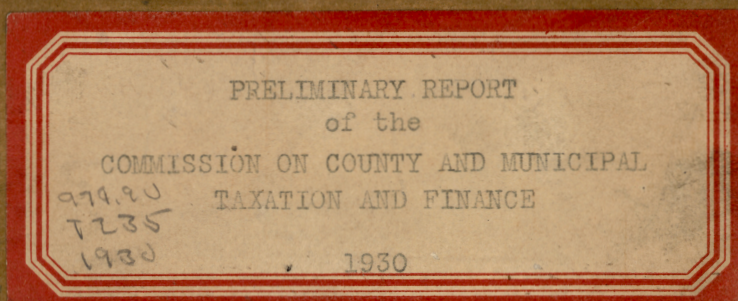


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**PRELIMINARY REPORT**  
of the  
**COMMISSION ON COUNTY AND MUNICIPAL**  
**TAXATION AND FINANCES**

**CREATED UNDER JOINT RESOLUTION NO. 13.**  
**LAWS 1929**

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**SUBMITTED FEBRUARY 3, 1930**

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PRELIMINARY REPORT OF COMMISSION UNDER JOINT RESOLUTION NO. 13  
OF 1929.

TO HIS EXCELLENCY, MORGAN F. LARSON, GOVERNOR  
OF THE STATE OF NEW JERSEY, AND TO THE SENATE  
AND GENERAL ASSEMBLY OF SAID STATE.

The Commission appointed by the Governor pursuant to Joint Resolution No. 13 of the Legislature of 1929, met and effected a temporary organization, afterward made permanent by the selection of J. H. Thayer Martin, chairman, and Joseph F. S. Fitzpatrick, secretary. The Commission, after preliminary conferences and a study of the existing records in the Department of Municipal Accounts, engaged Harly L. Lutz as its director of investigations, and he is now occupied, with the assistance of members of the organization of Griffenhagen & Associates, in a preliminary examination of the records of the several counties and municipalities as found in said Department of Municipal Accounts, and in the office of the State Board of Taxes and Assessments, and in the other state records at Trenton. This is the first step in the complete and scientific investigation directed by said resolution.

It is not feasible at this time to predict how much time such complete investigation will require. The Commission does not expect that it will during the pending fiscal year of the State expend the entire appropriation provided in said resolution, but it does estimate that a larger amount would be required to continue this complete investigation during the next fiscal year.

A letter from the director is attached outlining the proposed scope of the work to be done.

FINDINGS

The preliminary study by the Commission has disclosed certain local objectionable practices which unduly increase the cost of government without any corresponding benefit, and which may be remedied by amendment of existing laws without waiting for or affecting the orderly progress of our investigation.

The Commission therefore now reports its findings as to these matters.

The recognized purposes of the Bond Act and the Budget Act are in many cases evaded in the particulars below set out. These evasions may be readily checked by simple amendments.

#### DELAYED IMPROVEMENT ASSESSMENTS

There is no effective penalty for delay in assessing benefits of local improvements. This permits concealment of the fact, if an improvement was improvident. It permits concealment from the interested parties of the real cost of the improvement until the public may have lost interest in it. It permits a material loss to be suffered by the innocent purchaser of improved property who is later confronted by an assessment for work done years before he purchased. It imposes a continuous burden on the general taxpayer to pay the interest on the cost of the improvement which if transformed into an assessment would be borne by the property benefitted. It may be checked by forbidding (in computing the debt limit), any deduction for estimated assessments for more than a year after completion of the improvement.

#### EVASION OF DEBT LIMIT.

The debt limit imposed under the Bond Act is evaded by excessive estimates of anticipated assessments, and by the failure to impose any limit whatever on the amount of bonds expected to be carried by future assessments. Limitations should be imposed. The debt limit and the budget act provisions have also been evaded by a fictitious valuation of real property in the tax levy. This should be remedied. Also, Chapter 171 of the laws of 1929 exempting one or more cities from the bond act is clearly unjustified, and should be repealed.

#### OTHER ITEMS

Assessments and tax liens frequently much exceed the value of the property affected, and though uncollectible may be carried as apparent assets for many years.



There is no control whatever over improvident capital expenditures for local improvements, and none except the debt limit over improvident general improvements.

There is not sufficient pressure to enforce reasonably prompt collection of delinquent municipal liens.

Emergency notes are sometimes issued for an unreasonably long period, really taking the place of a bond issue without the safeguards of a bond issue.

There is no control over an optimistic estimate of budget revenue, and no way to prevent the appropriation by way of tax reduction of paper surplus revenue, which is not in fact available to pay current expenditures.

All the foregoing matters are abuses which creep out here and there due to unforeseen gaps in the statute. Some are more prevalent than others, but all involve unsafe practices, and add to the ultimate cost of government in the municipalities affected. Most can be prevented by relatively simple amendments to existing laws, and proposed bills for the purpose are annexed. Most of the remedies proposed are automatic. A few involve giving some central control over local discretion.

Respectfully submitted,

Dated February 3, 1930.

Commissioners.

An Act to repeal an act entitled, "A Supplement to an act entitled 'An act relating to, regulating and providing for the government of cities,' approved April eighth, one thousand nine hundred and three," approved April twenty-three, one thousand nine hundred and twenty-nine, known as Chapter 171 of the Laws of 1929.

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

1. The act entitled, "A Supplement to an act entitled 'An act relating to, regulating and providing for the new government of cities,' approved April eighth, one thousand nine hundred and three," approved April 23, 1929, known as Chapter 171 of the Laws of 1929, be and the same is hereby repealed.

Statement: This act proposes to repeal Pamphlet Law 1929 page 319 which wholly exempted cities operating under the act of 1903 from the limitations and provisions of the Bond Act and the Budget Act.

This bill is recommended by the Commission on County and Municipal Taxation and Finance.

The report of the Commission on County and Municipal Taxation and Finance, 1929, page 319.

This bill is recommended by the Commission on County and Municipal Taxation and Finance.

An Act to repeal an act entitled, "An Act to amend an act entitled 'An act concerning municipal and county finances,' approved March twenty-eighth, one thousand nine hundred and seventeen," which amendment was approved March 28, 1927, and is known as Chapter 230 of the Laws of 1927.

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

1. The act entitled, "An Act to amend an act entitled, 'An act concerning municipal and county finances,' approved March twenty-eighth, one thousand nine hundred and seventeen," which amendment was approved March 28, 1927, and is known as Chapter 230 of the Laws of 1927, be and the same is hereby repealed.

Statement: The repealed act is Pamphlet Law 1927 page 435.

Its only change was to permit under Subdivision (d) page 437 the carrying on tax revenue notes or bonds for ten years of uncollectible taxes, or taxes which had been abated, cancelled, or remitted in addition to the four years originally provided in the amended act. The repeal of the 1927 act will restore the 1921 amendment, 2 C.S. Sup. page 3357.

This bill is recommended by the Commission on County and Municipal Taxation and Finance.



A Supplement to an act entitled, "An Act concerning municipal and county finances," approved March twenty-eight, one thousand nine hundred and seventeen.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey.

1. The act to which this is a supplement be and the same is hereby supplemented by adding thereto a new section to be numbered 25 (a), to read as follows:

25(a). All emergency notes or bonds issued under Section 25 of the act to which this is a supplement shall be paid and retired on or before the thirty-first day of December of the calendar year following the issue thereof, notwithstanding any provision for extension contained in said Section 25, unless the resolution making the appropriation for said emergency shall fix and declare the maturity or maturities of any notes or bonds to be issued thereunder and shall be submitted to and approved by the Commissioner of Municipal Accounts prior to the issue of any such notes or bonds, or the incurring of any obligations under such resolution.

Statement: This supplement would take its place in 2 C.S. Supl. p. 3359. It requires the approval of the Commissioner of Municipal Accounts to any emergency note or bond resolution if not to be wholly retired the next year; but leaves the present law otherwise undisturbed. This bill is recommended by the Commission on County and Municipal Taxation and Finance.

A Supplement to an act entitled "An Act to authorize and regulate the issuance of bonds and other obligations and the incurring of indebtedness by county, city, borough, village, town, township or any municipality governed by an improvement commission or any municipality governed by a board of commissioners," approved March twenty-second, one thousand nine hundred and sixteen, and constituting Chapter two hundred and fifty-two of the pamphlet Laws of one thousand nine hundred and sixteen.

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

1. The act to which this act is a supplement be and the same is hereby supplemented by adding thereto five new sections to be numbered 11(a) to 11(e) inclusive, to read as follows:

11(a) In computing the deductions from gross debts under subdivision B of Section 12(1), no deduction shall be allowed for estimated assessments on any improvement which has been completed for over one year, nor (unless the Commissioner of Municipal Accounts certifies that the delay was excusable) on any improvement which was commenced more than three years prior to the date of the statement, nor for any assessments which are over three years in arrears, (unless included in a tax sale and then for not over five years) nor for any tax sales held by the municipality, except for taxes not over three years in arrears, and for assessments not over five years in arrears.

11(b) In computing the preceding assessed valuations of the taxable real property under subdivision D of Section 12(1), deductions from said assessed valuations shall be made for any abatements in said valuations theretofore ordered by any lawful authority, and also for the amount of any increases in assessed valuation which are questioned by any pending appeal. No bonds shall be authorized or issued in reliance on any increase in valuations over the valuations for the preceding year, until after the time for filing appeals from said valuations has passed, and thereafter a revised statement may be filed deducting from such assessed valuations all excess valuations questioned by any pending appeal.

11(c) No bonds issued in reliance on any debt statement shall be invalidated by reason of any violation of the foregoing provisions, in paragraphs 11(a) or 11(b), if such debt statement has been on file in the office of the Commissioner of Municipal Accounts for twenty days prior to the issue of such bonds, unless at least five days prior to the issue of such bonds, the Commissioner of Municipal Accounts shall have disapproved the debt statement because of such violation; and said Commissioner may and on request shall issue a certificate stating whether he has disapproved a specified debt statement.

11(d) The annual debt statement shall be accompanied by a detailed list of all items entering into the totals of gross debt and of deductions, which detailed list shall be authenticated by the signature of the official making the debt statement, and such official shall be liable to the same penalties for incorrect entries in such list as in any other portions of said statement, but errors in such list shall not affect the validity of any bonds issued in reliance on said debt statement.

11(e) No bonds may be authorized or issued for any local improvement as defined in the Municipalities Act of 1917 where the estimated assessment for such improvement exceeds five per cent of the average assessed valuation shown on the supplemental debt statement covering such proposed bond issue; nor where the total of estimated assessments for all unassessed improvements in said municipality exceeds ten per cent of the said average assessed valuation; nor where the total of uncollected assessments for local improvements added to the total of estimated assessments for all unassessed improvements in said municipality exceeds 15% of the said average assessed valuation.

Statement: This bill is recommended by the Commission on County and Municipal Taxation and Finance, and would precede Section 12 in 2 C.S. Supl. p. 2446. It should have been a supplement to Section 12, except for the numerous existing subdivisions of that section. Its purpose is to prevent padded valuations and provide some reasonable limitation on bond issued to be carried by special assessment.



STATEMENT OF HARLEY L. LUTZ.

THE OBJECTIVES AND METHODS OF THE INVESTIGATION INTO COUNTY AND MUNICIPAL TAXATION AND EXPENDITURES BEING CONDUCTED UNDER AUTHORITY OF JOINT RESOLUTION 13, SESSION OF 1929

The purpose of the investigation of county and municipal taxation and expenditures now being conducted under the authority of Joint Resolution 13, Session of 1929, is to promote the reduction of the cost of local government in New Jersey, in so far as this government can be put on a less costly basis than at present. A staff is now engaged in the collection, analysis and interpretation of such facts and information, from official and unofficial sources, as will indicate the ways and means of accomplishing this improvement.

The rapid increase of tax rates and of tax burdens in recent years has given rise to a general spirit of unrest, to a disposition to criticize public officials, and to efforts toward relief through insistence upon measures of retrenchment that have not always been properly and adequately considered. The situation calls for a remedy, but the remedy can only be intelligently prescribed after careful, extensive, thorough study of the causes and conditions which have given rise to the difficulty.

While no promises can be given in advance as to the sufficiency of the remedies that may be proposed, and no assurances can be offered regarding the extent to which local governmental costs may be lowered or checked from further increase, the prospects of accomplishing substantial results are fairly good, for the following reasons:

First, a large part of all governmental costs in this, as in other states, is due to the activities of local governments operating either on their own initiative or in the discharge of duties required of them by the State. Three-quarters or more of the combined cost of State and local government in New Jersey represent operations and expenditures which are a matter of local governmental organization and procedure. It is reasonable to expect that the greatest gains could be made in the field of largest expenditures. Certainly it is reasonable to seek improvements at these points at which the maximum benefits might be derived therefrom.

Second, the State has never undertaken a systematic survey of its local governmental structure and operation. No state has ever authorized such a study as has been launched under Joint Resolution 13, and New Jersey is therefore the pioneer in this important field

of governmental and financial research. New Jersey, like other states, has been enacting legislation applicable to local governments and establishing administrative and judicial precedents affecting localities, for a long period. At certain points these matters may have been devised with regard to their work on local governmental financial procedure, but at other points it is not so certain that this disideratum has been kept in view. No one can say, in advance, to what extent the result is an orderly design or a patchwork of incongruities, but no one can contend successfully that the existing local governmental structure and financial system are so nearly perfect that a study of the means of further improvement is not worth while.

The investigation is promised on the proposition that badly planned or badly executed governmental procedure, whether in taxation, expenditures or routine financial administration, necessarily results in a relatively greater cost of government, and in an abnormal burden on the taxpayer. Every citizen has the obligation to contribute to the support of the government, but this obligation is balanced by the right to the assurance that his tax contributions are being used to give him the most and the best of governmental service that can be had for the money.

This survey is to be conducted in the spirit of scientific inquiry. It aims at the facts and at impartial analysis and interpretation of these facts. Its object is too important, and the advantages in prospect if this object be attained are too great, to permit of diversion of energies into sensational sidetracks. The purpose is to provide the basis of such improvement in local government and local finance as the conditions appear to demand, and not to demonstrate the delinquency or unfitness of any public official. Sensational disclosures are not to be encouraged.

The general plan and scope of the investigation will be briefly outlined. This outline will be confined to the main features of the program, as they are at present visualized. Subsequent developments may require modification to include other matters, the importance of which may be disclosed in the course of the investigation.

The principal topics in the research program are the following:

I. Analysis of local expenditures, based on the audit reports and other records of counties, cities, boroughs, towns, townships, school districts and any special districts authorized to make expenditures. The detailed tabulation of expenditures and of other statistical data will be made from the records for the fiscal

year 1928, and possibly also from those for the year 1929 when these become available. Certain general comparisons for the purpose of indicating trends will be made over a period of years, based on the summaries prepared for earlier years by the Commissioner of Municipal Accounts.

II. An analysis of the local revenue system. This will show the revenues of each local subdivision in detail for 1928 and possibly 1929, and in general for earlier years, appropriately classified to indicate whether they are derived from local taxation, from fines, fees, special assessments or other administrative activities, from state grants, or public loans.

III. An analysis of public debt. The indebtedness of each subdivision will be tabulated and studied under classifications which will indicate the purpose of issue, maturities, interest and redemption charges, and other appropriate ways by which the burden and the financial significance of local debt may be measured.

IV. An analysis of local governmental organization. This will show, for counties and for the various types of municipal corporation, the administrative structure and the financial procedure, and will permit of various comparisons of cost among types of per capita and other bases. A clear schematic comparison of these types will be extremely helpful to those citizens who now have difficulty in ascertaining or appreciating the significant differences between them.

V. An analysis of the distribution of functional activities between counties and intra-county municipal corporations. This analysis, viewed in the light of the expenditure and revenue data, will illuminate the very important question of the relation between the obligations and the resources of the several local units. The relation of the state to its subdivisions is involved in this balance between resources and obligations, and must be considered in an adequate survey of the problem.

VI. An analysis of local tax administration. This involves a study of the assessment and equalization procedure, the levy and collection of taxes, the delinquent tax situation, the composition and determination of tax rates, etc. The relation of the State Board of Taxes and Assessments, and possibly of other state agencies such as the Commissioner of Education and the Commissioner of Municipal Accounts, to the whole field of local tax administration will be considered.

VII. An analysis of those aspects of financial administration known as budgeting, accounting, administrative control of expenditures, auditing, custody of funds, fund structure, purchasing, procedure of borrowing and of debt redemption, etc.

VIII. An analysis of the special assessment situation throughout the state. This will involve a study of the methods used to distribute the cost of improvements financed in this way, and a compilation of data for the measurement of the burden of these costs on communities and on individual properties.

IX. A series of Special studies covering such fields as the cost of local schools, the highways, the courts, the charities, and such other topics as may emerge as being significant enough to require detailed investigation.

X. In contrast to the compilation of expenditure, revenue and other data as indicated above for the state as a whole it may prove desirable to conduct a few separate studies of typical cities or counties, viewed as units, for the purpose of testing the validity of general proposals when applied to concrete cases.

This condensed outline is not to be regarded as either final or complete. It will serve at this time to indicate the general scope of the program that is now under way. A survey of this magnitude cannot be made quickly. It would be rash to establish now a date for its completion; but every effort will be made to reach a conclusion by the end of 1931. Progress reports will be made to the Governor and to the Legislature from time to time as definite stages of the investigation are concluded, but great care will be exercised to guard against premature release of findings or recommendations.

It is worth while to emphasize again that in launching this comprehensive survey of local financial conditions and problems, New Jersey is taking the lead. Other states will follow-- some have already taken the initial steps along this path of investigation and reforming local finances. The advantage to be derived from leadership and initiative in dealing with the fundamental matters of local government should be apparent to all who are interested in the progress of the state, whether as a place in which to live or as a place in which to maintain and operate a business.



