature of that restructuring. If the entire burden were to be placed upon the remainder of the residential customers, it would be a rather onerous burden on them. Were it to be placed on the industrial, the commercial and residential in some manner that is proportional to the present billing, it would, of course, raise those bills by the portion to which the lifeline class is relieved of payment.

In this connection, Senator, our company through an expert witness on this subject gave what I think is some very simple - in so far as this can be simple - testimony before the Legislative Committee - I believe it was before the Assembly Committee - on this lifeline bill before it was passed in rather great detail, pointing out how different rate structure changes would affect different classes of customers.

SENATOR LASKIN: All right. Thank you.

MR. BARTNOFF: That should be available in the public record.

SENATOR HIRKALA: Thank you very much, Mr. Bartnoff.

Our last witness will be Mr. Bliss.

MAYOR VACCARO: I was next on that list and I have been waiting all day. I have a long way to go too.

SENATOR HIRKALA: Is Mr. Bliss here?

MR. BLISS: Yes, sir.

SENATOR HIRKALA: The Chairman has directed me to call the name of Mr. Bliss. Mr. Bliss came from out of state.

MAYOR VACCARO: I will only take about two minutes.

SENATOR HIRKALA: We will allow you to come before Mr. Bliss then. Mr. Bliss, will you be kind enough to wait?

MR. BLISS: Yes.

SENATOR HIRKALA: Mayor Martin Vaccaro.

M A R T I N V A C C A R O: I am Mayor Martin Vaccaro of the Borough of Allenhurst. My remarks will be very brief and, I trust, to the point.

Gentlemen, I represent a relatively small community which is completely developed and has no prospects of acquiring additional ratables in the foreseeable future.

I am strenuously opposed to S 859 and its companion bills which would

deprive us of sorely needed franchise and gross receipt tax funds levied in our behalf by the State.

Municipalities such as mine rely heavily on these funds to stabilize our tax rate. They provide the major and most significant property tax relief tool available to us.

The cost of municipal government is escalating at an alarming rate, due mostly to factors beyond the control of municipal officials. Typical examples are:

New federal- and State-mandated procedures and requirements for which no funds are provided.

More stringent environmental provisions which inflate the cost of municipal services and projects.

New and more costly construction code requirements.

New and more costly health services requirements.

Recently enacted unemployment taxes.

Soaring insurance costs.

Increasing energy costs.

Increasing costs of supplies, services and materials.

We have witnessed a trend or mania here in Trenton for the Legislature to solve its problems in funding new programs by taking the needed funds from local municipalities - taking monies which the municipalities have depended upon in the past and which they anticipate using in the future for municipal operations, funds to which they are entitled. We cannot survive unless this trend is stemmed and reversed.

We have seen in recent years the cutting-off of State Road Aid programs, the freezing of the Business Inventory tax, the freeze on apportionment of State sales tax monies to municipalities.

And now, we have before us a package of bills which would emasculate the source of revenue which municipalities have relied on as the bedrock of the revenue side of their annual budgets.

In completely developed communities such as ours, our tax base is already frozen and we must rely on resilient revenue sources, such as franchise and gross receipt taxes, to keep the burden on our taxpayers within bounds.

It would be disastrous to our municipality and those of a similar nature if the Legislature were to permit the larceny of these taxes through passage of S 859 and the companion bills. I use the word "larceny" because frankly that is what it is.

To go back into the history of the Public Law of 1940, it is my understanding that that was enacted at the request of the utilities because the various municipalities were assessing their properties in a different fashion and you had a great disparity in the tax assessment on similar types of property throughout the State. So it was decided that the best way of handling this would be for the State to levy the tax through a franchise tax, and to then disperse it to municipalities. So you would be, in essence, stealing from us funds which rightfully belong to us. Thank you for allowing me to say my few words.

SENATOR HIRKALA: It was a pleasure. Thank you for your presentation.

Mr. Bliss, would you please identify yourself for the record.

J O H N B L I S S: Gentlemen of the State Environment Committee, I am John Bliss. I am Chairman of the Energy Council of the New Jersey Business and Industry Association. I want to correct one point. I am not from out of state. I am succinctly a New Jerseyite. I don't know how that could have been ---

SENATOR HIRKALA: The Chairman of the Committee notified me that you came from out of state and that he wanted to give you the opportunity to speak prior to your exit out of New Jersey. And that's why we called you. So, under those circumstances, Mr. Bliss, I don't think I will allow you to speak. I'm only kidding. Go ahead.

MR. BLISS: I am Chairman of the Energy Council of the New Jersey Business and Industry Association. We appreciate this opportunity to present the views of the Council, the Association and its 13,000 member businesses and industries with regard to Senate Bills 859, 860 and 861, which are presently before you.

The three pending bills cannot be intelligently discussed without some reflection upon the "Lifeline Law" as it is presently constituted. That law, formerly A 1830, provides the authority for the Board of Public Utilities to establish a less than cost-of-service rate for gas and electricity, which will be made available to individuals who are below certain income thresholds and who consume less than a specific amount of energy. The cost of such a program is to be borne by the remaining rate-payers who make use of energy supplied by that utility.

The lifeline concept has become law in New Jersey, despite the fact that it has been rejected by most of the United States, despite the fact that it will not reach the needy of our population which it seeks to aid, and despite the fact that it will represent a substantial burden to New Jersey's businesses and industries at a time when the State's economy can least afford such a burden.

The New Jersey Department of Energy, recently created by you, is in the throes of authoring a statutorily mandated "Energy Master Plan." Now, by virtue of the enactment of A 1830, the DOE appears impelled to integrate the lifeline concept into the Master Plan. Additional legislation to mandate or recommend specific energy programs at this juncture will only serve to further undermine the very purpose that you envisioned in creating the concept of the Energy Master Plan. The Master Plan will become merely a patchwork of legislative and administrative viewpoints, instead of a comprehensive energy plan that considers long-range objectives.

As stated in the legislation creating the DOE, "It being the intention of the Legislature that the actions, decisions, determination and rulings of the State Government with respect to energy shall to the maximum extent practicable conform with the Energy Master Plan. . .", we respectfully urge you to delay consideration of these or similar bills until such time as the Master Plan is formulated.

Notwithstanding potential conflict with the Master Plan, the bills which you are considering today, although well-intentioned, will not serve to correct the problems and deficiencies of the original lifeline legislation. Instead, if these were to become law, even greater problems would be created for New Jersey's economy without serving to aid those individuals for whose benefit the bills have been proposed.

S 860 would establish an energy coupon program to subsidize low-income consumers of gas, electricity and home heating oil. In its present form, the

program is proposed, not as an alternative, but as an addition to the lifeline subsidies which will be forthcoming under A 1830.

To allow both of these programs to operate simultaneously will result in a double discount on gas and electricity to most, if not all, of the eligible lifeline users; that is, the lifeline user will not only be receiving a decreased utility bill based on a less than cost-of-service rate, but will also be receiving discount coupons to pay for this "cheap energy."

Although all major energy studies indicate otherwise, proponents of the original lifeline law encouraged its passage on the basis that it would effectuate the conservation of energy. Regardless of the validity or non-validity of that theory, it is very clear that the addition of a further discount on top of the lifeline rate, as in S 860, can only be contrary to the conservation ethic which lifeline sponsors sought to promote. In this era of crisis in energy supply, legislation which encourages excessive use should not be supported by government, industry, or the private citizen.

S 859 proposes to take 75 percent of the post-1977 growth of the Public Utility Gross Receipts Taxes and dedicate those monies to an "Energy Relief Fund." These monies will represent the sole source of funding for the energy coupons created by S 860. To the extent that there is any excess, S 861 would amend the lifeline law to allow partial funding of that program by this fund as well.

If such funding falls short of expectation, the burden of the lifeline program would remain upon the large consumer, primarily business and industry, a phenomenon to which we earlier objected at the hearings held on A 1830.

The costs of operating both a lifeline and a coupon program cannot be foreseen at this time. Neither the Lifeline Law nor S 860, as proposed, place any cap on the expansion of these programs beyond available funding. It is likely that the monies generated by the Energy Relief Fund will not be sufficient to fund even one of these programs.

The Utility Gross Receipts Taxes are presently distributed on a 100 percent basis in lieu of property taxes to the various municipalities where utility equipment and facilities are located. Although the distribution formula may require revision to avoid financial windfalls in a few instances, we do not support a general return of substantial portions of these revenues to the State. Industry is sorely concerned that the diversion of monies which are normally paid to the municipality in lieu of property taxes can only result in an increase in the local property tax rate with which we are already heavily burdened.

S 861 proposes to amend the lifeline law by excluding from the threshold for income eligibility certain State, federal, municipal and county pensions if the user is not receiving social security benefits. Such exclusions will substantially increase the cost of the program and are clearly discriminatory. It is our opinion that all income (even social security and S.S.I.) should be included in calculating eligibility for energy subsidies, whatever form such subsidies take. The amendment proposed in S 861 opens the door for situations in which formerly high-salaried State and federal employees, living comfortably on large pensions, would be entitled to lifeline rates which were intended to benefit only the poor. A former laborer, however, enjoying a company pension just above the income threshold would be forced to pay the high utility rate to subsidize the lifeline class of customers. We believe that benefits of energy subsidy programs, in this case lifeline, should be

extended to citizens on the basis of their total income, regardless of the source of those dollars. We urge you, therefore, to disapprove legislation which would provide otherwise.

New Jersey Business and Industry Association recognizes and is sympathetic to the need to assist the poor in meeting the exalating costs of life-sustaining energy. We are not satisfied that any legislation enacted or proposed thus far will meaningfully aid that segment of the population which you are attempting to reach. We are satisfied, however, that, if enacted, the pieces of legislation being advocated today will impose a substantial burden on New Jersey business and industry and further slow the State's economic recovery.

It is our opinion that the concept of an energy coupon program by itself merits further investigation.

It has been noted by its proponents that S 860 would allow a subsidy for home heating oil which is not available under "lifeline." Admittedly, home heating oil represents a large portion of the energy needs of many low-income families. It cannot be subsidized by a lifeline program which arrives at discounts through a restructuring of utility rates. Furthermore, the lifeline rate and the energy coupon as presently proposed will fail to reach the large number of our poor and senior citizens who reside in master-metered dwellings and pay their energy costs through their rents. A comprehensive coupon program, however, could be structured in such a way as to allow an individual to apply energy coupons toward all energy needs, even toward that portion of the rent which represents energy costs passed on to them by the landlord.

As recently as February 21st of this year, Senator Edward Kennedy advocated that the lifeline concept be ruled out on the grounds that any income supplement should be embedded in the government's budget rather than hidden in a below market-price subsidy. We agree.


It is our opinion that the lifeline law should be repealed and a comprehensive energy coupon program should be developed. Such a program should be administered by those agencies which are already equipped to service the identifiable poor and, as a social reform program, we advocate that it should not be funded from a restructuring of utility rates, nor from property or "in lieu of" taxes, but from the general revenues of the State.

We appreciate this opportunity to present our views.

SENATOR HIRKALA: Are there any questions from members of the Committee?
(No questions.)

At the direction of Chairman, Senator Frank Dodd, the hearing stands adjourned. It will be continued at the call of Senator Dodd. Those of you who have not yet been reached, please step forward and give your names and addresses to our staff assistant who will then see that you are invited at the call of the Chair. Thank you very much for your testimony and your attendance here. The hearing is adjourned.

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JOSEPH P MERLINO
PRESIDENT
SENATOR, 13TH DISTRICT
315 MARKET STREET
TRENTON, NEW JERSEY 08611
609-393-2444

STATEMENT

TO SENATE ENERGY AND ENVIRONMENT COMMITTEE

ON S.859-860-861

The lifeline bill passed by the legislature at the end of the last session was not the best solution to the grave difficulties faced by many of our citizens in meeting the rising cost of needed energy. And it is our elderly and our low-paid wage-earners who are the hardest hit.

The lifeline bill was not a comprehensive program. It was only the first piece. And while Governor Byrne has approved that first piece already, we must act quickly to legislate a complete program around it.

For that reason, Senator Feldman and I have introduced a package to complete New Jersey's rate relief program.

1. Lifeline (S.861). A lifeline rate, guaranteeing reduced charges for minimum rise of electricity, and gas, would continue as the cornerstone of New Jersey's program. But in S.861 we propose certain corrective amendments to the lifeline law which we feel must be made:

A). We restore certain income exemptions for retired persons who don't receive social security.

B). We restore absolutely essential language in lines 17 and 18--namely, the predicate "shall be entitled to receive a lifeline rate". The Assembly's deletion of this phrase effectively voided the senate's income test.

C). Section 3 of the bill eliminates the legislature's claim to approve or disapprove electric and gas rates. If there is anything that we should not get into, it's setting utility rates. Not only is it questionable government--it is insane politics.

D). We provide for partial funding of lifeline rates from the energy relief fund. As enacted, A.1830 allows some of the cost of lifeline to be offset by casino revenues--but the bulk would be paid by a restructuring of rates onto higher users.

There is something to be said for restructuring a system that gives higher users a much lower rate. President Carter ^{1X}

included it as part of his energy program. But the industrial and utility lobby succeeded in pressuring the Congress to knock it out of the federal energy bill. And alone New Jersey, with its high energy costs and fragile industrial sector, cannot press too far in this direction without risking manufacturing losses.

2. Energy Coupons (S.860)

Lifeline, even if perfectly funded, is still an imperfect solution to the problem of unaffordable energy costs.

It doesn't provide one cent for home heating oil, which is the single biggest energy expense for most households living in older housing.

It only provides a benefit for people who don't use much energy--which are usually people out of the house all day. The biggest beneficiaries will be single persons or couples that are out working all day. Many of the elderly, and most families with children, use too much gas and electricity to qualify for lifeline because there is somebody at home all the time.

That is the problem that the energy coupon program is designed to meet.

The bill sets a different and more flexible standard for determining income eligibility than did the lifeline bill. In section 2 (lines 2-8) it sets the income limit at twice the poverty level, which would be in the range of \$11,000 for a family of four at this time.

The coupons would be sold for cash at a discounted rate to be determined by the board of public utilities--say \$10 worth of coupons being sold for \$6 in cash. (That rate would in effect reduce the beneficiaries' energy costs by 40%.)

The board would determine the discount rate based on "The limits of available financial resources" from the energy relief fund (page 2, section 4, lines 15-16). Discounts would be on a sliding scale to give somewhat greater help to those with the least means (lines 10 to 12).

The bill is careful to give full authority for determining the discount schedule to the board (Section 3); it provides for

no legislative interference.

Coupons would be available through county offices on aging, welfare offices and banks (section 4A). Public utilities and fuel oil suppliers will accept them at face value (sec.5).

Energy coupons will be an enormous boon to working people--especially those with large families--to old people and to the dependent poor. They will be especially important for people in our cities. If we want a new "urban" program, this is it--and it is help directly to people.

3. Energy Relief Fund (S.859)

The Merlino-Feldman program requires no new taxes; rather, it is funded by a re-direction of revenues already being raised.

The public utilities gross receipts and franchise taxes have been providing municipalities with a steady source of income at least since 1940. Virtually all the money collected by the state is turned right over to municipalities according to a formula based on utility property.

But it is a cockamamie distribution that has long been the target of reformers. The tax currently amounts to \$48 per resident in New Jersey--but is distributed at a rate of \$22 per person in East Orange, \$27 in Trenton, \$22 in Passaic--yet \$667 in Upper Township and staggering \$5,214 for every resident in Lower Alloways Creek, which has become the new Kuwait.

Furthermore, these municipalities have experienced a revenue windfall from hard-pressed consumers since energy rates started to skyrocket four years ago. They have gotten increases of 18% a year in just the last two years, when rate increases were actually beginning to moderate.

Senator Feldman and I don't want to take away from municipalities any of the money they're already getting. Realistically, we can't. But we want to use much of the future growth from this state tax to finance the energy rate-relief program we outlined above.

We propose to deposit 75% of utility revenue increases in the energy relief fund, starting with increases received this year over what municipalities are anticipating.

In sections 2 and 3 of the bill we guarantee that no

municipality loses any revenue.

Except for one--Lower Alloways Creek* We set a maximum payment to any municipality of \$1200 per capita.

By leaving municipalities 25% of the annual increase, we ensure that they will continue to receive some growth from this revenue source. Municipalities in every case but one will have increases, totaling \$47-million in additional revenue in three years--almost as much as the income tax's revenue sharing program.

Senator Feldman and I hope that the committee will not just "analyze" this proposal based on municipalities' resolutions. Call upon O.F.A. to explain its impact. Gil Deardorff has worked in this area for a long time and will be a great technical resource.

And do not lose sight of what the energy relief fund will be for--to give help directly to people.

Between old people in our cities and the sheiks of Lower Alloways Creek, the utilities tax money that we will pay to help the old and the needy meet their essential bills.

SUBMITTED BY HERMAN W. HANSSLER
State League of Municipalities
TOTAL STATE COLLECTED
FRANCHISE AND GROSS RECEIPTS TAXES
1973 - 1977

TABLE A

<u>Year</u>	<u>Total Gross Receipts tax</u>	<u>Growth over Previous Year</u>	<u>Total Franchise Tax</u>	<u>Growth over Previous Year</u>
1973	\$ 114,171,221.	+ \$11,292,471.	\$ 79,655,717.	+ \$ 7,691,054.
1974	126,919,407.	+ 12,748,186.	88,496,758.	+ 8,841,041.
1975	156,027,494.	+ 29,108,087.	104,626,679.	+ 16,129,921.
1976	185,801,900.	+ 29,774,406.	122,361,676.	+ 17,734,997.
1977	212,972,286.	+ 27,170,386.	140,434,670.	+ 18,072,994.

TOTAL GROWTH: \$178,563,543. (Both taxes)

* * * * *

TABLE B

ESTIMATED EFFECT OF S-859 WHEREBY 75% OF
UTILITY TAX GROWTH IS DEDICATED TO THE ENERGY RELIEF FUND

	<u>ANNUAL GROWTH</u>	<u>75% OF GROWTH</u>
1973 Growth Over 1972 =	\$ 18,983,525.	\$ 14,237,643.
1974 Growth Over 1973 =	21,589,227.	16,191,920.
1975 Growth Over 1974 =	45,238,008.	33,928,506.
1976 Growth Over 1975 =	47,509,403.	35,632,052.
1977 Growth Over 1976 =	45,243,380.	33,932,535.
		<u>\$133,922,656.</u>

If the Bill had been in effect since 1973, 75% of the total annual growth for 5 years = \$133,922,656.

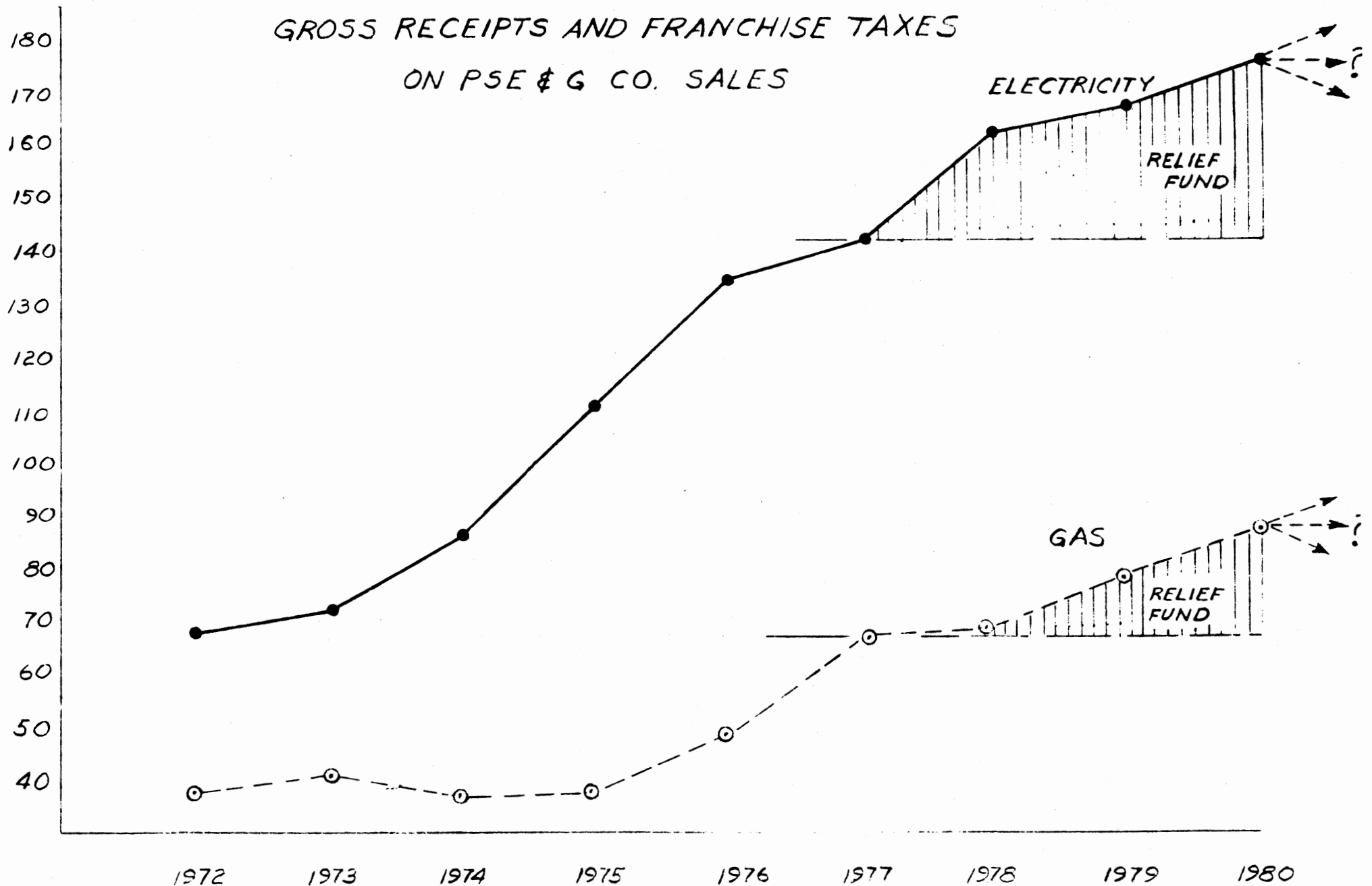
An average of \$26,784,531 per year would have been lost to local governments for financing local programs.

* * * * *

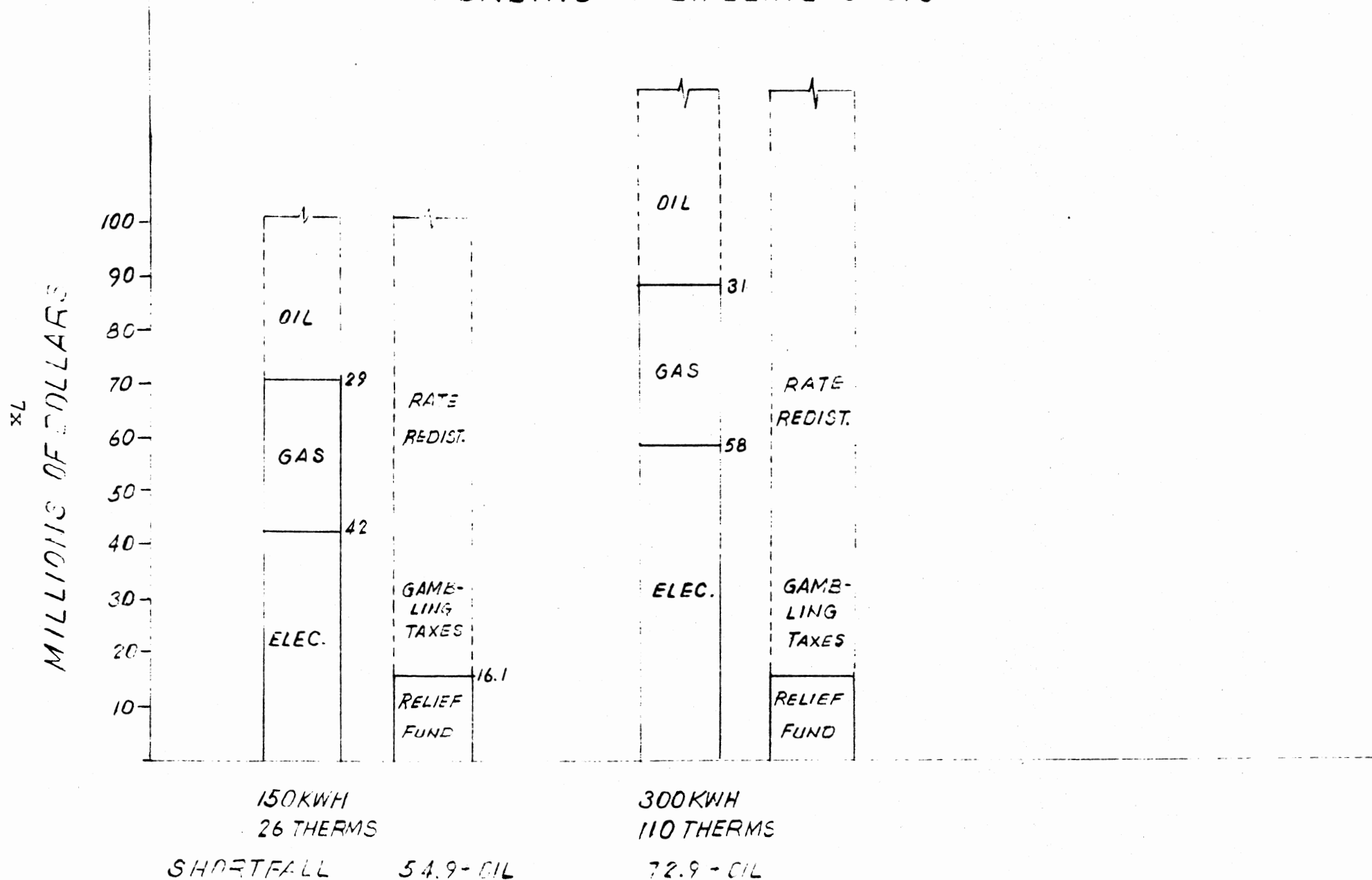
Taken from the Annual Report of the Division of Taxation in the Department of the Treasury for the fiscal years 1973, 1974, 1975, 1976, 1977.

New Jersey State League of Municipalities, March 9, 1978.

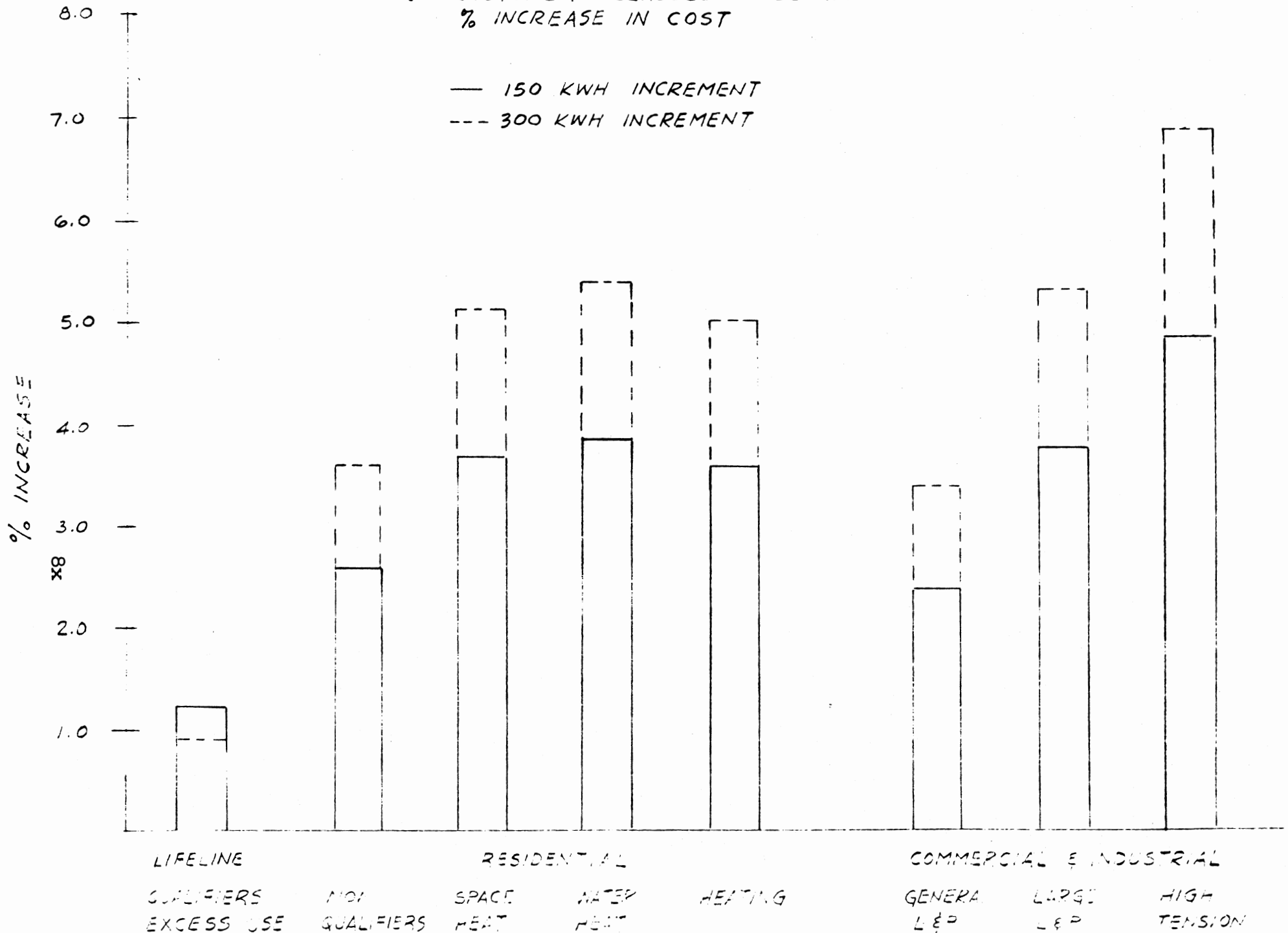
GROSS RECEIPTS AND FRANCHISE TAXES ON PSE & G CO. SALES



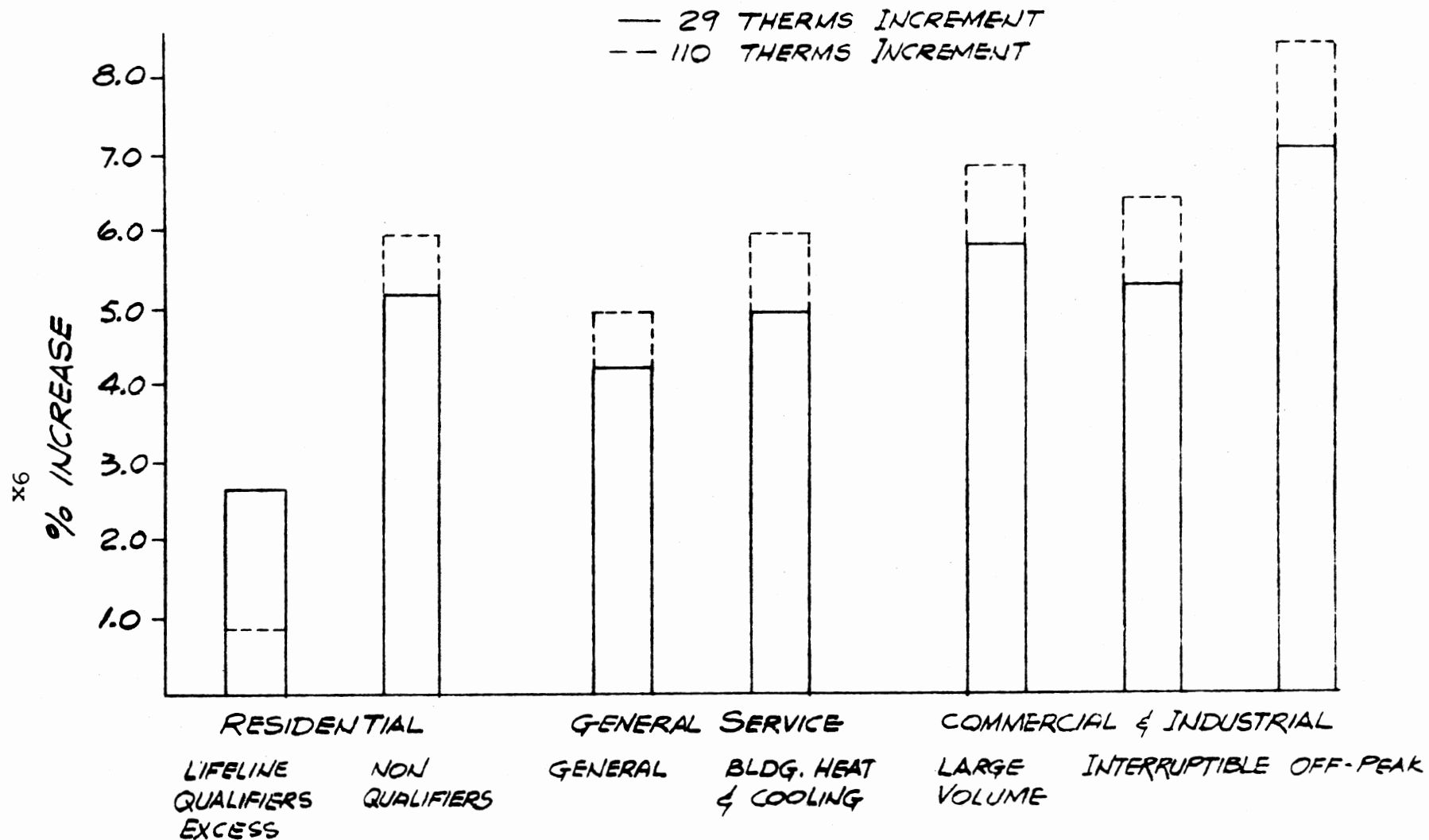
FUNDING OF LIFELINE COSTS



LIFELINE IMPACT
ON CUSTOMER CLASSES - ELECTRIC
% INCREASE IN COST

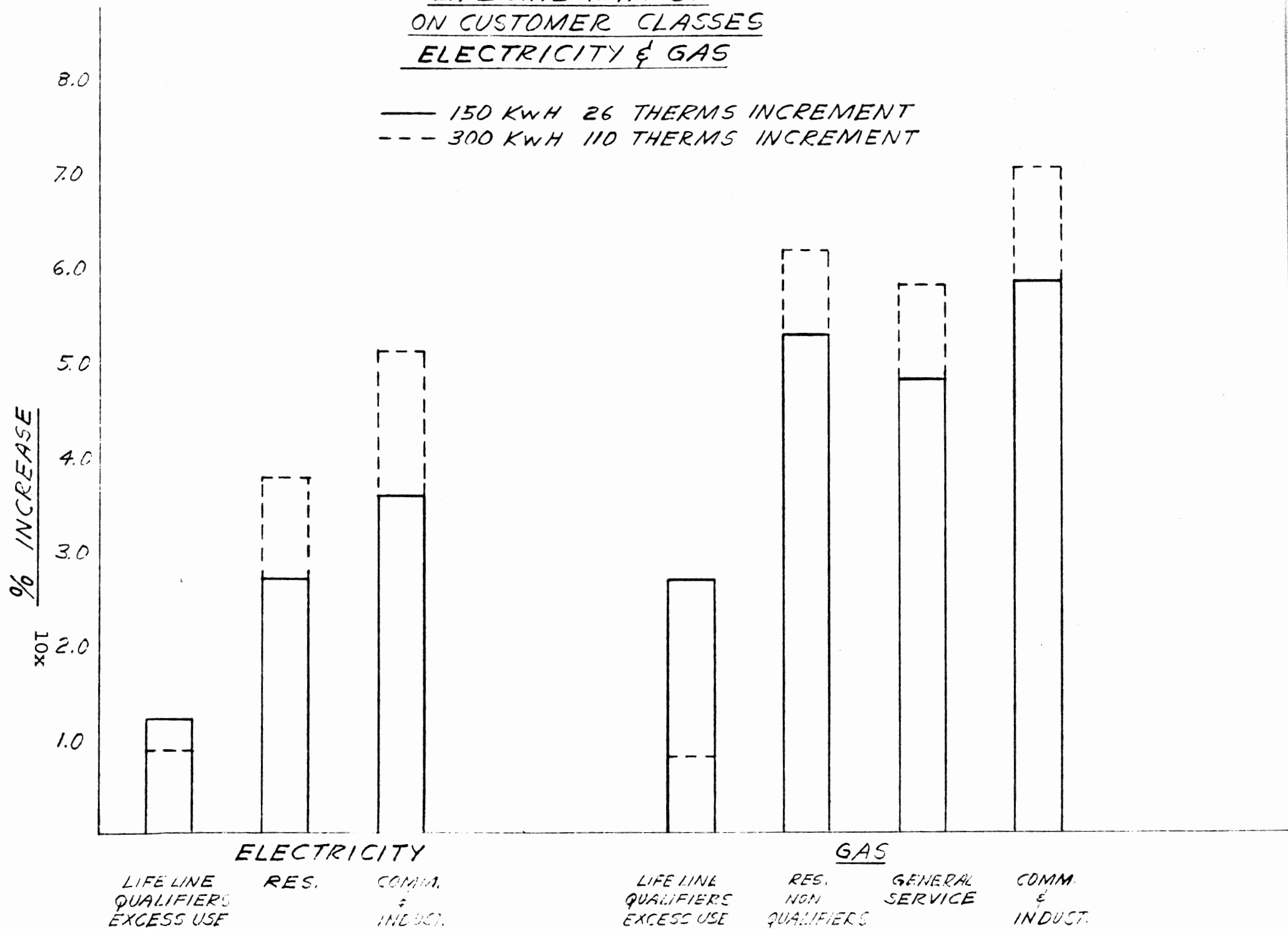


LIFELINE IMPACT
ON CUSTOMER CLASSES-GAS
% INCREASE IN COST



NEW JERSEY STATE
CHAMBER OF COMMERCE
CHART 4
3-27-78

LIFE LINE IMPACT
ON CUSTOMER CLASSES
ELECTRICITY & GAS



Lifeline Electric Rates in California -
One Utility's Experience

Presented by
William M. Gallavan
Vice-President, Rates and Valuation
Pacific Gas and Electric Company

to
The Ninth Annual Conference of the
Institute of Public Utilities
Graduate School of Business Administration
Michigan State University
December 14, 1977

I. Introduction

In recent years the concept of lifeline rates has been considered in legislative and regulatory forums at both the state and federal levels. During this process lifeline has gained a number of enthusiastic advocates while at the same time creating substantial opposition. Basic to the debate seems to be one's perception of the proper way in which to design utility rates. Succinctly stated the adoption of lifeline rates requires regulatory commissions to allow political assessments relative to the desirability of existing income distribution to cause them to deviate from cost based rates. While such a decision is likely to be politically popular, the experience in California indicates it has not been without problems.

As a result of the fact that California has the most comprehensive lifeline rates and has had them in effect longer than any other jurisdiction, I wish to share with you some of our experiences and insights.

II. History of Lifeline in California

The decade of the 1970's represented a major reversal in the decreasing costs electric utilities and their customers had enjoyed for several decades. Rampant inflation, high interest rates, and the rising cost of fuel for generation combined to drastically increase the cost of producing electricity. While customers were also concerned over higher prices at the gas pump, it seemed that electric utilities, due to the fact they are both highly visible and regulated bore much of the brunt of consumers' wrath over the rapidly increased cost of energy.

The resulting increase in prices to residential customers led to consumer groups denouncing utilities and attempting to achieve legislative, regulatory, and judicial relief. The issue of lower rates for residential customers, most of whom vote, was viewed as ideal by politicians, and many jumped on the lifeline "bandwagon."

In California, during 1974, several of the more active community organizers saw the issue of electric rates as a rallying point for their efforts. These individuals coalesced into an organization known as the Citizens Action League (CAL) and, utilizing the so-called "lifeline" telephone rates which were in existence in California as their precedent, issued a demand for lifeline electric and gas rates for all residential customers. They formed a group called Electricity and Gas

for People (PGandE backwards) to pursue their cause. This group proposed a lifeline of 500 Kwhr of electricity and 100 therms of natural gas at one half of the existing rate to be exempt from any further increases, presumably forever.

The group first attempted to pressure utilities into adopting lifeline rates through demonstrations, letters, and several meetings with Company personnel, including myself. We informed them that this was a decision that would have to be made by the California Public Utilities Commission and/or the legislature, as we were prohibited from arbitrarily redesigning rates without Commission approval and that the subsidy they envisioned must be subjected to hearings as it would re-establish class revenue requirements to support lifeline. The CPUC also indicated that under the Public Utilities Code they could not restructure rates to the extent desired without a formal hearing and thus their hands were tied in the short run. Organizers of the lifeline campaign responded by choosing to ignore these limitations on immediate utility and CPUC lifeline action and concentrated on creating ill will against both. This was apparently done to gather the support necessary to facilitate their efforts in the legislature. After several months of confrontation with utilities and the CPUC they turned their attention to finding a state legislator willing to support a bill requiring the California Public Utilities Commission to set lifeline rates. In December of 1974 such a bill (AB-167) was introduced in the California legislature and was identical to the EGandP proposal. During the course of hearings on this bill demonstrations were held at the state capital and busloads of low income and senior citizens came to testify during committee hearings.

During these hearings PGandE and the other utilities in the State made clear their concern for the plight of low income and fixed income persons who were having difficulty paying their electric bills but indicated substantial concerns over using lifeline as a mechanism to remedy a problem of income distribution. Utilities provided evidence showing that the real price of electricity was substantially lower than in the mid-1960's and that social security and other forms of income supplement had increased much faster than the price of electricity. And we made other arguments against lifeline including reiteration of the fact we cannot arbitrarily redesign rates but must have public hearings and CPUC approval; the fact that lifeline is inconsistent with conservation; the need to retain cost based rates and to avoid having one customer purposely subsidize another; the fact that we do not ask grocers to price food on a lifeline basis, but

instead provide food stamps and hence suggest consideration of energy stamps; etc. It is interesting to note we had CPUC support on all of these arguments. However, one legislator indicated "this was the utilities' problem, not government's," and he was not about to let us off the hook.

Unfortunately, at about the same time, critical comments by economists who oppose conventional rate structures were taken out of context by some members of the legislature who argued that utility rate structures, especially declining block rates, were inappropriate but that lifeline, which would invert the rates, was an economically efficient rate design. The general debate over marginal cost/incremental cost and large vs. small users was confused and misstated by proponents of lifeline for their benefit. Still another legislator decided that inverted rates would encourage conservation and therefore the legislation was retitled "Energy Conservation and Lifeline Act." In so doing, the legislation became virtually impossible for legislators to oppose without appearing to be unsympathetic to conservation and residential customers. This became apparent as the bill quickly picked up a total of 32 co-sponsors.

Despite our attempts to argue that utility rate structures were not a proper mechanism through which to redistribute income and our suggestion that "energy stamps" be utilized, it was apparent the legislature was not to be deterred from making the utility a quasi-welfare agency. Given this fact we turned our attention to attempting to point out improvements that might be made in the legislation that would achieve equity and facilitate its smooth implementation. We pointed out the need to consider climatic variation, seasonal variation, and the fact that the 500 Kwhr and 100 therm allowances were too large.

As a result of our concerns, the legislation was amended to provide for determination of the lifeline allowance and other factors by the CPUC prior to its formal implementation. It is interesting to note that by pointing out these problems the result was a more equitable approach but it did make our job of implementation more difficult.

We also argued that the purpose of lifeline should not be to benefit all customers but rather should help those in need. Thus, we recommended means and age tests but this was dismissed as inappropriate by the legislature. A major reason they were not included was that the State Department of Benefit Payments indicated it did not desire to take on the additional burden of identifying and certifying recipients of lifeline.

4

The legislation as passed and signed into law by Governor Brown in October 1975 found that, "heat and light are basic human rights and as such should be made available to all the people at low cost for basic minimum quantities." Basic human rights were defined to include "energy for space heating, lighting, cooking, food refrigeration, and water heating." Rates for lifeline quantities were frozen at their January 1, 1976 levels at least until the system average rate had increased by 25%. The legislation is silent on the issue of what happens to rates after this condition is met.

Prior to enactment the CPUC, in several PGandE rate decisions, had adopted a policy of not increasing rates to small users. In Decision No. 84721 issued in July 1975, which was in response to an application by PGandE to increase rates due to the higher cost of purchased gas, the Commission first indicated its intent to establish a block of usage which would be exempt from further increases. Subsequently, in September of 1975, prior to the governor's signing of the lifeline legislation, the Commission issued Decision No. 84902 which specifically exempted the first 300 Kwhr and 75 therms used each month from any increase. This same decision made it clear the Commission would require non-residential customers to subsidize lifeline customers. As of this decision, PGandE became the first utility in the nation to have a formally designated lifeline rate.

The CPUC's first step after passage was to issue an Order Instituting Investigation, which became Case 9988. The purpose of this case was to determine such things as the size of the lifeline allowances, how to incorporate climatic considerations and seasonal differences, and how to identify customer end use for those appliances such as space heating, water heating, and cooking, for which there are competing fuels.

Each electric utility was required to propose lifeline allowances for the five basic end uses cited in the legislation. As might be expected, the proposals varied widely. Companies were also required to submit proposals for incorporating the effects of geography, climate and seasons as well as differentials in energy needs for customers whose needs are provided by electricity versus gas.

The Commission conducted lengthy hearings culminating in a First Interim Opinion in July 1976. In this decision the Commission established a lifeline electric allowance of 240 Kwh per month for base usage - lighting, cooking, and food refrigeration; provided for an additional allowance of 250 Kwh/month for water heating; and a range of from

550 Kwh to 1,420 Kwh per month for space heating, depending on which of the four climatic bands the customer was located. The space heating allowance is available only during the six "winter" months, November through April, while the water heating allowance is available throughout the year.

III. Administration and Implementation of Lifeline Anticipated Difficulties

Our first problem was to agree on the size of the lifeline allowances. The CPUC had already established 300 Kwh/month as a lifeline allowance in its Decision No. 84902, but we felt that in keeping with the intent of the legislation which specified "minimum energy needs of the average residential user" an analysis of the average, median, and lower quartile usage of residential customers would be a proper basis for determining what the allowance should be. We were also concerned that some consideration be given to potential revenue impacts on non-lifeline customers and this provided additional reason to carefully consider the size of the lifeline allowance.

It was decided that the simplest approach would be to utilize a base allowance to cover lighting, food refrigeration and cooking. The first two have, for practical purposes, a 100% saturation, while the last was judged not to be a significant enough use to justify the costs of collecting end use data to grant separate electric and gas allowances. Water heating and space heating were handled differently with the granting of additional allowances for each. Of the two, the water heating allowance was simple to administer as it required no consideration of climatic/geographic or seasonal differences. Thus, it was set at 250 Kwh/month. On the other hand, the space heating allowance was quite complex to administer due to the requirement in the legislation that we consider climatic/geographic differences.

Given the need to differentiate customers for purposes of determining their lifeline allowances, according to appliance type, geography/climate, and seasonal differences, the first and most difficult problem we faced was developing a way to define such differences and obtain accurate data regarding them. After some thought PGandE concluded that the most effective approach to the geographic/climatic question, which we assumed impacted only on space heating use, would be to divide the system into bands of heating degree days (HDD). PGandE originally recommended three "climatic bands" based on HDD. Band X included areas with from 2,000 to 3,500 HDD containing approximately 96% of our cus-

tomers; while Band Y ranged from 3,501 to 5,500 HDD; and Band Z included areas with more than 5,500 HDD.

The CPUC adopted a similar approach but recognized lower HDD in southern California and reformulated the range of the climatic bands adding a Band W from 0 to 2,500 HDD; and changing Bands X, Y, and Z to include 2,501 to 4,500, 4,501 to 7,000, and over 7,000 HDD, respectively. As a result, most of southern California areas at low elevations are included in Band W; areas of higher elevation in southern California and most of the populated areas of northern California are in Band X; areas of relatively high elevation or in the extreme north of the state are in Band Y, and areas in the highest populated elevations are in Band Z.

Subsequent to determining the climatic variation, we attempted to estimate the variation in requirements for electricity for space heating that would be likely to result from climatic differences. We considered a number of approaches but to keep things simple suggested adopting a linear relationship between usage and HDD, weighted by the number of customers with a given HDD within each climatic band. Thus, our space heating recommendation ranged from 800 Kwhr/month to 1,800 Kwhr/month (effective November through April.) Again, this is in contrast to all the other allowances, basic and water heating which were to be effective throughout the year.

Once we had a set of allowances there still remained the problem of determining for nearly 3.5 million customers whether their competitive appliances utilized gas or electricity. We were interested in avoiding the need to survey all our customers as to end use so we made two simplifying decisions. First, as alluded to previously, we determined there was little energy involved in cooking use so as to make it inefficient to survey customers as to their cooking energy. Instead we incorporated cooking use in both the gas and electric lifeline basic allowances.

Second, helped along by our low saturation of electric water and space heating, we decided to qualify customers for these allowances on an exclusionary basis. In other words, we simply decided to assume all customers on the system had gas space and water heating unless they notified us to the contrary. We facilitated their notification by including a bill insert which was to be filled out by customers and returned to us. The beauty of this approach was that it was in the customer's financial self interest to answer honestly. This approach was not without problems since on the first mailing the response rate was

substantially less than expected, especially in rural areas with high saturations of electric water and space heating. We attempted to obtain additional responses by sending subsequent notices and issuing news releases targeted to customers in these areas. After several months the numbers of customers claiming electric water and space heating allowances were consistent with census data and our own estimates. Thus, this approach avoided the need for us to process 3.5 million forms and in fact reduced that number by a factor of more than 10. The survey was a one time effort for all customers. We update our end use information by asking new customers, at the time they request service, questions necessary to establish their lifeline allowance. In addition, we periodically print customers' lifeline allowances on their bills and provide descriptions of lifeline and the associated allowances in our monthly bills. In the future the Commission has asked that we print, on the bill, the dollar savings resulting from lifeline rates, and we are currently developing this.

The result of all these considerations has been a large number of variations to electric rate schedules. We currently have 84 schedules. While this may seem to be a major problem, once the schedules are designed and programming completed it has not proved to be that difficult due to the degree of computerization.

Another area in which we made a simplifying assumption relates to the issue of second homes. Early in our consideration of implementing lifeline we decided to ignore second homes on the basis there were few in our service area, and it would be expensive and difficult to determine which customer premises could be so defined. It seemed to us that customers could simply put the service under each spouse's name and we would have no way other than by inspection of determining a given service was to a second home. However, the Commission recommended in its Lifeline Report to the Legislature that utilities exclude second homes. This may turn out to be extremely costly, time consuming and present a potential for litigation or the need to prorate lifeline allowances between residences, as the Act does not specifically limit lifeline to principal places of residence.

Unanticipated Difficulties

While the problems described above were expected as a result of the legislation, other problems arose during implementation which we had not foreseen. These included the following:

1. I previously mentioned the incentive to respond honestly when claiming electric water and space heating allowances. The incentive operates except in those situations where separate companies provide a customer with his gas and electricity. In this case he may claim the electric water and space heating lifeline allowances even though he uses gas for these purposes. We have discussed the possibility of electric companies providing lists of customers claiming lifeline water and space heating allowances to gas utilities so they may insure that the same customers do not receive the gas space and water heating lifeline allowance. However, given the large numbers of customers involved, it is not likely this verification can be accomplished until such time as uniform customer account numbers are adopted by both companies.

2. A similar problem arose in non-gas service areas where customers may not heat with electricity but instead use L. P. gas or wood, yet claim the electric lifeline water and space heating allowances.

3. While we attempted to reflect climatic/geographic and seasonal differences, rural residents have complained each winter about the adverse impact of lifeline and their aversion to subsidizing urban residents. Their complaints are likely to be even greater this year as a result of higher fuel costs due to the drought. Other customers in coastal communities have complained of a need to expand their heating seasons to include even summer months.

4. The five end uses delineated in the legislation have been viewed by central valley and rural residents as being incomplete because they do not include air conditioning and domestic water pumping. Recommendations have also been made that the end uses be expanded to include medical/therapeutic needs.

5. Resale customers had a major problem under lifeline in that they could no longer purchase electricity on the formerly applicable resale rate schedule and sell to their residential customers at a price similar to that paid by PGandE's residential customers. Such customers included municipal utilities and private entities such as trailer parks.

6. While the CPUC issued a decision with varying lifeline allowances for individually metered residences, master metered residences, and single rooms, identification and implementation was extremely difficult. This was particularly true for rooming houses and senior citizens' residences.

to continue the case regarding lifeline implementation so as to review and report on the progress to the Legislature, as required by the legislation, and make those changes deemed necessary to achieve more efficient implementation. Despite the fact that the legislation specifically exempted wholesale transactions, the Commission moved immediately to solve the problem of resale customers due to the significant financial impacts. Resale municipal customers were allocated increases in a way which credited them for their percentage of sales to residential customers for lifeline levels of usage. The result is that these customers enjoyed virtually the same lifeline benefit as a customer on the PGandE system, and PGandE commercial and industrial customers are subsidizing municipal residential customers. For other customers in the same situation, such as trailer parks, a rate schedule with a block multiplier representing the number of submetered units is utilized. This has to our knowledge effectively resolved these problems.

Unresolved Difficulties

The Commission convened a second phase of the case and conducted hearings in early 1977 for the specific purpose of considering remaining issues. These issues included variations or modifications to degree day zones, changes in the uniform six month heating season, review of the existing lifeline allowances, designation of lifeline allowances for single residential rooms, and inclusion of new end uses. The utilities who were respondents to the case as well as the CPUC staff opposed the further extension of lifeline allowances to additional end uses, increases in lifeline for electric space heating, and changes in the designated heating season. In addition, concern was expressed over the difficulty of eliminating second homes from lifeline allowances, the size of the allowances for individually metered multi-family dwellings, and the difficulty in granting allowances to single rooms given the fact that many are in commercial establishments such as residence hotels or homes for the elderly.

To date, a decision has not been rendered, and therefore, these issues are unresolved.

IV. Results: The Financial Impact of Lifeline Rates

PGandE makes periodic calculations of the value of the lifeline subsidy to residential customers as well as assessments of customer response to lifeline.

As of December 1, 1977 the subsidy to residential electric

As of December 1, 1977 the subsidy to residential electric customers created by lifeline was worth approximately \$181 million. In addition to this, there is a subsidy of approximately \$90 million due to the class being served below cost of service, as calculated on a monthly peak responsibility basis. Thus, the total subsidy is \$271 million. Of the lifeline quantity about \$30-35 million are retained within the residential class and assessed against customers who exceed their lifeline allowance. As a result of retaining a portion of the cost responsibility for the subsidy within the class there is a crossover point beyond which a customer pays a higher total bill under lifeline than without lifeline. This point obviously varies as a function of the lifeline allowance but for most customers who receive only the basic allowance of 240 Kwh/month it occurs at about 1200 Kwh/month.

The legislation creating lifeline stipulates that the lifeline rate shall be frozen until the average system rate (presumably including lifeline) in cents/Kwh increases 25% or more over the January 1, 1976 level. In the case of PGandE we have surpassed this requirement. As of December 1, 1977 the average system electric rate had increased by 72% over the January 1, 1976 level.

Analysis of customer bill frequency distribution data indicates that the number of bills rendered ending at the 240 Kwh block appears unchanged since January 1, 1976. An average 73% of our residential customers exceed their lifeline allowance each month. At the same time, average residential usage has been almost constant during the same period so we have little conclusive evidence as to the link between lifeline and conservation. In our view this is not surprising since we believe that customers respond more to their total bill than any marginal price for the block in excess of lifeline, and as a result little, if any, response of customers trying to stay within their lifeline allowance will result. We have, however, recently begun to stress in our conservation advertising the fact that the lifeline benefit is maximized if customers stay within their allowance, and we hope this will encourage the association between lifeline and conservation.

PGandE has also conducted several analyses of electric usage patterns by income level and age. They were undertaken to determine whether the intended beneficiaries of lifeline rates, i.e., the poor and/or aged would in fact be helped. Both studies, the first conducted in 1973 and the latter this year, concluded that significant numbers of low income consumers are using large amounts of electricity. As a

result, these customers, many of whom live in rural areas, do not receive as great a lifeline benefit as do high income, lower use consumers residing in condominiums or apartments in urban areas. Results of our studies also indicate that larger family size, poor housing quality, lower appliance efficiency and a more home oriented lifestyle can increase consumption of electricity. To the extent a low income consumer exhibits any of these characteristics, lifeline may be of minimal benefit and in cases of extremely large use may actually penalize him. Specifically, PGandE's 1977 study shows that 50% of customers with incomes less than \$7,500/year consume electricity in excess of their lifeline allowance.

A major problem indicated by the revenue shift results reported above, relates to the need to consider a future policy regarding allocating increases to lifeline. Specifically, we are concerned over problems that may arise as the dollar value of the lifeline subsidy increases. The problem is most severe for natural gas where there are fewer non-lifeline sales to support the subsidy. The Commission recognized this in the dissent to the Lifeline decision by Commissioners Symons and Sturgeon in which they stated: "We can expect the problems created by 'lifeline' to become more acute in the years ahead, particularly in natural gas. We face sharply rising prices for the gas our distribution companies purchase, and, at the same time a fall-off in supply that will force large cutbacks in natural gas to non-residential users. As further cutbacks proceed, the number of industrial, commercial and agricultural concerns supporting the 'lifeline' subsidy will dwindle: for those remaining, the burden of 'lifeline' will compound."

While natural gas may be the major source of further short-run problems, electricity has a similar potential. During 1976 approximately 50% of PGandE's residential electric sales and 17% of its total electric sales were made under lifeline. These figures vary between companies but for the larger companies in the state they are generally in the range of 50-55% of residential sales and 20% of total sales. As the dollar value of the lifeline subsidy continues to grow, concerns over the financial burden on other customers as well as the distortion of conservation/consumption decisions will become more significant. Thus it is necessary to consider alternative subsidy policies, including their limitation, and the long-run impacts on customers and the service area economy. To its credit the California Commission has foreseen the potential for problems and appears prepared to order increases to lifeline customers as well as recognize the particular problems of natural gas, especially as related

to fuel switching by large non-lifeline customers.

PGandE has also responded to this problem in our most recently filed general rate case application by proposing to spread electric rate increases on a uniform cents per Kwh basis to all customers, including lifeline. Again, we must await the Commission's final decision to determine the policy directions for the future, but in the interim we are continuing to study and assess the effects of lifeline. We are currently preparing a detailed analysis of the relative costs and benefits to the system and our customers resulting from alternative methods of spreading future increases in the cost of natural gas.

If we fail to resolve these problems and provide a firm policy of limiting the lifeline subsidy, on which business can depend for its investment decisions, we are greatly concerned that lifeline may occasion further negative responses in business locational and expansion decisions thereby adversely affecting the state's economy.

V. The Current Situation

As usually happens when government mandates a subsidy program, it tends to grow through expanding the definition of those who should be covered thereby bringing more recipients into the fold. Lifeline rates are no exception. This year saw the introduction of two separate pieces of legislation at the state level; the first would extend lifeline to cover air conditioning use, and the second would extend lifeline benefits to homes for the aged. While we certainly are sympathetic to the needs of the elderly, particularly those on fixed incomes, as well as customers in the hot central valley, there exist problems with extension of lifeline allowances. For the reasons previously cited, we anticipate the need to limit, not increase the dollar value of the subsidy to residential customers. Extension of a lifeline allowance to cover air conditioning demand would create significant problems. Air conditioning is the major cause of our system peak and as such encouraging its use hardly enhances system efficiency. An air conditioning lifeline is also inconsistent with the time-of-use or seasonal rate forms which the Commission has ordered us to test and, presumably, ultimately implement for residential customers where cost justified. Additionally, air conditioning use occasions the need to bring on our least efficient oil burning plants and such a lifeline would be inconsistent with conservation of our scarce oil resources.

We are also concerned that extending lifeline to what are in our view not "basic" end uses to the extent that lighting, heating,

cooking and food refrigeration are, is improper and opens the door for numerous future additions, special cases, etc., all of which will be difficult to administer and to finance. The administration of an air conditioning lifeline would constitute a major problem in terms of certifying customers, particularly if different allowances are granted for window and central units and in accounting for temperature variations. As mentioned earlier, we attempted to minimize the need to survey and verify end use appliances and developed an approach on that basis. However, the character of an air conditioning lifeline is such that we must survey customers to establish qualification. Certainly, astute customers will claim the allowance for central air despite whether they in fact have it. Given our more than one million customers in air conditioning regions of the state, it would be extremely expensive and difficult to verify customers' claims for what could be a substantial amount of low cost energy.

In addition to these extensions of lifeline, it appears the issue of lifeline rates for medical/therapeutic uses and domestic water pumping are still very much alive.

On the national level there has been some significant lifeline activity in Congress. The House has passed legislation which provides substantial impetus to states considering the adoption of lifeline rates, and the Senate passed Senator Hart's amendment which granted a lifeline to residential customers over age 62. However, in conference the House and Senate decided to drop the requirement for a nationally mandated lifeline rate. Despite rejection by the Conference Committee it is entirely possible lifeline legislation will be reintroduced into Congress during 1978.

VI. Observations Given Our Experiences

We are often asked whether lifeline has been a success in California. This is a difficult question to answer unless we first know what it was supposed to accomplish. If we assume it was supposed to benefit low income consumers, the results are inconclusive in total, but we do know it penalizes some low income customers and helps others. If we assume its purpose was to encourage conservation we are doubtful of its success. However, if we assume its purpose was political and designed to take heat off legislators, regulators and utilities, there has been some success. One of the results of lifeline has been that it has reduced PGandE's popularity as a target of those who wish to register

constant "whipping boy" for the press and the politicians we were in the 1974-75 period. And there is also substantially less interest in legislating rate reforms in California. Whether this is due to the advent of lifeline or simply customer acceptance of the fact that energy costs are increasing we are unable to tell. It is likely that each of these factors has had some impact.

Obviously there are different views as to the success of lifeline. These views usually line up as one might expect with recipients favoring lifeline and those classes who must provide most of the subsidy opposing it. However, there is one important exception--the Fresno County Economic Opportunity Commission, which after a study of its low income clients concluded that "The State Lifeline Act is failing to protect elderly and impoverished families from rising utility rates because minimum usage allowances for natural gas and electricity are inadequate." Their studies had, consistent with ours, determined that low income consumers frequently consume large quantities of electricity. Thus, there is not unanimous support for the current lifeline even among agencies which assist low income consumers. It is important to recognize that income is not the sole factor determining usage and to the extent that low income consumers exhibit any of the other characteristics causing increased consumption, they may be penalized under lifeline.

In summary, lifeline is the law in California, and we are doing all we can to facilitate its efficient implementation. In the process, we have encountered and resolved or hope to soon resolve a significant number of both anticipated and unanticipated problems, the most crucial of which relate to financing. Because of these problems and the potential for compounding them, we oppose further extensions of lifeline at this time. Whether extensions might be desirable in the future cannot be determined at present, but we are working closely with the CPUC to make such a determination. And finally, there appear to have been some advantages to PGandE in terms of less political opposition resulting from lifeline and despite our principled view that rates should be based on costs, this deserves favorable consideration.

TOWNSHIP OF HAMILTON
COUNTY OF MERCER, NEW JERSEY

RESOLUTION No. 78-132

Approved as to Form and Legality

Factual Contents Certified to by

Township Attorney

Title

RESOLUTION EXPRESSING OPPOSITION TO SENATE BILL 859 PROPOSING AMENDMENTS
TO THE FRANCHISE AND GROSS RECEIPTS TAX LAW

WHEREAS, Senate Bill 859 proposes to amend the franchise and gross receipts tax law by providing that a sum equal to 75% of the excess above the amount received in 1977 and any funds which are in excess of \$1200 per capita in any municipality will be diverted to the Energy Relief Funds; and

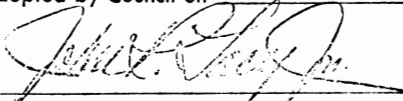
WHEREAS, any alteration to the monies derived by the Township of Hamilton from Public Utilities Gross Receipts taxes would have a tremendous effect over this municipality's finances; therefore

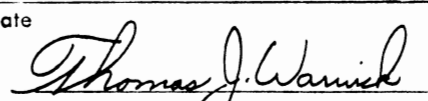
BE IT RESOLVED by the Council of the Township of Hamilton, in the County of Mercer, State of New Jersey that opposition to Senate Bill 859 which proposes amendments to the franchise and gross receipts law be and hereby is zealously expressed.

Adopted by Council on

March 21, 1978

Date


PRESIDENT


MUNICIPAL CLERK

RECORD OF VOTE

COUNCILMAN	AYE	NAY	N. V.	A. B.	RES.	SEC.
Gmitter	✓					
Metzger	✓				✓	
DiDonato	✓					
Tamutus	✓					✓
Lacy	✓					

X - Indicates Vote A. B. - Absent N. V. - Not Voting RES. - Moved SEC. - Seconded

C-3

STATEMENT BY PUBLIC SERVICE ELECTRIC AND GAS COMPANY
ON SENATE BILLS S-859, S-860, AND S-861
BEFORE THE SENATE ENERGY AND ENVIRONMENT COMMITTEE
MARCH 23, 1978

My name is George Clarkson and I am General Manager - Rates and Load Management speaking for Public Service Electric and Gas Company. On behalf of the Company I wish to thank you for inviting us to participate today in a discussion of Senate Bills 859, 860, and 861 relating to an Energy Coupon Program and amendments to the lifeline law. I have previously appeared before various State Legislative Committees and the Board of Public Utilities on other lifeline bills.

It is our position that due to the multitudinous problems associated with an attempt to fund lifeline to needy citizens resulting in possible combinations of coupons, rate restructuring and licensing receipts, that the Legislature should consider providing a single program to accomplish this end. In addition, the Legislature should recognize at the outset that the amount of the proposed revenues to be used from excise taxes (Gross Receipts and Franchise taxes) will be inadequate in and of themselves to provide the necessary dollars in an Energy Relief Fund or other means to cover the potential costs of a lifeline program, details of which are included in the present Statute.

In order to bring the issues presented by these proposed bills into focus I believe that it is necessary at the outset to present you with a review and a few statistics relating to the Statute, Chapter 440 of 1977 (formerly A-1830) signed by the Governor on March 2, 1978.

Public Service supplies electricity to approximately 1,464,000 residential, 176,000 commercial, and 8,000 industrial customers. Our records indicate that approximately 569,000 residential electric customers use 300 kWhs or less per month and approximately 925,000 residential electric customers use 500 kWhs or less per month.

The Company supplies gas to 1,152,000 residential, 150,000 commercial, and 4,300 industrial and interruptible customers. Approximately 460,000 residential gas customers use 26 therms or less per month and approximately all Public Service residential customers use 110 therms or less per month.

Chapter 440 of 1977 authorizes the Board of Public Utilities to designate a minimum quantity of gas and electricity necessary to supply the minimum energy needs of the average residential user for uses of space and water heating, lighting, cooking, and food refrigeration. The lifeline rates for these minimum quantities would apply to those residential customers having an income not in excess of \$12,000 per year for a married couple or head of household, or \$9,000 for a single person, exclusive of benefits under the Federal Social Security Act. Losses in revenue to a utility would be made up by changing the rates to other residential customers and to industrial and commercial customers. Essentially, there would be two residential rate structures, one for those who are eligible for the lifeline rate and one for those who are not eligible. No fund is established by this statute to fund the program.

PSE&G does not know specifically how many of its customers will opt for lifeline rates, but we do have reliable demographic information which gives us an indication of the revenue impact under existing law. Depending upon the minimum uses established by the Board of Public Utilities, electric and gas lifeline subsidies could be between \$70 and \$90 million in total. These amounts would have to be picked up by other rate payers - residential, commercial, and industrial. It is possible that when the program eventually gets under way, these revenue impacts can be even higher.

Let me now comment specifically on the new lifeline bills introduced.

S-859

This bill creates an Energy Relief Fund from 75% of future increases in excise taxes (Gross Receipts and Franchise taxes) above a 1977 base. It also sets a ceiling of \$1,200 per capita which can be received by any municipality.

While PSE&G applauds the concept of the funding of lifeline amounts from public funds, we are concerned over the introduction of another program over and above that spelled out in former A-1830. The reason for this concern can be seen from our tax statistics.

In 1977 PSE&G paid to the municipalities, without the State's Surcharge, \$208 million. It is estimated that in 1978 we will pay the municipalities approximately \$230 million. The difference of \$22 million at 75% is approximately \$16 million of which \$14.5 million is electric and \$1.5 million is gas.

As can be seen from the statistics already quoted, \$16 million is totally inadequate to fund potential lifeline requirements of \$70-\$90 million. There is no question, therefore, that additional funding would have to be made available which under the present law would come about by rate restructuring. This multi-faceted program would create tremendous administrative problems and constant rate changes.

The Legislature should address itself to the question of adequate funding and should set up one single administrative program to handle the lifeline needs of poor and needy citizens. The Legislature might also address itself to questions of subsidy as between varying levels of electric and gas dollars available from the Gross Receipts and Franchise taxes.

S-860

This bill establishes a State energy coupon program and provides for the purchase of energy coupons at discounted rates by qualifying heads of households. It also establishes the Board of Public Utilities and the State Treasurer as administrators.

PSE&G has opted for years for an adequately funded program administered through the use of energy stamps. We felt then and still believe that such a program is a better long range solution to the problem of assisting low-income families with their energy costs in a period of inflation. In the interest of simplicity, effectiveness, and administrative ease, however, there are other methods which in the near term would prove to be a better solution. Such a program might be the use of an adjustment charge to all other than lifeline customers' bills.

Secondly, we believe that a single means test whether in enacted or pending legislation is the most beneficial to all. This bill establishes a level of two times the income standard defined by the United States Department of Labor as adjusted for family size. At present, this would be approximately \$11,000. Enacted legislation (former A1830) has levels of \$9,000 for single persons and \$12,000 for married persons or heads of households. We believe that it would ease administrative problems, reduce abuse of the system, and be more understandable to those seeking to qualify if a single means test for all lifeline related funding legislation were to be established.

We agree with the concept of a State agency handling means tests in general. PSE&G feels that no area of means identification should be handled by the utilities. When the State properly identifies qualifying customers and gives them a means whereby the utility can record them as lifeline customers, then the program would go forward.

The Legislature should also address itself to the question of customers qualifying for lifeline rates in existing law and, in addition, qualifying for energy coupons with which to pay for these lower lifeline rates. While it is recognized that this is a double subsidy, it also should be recognized that monumental administrative problems will occur.

S-861

This bill amends Chapter 440, Laws of New Jersey 1977 (A-1830) and repeals Section 7 which removes the requirement that the proposed lifeline rate and schedule of eligible users be submitted to the Senate and Assembly Transportation and Communications Committees, acting as a joint committee, prior to approval while retaining the requirement that the joint committee shall make recommendations to the Legislature concerning the continuation of any possible modifications to the lifeline rate. The bill also requires that if there are insufficient funds in the Energy Relief Fund, the remaining cost of establishing a lifeline rate shall be borne by restructuring the rate structures of all classes of customers.

We concur in the repeal of Section 7. Legislative oversight in an area as complex as utility rate making should be left to the administrative agency which has the organization, experience and expertise in handling such matters.

Once again, we would reiterate the concept of a single program. The lifeline administrative process should be fair and equitable to all in accordance with the established criteria. It should avoid unnecessary complications, be compatible with established regulatory procedures and insure the revenue stability of the utility companies involved.

STATEMENT TO SENATE ENERGY AND ENVIRONMENTAL COMMITTEE ON
S - 859, 860, & 861.

MY NAME IS A.J. STILLO AND I AM THE EXECUTIVE DIRECTOR OF THE NEW JERSEY CONFERENCE OF MAYOR'S AND FORMER MAYOR OF THE TOWN OF PHILLIPSBURG. I WOULD LIKE TO REPEAT SOME OF THE REMARKS THAT I MADE BEFORE THE ENERGY COMMITTEE SEVERAL WEEKS AGO AND TO ELABORATE ON A FEW OF THEM.

HISTORY SEEMS TO ALWAYS REPEAT ITSELF AND ONCE AGAIN THE MUNICIPALITIES IN OUR STATE ARE BEING ASKED TO BECOME THE FALL GUYS, TO SOLVE THE PROBLEMS FACING OUR STATE.

IN 1967, WHEN THE STATE HAD A CRUNCH ON FUNDS, THEY PASSED LEGISLATION FREEZING THE BUSINESS PERSONAL PROPERTY TAX AT THE 1967 LEVEL AND TAKING ALL FUTURE INCREASES AWAY FROM OUR MUNICIPALITIES TO USE THAT MONEY TO SUPPORT THE STATE GENERAL FUND. SEVERAL YEARS LATER THE STATE INSTITUTED A SALES TAX TELLING THE MUNICIPALITIES THAT THEY WERE GOING TO RECEIVE A BONANZA IN SALES TAX REVENUE AND INDEED IT WAS A BONANZA FOR THE MUNICIPALITIES. THE STATE IMMEDIATELY SAID, "WAIT A MINUTE, THIS IS TOO MUCH MONEY", AND DECIDED TO PASS LEGISLATION TO ALLOW ALL 567 MUNICIPALITIES TO SHARE IN ONLY 50 MILLION DOLLARS IN SALES TAX REVENUE ON A PER CAPITA BASIS. LOW AND BEHOLD, TWO YEARS AGO THE STATE TOOK AWAY THE ENTIRE 50 MILLION DOLLARS IN SALES TAX REVENUE FROM THE MUNICIPALITIES WHEN AGAIN IT HAD A CRUNCH ON STATE FUNDS.

MAY I REMIND YOU GENTLEMEN, THAT THE SALES TAX REVENUE IN THE STATE OF NEW JERSEY HAS NOW REACHED ONE BILLION DOLLARS AND THE MUNICIPALITIES RECEIVE NOTHING FROM THIS FUND. NOW THE STATE PASSED A STATE INCOME TAX, WHICH IS TO FUND T & E EDUCATION, ALSO THROWN

IN FOR GOOD MEASURE WAS A REVENUE SHARING TO THE MUNICIPALITIES TO HELP REDUCE THE CRUNCHING PROPERTY TAX. THE MUNICIPALITIES ALONG WITH ALL PROPERTY OWNERS HAVE BEEN TOLD THAT THE PROPERTY TAX IN NEW JERSEY WAS ON THE ROAD TO RECOVERY BY REDUCTIONS OR BY STABILITY AND THAT HENCEFORTH THE PROPERTY OWNER WILL NOT CARRY THE BURDEN FOR THE TAXES NEEDED IN THEIR MUNICIPALITIES.

THE INK ON THE INCOME TAX BILLS HAS HARDLY DRIED, WHEN WE ARE NOW BEING ASKED TO GIVE UP A GREAT SOURCE OF A MUNICIPALITIES INCOME TO FUND A SOCIAL PROGRAM CREATED BY THE ADMINISTRATION AND STATE LEGISLATURE. IN ESSENCE, WE ARE NOW ASKING THE PROPERTY OWNER TO PICK UP THE TAB FOR THIS PROGRAM. THE MATHEMATICS ARE SIMPLE. IF WE RECEIVE LESS INCOME, WE MUST INCREASE THE PROPERTY TAX TO CONTINUE THE COST FOR LOCAL GOVERNMENT.

GENTLEMEN, WE ALL KNOW "NOTHING IS FOR NOTHING". WE CAN NOT "ROB FROM PETER TO PAY PAUL".

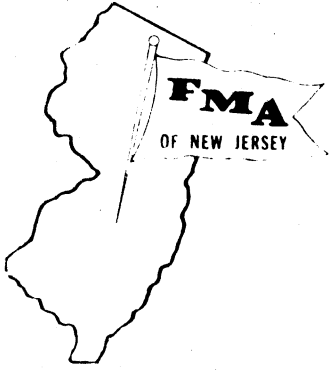
AS I STATED BEFORE, I DO NOT DISAGREE WITH THE CONCEPT OF LIFELINE, IN FACT, I COMMEND SENATOR MERLINO AND SENATOR FELDMAN FOR THEIR ENDEAVORS TO HELP A SEGMENT OF OUR SOCIETY TO OVERCOME THE INFLATIONARY COSTS OF UTILITIES AND FUEL FOR THEIR NEEDS. I JUST DISAGREE WITH THE METHOD OF FUNDING OF THIS PROGRAM. THE STATE COULD IMPOSE A TAX ON FUEL OIL OR GASOLINE TO FUND A PROGRAM SUCH AS LIFELINE. THIS TYPE OF TAX WILL BE PAID BY RESIDENTS AND THE PEOPLE PASSING THROUGH OUR STATE. THIS SEEMS LIKE A FAIR METHOD.

THE ONLY OTHER POINT I MUST MENTION IS THAT WITH LESS INCOME, WITH THE 5% CAPS ON MUNICIPALITY SPENDING, AND WITH NUMEROUS MANDATED INCREASED COSTS IMPOSED ON MUNICIPALITIES, I CAN NOT SEE HOW A MUNICIPALITY CAN EFFECTIVELY MANAGE ITS FINANCES WITHOUT

CONTINUAL REDUCTION IN SERVICES TO ITS CONSTITUENTS.

I CAN SAY FOR SURE THAT WHEN SOMETHING HAS TO GIVE, NEITHER THE
STATE ADMINISTRATION OR THE STATE LEGISLATURE BEARS THE BRUNT,
RATHER THE MAYORS AND COUNCILMEN ASSUME THE ENTIRE BLAME.

GENTLEMEN, I ASK FOR YOUR INDULGENCE.



Fuel Merchants Association of New Jersey

66 Morris Avenue, Springfield, N. J. 07081, P.O. Box 359 • (201) 379-1100

STATEMENT
of
EDMUND W. RENNER
on behalf of the
FUEL MERCHANTS ASSOCIATION OF NEW JERSEY
on
PROPOSED "LIFELINE" LEGISLATION
before the
NEW JERSEY STATE SENATE
ENERGY COMMITTEE
MARCH 23, 1978

My name is Edmund W. Renner and I am executive vice president of the Fuel Merchants Association of New Jersey. My association represents the 600 independent home heating oil dealers of the state and the 53 percent of New Jersey's heating needs that they provide.

The Fuel Merchants Association supports the principle of "lifeline needs." Our opposition has always centered on the discriminatory aspects of Assembly Bill 1830 that exclude heating oil consumers while including consumers who heat with natural gas or electricity.

We have pointed out, and continue to point out, that many of the consumers the "lifeline" concept is designed to help--senior citizens and those with low incomes--live in older homes that are invariably heated with fuel oil.

Our philosophical support of "lifeline" legislation, along with our opposition to discriminatory qualifying terms, has forced us to adopt a mixed opinion on the three bills, S-859, 860, 861, with which this hearing is concerned.

We have no specific objections or comments on S-859, since we find no apparent fault with the formula devised to provide the funding called for. We do, however, question whether the total revenues generated by the formula will completely provide the funding necessary, especially in light of the fact that the inclusion of oil heat consumers will significantly enlarge the constituency to be served.

The Fuel Merchants Association wholeheartedly supports the Energy Coupon Program called for in S-860. The qualification that anyone who owns a home or rents and whose annual gross income, combined with the annual gross incomes of all resident family members does not exceed two-times the poverty level income standard defined by the federal Department of Labor should be used as the criteria for eligibility, is one we agree with.

Under A-1830, the "lifeline" bill, on the other hand, those who meet the eligibility requirements but who heat with fuel oil would not only be excluded, but would also be subsidizing other persons in the same income brackets, since the funding was to come from general state revenues.

The Fuel Merchants Association is totally opposed to S-861, however. This piece of special-interest legislation manages the not-inconsiderable feat of discriminating against each and every citizen of New Jersey who does not enjoy a pension, retirement income or other income derived as a result of past employment by municipal, county, state or federal governments.

It was because of its mass-discrimination qualities that the intent of S-861 was deleted from A-1830 before its passage last January. A cynicism born of several years exposure to the legislative process disqualifies me from registering surprise at its sudden reappearance. That cynicism does not disqualify me, however, from denouncing this bureaucratic bonus that makes a mockery of the philosophy behind "lifeline."

My own association, as an example, employs a retired Air Force lieutenant colonel who receives a pension from the federal government well in excess of \$10,000 annually. Under the terms of S-861, if he were earning \$11,999 per year, he would still be eligible for lifeline, even though his total annual gross income is well over \$21,000.

Probably a large percentage of the families in New Jersey fall into the same income bracket as my ex-colonel, yet would not be eligible for "lifeline" that his prior government employment qualifies him. It is this kind of financial sleight-of-hand, on a grand scale, that has brought New York City to its present state of disarray. New Jersey cannot allow it on any scale.

Senate Bill 861 cannot be allowed to sneak through camouflaged by its title and sandwiched between two commendable companion bills. A special interest bill, no matter what the title, is still a special interest bill.

The Fuel Merchants Association sees no need, if the commendable S-859 and 860 are passed, for further consideration of S-861. We also call for repeal of A-1830, on the grounds detailed previously.

Senate Bills 859 and 860 fulfill, with the least amount of complexity and discrimination possible, the intent of the "lifeline" philosophy. There is simply no need for other legislation, especially special-interest legislation.

Those who legitimately need help will qualify under the stipulations of S-859 and 860. Those who need the specifications of S-861 to qualify, don't need help.

State Senate
June

July 19, 1918

Re Senate Number 241
Energy Relief Fund

We, the undersigned Senior Citizens, being of sound mind and using our best powers of thought and judgment, do approve the method of funding the Lifeline - Energy Relief Bill which we oppose the use of Energy charges.

We approve of the principle and method of the Bill, with the exception that we believe that the Corporation of 4 years which will be a single period of time to receive aid in paying electric bills, is the highest.

We, the undersigned Senior Citizens, would be single to receive the aid in paying our high utility costs, (and God knows that we do need help) but when we would be receiving for example: a raising of perhaps \$1.00 per year on our electric bill and \$2.00 per year on our gas bill (in the summertime) and perhaps \$1.00 per year on our oil bill (in the winter time) we are certain that, in the long run, we would not benefit much - if at all!

By giving the Municipality of 75% of the House Receipts and Franchise taxes on new business on New growth of the utility companies would we believe!

#1 Short municipality growth in the state
#2 Would result in higher property taxes

#3 Increase the 12 1/2% (Manufacture) tax 7 1/2%, remainder

tax 5% of our electric dollar which ~~will~~ goes to pay
the taxes. These hidden taxes are included in our el-
ectric bills, which we pay to Atlantic Electric of
Charlottesville, Va. At the designated time Atlantic
Electric pays these withholds taken to the city of
Winchester.

#4 Would encourage the utility companies to

~~not~~ use increasing demands for rate increases.
It would make it easier for the Board of Public
Utilities to guide the process and grant the increases.
#5 Expansion of building and widening the state -

ments of such transportation stations last 12 59 (lines
is through 20) would be enormous. There would
be deducted from the "Energy Bill" funds thereby

reducing it.

Also, we have been long enough to realize that
this would open up the transportation of "building"

these expenses. Our discussion of this item
resulted in the question of "who would build the
facilities?"

#6 It would under the current provisions of bid-

ding the American citizens to pay their utility bills, make it impos-

As for issuing Energy Stamps to Senior Citizens,
God forbid! Some of our Senior Citizens need the addi-
ed confusion these stamps would cause, like we need
holes in our heads. The necessary physical energy and
ability necessary to obtain these stamps makes the use
of them utterly out of the question for us.

We thank you Senators Rodine and Feldman for
your concern for us, but in all good conscience, we
must reject it - AS IS!

We noted that, in the March 3, edition of The Press of
Atlantic City, Gov. Byrne has budgeted \$3.5 million of
the state tax, based on the business anticipated revenue,
to support this program.

We feel that the entire funding of this program
should come from the millions of dollars in take
of the business. Funding of this program, we believe,
would be "grants" to them!

Thank you for your attention.

Name	Address	City
Alice Glaser	3592 N. Belmar Dr.	Vineland N.J.
Josephine Mats	3783 N. Belmar Dr.	Vineland N.J.
Madeline Cannon	3592 N. Belmar Dr.	Vineland, N.J.
Grace Zimmet	3592 N. Belmar Dr.	Vineland, N.J.
Mr. J. P. P. P.	3592 N. J. Dr.	D. R. Vineland N.J.



Telegram

TNB101(1551)(4-049664E081)PD 03/22/78 1550

ICS IPMMTZZ CSP

6092667421 TDMT BRIGANTINE NJ 15 03-22 0350P EST

PMS SENATOR FRANK J DODD

SENATE ENERGY AND ENVIRONMENT COMMITTEE SENATE CHAMBER
TRENTON NJ

ATLANTIC COUNTY LEAGUE OF MUNICIPALITIES (BOTH DIRECTORS AND
MEMBERS) VIGOROUSLY OPPOSE SENATE BILL 859

ATLANTIC COUNTY LEAGUE OF MUNICIPALITIES JOHN A ROGGE MAYOR
BRIGANTINE NJ

NNNN

43X

TOWNSHIP OF BLAIRSTOWN

COUNTY OF WARREN - STATE OF NEW JERSEY
ZIP CODE 07825

MRS. CLARA A. FOWLER
TOWNSHIP CLERK

TELEPHONE 382 6661

March 17, 1978

New Jersey Conference of Mayors
The Inn of Trenton (Suite 614)
240 West State Street
Trenton, New Jersey 08608

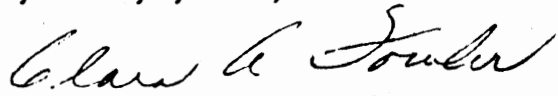
Attn: Anthony F. Stillo, Executive Director

Re: Senate Bill #859, 860 & 861

Dear Mr. Stillo:

Enclosed herewith please find copy of resolution adopted by the Mayor and Township Committee of the Township of Blairstown at an emergency meeting held last night.

Very truly yours,


Clara A. Fowler (Mrs.)
Township Clerk

CAF:gs
Enc.

P.S. Our attorney, Mr. Archie Roth is preparing a statement to be read or read into the record.

RESOLUTION

WHEREAS, Senate Bills Numbers 859, 860 and 861, known as the new "Lifeline Energy Bills" have been submitted in conjunction with Assembly Bill A-1830, and

WHEREAS, A-1830 has been signed into law by Governor Byrne on March 2, 1978, and

WHEREAS, the new Lifeline Bills are co-sponsored by Senator Merlino of Mercer County and Senator Feldman of Bergen County, and

WHEREAS, it appears that the main thrust of these Bills is to propose a plan for financing the Lifeline rates and energy coupon program for elderly and for families earning less than \$12,000.00 whereby they could obtain "energy stamps" to pay their oil gas and electric bills from gross receipts revenue received by various municipalities, and

WHEREAS, the so-called "Lifeline Bills" would provide reduced rates to couples whose incomes are \$12,000.00 or less, and individuals whose incomes are below \$9,000.00, and

WHEREAS, the method by which the Bills would fund the proposal would be to freeze the municipalities' share of gross receipts taxes at the 1977 level, and use 75% of any increase in the tax revenue above the 1977 level to finance and fund the "Lifeline Legislation" signed by Governor Byrne on March 2, 1978, and

WHEREAS, a public hearing on the funding of the so-called "Lifeline Bills" is scheduled for Thursday, March 23, 1978 before the Energy Committee at 10 a.m. in the Senate Chambers, State House, Trenton, N. J., and

WHEREAS, the Blairstown Township Committee, Warren County, feels that the present laws covering distribution of public utilities gross receipts, known as "Gross Receipts Revenues", is fair and equitable and that the formula for distribution of said taxes should not be altered or modified in any manner whatsoever, and

WHEREAS, the so-called "Lifeline Bills" endeavor to inequitably and unfairly penalize and deprive municipalities which welcomed and encouraged utilities to locate in their respective communities, or are selected by them for their location, from receipt of revenue in lieu of taxes as presently established under existing laws, and which laws have withstood the challenges and attacks upon them by our Courts as to the constitutional validity of distribution and allocation of gross receipts revenue to difference municipalities, and

WHEREAS, a change or alteration in the laws would seriously and adversely affect Blairstown Township and the Blairstown Board of Education (both elementary and regional) appropriations and allocations in the Local Municipal Budgets for the current and ensuing years, and the present and future building programs, and the citizens of our community:

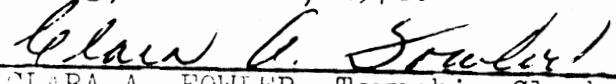
NOW, THEREFORE, BE IT RESOLVED by the Township Committee of the Township of Blairstown in Warren County, that:

1. They strongly oppose the consideration and enactment of Senate Bills Numbers 859, 860 and 861, to fund the "Lifeline Energy Bills" from Gross Receipts Revenues, and earnestly urge and request the legislative members to deny and oppose any change in the existing laws, and urge the Committee to disapprove the Bills Numbers 859, 860 and 861 presently under consideration;
2. That this Committee uphold and maintain the present laws concerning gross receipts distribution and allocation, and not alter it in any way, whatsoever;
3. That this Committee seek funding of the "Lifeline Energy Bills" enacted into law on March 2nd, 1978 from revenues to be received by the State of New Jersey from the Atlantic City Casino Gambling revenues, the Meadowlands Sports Complex revenues, and from the recently or soon to be acquired Garden State Raceway, and other sources other than the Gross Receipts Tax Revenues.

BY ORDER OF THE TOWNSHIP COMMITTEE.


CLARA A. FOWLER, Township Clerk
TOWNSHIP OF BLAIRSTOWN, WARREN COUNTY

I hereby certify this Resolution to be a true copy of a Resolution adopted by the Township Committee of the Township of Blairstown at an emergency meeting, March 16, 1978.


CLARA A. FOWLER, Township Clerk

DOUGLAS B. AYRER
Elected City Treasurer
City of Burlington
REPRESENTING CITIZENS OF THE CITY OF BURLINGTON

Commend Senators Merlino and Feldman for having feeling for not taking 100% of increased gross receipts. However, allowing 25% of the present dollar figure is not reasonable when we consider inflationary costs which will affect all our municipality's citizens at a 100% ratio.

Mr. Jacobson has pointed out the myriad of problems that can occur if we don't spell out this legislation so that it can be properly administered.

PLACE AS PART
OF RECORD.
Thank you.

TOWNSHIP OF CLINTON

HUNTERDON COUNTY



Township Council
Hermia N. Lechner, Mayor
A. Jay Lindabury
George H. Fekas
Don R. Gosch
Archie Magliochetti

Township Clerk
Ruth Nordfors
Tax Collector/Treasurer
Jacqueline Vosselmann
Tax Assessor
Vincent J. Maguire

P. O. BOX 36
ANNANDALE, NEW JERSEY 08801
(201) 735-5328

March 17, 1978

New Jersey Conference of Mayors
The Inn of Trenton, Suite 1514
240 W. State Street
Trenton, New Jersey 08608

Att: Anthony F. Stillo, Executive Director

Dear Mr. Stillo:

With reference to your March 3rd letter concerning Senate Bill 859, 860 and 861, the Township Council at the meeting of March 16, 1978 voted unanimously to support your efforts in opposition of these bills.

Mayor Lechner will not testify at the hearing on March 23rd but the Township Council would like to be on record as opposing the bills.

Sincerely,

Ruth Nordfors

Ruth Nordfors,
Township Clerk

*Submitted by
John A. Delesandro
Business Administrator
for the Township of Edison*

R E S O L U T I O N

WHEREAS, the Mayor and Council of the Township of Edison agree in principle with the need for the State to grant relief to persons of low income for their energy needs; and

WHEREAS, New Jersey State Programs are traditionally funded by monies derived from State Revenues; and

WHEREAS, New Jersey Senate Bills #S859, S860 and S861 introduced by Senators Merlino and Feldman on February 14, 1978, propose to fund the "Lifeline Bill" which grants relief to certain persons of low income who cannot afford to cope with escalating utility costs; and

WHEREAS, the proposed Merlino-Feldman Bills would finance said relief by denying the amount of additional gross receipts and franchise taxes which would normally be paid to the Township of Edison and other municipalities who tolerate large utility installations within their boundaries; and

WHEREAS, the adverse effects of loss of gross receipts and franchise taxes would impose a horrendous burden upon the property owners of the Township of Edison; and

WHEREAS, there exist more equitable and practicable methods of deriving necessary funds to accomplish purposes of the Merlino-Feldman Bills,

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Township of Edison that they oppose the method of funding of the so-called "Lifeline Bills" through the use of gross receipts and franchise taxes.

CERTIFIED TRUE AND CORRECT that this is a true and correct copy of a resolution adopted by the Municipal Council of the Township of Edison on March 22, 1978.

Lucille Tucker
Lucille Tucker
Township Clerk

Township of Fairfield

OFFICE OF THE MAYOR
TOWNSHIP BUILDING

MAIN STREET, FAIRTON, N. J. 08620

TELEPHONE (609) 451-9264

MARCH 10, 1978

N.J. Conference of Mayors
Anthony F. Stillo-Sec. Dir.
The Inn of Trenton-Suite 614
240 W. State Street
Trenton, N.J. 08606

Re: Senate Bills 859,
860 and 861
Life Line Bills


Dear Mr. Stillo:

Although I'am unable to attend the hearing scheduled on the above bills, I'am very interested in expressing the Township Committee's opinion on this subject.

I think we would all agree that helping our senior citizens with their utility bills would be a legitimate and worth while endeavor. We can all sympathize with those on fixed incomes. The continuous increases in the fuel and utility bills have burdened them to a point of nearly exhausting their monthly income. But, as is the case with all of these funding programs, relieving one portion of society adds to the burden of the remaining groups.

We all hope that if these bills are passed, the decreases that will result can be absorbed without any adverse effects on the remainder of utility customers in this state.

Yours truly,


Everett Laning
Mayor

EL:tjw
c.c. file



OFFICE OF THE MAYOR

BOROUGH OF FANWOOD

UNION COUNTY

NEW JERSEY 07023

March 13, 1978

Mr. Anthony F. Stillo
Executive Director
New Jersey Conference of Mayors
The Inn of Trenton - Suite 614
240 West State Street
Trenton, New Jersey 08608

Dear Mr. Stillo:

The Borough of Fanwood opposes the method of financing the new life line bills by withholding from the municipalities 75% of the increase on future gross receipt taxes.

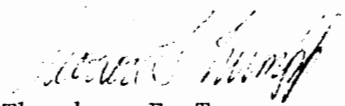
Municipal governments sorely require these funds to stay abreast of the inflationary increases in the cost of operating a municipal government and maintaining a stabilized tax rate.

At the time these Senate Bills were signed, proper provision should have been made to pay for the implementation of these programs either through State Income Tax revenue or State Sales Tax revenue which would have a more equitable affect on all the citizens of the State and thus permitting the State a broad tax base.

The purpose of the State Income Tax and Sales Tax was to offer tax relief to the property owners and this would be a step in the opposite direction.

The suggested method of financing these bills will result in increased local property taxes and be an additional burden to the Senior Citizens and disadvantaged who own property within the State.

Very truly yours,


Theodore F. Trumpp
Mayor

TFT:JCG

STATEMENT OF LAWRENCE J. McNALLY, MAYOR
OF LACEY TOWNSHIP, BEFORE SENATE ENERGY EN-
VIRONMENTAL COMMITTEE REGARDING SENATE BILL
NO. #859

GENTLEMEN:

My name is Lawrence J. McNally and I am the Mayor of Lacey Township in Ocean County, New Jersey. In our municipality, is presently located New Jersey's first nuclear powered electric generating plant. In addition to the existing plant, Jersey Central Power and Light is presently constructing a second nuclear powered electric generating plant which will become operational sometime in the 1980's. In view of the existing power plant and the proposed new plant my municipality is deeply concerned over the provisions in the proposed Senate Bill #859. I have listed below a brief outline of the many concerns that I have concerning the proposed Bill. Although, I am not opposed to granting relief to low income consumers of energy and fuel, I am strongly opposed to financing any such relief by reduction in the Franchise and Gross Receipts Taxes due to the many adverse effects that such a reduction would have:

1. The Gross Receipts and Franchise Taxes are a substitute for
Real Estate Taxes.

The Gross Receipts and Franchise Taxes received by a municipality, such as Lacey Township, are not the windfall that many people would have us believe. As a consequence of receiving the Gross Receipts and Franchise Taxes, a municipality is precluded from assessing and collecting taxes on the full value of the improvements constructed by a public utility in a municipality. Although it is true a municipality may assess the land that the structure is located on and the value of the buildings which house certain equipment, the municipality is precluded from assessing or collecting any revenues on "scheduled" properties for which the Gross Receipts and Franchise Taxes are based on. The result is that millions of dollars of property cannot be assessed locally, which would, otherwise, normally be assessed if the property were owned by a company other than a public utility. A study by the assessor in the Township of Lacey, has revealed that if the power plant properties were assessed as are other properties, the taxes realized by Lacey Township would far exceed the monies presently received through Gross Receipts and other Taxes. Although, the Legislature may have been justified in adopting special legislation for public utilities in an effort to ease the tax burden of these utilities, I do not believe that the Legislature can possibly justify taking these taxes, which are nothing but a substitute for Real Estate Taxes, away from the municipality in order to subsidize the cost of energy.

2. Large Percentage of Residents of Lacey Township are Senior Citizens Living on Fixed Incomes.

A great percentage of the residents of Lacey Township are Senior Citizens living on fixed incomes. It is my understanding, that this segment of the population is the group which the "Lifeline" Bills are supposed to aid, however, in the case of Lacey Township, the aid that these Senior Citizens would receive would be far outweighed by the increase in local property taxes which would be necessitated should Senate Bill #859 be adopted. Many of these individuals moved into Lacey Township only because of its low tax rate, which tax rate could not be maintained in the future if Senate Bill #859 were adopted.

3. Senate Bill #859 sets a precedent for taking away Gross Receipts Tax from municipalities.

Once a precedence has been established to take away Gross Receipts Taxes for one purpose such as the "Lifeline" Bills, it won't be long before the Legislature uses these monies for other such well intentioned purposes and eventually, there might be an increase in the amount of Gross Receipts taken away from the municipalities beyond that amount set forth in Senate Bill #859.

4. Senate Bill #859 has adverse effects on long range planning in municipalities receiving Gross Receipts Taxes.

Senate Bill #859 in its present form, would have devastating effects on the long range planning of a small municipality such as Lacey Township. Recently, the voters of Lacey Township voted to withdraw from a regional school system on the assumption there would be additional revenues available from the new Nuclear Power Plant which is presently under construction. Senate Bill #859 would reduce these anticipated revenues by 75% and the residents of Lacey Township, a large percentage of which are senior citizens, would be forced to make up the difference through local Real Estate Taxations. Much of the long term planning in a municipality such as Lacey Township, has been based on the presumption of increased revenue from the public utilities located within the municipality. The recently adopted master plan for Lacey Township would become totally inadequate in terms of proposed industrial growth should Senate Bill #859 be adopted in its present form.

5. Municipalities which suffer the adverse effects of having Public Utilities within their borders should be fairly compensated.

The residents of Lacey Township suffer from many adverse effects caused by a Nuclear Power Plant and therefore should not be deprived of the revenue of such a plant. Aside from the many fishkills and incidents of ship-work infestation, the residents of Lacey Township live under constant fear of a large scale nuclear accident and other such similar concerns which other citizens of the State of New Jersey do not have. Aside from the inherent dangers of a Nuclear Power Plant, the residents of Lacey Township are faced with a new power plant that will have a 500' tall and 300' or 400' diameter cooling tower which is proclaimed to be the largest proposed structure in the entire State of New Jersey. From this cooling tower will come a large vapor cloud which will among other things deposit large quantities of salt on the residents and taxpayers of Lacey Township. Why should these people, who are already making sacrifices in the name of reducing the cost of energy by allowing the construction of a Nuclear Power Plant in their backyards be forced to make additional sacrifices in the name of reducing energy cost?

6. A reduction in the amount of Gross Receipts Tax received by the municipalities would discourage future development of Public Utility installation and increase the cost of energy.

Senate Bill #859 in its present form would have the ultimate effect of increasing the cost of energy in the long run. One of the only known and effective ways of decreasing the cost of energy in the United States is through the construction of atomic power plants such as are presently located and proposed in Lacey Township. If the Legislature were to substantially reduce the revenues which are received by a municipality from such a plant, it would also increase the already existing opposition to such a plant. What community in its right mind would encourage or allow the construction of an atomic power plant within its borders if it were precluded from receiving a substantial portion of the tax revenues which would, otherwise, be produced by such a nuclear power plant. The increased cost due to delay of construction or even the halt of construction of proposed nuclear power plants would undoubtedly quickly far exceed any savings realized by the financing of "Lifeline" Bills in the manner proposed by Senate Bill #859. As residents of a municipality in which a new nuclear power plant is presently under construction, we are constantly made aware of the increased cost which run into millions of dollars a year, caused by the delays of construction of nuclear power plants. If the legislators truly want to decrease the cost of energy to the citizens of the State of New Jersey, they should be considering methods for increasing the incentive for the construction of energy saving power plants rather than decreasing incentives by reducing the revenues received by a host municipality.

7. Senate Bill #859 does not aid in the effort to conserve energy.

It is a well known fact that one of the most effective ways of reducing the cost of energy is to reduce the use of energy. In its present form, Senate Bill #859 would produce more revenues in proportion to the amount of energy used without deterring the use of energy in any way whatsoever. The more energy that is used the higher the Gross Receipts Tax and, therefore, the more money made available for relief of high energy bills. Although, it may not be an incentive to use more energy it certainly is not an incentive to use less energy or to conserve energy. Perhaps a more effective way of decreasing the use and, therefore, the cost of energy would be to increase the tax on energy itself. This would not only generate the revenues necessary to finance the "Lifeline" Bills, but, also, hopefully reduce the use of energy and, therefore, its ultimate cost to all users.

SUMMARY

If Lacey Township is not entitled to the full benefits of the revenues from the new power plant then the power plant should be located closer to the citizens who will consume the energy produced by the plant. Why should the residents of Lacey Township suffer the hazards of a second atomic power plant to serve the needs of others who reap the benefits of low cost atomic energy without exposing themselves to the hazards? Or perhaps to strike a more familiar chord, which of you would like to have a high powered transmission line constructed in your backyard tomorrow without receiving fair compensation from those who will use the power?

Few of us are opposed to reducing the cost of energy, however, Senate Bill #859 will only artificially reduce the cost of energy for a short period of time at the expense and to the detriment of long range goals for conservation and truly reducing the costs of energy to the residents of New Jersey. Assuming that "Lifeline" legislation is fair and necessary due to the unreasonable high cost of energy, the legislature should be considering measures which both fund the "Lifeline" legislature and aid in the long term struggle to conserve energy rather than penalizes those few municipalities like Lacey Township which receive very little compensation from Gross Receipts Tax when compared to the dollars saved daily by the production of electric energy by use of atomic power.

If funding is needed for "Lifeline" Bills, it should come from all the citizens in an equitable manner and not at the expense of the residents and taxpayers of a few municipalities.

Township of Lumberton



TOWNSHIP COMMITTEE
MARGARET P. GEST
LESTER C. JONES
ELIZABETH A. POTTER
JOHN G. PRIEST
JOHN W. THACHER
MUNICIPAL CLERK
RIDGWAY A. GAUN, C.M.C.

LUMBERTON, NEW JERSEY 08048

609-267-3217

March 23, 1978

My name is Lester C. Jones and I am a Dairy Farmer of Lumberton Township, Burlington County. I am appearing here in behalf of the Lumberton Township Committee of which I am a member.

We are deeply concerned and strongly opposed to Senate Bill 359, 360 and 361 known as the new life line bills.

It is inconceivable to us that you would single out certain revenues and expropriate this particular source for any purpose no matter how meritorious.

Why not confiscate increased industrial ratables rather than expropriate gross receipts taxes?

Why are you singling out one source of income which in our case compensates for a lack of industrial ratables?

We strongly support the position of the New Jersey Conference of Mayors in opposition to the bill.

Lester C. Jones

Lumberton Township Committee



EXECUTIVE DEPARTMENT
OFFICE OF THE MAYOR
MARGATE CITY, N. J. 08402

WILLIAM H. ROSS III
MAYOR

March 14, 1978

New Jersey Conference of Mayors
Mr. Anthony F. Stillo, Executive Director
The Inn of Trenton, Suite 1514
240 West State Street
Trenton, New Jersey 08608

Gentlemen:

I am against Senate Bills 859, 860, and 861.

These "life line bills" co-sponsored by Senators Merlino and Feldman, through their scheme of financing the reduced life line rates and energy coupon program through utilities gross receipt taxes received by municipalities, would further erode what remains of "home rule".

"Life line" is a commendable effort to ease the ravages of inflation for a vulnerable portion of society, but the proposed method of funding is in itself inflationary.

That the "tax and spend" philosophy parallels inflation is a matter of history. When municipalities are taxed to finance spending programs promulgated on a state level, the negative results are seen immediately.

Sincerely,

William H. Ross III
William H. Ross, III
Mayor

WHR/djh

Resol.
Oppose
S859
Re: De-
creasing
Gross
Receipts
& Fran-
chise
Taxes
Revenue

FURTHER RESOLVED that a certified copy of this resolution be sent to our Legislative representatives from District #24, the members of the Senate Committee on Energy and Environment and the Assembly Committee on Energy and Environment, the Senate Committee on Natural Resources and the Assembly Committee on Natural Resources.

Dated: March 21, 1978

I, David L. Hughes, City
Clerk of the City of Summit,
do hereby certify that the
foregoing resolution was
duly adopted by the Common
Council of said City at a
regular meeting held on
Tuesday evening, March 21,
1978.

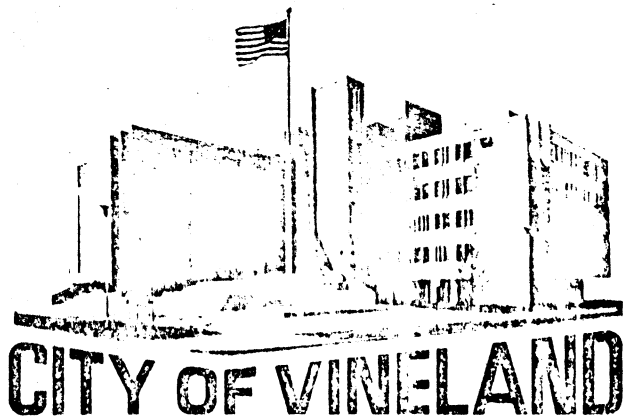
Approved:

FRANK H. LEHR

Mayor

A handwritten signature in cursive script that reads "David L. Hughes". The signature is written in dark ink and is positioned above the printed name "David L. Hughes".

City Clerk



OFFICE OF THE TAX COLLECTOR
ALLAN BERNARDINI
COLLECTOR
EXT 407 488

VINELAND, NEW JERSEY 08360 • TELEPHONE: (609) 691-3000

March 17, 1978

Hon. Mayor Patrick Fiorilli
Members of City Council
Vineland, New Jersey

Re: Lifeline Bills
S-859, S-860
& S-861

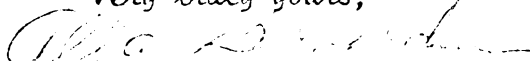
Gentlemen:

In reference to the captioned bills, I would hope that you would consider some action against them.

As I read S-859, any "future" growth in a municipality's share in the gross receipts and franchise taxes would amount to only 25 percent of the amount which we presently are receiving on growth. As our expenses in our community rise in future years, this will be just that much less money received to augment the payment for these increased costs, and then there is only one place to go--additional taxation!

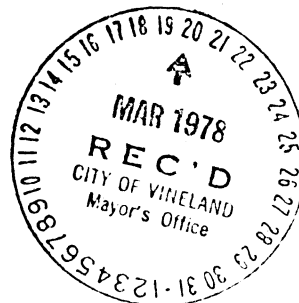
Again, I would seriously request that you consider action against this type of legislation.

Very truly yours,


Allan Bernardini
Tax Collector

AB/lc

60X




201 So. 7th St
Vineland, New Jersey
March 20, 1978 08360

New Jersey State Legislature
Regarding Senate Bill #859

Because of owning considerable property
in the City of Vineland, I do not approve of Bill S. 859 because of the
method of funding.

Although I am a senior citizen - age 86 - any financial benefits I might
receive would be more than offset by increased taxes and electric bills
I believe.

Very truly,


(Mrs.) Laura S. Sabin



BOROUGH OF WALDWICK
BERGEN COUNTY, NEW JERSEY
07463

March 20, 1978

Mr. Anthony F. Stillo,
Executive Director of the
N. J. Conference of Mayors
The Inn of Trenton (Suite 614)
240 W. State Street
Trenton, New Jersey 08608

Dear Mr. Stillo:

Waldwick has the least amount of taxable real estate per school child of all the 70 towns in Bergen County and hence has always had the highest or one of the highest school tax rates.

Waldwick installed a \$5 million sewer system in 1969 without one cent of State or Federal Aid, hence we also have a high municipal tax rate. The only thing that has kept our taxes from going through the roof, has been the annual increase in the GR Tax. This revenue source helps defray the inflationary increases we are forced to pay in insurance, power costs, pensions and salaries. To usurp this revenue source is an act of political dishonesty. State politicians who propose legislation to benefit one segment of society should have the courage to fund their proposals by raising State taxes, rather than forcing municipalities to raise local property taxes.

The GR Tax is Waldwick's only significant revenue source which increases from year to year, and therefore helps to keep our tax rate from increasing rapidly. This legislation will have a disastrous effect upon all Waldwick's residents, including our Senior Citizens. In fact, the impact will bring far more harm to our older citizens than the lifeline rates will benefit them.

Yours truly,

G. T. Bell,
Acting Mayor
GTB/it

BRODART, INC.	Cat. No. 23-221

BRODART, INC.

Cat. No. 23-221

