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PUBLIC HEARING

before

ASSEMBLY TAXATION COMMITTEE

on

ASSEMBLY CONCURRENT RESOLUTIONS 140 and 141

(Amendments to the Constitution
concerning dedication of taxes)

Held:
April 26, 1976
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard Van Wagner (Chairman)

Assemblyman Willie Brown (Vice-Chairman)

Assemblyman Donald Albanese

Assemblyman John Dorsey

Assemblyman Charles Yates

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ASSEMBLY CONCURRENT RESOLUTION No. 140

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 19, 1976

By Assemblymen LITTELL, SPIZZIRI, PERSKIE, VAN WAGNER, FORAN, WEIDEL, DiFRANCESCO, KAVANAUGH, HURLEY, KEAN, ALBANESE, KOZLOSKI, WOODSON, Assemblywoman CURRAN, Assemblymen YATES, JACKMAN, T. GALLO, PERKINS, McMANIMON and STEWART

Referred to Committee on Taxation

A CONCURRENT RESOLUTION proposing to amend Article VIII, Section I, of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the General Assembly of the State of New*
2 *Jersey (the Senate concurring):*

1 1. The following proposed amendment to the Constitution of the
2 State of New Jersey is hereby agreed to:

PROPOSED AMENDMENT

3 Amend Article VIII, Section I by adding a new paragraph 5 as
4 follows:

5 5. No tax shall be levied on personal incomes of individuals,
6 estates and trusts of this State unless the entire net receipts there-
7 from shall be received into the treasury, placed in a perpetual
8 fund and be annually appropriated, pursuant to formulas estab-
9 lished from time to time by the Legislature, to the several counties,
10 municipalities and school districts of this State exclusively for the
11 purpose of reducing or offsetting property taxes.

1 2. When this proposed amendment to the Constitution is finally
2 agreed to, pursuant to Article IX, paragraph 1 of the Constitution,
3 it shall be submitted to the people at the next general election
4 occurring more than 3 months after such final agreement and shall
5 be published at least once in at least one newspaper of each county
6 designated by the President of the Senate and the Speaker of the
7 General Assembly and the Secretary of State, not less than 3
8 months prior to said general election.

1 3. This proposed amendment to the Constitution shall be sub-
 2 mitted to the people at said election in the following manner and
 3 form:

4 There shall be printed on each official ballot to be used at such
 5 general election, the following:

6 a. In every municipality in which voting machines are not used,
 7 a legend which shall immediately precede the question, as follows:

8 If you favor the proposition printed below make a cross (X),
 9 plus (+) or check (✓) in the square opposite the word "Yes."
 10 If you are opposed thereto make a cross (X), plus (+) or check
 11 (✓) in the square opposite the word "No."

12 b. In every municipality the following question:

	Yes.	DEDICATION OF PERSONAL INCOME TAX NET RECEIPTS TO BE USED EXCLUSIVELY TO OFFSET OR REDUCE PROPERTY TAXES Shall the amendment agreed to by the Legislature, to amend Article VIII, Sec- tion I of the Constitution of the State of New Jersey by adding a new paragraph to provide that the entire net receipts of any State tax levied on personal incomes of individuals, estates and trusts of this State shall be annually appropriated to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes, be adopted?
	No.	

STATEMENT

This proposed constitutional amendment would dedicate the entire net annual receipts of any State tax levied on the personal incomes of individuals, estates and trusts of this State to the reduction or offsetting of local property taxes by requiring all such receipts to be annually appropriated therefor, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State.

ASSEMBLY CONCURRENT RESOLUTION No. 141

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 19, 1976

By Assemblymen HERMAN and STEWART

Referred to Committee on Taxation

A CONCURRENT RESOLUTION proposing an amendment to Article VIII, Section II of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the General Assembly of the State of New*
2 *Jersey (the Senate concurring):*

1 1. The following proposed amendment to the Constitution of
2 the State of New Jersey is agreed to:

PROPOSED AMENDMENT

3 Amend Article VIII, Section II by adding the following para-
4 graph:

5 4. The Legislature may enact laws dedicating revenue from any
6 tax for a specific purpose or specific purposes and any revenue so
7 dedicated shall not be appropriated for any other purpose.

1 2. When this proposed amendment to the Constitution is finally
2 agreed to, pursuant to Article IX, paragraph 1 of the Constitution,
3 it shall be submitted to the people at the next general election
4 occurring more than 3 months after such final agreement and shall
5 be published at least once in at least one newspaper of each county
6 designated by the President of the Senate and the Speaker of the
7 General Assembly and the Secretary of State, not less than 3
8 months prior to said general election.

1 3. This proposed amendment to the Constitution shall be sub-
2 mitted to the people at said election in the following manner and
3 form:

4 There shall be printed on each official ballot to be used at such
5 general election, the following:

6 a. In every municipality in which voting machines are not used,
7 a legend which shall immediately precede the question, as follows:

8 If you favor the proposition printed below make a cross (X),
9 plus (+) or check (✓) in the square opposite the word "Yes."

- 10 If you are opposed thereto make a cross (X), plus (+) or check
- 11 (✓) in the square opposite the word "No."
- 12 b. In every municipality the following question:

	Yes.	CONSTITUTIONAL AMENDMENT DEDICATION OF TAX REVENUE Shall the amendment to Article VIII, Section II of the Constitution of the State of New Jersey, authorizing the Legislature to enact laws dedicating revenue from any tax for a specific purpose or specific purposes and prohibiting appropriation of any revenues so dedicated for any other purpose, be approved?
	No.	

STATEMENT

This resolution proposes a constitutional amendment authorizing the Legislature to enact laws dedicating revenue from any tax for a specific purpose or specific purposes and provides that any revenue so dedicated shall not be appropriated for any other purpose.

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ASSEMBLYMAN RICHARD VAN WAGNER (Chairman): We are going to begin the public hearing on Assembly Concurrent Resolutions 140 and 141. For those of you who are in the gallery, and those of you who are in the Assembly Chamber, particularly the students who are up there, these two resolutions are a part of the overall tax package that was passed by the Assembly approximately five or six weeks ago in this Chamber. The resolutions relate to the question of dedication.

In the State of New Jersey, the revenues that are raised by virtue of taxation are normally sent to the general treasury. In specific instances we do have revenues that are dedicated to be used for a specific purpose. The Resolutions that you are going to hear discussed today will deal with the question of Constitutional dedication, the question of whether or not the voters in New Jersey should approve or disapprove the dedication of revenues to a specific purpose in this case, educational financing and property tax relief, or the components which make up property tax relief. The testimony that you will be hearing today will be from those who are in favor and from those who may be against.

I am going to introduce the members of the Committee. To my far left is Assemblyman Donald Albanese; on my immediate left is Assemblyman John Dorsey; on my immediate right is the Vice-Chairman of the Committee, Assemblyman Willie Brown; on his right is Assemblyman Charles Yates. We will begin the testimony today with Assemblyman Robert Littell, who is a sponsor of Assembly Concurrent Resolution 140.

ROBERT E. LITTELL: Mr. Chairman, members of the Committee, my name is Robert E. Littell, Assemblyman from the 15th Legislative District. I am here today to release for floor vote, ACR-140. ACR-140 is my Constitutional Amendment which I introduced two years ago, and which I reintroduced this year, which would dedicate all of the revenue from the income tax, or any income tax, to the reduction or offsetting of property taxes. It is very basic, very simple, and very easy for anyone to understand. It says, "No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities, and school districts of this State exclusively for the purpose of reducing or offsetting property taxes."

I came to the conclusion to introduce this legislation because of the survey that I made two years ago when the tax package at that time was being considered by this House, and I did an extensive survey. I not only did a telephone survey, but I considered all of the mail that I had, and then in addition to that, I put ads in the local newspapers to ask citizens of the 15th Legislative District what they wanted and what they didn't want, and after analyzing the results of that poll, I came to the conclusion that the public did not trust any new form of taxation unless it was dedicated, so that it could not go into a general fund, and unless it was tied down to property tax relief. And I found that the people in the District that I represent - and I also had responses from other areas - felt that the Legislature had broken its promise in other taxation, and I am not sure that they are wholly right in that, but the people are of the opinion that they have been bilked before. I say bilked because they go back as far as the establishment of the cigarette tax, at three cents a pack, which is now nineteen cents a pack, and that was taken away from the veterans' exemption, which it was designed for, to be used for education. And then in 1966 we had a 3% sales tax adopted which is now 5%, and that was designed to provide property tax relief, and that was designed to help education.

In 1969 we approved the Constitutional Amendment that allowed a lottery which is dedicated to education and to Institutions and Agencies, and although it provides \$60 million a year, many people feel that it should have all gone to primary and secondary education and not to higher education or to the institutions. Well, that is a matter of judgement, and as you know, in many instances the public is dissatisfied. I am sure you all hear the same comments in your districts, that the public feels they want an ironclad guarantee that this is not going to happen again, and I think that the only way we can provide an ironclad guarantee is to dedicate the revenue from the income tax to property tax reduction, and to that extent, the Legislature would have the power to establish formulas to send the money back to the school districts, to the municipalities, and to the county freeholders, who operate their government, all of which go to make up your local property tax rate.

I think that this is the type of thing that we need to establish credibility. And that may be an overused word in these days, but I really think that it is important that we consider that credibility because the public is certainly entitled to it. Based on those facts, and based on the information before you, I ask you to consider, after your hearing today, releasing this bill for a vote at the earliest possible meeting, hopefully, May 3rd, or May 6th, so that the Assembly can pass this bill and put the onus on the Senate, so that the Senate will know that it is the intention of the Assembly that these funds are dedicated, and they not be used to put money back into the budget to balance the budget by adding back things that were taken out, because I think that can be done in other ways. I think that we all recognize the need for doing some of those things.

But today we are dealing with property tax relief, and so many of our senior citizens, the handicapped and the disabled, are looking for property tax relief so that they can maintain their homes, and live in the homes that they have worked and paid for all their lives.

When we moved away from dedication in 1947, as a result of the Constitutional Convention, we moved away from dedication because they had 14 dedicated funds that had \$15 or \$20 million in them, which was certainly a great deal of money at that time, and they could not be used for other purposes. They were specific dedications, dedications to highways from the receipts of motor vehicle registrations and drivers' licenses and gasoline taxes, and things of that type. This is a general dedication, a dedication of one tax to reduce and offset the overburdening local property tax.

That is the message that I get from the constituents in my district, and I think it would certainly be helpful, if we passed this legislation, to the people of this State. Thank you, sir.

ASSEMBLYMAN VAN WAGNER: We will have the questioning on a left to right basis, and I will withhold any questions I have until last, and probably in most cases the questions that I might have asked will have already been asked by the members of the Committee. Mr. Albanese, any questions?

ASSEMBLYMAN ALBANESE: I will reserve my time for later.

ASSEMBLYMAN VAN WAGNER: Mr. Dorsey.

ASSEMBLYMAN DORSEY: Mr. Littell, I have heard you explain this on a number of occasions before I even came to the Assembly, and I have this problem with it. I think in a way it may be too simplistic and not give the type of ironclad guarantee that you referred to, specifically in the area of not putting money back into the budget. Now, I think it is a good thought. Dedication is a good thought, but I think your amendment and the proposal does not go far enough, as I explained to you on the afternoon of March 15th, in this way: It does not tie in to the budgetary procedures and to the

expenditure procedures, the fact that not only will the income tax be dedicated to county, municipal and school purposes, but that the monies from the other types of revenue sources, which we presently have, such as the lottery and the sales tax, will not be decreased to the extent that they are presently supporting county, municipal, and school type functions.

Now, this is a problem which we have seen occur in the last year or so, and particularly this year with the Governor's submission of a budget, whereby he deleted approximately \$75 million that the state normally funded in teachers' pensions, and he also proposed to reduce the amount of state aid to education, which primarily comes from the sales tax, from approximately \$800 million last year to approximately \$750 million this year. So it seems to me that your amendment, to be complete, and to do what you think should be done, which I am in agreement with, must go further and in some way restrict the Governor, the Legislature, et cetera, from siphoning off revenues which presently come from other revenue sources back into the general operation section of the budget, and see that they too are dedicated to the uses that you are primarily concerned with in ACR-140.

I am wondering whether or not you would consider any amendment to your proposal that would be along those lines?

ASSEMBLYMAN LITTELL: Assemblyman Dorsey, I think you remember that we amended the income tax bill at that time to say that the Governor and the Legislature must in future years appropriate an amount equal to the amount appropriated for education in the fiscal '75-'76 existing school year - and that is part of the income tax bill.

Now to change this dedication which is specifically aimed at the income tax revenue would, in my opinion, not be appropriate. If you want another dedication concept, then there should be a separate bill to dedicate the revenues from wherever they are now coming, to the extent that they not be reduced below the level that they are now at. And that is what you are driving at. I understand your point, but I don't think that belongs in this bill, because this one deals specifically with the income tax.

ASSEMBLYMAN DORSEY: Well, apparently we are partially in agreement. It seems to me that the reason that you want the Constitutional Amendment in the first place is because it binds the Legislature in, so it cannot in effect change one law by any subsequent act, as the courts have now ruled that it can. It seems to me that you are in agreement with the concept that the Legislature should not reduce the amount of State funding for education as was my particular clause amendment to the tax package on the 15th of March; the reason you want a Constitutional Amendment is to prohibit the Legislature from ever feeling free to change that.

My point is that a Constitutional Amendment similar to the amendment that we made to the income tax package belongs here at the same time, so that the Legislature cannot by a future act change what it did in A-1530, or whatever the number of the bill was.

ASSEMBLYMAN LITTELL: Well, I certainly don't disagree with your concept about doing it. I don't think it belongs in this bill, though. I think that ought to be a separate bill, and it should deal with that subject specifically.

ASSEMBLYMAN VAN WAGNER: Mr. Brown.

ASSEMBLYMAN BROWN: No questions.

ASSEMBLYMAN VAN WAGNER: Mr. Yates.

ASSEMBLYMAN YATES: No questions, Mr. Chairman.

ASSEMBLYMAN VAN WAGNER: Mr. Littell, I have supported the concept of dedication myself, and have indicated to you that I supported this concept. There are some questions, though, that I have in my mind relative to the dedication procedure.

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When this - I am assuming you have probably done a lot of backgrounding in this whole area - money from the income tax is dedicated to the purposes that we have specified, i. e. property tax relief, which may encompass a number of areas., what is your understanding in terms of how that money will be applied once it is dedicated and it goes back to a municipality?

ASSEMBLYMAN LITTELL: My understanding of the way it will be applied is it is up to the Legislature from time to time to establish formulas, which is what it says in the bill. Now, we have not dealt with the method of distribution, because there are always needs to change distribution from time to time for certain reasons.

If you go back to the early dedication that we had in this State, you will find that they had a few referendums to transfer funds from dedicated accounts in the depression to welfare and later on for unemployment in the post-war years. I think that those things happen, and you have to have some flexibility. I think this dedication bill gives you that flexibility for the Legislature to act. It doesn't tie you down to a specific purpose other than reducing property taxes, so that I think you have enough latitude in there so that future legislatures are not completely hamstrung, but so that future legislatures and future governors can't take this money and do with it what they please. So that unless they go back to the voters of this state and get approval to do something else, they are locked into a position, and I think that is what the public wants.

ASSEMBLYMAN VAN WAGNER: So the purpose of your specific amendment, then, in terms of dedication would also be to allow enough flexibility, so that the purposes for which the money might be used could be applied against the most critical areas, where it would provide the most relief.

ASSEMBLYMAN LITTELL: Yes, sir, that is correct.

ASSEMBLYMAN VAN WAGNER: I don't have any further questions. Thank you very much. Assemblyman Herman.

M A R T I N A. H E R M A N: Mr. Chairman, and members of the Committee, my name is Martin Herman. I represent the 3rd Legislative District, which encompasses most of Gloucester County, and all of Salem County.

I would like to expand, perhaps, for a moment on the comments of Mr. Littell without unduly stating the general purposes of dedication which he has enunciated so well. I think in accomplishing any particular goals in dedication you really have to arrive at a balance between two concepts: One, the desire of the public for specificity. In other words, you are going to do what you promised you are going to do with the money that you have raised, and of course the ever open need for some flexibility in being able to carry on down the line changes that will be met with the circumstances of the day. In other words, the needs of today may not be the needs of five years from now, and will certainly not be the needs of ten years from now.

In reviewing the concept of dedication, I too have taken a poll - not only this past year - of educators and municipal officials in the District from which I come who have said, along with the public, and who have responded in letters, that they too do not mind a broad-based tax, as long as they can be assured that the money, which is going to be raised, is going to be spent for the purpose which it was raised for. I don't think that really is a limiting concept in just dealing with an income tax. I think if the public has had any broad concern - and again going back to that word - with credibility in government, it is that concern that government from one year to the next does not necessarily follow-up or keep the promises of yesterday.

There is much in our law in regard to dedication. We have specific Constitutional provisions in our law for dedication now. One example would be the sale of riparian land,

the proceeds of which are to go to local education. The profits from the lottery are to go to institutions and state aid for education. This I am getting, by the way, from a pamphlet that was put out a couple of years ago by the New Jersey Taxpayers' Association, dated July 16, 1974, in testimony which they previously gave before the Taxation Committee of that time. That is by no means to infer that the New Jersey Taxpayers' Association is in favor of dedication - which they are not - and, of course, you will hear from them later. They do make some interesting comments which, I think, go to support the overall concept of the dedication amendment which I propose.

It is a very simple, simple sentence, and perhaps the problem with legislation is that we all too often look for a complex solution to what can be simply stated, and this amendment very briefly states, "The Legislature may enact laws dedicating revenue from any tax for a specific purpose or specific purposes and any revenue so dedicated shall not be appropriated for any other purpose."

There are many areas in which we might want to dedicate money. I might point out, as this pamphlet did point out, that there is really a gray area as to whether the law does or does not permit dedication. Some Constitutional scholars say that dedication is prohibited because - as the pamphlet points out - there was an absence of a provision in the Constitutional minutes or suggestions of 1947. Others say that the dedication is permitted by inference, because there was a vote to prohibit dedication, and that vote was defeated. Therefore, while it has been defeated, by inference, if you defeat it, in other words you vote not to prohibit it, therefore as a result the convention agreed that it should be permitted. Of course, there are two conflicting Constitutional views. One, because it didn't get into the minutes, so it is purposely excluded, and the other one by inference, because a motion was defeated, it is included by inference.

Certainly there are many areas, and again I quote from this NJTA pamphlet of 1974, where the Legislature now dedicates funds for specific purposes. I will just mention a few of these, if I may, the unincorporated gross receipts tax still on the books, of course, is up for consideration; public utility gross receipts and franchise taxes to municipalities in which utility personal properties are located, that is a dedication; a portion of the state corporate income tax, insurance and financial business taxes to schools, municipalities and counties is dedicated; the emergency transportation tax and transportation benefits tax for transportational facilities in specially defined areas is a dedicated tax; the fixed percentage of the sales tax revenue from municipalities; the hunting and fishing license fees for administration and development of fish and game resources. These all are items where they are presently dedicated. And one that is not included in the law, but which is familiar to most of us is a pledging of bonds. In all the measures that we voted on in regard to the bonding in the State of New Jersey, there is specific pledging of ad valorem taxes in those particular bills which is dedication. So we have done it in many instances over the years. There are dedication provisions in our statutes, and what I am trying to simply say is that, one, the public expects it, and the public wants the law clarified; two, we can simply clarify it. We can clear up past ambiguities by the inclusion of this simple phrase; three, I think it will encourage better government in that there will be increased trusts and we sure could stand it for some upgrading of that philosophy. We would assure the public that the purposes for which these taxes are being enacted are being followed.

Now, two specific examples come to my mind of recent vintage, and I don't think we have to go back more than a year, and that was when the Division of Motor Vehicles said that they needed more money to keep their operations up, and we increased the registration fees for those purposes, and low and behold there is some proposal this year to abolish

Motor Vehicles. So on the one hand, we have a situation - although maybe not specifically defined in the legislation, perhaps, that is the problem, but at least that was the representation that was made to many of us, that we needed some of that money for --- I believe at least the Majority caucus had the Director of Motor Vehicles come before them and speak on the needs of the Motor Vehicle Division. I don't know whether he spoke before the Minority caucus last year or not, but at least it gave me the impression as a Legislator that those increased registration fees were going to help keep the Division of Motor Vehicles sound and viable, and this year there is a consideration - the whole thing might go by the boards.

Now, going back historically over the needs and the whys and the wherefores of the registration fees, I think that is just one very good example. The other good example that I can think of at least in my mind is the question of the whole controversy we had over the sales tax, and whether that \$25 million that we hassled back and forth over the beginning of this year, as to whether the municipalities were going to get it. And, of course, a lot of people were under the impression that that was pledged money, and that you couldn't take it away, and of course there was a controversy there. We finally, of course, wound up semi-heroes by giving it back, but nevertheless, there was a controversy created by the fact that there was no specific dedication. There was no longstanding assurance to the public and to the municipalities in this instance that what we said we were going to do we would do, and that we would do it with regularity and consistency. The dedication of those funds meant dedication of those funds, and they would get their fair share in accordance with the particular bill.

I think that this will enable the Legislature to put into legislative form the very needed provision in certain instances that when you raise new money in certain areas that are for specific purposes, that we will say that. Because I very much believe that when a need for a tax is finished, if we say we have been raising money, for instance, out of the Motor Vehicle Division from registration fees to enable our motor vehicle inspectors and other such programs to exist, that when we raise that money for a specific purpose, and that specific purpose no longer exists, it is no longer a viable concept, then we ought to have the courage to abolish that tax, not take that money and shift it somewhere without the public knowing, - doing through the back door what we should be doing through the front door. Because if we feel in the future that the need changes, that for instance we ought to raise motor vehicle money to spend in the Department of Institutions and Agencies, or we ought to raise motor vehicle fees to throw into the general revenue to cover general State operating revenues, then we ought to have the courage to say so. That is one of the biggest fallacies of our present laws when we raise some of these funds, because we raise them for specific purposes, and we don't have the courage to tell the public that that purpose is no longer viable in our minds, and therefore we are just letting these funds lapse and throwing them into the general fund.

In summary, I believe that this bill does have specificity. It also has the flexibility for future years, because I think in answer to Mr. Dorsey's question that he raised with Mr. Littell - well, how about some of these other monies that perhaps should be used to a certain degree, or not used, that could be covered under a general dedication amendment, giving the Legislature its greatest flexibility in determining present and future needs and changing those needs as the situation warrants. And, again, it will clear up what is in the minds of many - a very ongoing controversy as to whether it is permitted or not. As I have noted, we have already dedicated funds in a number of statutes, so we ought to have the courage to say so, and give the public the right to do so, and see it in legislation.

I would like to answer two or three criticisms that may be raised again, in advance, if you will so permit me. I know the League of Women Voters is here, and I have the advantage of their past pamphlet of June, 1974. I assume that some of the arguments that were raised there may be raised again, and I would like perhaps to answer some of those criticisms. It was just not aimed at my bill, but at all dedication bills. One of the criticisms is that dedication hampers sound fiscal management and that the yield of a given tax seldom matches the purpose for which it was dedicated.

I believe under a Constitutional Amendment such as mine that that criticism is not a very valid one, because I think the Legislature maintains a great flexibility in adopting legislation. In gearing it - perhaps, if they dedicated only 50% or 75% of the money, whatever, you maintain that type of flexibility, or you don't have to dedicate funds at all under any new revenue raiser. The amendment just says that you have the right to do so, so that criticism, I think, is very substantially answered.

Of course, again, one of the criticisms is that earmarking infringes on the policy making powers of the executive and legislative, and removes governmental activities in periodic review and control. I think just the opposite is true. I think, in essence, it puts the public into an overview situation, and it basically fulfills a promise of government that the public will be assured that what you raise money for, you use it for, and again, the Legislature always has the prerogative to abolish the tax, if the use is no longer there, and can establish a new piece of legislation. That, of course, takes a little bit of courage, and that is something that the public is entitled to expect.

There is one other criticism, and on this I will truly end. It says, "Once dedication is allowed, pressures increase from lobby and special interest groups to dedicate a tax for their pet program." I think that you have less likely opportunity under this situation, because it is right out front; you see where the money is going, rather than the budgetary process itself where obviously --- Mr. Yates, do I understand that there are 500 or 600 Resolutions now to amend the appropriation process now in Committee? And certainly, with all due respect for the appropriation process, there certainly is more opportunity to slip one by for a special interest on amendment - not that Mr. Yates would permit it, but all of us, you know, are subject to human fallacies and failings --- So I think that as far as special pet projects, you have an opportunity to dip one in on a budget amendment more so than you would if you had to spell it out and set it out front.

I thank you for your time. I will answer any questions if any of you gentlemen so desire to ask one.

ASSEMBLYMAN BROWN: Thank you, Assemblyman Herman. I will now entertain questions to my left, Assemblyman Albanese.

ASSEMBLYMAN ALBANESE: Yes. Assemblyman Herman, this is for my own clarity, because we do have two amendments to the Constitution today. In other words, your amendment is to dedicate allowing the Legislature, in effect, to do what they are doing, which is in question, to dedicate all tax revenue.

ASSEMBLYMAN HERMAN: If they so desire. It does not conflict with Assemblyman Littell's bill. What it does is puts in the Constitution what has obviously been a past practice and will clarify -- of course, there are a number of bills already on the books which dedicate revenues, but for which one administration to another says, "Well, we don't have to. There is no dedication amendment in the Constitution. We don't have to honor that previous commitment. We can take those monies as we pick and choose and perhaps shift them around." What I am saying is, let's do what we have been doing, but do it in a fashion which eliminates any question.

ASSEMBLYMAN ALBANESE: Well, that is the question I was getting to. Is there

a duplication, or is there a conflict here with ACR-140?

ASSEMBLYMAN HERMAN: No; no, there is no duplication, and there is no conflict.

ASSEMBLYMAN ALBANESE: Thank you.

ASSEMBLYMAN DORSEY: Of course, your amendment doesn't specifically dedicate any particular fund. It is just enabling-type legislation, and it would also mean that if a Legislature in '78 dedicated a particular fund, in '79 it could wipe that dedication off.

ASSEMBLYMAN HERMAN: Yes, but they would have to do so specifically.

ASSEMBLYMAN DORSEY: But they could.

ASSEMBLYMAN HERMAN: They possibly could, yes. But, you know, that again is the quest for the balance between specificity and flexibility. What we have been doing is doing a lot of that through the back door. I think that there is an interesting question. For instance, if you were to say - with the sales tax, if I can use it as an example - that 25% of those revenues were pledged to the municipalities, actually pledged, I think you would have one hell of a problem, if you said it is pledged for five years, ten years or ad infinitum, overcoming that vested rate, as a matter of law, that the municipalities had, which now some Constitutional scholars and some people certainly from the front office had question about, as to whether you have to honor that commitment of a past legislature. It would require another legislature to take a specific action, and I think putting it out front would require a new legislature to tell them that we don't believe that that commitment is a valid one, and I think they would have to stand up rather than do it through the back door.

ASSEMBLYMAN BROWN: Assemblyman Yates, do you have any questions?

ASSEMBLYMAN YATES: Thank you, Mr. Chairman. Assemblyman Herman, let's just assume for a moment that this were to be passed and adopted by the public and it became part of the Constitution. And imagining that future time where this is now the law of the land, can you imagine any tax or any increase of any tax ever being adopted other than with some specific dedication? Wouldn't this inevitably result in --- For example, when Medicaid needs \$4.7 million to bail out the crutches program or something, that whatever the source was for - let's say it was a quarter of a point on the business personal property tax, or it was an eighth of a cent on cigarettes or something - that little piece, it would almost inevitably, knowing the legislative process, wind up being dedicated.

ASSEMBLYMAN HERMAN: Well, I think it is supposition, but it certainly is a possibility.

ASSEMBLYMAN YATES: Well, let me ask you this: Can you imagine anyone proposing a tax without proposing its accompanying dedication? Do we just say we need this because we need it? We are not going to tell you specifically what it is to be used for? As soon as he tells you specifically what, then he is going to, in effect, be opening the door for someone else to say, "Well, prove to me you are only going to use it for that, and I will accept it." In other words, dedicate it.

ASSEMBLYMAN HERMAN: Well, let me answer that, if I may. I think that the general appropriation which the Legislature goes through every year - which is the primary appropriation - is not suspect to that type of pressure. I think you have a question of raising primary dollars and spending primary dollars. But I think where it is going to come into play is in new programs.

Now, there certainly has been a large tendency in past legislatures to take surpluses, just because the Legislature has had surpluses, or the State has had surpluses and pound that money into new programs without any consideration as to how that money or those programs were to be covered in future years.

ASSEMBLYMAN YATES: Can I interrupt you?

ASSEMBLYMAN HERMAN: Yes.

ASSEMBLYMAN YATES: Are you suggesting that this would change that? There is nothing in here that says we can't fund a new program out of some surplus we find.

ASSEMBLYMAN HERMAN: No, I am not saying that.

ASSEMBLYMAN YATES: How is this pertinent?

ASSEMBLYMAN HERMAN: What I am saying to you is that I think if you had dedication of funds, in my opinion anyway, that it would be less likely that we would take money that we have in surplus and pledge it to new programs without knowing, down the line, where that money is going to come from in the future.

I think a good example of what we did with money - and I wasn't around when we did it. Let me put that on the record right here - was when a certain portion of the Cahill surplus was taken and pledged to school aid with no consideration as to whether those particular dollars and the funding of that formula would be around tomorrow. As I said, we did it last year. In my opinion we did it last year with Motor Vehicles. Maybe you have a different impression as to why registration fees were raised. That, at least, was my impression. I knew that at least if it was spelled out in a particular bill, I would know what I was voting for. And perhaps, Mr. Yates, we just have a difference in philosophy, because I believe that perhaps some legislators would not vote for a particular tax if they didn't believe that the money was going to be spent there. I think their integrity is in question, too, for future generations.

ASSEMBLYMAN YATES: You are making my point. That is point number one that I wanted to make, and I think you just wound up agreeing with me on that point which is basically this: If this became the law of the land, virtually any tax increase ever proposed for any purpose would almost automatically be proposed in the dedicated form, because it would add one more item of, shall we say, certainty to the public, or whatever you want to call it. I contend that the impact of this would be that you would see every piece of new tax legislation dedicated. It is very, very unlikely that anyone would ever propose a tax then without having that dedication. That is my number one point.

The number two point is, you don't, I presume, propose to go back and dedicate all previous taxes already existing ---

ASSEMBLYMAN HERMAN: No.

ASSEMBLYMAN YATES: Well, then, wouldn't you still have occasional surpluses that could be applied to new programs?

ASSEMBLYMAN HERMAN: That's true.

ASSEMBLYMAN YATES: So it doesn't really change that, it seems to me.

ASSEMBLYMAN HERMAN: No, it doesn't. It perhaps just changes the manner in which we may spend total dollars.

ASSEMBLYMAN YATES: The third point I wanted to make is, you made reference to the sales tax distribution, and I think you referred, without mentioning it, to the replacement tax distribution, which was dedicated. Would this legislation change that at all? Weren't those taxes in fact dedicated?

ASSEMBLYMAN HERMAN: No, this legislation won't change it. It may give it legitimacy. It may eliminate the question marks that have existed, under the current administration, as to whether they could take those same funds and divert them rather than distribute them.

ASSEMBLYMAN YATES: Well, except that it is clear that they could, even if you had it dedicated by the Legislature. Aren't all bills in the Legislature subject to appropriation? In fact, the replacement taxes were dedicated. The law said -- there was

a law adopted by the Legislature which said they would dedicate it, yet we didn't send it out.

ASSEMBLYMAN HERMAN: I disagree with you in one respect, and that is, of course, all funds for distribution are subject to receipt and ability to have those funds. However, the difference in the comment that you raised and the difference between dedicated funds in those instances is certainly that that fund would be segregated and at least that 25% would come off the top first. The municipalities would get theirs, and then the State would get the balance. Where, under your example ---

ASSEMBLYMAN YATES: You are suggesting somehow or other that that 25% doesn't go through the appropriations process. I will point out to you that all dedicated funds, even bond monies, which are very specifically dedicated, are appropriated. We pass legislation to appropriate them. So what I am saying is we have dedication.

For example, the sales tax, 10% not to exceed \$25 million, it was dedicated. The first year that came along that we didn't feel like putting it up, we didn't put it up. We didn't break any law, because our Appropriations Act, in effect, annuls previous dedication.

ASSEMBLYMAN HERMAN: Okay, that is exactly what I am saying.

ASSEMBLYMAN YATES: I am saying your legislation doesn't change that. Tell me how it changes that.

ASSEMBLYMAN HERMAN: I disagree with you, because I feel that under those given circumstances where the Constitutional Amendment will be spelled out in the Constitution, that once you enact legislation subject to that dedication, that the repeal cannot be inferential. It must be specific.

ASSEMBLYMAN YATES: That is not what is in your legislation.

ASSEMBLYMAN HERMAN: Well, we perhaps have a difference of view.

ASSEMBLYMAN YATES: Perhaps. That about exhausts my objections to this.

ASSEMBLYMAN HERMAN: Do you have any comments in favor of it?

ASSEMBLYMAN YATES: Perhaps I could make a comment. If you compare this piece of legislation to the Littell piece, I see this as impossible in terms of what it would do to the State. Again, if we look fifteen years down the road, we would have to identify every tax that had been adjusted in the meantime, which tenth of a cent went for what purpose, and in the Littell case, we are doing a different thing. We are taking only one specific category of revenue source, and what we are saying is it shall be used for property tax relief or offset only. I think that as a policy makes sense to say as a policy in the Constitution.

But this other would virtually have -- we would eventually wind up with the weirdest crazy quilt of which percent of what tax is for which particular little add on to which project. I really think it would, in the longrun, become a hopeless morass of cross-dedications - these two cents are for this, but the next two cents are for that. This two cents is raising too much money, but that two cents is needing more money, and it winds up -- I think, ultimately, the Legislature would have to abandon it after five or ten years of living with it.

ASSEMBLYMAN HERMAN: We have a disagreement. I won't, again, push those reasons, but I do think that you have a situation here, Mr. Yates, where the actual legislation can be changed by specific legislation. I think I have a little more confidence in the legislative process than you do. Of course, you have been here two more years than I.

ASSEMBLYMAN YATES: I was also sponsor of the bill that undedicated the sales tax monies, because that year there was no choice. We had to do that, and it was done. I think you will find that previous legislative dedications have no more significance than that, and this wouldn't change it. It would just mean that when things came to the

crunch, we undedicated it, and did it by legislation. I think that is another key difference with the Littell bill. That dedication cannot be undone by the will of the Legislature. That represents a real guarantee to the public. This, I think, is kind of ---

ASSEMBLYMAN HERMAN: Of course, the public has no confidence in the legislative process, and that is why I think this bill will restore some.

ASSEMBLYMAN VAN WAGNER: I suppose at this point, Mr. Herman, we should thank you for your dedication. Are there any further questions? I would like to thank you for coming down and testifying on behalf of your Resolution.

I would ask deference to, I guess, the next three people who have scheduled themselves to give testimony. I see we had also originally scheduled Senator Dumont earlier, and the Senator has arrived now, and I would like to call on Senator Dumont, please.

WAYNE DUMONT, JR. : Thank you very much, Mr. Chairman, members of the Assembly Taxation Committee and Mr. Deardorff. I came this morning not realizing - and this is my ignorance - that you have two Resolutions for a hearing. I listened to Assemblyman Herman's comments about his Resolution, and I am familiar with Assemblyman Littell's Resolution. I would like to make a couple of comments about each of them, as I understand the concept of them, at any rate.

First of all, let me say that I have never been for dedication before. I may not support it again in the future. I am going to support it in the case of the dedication of the proceeds of any income tax that passes, and I hope one passes, and soon as far as that goes.

There are various ways you can dedicate by Constitutional Amendment, and I think we ought to be very careful of how much dedication we allow in that respect. First of all, I have the feeling, and I have always had it, that the people who drafted the Constitution under which we operate, who assembled in New Brunswick in the summer of 1947, did a very commendable job, in that when they prohibited dedication, basically they were right.

Perhaps the most prominent example in the years that I have served here, in any event - and that was before the day of mass transportation - was the fact that the Citizens' Committee on Highway Funds always wanted to dedicate all the highway user funds to the construction of roads. We might today very well have the best highways in the nation, had that been done. We don't have the best highways in the nation, unfortunately. But everything else, if we had roads, would have been suffering badly in the meantime, because by using some of the highway user funds, by applying them to other areas of government, we have actually made it possible to operate the State government without a great many more taxes at the State level; or variations, I suppose, of taxes, because we listened to all the variations over the years, and have rejected some, and have adopted others. In addition to which I think the argument or one of the arguments I heard Assemblyman Herman make that he attributed to the League of Women Voters is a valid argument. If you dedicate one tax for one purpose, pretty soon you would be besieged with people who have a particular preference because of the type of legislation in which they are interested, the type of expenditures in which they are interested, and coming in and asking for dedication in respect to their objectives as well.

This is why I could not support, although I understand the concept of, Assemblyman Herman's Resolution. I cannot support that concept because I don't think the Legislature should ever have that much flexibility in terms of expenditures.

We have done some dedicating, as he pointed out, that is true - in the Lottery, to institutions and education; in the fish and game fees, to the propagation of fish and game; and a few other examples but they have been few and far between. Of course, he is correct about the riparian rights because whenever that land is sold, the money has to be used for education.

But, I don't think it wise for the Legislature to have flexibility of the type that would be given to it in a general question. I doubt very much, frankly, if such a question were submitted to the people, that they would approve of it on the ballot.

But, in the case of the dedication of the proceeds of any income tax - and several of us have different approaches in - I have a Resolution of my own in, which I think is SCR-54, which would dedicate all of the proceeds to the support of simply the elementary and secondary public schools, recognizing that that is by far the heaviest drain on the property tax. On the average, at least 70% or more of the property tax dollar goes to the support of public schools.

On the other hand, I could just as readily - perhaps even more so - support Assemblyman Littell's Resolution which I believe is the same as the one that he had in in the previous two year session, which would dedicate - is it 80% of the proceeds or all of it?

ASSEMBLYMAN VAN WAGNER: One hundred percent.

SENATOR DUMONT: One hundred percent, okay. Well, I think that makes it better because I know last year he amended it to 80% at one point. But 100% to direct alleviation of the property tax load, since all the money would be required to go back to either the counties or the municipalities or the school districts - in fact, inclusive of all three of them - is a good Resolution and I can readily support it believing that, as I do, for the first time with respect to dedication, the people desire some input in respect to what would happen to the proceeds of a new tax. They want to be certain that it is not just going to go into the general fund - or the proceeds are not going to go into the general fund, but, rather, they would be, in truth, used for property tax reduction. They want to be certain, as I think many of us tell school boards, and all the educational groups - not just the School Boards Association - that this new source of revenue, in the event it passes, is not intended just for higher salaries, or more jobs, but is intended to be a real relief to property owners by decreasing the dependency that now is being exerted in an increasing degree upon the property tax for school costs.

As I said before, I commend you, gentlemen, for the type of program you worked out on March 15th and I hope that in the main it can pass the Senate, particularly with respect to the school costs that have to be met under the school funding legislation, Chapter 212 of the Laws of 1975. Frankly, I am not concerned about what the New Jersey Supreme Court has been saying. I would be very concerned if that court should come along and try to interpose its own solution, which it will do unless the Senate acts fairly promptly to provide the increased aid that is necessary under Chapter 212, because that we must do by the 1st of July. The second thing we have to do is to implement the main thrust of Public Question #1, from November 4, 1975, which was designed to give the Legislature some flexibility in regard to providing more tax relief for senior citizens and the disabled, be they property owners or rent payers.

What you did in providing for expanding the homestead exemption and providing

revenue sharing are both good things. The main thing, of course, that we have to determine is whether the revenues will support the expenditures because if they won't then something has to give in view of the Constitutional requirement that we balance our budgets.

So, the question here then is to provide the school aid and to implement at least the main purpose of Public Question #1 of last Fall and, at the same time, I think the people - in providing their input through their vote in next November's general election for an amendment to the Constitution which would permit dedication in this one instance - would feel greater confidence in state government than presently exists. That is something we certainly ought to encourage on their part and do everything we can to bring it about.

So, for this time, and this may be the only time, I am for dedication because I think it is important to the people that they have the opportunity to vote on it and to do something about it. My guess is that they will overwhelmingly support, by their votes, anything that would make it possible to make certain that these proceeds would go to relief of the property tax. Whether it be done in general relief, applying it to all three objectives to which the property tax is now devoted - counties, municipalities, and school districts - or whether it be done with the school districts alone - obviously if it were done that way it would still grant a considerable amount of property tax relief since that is the heaviest drawing power on the property tax - I think we must do this. I hope that you will see fit to pass, not only through your committee but in the Assembly, what Assemblyman Littell is trying to accomplish here. I assure you I will give it full support in the Senate, even though I have a slightly different Resolution in, which I am endeavoring to get out of the Senate Judiciary Committee.

That is really all I have to say on the subject this morning. I appreciate the opportunity to speak here.

ASSEMBLYMAN VAN WAGNER: Thank you, Senator. Mr. Albanese.

ASSEMBLYMAN ALBANESE: I just want to thank the Senator for coming. He is the Senator from our District. I have no comments.

SENATOR DUMONT: Thank you very much.

ASSEMBLYMAN VAN WAGNER: Mr. Dorsey.

ASSEMBLYMAN DORSEY: Senator Dumont, the last time we were debating together you were most disturbed with the Governor's proposal in the budget to delete \$75 million for pensions - state teachers' pensions - do you recall that?

SENATOR DUMONT: Oh, you mean the idea of providing 25% of the cost of contribution to the Teachers' Pension and Annuity Fund by the local boards of education?

ASSEMBLYMAN DORSEY: Yes, rather than by the State.

SENATOR DUMONT: Well, I am disturbed by that, yes.

ASSEMBLYMAN DORSEY: I think you were also disturbed by the fact that there was a decrease in the amount of the proposed budget which would go to state aid for education from last year.

SENATOR DUMONT: That's correct.

ASSEMBLYMAN DORSEY: If you are now in favor of dedication - at least for this one moment - that would dedicate as Assemblyman Littell has proposed, could you also support a proposal which would, in some way, constitutionally prohibit the siphoning off of revenues which have traditionally been dedicated to educational aid or to teachers' pensions? Because when they are siphoned off, as in the case with the teachers' pension, we have an increase in the local real property tax and a diminution in the good effects that an income tax and those revenues might have towards real property tax relief.

SENATOR DUMONT: Well, I am not sure exactly how you mean the siphoning off. Let me explain what my point is on this. In the first place, it is not \$75 million, it is \$54 million that the Governor's proposal would have cost the school districts - one-quarter of the total contribution to the Teachers' Pension and Annuity Fund which in the next fiscal year is supposed to be between \$215 million and \$216 million. I think that is wrong because for more than 20 years now the State Treasury has made all of the contribution to the Teachers' Pension and Annuity Fund, none of it coming out of the local boards of education.

I think this is particularly bad when you are cutting state aid to school districts to compound the felony by simply saying we are going to add to that cut another increase that you are going to have to finance. This is what I think is bad about it. Of course, I have bills in, which have cleared the Senate Education Committee but I am not optimistic, necessarily, about their clearing the Revenue and Finance Committee of the Senate, which would restore \$7 million to the school districts in this year - the present school year - for save harmless construction funds and \$27 million - the other bill was reduced from \$35 million to \$27 million, roughly - for minimum aid. Those monies were promised by the state government, more than 18 months ago, to the school boards for this school year and they were included in the balloting that went on in March of 1975 on school district budgets, for this school year. I think it is wrong when the state government breaks a commitment. That can hardly be the way to restore the confidence of the people in the word of state government.

But, I don't think there would be any siphoning off because you have to remember that the \$378 million is only enough to cover the state aid for the next school year. The following school year, beginning July 1, 1977, the state aid, to get us up to 40% of the total cost of public schools instead of the 28% or 29% we are at now, will cost over \$470 million and the third year, beginning July 1, 1978, will cost over \$500 million to keep us at 40%.

ASSEMBLYMAN DORSEY: But when you say, "will cost" and you use those additional figures of \$400 million and \$500 million, those are figures above and beyond what is assumed will come from other revenue sources to support education in the state, from the State, right?

SENATOR DUMONT: Well, we can't, obviously, cut state aid as it now exists, which is, roughly-- Last year it was \$812 million, in the last school year. This year it is about \$750 million. As proposed -- I shouldn't say this school year it is \$750 million, it is somewhat more than that. But, in the Budget Message delivered to us by the Governor in February, for the next school year it will be about \$750 million and that is where we get the \$378 million additional that we need.

ASSEMBLYMAN DORSEY: All right. That is what I am trying to say. You don't understand. My term "siphoning off" is not the decreasing of the amount of state aid from the existing sources from - you know the figures better than anyone else - \$812 to \$754 - whatever it may be. That is where I mean to apply the label "siphoning off." It is siphoning off the funds which are already - to use your term - pledged to real property tax relief. It has that effect, doesn't it?

SENATOR DUMONT: I know what you are driving at but, at the same time, I don't think that a majority of the people in either House are going to vote for budgets that are going to reduce state aid when we know we must increase it if we are going to have any property tax relief. I have worked on all of the state aid programs that we have had since the middle 1950's. I sponsored one that lasted for 16 years.

What I am concerned about and what I was concerned about then-- When we provided - it seems like a ridiculous figure now, as I look back upon it - a \$30 million increase in state aid in the school year beginning July 1, 1955, we thought that was a lot of

money at that time, which it was, but at the same time, if you don't increase the state aid-- And the reason why the property taxes in New Jersey are so high is a very simple one - because the state aid to school districts is so low, more than 15% below the national average of the states.

So, here we are trying to get up to a modest point of 40%, which would still leave us 5% below the national average and that is where the additional cost comes in and I would have to-- I know what you are bothered about: Whether the existing amounts of money could be reduced over the years. I would hope that a majority of the Legislature in both Houses would always resist that. I don't think we ought to prohibit dedication in this instance because of the possibility of running that chance. Something has to be done with those additional sources if a new tax does pass.

ASSEMBLYMAN DORSEY: I am not suggesting not to have dedication in this instance because of those possibilities. I am suggesting a more specific dedication to prohibit that. And, as a matter of fact, was it not last year that a majority in both Houses apparently approved to wipe out a certain amount of aid to municipalities which had been an on-going process for a good number of years? So, the possibility does exist that a majority in both Houses may approve a decrease in the state aid to counties, municipalities, and the school districts when they have, at a particular time, another program that they want to fund. It certainly has happened.

SENATOR DUMONT: However, the Legislature and the sources of revenue that were passed last summer-- I voted against four out of five of those sources. The only reason I did is because I am for broadening the tax base in this instance. I think those temporary band aids were probably some of the worst pieces of tax legislation, particularly the capital gains and unearned income tax, that I have ever seen here. This is what happens because we wound up, finally, \$62 million short of what the budget should have been. It should have been-- You remember the Governor said there was a \$384 million gap between the revenues and the expenditures. We agreed that there could be \$25 million taken out of that that was not particularly necessary and could be deferred into the future and, perhaps, never done. That brought it down to \$359 million. The Legislative Office of Fiscal Affairs found what they believed was another \$30 million. The Treasurer's office did not necessarily agree with them but we chose to go along with our own advisors, which would have reduced the gap to \$329 million. But, then, when these five additional revenues were passed last summer, we were still \$62 million short of that \$329 million. This is why the state aid was cut. Because when the budget goes down, since half of it is state aid anyway, - almost half of it - then, of course, there is a decrease in the aid to the school districts, even though that had been promised to the school districts.

ASSEMBLYMAN DORSEY: Thank you, Senator.

ASSEMBLYMAN VAN WAGNER: Are there any further questions?

(no questions)

Thank you very much, Senator.

SENATOR DUMONT: Thank you very much, gentlemen. I appreciate this opportunity to be with you.

ASSEMBLYMAN VAN WAGNER: I see Assemblyman Weidel. Would you like to testify, sir?

A S S E M B L Y M A N K A R L W E I D E L: I represent District 14 and I would like to testify in favor of this Resolution to dedicate taxes.

I would like to relate an experience that I have had since my vote for the income tax. I have to say, in deference to the people in my District, that they don't understand.

Many of my calls and many of my personal contacts have been with people to whom I have to say, "I am sorry, but you don't understand what we in the Legislature did." They then get off on their pet peeves. "I am tired of building highways that go no place." I say, "This doesn't go to highways." "I am tired of giving people in state government expensive jobs." I say, "This doesn't go for expensive jobs in state government." "I am tired of expanding our educational system in higher education and I don't think we should have a tuition increase." I say, "This is not going to not give you a tuition increase." I say, "All these things have to be worked out" and they look and they get frustrated and they say, "Well, just what does this tax do?" And I say, "This tax, as passed by the Legislature, goes back to the local municipalities, number one, and, number two, it provides the relief which you, as a voter, passed on the ballot the last time, giving additional relief to our senior citizens and our disabled people."

They then look kind of frustrated and they say, "Really?" and I say, "Yes, you just don't understand what we are trying to do. I don't know whether that is our fault or your fault. This will provide property tax relief." I notice then that a great majority of the people have a different attitude when it is explained to them.

I think that the dedication has come more and more to the fore because the word dedication is being used and they are beginning to rely more on what we are saying. And we try to prove to them that we mean what we are doing in that this program, as passed by the Assembly - if not changed too much by the Senate, and if it comes back and it becomes law and it is signed by the Governor - will, in fact, dedicate the tax to that which the people in our District and, I think, throughout the State, want.

So, I was on Assemblyman Littell's last Resolution during the last session and I am co-sponsor again this session and I wholeheartedly agree that what we should do is make provisions for property tax relief and do so with our dedication.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Weidel.

ASSEMBLYMAN WEIDEL: Thank you, gentlemen.

ASSEMBLYMAN VAN WAGNER: I would like to call on Mr. Cable Spence of the New Jersey Farm Bureau.

C A B L E S P E N C E: Thank you very much, Mr. Chairman. I have a brief statement.

We are concerned about property taxes. We would like to think we are more concerned than probably some others because farmers are particularly under great pressure since we do have a status which is not very popular, and that is that we are paying the highest taxes on farmland in the nation. This puts us in an extremely uncompetitive position.

We also find that we are looking at a situation throughout the State where processors are leaving. A lot of this is due to antiquated equipment, etc., but we do find that taxes and unnecessary regulations are giving farmers a very hard time.

Mr. Van Wagner, members of the panel, ladies and gentlemen. My name is Cable Spence. I am the Secretary of New Jersey Farm Bureau.

I appear here today on behalf of New Jersey Farm Bureau, a non-profit, voluntary association of over 4,000 farm families in 20 counties, including farmers engaged in every type of agricultural production found in New Jersey.

Farmers in New Jersey have the misfortune of being the highest taxed in the nation. Even with the Farmland Assessment Act of 1964, our member farmers have been unable to escape this unsought status. Because farmers want to farm and because New Jersey farmers, in particular, have been able to make maximum use of a minimum of land, and because the citizens of New Jersey voted overwhelmingly in 1963 to provide a means to preserve farmland and open space, farming has been allowed to continue in the Garden State.

This does not mean that the future of farming in New Jersey is secure. There are constant attempts to alter the Farmland Assessment Act to the detriment of the farmer.

Because New Jersey is so highly urbanized, any amount of open space is extremely visible, especially cultivated fields. Those who do not understand the economics of farming see this open space as a target for additional revenue and continue their attempts to undermine the method of taxation which was designed to permit taxpaying open space to remain intact.

Land is a premium in New Jersey and will remain so for years to come. Furthermore, who has more land under private ownership than farmers at this point in time? As long as the property tax is the base revenue in this State, the threat of losing valuable farmland and the remaining open space will stay constant.

It is obvious to all, I am sure, that farmers need many things to successfully grow food in sufficient quality and quantity to feed us all. But the basic requirement is land. Without land there can be no farms. History has shown quite clearly that, while the property tax is predominant, this land must be taxed under a more pertinent set of guidelines if it is to stay productive farmland. Yet, with fiscal shortfalls at local and State levels, farmers continue to have a Damoclean Sword hanging over their heads, threatening them with the loss of their basic survival tool, the Farmland Assessment Act.

Farmers are not alone in this situation. Every property owner in the State has reached the point where individual and corporate property taxes are inconsistent with continued and future ability to pay. A new method of basic taxation must be adopted.

I quote to you now from the Farm Bureau Policy voted on by the voting delegates: "New Jersey's need for real tax reform continues as a top priority. Since New Jersey farmers already pay the highest tax on farmland in the United States, and since the very basis of farming is the land upon which it is conducted, we oppose so called tax reform that will add to property taxes.

"Farm Bureau will continue to support a tax reform package designed to (1) reduce expenditures or bring them under better control; (2) provide for a balanced system of taxation, fair to all segments of the economy; and (3) based primarily on the ability to pay."

If I might step aside for just a moment, Mr. Chairman, the Farm Bureau did support the basic tax package that the Assembly passed and we did it for those very reasons.

Farm Bureau policy requires that any new tax approach must include tax reforms, including relief from the oppressive property tax.

The revenue-sharing concept proposed by Assemblyman Littell seems to be consistent with our policy in that it offers an approach that calls for dedication of any personal income tax toward reducing property taxes. It also offers a redistribution system that takes into consideration the needs of municipal, county and state needs. Additionally, the problem of school financing seems to be met adequately.

Farm Bureau supports the Revenue Sharing concept of ACR-140 and the effort to have the role our citizens would have in making the final decision.

I have other comments, Mr. Chairman, but the hour is late and I will withdraw those, unless you have questions.

ASSEMBLYMAN VAN WAGNER: Mr. Spence, I would like to take the opportunity, as Chairman of the Assembly Committee on Taxation, to thank you and the Farm Bureau for their support of our work. I would also like to take the opportunity to thank you for coming here today and indicating to us your concerns about the significant impact of the property tax, particularly on farmers.

Is there any indication, in your opinion and in your research, of what the impact would be if the pressure - so to speak - were taken off the property tax, in terms of the ability to preserve farmland throughout the State, which I understand are disappearing at a substantial rates each year?

MR. SPENCE: I think the best way to answer your question would be simply this way: Any method that can be used to take the pressure off the property tax and thereby enable the farmer to be in a better competitive position with his surrounding states -- For example, you have property taxes in Pennsylvania, Delaware, North Carolina, South Carolina, of somewhere in the neighborhood of \$8 to \$10 per acre, maximum. Here we are talking about a property tax somewhere in the neighborhood of \$30 per acre in New Jersey.

Now, were it not for the fact that New Jersey farmers, in our opinion, are the best in the world-- They have had to be to survive, let's face it. They have absolutely had to be. If you look at the plethora of rules and regulations that are constantly being forced on them, it is amazing that most of them are still here. But they are darn good farmers and they are darn good businessmen.

Yes, the property tax relief, number one, would take the development pressure off the farmer. It would give him an incentive to stay in farming. Bills like A-1334 - the need for that kind of thing - might be reduced in some fashion. I am not saying we don't need a preservation project. I don't mean it in that sense but the need for creating those kinds of things might be reduced if the farmer were in a competitive position.

ASSEMBLYMAN VAN WAGNER: So, you feel that the issue of property tax reform goes further than just providing overall property tax relief, but in essence may be perhaps an economic saving grace?

MR. SPENCE: Absolutely. You have 18,000 acres sitting in South Jersey now. With Seabrook gone, nobody knows what they are going to do with it.

ASSEMBLYMAN VAN WAGNER: Mr. Yates.

ASSEMBLYMAN YATES: Mr. Spence, your remarks bring me to wonder about the degree to which property tax impacts on farming as an industry as opposed to other forms of state tax. Do I correctly gather from what you have to say that property tax is the largest tax burden?

MR. SPENCE: I would say it is the largest tax burden the individual farmer faces, yes. I am not saying that the other taxes aren't important.

ASSEMBLYMAN YATES: But that is the big one?

MR. SPENCE: That is a major factor. There is no question about it. And every year when it goes up and up and up, you are placing them in more and more of an uncompetitive position, yes.

ASSEMBLYMAN YATES: And while your farmland assessment limits the amount of the assessment of the property, even at that lower amount it means that whatever the local rate is, you pay that local rate?

MR. SPENCE: Exactly.

ASSEMBLYMAN YATES: If it goes up 10%, you have to pay it.

MR. SPENCE: It goes up accordingly, yes.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Spence.

MR. SPENCE: Thank you.

ASSEMBLYMAN VAN WAGNER: We have now, I believe, the Assembly Minority Leader, Assemblyman Kean.

ASSEMBLYMAN THOMAS KEAN: Mr. Chairman, thank you very much for this opportunity. I will be very, very brief.

I support this amendment. I support the idea of constitutional dedication. I didn't used to feel this way but it has become my feeling that the public is so disillusioned at this point and they believe so little of what we say - anybody in government - that it has become important to give the public much more and give them more assurances than they have ever had to have before that we mean what we say. If we talk about passing a tax for property tax relief, then we have to, I'm afraid, no more just say that but from now on we have to actually write that kind of thing into the Constitution.

So, very briefly really, I just wanted to make a statement to that effect. For those reasons, I do support this amendment.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Kean. Are there any questions?

ASSEMBLYMAN YATES: Mr. Chairman, I have just one minor point. We are discussing two amendments. I think the record should reflect that you are referring to Assemblyman Littell's amendment?

ASSEMBLYMAN KEAN: That's correct.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Kean. Mr. Frank Haines of the New Jersey Taxpayers Association.

FRANK HAINES: Mr. Chairman, members of the Assembly Taxation Committee, my name is Frank Haines. I am Executive Director of the New Jersey Taxpayers Association.

The Association's views on constitutional dedication of revenue, I think, are well known to you. We had an opportunity to discuss, informally, in some of your early deliberations, the Association's position, which is basically, as evidenced in our testimony both in 1974 and 1975, in opposition to the principle.

In our testimony last year we pointed out that the Association's policy position has been that if a personal income tax was enacted, it should be utilized primarily as a catalyst for tax reform and our definition for tax reform was the primary use of the broad-based non-property tax, in this case on personal income, to reduce the proportion which the property tax represents in the total state, local tax system.

This concept as set forth by the Tax Policy Committee in 1972 and in Governor Byrne's proposal in 1974 is reflected also in principle in the program which the Assembly enacted on the evening of the 15th and the morning of the 16th of April.

The objective of tax reduction we felt could come through a technique of increased state aid and that is one of the concepts in your overall program. However, we stop short of insisting, let's say, that the assurance to the public must come in the form of constitutional dedication of revenue. Primarily we feel that it is essential to leave to the Legislature the broadest degree of flexibility in its budget decision-making. That is really, we feel, one of the major purposes of the Legislature, to determine revenues and spending.

I don't want to get into a debate with Mr. Herman but we raise the question of the necessity for 141. We understand what he is trying to do but our interpretation

is that - and there has been no test to indicate otherwise - there is no question that statutory dedication is accepted in New Jersey and we think it is legal - statutory dedication.

I want to point out that we recognize that the purpose of this dedication Amendment, ACR-140, has similar language to that in the dedication section of Assembly 1513, the substitute with amendments.

We think that passage of ACR-140 would be a serious mistake. We point out that while your dedication addresses itself to the state's largest single tax, which is the property tax - and we are well aware of that - that you would utilize the only untapped revenue of state government, the personal property tax, for what would appear to be all offset relief. However, we don't think that you should preempt that major tax for state budget use if necessary. And as we read it, you, in effect, would be largely doing that through this amendment.

In other words, we understand that one of the reasons for the Senate's delay is to allow consideration of the program which you passed in relation to the budget in the event that the decision is made to restore some of the budget cuts or to increase the budget that has been recommended by the Governor. It is important, we think, that this be considered - that budget balancing be considered - in the big picture of a reform program, such as you enacted.

We think, and we see, total dedication of the personal income tax certainly forces resort to other taxes if you want to fund budget restorations or provide for other non-state aid programs, either general state operations or capital.

I want to point out that the third amendment to ACR-191, last year, had a limitation, and that was an amendment put in to change that dedication to less than 80% of all the net receipts of a personal income tax. We point out that the Assembly Taxation Committee apparently, last year, saw the impracticality of total dedication and we don't see that there is too much different about the fiscal situation this year from last year, in fact it may be even more - and some would probably agree that it is - difficult this year because of the reduction in budget even over last years programs, in some areas.

I want to make it clear that we are not advocating partial dedication but only cite what happened last year to indicate the problem of 100% dedication. Over 40% of the state budget - that is in excess of \$1 billion - is in the state aid section. But we have some problems with the concept or interpretation of the language of dedication to reduce offset property taxes. We merely, again, raise questions. Would your interpretation be based on all the programs now in the budget, on only the new programs, such as reflected in your package that was enacted, or on a combination of aid?

We raised these questions last year in our statement and I would be glad to leave those with you again regarding this whole problem of what do you really mean by reduction, or offset of property taxes.

You are dealing with a question of degree in which the public views may be not necessarily yours, but the public's interpretation differs extensively and the impact varies extensively, as you know, from municipality to municipality and from taxpayer to taxpayer.

We think that, in viewing the record, just inflation alone can destroy the concept here. The fact that -- Assemblyman Kean just pointed out, there is no question in his mind what the legislative intent might be, but there is, I think, a real problem as to whether that intent can be reflected to these actions in this measure.

So, I think it is important - we think it is important - that whatever your intent be, that this be clearly defined - or as clearly as possible - in advance of

submission to the people because if it doesn't come about then, of course, any effort toward credibility, which has been indicated as being one of the important objectives, certainly will have been in vain.

There isn't much research in this area of dedication. We were looking for sources, etc., and I found a study that was done over 10 years ago by the Tax Foundation. At that time New Jersey showed up on the good side, as we would see it, in that a very small amount of New Jersey's revenue and budget was represented by tax money. It was less than 2% among 48 states in 1963 and there is no updating but we looked at the figures today, for 1975, and we don't think that New Jersey is much over 10%, in terms of its degree of dedication now, if we exclude the bond aspect. And that bond dedication really doesn't come into play unless there is a deficit situation in the budget.

So, we use that as a highly desirable objective, to try and maintain that, if at all possible, in the degree of complete budget flexibility, which we think the Legislature should have.

As I say, these are the problems as we see it. I think we recognize the efforts you are trying to make in terms of tax and in terms of other restrictions but I think we are very pessimistic that in a period of inflation and in the nature of the complex local government situation that we have, that you can come up with a definition which everyone will agree on and which will prove, let's say, that an offset or even a freeze, in spending is possible among this complex governmental structure which we have in New Jersey. Thank you, Mr. Chairman, for giving us an opportunity to talk about this question again. (see page 1x)

ASSEMBLYMAN VAN WAGNER: Are there any questions?

Mr. Haines, again, I would like to thank you and your organization for continually supplying this Committee with input. Believe me when I say that the information that you provided for us before, and continue to provide for us, is regarded by us as a valuable tool in our deliberations. Thank you.

Mr. Marriott Haines of the League of Municipalities.

MARRIOTT G. HAINES: Mr. Chairman, members of the Assembly Taxation Committee, in the interest of time I am not going to read any lengthy statement. I just want to give you our thoughts on the matter.

For the record, my name is Marriott G. Haines. I am a certified tax assessor for the City of Vineland. I have been in this work now for nearly 30 years. I am appearing here today as the Chairman of the Tax Study Committee for the State League of Municipalities.

I had the privilege of serving as a member of the New Jersey Tax Policy Committee. Of course, you know the attitude that committee took regarding dedication. We thought that the framers of our 1947 Constitution covered the subject very well.

However, since 1972, conditions have changed. The League of Municipalities, up until this year, has been opposed to dedication. Last May the Tax Study Committee recommended that a change in our policy be made and it was. So, I am appearing here today as a member of the League, representing 560 municipalities, urging you to release for vote Assembly Concurrent Resolution Number 140 and we trust that the Assembly will adopt this resolution.

In the interest of time, I am not going to go into all of the reasons why we have changed our stand as far as this Resolution is concerned but I would like to emphasize just one point because some of us have been coming up here for many years. We remember when the cigarette tax was first enacted in 1948. We remember when the sales tax was enacted in 1966. And we remember, very well, that statements that were

made at that time regarding the enactment of those then new taxes - how it would alleviate the property tax burden. Well, I don't need to tell you what has happened in the meantime.

What we are concerned about is that as a result of these taxes being enacted and not alleviating the property tax, those of us on the municipal level are on the firing line. It reminds me of my days in World War II when I was up in the front lines with the Infantry. When we got shot at, we got shot at first before you gentlemen. Something needs to be done to restore the confidence of the electorate of this State in our government. We think that by dedication of this proposed income tax, this will go far to restore the confidence in local government. Let's not be led down the primrose path again.

In closing I urge you to release this bill for vote and we trust it will be passed. Thank you.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Haines. Are there any questions?

Mr. Haines, I would just like to make the comment that in 1976, we are all in that trench together. I don't know what caused us all to get in there together but we are there.

MR. HAINES: The increased tax burden.

ASSEMBLYMAN VAN WAGNER: I would like to thank you for the time that you have taken to come down here to give us your thoughts. The committee appreciates it and we will certainly take into consideration the points that you have made.

If possible, I was wondering if you might be able to provide for us, from the League, a short statement that could be sent into the committee on some of the other policy considerations that led to your changed position on dedication. I would like to see that in addition to the remarks that you made. Thank you sir.

I would like to call now Mr. Arthur Sears, who is the Tax Assessor for Fredon Township. Mr. Sears.

ARTHUR SEARS: I was going to say good morning, gentlemen, but I guess I had better change that to good afternoon. I will try and keep this brief.

My name is Arthur Sears. I am the Certified Tax Assessor from Fredon Township, which is in Sussex County, 15th Legislative District.

In discussing with Assemblyman Littell this dedication of income tax - I did come down last year to testify on behalf of dedication - I would just like to interject a specific example which applies to my own particular municipality of Fredon Township, and how the effect has been over the last several years. It will only take a few minutes, gentlemen.

I have served as Mayor of Fredon Township, as a member of the Township Committee for four years, as a member of the School Board as well for four years, and I am also past President of the League of Municipalities of Sussex County. I am basically appearing here to give this particular example on Fredon's tax rate. In this example, our particular tax rate in 1970 was \$3.32 per \$100 of assessed value. Of that, the local school share was \$2.35, or 70% of the tax rate.

In 1975, our tax rate has gone to \$5.85 per \$100 of assessed value. Now, this is a gain of \$2.53 with the school share being \$4.70 or approximately 80% of the total. It appears that the 1976 tax requirements for schools will be approximately 15% over 1975, with the uncertainty of state aid money.

Gentlemen, where does this end? Basically, we are not alone. Fredon residents are facing this creeping paralysis, as many are in the State, of the tax burden. I feel sure that in some way dedication of an income tax - this new tax, if enacted - is the only way, in specific language, to restrict it to the relief of the property tax

burden, but not by the elimination of appropriations.

In the interest of time I won't go into too much more. I will leave a copy of what I have with me here. But I would like to say, gentlemen, no new tax in any form will be palatable, in my opinion and from what we have gotten up there, unless New Jerseyans can be assured that the revenue is solidly locked into reducing the property tax.

I believe you gentlemen have the opportunity to do just that with ACR-140. That is about it in a nutshell. I appreciate your time and for hearing me.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Sears. Are there any questions? Mr. Yates.

ASSEMBLYMAN YATES: Mr. Chairman, a question occurs to me. In the instance that you describe, where the rate is going to go up substantially, I can imagine that the passage of the sort of tax package we have had may result either in the rate not going up or only going up just a little bit. But, in that instance, from the point of view of your property taxpayers, are they going to be pleased with the income tax on the basis that it prevented a very large rise, or are they, instead, going to say to us, "How come I have a property tax that is still rising and now I have an income tax in addition to it?" Are they going to understand that it prevented an even larger rise?

MR. SEARS: I don't think the income tax is the answer in toto. I don't think you gentlemen do either or you would have had one bill instead of the package you put together. We are facing times where it is natural, with inflation, etc., that no dollar figure is going to go down. It is palatable from the viewpoint of a stalemate more than anything else. That would be the best way to answer.

We are in a little unfortunate situation, as far as our assessed ratables per pupil. They were too high in this particular township to qualify for substantial amounts of state aid. We were locked into the save harmless clause prior to this. Now, under the new bill, that is not true so we are funding considerably more of an amount of the state aid to the schools.

ASSEMBLYMAN YATES: The rates that you mentioned - \$3.30 and \$5.70, or something like that--

ASSEMBLYMAN VAN WAGNER: It is \$5.85 as of 1975.

MR. SEARS: It is \$5.85, with 80% of that for schools.

ASSEMBLYMAN YATES: Is that an equalized rate?

MR. SEARS: No, that is the actual rate for the assessed value. The equalized rate was about 63% - the sales ratio for the municipality.

ASSEMBLYMAN VAN WAGNER: It would seem to me that despite the fact that the equalized formula for giving back school aid would have a negative effect on you, you might be positively affected by the homestead monies that would be coming back, particularly on the one-quarter of the rate provision. It would seem to assist your particular municipality.

MR. SEARS: As I understand it, I agree.

ASSEMBLYMAN VAN WAGNER: To the extent of about \$1.46 per \$100, which should go, to a large degree, to offset some of that 15%, if not all of it, plus, and then whatever the impact revenue sharing might have.

MR. SEARS: The impact of revenue sharing, the increase of state aid to the schools, would reduce their need for a tax levy. All of those factors would help to hold the line, so to speak.

ASSEMBLYMAN VAN WAGNER: Thank you very much, Mr. Sears. Mr. Dorsey, do you have a question?

ASSEMBLYMAN DORSEY: No, I just want to thank Mr. Sears for coming.

ASSEMBLYMAN VAN WAGNER: Thank you for coming, Mr. Sears. (see page4x)

That is the final name on our list today to testify. The committee will now meet briefly from 1:00 to approximately 2:00 in regular committee session. We met this morning, briefly, for about one and one-half hours and took some action on some bills. We will take about a 10 or 15 minute break and then we will meet in the Assembly Minority Lounge - Minority Conference Room - downstairs, where we will resume taking up some of the measures we had before us this morning. We will be adjourning that meeting somewhere, probably, around 2:15 or so. So, any of you who care to join us for that, we will be resuming that meeting in about 10 minutes.

Thank you for coming.

NJTA

NEW JERSEY TAXPAYERS ASSOCIATION INC. • 104 NORTH BROAD STREET • TRENTON, N.J. 08608 • TELEPHONE: AREA CODE 609-394-3116

STATEMENT OF
NEW JERSEY TAXPAYERS ASSOCIATION, INC.
AT
PUBLIC HEARING ON
ASSEMBLY CONCURRENT RESOLUTIONS NO. 140 & 141
BEFORE
ASSEMBLY COMMITTEE ON TAXATION
STATE HOUSE, TRENTON
APRIL 26, 1976

Mr. Chairman, Members of the Committee:

My name is Frank W. Haines. I am Executive Director of the New Jersey Taxpayers Association, a non-profit, non-partisan governmental research organization incorporated in 1930.

The Proposed Amendments

Assembly Concurrent Resolution No. 140. ACR No. 140 is similar to the second amended version of ACR No. 191 of the last legislative session which was never considered by the Assembly. This year's version of the Constitutional amendment would require "net receipts" of a personal income tax be placed in a "perpetual fund" from which the Legislature, according to adopted formulas, would annually appropriate amounts to be paid to counties, municipalities and school districts for the exclusive purpose of "reducing or offsetting property taxes".

Assembly Concurrent Resolution No. 141. ACR No. 141 is identical to ACR No. 180 of 1974. It is a brief and relatively simple amendment which permits the Legislature by statute to dedicate revenues from any tax for a specific purpose or purposes.

Constitutional Dedication of Revenue - NJTA Position

NJTA testified in 1974 and 1975 on those year's versions of the resolutions before the Committee today. The Association position against ACR Nos. 140 and 141 is based on a policy position in opposition to constitutional dedication of revenue dating from the 1947 Constitutional Convention. The Association's principal argument against revenue dedication in the Constitution is that it would result in creating a serious limitation on legislative flexibility with regards to allocation of funds. The two basic powers of the legislative branch are the levying of taxes and the authorizing of spending -- the two elements of the annual budget. It is essential that the Legislature have the broadest degree of discretionary authority to allocate State tax resources in the general public interest.

Further Comments on Proposed Constitutional Amendments

ACR No. 141. We have one comment on this constitutional amendment -- there appears to be no necessity for it.

If statutory dedication is not prohibited by the Constitution, and such dedication is already widely used in practice, what is the necessity for such an amendment? Certainly such an amendment cannot change the accepted interpretation that the action of one Legislature is not binding on a subsequent Legislature, even in the case of statutory dedication of funds.

ACR No. 140. Purpose of this constitutional revenue dedication appears to be to add to the Constitution a provision similar to the statutory dedication language in ACS for Assembly No. 1513 OCR. NJTA considers passage of ACR No. 140 would be a serious mistake. You are asked to consider the present tax reform-budget balancing problem, which is not too much different from a year ago at this time.

While the proposed dedication addresses itself to the State's largest single tax, the property tax, which is the primary revenue supporting New Jersey local governments, the tax being dedicated by ACR No. 140, a personal property tax, is the only untapped revenue source of State Government. Accordingly, its use should not be completely pre-empted for General State Operations or Capital purposes if need arises.

Total dedication as reflected in this proposed constitutional amendment could force resort to other taxes to fund budget restorations in non-State aid programs. Recall that the third amendment to ACR No. 191 last year included a limitation on the dedication to "not less than 80%" of all net receipts from a personal income tax. The Assembly Taxation Committee apparently saw the impracticality of total dedication. The situation is not significantly different today, in fact it may be worse.

Let me make it clear, we are not advocating partial dedication. We cite last year's change as an indication of some legislators' reservations over the problem caused by 100 percent dedication. When over 40 percent of the State Budget is already State Aid, in excess of \$1 billion, and the percentage has been higher in previous years, we ask again about the concept or interpretation of the dedication for "reducing or offsetting property taxes".

Will the interpretation of dedication

- a. include all "aid" programs in effect prior to ACR No. 140?
- b. only new programs enacted in the same year as ACR No. 140?
- c. both existing and new programs?

These and other questions relating to the meaning of and measurement of reduction and offset of property taxes we asked in our testimony last year.

Unless there is a clear declaration of intent concerning interpretation of all aspects of the proposed amendment in advance of submission to the people, your efforts to attain credibility with the voters by submitting this question will be in vain.

A study of revenue dedication (also called earmarking) by Tax Foundation in 1965 showed percentage of tax collections earmarked in 1954 and 1963. In 1963 New Jersey's percentage of earmarked State tax collections was the lowest of 48 states - 2 percent, and New Jersey was one of five in the 50 states with 10 percent or less dedication. While there is no current study showing percentages of dedication, and while New Jersey's dedication percentage has increased to around 10 percent (1975), it is highly desirable from our viewpoint to maintain that unique position.

Thank you for the opportunity of presenting the Association's views.

April 26, 1976

Good Morning Gentlemen. My name is Arthur Sears. I am the Tax Assessor for the Township of Fredon in Sussex County. Other Municipal Offices that I have had the privilege to occupy were; Mayor, member of the Township Committee for four years and a member of the local Board of Education for four years.

I appear before you today, because I sincerely believe that New Jersey sorely needs the enactment of bills that would provide in specific language for the dedication of any monies collected via, if enacted, a New Personal Income Tax to the direct relief of the local property tax burden now imposed on New Jersey property owners.

I would like to cite as an example of the need for relief of the growing encumbrance of the property tax, the change in Fredon's Tax Rate from 1970 to 1975.

Our 1970 Tax Rate was \$3.32 per \$100. of Assessed Value. The local School's share was \$2.35 or 70.8% of the total tax.

In 1975, our Tax Rate was \$5.85 per \$100. of Assessed Value. A gain of \$2.53. The school's share was \$4.70 or 80.1% of the total. It appears that the 1976 Tax requirements for schools will be up approximately 15% over 1975 with the uncertainty of State Aid monies for the school year of 1976-77.

Where does it end gentlemen ? ? ? ?

Fredon residents are not alone in facing such creeping paralysis. I feel sure there are many more New Jersey communities that have experienced such financial changes.

The Property Tax has become a REGRESSIVE TAX because of the reliance upon it to supply the ever increasing demands for more

April 26, 1976

revenue by the ^{components} ~~components~~ that comprise it - namely our schools. High Property Tax Rates are driving away potential new tax ratables to say nothing about the problems encountered by those property owners already in the township but on limited incomes.

In five years, from 1979 to 1975, Fredon Townships' property owners have experienced a 76.2% increase in their taxes. On a \$30,000. assessment, the 1970 taxes would have been \$996.00 while on the same house, the 1975 taxes were \$1,755.00

This rise must stop somehow ! ! !

One way is by letting the people of New Jersey vote their approval or rejection of ACR No #~~141~~¹⁴⁰ - the Constitutional Admendment dedicating the revenue raised by a personal income tax to the reduction of the property tax. By increasing the amount of state aid to the schools with this new revenue, the Legislature would be reducing the property tax as well as meeting the courts demands for a more equitable distribution of money to the schools.

NO NEW TAX OF ANY FORM will be PALATABLE UNLESS New Jerseyians can be assured the the revenue is solidly locked into reducing the property tax.

Gentlemen, I believe you have the opportunity to do just that with ~~these~~^{THIS} resolutions.

Thank You ! ! !

April 26, 1976

revenue by the amount that comprises it - namely our schools.

High Property Tax Rates are driving away potential new tax

rates to say nothing about the problems encountered by those

property owners already in the township but on limited incomes.

In five years, from 1971 to 1975, Freedom Township's property

owners have experienced a 70.2% increase in their taxes. On a

\$50,000 assessment, the 1970 taxes would have been \$995.00

while on the same house the 1975 taxes were \$1,752.00

This rise must stop somehow I I

One way is by letting the people of New Jersey vote their

approval or rejection of the ~~the~~ the Constitutional

Amendment besting the revenue raised by a personal income

tax to the reduction of the property tax. By increasing the

amount of state aid to the schools with this new revenue, the

Legislature would be reducing the property tax as well as

meeting the courts demand for a more equitable distribution

of money to the schools.

NO NEW TAX OR ANY FORM WILL BE PAID UNLESS NEW

legislation can be assured for the revenue to replace lost

tax reducing the property tax.

Consequently, I believe you have the opportunity to do just

that with this resolution.

Thank You I I

