

PUBLIC HEARING

before

SENATE COMMITTEE ON EDUCATION

on

Senate Bill No. 2266
("Public School Financing Act")

and

Senate Bill No. 2267
(Establishing Permanent Commission
on Public Schools)

Held:
November 22, 1971
Assembly Chamber
State House
Trenton, New Jersey

MEMBER OF COMMITTEE PRESENT:

Senator Wayne Dumont, Jr. (Chairman)

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SENATOR WAYNE DUMONT, JR. (Chairman): We will start this public hearing on Senate Bills 2266 and 2267, both sponsored by Senator John Miller of Camden County, and invited to this hearing have been the members not only of the Senate Education Committee, but also the Assembly Education Committee and the Assembly Committee on Taxation. The reason for the latter invitation was that Assembly Bill 2454, which is involved with these two Senate Bills and is a bill that would raise the funds necessary to carry out the plan embodied in the two Senate Bills, has been referred to that Committee. However, no member of any of the Committees, aside from myself, is here today at this time and if you want to comment, incidentally, upon the Assembly Bill you may, but actually I cannot conduct a public hearing about it, not having it in the Senate Education Committee. However, that need not bar you from making comments about it if you wish.

At this time we will start with our first witness, the sponsor of the two Senate Bills, Senator John Miller of Camden County.

S E N A T O R J O H N L. M I L L E R: Thank you, Mr. Chairman.

I would like to ask your indulgence for just a few moments to go into a little bit of background which I think might be helpful.

First, let me say that we have all been familiar with the expression that the power to tax is the power to destroy. Despite the truth that is inherent in that statement, it is very highly doubtful that any governmental official or any governmental agency with the power to tax wishes to destroy anything or anybody. Instead, it has been inequitable taxation which destroys public confidence in their public officials. Yet so often your local officials are really powerless to do anything about the tax structure because of certain inherent inequities that are built into the present tax structure and these are laws within which the local officials are bound to operate and over which they have no

control whatsoever.

The use of the property tax to finance local government predates the Federal Constitution and it was conceived at a time when municipalities or taxing districts were self-contained enclaves of population. And at that time, government services at a local level were provided exclusively for and supported entirely by those who benefited from the services, and generally they were the owners of the property who were the primary beneficiaries as well as the ones who were most able to pay.

Over the years the exclusiveness of government has changed and, as it has changed, we have still continued to rely upon this original concept of the wealth of the individual through his local property as the means for securing the moneys to provide his services. We are all familiar with the fact that today there are many services that are provided partially by the Federal government and partially by the State and partially by the county and partially by the local municipality. Still, as I say, we have continued to retain the real property tax as our major source of revenue.

There is no question there is some justification for retaining the property tax as one of the sources of revenue because many of our local services enhance our property values and they provide protection for the property and in fact in many cases make the property actually usable - things such as garbage collection, police and fire protection, street construction and maintenance.

However, in recent years, I think all of us are familiar with the fact that real property taxes have actually become confiscatory, not nearly confiscatory; actually they are becoming confiscatory throughout the State in many areas. Over all of these years, we have had promise after promise after promise to do something to bring about some relief for the homeowners, some relief for the taxpayer, but in the final analysis they have amounted to nothing more than promises.

The most recent example where we have had a promise that something would be done for the homeowner and the real

property taxpayer was when the sales tax was enacted. I might point out that I presently serve on the Appropriations Committee and this year the sales tax will bring in \$563 million. That is almost as much as we were operating our entire State government on only six years ago when I came into the Legislature. In spite of the fact we are going to have \$563 million in sales tax money this year, we have not seen any real drop in the real property tax rate. As a matter of fact, I am sure probably most other people around the State have experienced the very same thing that I have experienced. In spite of the fact we are getting \$563 million more from this source of revenue, I received a tax bill showing a substantial increase and every year I seem to get the same thing.

The way this program that I am going to discuss this morning came about was: Senator Hiering and myself were discussing with Mr. Deardorff in the Legislative Budget Office, probably more than three years ago, this very problem, the fact that in spite of all these promises, there has been nothing really done to help the homeowners that has been substantive in nature. There have been promises, but they have never been kept. Therefore, we decided the only way to do something about it was to roll up our sleeves and find out where the problem was. Then find out the many alternatives to solving that problem. In trying to accomplish this goal, we started out not with the idea of coming up with a program for the school tax. As a matter of fact, I might comment at this point that this particular series of bills we are speaking about today concerning the equalization of the school tax program is only one phase of a three-phase program, but I am going to limit my discussion, of course, to this particular phase of it, the school phase program. The other two phases deal with county services and municipal services.

However, the way we started was, we sat down and we had a calculation made to show the effective tax rate of

every single municipality in the State of New Jersey. After a calculation was made to show the effective tax rate of each and every one of the 567 municipalities, we then placed this information on a chart. We transposed it on a chart in this manner: Every municipality that had an effective tax rate of more than \$5 per hundred of true value, we placed on the chart in black. Every municipality that had an effective tax rate of between \$4 and \$4.99 per hundred, we placed on the chart in brown, and so on down the scale until we got to the color white, which was practically no tax whatsoever. There are actually some municipalities that have no local purpose tax and no school tax. They receive sufficient moneys from the franchise taxes and from the gross receipts tax so that they do not have to have any taxation of the people in their own district for school purposes or for local purposes.

After we put these on the chart, we were able to stand back from the chart and see those towns which were colored black and those towns which were colored brown - these were the critical areas of the State - and we were able then to try to determine what was the factor, the common denominator, that caused a problem in those areas. The first thing that stood out in our analysis was the fact that it was really the school tax which was the real bugaboo. There were many municipalities in which the school tax had doubled and tripled within a five- and six-year period. Therefore, we decided this was the area in which we would begin our work.

The New Jersey Constitution under Article VIII, Section 4, provides that the Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18. The language of the Constitution is not recommendatory; it is mandatory. It says that the State shall provide for a thorough and efficient system of free public education.

In spite of that mandate, the major responsibility for financing public education has continued to rest with the

local taxpayer and obviously the ability of the individual school district to finance its public schools varies widely from district to district. Therefore, it is equally obvious that the educational opportunity available to the pupils varies widely from district to district. Yet, implicit in the constitutional mandate is the idea of equal educational opportunity for all children.

In an attempt to correct this inequity, the State has over the years increased the amount of aid which it has infused into the public school system, up to the extent of 28 per cent in the current year. It has become almost an annual occurrence for professional educators and other groups to come to the Legislature and request larger amounts of State aid for school purposes and at times these requests have merit, but so often they are founded upon the belief that the more money that is put into the system, the better the programs will be. Now we all recognize the fallacy of the theory if you have a poor system and an inequitable system, the more money you put in, the better it will be. The fact of the matter is you compound the problem rather than correcting it.

In spite of all of these efforts, the burden on the homeowner has remained so great that today people are beginning to wonder if they will be able to retain ownership of their private dwellings. This is becoming a very serious concern for our senior citizens on fixed incomes and for our young couples who are just starting and finding that they cannot purchase a home because of the potential high real property taxes and are unable to even guess where that ~~tax~~ rate will be going in the next few years.

I might point out at this particular posture of my testimony that I was on the original State Aid Commission that was set up to study the problem of the distribution of State aid to our local school districts. I was somewhat surprised, because I was a novice at that time and I went to the first meeting with the idea that I would try to find out

exactly what the problem was and then begin to look for some solutions, but it seemed at the very first meeting that there was sort of an over-shadowing feeling of defeatism to one extent, and that was that there seemed to be general agreement that regardless of what formula we ever developed or whatever program we ever did come up with, of necessity it had to be complicated. And I might say that the final program we came up with is a "beut" - it is a real complicated one - and I doubt if there are more than a handful of people throughout the State who really appreciate and understand the actual workings of the present formula.

What the problem is under the formula that has been devised and which is in existence today is this: The present State Aid formula today bases or uses as a primary criterion the wealth of the district. In other words, the ratables that are in that particular district is one of the primary considerations given for the present State Aid program.

Let me give you an example as to what I mean. Let's say that there are two districts side by side, District A and District B. Let's say that District A is a very wealthy district with a lot of ratables and District B nearby is a very poor district with few ratables. Let's say the State had \$160 million to give to these two districts. Now the State might look and see that District A is a wealthy district and has a lot of ratables and, therefore, they would say, "Let's give them \$10 million." Then they look next door and they see a poor district and they say, "Here is a very poor district that needs a lot of help; we will give them \$150 million." This is one of the principal criteria and the methods by which the present State Aid formula works.

What that formula or what that program fails to recognize is that paying taxes is not a district-by-district problem; paying taxes is an individual matter. It is the individual, it is the homeowner or the taxpayer, who has to reach in his pocket and take out those dollars to make the

payment toward school taxes. Therefore, the present program fails to recognize that every person living in a rich district is not rich and every person living in a poor district is not poor. Therefore, if you happen to be a poor person living in a rich district and you saw the State was giving your district \$10 million to help you with your tax problems for school purposes, and at the same time you looked across the borderline to your neighboring municipality and you saw the State was giving them \$150 million, and you knew several millionaires who lived in that district, you certainly wouldn't consider this to be a fair and equitable method of distribution. This has been one of the problems.

A further problem is that the present State Aid program does not take into consideration the actual moneys which the municipalities receive under other formulas that I mentioned before, the gross receipts and the franchise taxes.

We determined that in the field of financing public education, there were really three tests that are significant:

1. Is public education receiving a sufficient amount of money to provide an adequate educational opportunity for all the children in the state?
2. Is the burden of taxation equitably imposed?
3. Is there an equitable distribution of the total funds available?

An objective look at what we presently have in the State of New Jersey would show this:

As to the first, yes, we do have an adequate amount of money to provide a high quality education for every child in this State.

And, two, are the taxes that are imposed to secure the funds for that education equitably imposed? The answer is absolutely not.

Three, is the distribution of the money made in a fair and equitable manner? And the answer again is, no.

We are satisfied after researching, reviewing and analyzing all of the possible alternatives, that the best method for financing public education is for the State to

recognize its responsibility and to assume the full responsibility for public education in the State of New Jersey.

Our proposed program will satisfy the criteria of adequate support, equitable distribution of the tax burden, and equitable distribution of the support. Our program contains no complicated formulas. Very frankly, that kind of scared us because our program is so clear that the taxpayer will understand it, the educators will understand it and the legislators will understand it. Everybody will understand our program. When they see it, they can understand it. It is very clear and very easily understandable. This kind of scared us because we thought, it is not complicated enough - the public will never buy it. But as we went on, we recognized that we did have a good program and we feel that they will accept the program and upon analysis of it, will see its value.

The program is based upon a concept of equal educational opportunities for all children. It provides a financial support level sufficient to provide a quality education for every child. It is adaptable to changing needs and, above all, it leaves the responsibility and the authority for the administration of the local schools where it presently rests, with local officials. We took great pains to make sure we not only preserved home rule, but that we actually in effect strengthened home rule.

Just a quick look at some of the inequities that exist under the present type of formula -- We made a calculation during the 1970-71 year and we found a situation in East Orange where a man was called upon to pay an effective tax rate of \$6.60 per \$100 of true value. His school system at that time received the minimum aid, which then was \$75 per pupil. And at the very same time, a man in North Hanover Township who had an effective tax rate of \$2.59 per \$100 of true value was receiving \$353.24 per pupil as State aid. This sort of situation that I have referred to is not an isolated example; it is a very common example of the inequities under the existing system.

Now our program, as set forth in this series of bills, will do this:

1. Locally-imposed property taxes will be abolished.
2. A State School Tax will be imposed on all real property in the State of New Jersey, at a rate of \$2.25 per hundred of true value.
3. That amount will be supplemented by general State revenues, as presently being done under State Aid programs.

Based upon a district-by-district calculation that we made in order to test our program to determine what would have taken place had our program been in existence rather than the program which actually was in existence during the past year ---

Before I get to that, let me say this - let me explain how the program works. After the money is collected in this public school fund, the money is distributed back to the local school districts under a formula. The formula is set forth in the legislation. This formula can be changed annually by the Commissioner reviewing it, making a determination of any changes that need be made, and then submitting it to the new Permanent School Commission. Upon the approval of both the Commissioner and the new Permanent Commission, the formula can be changed to meet any changing needs from year to year.

At the present time the formula would provide for a distribution back to each school district. Those children from kindergarten through six would receive an allotment of \$850; for every child in that system from seven through nine, \$925; for every child in the system from ten through twelve, \$1,000. The State would pick up the total cost of transportation and the State would pick up all current debt service costs, including that presently raised by municipal purpose levies. There would be a separate and a supplemental budget submitted by each district, which would provide an additional \$2500 per pupil for atypical pupils, \$250 per pupil for children from ADC

families. There would be \$250 per pupil for approved evening school courses. There would be \$250 per pupil for summer sessions, plus an amount needed to cover equipment, both new and replacement. There would be \$500 for evening vocational training. Non-operating districts would submit a budget covering their incidental expenses of their school boards. There would be sufficient amounts of money made available so that any district could match the Federal funds necessary for Federally-funded programs, which require a prorata amount from the district.

Getting back to what I mentioned earlier, what it would have meant had our program been in existence during the past year rather than the programs which actually were in existence, we could have provided under this program more than an ample amount of money for every school district of the State of New Jersey to carry out a high-quality educational program and real property taxes would have been reduced in from 65 to 68 per cent of the municipalities and in many areas there would have been substantial tax reductions. After that, we would have had a surplus of \$175 million.

As an example of what this would mean in some areas, such as in my own area, Camden City under the current year, 1971-72, would have received over \$4 million than was actually budgeted for their school system and real property taxes would have been reduced in the City of Camden \$170 on a \$20,000 home. In my own Township of Cherry Hill, we would have received \$450,000 more for school purposes than was actually budgeted and we would have received a tax reduction of \$196 on a \$20,000 home.

As a matter of fact, when we first went into this program, we recognized that one of the other problems that would be partially solved by this type of program would be this urban crisis that we have been running into annually. As a matter of fact, I recall last year the Legislature was called to come back, 120 individuals were called back for three or four sessions, just to solve the crisis of the City

of Newark. Had our program been in existence during that year, the City of Newark would have received \$28 million more for its school system than it actually did have, and in addition real property taxes would have been reduced in the City of Newark. Jersey City would have received \$4,200,000 more for its school system and there would have been substantial tax reductions.

More than all of that, one of the important features would be that the tax rate would be stabilized, that people would know that they would not be put into a position where upon purchasing a home, within a few years the tax rate would double or, as I said before, sometimes triple. People would know that this is what they would be paying toward school taxes. It would be a stable situation that could only be changed by the Legislature. There would be no more confiscatory spiralling of the tax rate.

This is important to many areas; for instance, industry. I know when industry comes in to look for a location in a state such as ours, one of the problems that they have had in the past is they may find a place that is very suitable for transportation purposes or their raw materials or the market to which they are looking, but because of the tax structure as it presently exists and the inability to determine the stability of that tax structure, many businesses will locate in an area where it is inconvenient and not as feasible as in another given area. Under our program, industry can now come in and know that no matter where they locate in the State, there will be stability in their tax rate. Therefore, they can determine their location based upon those factors which are best suited to their particular purpose.

Another thing that would be extremely important under the proposed legislation is that the mechanism would be available for continuing to drop the tax rate as the State or Federal government or any other source would supply additional moneys or infuse more moneys into the system. As a matter of fact, if this program were in existence and we were to use

the moneys which we are talking about presently using to fully implement the present State Aid program, we could take that money that was intended for the present State Aid program and infuse it into this system and by so doing we could lower that tax rate to less than \$2 per \$100 of true value throughout the State.

We are all familiar with the fact that Federal revenue sharing has been in the news for quite a long time. Wilbur Mills has been the deterrent factor. He says he doesn't want the Federal government to give this money back to the states for the purpose of getting it back to do something for the homeowner without having some program in existence to accept the money when it comes in because Mills says by the time the money finds its way from the top to the bottom, it disappears before it gets to the homeowner. He doesn't get the benefit which was intended. With this program in existence, if and when Federal revenue sharing does become available, a set amount of that money can be infused into the system and by a very simple mathematical calculation a reduction can be made in the real property tax. Furthermore, it need not all go into reducing the real property tax. You could provide some relief to the homeowner and some of the money could be put into the system for improving the quality of education.

We have made calculations for the past three years to compare our program, had it been in existence, with the programs which actually were in existence. And we have found the very thing I have talked to you about here today. We could have provided in each of those years more than an ample amount of money for a very high quality educational program in every district in this State and at the same time we could have substantially reduced real property taxes and had a sizable surplus in each of those given years.

Under our program, we would propose that this \$175 million that would have been available in this current year would be used for capital construction and the bill itself sets forth the method by which capital construction projects

would be accepted. It would be on a priority basis. Now \$175 million is a lot of money to spend even directly for school construction, but this money could be spent just to pay off the debt expense by bonding and to have the State pay off the debt expense. By so doing, we could quadruple or quintuple the amount of building construction money that would be available to the people of this State. So we could more than provide for the capital construction program and still have a surplus.

There is another feature of the bill which I think is extremely important and should be brought out. In the past, the State Department of Education has been limited in the amount of money that has been available for innovative programs and I would guess that somewhere in the neighborhood of \$500,000 has been what they have had to work with in a given year, less than \$1 million.

In this program - and this has been computed in our calculations I referred to above - we have provided for a continuency fund of a minimum of 1 per cent and a maximum of 2 1/2 per cent. The first year the full 2 1/2 per cent would go into the fund. After that, it would be up to the Commissioner and the Permanent Commission to determine how much should be put into this fund. Any amount left over from the prior year would remain as part of the following year's designation. If this program had been in effect, the State would have had \$32 million, a little over \$32 million, with which to look into innovative programs and to improve the quality of education in this State. There's a big difference between \$500 thousand annually to do this sort of thing and \$32 million available to do it. And there is no requirement that this be used just because it is there. As a matter of fact, one of the things we made certain about in our legislation is to provide if any school district is to receive more than 15 per cent above their prior school year, they would be required to submit a program to the State and to the Commission to show they can accept that amount of money. We feel up to 15 per cent the school

district would be in a position to absorb that in programs by expanding present programs and putting in new programs, but at the point above 15 per cent we are concerned. Because we want to prevent what has happened so often in the past, that school districts receive an amount of money which they don't really need on many occasions and that money finds its way into some use just because it is there, just because it is available. We don't want money spent just because it is available. We want to make sure when the money is spent there is a solid program to accept that money. Therefore, we have safeguards such as that built into the legislation.

This program was not hastily conceived. As a matter of fact, it was developed over a three-year period and we only came out with the program after considerable research, analysis and consideration.

This program will provide for substantial real property tax relief. It will provide a high quality education and it will strengthen home rule.

There is one more thing I would like to point out. Recently in the State of California where their Constitution is identical to that of the State of New Jersey and where their system of financing public education is similar to that in New Jersey, the Supreme Court of that state ruled that that system of financing public education is unconstitutional. As I said before, their constitution and ours are similar and their system of financing public education and ours are similar.

Three weeks ago, Michigan followed with another suit of the same type, and their constitution and their system are similiar to our constitution and our system.

It seems at the present time there are 11 states with suits pending. The first two have pronounced that this system is unconstitutional. Now there is a suit presently pending in the State of New Jersey and I understand there could be a decision in that case sometime before the end of this current year. It would seem that the court almost of necessity would have to find that our present system is

unconstitutional. And if this is so, we are going to have to have a statewide tax in order to support our school system.

At a seminar recently in Atlantic City, Mr. Ruvoldt, who is representing several municipalities, one of which is Jersey City, who are bringing suit, commented in his opinion it was unconstitutional and that the court would so find, and that he favored an income tax in order to pay for the school system. Well, I do not think this is feasible and I do not think this would be acceptable because at that time he calculated that this would take a 10 to 15 per cent piggyback on your Federal income tax return. We pointed out to him at that meeting that we had the statistics and we could show that it would actually be a 45 per cent piggyback on your Federal income tax return, just to pay for the public educational aspect.

There are other reasons we do not feel his method of financing is feasible. At the present time under our real property tax program that we are advocating, the payment of the school program is supported not only by individual homeowners, but by the commercial interests and the industrial interests as well. They all pay a portion toward public education in New Jersey. They benefit from it and there is a justification for them helping to pay for it; whereas, under an income tax, it would be the individual homeowners who would be picking up not only what they are presently having to pay but what is presently being paid by business and industry. Furthermore, even if they were to include a tax on corporate income, the tax that they would have to impose upon corporate income would be such that it would create a very disadvantageous climate in the State of New Jersey for industry, and we are trying at the present time very desperately to bring new industry in. We are going all out to invite industry to come into our State. We need it. Such a program that I mentioned had been suggested would defeat that type of a program.

Therefore, Mr. Chairman, I would like to say once

again that we feel we have a sound program, a solid program. I have had the opportunity of speaking around the State of New Jersey to, I would guess, 15,000 people at meetings in Jersey City, in Brielle, in Sussex County, in Salem and Gloucester Counties, Atlantic County and Mercer County. I have had the opportunity to talk to groups, such as fiscal experts, administrators, teachers, tax groups, civic groups, and tax assessors, and I can honestly say that the response we have had once the program is understood has been better than a 95 per cent favorable reaction, and with that I will conclude.

SENATOR DUMONT: Thank you very much, Senator.

I want to ask you a few questions if I may.

How much money do you anticipate would be raised each year by your program, at least in the beginning of it?

SENATOR MILLER: The program would raise on the uniform state property tax somewhere in the neighborhood of \$1.5 billion. Then, as I mentioned earlier, we also have a provision for the supplementation of that - and that would increase, of course, as the assessed values increased each year. That would be supplemented, as I said, by the amount which the State is presently putting into the State Aid programs, which would go into the school fund.

Another thing, of course, the State would always have the right to increase their portion and to lower the State uniform tax rate if they so desired.

SENATOR DUMONT: As I understand it, the local property tax, if my recollection is right, according to the Taxpayers' Association this year - that is, the current fiscal year, or maybe it is the current calendar year, because that is the one on which they are based - is producing \$2,222,300,000 in round figures. What would you estimate of that is allocated for school purposes, about three-fourths?

SENATOR MILLER: The current amount?

SENATOR DUMONT: The current amount of local property tax.

SENATOR MILLER: A little less than that, but close to that - close to that, but a little less.

SENATOR DUMONT: Would you say it would be more than \$1.5 billion out of that?

SENATOR MILLER: I would say somewhere in that neighborhood.

SENATOR DUMONT: So what you would raise would actually have to replace that; is that correct?

SENATOR MILLER: That's correct.

SENATOR DUMONT: Then the present amounts of State Aid would continue for the various school programs?

SENATOR MILLER: Right.

Incidentally, Mr. Chairman, if I might, you called something to my attention that might be well to comment on at this time. One of the ways in which the money would be coming into the State School Fund that in the past we have felt has been very inequitable would be this: There are many municipalities such as Teterboro - and having used this example, I will never go up there to speak. This is just one example of many. In Teterboro last year, they paid a total of \$1200 toward public education in the State of New Jersey. Under our program, they would have paid \$1.7 million. They paid a total of \$1200 toward public education and under our program they would have paid \$1.7 million toward public education. I believe Ridgefield would have paid \$2.9 million more than they did. So at the present time there are some municipalities around the State that are paying not only their share, but they are paying the share for many other areas around the State. This is what would be evened out and provide an equitable distribution of this burden, rather than having some towns paying double what they should be paying under a fair program of distribution and others paying hardly anything.

SENATOR DUMONT: Now if you raised \$1.5 billion, that would probably just about replace the amount being expended from the local property tax this year to support the local school systems. Is that correct?

SENATOR MILLER: That would be correct.

SENATOR DUMONT: Yet I understood you to say, I think,

that you would have a surplus of what, \$175 million, left over - something like that?

SENATOR MILLER: That's correct. Let me point out several things there. We have the actual calculations. We can give you the actual calculations which would be much better than my trying to guess what the amounts were. There are two areas in which this would come about. One is, under the present State Aid programs, the money that is being distributed under the present State Aid programs, there is a tremendous amount of that money that is going to municipalities who really don't need it. Strange as that might seem, there are many municipalities who really are not in need. They have a very low tax rate. Yet they are receiving well in excess of \$100 million of State aid and that would be redistributed to those municipalities where it is needed at the present time and would not go to those presently receiving it. In addition, there would be the increase in the moneys that would come from the State Uniform tax.

I do know we would receive more from our Uniform Statewide tax than we are receiving at the present time. What that exact amount is I could get for you, which would be better than trying to guess it.

SENATOR DUMONT: I would assume you would abolish the local property tax only as it exists today for school purposes.

SENATOR MILLER: That's correct.

SENATOR DUMONT: You would retain it for municipal and county and library purposes where libraries are used.

SENATOR MILLER: That's correct.

SENATOR DUMONT: The formula that you would use for distribution would replace the present formula that we just adopted the first of July, is that correct?

SENATOR MILLER: That's correct.

SENATOR DUMONT: You were a member of the Commission that recommended that particular formula.

SENATOR MILLER: Right.

SENATOR DUMONT: There are some things that we on the Permanent Commission on State School Support, which has been meeting every month, respectfully would change, and that is to eliminate two of those five classifications of school districts that now exist. In other words, it goes from basic, to limited, to intermediate, to precomprehensive, to comprehensive, and it is our feeling on the Commission that the "limited" and the "precomprehensive" classifications could well be eliminated and not have five, but three, because I don't think any other state in the nation has any more than two as a matter of fact at the present time. Wisconsin has a couple.

All right. Now you would also replace the Permanent Commission on State School Support as it presently exists with a new Permanent Commission.

SENATOR MILLER: That is correct, with additional powers. I think the present Commission is primarily advisory in nature. This new Commission would have certain authority in certain instances, such as, in a change in the formula, the Commissioner would make the recommendation for a change in formula but it would require the approval of this new Commission. And if a school district were to receive more than 15 per cent above the prior year, as I mentioned earlier, they would be required to submit a plan to show that they had a program in existence to accept it. If the Commissioner were not to allow it or decrease the amount of money to that district, then an appeal could be taken to the Commission. So this new Commission would have certain authority which does not presently exist in the present Commission.

SENATOR DUMONT: Whom would you put on the new Commission and how large would it be?

SENATOR MILLER: The new Commission is set forth in 2267 and it is right here - sixteen members, four Senators to be appointed by the President of the Senate, four Assemblymen to be appointed by the Speaker of the General Assembly, four to be appointed by the Governor from among the citizens of

the State - three school administrators to be appointed by the Governor, one of whom shall be from a large urban district, one shall be from a suburban district and one shall be from a rural district, and one appointed by the Governor on the recommendation of the New Jersey School Board Association. That would be the constitution of the new Board.

SENATOR DUMONT: It seems to me the present Permanent Commission has on it four Senators and four Assemblymen, and four appointed by the Governor. Is that correct?

DR. CLAYTON: Yes.

SENATOR DUMONT: What you would do would be to add three school administrators really; otherwise, the composition of the new Commission would be the same - not necessarily the same people - but would comprise the same representative groups as your Permanent Commission would.

SENATOR MILLER: Right, with the addition of the school administrators from each of the districts and also the one to be appointed on the recommendation of the School Board Association.

SENATOR DUMONT: You state that home rule or rather local responsibility would actually be maintained and even strengthened. I would like to have you elaborate a little bit on that because today with local school boards passing on their recommendations to the governing bodies as to their budgets, of course, and the people voting upon the budgets for school districts where there is an elective board of education, which most of them are today, how would the program actually maintain and strengthen local responsibility, particularly if under the new statewide property tax you propose, the money would go to Trenton and then come back from there?

SENATOR MILLER: Right. The money goes to Trenton. However, keep in mind that the actual distribution of the money is established by the formula. That is already set up by the formula. It is something that has been put in the legislation itself and any changes, which in the past would

be made directly by the Commissioner's office or the State Board of Education, would now require, in addition to that, the approval of the Commission, the Commission being more representative of the local districts and of the taxpayers and, of course, our own constituents.

One of the things we found when we were researching this particular program was that most of your good, qualified people who served on school boards did not want to serve after they had been in for one term. Most of them didn't want to go back and spend any more time because they told us - and this seemed to be almost unanimous - they were so discouraged and so disgusted because they spent 85 per cent of their time worrying about whether the budget was going to be passed or whether they were going to have funds available that it was difficult for them to really spend any time developing the programs and analyzing the programs in their schools and comparing them to those in other school districts.

Under this particular type of program, they will still be elected by the people of the district, they will still have the full responsibility for establishing the program in their district, but they will be able to devote 100 per cent of their time to actually doing the job that they really were intended to do, and that is to develop good programs for their district. This will give them time to go around and make a comparison with what other districts are doing, see what is happening in their own schools, see what recommendations can be made for improving the system, rather than to spend all of their time worrying about the fiscal aspects of it.

SENATOR DUMONT: Will not somebody in the State government actually pass upon their budgets?

SENATOR MILLER: No, their budget is guaranteed to them, based upon a per pupil allotment and the type of pupil, the classification of pupil. Again when you stop and realize if the State is picking up your current debt expense and picking up your total transportation expense, really what you are talking about is the amount of money available for your current

operating budget and under the type of program that we would establish and under the formula we would establish, there would be more than an ample amount of money for every school district to carry out their program, guaranteed to them. That money comes back to them under the form of the legislation. The formula determines how much money goes back to them - so many children in the school between kindergarten through six, they get \$850 for every child in that category. They get \$925 for every child from seven through nine. They get so many dollars for every child, ten through twelve. They get so many supplemental dollars for every atypical pupil. They get so many dollars for every child from an ADC family, because remedial classes would be necessary. The amounts of money which are established, we have found through our testing, would be such that there would be more than an ample amount of money for them to carry this kind of a current operations program.

SENATOR DUMONT: Don't you anticipate that as the money goes into Trenton and then is channeled back to the school district, there will be some loss of funds, which would not occur if the money were raised and expended locally?

SENATOR MILLER: I don't think so. I think that the administrative aspect of this program is not going to be that difficult. As a matter of fact, from what I understand from talking to them, in just trying to set up the calculations and trying to work out the program under the present State Aid setup that we have, I think there will be less manpower required and necessary to carry out this program, which is a very clear and a very understandable program. I really think administratively there will be less trouble. I don't think there is going to be any real expense involved.

SENATOR DUMONT: Of course, prior to 1946, there was actually a State school tax that was listed as a line item on local property tax bills, up until the year when it was repealed. It didn't raise much money because it was not a high tax at the time. In those days, there was very little, if any, school aid. Two years later, the cigarette tax was

passed at 3 per cent, the idea being that would replace the rather meager sums of money that had been raised by the State school tax.

So you feel this program can work far better than that original State school tax?

SENATOR MILLER: Yes. In order for this program to have ever worked, I think it would have had to be implemented to its full extent. I don't think with the amount of money available under any of the prior programs, there was ever really the kind of money available to really do the job that had to be done. But under this program, it would be done in the very initial stages.

SENATOR DUMONT: As I recall it, the press indicated that Mr. Ruvoldt when he started this action in Hudson County, which is along the lines of the action that was started in California, indicated there were only three solutions if the local property tax were declared unconstitutional because it violated the equal protection of laws clause, the 14th Amendment. The three solutions were, namely, a statewide property tax, a state income tax or reorganization of the school districts, which I suppose - I don't know for sure - but he might have been referring to the Mancuso Commission Report by indirection at the time.

Do you agree that they would be the only possible solutions if the local property tax is declared unconstitutional?

SENATOR MILLER: I would say it wouldn't necessarily have to be limited to that, but I would say it would have to be a statewide tax of some sort. Again this is why I say that the one that is the most feasible, and the only one I personally believe would be really feasible, where you have been taxing on the basis of your real property tax over all these years, would be the one we are suggesting. Because I pointed out the problems if there was to be an income tax. And on the third alternative that you mentioned, that is, the regionalization of the school districts, I am sure you recall as I recall the response of the public, and the public certainly would not be

interested in that. I think they would be up in arms if they thought there was going to be a mandatory regionalization or even one established by the court system. This particular program, of course, would avoid both.

Furthermore, I think this program is a natural. It is a natural in this regard, that it provides actually for a reconsideration of the real property tax structure, placing it on an equitable basis, and it is a gradual transition whereby once this is established and in effect, then over a period of time, as the State would care to infuse more money into the system, this could be done on a gradual basis or it could be done all at once sometime in the future. The mechanism is there. So as they would infuse money into the system, there would be an automatic reduction of the real property tax. This way it would be a transitional type of program rather than a drastic, radical change immediately over night. It would serve that purpose also, that possibly eventually that could come about and the property tax could be eliminated completely. But it could be done on a partial basis, holding the line at a particular time until the State was ready to accept more responsibility and to take over through some other method of financing.

We have tested this to the point that I am satisfied that it would work sufficiently well from the point of its initial inception.

SENATOR DUMONT: How would it work in relation to those approximately 18 municipalities that now get, as you have pointed out, most of their revenue from gross receipts or franchise taxes?

SENATOR MILLER: They would receive a sufficient amount of money to conduct a quality education program similar to that in every other district of the State. The only thing they would be doing is now paying their fair share, which they haven't been paying in the past. But they would be treated on a par with every other school district in the State of New Jersey. As I pointed out before, we have determined and we are satisfied that every district, every single district,

will have more than an ample amount of money to carry out a high-quality educational program.

I might also add that there is a provision in the bill that if any district should so desire, they would have the right to get supplemental funds by going back and providing a tax locally as they presently do. But they would have to go back to their local people and have that approved by the taxpayers of their own district. That would be only for a supplemental. We are satisfied that that won't be necessary, but there may be some districts that would want to do it. In those instances, they would have the right to do it.

SENATOR DUMONT: Hasn't there been a second action started in so far as the local property tax is concerned, a second action of the type that Mr. Ruvoldt has started? I thought there was another one in Monmouth County by an airline pilot if my recollection is right.

SENATOR MILLER: There's one in Freehold.

SENATOR DUMONT: That's right.

SENATOR MILLER: That is being held in abeyance until the other matter is determined.

As a matter of fact, as I mentioned, there are eleven suits pending around the country. I think most of them are about ready to be determined. California was the first. Michigan just came out three weeks ago and the decision was identical to California. These are both suits which are similar to ours and there are eight others still pending. So I think this is something that is not only local, but it is going to be on a national basis.

SENATOR DUMONT: Thank you very much, Senator Miller. We appreciate the opportunity of hearing from you.

Are you going to remain with us?

SENATOR MILLER: Yes. I will be in and out.

SENATOR DUMONT: Fine.

(Prepared statement presented by Senator Miller can be found beginning on page 70.)

SENATOR DUMONT: Mr. Robert Fust requested an opportunity to be heard, I presume, on behalf of the League of Municipalities. Is there someone who is here to substitute

for Mr. Fust or any statement to be submitted by Mr. Fust?

Mr. Muller, did he indicate anything further, other than he wanted to testify?

MR. MULLER: He didn't give us anything further.

SENATOR DUMONT: All right. The next witness is Councilwoman Eileen Murphy of Cedar Grove, Essex County. She wishes to testify, I believe, on A 2454. Is that correct?

MR. GARLAND: Senator, Mrs. Murphy at the last moment was unable to attend.

SENATOR DUMONT: Are you Mr. Garland?

MR. GARLAND: I am Mr. Garland. I am here to testify as the President of the Cedar Grove Board of Education.

SENATOR DUMONT: You are next anyway.

MR. GARLAND: However, Mrs. Murphy has given me her testimony and asked me to read it, if I would be allowed to do so, and also give my own. I will leave that up to you.

SENATOR DUMONT: That is perfectly all right. You are Mr. John Garland, President, Cedar Grove Board of Education, Essex County.

J O H N G A R L A N D: That is correct,

This is testimony prepared by Deputy Mayor Murphy, which I have only very quickly scanned myself. I will try to read through it.

(Mr. Garland read the following statement of Mrs. Eileen M. Murphy)

First, I would like to thank you for giving us the opportunity to be heard before the Committee today. It is most gratifying to be a part of the democratic process of this country.

I should like to point out that the Township Council of the Township of Cedar Grove, on which I serve in the capacity of Councilman and Deputy Mayor, unanimously passed a resolution at their regularly scheduled public meeting on October 18, 1971 (in conjunction with the Cedar Grove Board of Education) opposing Assembly Bill 2454, Senate Bills 2266 and 2267, and asking for their defeat. Inasmuch as 2266 is

a rather lengthy bill, I shall address my comments to only some of the main points.

As we are well aware, Senate Bill 2266 essentially establishes the criteria which will be used to expend monies raised under the power of Assembly Bill 2454. However, are we also aware that it effectively eliminates local control of all of the public schools in the State of New Jersey - both financially and educationally - and places this control in the hands of the Commissioner of Education and the Permanent Commission on the Public Schools, which is established in Senate Bill 2267, a companion bill of S 2266 and A 2454?

A step of this magnitude must be seriously and carefully considered by all responsible people and, therefore, I should like to direct your attention to the following aspects of S 2266:

This bill creates a Public School Fund into which goes money collected from the State Public School Tax, all money appropriated by the State Legislature and all money made available by any Act of Congress and all balances remaining in any State Aid account on the date that this bill becomes effective.

The collection and distribution of money for the State Public School Fund will be handled in the following manner:

On or before April 1st every year, each district Board and each county vocational Board shall submit to the Commissioner of Education a current expense budget which shall contain the total amount necessary for current expenses, including the salaries of the Secretary of the Board of Education, the custodian of school monies, the superintendent of schools, principals, teachers, medical inspectors, truant officers, clerical personnel; it shall also include fuel, textbooks, school supplies, flags, school libraries, truant schools, insurance and incidental expenses of the schools.

Special and supplementary budgets shall be submitted to the Commissioner and contain information as the Commissioner may require for proper evaluation of the programs to be financed thereby. These would include transportation costs,

debt service requirements, evening school programs, summer school programs, furniture, equipment or apparatus, miscellaneous capital repairs, and renewals to buildings and other programs covered previously or in the future by the statutes or for which Federal funds are provided by any Act of Congress. Special budget shall mean a budget covering approved remedial class or approved special classes - in essence, gentlemen, the complete cost of running a school system.

In addition, any school tax which a district chooses to assess in addition to that imposed by the State School Tax, that amount shall be included in the current expense budget. This particular requirement is rather confusing inasmuch as S 2266 revokes the right of local school districts to raise money through taxation by deleting from Title 18A the section on Budget and Appropriations, 18A:22-1 through 18A:22-48, and only reinstates the right of the local school district to raise money for capital improvements, under certain conditions. This item would appear to come under the supplementary budget by definition.

The Commissioner shall then evaluate each budget, certify to the State Treasurer the amount to be disbursed to each district, and notify the Board of the total budgetary allotment.

When the current expense budget of any district, calculated on the base formula, exceeds the previous year by 15 per cent or more on a per pupil basis, the Commissioner shall make his evaluation as to whether the amount shall stand or be reduced.

We should now realize that the Township of Cedar Grove is expending \$3,312,832 in their current expense budget and the formula in S 2266 would allow a current expense budget of \$2,450,450, resulting in a deficit of \$862,382, well above the 15 per cent stated. These are last year's figures and certainly will be higher in the coming year.

At this point, the Commissioner shall decide whether the additional funds shall be paid or if the budget shall be

reduced. This judgment shall be based upon the evaluation of establishment of new programs in the district, expansion of existing programs and special circumstances not usual in the current operations of schools in the district. In other words, the Commissioner shall pass on the courses offered in that school district which is in violation of State 18A:33-1, which gives this right to the local School Boards.

In addition, if equal educational opportunity should be made available to all children in the public schools, a stated purpose of this bill, would it not be necessary for the per pupil expenditure to remain the same for each and every district in the State? If equal educational opportunity must be made available, then do not the courses taught have to be the same for each and every district in the State? If equal educational opportunity must be made available, then does not each and every teacher have to have the same ability to impart the material of their subject to each student? How then can you have new programs and expansion of existing programs in selected districts?

The capital improvement budget shall be decided on by the Commissioner on a priority basis. Those districts not meeting the requirements for monies from the Tax Fund for either full payment of their needs or payment of principal and interest on allowable bond issues shall be allowed to put a bond issue to the voters and, if passed, impose a tax over and above the State School Tax. This provision negates the basic premise that all districts should have the same amount of tax to support the educational system.

It also has a rather amusing aspect inasmuch as a district could conceivably add on physically to their school buildings, but could not staff them or furnish teaching materials or fuel, as these funds must come out of current expenses and cannot be raised by additional taxation. A more serious consequence would be that if the money was not forthcoming through voter approval, the district would be operating on a standard not considered up to par by the local School Board,

and many voters simply would not have a majority by virtue of the fact that not all voters have children in the school system or are concerned about the way the system functions. Does this plan guarantee equal opportunity of facilities to all students?

There are many deletions in this bill which merit examination. The local municipalities will no longer be the custodian of school monies. Currently in Cedar Grove, due to the time difference in fiscal years, some of these monies may be invested in an appropriate manner. Last year, the amount realized in Cedar Grove through investment of funds was \$136,000. It would seem that many local governments will suffer the same fate of losing additional revenue.

The position of Superintendent of Schools and Assistant Superintendent of Schools will be abolished at the local level -- (There is an abolishment of an article there that I think was a mistake. It does abolish the superintendent's and assistant superintendent's positions entirely as well as janitors, I believe.) -- as well as the requirement for certification of their specific duties.

The positions of superintendent of schools and assistant superintendent of schools will be abolished at the local level. However, the right of the superintendent to suspend the assistant superintendent remains under 18A:25-6.

The position of Business Manager and Assistant Business Manager is also deleted along with salaries, duties, etc. Again, how will this position be filled?

The method of paying pension monies to the Secretary of the Board of Education has been deleted as well as the method of arriving at the pension amount. The Secretary also loses the right to hire clerical help.

The position of Custodian of School Monies shall be deleted along with all of the duties, including an annual and monthly report to the Board.

The position of Comptroller or Auditor is being deleted, along with the duties involving auditing of accounts.

Janitorial employees are deleted. School law enforcement officers are also deleted.

The voters in the local school districts will lose the right, of course, to vote on their local budgets.

The money to pay for school lunches to be reimbursed is deleted.

Another very important aspect to be considered if this bill should be adopted is that State Aid now may be withheld from a local district if the Commissioner decrees that proper facilities and courses of study are not being provided.

We can look at a recent court case in Roselle where Commissioner Marburger cut off State Aid in the amount of \$104,000 last September because he felt that they had not provided a suitable bussing plan. Fortunately, the Court in its infinite wisdom just last Friday reinstated that aid on the basis that such a drastic cutback would deny Roselle's children a proper education.

Gentlemen, under the provision of S 2266, all funds for education would be withdrawn. This is a very awesome power to put in the hands of any individual.

There are many problems currently facing the people of New Jersey in education, but do these bills solve these problems or create additional problems? We should ask ourselves at what level of education will the schools be maintained? We should examine some of the basic premises of this bill:

Will the school system be in a better position if it is supported and controlled by the State? It would seem that in New York the trend has been toward a decentralization of the school systems where the larger districts were not found to be doing the job.

Are the State Aid funds that are put into the school system being used wisely and to the best advantage? Is it a lack of money or misuse of funds which causes some districts to function more efficiently than others?

Just how unequal is the educational opportunity in the schools of New Jersey? Again are we faced with inefficiency or real lack of opportunity?

Will this program stabilize taxes on real property?
It does not seem so.

We must also ask ourselves if the people of the State of New Jersey want to lose local control of their schools. I think not.

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That is Mrs. Murphy's testimony.

SENATOR DUMONT: Now you want to say something yourself, Mr. Garland.

MR. GARLAND: Yes, I have prepared testimony of my own, in my capacity of President of the Board of Education. May I give that now?

SENATOR DUMONT: Yes, sir.

MR. GARLAND: Mr. Chairman -- I did have "members of the Senate Committee." I see they are absent. I hope this is an indication that the Senate is not anxious to pass this bill.

As I have indicated, I am John Garland, President of the Cedar Grove Board of Education and I am now testifying in that capacity.

I wish to thank the Senate Committee for the opportunity to present the views of the Cedar Grove Board of Education (representing the citizens of Cedar Grove) on Senate bills 2266 and 2267.

My comments on S-2267 will be brief. The bill would establish a Permanent Commission on Public Schools which would be directed to act as overseer of the State Public Fund. If there were no such fund, there would be no purpose in establishing the commission. The studies mentioned in the bill are now handled by the local Boards of Education and the State Department of Education.

Under paragraph 8, \$150,000 would be appropriated for the purpose of this act. Although the bill does not specify over what period of time the commission would spend the \$150,000, it seems

like a rather large sum for a commission which "shall serve without compensation." Our Board of Education budgets about \$400 for expenses. In any case, this is \$150,000 of taxpayers money which would otherwise go directly to the schools.

Paragraph 1.c. states "The causes of disruption in the public schools must be remedied in a manner which is equitable to all parties concerned, and with the major view of providing the opportunity for a high quality education for all children in the State". There has been no disruption in the public schools in Cedar Grove; we consistently provide high quality education to all our children and I fail to see how the lowering of our standards can possibly be the best approach to equal educational opportunities in New Jersey.

At this point you may well say that no one has suggested lowering any standards. No, not in so many words, but let us now look at companion bill S 2266. I see no point in repeating all the statistics included in Deputy Mayor Murphy's testimony, but I would like to look again at the amount of money Cedar Grove would receive under the base formula of Senate Bill 2266. We would receive \$850,000 - I think it is \$862,000 to be exact - less for current expenses next year than we are now operating on this school year. Not even a Permanent Commission on Public Schools can cut one-fourth of the current expense budget of that school system and maintain the same quality of education.

Along with the loss of a quarter of our current expense money, we will lose local control of our school system and the right to vote on the school budget. Paragraph 49 of 2266 gives to the

County Superintendent, with the approval of the Commissioner, the authority to withhold all money from any district which "shall fail to provide such facilities and courses of study". The facilities and courses of study are not clarified in this statute but are those required by the state.

It is my firm belief that the local Boards of Education are in a much better position to know what courses of study are best for the children in that district and what facilities are needed to provide an adequate atmosphere for study. But, under this bill, local Boards of Education would effectively be eliminated. They would become mere clerks for the Permanent Commission on Public Schools and the State Department of Education. I further believe that the concentration of all control over the education of our children at the state level is a very dangerous move. Today, in the name of equal opportunity for all, control of public education is moved from the 600 districts to one state body. Tomorrow what is to prevent the movement of this control from the 50 states to Washington. I lived nearly three years in the Soviet Union where the youth of the country are taught exactly what the state wants them to know. No more--no less. I will always oppose any movement toward that concept in this country.

Since, as I pointed out earlier, S-2267 is dependent on S-2266 and S-2266 creates a State Public School Fund into which shall be paid the revenues from the State Public School Tax established by A-2454, it is impossible to discuss the two Senate bills without also discussing Assembly bill 2454.

A-2454 does not replace the property tax with some broad base tax. It simply takes control of this taxation away from the local districts and moves it to the state level and creates a dollar rate per \$100 true value to be assessed on all property. The bill lists this rate at \$2.25. As long as the cost of living continues to rise, it is obvious that this rate will continue to rise. Yet S-2266 paragraph 2.d. states "The impact of property taxes for schools upon property owners in many districts causes severe hardships,..." I completely fail to understand how these three bills, if enacted, will alleviate this burden. Under the present system the property taxes are collected locally, those amounts which are not immediately

required, are deposited in interest bearing accounts and the monies are managed by unpaid Boards of Education. Under the plan set forth in these three bills the taxes would be levied against these same properties by the state, where a paid staff would certainly be required. The money would then be doled out to the districts in the form of state aid. It seems intuitively obvious to me that either it is going to cost the property owners of New Jersey more in the long run or the quality of education in the state is going to sink to a mediocre level or, most likely, both.

On September 21, 1971, the Cedar Grove Board of Education passed a resolution, which will be considered by the delegates at the December 4 semi-annual meeting of the New Jersey School Boards Association. The resolution reads as follows:

WHEREAS, the Cedar Grove Board of Education has carefully considered Assembly Bill 2454 and Senate Bills 2266 and 2267; and

WHEREAS, it is the unanimous belief that these bills, if enacted into law, would eliminate the concept of local control by Boards of Education; and

WHEREAS, it is also the opinion of the Cedar Grove Board of Education that the rights of the public to approve or disapprove of local school budgets would be abrogated; and

WHEREAS, the Cedar Grove Board of Education has always provided quality education for its students and firmly believes in the right of local control by citizens and the Board of Education;

NOW, THEREFORE, BE IT RESOLVED that the Cedar Grove Board of Education unanimously and strongly opposes the foregoing bills, viewing them as an outrageous infringement on the rights of the citizens of the State of New Jersey; and

BE IT FURTHER RESOLVED that the Cedar Grove Board of Education requests that the New Jersey School Boards Association oppose the enactment of Assembly Bill 2454 and Senate Bills 2266 and 2267.

The Executive Committee of the Association assembles the resolutions for all the districts, and sends them, along with the Executive Committee's comments and recommendations, to all school districts in New Jersey prior to the delegates' meeting. The Association's recommendation on our resolution reads, in part, as follows:

"Association action either supporting or opposing this legislation would be unwise at this time. This is a highly complex issue of critical import to the future direction of public education. Accordingly, it is recommended that the resolution be opposed in its present form with the strong recommendation from the Executive Committee that the resolution be amended to call for a thorough study of this legislation in conjunction with other developments affecting school finance."

There certainly seem to be many actions concerning public school financing occurring simultaneously. Some of them are contradictory. The Bateman Bill has become law, backed strongly by Governor Cahill, but now he has called for a moratorium on funding this legislation. The Governor's Tax Commission will, I assume, eventually come forward with their recommendations on the entire state tax structure. There is, as Senator Miller pointed out, a court case pending in New Jersey and others around the country, and both the Assembly and Senate have before them bills that would drastically change the method of school financing.

I must disagree strongly with the Executive Committee of the New Jersey School Boards Association. It seems to me that, if more study is in fact required, we should study and then legislate, not pass the bills and then study the problem. Thank you.

SENATOR DUMONT: Thank you, Mr. Garland. Do you have any thoughts or recommendations as to whether there are other methods of funding public schools, in the event that the Supreme Court of New Jersey or, first of all, the Superior Court, decides that the present form of taxation is unconstitutional with respect to public schools? Now the three things that were suggested by Mr. Ruvoldt who started one of these actions, the one that is going to be heard, were either a statewide property tax, a statewide income tax or reorganization of the school districts. Do you have any comments you want to make about that or do you want to add to the possible solutions?

MR. GARLAND: Well, it certainly is a problem and it is a complex one, as the Executive Committee here has indicated.

First, the State income tax, I suppose, is a possible solution. It is not one I would like to see used.

The reorganization of school districts, if it is, in fact, intended to be something under the Mancuso Plan, I don't see how that would solve the problem anyway.

The court case as passed in California did not say that the use of property taxes, per se, was illegal. It simply said that the difference in ratables of various districts made this unequal. It would seem to continue the use of this local taxation with some equalization from the State level would make this both constitutional and workable without taking away all of the local control of the districts to me.

As I said, I am making it sound simple; I know it is not. But I would suggest looking into something along this line.

SENATOR DUMONT: In other words, as a Board of Education President - also you have indicated this is the recommendation of your governing body too --

MR. GARLAND: Yes.

SENATOR DUMONT: (Continuing) -- you feel that the present system with all of its deficiencies, which we all recognize exist, is far superior to any kind of statewide financing or control.

MR. GARLAND: I certainly feel so, yes, sir.

SENATOR DUMONT: So really what the New Jersey School Boards Association is doing with your resolution is essentially tabling it, as I understand it, until such time as a study has been made?

MR. GARLAND: That is what they were recommending. However, the Executive Committee fortunately doesn't have that authority. It still must come before the delegates at the December 4th meeting. So the action on that resolution will depend upon the delegates' vote at that time.

SENATOR DUMONT: All right. Thank you very much, Mr. Garland, for both your statement and also Councilwoman Murphy's statement.

Next we will hear from R. L. Solyom, a private individual from Fort Lee, New Jersey.

R I C H A R D L. S O L Y O M: Mr. Chairman and members of the Committee, my name is Richard Solyom and I speak to you today as a private citizen, a resident of Fort Lee.

The Legislature's deep concern for funding education is evidenced by introduction of S 2266 and the companion bills, S 2267 and A 2454. Instead of making an in-depth study and presenting a detailed analysis of the bills' good and bad points, I would like to offer an alternative solution. It should be noted all these bills were introduced on May 3, 1971. This was long before the California Supreme Court decision regarding use of the property tax as a source of revenue for educational purposes. I am sure this committee is well aware of the consternation caused by this decision in education and legislative circles.

Under these circumstances and with all due respect to the sponsors of these bills, I must question the wisdom of further reliance on property taxation as the major source of income for schools. Even worse would be a switch to the income taxation which is regressive and socialistic and results in an economy in liquidation such as we have today at the national level.

The New York Times analyzed the California Court's decision in an editorial on September 2, 1971. Their concluding remark, as noted in the copy furnished you, reads as follows: "The best solution lies in public education generously supported by the states, without discouraging additional investments by education-minded communities in the betterment of their schools."

So, let us put some flesh on that skeleton statement. I propose a marriage - a marriage between the Value Added Tax

and the Voucher System for funding education. Such a union has much to recommend it.

The value added tax, in its true form, is the most equitable method of collecting revenue ever devised. It is a tax, applied at the source, on the production of new wealth. Compare this with either the income tax or the property tax, both of which are taxes on the accumulation of wealth, and the advantages of value added taxation become obvious. A summary and review of value added taxation is included in the material furnished you.

An unregulated voucher system will restore competition in education and give parents a truly free choice in determining their children's education. A regulated voucher system, as proposed by Dr. Jencks of Harvard in his report to O.E.O., will tighten bureaucracy's grip on our school system, will erase school district lines and will pervert education into a tool for social change. I have furnished this committee with four copies of a research paper on the Voucher Plan which I prepared last June.

If this marriage is to take place, it must be between the true form of value added taxation and an unregulated, citizen-controlled, voucher system. I suggest this may be done as follows:

Adopt the Value Added Tax as each state's principal, if not sole, source of revenue; the application to be such as to provide a floor to the amount of government and education at the local level. By that I mean to say, most of the funds obtained by the state from value added taxation would be returned to the counties and municipalities on a population basis in an amount sufficient to provide them with something less than a minimum of both government and education. Then each municipality and county would augment or supplement its share with local property taxes, locally administered and collected, in any amount desired. If they want an elaborate, costly educational system and a wasteful local government, let them tax themselves to provide whatever additional is required.

The criterion to establish a "minimum of education" is the cost to educate a child in those subjects which prepare an individual for responsible, participating citizenship in a Constitutional Republic, based on self-government, private enterprise and individual responsibility.

Vouchers will be used to distribute the state's share of education funds to parents of school-age children. These vouchers will be issued by locally-elected school boards, not Educational Voucher Agencies as proposed by Dr. Jencks, and will be valid at any school approved by the local board. Thus parents will be free to take voucher and child to the school of their choice and every school will charge an additional or "extra" amount to vary depending on the elaborateness of the educational services provided by each school.

Under this system, the level of quality to be attained "by education-minded communities in the betterment of their schools" will be determined by the local school board (not an EVA) acting in response to parents' wishes. The additional amount required to bring each community's system up to whatever standard they desire will be made up by the "extra" amount as determined by the local school board. In other words, all taxpayers will pay some part of education's cost while parents with school-age children will pay an "extra", the amount depending on where they send their children. The "extra" for schools within the so-called public school system will be determined by the local school boards, that for private schools by the competitive free enterprise system and that for parochial schools by the church.

This method of funding education is a compromise plan whereby society and the individual cooperate to provide education. It will lighten the load on those persons without school-age children who now complain they are being taxed to educate other people's children. It will strengthen home rule by giving each community the right to determine its own educational system's level - that is, above the minimum - and it will give parents the freedom to choose a private or parochial school if they so

desire. In effect, the state will be acting as tax collector for the municipalities, collecting part of their revenue for them. This dual responsibility for raising revenue helps prevent either state or local government becoming dominant over the other. It will serve also to keep spending authority closely connected to taxing responsibility, and this should bring economy in government.

I thank you for the opportunity of being here today to express my views.

(Exhibits submitted by Mr. Solyom can be found beginning on page 109.)

SENATOR DUMONT: Didn't the State of Michigan or doesn't it today have a value added tax?

MR. SOLYOM: No, sir. They started one and they did not institute it in its true form. They put so many exceptions and loop-holes in it that it was ineffective.

SENATOR DUMONT: Is there any state today that has such a tax?

MR. SOLYOM: Not to my knowledge. This method of taxation was first proposed in 1941. No one in this country paid any attention to it, but the European countries latched onto it immediately. They perverted it and turned it into a rebatable national sales tax. They did this in order to pay for their large bureaucracies and also to subsidize their exports. They are using it now as a means to subsidize exports.

SENATOR DUMONT: How much do you believe it would produce, Mr. Solyom?

MR. SOLYOM: One-half of one per cent would produce \$100 million in New Jersey. That is the estimate. \$1.8 billion is the present budget, I believe. On that basis 9 per cent would raise enough for this year's budget, which I think is about twice as much as the State should have. It is far, far too much.

SENATOR DUMONT: That under your plan would be raised by the State or whatever the percentage was would be raised by the State and then would be channelled back locally?

MR. SOLYOM: That's correct. As you pointed out yourself, there is a danger and that danger is that something gets lost in the pipeline. So I have stressed here that the State's function in this is solely that of a tax collector - no strings attached, no controls. The State must not be allowed to say, "Do what we tell you to do or we will withhold your funds." If this is ever put into effect, it will have to be done with those provisions written into the law. The State will act only as a tax collector.

SENATOR DUMONT: Doesn't California today have a type of voucher system or voucher payment plan?

MR. SOLYOM: I believe OEO is starting in two or three cities, not states, a pilot testing program for the use of vouchers. Again the voucher system as proposed by Dr. Jencks is so replete with controls and restrictions that it is not a true voucher form and I do not recommend the voucher form as he recommends it. I recommend it in an unregulated form. His is highly regulated and he is doing it for a purpose, the purpose being to destroy school district lines and to turn education into a tool for social change. Have you read his report, sir?

SENATOR DUMONT: No, I haven't.

MR. SOLYOM: You should.

SENATOR DUMONT: Under your plan, the local boards of education would pay so much to each family; is that correct?

MR. SOLYOM: The moneys would be sent back to the municipalities to be used by them for two purposes - local government and schools. The local school board would be the actual issuing agency, not the EVA's as proposed by Dr. Jencks.

SENATOR DUMONT: The local school boards to the parents --

MR. SOLYOM: Right

SENATOR DUMONT: (Continuing) -- based upon the number of children attending various grades in public schools?

MR. SOLYOM: Right.

SENATOR DUMONT: All right, sir. Thank you very much.

Now, Mr. Robert Lewis, we will hear from you.

R O B E R T L E W I S: My name is Robert Lewis. I live in Avenel in the Woodbridge Township section of Middlesex County. I am a private citizen who, I believe, takes an active interest in local government.

I have been doing a little research independently. I had no idea so much of what I had done had been covered by Senator Miller and his associates. I am amazed and very gratified at many of the things he has brought to the attention of you people here this morning. I might particularly mention such things as tax havens, Teterboro being one, and Rockleigh in Bergen County being another. I believe Teterboro has one student, one pupil, according to the statistics I have, and their \$1200 per year goes to supply education for that student and the industries in Teterboro have no other educational expenses. Their school taxes are minimal. Rockleigh is not very much different except that there are quite a few people living there. It is up in the northern part of Bergen County near Northvale.

The other thing I was also interested in is the fact that Senator Miller believes, if an income tax were enacted, the average homeowners would probably pay as much as or more than he would be paying under the present school tax system that we have, the local property tax. I have long felt this way. I never had the figures to substantiate this, but I appreciate the fact that Senator Miller did have them.

Senator Miller mentioned inequities in taxes and in wealth among the various communities. I would like to go into this a little further. Woodbridge Township, according to the State Table of Equalized Valuations, has the highest real estate property valuation in the State, outside of Newark and Jersey City, and this is something that very few people realize. We are, I would say, a wealthy community because of

that property evaluation. And yet, in a community that is so wealthy, we receive from the gross receipts taxes on public utilities, just Public Service mostly, \$4 million a year extra and that \$4 million goes only to the local government. None of it goes to the county and none of it goes to the schools. This is true of all the gross receipts tax payments that go to the various municipalities. They are public utility taxes and they do not go, for the most part, to the schools or the county.

A replacement revenue for the business personal property -- In Woodbridge Township, we get \$1.6 million from that replacement revenue for the business personal property tax. That does not go to the schools or the county either in Woodbridge Township. I would like to say a few words about the background of that. Prior to 1968, business personal property had a separate tax on it, but the tax on it, like the real estate property tax, was distributed in the same proportion to the local municipal government, to the schools and the county. When the State took this tax over at the end of 1967, it provided replacement revenue to the municipalities for this business personal property tax. Unfortunately, the business personal property replacement revenue only went to the municipality; it did not go to the schools; it did not go to the county. In Woodbridge Township, this \$1.6 million that they received in replacement revenue, if the State had not stepped in and changed the rules, the schools would have received somewhat over \$1 million of that sum. It could have gone as high as \$1.2 million

I might point out in this connection, in Bridgewater Township, I think - I don't have the figures with me and I am not sure -- Bridgewater Township, I believe, received somewhere around \$2 million in business personal property taxes and their budget shows that they transferred to their school district a sizable sum. Unfortunately I looked for the figures this morning before I left home and could not find them. I think it is in the neighborhood of \$700 or \$800 thousand.

I do not know of any other community that has taken this action because of the large sum of replacement revenues that were turned over to the local municipal government.

My thinking is that in connection with financing Senator Miller's bills, at least two-thirds of these replacement revenues that go to municipalities should be taken over by the State.

I want to get into the gross receipts tax along the same lines. Gross receipts taxes are levied on public utilities. For the most part, they amount to very sizable sums wherever a public utility has an electrical generating plant or gas storage facilities for a gas company like the Elizabethtown Gas Company. I understand or I have been told down at the State Tax Department here that back about 1940 - this is well over 30 years ago - this gross receipts tax on public utilities was a replacement for business personal property taxes that had been levied on the utilities. And I assume that when these business personal property taxes were levied on these utilities, the schools and the county each received a proportionate share. Now neither receives any part of it. So in various communities, these sums - \$4 million in Woodbridge; close to \$3 million in Linden; \$3 1/2 million in Kearny; \$3 million here in Hamilton Township; close to \$2 million in Burlington; in the small town of Ridgefield Boro, which is about the same size as Burlington, over \$2 million - all go to the local government. I believe there is a tendency for these local municipal governments to be extravagant with these funds.

I'll bring up an example here. An atomic power plant was constructed on the shore in Lacey Township. As a result of this power plant being constructed, Lacey Township now receives close to \$1 1/2 million in gross receipts taxes and they are spending it. Last year, they transferred to the schools approximately \$500,000 of that revenue. This year, they have reduced that to \$300,000. Apparently their

local municipal expenditures have increased and they can no longer transfer funds to the schools. As a matter of interest, the 1970 population of Lacey Township was 4,600 people and if this gross receipts tax payment were distributed among the population in Lacey Township, each man, woman and child would receive over \$300 per year from these gross receipts taxes.

There are two municipalities that I know of that do transfer some of their funds - I wouldn't say a proportionate amount - to the local school district. Burlington is one. Burlington transferred about \$750,000 this year to the local school district. This sum would not be transferred except for the fact that the gross receipts taxes are so large, I guess they are unable to spend them. They are not extravagant down there in Burlington.

In the Borough of Ridgefield the amount transferred is in excess of \$1 million. You can see in Ridgefield, Burlington and Lacey Township, the school tax portion of the local municipal tax will be low and the municipal portion is almost zero, because their gross receipts tax revenue covers almost all their expenses.

My thinking is, to finance part of the costs of Senator Miller's bills or any other bills that we may have to adopt to reduce the burden on property taxes, the State should take over two-thirds of the replacement revenues for the business personal property tax and I would say at least two-thirds of the gross receipts tax payments levied on public utilities, received by the municipalities.

I thank you very much. I have some statistics here that would only supplement those that Senator Miller's associates have gathered. I will leave them with the secretary here, but I think he is already familiar with most of them. Thank you very much.

(Exhibits submitted by Mr. Lewis can be found on pages 133 and 134.)

SENATOR DUMONT: Mr. Lewis, are you generally in favor of the concept of Senator Miller's bills?

MR. LEWIS: Yes, I think so because it seems very likely that the courts may rule that we will have to do something of this sort.

SENATOR DUMONT: And you would rather have this solution than any of the others that have been proposed?

MR. LEWIS: I do not see the income tax. The value added tax, I believe, is something that could probably only be imposed by the Federal government because, if it were imposed locally, I think industry would tend to move into other states. This I am not sure of. I have never really looked into it.

SENATOR DUMONT: But your main point is that you think the State should take over most of the revenue from the gross receipts tax and the replacement tax and use it to help finance the type of program that Senator Miller has advocated.

MR. LEWIS: Yes, sir. If the State had not made any changes in the law, the schools would now be receiving that money.

SENATOR DUMONT: All right. Thank you very much, Mr. Lewis.

MR. LEWIS: Thank you.

SENATOR DUMONT: Mrs. Marjorie Mandel of Westfield, please.

M R S. M A R J O R I E M A N D E L: I am Mrs. Marjorie Mandel, 416 Elm Street, Westfield, New Jersey. I am on the Legislative Committee of the Westfield Women's Republican Club and Ways and Means Chairman of this group. I am the Corresponding Secretary of the Republican Conservative Action Club of Union County. I am speaking today as a private citizen, and am not officially representing either organization in my statement that follows.

The only purpose of this proposed legislation, S 2266, the "Public School Financing Act" and S 2267, which establishes a "Permanent Commission on the Public Schools," is to provide in advance a vehicle to handle the tax dollars to be extracted

under the "State School Tax Act", A 2454. This State School Tax Act, A 2454, imposes a State Property Tax for public school purposes, abolishes locally levied property taxes for public school support, and provides for assessment and collecting for a State school property tax. In other words, what you are deciding here is really whether to impose a State tax on property without any community control over the amount of taxes to be assessed or any control over the way it will be spent. This is in direct contradiction to President Nixon's stated national goal of returning power and money to the levels at which people can exert influence over those things which directly affect them. I ask, indeed implore, you gentlemen not to pass this bill. I ask you not to take a step backward into increased bureaucracy and further dissolution of community responsibility and control. Thank you.

SENATOR DUMONT: Mrs. Mandel, suppose that the New Jersey courts should do what California has already done and indicate that the local property tax is not the proper way or even a fair way to raise money for schools. Have you any suggestions to make in regard to what the Legislature might do as an alternative?

MRS. MANDEL: I am not that much familiar. - I am just beginning to get interested in politics. I understand that evidently it might be against the Constitution and that is the problem. I don't know whether it would be possible to pass an amendment that would change this.

SENATOR DUMONT: But you are opposed to these bills.

MRS. MANDEL: I am opposed to this for the simple reason that in my opinion it takes the control away from the communities. And I think if you take the money away from the communities, money and controls go together, and I am opposed to this very strongly.

SENATOR DUMONT: All right. Thank you very much. Does Mrs. Wachter wish to testify?

MRS. WACHTER: Yes.

SENATOR DUMONT: You may proceed.

M R S. J O H N H. W A C H T E R: I am Mrs. John H. Wachter of Westfield, New Jersey, 550 Clark Street, and I am here as Secretary of the Republican Conservative Action Club of Union County.

Before going into my prepared testimony, I would like to take a couple of minutes to comment on statements made by Senator Miller when he discussed his bill. He said that 95 per cent of the people in the grass roots with whom he had spoken about this bill were in favor of it. He is very fortunate because the people I have spoken to about it are 100 per cent against it. As typical of the general reaction, I brought a Letter to the Editor which appeared in the Plainfield Courier-News, attacking the three bills as very dangerous bills. (Letter to the Editor can be found on page 135.)

Senator Miller states that property taxes are now confiscatory. None of us likes to pay taxes. But I couldn't understand from his testimony why a State tax would be any less confiscatory. The money has got to come and you would have to add to the expenses the bureaucracy that would develop on the State level for it.

Senator Miller said it would strengthen home rule and I can't understand this statement because we all know that he who pays the piper calls the tune and, if the money is coming from the State, it is the State that is going to have the control over our local education, and that is not home rule.

Senator Miller suggests that the State property tax which he envisions would be supplemented, and I quote him as I understood him this morning, by general State revenues. I have read repeatedly in the press that the State is very short of revenues and has a Tax Commission which has been studying ways of increasing its revenues. I don't know where the revenues with which he hopes to supplement the State property tax are going to come from and I have a very unpleasant feeling that maybe he thinks they would come from a State

income tax, which is strongly opposed by all the taxpayers of New Jersey, I suspect. All the ones I know are strongly opposed to it.

Senator Miller said that Camden would get \$4 million more under the school property tax in his general bill than is budgeted for schools this year. His taxes would be cut - that is, the taxpayer's taxes would be cut - and there would be more funds for schools. Now this sounds like Alice in Wonderland. You can't cut taxes and have more funds because the only source of funds is taxes. I mean, this sounds lovely and if Senator Miller stated this when he was in the grass roots, I don't wonder he got a warm response. But it doesn't just seem fiscally sound to me. You can't cut taxes and increase revenues. That's all there is to it.

Senator Miller said that the State is limited in funds for innovative programs, if I can read my own writing. I took it to mean that under his bill there would be some money forthcoming so that these innovative programs could be tried out in school systems where they wanted them. Well, I think it became clear to the Education Committee of the State Legislature two years ago when the hearings were held on sex education that these innovative programs are just what the parents do not want. What the parents everywhere want is reading, writing and arithmetic, and their children schooled in basic principles that are applicable to every-day life, not these innovative programs. We happen to have innovative programs in Westfield in addition to the sex education and nobody in Westfield is going to want money to expand those.

The reference to the California Supreme Court ruling was made by Senator Miller. It is clear that this has not yet been upheld by the United States Supreme Court so it has no special bearing on New Jersey. I would just like to mention in passing that judges of this day and age have a propensity for making decisions with which the man in the street finds it hard to agree. I don't see why a California

judgment should bias the Legislature of New Jersey in determining its school and educational policies.

Senator Miller made quite a point of the fact that some municipalities raise by themselves by their local property taxes such a limited amount of funds that they have to be disproportionately assisted by State aid. Well, as a conservative, I suggest that State aid be eliminated. I think we have too much State aid. I think communities should stand on their own feet and local control and local financing. And I don't think I am alone in thinking this.

I will be brief in my prepared testimony.

In New Jersey we have a long tradition of local school districts, corresponding in most cases with municipal boundaries and supported by local residents through local property taxes. This tradition has served New Jersey well, producing generations of educated people who have benefited from the concern of their parents and their neighbors. Local administration and local funding are the American way.

However, under S 2266 and the companion bills, were local schools to be supported entirely by the State, the State Commissioner of Education would be another Goebbels, without restraints of any kind upon him. All directives, punishments, brainwashing and, of course, funding would be at the discretion of a Nazi-type, unelected official, not responsive to the wishes of New Jersey people. Too much power, far too much power, is already vested in this office.

This bill is essentially discriminatory. It discriminates against communities where the citizens have built up good local school systems in favor of communities where such is not the case. I have no doubt that under the proposed State Property Tax to finance education statewide, the taxpayers of Westfield would receive back in funding for Westfield schools far, far less than they would pay into the State. Why should a good school system, built up over the years, be penalized for its successes?

The proposed change in Title 18A, as cited in S 2266, so as to eliminate submission of a local school budget

to the voters is the last straw in centralization of the educational system. This would reduce local school boards to mere figureheads, and leave parents, teachers and students at the mercy of the new Goebbels. Extravagance in education may be avoided when the voters control the purse strings. Extravagance with State tax money would be inevitable and extreme.

The Concerned Citizens of Union County, whose representative was unable to testify today because of home responsibilities, have asked me to add that their organization, of which I am a member, unanimously reject the proposal that the State take over the educational system. This would further erode parental authority, which has already been seriously undermined by programs instigated by the State Commissioner of Education.

They also point out that these hearings were not publicized. Had they been so, hordes of indignant voters would be here to say "NO" to S 2266. It is very easy for organizations based in Trenton, and staffed with paid lobbyists, to come across the street and offer testimony which, at least in the case of education, always seems to favor centralization of power and denigration of local responsibility, and to reduce the citizens of New Jersey to the role of taxpaying serfs.

The people of Union County want to fund their own schools and manage their own schools, and be let alone by the State Commissioner of Education and his cohorts. Let S 2266 be consigned to the circular file. Thank you.

SENATOR DUMONT: Mrs. Wachter, you are not trying to infer, are you, when you use Goebbels and a Nazi-type of situation, that you relate it to any one person or group of people?

MRS. WACHTER: Yes, I attribute that to the powers vested in the State Commissioner of Education. I have named no names. I have named only the office. And I do think powers of that sort are almost vested there now. The powers are authoritarian, uncontrolled, dictatorial. Under State

funding, there would be absolutely no recourse.

SENATOR DUMONT: Well, I think we might all probably agree that we detest the kind of tactics that were used by the Nazis at any time. But at the same time I would hate to think you were using it as a reference to any particular person.

MRS. WACHTER: I am using it in reference to the office. It has been used that way. I fail to see how any person who accepts an office with those powers as vested in the State Commissioner of Education by Title 18A can be anything but a dictator because those are the powers which are given under that Title, and under State funding it would be even worse.

SENATOR DUMONT: I went through the hearings on sex education. I was here at all of them, as a matter of fact, and heard every witness. I know how you felt in Westfield or how some of the people felt in Westfield in regard to the program that had been started there. But I would still have to take exception to your description of the Department and of the Commissioner because I think you are getting into references that could be interpreted as personal in that kind of situation.

MRS. WACHTER: I have named no names, sir. As I say, anyone who holds that office would certainly have the temptation because the power is there.

SENATOR DUMONT: Then that would be the fault of the Legislature and the Governor if the power had been granted which you say could be exercised.

MRS. WACHTER: That's right. In my opinion, it is definitely the fault of the legislation. Senator McDermott told us in Westfield that when the Legislature gave this power to the State Commissioner of Education when Title 18A was drawn up a few years ago, circumstances were very different and they had not visualized the extent to which the powers would be called into use.

SENATOR DUMONT: Anyway, you are opposed to the bills.

MRS. WACHTER: All of them.

SENATOR DUMONT: Do you have any suggestion to make, however, if the New Jersey courts and the United States Supreme Court should ever follow the lead of the California court, as to what you might recommend as an alternative?

MRS. WACHTER: I think that should be decided locally. I see no reason why that should be decided on a State level. Let each community finance its educational system as it wishes.

SENATOR DUMONT: But I don't think we could do that without some legislation. Mrs. Wachter, in the first place, there are great distinctions between municipalities and school districts in regard to financing and State aid is a well-accomplished facet of our government today. You don't like it, but at the same time it is something we have had for a long time.

MRS. WACHTER: That is very true.

SENATOR DUMONT: It is pretty well established and most of the school districts depend on it a great deal in order to get by.

MRS. WACHTER: May I ask, Senator Dumont, what is the advantage of State aid? It has to come out of the taxpayers somehow.

SENATOR DUMONT: It is a form of trying to equalize the burden to some degree.

MRS. WACHTER: But you can't tell me that it does because we get State aid in Westfield. We are not an under-privileged community. Why in the world are we getting State aid? It is fantastic.

SENATOR DUMONT: Because, in the first place, a State aid program would never have passed if it didn't include some kind of a minimum aid type of compensation, even to wealthy districts. Because the people in contributing the money in State taxes and not getting any of it back would have defeated the program in the first place.

MRS. WACHTER: Well, it doesn't make sense to me. You raise taxes in a local community. You send it off to the

State where it passes through a number of hands and all of these hands have to be paid. You establish a certain degree of bureaucracy. Then you get it back again with strings attached, strings such as were exercised by the State Commissioner of Education in this Roselle matter which was just discussed and many other matters, many, many other matters. Dealing with the employees - the whole system - comes under the aegis of the State Commissioner of Education. Call him a Lincoln if you don't like what I call him, but it is still under his aegis.

SENATOR DUMONT: I am not going to have a controversy with you here, but I think the Commissioner was wrong in his decision in the Roselle case. I think there are other factors involved in that case as a matter of fact. At the same time, I agree with you that he should not have made such a decision and it has been overruled.

MRS. WACHTER: But he had the power to make it under the present setup. That is the thing. This office has that power vested in it and I do not see any recourse under Senator Miller's bill for the State Commissioner of Education if Abraham Lincoln came back and filled that post. I do not see how the power would be lessened. It would be increased. The more money you have, the more control you have. Isn't that inevitable?

SENATOR DUMONT: That is partly right. We are interested in home rule too. It isn't a matter of trying to give up powers that the Legislature has to department heads, but we have to have some kind of rule-making power in each department head because we cannot possibly legislate with respect to every single detail that may arise.

MRS. WACHTER: I am sure this is true and we are certainly not discussing the powers vested. I only stressed this because I was so astounded when I heard Senator Miller say that it would increase home rule. I don't see how this can be said. I thought it was axiomatic that with the power of the purse went control.

SENATOR DUMONT: It often does.

All right. Thank you very much, Mrs. Wachter.

Mrs. Ann Merchant, Federation of New Jersey Taxpayers,
Hunterdon County.

M R S. A N N M E R C H A N T: The Public School
Financing Act (S 2266), together with its companion bills,
A 2454 (The State School Tax Act) and S 2267, intends to
bring about complete State control of our children's education
and the rapid destruction of local government. This will
be accomplished by imposing a statewide property tax, which
will be disbursed from Trenton on the orders of a few
appointed officials.

Recently the California Supreme Court ruled that a
local property tax for support of schools is unconstitutional
since it "invidiously discriminates against the poor because
it makes the quality of a child's education a function of
the wealth of his parents and neighbors." Two New Jersey suits,
trying to prove the same point, are presently underway against
the State Department of Education, much to the delight of
our State Education officials. As Assistant Commissioner of
Education, Edward Kilpatrick, has recently put it, they "might
be quite willing to lose" these suits.

But the plain fact is that the amount of money spent
on a school has almost nothing at all to do with the quality
of a child's education. If it had, then New York City would
have the world's best schools. It is already spending more
than twice the national average per pupil, and the national
average is way ahead of what is spent on schools in the rest
of the world. But New York City is famous for its terrible
schools; its scholastic achievement is well below the national
average and continues to fall steadily each year. In 1969,
Mayor Lindsay said: "Our schools are the most lushly funded
school system in the nation. . . it has the best teacher-pupil
ratio of any city . . . but the management of the thing is
such that we just don't get the production." Notice the words
"the management of the thing is such. . ." New York is
acknowledged world leader in incredibly costly, inefficient

and corrupt city government and public school administration. Now it seems Messrs. Miller, Hiering, Guarini, and Italiano wish to spread the plague of New York City over the whole State of New Jersey, as if we don't already have enough to make us world famous.

This is the state of Addonizio, of Whelan, of Kenny. This is the state where \$164,000 of education funds is spent on buying a tax-free mansion for the Chancellor of Higher Education Dungan. This is the State where the school board of one of its largest cities can mysteriously "lose" over \$1 million of taxpayers' money. By the way, that was not an elected school board. As Professor R. Blakey of Notre Dame University testified in 1969, New Jersey is the state which has "the worst problems of official corruption on all levels" in the nation. And yet we are now being told that we must hand over complete control of our schools to those who have already proven their incompetence.

In 1966, the federally-sponsored Coleman Report concluded that: "The evidence revealed that within broad geographic regions, and for each racial and ethnic group, the physical and economic resources going into a school had very little relationship to the achievements coming out of it. . . . If it were otherwise, we could give simple prescriptions: increase teachers' salaries, lower class size, enlarge libraries, and so on. But the evidence does not allow such simple answers." In June 1970, Professor Coleman reported that eight reanalyses of his studies by other researchers had not altered the results of his survey. Not only did quantity of money not guarantee quality of education, but also teacher-pupil ratio: "showed a consistent lack of relation to achievements among all groups under all conditions." Echoing these findings, scholar Christopher Jencks of the Harvard School of Education has concluded: "Variations in schools' fiscal and human resources have very little effect on student achievement - probably even less than the Coleman Report implied."

Our education officials know these facts very well and yet they continue to lie to us. For year after year they have persuaded us to spend more and more on the "sacred cow" education, and year after year this "sacred cow" has been producing less and less milk. Though this country spends more on public education than any other, its literacy rate is below the major European countries and Japan. The number of functional illiterates is conservatively estimated at 24 million. Even among college freshmen, the ability to use their native language has sunk so low that many colleges have been forced to provide remedial English courses. We don't need more money - we need more sound educational commonsense.

The American Christian School Society of Succasunna, New Jersey, runs four private schools in New Jersey. One of these schools is a kindergarten to grade 3 school located in the small country town of Stewartsville, Warren County. Starting in kindergarten, children attend for a six-hour day. In classes of approximately 20, kindergartners learn reading, using the phonics system, writing and arithmetic. At the end of the year, most kindergartners are beginning the second grade level of a standard reading primer. On standard achievement tests, the first and second graders, many of them five and six years old, showed themselves to be in the upper 90 per cent of the nation; many achieved at the national average third and fourth grade level. Yet the expenditure per pupil is \$600 per year, less than half what it costs to educate a child at nearby Union Township School, Hunterdon County, where children receive no formal instruction until they enter first grade. In an effort to conceal uncomfortable comparisons like these, many public school educators are now trying to abolish grading and the giving of standard achievement tests.

Another failing of our public schools which our educational officials are trying to conceal is that as we have been spending more, our children have been learning less. We are now told that this is a good thing. According to Commissioner Marburger and Mrs. Mancuso, since knowledge is increasing so

rapidly, "the acquisition of knowledge alone can no longer be a major objective of education." Instead, they say, we must teach "values and attitudes," by which they mean their values and attitudes. Yes, ladies and gentlemen, these views were actually spoken by the people who claim that they know better than you what your children should be taught. These are the people who will have total control of your schools if this bill is passed.

The Coleman Report and the irrefutable example of New York City have proven that this bill would do nothing to improve education in our big cities. What then can we do to help children in the cities? We could make a start by listening to educators like Ned O'Gorman, Director of the Addie Mae Collins Storefront School in Harlem. This black teacher, who is also a poet, tells why his storefront school has been successfully operating since 1966: "It is still alive and kicking basically because we are poor, unclined to death by any city or national powers and because we exist so that young children can learn within a serious, joyous, mannerly, and reverent atmosphere those civilizing graces they must have to survive in a racist world."

We might also do something to help people like the parents of children at Newark's St. Charles Borromeo School. The mostly black and Protestant parents of 300 children attending this Catholic school, this year successfully persuaded the Newark archdiocese to keep the school open after it had announced that it could not afford to employ four new lay teachers to replace retiring nuns. The parents picketed Archbishop Thomas Boland's residence and raised \$20,000 during the summer in order to save their children from having to enter the jungle of the Newark public school system. Applicants flocked to fill the four teacher vacancies, and one of the most able of them was even willing to take a drop in salary of \$2,000 in order to leave the public schools to teach at St. Charles Borromeo. Promoting the efforts of citizens like these will help the deprived children of our cities - not

continuing to support the monstrous, corrupt government school systems, which are torn between political factions and literally terrorized by certain extremist elements in the population.

When politicians glibly talk about state funds and federal funds, what they really mean is "taxpayers' money," "our money." Yet in February 1970, just after his inauguration, Governor Cahill had the arrogance to state that local school boards had no right to expect to get state funds without also accepting state control. S 2266 embodies this opinion, and with its enactment, local school boards will relinquish their last vestiges of power to decide how their schools are to be run. But the fact that local property taxes can no longer keep up with education costs is almost entirely the result of the steady increase in interference from the State. The dikes of moderation against rising property taxes were finally completely breached with the passage of the notorious PERC law in 1969. This law imposed union bargaining on the teachers and school boards of the State and brought with it the plagues of teacher strikes, soaring taxes and enmity between educators and the public. Now our power-hungry collectivists want to complete the rape of our local schools by passing the vicious legislation under discussion.

New Jersey has the highest property taxes in the nation. Middle-income families and old people are being driven from their homes. Proponents of this bill will promise that property taxes will either fall or cease to rise. Are we going to believe this lie? Handing over control to a larger and more distant body of government has never and will never result in better value for money. Large, centralized bureaucracies will bring only - runaway expenses, decline in quality of service, stultifying inefficiency, enslaving uniformity, and dictatorship of the many by the few. Two hundred years ago this country fought to free itself from the tyranny of "taxation without representation." Are we now going to allow our legislators to return us to that tyranny?

SENATOR DUMONT: Mrs. Merchant, I would ask you the same question as I did other witnesses here. Suppose the New Jersey courts and the United States Supreme Court follow the line of the California Supreme Court; what would you recommend as an alternative?

MRS. MERCHANT: I can speak personally, not for the Federation of New Jersey Taxpayers. We are at the moment considering a form of voucher plan. The Federation has not taken a stand on it.

I personally am very much in favor of that or else I would be very much in favor of any parent who wishes to take his child out of the public school having his child's fees deducted from his property tax. This would foster free competition. And where public schools are good, parents would be quite willing to keep them there. Where public schools are bad, as in the cities, it would aid individual initiative like the storefront school I mentioned. It would aid in these places where they really need help. And it would give us freedom of choice. At the present time, any parent who sends his child to a private school is having to pay double. He has to support the public school and he has to support his child. In other words, he is penalized because he wants to give his child a decent education. And he may be in a district where he just can't get a decent education as those poor black parents in Newark. They are penalized because they send their children to a private school, but they are willing to sacrifice and raise funds to keep them out of the city schools. People like that should be supported.

I am in favor of any system of taxation which will allow parents freedom of choice. I don't mean something funded by a value added tax, but locally controlled as Mr. Solyom referred to earlier. I haven't drawn up the plans, Senator, but this I feel is imperative to save freedom in this country, because it is going. I lived in Europe. I was in Vienna when Budapest was being raped by the Russians. I

spoke to those people who ran away. I have spoken to Hungarians who live here now and they say, "What did we run away from? You are getting the same as we had in Hungary." People don't realize it. They are being lied to, lied to the whole time. This is what it is. It is dictation.

Furthermore, I would make the point if the Supreme Court says that using the property tax is against the Constitution, this also will imply that different states are being unconstitutional because a state such as Mississippi is much poorer, has much less money available than a state like New York. Does that mean then we have to control from Washington, that we are going to have a Washington property tax for the whole country? Logically, it must mean that if they are going to contend it is inequitable. But it isn't inequitable because quality education has nothing to do with money spent. We have had that proven over and over again.

SENATOR DUMONT: On the copy I have here of your statement, you have, or somebody has, crossed out the word "lie" on the third page.

MRS. MERCHANT: Yes, because I thought you would question me on it. But I repeat it - it's a lie. It is a lie. I don't mind reinstating it.

SENATOR DUMONT: You want it in the statement even though it is crossed out?

MRS. MERCHANT: Yes, I do.

SENATOR DUMONT: Thank you.

MRS. MERCHANT: I was a coward, but I don't see why I should be. There are too many cowards around today.

SENATOR DUMONT: All right. Thank you, Mrs. Merchant.

MRS. MERCHANT: Thank you, Senator.

SENATOR DUMONT: Mrs. Dudley Brearley, also of the Hunterdon County Taxpayers Association.

M R S. R. D U D L E Y B R E A R L E Y: Thank you very much, Senator.

As Concerned Taxpayers, the stockholders of all

government operations, we feel that there will not be any property tax relief from additional legislation being proposed here, but more infringements on the rights of the American taxpayers.

The sales tax proponents claimed that the tax levied then would relieve the local property taxpayer. Obviously we are well aware of the fact that it never did.

There are several key factors to be considered before any action is taken by you, our elected representatives, regarding a State take-over of our local property taxes, and I might add, along with the local property taxes, our local schools. They are ours. We built them with our sweat and tax dollars.

Number one, invasion of the rights of the American taxpayers must not be contended with by the taxpayers. They should act immediately in response.

Two, by curtailing the freedoms of the American taxpayers, a tax revolt might come forward.

Three, overriding local controls over our local property taxes, over our local schools, over our children, must not come about. It will erase local school district lines eventually. It will swell the tax costs for bussing students over district lines, over county lines. Therefore, local control will completely be lost. And I am sure, Senator, that the Plainfield Courier News would give you an insight into what they are up to on that situation in last Wednesday's evening paper.

Four, won't this rob the rights of the taxpayer-voters, to be able to vote on their budgets, on their bonded indebtedness? And who knows better what the taxpayer can afford per their education, per their students, because, after all, these are their children, not yours, but the individual taxpayers' in these different school situations, and the tax money belongs to the taxpayers.

Five, centralized controls obviously can be costlier and more dangerous because then they are out of the reach of

the taxpayers.

Six, such political powers, uncontrolled, could explode into a civil revolution, which, of course, we have witnessed over the last three years.

Seven, forced discrimination on the taxpayers will result in chaos and fiscal crisis, meaning by that there will be people that will appeal their taxes and withhold paying taxes, and there could be very serious repercussions because you do know that the taxpayers do have rights.

Eight, these bills appear to have shades of other dictators during their reigns - their controls also of the youth.

Nine, ~~What~~ guarantee have we that more and more tax moneys will result in equal or quality education? As taxpayers we have assumed that equal and quality education is what we have been paying for all along, meaning billions of dollars a year, whether it is our local property taxes that are paying 80 per cent or whether it is the State paying 10 or the Federal paying 10. Nonetheless, it is our tax money.

Ten, - a head tax levied on the users of our so-called free public education. There is no such a thing as free public education. This should be seriously considered because, after all, they are using it - they are making the demands on what they want for the children. Therefore, they should be held responsible to pay some of it. This would ease the burden on the senior citizens and other people unable to pay, disabled people and so on.

Eleven - the three pieces of legislation here before us, and their goals, seem to be to silence the voice and the vote of the American taxpayers. They have worked for this for about eight and one-half years. Because this was their intent at one of their meetings several years back. That was the intent and purpose to get the legislators to pass laws so that they could take away the voting rights of the taxpayers on school budgets. This, of course, enables them to do it under these bills.

Twelve -- Senator Dumont, I would like to ask you a very serious question: Will the power to tax be the power to destroy us? Give that some very serious thought because taxpayers could sell their property - they could move out. A lot of the politicians say, "Well, if you don't like it, move." Yes, they could and they might. Or they might strike, which would be a much more serious matter. Because without taxpayers' money, no government can operate.

SENATOR DUMONT: Do you have any recommendation to make, Mrs. Brearley, in the event the New Jersey courts and the United States Supreme Court should follow the line of reasoning employed by the California Supreme Court?

MRS. BREARLEY: Yes, I mentioned a little earlier, Senator, a head tax on the users of the education system. I believe that this would be fair and equal because they are making use of it, much like you get a driver's license because you need it for a car or you get a license plate because you need it for a car. In other words, you are paying for what uses you need. The same way with gasoline, you are paying for the roads, etc., on down the line. In other words, you are using these facilities so pay up and shut up, such as the politicians said in the last bond issue.

SENATOR DUMONT: Would this be locally collected?

MRS. BREARLEY: Yes.

SENATOR DUMONT: Do you have any other recommendations?

MRS. BREARLEY: No, I don't.

SENATOR DUMONT: Thank you very much, Mrs. Brearley.

Is there anyone else who desires to testify?

Yes, Mr. Wheeler.

MR. WHEELER: I have no prepared statement.

SENATOR DUMONT: That's all right.

MR. WHEELER: I came up to listen to the statements. I have been tax collector for 30 years in the Borough of Haddonfield.

SENATOR DUMONT: Will you give your full name, please.

R A Y M O N D W H E E L E R: My name is Raymond Wheeler, Haddonfield, New Jersey.

This is not a statement of the Borough of Haddonfield or the New Jersey State League of Municipalities. I am on the Board of Directors of that. This is my own personal statement.

I have listened with interest about the problems of our schools in the State of New Jersey. I listened with interest and I worry about the problems of our schools in South Jersey. I believe every child in our State of New Jersey should have the opportunity of a good education. Today I believe that is not so. I believe in various municipalities there are different types of education and it is not on the same level. I get so tired of going to the various meetings and hearing them say, especially in South Jersey, "Cherry Hill has a fine educational system. Haddonfield has a fine educational system." I think they should also say, "Winslow Township and Waterford Township have fine systems of education," but they don't. And it costs those taxpayers more money to send a kid to school than it does in my own town. We are pretty proud of our schools in our town.

I think Senator Miller's bills offer an approach in the right direction. I believe that all our kids in our State should have an opportunity to have a good education and I believe, as I said before, that is not so.

I can just cite Haddonfield. When I went to work for the municipality it was during the depression and there was a whole side of the newspaper devoted to properties for tax sale. Then along came prosperity and things got better. Today there are 80 properties in the Borough of Haddonfield for tax sale. It has been unknown since depression days. So you see that the tax burden on the taxpayers in our State is getting to be quite a problem.

I favor Senator Miller's bills because I think this is something we have got to have. If we can equalize taxes --

In my own town, a young couple will buy a house for \$20,000. In 20 years, they pay \$20,000 for the house; they pay \$20,000 in interest; and they pay \$20,000 in taxes. In 20 years they pay \$60,000 for the house.

In our town today we are trying to equalize valuations and you never heard such a fuss as is being made because we want to bring them up to 100 per cent. We are at 61 per cent. At a meeting the other night some man came up. We were talking about school board elections. And he put his finger under my nose and said, "What are you going to do about school boards?" I said, "Nothing. What can I do about them? You elect them. You vote for the bonds." I then asked him, "Did you vote in the election for the last bond issue?" He said, "NO." I said, "Then you voted for it. Did you vote in the last school board election?" He said, "No." I said, "Then you voted for those people on the board." I said, "Did you vote for these three imbeciles that are sitting up here trying to run the borough?" He said, "No." I said, "Then you voted for them." He said, "I did not," and he walked away from me. So, you see, you have a real problem even in municipalities like ours.

I agree with Senator Miller that in a rich municipality, such as Haddonfield, everybody in the community isn't rich. We have problems to pay our taxes today. When I went to the town, I used to pay \$90 a year taxes. Today it is almost \$800 a year taxes, and it is kind of tough on a pension and social security.

But that is my feeling in the matter - we have to consider what we are going to do for the taxpayers. The first duplicate that I had in the Borough of Haddonfield, we raised \$389 million. At that time we paid about \$46,000 on a State tax. Our population has doubled. Today we are taking \$5 million from those same taxpayers. And in a town like ours where we have many senior citizens, the people have real problems to pay their taxes. But they want to stay in the town and if there is any way that we can help these people,

we want to help them. Thank you very much.

SENATOR DUMONT: Ray, do you have any thought that this approach would cut down on the function and the local responsibility of the School Board members rather than maintain and strengthen them, as Senator Miller says it will do?

MR. WHEELER: I think it would strengthen the School Board. I think if the school boards didn't have to worry about raising every penny that is needed and knew how much money they had, they could operate their schools and pay attention to the curriculum of the schools and to our children. That's my opinion.

SENATOR DUMONT: Thank you very much.

MR. WHEELER: If you asked me what I would suggest if the Supreme Court upholds these cases, I would say there should be a tax in New Jersey - and I am going to get shot down for this - on a person's ability to pay. I don't think a real estate tax is based on a person's ability to pay. Three years ago, my wages were here (indicating) and my taxes were there (indicating). Everything is in the reverse now. My wages went half, but my taxes are still up there.

SENATOR DUMONT: You would favor the income tax approach then at the State level if the courts upheld the cases?

MR. WHEELER: I would favor an income tax. Thank you very much.

SENATOR DUMONT: Thanks to you.

Is there anyone else who desires to testify? (No response.)

There are a few things to be entered in the record before we adjourn this hearing. There is a letter here from the Department of Education, dated November 18, 1971, addressed to Mr. Paul M. Muller, who is our aide here and who is Research Associate for the Division of Legislative Information and Research. The letter reads:

"Dear Mr. Muller:

"Thank you for the invitation extended to the Department of Education to testify at the public

hearing on Senate Bills No. 2266 and 2267.

"Unfortunately, the Commissioner and other members of the Department are among the defendants in current litigation, specifically Robinson vs. Cahill, which deals with a subject very similar to the proposed legislation, particularly Senate Bill No. 2266.

"Therefore, it is the considered judgment of the Department that it would not be appropriate for our organization to testify at these hearings.

"Very truly yours,

Victor J. Podesta
Deputy Commissioner of Education"

There is a statement here by Senator Miller. It is in addition to Senator Miller's testimony. It is entitled, "Phase I, Financing Public Education," and is really a statement submitted by him and by William T. Hiering who used to be a Senator from Ocean County, resigned from the State Senate last June, and had been up until the time of his resignation the Chairman of the Senate Committee on Education. In addition, to that, Mr. Hiering has submitted a statement of his own here which is to be placed in the record because this set of bills that we are considering today came about as a result of some work that he and Senator Miller did, a large amount of work, so he wants to have a statement submitted on his behalf. That will be placed in the record.

(Statements referred to above can be found beginning on pages 70 and 101, respectively.)

I ask once again, is there anyone else who desires to testify before the hearing is adjourned? If not, I thank all of you for coming and for your contributions in our deliberations here.

(Hearing Concluded)

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PHASE I

FINANCING PUBLIC EDUCATION

The New Jersey Constitution, Article VIII, Section IV states that "The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State" Despite the specific assignment of responsibility to the State for the "maintenance and support" of public education, the major responsibility for financing public education has rested with the local taxpayer.

Obviously, the ability of individual school districts to finance public schools varies widely from district to district. It is equally obvious that as a result of this inequality among districts, the educational opportunity available to the pupils varies widely. Yet, implicit in the constitutional mandate is equal educational opportunity for all children.

In an attempt to provide greater equality of financial support for the public schools, the Legislature has authorized larger and larger amounts of State revenues to be allocated to local school districts. The State's share of the total cost of public education has risen from almost nothing to more than 28 percent in the current school year. A report issued in 1968 by the State Aid to School Districts Study Commission formulated a program which, when fully implemented, would increase the percentage of State support to 40 percent.

Although most other states provide a larger percentage of the total cost of public education than New Jersey does, the major portion of the cost of public education in those states still is provided from local tax revenues. Despite the infusion of State funds in excess of 40 percent of the total in many states, there remains as much or more discrepancy in the educational opportunity from one

district to another as there is in New Jersey.

It has become an almost annual occurrence in New Jersey for professional educators and other groups to request large additional amounts of State aid for education. At times these requests have contained considerable merit, but many times they have been based primarily on the theory that money will solve all problems. Most proposals for increased State aid promise relief for the property owner, yet an examination of property taxes indicates large increases in State aid have had no visible effect upon the homeowner's tax bill.

The games played each year in New Jersey are called "per capita" and "percentages". The justifications used for increased State aid for education are New Jersey's relatively high rank in per capita income and its relatively low percentage of State support for the public schools. If the people of New Jersey were not supporting their public schools, the first thesis would have significance. If State support for schools was distributed equitably, the second would have validity. In view of the fact that financial support of the public schools in New Jersey is among the highest in the nation, neither argument gets at the real problem in the State; that is, the unequal distribution of tax support for schools.

Playing the game of "per capita" income is meaningless to the individual taxpayer whether it is in comparing states or districts within the State. The game of "percentages" also is meaningless to the individual taxpayer. Let us examine each of them from the taxpayer's viewpoint.

A taxpayer in New Jersey with an income of \$7500 does not consider himself able to pay more taxes than a taxpayer in South Dakota with an income of \$10,000, despite the fact that per capita income in New Jersey is far greater than that in

South Dakota. Similarly, the same New Jersey taxpayer with an income of \$7500 who happens to live in Princeton Township does not consider himself able to pay more taxes than a \$10,000 per year taxpayer in Trenton. The percentage of State support has meaning for him only if it eases his tax burden.

What most programs fail to recognize is that paying taxes is an individual matter. Not all taxpayers within "rich" school districts are rich, nor are all taxpayers within "poor" districts poor.

As has been demonstrated in the section on current local finance, the equation of "rich" and "poor" taxing districts on the basis of ratables is fallacious. Recently enacted legislation revising the basis of State aid to school districts recognizes factors other than ratables. Yet, after all other factors are computed, the formula falls back on ratables as the primary criterion for the distribution of aid. It is still a "carrot and stick" approach which fails to recognize that "fair share" may not be equally fair in two districts with the same amount of ratables.

In the field of financing public education, there are three tests, and three tests only, which we believe to be significant. First, is public education receiving sufficient money to provide adequate educational opportunities for all children? Second, is the burden of taxation needed to provide that money imposed equitably? And, third, is there an equitable distribution of the total funds available? An objective look at the situation in New Jersey indicates that the answer to the first test is essentially "yes", but to the second and third is a definite "no."

After thorough consideration of the various means for satisfying the three tests set forth above, it is proposed that the best method for financing public

education is for the State to assume the entire financial responsibility. The adoption of the program set forth herein will satisfy the criteria of adequate support, equitable distribution of the tax burden and equitable distribution of school funds. It contains no complicated formulas. It is based upon the concept of equal educational opportunities for all with a financial support level sufficient to provide quality education in all districts. It is adaptable to changing needs. It leaves the responsibility and authority for the administration of local schools where it now rests, with local officials.

As a prelude to the discussion of the details of the proposed program, let us look first at current school finances in order to have a basis of comparison.

CURRENT SCHOOL FINANCES

For the 1971-72 school year, school district budgets anticipate the expenditure of more than \$1.4 billion for current operations, \$58 million for transportation, \$116 million for debt service and \$26 million for miscellaneous capital outlay, a total of more than \$1.6 billion.

The major source of the funds to support these expenditures will come from the local property tax despite significant increases in the amount of State aid which has been appropriated.

One area of increasing public dissatisfaction has been the diminishing authority of voters over school finances in Type II districts. Through legislation that portion of the school budget which can be voted upon by the electorate has shrunk to a relatively small percentage of the total operating budget. In addition, the arbitrary action of the Commissioner of Education in restoring budget reductions

in both Type I and Type II districts concerns voters and municipal officials .

It is our opinion that such dissatisfaction is warranted in view of the fact that the local taxpayer must pay the bill no matter what the consequences to his own financial situation nor what the inequities are in the property tax and the State aid program .

An examination of school finances indicates inequities in the present State aid program as well as in existing tax levies for school purposes . It further indicates that attempts to solve the fiscal problems through the establishment of intricate formulae only serves to compound the problems and to remove any understanding of school finance from all but a few self-styled experts .

There are two factors of importance in past and present State aid programs which account for the inequities inherent in the system. The first of these is "ratables" as the ultimate criterion upon which aid is calculated. The second is "minimum aid" .

As we have seen previously on pages 8 and 9 ^{of the INTRODUCTION,} there are factors other than ratables which affect the ability of local taxpayers to support local expenditures . Also, as we have noted, to treat the tax rate for school purposes alone, without considering the taxes for county and municipal purposes, gives a completely false picture in many taxing districts . A district in which the local municipal rate is low and/or where the county tax rate is low is in a far better position to raise substantial funds for school purposes than one in which one or both of the other tax levies is high, even if the latter district has substantially more ratables .

As an indication of this, let us consider the following:

<u>Municipality</u>	<u>Valuation Per Capita</u>	<u>Effective Tax Rate County & Municipal</u>
Atlantic City	\$ 6,928	\$3.774
Pemberton Township	3,573	1.460
Cherry Hill Township	9,505	1.541
Wildwood City	24,377	2.632
South Orange Village	10,809	2.929
Lakehurst Boro	2,907	1.758
Lower Alloways Creek Township	5,524	1.131

It is obvious that there is not necessarily any correlation between the amount of ratables per capita and the ability of a municipality to raise funds for school purposes. If we examine the seven municipalities, we find a variety of reasons for their fiscal situations. Atlantic City has an extremely high local purpose tax rate and an above average county tax rate. Pemberton Township has an average local purpose tax rate and a low county tax rate. Cherry Hill Township has an average local purpose tax rate, but a high county tax rate. Wildwood City has a very high local purpose tax rate and an average county tax rate. South Orange Village has a relatively high local purpose tax rate and a very high county tax rate. Lakehurst Boro has an average local purpose tax rate and a low county tax rate. Lower Alloways Creek Township has no local purpose tax rate but a relatively high county tax rate.

An analysis of the relationship between valuations per capita and the effective municipal and county tax rates illustrates that there is not necessarily a correlation between low valuations and high tax rates. Pemberton Township's ability to raise money for school purposes without imposing undue hardship on the

property owner is certainly greater than that of Atlantic City despite the fact that Atlantic City's valuation per capita is almost twice that of Pemberton Township. Taking the same municipalities, let us look at the effective school tax rate and the total tax rate:

<u>Municipality</u>	<u>Effective School Tax Rate</u>	<u>Total Effective Tax Rate</u>
Atlantic City	\$ 1.631	\$ 5.405
Pemberton Township	1.374	2.834
Cherry Hill Township	2.848	4.389
Wildwood City	.670	3.302
South Orange Village	2.402	5.331
Lakehurst Boro	1.379	3.137
Lower Alloways Creek Township	.099	1.230

While the high ratables in Wildwood enable that municipality to fund their schools at a level which does not drive their total tax rates to alarming proportions, this is not true of Atlantic City and South Orange and to a lesser extent Cherry Hill. On the other hand, despite relatively low ratables, Pemberton is able to keep its total tax rate well below the State-wide average and Lower Alloways Creek maintains a total rate which is one of the lowest in the State.

Therefore, to utilize ratables as the ultimate criterion on which to base State aid compounds the inequities which already exist in the property tax.

The second aspect of the State aid program which bears evaluation is that of "minimum aid." In effect, minimum aid establishes a base--all districts receive at least that amount. However, because of the inequities existing in the property tax generally, the distribution of minimum aid becomes, in itself, inequitable.

Assuming that State School Aid is designed to relieve the burden of the property tax, also we should be able to assume that such relief is based upon an

attempt to relieve that burden on the basis of need. To some extent this has been accomplished, but by no means completely. And, in the case of "minimum aid" the inequities are most apparent.

Let us take a sample of districts eligible for minimum aid with full support indicating at the same time the effective school tax rate and the total effective tax rate:

<u>Municipality</u>	<u>Effective School Tax Rate</u>	<u>Effective Total Tax Rate</u>
Oakland Boro	\$ 3.145	\$ 4.265
Ridgefield Boro	.659	1.128
Upper Township	.180	.806
Montclair	2.568	5.281
Holland Township	.752	1.307
Fair Haven Boro	3.172	4.469
Blairstown Township	None	.970

From a purely logical point of view it is inconceivable that the above districts would be treated equally for State School Aid purposes, yet they are.

It is doubtful if the contemplated classification of districts will do much to erase such obvious inequities.

The result of the present method for distributing "minimum aid" is that millions of dollars are siphoned off and distributed to districts which need little or no financial assistance, dollars which are sorely needed in districts overburdened with property taxes in all three components of the tax.

The question immediately arises as to how we can erase the inequities and relieve the burden of the property owner in heavily taxed districts and, at the same time, provide sufficient funds for a high quality system of education throughout the State.

Modifications of Current Finance

There are two methods which we have considered; one which has been espoused by some individuals and groups in New Jersey and in other states is that of regionalization of school districts; the other which is now in operation in some areas is that of county school districts. Let us look at both methods as each might function if instituted in New Jersey.

Because it is already in use and far less complicated to establish, we will consider the latter method first.

The immediate result would be to reduce the school districts in the State from more than 600 to 21. If this was felt to be too drastic, the present district alignment could be maintained and the county used only as a means for equalizing the property tax for school purposes on a county-wide basis. Thereupon a formula for the distribution of the revenues would be needed, conceivably on a straight-per pupil or a weighted per pupil basis.

We believe it highly improbable that the reduction to 21 school districts would be accepted ^{and} we will confine our analysis to county equalization of financing which would be utilized in both instances.

In order to provide a common ground for comparison and because we believe pupils in different categories must be weighted differently, we used the formula for weighted pupils contained in the "Bateman Aid" as the basis for the number of pupils per county. Using the weighted pupils for the 1970-71 school year and the apportionment valuations for 1971, we found the following:

<u>County</u>	<u>Apportionment Valuation Per Pupil</u>
Atlantic	\$ 29,659
Bergen	52,123
Burlington	23,942
Camden	23,513
Cape May	77,868
Cumberland	18,681
Essex	28,653
Gloucester	22,767
Hudson	31,226
Hunterdon	36,952
Mercer	32,269
Middlesex	40,446
Monmouth	30,086
Morris	43,424
Ocean	40,985
Passaic	36,639
Salem	23,201
Somerset	38,160
Sussex	36,255
Union	44,914
Warren	30,546

This averages out to \$35,527 per pupil on a State-wide basis. Although the apportionment valuation and the equalized valuation as certified by the Division of Taxation vary somewhat, the latter figure for 1971 was not available when this study was made and exact amounts were not necessary in any case.

What is important is the relative position of the counties. Obviously, on a county-wide funding basis, Cumberland County would need the greatest amount of assistance per pupil to enable that county to support its public schools within a property tax rate which would not be overburdening to the property owner.

From this point, then, what does the State do about school aid? Let us assume that proper funding per weighted pupil should be \$1,000 for current operations.

Also, we must assume a "fair share" as a base on which to work. That is, at what level should we expect the property owner to contribute?

The median effective tax rate for school purposes is \$2.375 per \$100. Should we take the median? Or a higher figure? Or a lower figure? We calculated what this would require in State aid if the "fair share" were set at \$2.00 per \$100 of equalized value. This would require State aid for current operations alone of more than \$500 million. It would have no provision for capital construction or special programs. Undoubtedly, many districts would benefit under such a program, but the problems of special classes, high priority capital construction and debt service now paid from local purpose levies would throw the program out of balance to some extent. A separate funding program for such items would be necessary to meet the total needs of the public schools.

By raising the local "fair share", the amount of State funds necessary would be lessened, or by lowering the "fair share" they would increase. However, despite the use of "weighted pupils", such a program would not take care of special situations. We must agree that it would bring educational costs into much better balance than exists at present.

* * * *

The second method for modifying the present fiscal situation is one which has been advocated in a number of quarters for some time. That method is the regionalization of school districts.

This suggestion is one fraught with complications. The most immediate complication is public opposition, an opposition so determined that it could be accomplished only by coercion, not by acquiescence.

While we believe public acceptance to be vital to the ~~success~~^{success} of any important governmental program, there are objections to such a program from a practical fiscal point of view also.

The question arises immediately as to how far regionalization is to extend. An examination of the major cities and their immediate suburbs does not offer any real solution if we are seeking to relieve property taxes and, at the same time, improve the general level of educational funding.

In most instances, the municipalities immediately surrounding our major cities already have high school taxes. If we go beyond these municipalities to any extent we arrive at county equalization as discussed above.

Although consolidation of school districts may be desirable in rural areas, to do so in metropolitan areas would tend to create districts of such a size that they would be unwieldy.

We believe that regionalization of school districts would create far more problems than it would solve. We feel that with some minor changes the existing alignment of districts should be maintained; that where consolidation enables a district to participate in a comprehensive educational system now denied it because of size it may be desirable; but, to arbitrarily create sprawling districts with many thousands of pupils purely as a means of equalizing fiscal responsibility will not serve either the pupils or the taxpayers.

It is our contention that schools must reflect the needs of all students in a district, that program emphasis will, and should, vary from district to district and from area to area. Where special problems exist, the community itself is the best judge of the means for solving them. This presupposes a financial support level

which is sufficient to meet the needs of the district within a level of taxation which is equitable to the property owner.

After examination of these two alternatives, we have dismissed them as not meeting the educational and financial needs of the public schools.

Thereupon, we turned our attention to the funding of the public schools on a State-wide basis.

State Financing of Public Education

It is commonplace to propose that the State take over the financial responsibility for certain public services from its political subdivisions. Unfortunately, the public often fails to realize that all government funds come from the same source, the taxpayer.

Therefore, what is meant is that the taxpayers throughout the State should assume financial responsibility for varying reasons. The primary reason, of course, for such action is that the State has tax sources more readily adaptable to financing major programs than do the counties and municipalities.

After an examination of numerous methods for financing the public schools on a basis which would prove equitable, we were convinced that to achieve equity and maintain a public school system of high quality a completely new basis of financing the public schools must be developed.

Because the State Constitution mandates that the responsibility for the public schools rests with the Legislature, we turned our attention to a system whereby the State would undertake full financial responsibility. The next problem which arose was to determine what form of State financing would be adequate, equitable and practical.

As the first step in the assumption by the State of the full responsibility for financing the public schools, it was necessary to determine how much revenue would be needed and then to determine the source. We have noted previously that for the 1971-72 school year local district budgets total more than \$1.6 billion. Of that amount, approximately \$1.3 billion is to be raised by the local property tax. Also, we calculated that an additional \$150 million to \$200 million would be necessary to remove existing inequities in school funding. Even without allowing for increased costs in the following year, we were faced with a total cost of between \$1.75 billion and \$1.8 billion, with new revenues of between \$1.45 billion and \$1.5 billion necessary.

An examination of present State revenues and revenue sources indicated it was completely impractical to contemplate the assumption of a program of this magnitude within the existing ^{REVENUE} structure. Therefore, we examined new revenue sources to determine the level of taxation which would be necessary.

It must be pointed out further that we realized we could not consider the financing of the public schools without contemplating the needs of the State in all areas of government service. To provide for educational quality without concern for environmental quality, adequate housing and adequate transportation facilities would be irresponsible.

A comparison of the tax structure in New Jersey with that in other states indicated only one new major source of revenue available, a personal income tax. Because such a tax has been recommended by many individuals and groups, we examined the rate structures and revenues in other states very closely. Our

attention centered upon New York State for a number of reasons. That state has many of the same problems New Jersey has, its per capita personal income is close to that of New Jersey, its income tax law closely approximates that of the Federal Government and many New Jersey residents are familiar with its personal income tax.

Using the New York rate structure, we estimated that a similar structure in New Jersey would yield about \$900 million annually. Therefore, to eliminate school property taxes entirely and fully fund the public schools would require a rate structure twice that in New York. This, in itself, we considered completely impractical, for it would place the greatest burden upon the wage earner and the middle income segment of the population, and it would shift the burden of about \$650 million from business and industry to the shoulders of the individual taxpayer. Furthermore, it would completely "dry up" the only major revenue source still available to the State, a source which may be needed at some future time to meet the State's obligations in other fields.

We proceeded further to determine the effect of combining an increase in the corporation income tax with the imposition of personal income tax.

During the 1972 fiscal year, the State anticipates revenues of \$138 million from the corporation income tax. Therefore, were we to quadruple that tax it would fall short of providing the tax revenues now paid by business and industry in the property tax. Obviously, such a move also would toll the death knell of New Jersey as an industrial state.

Before proceeding, we believe it pertinent to point out that in our study of the tax structure of New York we found that, despite one of the highest state income taxes in the country and a corporate income tax rate more than double that in

New Jersey, property taxes in New York are at about the same level as in New Jersey. And, with the same inequities we might add.

In view of the impracticality of fully financing the public schools in New Jersey within the present revenue structure of the State or through the imposition of a new broad-base tax, or a combination thereof, we turned our attention to devising a program which, of necessity, would retain the property tax for schools as a base, yet would meet the tests of adequacy and equity.

The program which follows will meet the tests of sufficient funding, an equitable distribution of taxes and an equitable distribution of funds to support the schools in all districts.

State-Wide Tax Equalization Program

After studying the many possibilities for altering the existing system of financing public education and finding each one wanting in numerous aspects, it became apparent to us that the only equitable and practical method for financing public schools would be to equalize the school tax on a statewide basis and supplementing that tax to whatever extent desired from general State revenues. It was apparent to us also from our evaluation of the alternatives that the system of local control and local determination of educational priorities should be maintained within the broad general concept of quality education. We feel it inconceivable that a standardization of educational emphasis should be established, conversely we feel that there must be decision making at the local level based upon local needs and local interests. For this reason, we wish to emphasize that we wish to retain the present school district alignment and, in fact,

strengthen the ability of local school boards to determine their own educational programs.

As the first step in the program of equalization on a statewide basis, we propose that all locally imposed property taxes for school purposes be eliminated. To replace these taxes, we propose first that there be imposed a State School Tax on all real property at a rate of \$2.25 per \$100.00 of true value. The revenues from the State School Tax would be supplemented by general State revenues at least equal to the amounts presently appropriated for State School Aid purposes and further supplemented, in the future, by at least the amounts anticipated as necessary for the full funding of the present State School Aid program. Based upon a district by district calculation, the revenues from these two sources would be sufficient to provide a quality educational program in every district in the State and would not require any new State revenues.

On the basis of projected valuations, the revenues from the State School Tax would approximate \$1.540 billion. With State Aid costs projected to \$450 million, a total of \$1.990 billion would be available for public school support - an amount almost \$375 million above that budgeted by local districts for 1971-72.

If it were the policy of the Legislature to provide funds from general revenues in amounts greater than that projected above, such funds could be utilized either to reduce the above rate of \$2.25 per \$100.00 of true value or to increase the allotments to school districts for program enrichment, or a combination of the two. Based upon existing levels of ratables in the State, it would require \$30 million for each reduction of \$.05 per \$100.00 of true value.

The revenues from the State School Tax and from general appropriations would be credited to a State School Fund from which allocations would be made to individual school districts for the general operations of the public schools, to defray the cost of transportation, debt service and special programs. Such allocations would be made from a basic program of educational support. Each district would be required to submit an operating budget to the State Department of Education based upon the basic allotments for pupils attending school in the district of \$850.00 per pupil for regular day school students, grades K-6; \$925.00 per pupil, grades 7-9; \$1,000.00 per pupil, grades 10-12; \$1,250.00 per pupil in vocational education; plus all costs for transportation, debt service (including that now raised from municipal purpose levies), and the amount estimated as needed to cover equipment purchases, both new and replacements, as well as minor capital items.

A separate supplemental budget would be submitted by districts, where applicable, based upon \$2,500.00 per pupil for atypical pupils; \$250.00 per pupil from families receiving ADC; \$200.00 per pupil in evening school, excluding adult education; \$200.00 per pupil attending summer sessions, and \$500.00 per pupil in evening vocational programs. Non-operating districts would be required to submit a budget covering the incidental expenses of the school board.

As indicated above, these allotments constitute the base support level for all schools in the State. At present levels of expenditure, the allotments would provide amounts in excess of those now being expended in 90% of the school districts in the State. To prevent any disruption of existing programs,

we have provided that in any district where the level of expenditure per pupil for general operations would be less than that now expended by the district, the "safe from harm" provision would assure expenditure levels no less than those already in operation.

Because we feel that money alone is not necessarily the answer to quality education, we have provided for certain modifications in the initial stages of the program to assure the improvement of the educational establishment. In any district to which the allotment for current expenditures would increase its spending level on a per pupil basis in excess of 15% from the previous year, that district's budget would be subject to review to determine ^{to} what ~~extent~~ ^{extent}, if any, the amount in excess of 15% would be utilized for program improvement and, upon the determination that program improvements would be developed, any part or all of the amount in excess of 15% would be allocated. The infusion of additional monies into school districts now operating at a low spending level must be used to upgrade the educational program in such districts, not merely spent because it is available. We can appreciate that the mere infusion of large sums of money without proper guidelines will not accomplish the ends of quality education overnight and thus we foresee a gradual improvement and infusion period of 5 years necessary in many districts.

It is our belief that many school districts now considered "poor" in educational quality suffered not only from lack of funds but from lack of programs for improvement. It is the general contention that in many instances the underprivileged suffered from their circumstances in such a way that despite mental

potential, their grade level is considerably below that of similar groups from more favorable environments. For this reason, we propose that at the inception of the program, each district eligible for an allotment of \$25,000.00 or more, based upon the pupils from families receiving ADC, the district would be required to submit a plan for the establishment of special classes to raise the grade level of students needing special instruction together with the number of such students regardless of the student's status with regard to ADC. Any districts eligible for an amount under this program of less than \$25,000.00, ~~such districts~~ would be encouraged to submit voluntary plans for the development of such classes in conjunction with adjoining districts in the same allotment category.

As a feature of the program which we feel to be significant, we have proposed that a "Contingency Fund" be established in an amount not to exceed 2 1/2% of the revenues from the State School Tax nor less than 1% of such revenues and, that in the first year of operation of this program, that the Contingency Fund be established at the rate of 2 1/2%. The purpose of this fund will be to provide for emergencies in any district, to provide for enrollments considerably in excess of those anticipated, to provide experimental programs where authorized, for the transportation of pupils where such transportation does not fall within statutory limitations as to distance but where hazardous conditions prevail, to supplement, where necessary, funds providing for ADC pupils, and for any contingency in any district or districts deemed to be important in the pursuit of excellence.

The total cost of the above program would be approximately \$1.847 billion broken down as follows:

General Operations	\$1,450,000,000
Transportation	60,000,000
*Debt Service	125,000,000
ADC Programs	49,500,000
Atypical Pupils	74,000,000
Miscellaneous Capital	26,000,000
Miscellaneous Programs & Save from Harm	25,000,000
Contingency Fund	<u>38,000,000</u>
Total	\$1,847,500,000

* Includes School Debt Service in Municipal Budgets.

Based upon estimated revenues of \$1.990 billion, approximately \$143 million would be available to finance capital construction without resort to bond financing.

Actually, we anticipated somewhat more than \$143 million for capital construction. Because the provision for limiting per pupil increases unless new programs or improved programs are instituted in a school district, the figure for "general operations" shown above will be somewhat less.

There are two critical areas of need for capital construction - both deserve immediate attention. The first area involves the replacement of outdated structures, most of which are in our urban centers. The second area involves districts where overcrowding or split sessions result from an inadequacy of space.

We have proposed that the whole area of capital construction be formalized within a system of priorities, the first of which would be the two areas

of need above. The second level of priority would be based on demographic studies to anticipate large increases in school population and thereby providing for construction in sufficient time to preclude overcrowding. The third and lowest priority for capital construction would be in those areas where immediate replacement or expansion is not needed but in which replacement will be desirable in the near future.

Although the amount anticipated to be available for capital construction is substantial, it is by no means sufficient to do all that should be done. Therefore supplementary moneys should be provided to enable us to eliminate the problems in the most critical areas within a relatively short number of years. There are three methods which could be used for providing the supplementary funds. The first and most obvious is additional State funds (or Federal funds, if made available; the second is the establishment of a bond fund with voter approval at the State level authorizing the issuance of bonds and expenditures over a period of years; the third method would be to authorize the issuance of bonds at the local level to be funded from the State School Fund. At this point, we do not make any specific recommendation as to which of these three methods of supplementary funding of capital construction should be used but it would appear from our examination of the entire fiscal situation that either the second or third alternatives, or a combination of the two, would be advisable unless substantial Federal funds became available.

One point which has hitherto been omitted in this presentation has to do with the county vocational schools. We believe that vocational education

has not received the support it deserves although there has been increasing funding of vocational education in recent years.

Within the proposed legislation, we have provided for the support of county vocational schools from the State School Fund in a manner similar to that for the regular public schools. Not only will this relieve the taxpayers in those counties now operating vocational schools but it should enhance the proposition that vocational schools should be built in areas which are not now served by other county vocational schools or vocational schools operated by individual districts. Just as it is inequitable for the support level of a public school student to be determined by where he lives, it is equally inevitable to deny vocational education to a student based upon where he lives.

We do not necessarily propose that a county vocational school be built in every county or that every school district develop a large program of vocational education. What we do propose is that a thorough study be made of the best way to provide vocational education in all areas of the State. Where county schools would be most desirable, such schools should be built. Where local districts now provide a good level of vocational education, consideration should be given to the extension of such local schools in order that qualified pupils from adjoining districts can be admitted without overcrowding and lowering the level of performance in the local school.

It is proposed that a permanent commission on public schools be established to replace the existing commission, a commission which will have a different direction of approach than the present one, a commission representing all

elements of the population and one which will have independent authority in fiscal matters as well as the ability and the authority to examine any and all aspects of public education in the State. It will act in an advisory capacity also to the Governor, the Legislature, the State Board of Education and the Commissioner of Education.

It is necessary for the Legislature and the people who pay for the support of government to be apprised of expenditure needs in order that there be understanding of such needs and perhaps the necessity for additional revenues to provide a proper level of education throughout the State. Local taxpayers have complained of arbitrary decisions at the State level which nullify the action of the local voters. While in some instances such decisions may be meritorious, they create a misunderstanding on the part of the public. For this reason, we feel that the establishment of a commission by the fiscal overseer of public education is one which can provide channels of communication between the Legislature, the public schools and the taxpayer.

In the proposed legislation, we have provided that the commission, in cooperation with the State Board of Education and the Commissioner, address itself to the establishment of meaningful curricula in all districts, curricula which will provide meaningful preparation for college, for vocational education and for business education. It is our view that the latter, particularly, is lacking in substance even in many districts which supposedly offer such a curricula. We further believe that through cooperation with business and industry, there should be developed within the framework of business and vocational education a "released-

time program". Within such a program, we feel that the close cooperation of business and industry with educational administrators and teachers would provide for the development of a curriculum which would be more meaningful to the student who did not wish to pursue an academic program or who did not intend to attend college.

The Effect upon the Property Tax.

After all the financial considerations set forth above have been taken into account, the question arises as to what effect this program will have upon the local property tax. Obviously it will provide a more equitable distribution of the tax burden for the public schools but it will provide no meaningful effect upon the tax rate in those areas which we have indicated that the rate is critical. Also, how will the levels of school support provided under this program appear to levels now in existence throughout the State? The answers to these questions are of immediate importance to the local taxpayer and to those responsible for the administration of the public schools. Let us look first at the effect upon local taxes and the distribution of the tax burden. At present, there are 50 municipalities with effective^{tax}/rates in excess of \$5.00 per \$100.00 of true value. The adoption of the program herein presented would reduce this number to 28. Of the 28 which would not be reduced below \$5.00, a substantial reduction would result.

As we have noted previously, the effective tax rates throughout the State vary from extremely low to prohibitive. While we have indicated, also, that the pressures which increase the tax rate are dependent on many factors,

there is conclusive evidence that the school tax portion of the overall tax rate is significant. After equalizing the tax rate for school purposes, those municipalities which have confiscatory tax rates show a decided improvement.

Perhaps the best way to indicate the results of our program so far as tax rates are concerned is as follows: at present (1971), there are 158 taxing districts with effective tax rates over \$4.00 per \$100.00 of valuation, and there are 136 taxing districts with effective tax rates below \$3.00 per \$100.00 of valuation. Thus, more than 50% of the taxing districts fall either below or above the range which we have determined to be "reasonable".

The adoption of Phast I of this program would reduce the number of taxing districts over \$4.00 per \$100.00 of valuation to 101, and the number of taxing districts below \$3.00 per \$100.00 of valuation to 30. This, we believe, is a significant modification of the property tax in heavily taxed districts. Although there is much room for improvement, we feel this program will start the trend toward a much more equitable level of taxation in all three components of the property tax. As we have indicated, there are two additional phases of this program to follow which will further relieve the property burden.

In addition to property tax relief, what is the effect upon various districts throughout the State with regard to the availability of funds for the operation of the public schools? Financial support for general operating expenses would increase generally. Naturally, those districts now operating on low budgets would benefit the most. To illustrate, the widespread benefits in all types of districts, we

submit the following table:

<u>School District</u>	<u>General Operating Budget 1971 - 72</u>	<u>Allocation Under S - 2266</u>
Camden	\$15,576,273	\$19,400,000
Cherry Hill	16,270,876	16,750,000
Toms River (Dover Twp.)	11,396,791	13,100,000
Hoboken	6,392,719	7,950,000
Jersey City	28,217,238	34,000,000
Newark	85,451,076	91,750,000
Livingston	7,530,064	7,975,000
Trenton	17,461,240	19,200,000
Lawrence Twp. (Merçer)	3,906,243	4,100,000
Paterson	21,487,756	25,000,000
Wayne Twp.	10,589,527	11,100,000

We believe it to be particularly significant that the urban districts would receive substantial increases in the amount of school aid available for general operations. However, the increases in school support for districts already considered "good" is an indication of the financial level which this program would provide.

Despite the high level of funding proposed under this program, there will be districts which will want to maintain even higher levels of expenditure. We have made provision for local option in the proposed legislation which would allow a district to increase its millage rate with voter approval. However, we consider this to be a matter for serious consideration for rejection. Such a provision could be considered inequitable, for only wealthy districts would utilize it. Although including it, then, we have serious reservations as to the desirability of its retention.

There is little doubt that the opportunity for raising the quality of education throughout the State to a high level can best be funded through a program

such as that herein proposed. However, it is obvious that while money alone will not secure quality education, sufficient funding is a first step toward that goal. The administration of the program will be the determining factor.

As we have indicated, we believe that the day-to-day administration of the public schools should remain in the hands of local school officials. We do believe, however, that a common direction is needed to an extent greater than that now exercised by the Commissioner of Education and the State Board of Education. Under this proposal, we feel that a greater amount of time should be devoted to bringing educational program levels to a common standard of excellence.

We believe that compensation levels for school employees of all types vary too widely. Such variations result in entirely too much competition between school districts and encourage "job hopping". All school employees should be compensated commensurate with their contribution to the educational system. Salary schedules should be sufficiently high to attract good teachers in all districts. Differentials should exist for length of service, added responsibility, cost of living, special classes and any other reasons which would warrant them. However, we believe that here also there should be equity. The treatment of "extra" work varies far too widely from district to district.

The program for financing public education as proposed does not purport to be final in its details. This is particularly true with regard to the figures which have been used for determining the allocation of monies to the school districts.

To forestall any misconceptions which may arise about finances, we must call attention to the per pupil allocations. At first glance, it may seem that

we propose to "shortchange" many districts which already have per pupil expenditures exceeding those indicated. However, the "regular" per pupil allocations involve only one part of the present school budget. The separate provisions for transportation, debt service, special programs, etc. put a different light on the overall picture. Also, separate provisions have been made for atypical pupils, pupils from ADC families, summer school and evening school pupils, special allocations for vocational schools and the assumption by the Fund of the amounts now being paid by local purpose levies for school debt service.

We do not propose that the figures upon which we have based our program are fixed. Quite to the contrary. We propose that the program is extremely flexible and that its flexibility is not one which would require additional legislation or extensive hearings or any other delaying mechanism. It is to be expected that in a period of rising costs, whether through inflation or program improvement, or both, that educational costs also will rise and that the basic per pupil allotments will necessarily rise with them.

The area of inflexibility which we feel necessary is in the rate of the school tax to be imposed upon property throughout the State. In contrast to the per pupil allotments which will not require legislation to increase, we propose that the school tax rate be included in the legislation and thus require legislation before it could be increased.

In view of the above, we feel that the property owner will be saved from the prospects of catastrophic increases in his taxes for school purposes. The

natural growth of the State and of the ratable base for the State school tax, together with a modest infusion of additional State tax funds, should be ample to develop and maintain a program of quality education in every district in the State, a situation which does not exist at present despite extremely high property taxes in many districts and constantly increasing amounts of State aid being allotted.

A source of concern to some may be their fear of the diminution of local control. To this point we have devoted a great deal of consideration, for we feel that there should be no lessening of local control of the actual education of a district's children. We do not feel that State financing under the proposed legislation which is being drawn would interfere with this aspect of the public schools. What we do feel is that boards of education and administrators will be relieved of many fiscal problems and will be able to devote a far greater percentage of their time to the actual education program and not to budgetary matters.

We do not propose to alter the existing structure of school districts except in those instances where the districts themselves find it not feasible to provide a comprehensive educational program on an individual basis and therefore join together in a consolidated district. Concern over the amalgamation of school districts in urban areas we feel will be dispelled, for the economic necessity for such proposals will no longer be present. We intend that every child in the State should have equal opportunity for a quality education program.

By leaving control in the hands of local school boards, administrators and the citizens of the districts, we believe a genuine quality education can be developed, for it is inconceivable that exactly the same programs will be

applicable to the needs of the pupils of every district. There are some who will wish to go into other areas. These decisions, we believe, must be made at the local level, because they will be determined by the needs of the district and not by the imposition of grandiose theories at the State level. Naturally, we feel that there must be a basic program of education which will provide the opportunity for children to be trained in such a way that they may qualify for entrance into colleges and universities of the State and the nation but in addition, we believe, provision must be made to provide a quality program in areas other than college preparatory, a fact which does not now exist in many school districts and which is the result in many areas of the inability of the local taxpayer to support a sufficiently comprehensive program to meet the needs of all the children in the district.

Finally, we believe that the program we have outlined provides a firm basis for the utilization of shared revenues at such time as they may be made available by the Federal government. Let us assume a "block grant" of \$100 million for elementary and secondary education. There are three components of the program to which this money could be directed, lowering the State School Tax, increasing amounts for current expenditures, or capital construction. Quite probably it would and should be used in all three areas.

Similarly, the availability of sizeable amounts of additional State revenues could be allocated to any or all of the three components.

We believe that, by this program, the faith in State government of the property taxpayer can be restored. For too long he has been promised relief but his hopes have not materialized regardless of the amounts of additional State aid.

SENATOR HIERING

My name is William T. Hiering. I am a lawyer with my home and office in Toms River, New Jersey. Until recently, I was a member of the New Jersey State Senate and served as Chairman of the Education Committee of that body.

Although I am no longer a member of the Senate, I have a keen interest in the bills being considered today - both because I was one of the originators of the study which led to these bills and as a citizen interested in establishing a more equitable system of taxation at the local level and a statewide system of educational excellence.

By way of background, I might say that from the time I first entered the Legislature as a member of the General Assembly from Ocean County in 1960, I have been keenly interested in the entire tax structure in New Jersey. As a member of the General Assembly, together with the late Raymond Bowkley of Hunterdon County, I introduced the first sales tax bill. It was our intention in introducing this bill to provide a source of revenue which would allow the State to improve its own services to the public and, at the same time, provide the money to enable the State to assist municipalities in meeting their own fiscal problems.

At the time of the introduction of this proposed legislation, a study was prepared to outline a program for the utilization of the revenue. Included in that program was a proposal for the establishment

of long range planning in the State budgetary process and a return to the school districts of the State a large portion of the revenue for the betterment of the public schools. In the years since this proposal was first made, we have seen the advent of the sales tax and ever increasing amounts of State aid to education yet the situation governing property taxes for school purposes has remained inequitable.

It is far easier to recognize inequity and to contend that something should be done than it is to do it. About four years ago, we examined the situation and determined that the only valid method for determining the role of the State in alleviating the property tax inequities and the extreme burden placed upon taxpayers in certain districts was to start from scratch, to make an in-depth study of the property tax in every municipality in the State, the factors which lend themselves to extremely high rates and the amount that would be necessary from State sources to rectify the imbalances.

It is common in discussing the property tax to say that New Jersey has the highest, or among the highest, property tax rates in the country. One who is not familiar with the true situation therefor assumes that this is universal throughout the State. However, this is not so. For example, in the present calendar year, the effective tax rate in New Jersey municipalities ranges from a low of \$.72 per \$100 of true value to \$9.78 per \$100 of true value. In other words, the

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tax rate in the municipality with the \$9.78 rate is fourteen times as heavy as that in the municipality with the \$.72 rate. Although I am not familiar with the details of the property tax situation in other States which have high property taxes, I would assume that there would be similar ~~variances~~ ^{IMBALANCE}.

In the course of our study, we broke down the three segments of the property tax in every municipality - that for county government, that for local schools and that for local purposes. We found, again, that the variances in the impact upon property owners in every one of these was significant. For example, in the current calendar year, the effective tax rate for county purposes varies from a low of \$.40 to a high of \$1.38 per \$100 of true value. Thus the taxpayer in the county with a rate of \$1.38 immediately pays 3 1/2 times as much as the taxpayer in the county with a \$.40 rate. The effective tax rate for school purposes in the present year varies from no tax at all to a high of \$5.58 per \$100 of true value for school purposes. The local purpose tax in the present year varies from no tax at all to \$3.61 per \$100 of true value.

It is obvious, I believe, that the situation is inequitable. However, there are so many factors involved that there is no easy answer.

One of the facts which was developed in the course of our study illustrated that contrary to popular belief, it was ^{not} the cities only which suffered from confiscatory tax rates. ~~Such is not the case~~. While it is true that most of our cities are in dire need of tax relief, they are, by no means, the only municipalities which do need such relief. We

have prepared a map, which I would like to show to the Committee at this point, which illustrates a high level of taxation in many of the smaller municipalities of the State as well as in the large ones.

We have taken an arbitrary figure of \$5.00 per \$100 of true value as a point beyond which the property tax becomes confiscatory. Those municipalities with an effective property tax rate in excess of \$5.00 are shown on the map in black. At the next lower level, we have indicated those municipalities with effective tax rates ranging from \$4.00 to \$4.99 per \$100 of true value. These we feel to be worthy of consideration in that many of them are fast approaching the \$5.00 or confiscatory level. The third category of municipalities shown on the map are those in red with tax rates ranging from \$3.00 to \$3.99 per \$100 of true value. We feel that these municipalities lie within a zone of property taxation which is reasonable if the services provided within that rate are adequate. The fourth category of municipalities shown on the map has an effective tax rate between \$2.00 to \$2.99 per \$100 of true value. These municipalities, particularly at the lower end of the spread, enjoy a relatively ^{light} ~~small~~ burden of property taxation. In some instances, of course, this is due to few municipal services being provided, accompanied with the fortuitous circumstance of lying within a county with low county taxes. The fifth category of municipalities shown on the map are those in yellow, which have an effective tax rate of \$1.00 to \$1.99 per \$100 of true value. These municipalities enjoy a very low

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level of property taxation and in many instances are the beneficiaries of revenues not available to adjoining municipalities. There are other factors, such as extremely high ratables per capita, which go toward the alleviation of the property tax burden. The sixth and final group of municipalities, although small in number, are those with effective tax rates of less than \$1.00 per \$100 of true value. These are the true tax havens. Most notable of these is the Borough of Teterboro in Bergen County with a population in 1970 of 14 people and with ratables of almost \$75 million in true value or more than \$5 million per capita. It is quite obvious that the property tax burden in municipalities such as this will be negligible. However, because we rely on the property tax for the revenue for many local services, to allow the variances between municipalities to be so wide is unconscionable.

At this point, I should like to say that we believe there is justification for retaining the property tax as a means of providing ^{local} revenue, for the property owner benefits from the many services provided. However, we also believe that the level of taxation on property should be one which can be reasonably assumed by the property owner in relation to the value of his holdings.

It was the discovery of the situation which existed, and still exists, in all three segments of the property tax in the course of our study which directed us towards seeking an equitable solution which

would affect the rates in all three segments. Therefore, after the preliminary data was gathered, we undertook to examine all three segments of the property tax as it affected every municipality in the State to determine the best method for providing tax relief to those most ^{NEEDING IT} ~~needy~~ and, at the same time, to maintain or to improve the services which were provided from each segment of the property tax. Because the public schools are of universal concern - they affect all children in the State - and a good system of education is necessary if we are to maintain an economically progressive State, we placed the study of the school tax and of the financing of the public schools at the top of the list and divided our overall study into three phases - Phase 1, The School Tax; Phase 2, The County Tax and Phase 3, The Local Purpose Tax.

The bills which you have before you are those which would implement the study which we have made of the school tax and of the method for providing equitable financing as well as equitable taxation for public school purposes. During the course of our study of the school financing problem, we examined many ~~and~~ different methods - State aid programs, State tax programs, proposals which we had heard of - and came to the conclusion that for school purposes, the only equitable solution, if we are to retain any vestige of the property tax for school purposes, was to equalize the tax rate for schools throughout the State.

Once that tax rate was established and the revenue estimates from it were determined, we could then undertake to determine how much money would be necessary from general State revenues to support a high quality system of education in every school district. It was our hope at the time that the amount of State funds necessary would fall within the existing amounts already provided for State aid to education. After establishing the rate and calculating the distribution together with the amount necessary for transportation, debt service and miscellaneous capital, we found that the addition of the existing amount of State aid funds would provide an ample amount and leave between \$75 and \$100 million dollars available for capital construction.

It was our feeling that under existing circumstances, it was necessary, from a practical point of view, to establish a program which would not require the inclusion of large amounts of additional State monies because of the other needs in the State and the already tight budget. However, the program provides flexibility from the financial point of view. If at some time the Federal government should enter into revenue sharing with the States, all or part of such funds could be applied to this program in any one of three ways - the reduction of the statewide tax rate, the enrichment of educational programs or increased capital construction. It is my belief, and I think my

colleagues will agree, that any large amount of money put into the program should probably be used in all three areas. Similarly, if at any time in the future the State would find itself with a large amount of surplus or additional revenues, they could be applied to this program.

I would ~~like~~ like to make one point which I believe needs clarification. We have been asked many times why a program is not devised to eliminate property taxes for school purposes entirely and have the State take over the entire responsibility. From a purely theoretical point of view, I feel that the local taxpayer should have some responsibility for financing the local schools so long as the method is EQUITABLE. From a completely practical point of view, let me say that to accomplish this at the State level would require a 15% sales tax or an income tax more than twice the rates in New York and none of the revenue from either of these would be available for any of the other State needs. Quite obviously, it is a completely impractical suggestion.

I have confined myself to a rather general outline of the background and results of our study which preceded the formulation of the bills before you. I shall leave it to my colleagues who will follow to go into the details as to the effects this program will have - both on the local property owner and on the public schools.

Thank you.

◆ MEMO from THE DESK of—

R. L. SOLYOM

PLEASE NOTE THIS IS A RESEARCH PAPER
AND NOT A POSITION PAPER.

IT WAS PREPARED TO HELP THE EXECUTIVE
OFFICERS OF A NEW JERSEY ORGANIZATION
REACH A DECISION ON THIS QUESTION.

A VOTE HAS NOT YET BEEN TAKEN THEREFORE
TWO DELETIONS HAVE BEEN MADE. BOTH ARE
IN REFERENCE TO THE ORGANIZATION BUT
NEITHER AFFECT IN ANY WAY THE RESEARCH
MATERIAL OR THE CONCLUSIONS REACHED.

THE VOUCHER PLAN

Why the Voucher Plan and why all the current interest in this method of funding education? We believe the reasons stem from:

- A) Growing public realization that the present system is not providing the kind of education parents want their children to have.
- B) A sense of frustration in the public mind on learning they have no control over the school system and are powerless to make changes.
- C) The public's determination to find a way out of their dilemma and their belief that vouchers will give them a choice.

Advocates of the voucher plan include many good conservatives. Their motives are most laudable, but in their zeal to bring much needed reform to our educational system, have they not lost sight of conservative principles? Let us go back to basic principles. What are the three basic proper functions of government? Most students of "government" will agree these are:

1. Defense against foreign enemies.
2. Maintenance of law and order within the territorial limits of state or nation.
3. Regulation of trade and commerce.

Human nature being what it is there are always some individuals who will try to take advantage of their fellow man; therefore a certain amount of regulation is necessary to keep such individuals in line. Other than this minimum of regulation, the proper function of government is to provide a peaceful climate within which business and individuals may prosper to the best of their abilities. In other words government should provide only the climate within which the competitive free enterprise system can flourish.

It is not a proper function of government to subsidise the railroads and bus lines nor to engage in radio and television broadcasting. It is not a proper function of government to provide relief and welfare as a way of life to generation after generation of indigents nor to build houses for its citizens. It is not the function of government to deny its citizens their self-respect or to foster the "something-for-nothing" philosophy. It is not a proper function of government to provide its citizens with an education.

Education is not within the scope of any of the three acknowledged basic functions of government. Why, then, are both state and federal governments today so deeply involved in America's education and why do Americans today acquiesce in education as a function of government?

Government's deep involvement in education is part of the socialization process which has been going on in this country for many years. The drift toward socialism in education is understandable. The Little Red Schoolhouse was initially a citizens' effort to provide education for their children and evidence of its origin as a citizens' effort, apart from government, is to be found in today's School Boards which are still separate and distinct from local governing bodies. It developed and

and expanded along with the community but unfortunately without the citizens' vigilance necessary to keep it a private, not government, function. The result was that under pressure from a campaign, spearheaded by public officials and teachers, the transformation to state monopoly was nearly complete by 1870. Without the citizens' vigilance, education was defenseless against creeping socialism and smothering bureaucracy. Therefore, education was swept up, along with many other functions rightfully belonging in the private sector, into our present socialized government and is now accepted by most Americans as a function of government. Their acceptance does not make it so any more than calling a tail a leg gives a dog five legs.

The socialization occurred at all levels. "State Aid to Education" and "Federal Aid to Education" are appealing terms leading the unwary into thinking they are getting something for nothing and can slough off their responsibilities by "letting the state do it". The "state" has been doing it and doing it in a most unsatisfactory manner and at long last the citizens are beginning to realize their vast expenditures of tax dollars are not yielding the quality education they want their children to have. In their search for a solution and a way to reestablish themselves in charge of education, the citizens are being offered another very appealing term - The Voucher Plan - which, if adopted, will prove just as inimical to their interests as "Aid to Education".

It is ironic that while the United States has drifted ever more rapidly into socialization of education, the Soviet Union is moving in the opposite direction.

RUSSIA'S NEW ELITE

USSR Scraps Equality
In Education, Focuses
On Helping Brightest

The above appeared as the headline to a page one, column one story in the Wall Street Journal of October 15, 1968. The story devotes 32 inches to "The new Russian push (which) is aimed primarily at finding the best students and then urging them on to greater academic achievements". The Soviet Union has abandoned attempts to equalize education for all citizens and instead has embarked on a program which differentiates students according to their demonstrated abilities, segregates them and gives special treatment and attention to intellectually endowed students. The United States seems ever more determined to reduce all students to one undeviating norm. The voucher system, as proposed by Dr. Christopher Jencks in the report submitted to O.E.O. by the Center for the Study of Public Policy, has two principal objectives:

"First, America must relocate educational resources so as to expose "difficult" children to their full share of the bright, talented, sensitive teachers"

"Second, America must alter enrollement patterns so that disadvantaged children have more advantaged classmates."

(emphasis theirs)

There you have it - Russia focuses on helping the ~~the~~ brightest while America focuses on helping the stupidest.

"It is a peculiar fact that although America is the greatest exponent of private enterprise and the leading nation in the world because most of its wealth and services are provided by individuals seeking to attain

a profit, yet education, probably the most important service of all, has been largely left out of the field of private enterprise". (Quoted from Private Schools for All by Oscar B. Johannsen)

The proper answer lies not in further socialization of education, either by subsidizing students or subsidizing schools, but rather in removing present state and federal controls so that local school boards (composed for the most part of taxpaying parents) may once again determine the kind of education they want taught in their own particular community. This determination will never be arrived at via the voucher system because controls, restrictions and regulations remain with state and federal governments under the voucher system. Local control of education, unhampered by bureaucratic dictates from either Washington or Trenton, is what the people want. They think vouchers will provide what they want.

But parents must be careful not to let their burning desire for change in the educational system lead them to advocating more bureaucracy. Their dissatisfaction with the present system will not be allayed by more of the same. The cure is not to enlarge the state's role in education but rather to put education back into the hands of the people concerned thus requiring them to be sure their children receive the best of which they are capable.

The present 'popular concept' of the Voucher Plan is that of an unregulated system in which private enterprise would be free to initiate almost any kind of school and in every parent's mind is the hope, almost the expectation, that the ideal school (according to his standards) will open its doors next week right around the corner from his home. The truth of the matter is as Thomas Glennan, Research Director of O.E.O. has stated, "a simple unregulated voucher system of the sort frequently envisioned would be a disaster." And to avoid a disaster O.E.O. is — "contemplating (among other regulations) extremely stringent controls placed on participating schools' admission policies and also on tuition charges." Also as Robert Patton of Hunter College says in the April 1971 issue of The Freeman - If such a plan were ever adopted, powerful interests would immediately begin lobbying in support of restrictive legislation that would undercut the element of free choice in the plan as it now stands."

At first glance the voucher system appears to provide that which the public seeks - a means to regain control over the kind of education their children are to receive. A deeper look reveals some practical dangers and raises some philosophical questions. The dangers include a strong possibility the system will operate in a manner directly opposite to that expected. That is, the "choice" offered to shop for a school may prove meaningless because all schools will be subject to the same strict rules and regulations tending toward uniformity. Secondly, there is a clear danger existing private schools will be absorbed into the new system, lose their identity and become merely part of a thoroughly socialized educational system. Also there is grave danger the voucher system will be used to nullify or eliminate local school boards and this, of course, would be the final giant step toward total socialization of education in America.

The questions raised include the most basic one of all, - Is it or is it not, a proper function of government to provide its citizens with an education? As ^{Corollaries} ~~collories~~ - if it is not a proper function and given the present state of affairs - is it conceivable education can be taken away from government and placed once again in citizens' hands? And - if deemed possible, what is the first step to be taken?

The answer to the last question is best given by Leonard E. Read, President, Foundation for Economic Education in his "The Unruly Concensus". In this Mr. Read points out "At the human level, the controlling force in society is THE CONCENSUS. Free market education, for instance, will never replace government education until there is a concensus favoring the change We who desire a change for the better must look to a higher grade concensus - nothing less". Therefore any first step must be directed at improving the concensus and certainly not at implementing a refinement in socialized education such as the voucher system. Citizen efforts directed toward establishment of private schools under the competitive free enterprise system and not under the wing of local government will do much to improve the concensus. As Dan Smoot puts it "When enough Americans come to realize that compulsory, tax-supported (government) schools are a profoundly significant violation of the principles of liberty, all such government schools will be abolished; and parents will be left free to support and patronize the kinds of schools they want their children to attend. Then, neither local, state nor federal governments will have any excuse for prescribing school curricula".

Getting government out of education will not be easy. Bureaucrats have no intention of relinquishing control, on the contrary they hope to strengthen their grip. Proof of the federal government's intention and determination to control education is to be found in H.E.W.'s publication "A Federal Education Agency for the Future" This was exposed just ten years ago by Rep. John M. Ashbrook of Ohio in a speech in the House of Representatives in which he said "I feel that its pronouncements are a blueprint for complete domination and direction of our schools from Washington". Rep. Ashbrook also called attention to an unpublicized memorandum of the Office of Education in which is "laid bare the real nemesis of the Federal bureaucrats - the tradition of local control". On one hand the memorandum refers to this doctrine as a "valuable tradition" but this window dressing was brushed completely aside with these prophetic words:

"However, the tradition of local control has been used by certain groups to forstall increased expenditures for education; it has been used to frighten the Office of Education out of areas where the national interest is involved and where the Office does have a legitimate concern. The tradition of local control should no longer be permitted to inhibit Office of Education leadership".

Rep. Ashbrook had this to say about the above: "there can be little doubt what this means. The blueprint for Federal control of our educational processes comes from this view which holds to the necessity of overcoming the tradition of local control".

The voucher system, as recommended by Christopher Jencks, makes possible replacement of local Boards of Education with Educational Voucher Agencies and, even if not replaced, local school boards would be relegated to a secondary, impotent role under an all-powerful community or regional E.V.A. One can not help but wonder if this is not a deliberate attempt to remove "the real nemesis of the Federal bureaucrats - the tradition of local control" by using a pervsion of the voucher plan idea. If so, it will mark the passing from parents' hands of the last vestiges of control they now have over their children's education. It may well be that bureaucrats recognize they can not silence the present public clamor for returning control of education to local school boards, Therefore, to retain control, they are offering the voucher system in a form which eliminates local boards or provides for their absorption into a new local bureaucratic agency, the E.V.A. (Educational Voucher Agency). The powers enumerated by Jencks for E.V.A. make clear who would be in control and it would not be the local taxpaying parent, nor his representative the local school board member.

Our over-all appraisal of Dr. Christopher Jencks' 348 page Center for the Study of Public Policy report is that it is an excellent example of bureaucratic art. A relatively simple concept has first been expanded into all possible and impossible ramifications then each, in turn, has been dissected into minute parts, embellished and elaborated upon with high grade gobbledegook and over the whole has been shovelled a tremendous amount of fog. A masterpiece of obfuscation! In all probability, never in our lifetime will we see a finer example of - "How I Justified My \$196,000.00 Grant from Uncle Sam"

We concur with Professor Yale Brozen's pointed criticisms in A.C.U.'s Special Report on Vouchers and go further to say that in our opinion the Jencks report is an attempt to twist the voucher plan idea into an even more effective tool for extending and tightening socialism's grip on education than it would have been without the report.

We take exception to Dr. Brozen's statement "The badly run schools would lose out to the well run schools". This is not necessarily true. It is far more likely the "convenient" school, that is to say, the school located most conveniently to a large number of potential customers, will get enough pupils to remain in business regardless of the quality education it offers. Furthermore, it is naive to think public schools will go out of existence simply because insufficient public funds (in the form of vouchers) will come into their hands to keep them in business. Bureaucracy is sure to find a way to maintain them (at taxpayer expense) even if they loose 75% of their present compulsory customers. Also we do not agree with Brozen and Weil when they say, in the A.C.U. report, "The voucher system . . . basically involves putting purchasing power - money earmarked for education by the government - into the hands of the consumer or his parent". This is a misleading statement. It infers the power did not previously repose in the hands of the consumer or his parent and the voucher system will endow the consumer or his parent with this power. It is patently false. The power now resides in the hands of the taxpaying parent because it is his own tax money he will be receiving back in the form of a voucher, not some newly created "free" money. However, the present high degree of socialization of education in this country prevents a proper exercise of this power by the taxpaying parent. Socialization of education will be reduced not one whit by use of vouchers, in fact the long-range result will be to strengthen socialistic aspects of our present system and further weaken the individual's ability to make a free choice in education.

In correspondence with Hannibal Cundari of Bergenfield N.J. Professor Yale Brozen has stated "To me, the voucher method is a first step in the direction of reducing the tax burden occasioned by use of public funds for schooling". This, taken in conjunction with his criticisms of the Jencks report, leads one to surmise Dr. Brozen has embraced the voucher idea under the mistaken impression that it will be a first step toward returning education to citizen control. What the good professor may have overlooked is that any voucher plan requires continued use of the state's coercive power to tax thus can never be a step away from government control because the essence of government control lies in funding education with tax money.

The question has been raised as to the ability of some parents to intelligently shop for a school. Also, that some parents may be unable or unwilling to shop. The Institute for the Advancement of Urban Education answers these by saying counselors would be provided to aid parents in making a selection but this, of course, is just one more step in the socialization process whereby lazy or uninterested parents are told what to do with their children by some appointed "government expert". The proper answer is to place full responsibility squarely in parents' hands with no "Big Brother" available to relieve them of the load.

Although advocates of the voucher system correctly assume competition in quality and cost are conducive to improvement in education, they fail to acknowledge that controls and regulations neutralize competition. The voucher plan as recommended by Prof. Jencks in the C.S.P.P. report is so replete with controls and restrictions that competition would be effectively stifled. Also the Jencks report is so permeated with socialistic thinking that one is moved to inquire into the author's background and motives. A minimum of research turns up several articles in Human Events of 1970 regarding the O.E.O. grant to C.S.P.P. for a voucher plan study and many references to Dr. Jencks as supervisor of the study.

It is not surprising to learn Dr. Jencks is considered "A dedicated left-wing radical". What is surprising is the extent of his left-wing activities and the fact that O.E.O. apparently sees nothing amiss in "awarding an O.E.O. grant to a man who has a distinct left-wing ideological ax to grind".

Perhaps the most telling of all the professor's left-wing activities was his attendance at the Bratislavia conference with Viet Cong representatives in 1967. The following testimony was given June 30, 1969 by Sgt. Joseph P. Grubisic of the Chicago Police Department and is to be found on pages 4481 and 4482; Vol. 20 of Hearings before the Permanent Subcommittee on Investigations of the Ninety-First Congress.

SGT. GRUBISIC. . . . The Citizens for a Democratic Society, CDS, met October 13, 1967, in the home of a member of CDS, Melvin Rothenberg. Professor Richard Flacks, a functionary of CDS, gave a report on his trip to Bratislavia, Czechoslovakia. I will quote from a report made by a confidential source who attended the meeting:

Prof. Flacks began. On Sept. 6th. to 14th. we met with representatives of the National Liberation Front in a trade union rest resort along the Danube River in Bratislavia, Czechoslovakia. There were 40 to 60 Americans. The conference was arranged by Dave Dellinger and the President of SDS. (NOTE: The President of SDS at that time was Nick Egleson.) The only people there were Americans and Vietnamese. The Americans were hand-picked by Dave Dellinger and one of the requirements was that they be sympathetic toward the National Liberation Front. The Americans who attended the conference were from SCLC, Southern Christian Leadership Conference; SDS, Students for a Democratic Society; SOC, Student Organizing Committee; AFCS, American Friends Service Committee; SNCC, Student Nonviolent Coordinating Committee; the National Guardian, and members of local ghetto organizations from Cleveland and Newark

Prof. Flacks concluded his talk by stating Rennie Davis, who was with us, went on to North Vietnam.

THE CHAIRMAN. Do you have the names of anyone attending this conference?

SGT. GRUBISIC. I believe I do.

THE CHAIRMAN. You mentioned the president of SDS. That was in 1967 I believe. You gave his name.

SGT. GRUBISIC. The president of SDS at that time was Nick Egleson. After typing out this testimony, I learned that Nick Egleson was definitely present at the Bratislavia conference.

THE CHAIRMAN. Can you give the names of any others who attended?

SGT. GRUBISIC. Yes, I do. Tom Haden was present, Steven Halliwell, and —

THE CHAIRMAN. Identify them with the organizations.

SGT. GRUBISIC. They headed a SDS delegation to the Bratislavia conference of NANG.

John Wilson and John Tillman, both of SNCC; Linda Morse, of the Student Mobilization Committee; Christopher Jencks, a writer for the New Republic magazine; Bronson Clark and Russell Johnson, both of the American Friends Committee; Robert Cook, a professor at Yale University, and Sol Stern, an editor of Ramparts magazine.

THE CHAIRMAN. All right. Proceed.

SGT GRUBISIC. Dave Dellinger and Rennie Davis, I previously identified as being indicted by the Chicago Federal grand jury for their actions stemming from the Democratic National Convention.

Human Events exposed Dr. Jencks' participation in the conference in an article in their March 21, 1970 issue in which Jencks is described as "the son of a pro-Communist union leader" and in which they emphasize "The Americans were hand-picked by Dave Dellinger and one of the requirements was that they be sympathetic toward the National Liberation Front (Viet Cong)" The article goes on to say "FBI Director J. Edgar Hoover has reported that the delegates were recruited "on the basis of their experience in radical activity". Subsequently O.E.O. tried to explain the professor's presence by saying he attended only as a reporter for the New Republic (Jencks is listed on the masthead of the New Republic) This excuse falls apart when one reads Jencks' own account of the conference in the New Republic in which he reports: "The common bond between the New Left and the NLF is not a common dream or a common experience, but a common enemy: the United States government, the system, the Establishment". Thus Prof. Jencks acknowledges he is sympathetic to the NLF — the requirement for attending the conference spelled out by Sgt. Grubisic's confidential source.

As Human Events points out "The grant was made to the Center for the Study of Public Policy, an offshoot of Washington's Institute for Policy Studies, composed of anti-war, anti-establishment radical activists". And further that "Since returning from Czechoslovakia, Jencks has played a key role in the Institute for Policy Studies". . . . "He is a Resident Fellow of the Institute for Policy Studies (IPS), a far-left "think-tank" in the Nation's Capitol whose members largely share an 'anti-capitalist', pro-Socialist point of view. They have also been deeply involved in the protest movement that has kept the country in convulsions". The Washington Post of August 31, 1968 revealed that Jencks was named to the board of directors of the radical New Party. The New Party's chairman, Marcus Raskin, who also happens to be co-director of the IPS, bluntly states the party's aim was: "To end authoritarian structures, to end the military and defense structure in America, and to reconstitute institutions in the cities". Jencks, one might also note, teamed up with liberals, radicals and identified Communists to form a committee to defend the Chicago 8.

In any community there are two things which, most Americans agree, must be done by the citizens of that community:

- (1) Govern themselves.
- (2) Educate their children.

Interference in either by state or federal bureaucrats must be resisted and kept to an irreducible minimum.

The means to provide the kind of education parents want for their children already exists in the locally elected school boards. The reason why such education is not provided by them lies in the fact that their freedom to act has been denied them by a state-level education bureaucracy dedicated to maintenance of socialized education. And as R. W. Grant says in his "The Case Against Public Education" - - - "If education could be freed from the dead hand of that great corpse bureaucracy, there is no limit to what might be achieved, for there is nothing more productive, more innovative, and more diverse than the free society."

R. L. Solyom

R. L. Solyom

June 1971

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committee on Investigations of the
Committee on Government Operations.
Ninety-First, Congress. First Session.
PART 20, June 26 & 30, 1969.

RICHARD L. SÓLYOM
ONE HORIZON ROAD
FORT LEE, NEW JERSEY 07024

Mr. Chairman and members of Task Force "D", my name is Richard Solyom and I speak to you today as a private citizen, resident of Fort Lee.

It is obvious both taxing and spending in New Jersey have gotten out of hand and both need drastic reduction. First, ^{we must} stop the crazy spending and secondly, for a reduction in taxes I offer you a summary of the Value Added Tax and a method of its application which will restore fiscal sanity to the State's revenue system.

In my opinion, the Value Added Tax is the most equitable method of collecting revenue ever devised. It is as broad a based tax as anyone can get. It is self-enforcing and its application is the height of simplicity. Its adoption by New Jersey will help create a favorable economic climate, thus attracting business and industry to the State. It is a new system which will be responsive to economic growth and will be a break from reliance on the property tax. It is offered as a substitute for most, if not all of, New Jersey's present taxes. Let me emphasise - I advocate this tax only in lieu of and not in addition to our present taxes.

Also let me emphasise another very important point. I advocate this tax in its true form, as originally proposed by Mr. Wadsworth W. Mount in 1941 and not in its perverted form as presently used in Europe. The European version is nothing but a rebateable national sales tax - A MONSTROSITY! It is NOT a value added tax. The European version was instituted as a way to subsidise exports and provide jobs for their huge bureaucracy. I beg of you to reject consideration of any such perverted form for New Jersey. The true form of value added taxation is simplicity itself. It is a tax, applied at the source, on the production of new wealth. Compare this with the income tax, which is a tax on the accumulation of wealth and the advantages of VAT become obvious.

For a better understanding of VAT and how it taxes every increment of value as soon as produced, please turn to your copy of "The Economic Life Story of A Baseball Bat". This "story" illustrates VAT by tracing its application at every stage in the production of one simple item, namely, a baseball bat. Obviously this same principle holds good for every item and every "value" produced in the economy.

Exhibit "A" shows part of MIDWEST LOGGERS' tax return. This company is envisioned as a small father-and-son sort of business. Total receipts for the quarter are \$8,460.00 and disbursements to outsiders for the same period total \$5,800.00. The "value" then which this family has added to the economy is simply the difference between these two figures or \$2,660.00 and the tax is assessed against this amount. In Exhibit "B" the Louisville Lumber Co. has added \$50,760.00 to the economy. Their tax is \$3,299.40 and therefore the amount available for distribution within the economic family, that is to say, the amount to be shared by management and labor, is \$47,460.60. Note that "value added" is essentially payroll and profit.

It is important to keep in mind this concept of the economic family. In Exhibit "A", the economic family and the flesh and blood family are one and the same. Here the father, as head of both families, pays the tax and determines what disposition shall be made of the money available after taxes. In Exhibit "B", management, as head of the economic family, pays the tax and determines the distribution to wages; salaries; savings; capital expenditures etc. It is difficult for most persons to comprehend why, under this system, a man working in shop or factory will not have to fill out a tax return or pay a direct tax. The reason is that as a member of the "economic family" within which he works, his share of taxes is accounted for by his employer. This is not to say that the employer pays the employee's taxes. However, the total of the "value" which an economic family adds to the goods passing through their hands is taxed at the same rate as all other economic units and the amount due is forwarded by the employer. This principle holds good also for the self-employed as well as for financial institutions and those providing services.

Moving on to Exhibits "C" and "D" we learn how the manufacturer and retailer pay taxes on the increments of "value" which they add to the bat on its way to the consumer. Note the entry for \$6,200.00 credit in Exhibit "C". This is explained in Exhibit "E" which shows that in the previous quarter the SLUGGER MANUFACTURING Co. paid to outsiders more than they took in for the bats sold. Perhaps they took advantage of bargain prices and purchased a large stock of seasoned hickory. In any event, expenditures exceeded income therefore they pay no tax that quarter and have a credit which they apply next quarter as shown in Exhibit "C".

On the next to last page we find the complete Value Added Tax Form as proposed by Mr. Mount. Note its simplicity, one page is sufficient for any business, regardless of size. Also note that data for all entries are readily available from the books of any well run enterprise. Again, please note this was presented in 1968 as a substitute for existing taxes.

A necessary and very critical part of this system is the Tax Adjustment Board. This Board's only function will be to determine what percentage of New Wealth Produced must be taken from the citizens to provide for the State's needs. Its function will not be to set the size of the budget but merely to determine what tax rate will produce the funds required. The funds required will depend on how much "government" the citizens of New Jersey want, as expressed by them through their legislators.

This method of taxation can be used at any or all levels of government from National to municipal. I have prepared a paper on its application at the National level but I believe this committee is more interested in its State and local application. Separate and simultaneous use by State and local governments is quite possible. The State, 21 counties and 567 municipalities could each collect their own revenue with their own VAT forms. However, this seems to me rather cumbersome and inefficient since they are all dipping out of the same well, namely, the taxpayer's pocket.

I suggest the Value Added Tax be adopted as the State's principal, if not sole, source of revenue. Certainly it should replace sales; income; motor vehicle; business; gasoline and inheritance taxes. Also many nuisance taxes such as cigarette; beverage; racing and public utility taxes could be reduced to acceptable size if VAT is adopted. I suggest the application of VAT be such as to provide a floor to the amount of government and education at the local level. By that I mean, part of the funds obtained by the State from value added taxation would be returned to the 21 counties and 567 municipalities on a population basis in an amount sufficient to provide them with something less than a minimum of both government and education. Then each municipality and county would augment or supplement its share with local property taxes, locally administered and collected, in any amount desired. If they want an elaborate, costly educational system and a wasteful local government, let them tax themselves to provide whatever additional is required. In effect, the State would be acting as tax

collector for the municipalities, collecting part of their revenue for them. This dual responsibility for raising revenue helps prevent either State or local government becoming dominant over the other. It will serve also to keep spending authority closely connected to taxing responsibility and this should bring economy in government.

Of course, if the property tax is retained it must be in a much improved and more equitable form. Uniform rates must apply throughout the State and the base must be the same everywhere. Also, the method of assessment and valuation must be the same throughout the State. Task Force "C" is gathering much valuable information and data on this subject and I am sure will propose an acceptably reformed version of the property tax.

VAT has tremendous potential. Properly applied it can restore the correct relationship between the Federal and State governments. I sincerely hope this committee has the courage to break with the past, take the first step and recommend abandonment of our present taxes in favor of the Value Added Tax. When every State in the Union is using VAT as its principal source of revenue - then and only then should it be implemented at the National level.

T H E V A L U E A D D E D T A X I S A T A X
A P P L I E D A T T H E S O U R C E O N T H E
P R O D U C T I O N O F N E W W E A L T H .



R. L. Sólyom

May 1971

This statement was presented May 26, 1971 in Trenton to Task Force "D" of Governor Cahill's Tax Policy Committee.

◆ MEMO from THE DESK of—

R. L. SOLYOM

*The Income Tax is
not the ONLY answer.*

*The Value Added Tax
is better !*

*Substitute it for all
other taxes and watch
New Jersey move
forward.*

R. L. S.

'Value added tax' has interesting potential

By FRANKLIN GREGORY

New Jersey's tax mess could be quickly and easily solved by adoption of the "Value Added Tax," claims Richard L. Solyom of Fort Lee. Responding to our recent suggestion that the costly Public Employment Relations Commission law might well lead to a State income tax, Solyom says of the Added Value plan:

"It is offered as a substitute for most,



if not all, of New Jersey's present taxes. It is a tax applied at the source, on the production of new wealth. Compare this with the income tax, which is a tax on the accumulation of wealth and the advantages of the Value Added Tax (VAT) become obvious."

Solyom described the proposal recently before a hearing of Task Force "D" of the Governor's Tax Policy Committee in Trenton.

Pointing out the VAT (we don't like the

nickname) was first advanced by Wadsworth W. Mount 30 years ago, Solyom uses Mount's illustration of the economic odyssey of a baseball bat — from hickory tree to final retail sale — to underline how the system would work.

Initially, there's this mythical logging company — Midwest Loggers Inc. — which fells the trees and sells the logs. During a fiscal quarter this company received \$8,460 for its logs.

However, it paid out during that quarter \$5800 for logging rights, barge rental, gasoline, tractor purchase, etc. The "value added" to the logs by the company's operation is arrived at by subtracting its costs (\$5,800) from its \$8,460 receipts.

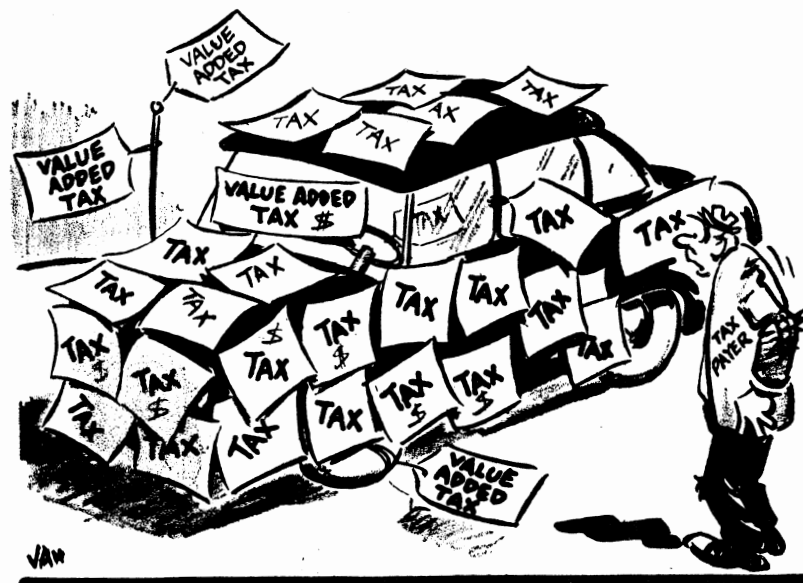
The remaining \$2,660, the "value added" figure, is taxed at a rate fixed by a tax adjustment board. The rate is set by the board in an amount which, when applied to all "value added" in the state, will raise enough revenue to balance the State budget.

In this theoretical instance, it's 6½ percent. So the tax bill for Midwest Loggers Inc., for this quarter is \$172.90.

Next step in producing the baseball bat (and being taxed for it) is another mythical firm, Louisville Lumber Co. This firm received for all lumber it sold during the quarter the sum of \$75,280.

But Louisville Lumber paid during the same quarter \$24,520 in expenses, including repair of its sawmill, diesel fuel,

(over)



I can't see where it adds any value'

'Value added tax'

electricity, lease payments on yard and building, and freight charges as well as cost of hickory logs bought from Midwest Loggers and others.

Subtracting its \$24,520 costs from \$75,280 receipts, it is found that L.I. added \$50,760 in "value" to its products. At the tax rate of 6½ per cent L.I. pays \$3,299.40 taxes.

Next comes Slugger Mfg. Co., which actually turned the baseball bats out on its lathes, selling them for \$48,220 during the three month period. Production costs of \$10,150 included the cost of seasoned hickory from Louisville Lumber as well as power, insurance, advertising, and varnish.

* * *

But Slugger also had a "credit" left over from the previous quarter when costs outran receipts by \$6,200. (It seems that Slugger had bought a new lathe.) So Slugger not only didn't pay any tax during that previous "loss" quarter, but in the following quarter it could include the \$6,200 loss as part of its costs. So it worked out this way:

The new quarter's costs of \$10,150 plus the previous quarter's "loss" of \$6,200 totalled \$16,350 which was subtracted from the new quarter's receipts of \$48,220. This produced an "added value" of \$31,870, which — at the 6½ per cent rate — supplied government with \$2,071.55 revenue.

Finally, there's the large retail store, N.J. Retailers Inc., which during the quarter sold goods for \$580,270, including baseball bats. Its costs (including purchase of the bats from Slugger Mfg. Co.) amounted to \$326,230. Its "value added" figure was thus \$254,040 and the 6½ per cent tax comes to \$16,512.60.

"Taxing the value added total at each stage of production and distribution is simple, certain, and far less expensive to everyone concerned," argues a brochure by the American Economic Foundation.

"Because every business automatically keeps this record in the course of its operation, tax reporting requires almost no extra time or expense. Depreciation and obsolescence are no longer any concern of government; when they cause the purchase of new facilities, the expenditure is merely another outside expense."

The AEF contends profitable businesses would pay less taxes.

"The reason for this brings us to the some 2,000,000 businesses which, by bad luck or design, earn no taxable income. They do, however, have a value added total which, in fairness to others, should be taxed.

"In 1963, their volume of business totalled about \$21 billion. After all, these businesses pay for their public utilities whether they make a profit or not. Why shouldn't they pay for their share of the public services of government?"

It will be noticed that "payroll" has not been included as part of basic expenses in the above illustrations. This is because wages and salaries are treated the same as profit. Essentially, "Value added" is payroll and profit. Solyom told the task force:

"It is difficult for most persons to comprehend why, under this system, a man working in shop or factory will not have to fill out a tax return or pay a direct tax. The reason is that as a member on the 'economic family' (the shop where he works) his share of taxes is accounted for by his employer.

Solyom would replace virtually all state taxes with VAT. He estimates that a "value added" tax of one-half of one per cent would yield \$100 million. To meet the 1972 budget of about \$1.8 billion, this would mean a 9 per cent tax.

All bugs, of course, can be worked out by legislators, tax officials and the courts. What really excites us is the simple tax form involved. It's only a single page.

Sunday Star-Ledger

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MORT PYE, Editor

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RICHARD L. SÓLYOM

ONE HORIZON ROAD

FORT LEE, NEW JERSEY 07024

Telephone 224-6037

(Area Code 201)

The Economic Life Story

of

A BASEBALL BAT



or

How Value is Added to a Piece of Wood by

Changing Its Shape and Location



from Tree in Forest to Finished Product in Store.

Thus showing how every economic family involved will pay a tax on the "value" which they contribute to the economy.



**ILLUSTRATING THE VALUE ADDED TAX
as proposed in 1941 by**

WADSWORTH W. MOUNT

EXHIBIT "A"

MIDWEST LOGGERS Inc.

3.	RECEIVED for <u>trees</u> felled and <u>logs</u> sold, this Quarter . . .	\$ <u>8,460.00</u>
4.	CREDIT	\$ _____
5.	PAID TO OUTSIDERS for:	
	Logging rights	
	Barge rental	
	Gasoline	
	Tractor purchase	
	Other taxes	
		Total paid = \$ <u>5,800.00</u>
6.	SUM of Lines 4 & 5	\$ <u>5,800.00</u>
7.	VALUE ADDED FIGURE FOR QUARTER (Line 3 minus Line 6) . . .	\$ <u>2,660.00</u>
8.	TAX for this quarter (6½% of Line 7) (Tax rate established by Tax Adjustment Board)	\$ <u>172.90</u>

EXHIBIT "B"

LOUISVILLE LUMBER Co.

3.	RECEIVED for all <u>lumber</u> sold this Quarter	\$75,280.00
4.	CREDIT	\$ _____
5.	PAID TO OUTSIDERS for:	
	Lease payment (yard & Bldg.)	
	<u>Logs</u> (from MIDWEST & others)	
	Sawmill repair	
	Diesel fuel	
	Electricity	
	Freight charges	
	Other taxes	
		Total paid = \$ <u>24,520.00</u>
6.	Sum of Lines 4 & 5	\$ <u>24,520.00</u>
7.	VALUE ADDED FIGURE FOR QUARTER Line 3 minus Line 6) . . .	\$ <u>50,760.00</u>
8.	TAX for this Quarter (6½% of Line 7) (Tax rate established by Tax Adjustment Board)	\$ <u>3,299.40</u>

EXHIBIT "C"

"SLUGGER" MANUFACTURING Co.

3.	RECEIVED for all <u>bats</u> sold this Quarter	\$ <u>48,220.00</u>
4.	CREDIT	\$ <u>6,200.00</u> *
5.	PAID TO OUTSIDERS for:	
	Seasoned hickory <u>lumber</u>	
	Electricity	
	Insurance	
	Advertising	
	Varnish	
	Other taxes	
		Total paid = \$ <u>10,150.00</u>
6.	SUM of Lines 4 & 5	\$ <u>16,350.00</u>
7.	VALUE ADDED FIGURE FOR THIS QUARTER (Line 3 minus Line 6)	\$ <u>31,870.00</u>
8.	TAX for this Quarter (6½% of Line 7) (Tax rate established by Tax Adjustment Board)	\$ <u>2,071.55</u>

* See Exhibit "E"

EXHIBIT "D"

NEW JERSEY RETAILERS Inc.

3.	RECEIVED for all <u>goods</u> sold this Quarter	\$ <u>580,270.00</u>
4.	CREDIT	\$ _____
5.	PAID TO OUTSIDERS for:	
	Store rentals	
	Construction of new warehouse	
	Freight charges	
	Merchandise purchases (including " <u>Slugger</u> " bats)	
	Outside accounting fees	
	Insurance	
	Fuel oil	
	Legal fees	
	Other taxes	
		Total paid = \$ <u>326,230.00</u>
6.	SUM of Lines 4 & 5	\$ <u>326,230.00</u>
7.	VALUE ADDED FIGURE FOR THIS QUARTER (Line 3 minus Line 6)	\$ <u>254,040.00</u>
8.	TAX for this Quarter (6½% of Line 7) (Tax rate established by Tax Adjustment Board)	\$ <u>16,512.60</u>

EXHIBIT "E"

Previous Quarter Return for:

"SLUGGER" MANUFACTURING Co.

3. RECEIVED for all bats sold, this Quarter	\$ 32,830.00
4. CREDIT	\$ _____
5. PAID TO OUTSIDERS for:	
Seasoned hickory	
New lathe	
Electricity	
Insurance	
Advertising	
Varnish	
Other taxes	
	Total paid = \$ 39,030.00
6. SUM of Lines 4 & 5	\$ <u>39,030.00</u>
7. VALUE ADDED FIGURE FOR THIS QUARTER (Line 3 minus Line 6)	\$ _____
8. TAX for this quarter (6½% of Line 7)	\$ <u>none</u>
(Tax rate established by Tax Adjustment Board)	
9. If Line 6 is greater than Line 3, the difference is a CREDIT and is to be entered here and carried over to Line 4 on the next Quarterly return	\$ <u>6,200.00</u>

NOTE: This is NOT the way this tax is being applied in Europe.

NEW JERSEY VALUE ADDED BUSINESS TAX

Business or Professional Name & Address

QUARTERLY RETURN FILED _____ 197

- 1. Personnel headquartered in New Jersey..... _____
- Total personnel in the United States..... _____
- N. J. Percentage of Total (Enter on Line 7a)..... _____ %

2. ()Corporation; ()Partnership; ()Individual

LINES 3 THROUGH 7 COVER ENTIRE OPERATIONS IN THE UNITED STATES OF THIS REPORTING TAXPAYER

3. Received for Goods and Services sold, this Quarter..... \$ _____
(Includes receipts from professional fees, from the sale, rental or use of capital assets, including patents. Does not include dividends or interest, except for banking businesses.)

4. Credit, if any, carried over from Line 9 on last Quarterly return.. \$ _____

5. Paid out for Outside Goods and Services purchased, to other businesses or people not a part of this reporting business (including payments for capital acquisitions, other taxes) in this Quarter... \$ _____

6. Enter sum of Lines 4 and 5 here..... \$ _____

7. If Line 3 is greater than Line 6, enter the difference here..... \$ _____
THIS IS THE VALUE ADDED FIGURE FOR THE ENTIRE BUSINESS

7a. Amount of Line 7 subject to N. J. tax on Value Added.
Multiply the sum in Line 7 by the percentage ____% from Line 1..... \$ _____

8. Multiply Line 7a by 1/2 of 1% (current rate established by the New Jersey Tax Adjustment Board) and enter tax being paid with this return opposite this applicable Quarter:

NOTE: Each 1/2 of 1% will raise \$100 million per year in New Jersey.	First Quarter Tax due by April 15	\$ _____
	Second " " " " July 15	\$ _____
	Third " " " " Oct. 15	\$ _____
	Fourth " " " " Jan. 15	\$ _____

9. If Line 6 is greater than Line 3, the difference is a Credit and is to be entered here and carried over to Line 4 on the next Quarterly return..... \$ _____
(This "Credit" is the net amount by which payments made to others outside this reporting business exceed the amount received from the sale of Goods and Services.)

Signature of Taxpayer and Title Date

Signature of Preparer Other than Taxpayer Date

Mail this Return, together with payment in full of total amount due (Line 8); and even if no tax is due this Quarter (evidenced by a sum entered on Line 9); to:

Presented as a substitute for existing taxes, to the Joint Committee on Taxation, at the public hearing in Trenton, on March 27, 1968.

W. W. M.
March 1968.

The Things We "Know" That Are Not So

THAT TAXES MUST BE COMPLICATED

By Fred G. Clark and Richard S. Rimanoczy

I.

Everybody knows that business taxes are complicated, and everybody "knows" that nothing can be done about it.

In the face of these "facts", the European Economic Community's Council of Ministers "has adopted directives aimed at harmonizing the Common Market's business taxes". According to INTERNATIONAL COMMERCE (Feb. 20, 1967), what is now a maze of confusion, promises by 1970, to become a model of simplicity.

The method to be employed is known as the "value added tax" which, by collecting a tax at every stage of production and distribution, winds up taxing the entire production with a minimum of red tape, bookkeeping and chance of evasion. It has the added advantage of giving the government a much more stable tax base than is provided by the fluctuating profit figures.

II.

To the best of our knowledge, the first person to design and suggest such a system (in 1941), is the American economist and inventor, Wadsworth W. Mount. This plan attracted more attention in Europe than in the United States. It is meant to be the only federal tax paid by business, except for special excise taxes such as those imposed on alcohol and tobacco.

The amount of value added is arrived at by simply subtracting from the selling price all payments for goods and services purchased outside. The value added, therefore, is essentially payroll and profit.

III.

As an example of how this method works, let's consider a simple product—a wooden table—that retails for \$100.

Let's look at just one of the corporations involved—the manufacturer. On a per-table basis, this is the way his taxable income would

be arrived at. These figures, of course, are approximate, and are used for the purpose of illustration.

Amount received from Retailer	\$65.00
Less cost of lumber and other outside costs	35.00
Value added by Manufacturer	\$30.00

The other people involved in this table—starting with the company that cut the lumber and winding up with the Retailer—all add their share of the total added value, which is the \$100 paid by the final customer.

So every penny of the \$100 gets taxed somewhere along the line through the same simple process shown above.

It is hard to exaggerate the administrative advantages of the value added tax over the business profit tax. The brevity of this editorial permits only a brief mention.

Profits are often misstated, sometimes without any desire to deceive. The estimation and deduction of depreciation and obsolescence is frequently a matter of dispute between the tax payer and the tax collector. And, of course, many businesses do not show *any* profit, and thus pay no taxes.

In contrast, taxing the \$100 value added total at each stage of production and distribution is

simple, certain, and far less expensive to everyone concerned. Because every business automatically keeps this record in the course of its operation, tax reporting requires almost no extra time or expense. Depreciation and obsolescence are no longer any concern of government; when they cause the purchase of new facilities, the expenditure is merely another outside expense.

IV.

There is another factor in the value added tax that is not immediately apparent—the profitable businesses would pay less taxes.

The reason for this (using the United States as an example) brings us to the some 2,000,000 businesses which, by bad luck or design, earn no taxable income. They do, however, have a value added total which, in fairness to others, should be taxed. In 1963, their volume of business totalled about \$21 billion. After all, these businesses pay for their public utilities (electricity, telephone service, etc.) whether they make a profit or not. Why shouldn't they pay for their share of the public services of government? There seems to be no good reason.

At least that seems to be the considered judgment of the European Economic Community's Council of Ministers.

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SUBMITTED BY
RICHARD L. SOLYOM

KAR

9/2/71

Equal Rights to Learn

A nationwide review of sources of local financial support for public schools may be set off by a 6-to-1 decision of the California Supreme Court invalidating that state's present system of financing public education. The court held that imbalances in the amounts contributed by rich communities as against poor ones violated the constitutional right of school children to equal protection under the law.

Although the ruling merely directed the lower courts to hold hearings on how existing inequities could best be corrected, the basic condition the California decision addressed itself to closely resembles conditions now prevailing across the country.

Specifically, the case showed that, because California's local schools rely primarily on revenues from property taxes, the district of Baldwin Park can afford to spend only \$840 per pupil, while nearby Beverly Hills provides \$1,231. Yet, the taxpayers of the poorer community must put up more than twice as much per \$100 of assessed property valuation as those in the wealthy Hollywood suburb.

This, the court said, "makes the quality of a child's education a function of the wealth of his parents and neighbors." Consequently, children are not afforded the equal protection required by the Fourteenth Amendment.

In past tests, the United States Supreme Court has been unwilling to rule on the constitutionality of this traditional approach to school financing. But, as the California case illustrates, the so-called equalization formulas through which state aid has attempted to offset local differences in tax resources simply have not kept up with fiscal and social realities.

Equality of educational opportunities has become ever more crucial in contemporary terms of human rights and economic well-being. State support in its present form merely builds a floor—often too low—under local school budgets; it does not effectively narrow the gap between rich and poor localities.

There is nothing sacred in the traditional reliance on property taxes to finance the schools. In approximately half of the states even now 50 per cent or more of the local districts' school costs are paid out of state funds. Maryland has recently taken over responsibility for school construction costs. North Carolina has long been paying for most of the teachers' salaries in that state. In Hawaii, public education is entirely state-financed.

Any adequate revision of present equalization formulas will, if it truly aims at closing the gap between rich and poor districts, move toward virtually full state financing. This is the proper course, provided it is not fastened upon as a way to level expenditures down to a lowest common denominator of support for educational mediocrity. The best solution lies in public education generously supported by the states, without discouraging additional investments by education-minded communities in the betterment of their schools.

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SUBMITTED BY
ROBERT LEWIS

1971 - Gross Receipts Taxes in Local Budgets (MUNICIPAL)

1970 Pop.	Municipality	1971 Gross Rec Tx	Area in Sq. Miles
260,545	Jersey City	6,700,000	13.5
99,000	Woodbridge Twnsp.	4,050,795	23.2
38,000	Kearney	3,425,000	9.3
80,000	Hamilton Twnsp.	3,213,000	39.4
42,000	Linden	2,811,680	11.0
382,417	Newark	2,715,000	24.1
11,300	Ridgefield Boro	2,250,000	2.6
11,200	Burlington	1,900,000	3.0
11,800	Harrison	1,825,000	1.2
113,000	Elizabeth	1,628,000	4.2
67,000	Edison Twnsp.	1,531,000	30.2
4,600	Lacey Twnsp.	1,465,000	86.5
13,300	Pennsville	1,165,000	24.0
145,000	Paterson	1,086,100	8.6
32,000	Sayreville	1,150,000	16.3

NOTE: THERE MAY BE A FEW MORE MUNICIPALITIES
WITH RECEIPTS OF GROSS RECEIPTS TAXES
OVER \$1,000,000

Submitted by
Rob't LEWIS
3 CHASE AVE
AVENEL, NEW JERSEY

Figures under town name are total of misc. rev. items listed separately

TAKEN FROM 1971 PUBLISHED BUDGET FIGURES

FROM MUNICIPAL BUDGETS

PWT WATER CO. ETC.

	Gross Receipts TAX	REPLACEMENT REV PERS. Prop. TAX	FRANCHISE TAXES	SALES TAX SHARE (LOCAL) SHARE	Paym'ts IN LIEU GROSS RECEIPTS TAXES	
Pop. 99,000 WOODBRIDGE 7,001,089	4,050,795	1,596,876	798,263	325,165	230,000	723
Pop. 42,000 Pop. 45,670 LINDEN -4,866,043 -Plus 472,680 5,348,723	2,339,000 * 472,680 2,811,680	1,944,366	418,000	164,677	* 472,680	
Pop. 113,000 Pop. 120,000 ELIZABETH 4,945,639	1,628,000	1,979,487	894,000	444,152		412
Pop. 67,000 Pop. 68,750 EDISON 2,940,219	1,531,000	574,466	650,000	184,753		412
Pop. 39,000 Pop. 40,950 PERTH AMBOY 1,791,103	158,000	1,216,360	260,000	156,743		412
Pop. 23,000 Pop. 24,450 CARTERET 1,103,058	180,000	679,007	159,500	84,551	26,000	412
Pop. 29,000 Pop. 31,560 RAHWAY 1,143,178	150,000	623,946	255,000	114,232		364
Pop. 48,000 Pop. 42,310 MADISON TOWNSHIP 692,387	167,000	145,474	286,000	93,913		1-4
Pop. 53,000 UNION 2,941,473 2,230,022	420,000	1,067,638	500,000	212,384	30,000	

Submitted by Robt. Lewis
3 CHASE AVE
AVENEL, NEW JERSEY

THE COURIER-NEWS Friday, Nov. 19, 1971

LETTERS TO THE EDITOR

State funding of schools opposed

Two education bills pending in the N.J. Legislature should be killed at any cost.

S-2266 and A-2454 call for state funding of all N.J. schools by a state property tax. S-2266 would even eliminate the requirement that the annual school budget be submitted for approval to the local voters. Should our legislators be stampeded into passing these bills, all vestige of local control of schools would disappear into thin air. "He who pays the piper calls the tune" and the State Board of Education would have the whip hand.

The state commissioner of education is appointed by the governor — not elected by the voters — to his five-year term, and therefore can be, and I believe is, totally unresponsive to the wishes of the local electorate. Notwithstanding current statewide dissatisfaction with Commissioner Carl Marburger's authoritarian use of power, Governor Cahill has given no indication that he will appoint a different commissioner next July.

The harassed taxpayer may think that under S-2266 and A-2454 his local property taxes would be reduced, and he may perhaps be right (though how often does one find a tax being reduced?). In any case, he would at once be confronted with a new state property tax, costing him as much or more — so what would he gain? Furthermore, the Plainfield taxpayer would be paying to educate children in West-

Letters to the editor should be typed or clearly written and kept as short as possible. We reserve the right to edit all letters conscientiously for reasons of space, clarity and fair play. Names and addresses must be given for publication.

field and Newark instead of his own and his neighbors' children.

Those who value such local control of schools as remains should write their state legislators urging opposition to S-2266 and A-2454.

D. W. SAVAGE

Westfield

Mrs. Wachter

Reference

SENATE, No. 2266

STATE OF NEW JERSEY

INTRODUCED MAY 3, 1971

By Senators MILLER, HIERING, GUARINI and ITALIANO

Referred to Committee on Education

AN ACT establishing a State Public School Fund as the repository for moneys to defray the costs of public elementary and secondary education, revising parts of the statutory law, and providing for the disbursement of funds.

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

ARTICLE I. SHORT TITLE; LEGISLATIVE FINDINGS;
GENERAL PROVISION

- 1 1. This act shall be known and may be cited as the "Public School
2 Financing Act."
- 1 2. The Legislature finds and declares that:
- 2 a. The maintenance and support of the public schools is a State
3 responsibility;
- 4 b. The ability of individual school districts to finance public
5 schools varies widely from district to district;
- 6 c. Despite the infusion of increasing amounts of State funds
7 into school aid programs, the educational opportunities available to
8 pupils varies among school districts;
- 9 d. The impact of property taxes for schools upon property owners
10 in many districts causes severe hardships, particularly upon per-
11 sons with low or moderate incomes;
- 12 e. There is a need for distributing the cost of government on a
13 more equitable basis throughout the State;
- 14 f. Equal educational opportunity should be available to all chil-
15 dren in the public schools;
- 16 g. A measure of stability in the taxes on real property must be
17 provided and, at the same time, the public schools must receive
18 sufficient financial support to insure the opportunity for a quality
19 education for all pupils;
- 20 h. Therefore, it is necessary to revise completely the structure of
21 public school financing.

1 3. Definitions. As used in this act, unless the context clearly
2 indicates otherwise, the following words and phrases shall have the
3 following meaning:

4 "Accredited evening high school pupils" shall mean pupils en-
5 rolled in an approved evening high school.

6 "AFDC children" shall mean the children aged 5 to 17 inclusive,
7 in families residing in the school districts and receiving aid through
8 payments under a program of aid to families with dependent
9 children certified to the commissioner by the Department of In-
10 stitutions and Agencies.

11 "Approved remedial class" shall mean a class approved by the
12 commissioner for improving the educational level of culturally
13 disadvantaged students and others whose level of achievement is
14 sufficiently below average achievement levels to warrant special
15 instruction, but none of whom can be classified as "atypical."

16 "Approved special class" shall mean a class for physically
17 handicapped or mentally retarded children, and all other classes
18 for atypical pupils approved by the commissioner.

19 "Atypical pupils" shall mean pupils who are physically handi-
20 capped or mentally retarded and who are not accommodated
21 through the school facilities usually provided for normal pupils.

22 "Base formula" shall mean the minimum per pupil amounts
23 allotted to a district or a county vocational school within the pro-
24 visions for current expense budgets, special budgets and supple-
25 mentary budgets.

26 "Board" shall mean a board of education.

27 "Commissioner" shall mean the Commissioner of Education.

28 "Contingency fund" shall mean the moneys described in section
29 13 of this act.

30 "County vocational school" shall mean a school organized under
31 the provisions of chapter 54 of Title 18A of the New Jersey
32 Statutes.

33 "Current expense budget" shall mean the total amount necessary
34 for current expenses including the salaries of the secretary of the
35 board of education, the custodian of school moneys, the superin-
36 tendent of schools, principals, teachers, clerical and office personnel,
37 janitors, medical inspectors and truant officers; fuel, textbooks,
38 school supplies, flags, school libraries, truant schools; insurance and
39 incidental expenses of the schools.

40 "Day school cost per pupil" shall mean the annual cost of edu-
41 cating pupils within the current expense budget.

42 "District" shall mean a school district.

43 "Enrollment" shall mean the number of full-time pupils who are
44 enrolled in day schools on the last school day of September or on
45 the last school day of May during the school year.

46 "Public school commission" shall mean the Permanent Com-
47 mission on the Public Schools.

48 "School fund" shall mean the State Public School Fund.

49 "Special budget" shall mean a budget submitted by a district to
50 cover the cost of approved remedial classes or approved special
51 classes.

52 "State board" shall mean the State Board of Education.

53 "Supplementary budget" shall mean a budget submitted by a
54 district for transportation costs, debt service requirements, evening
55 school programs, summer school programs, furniture, equipment
56 or apparatus, miscellaneous capital repairs and renewals to build-
57 ings, and other programs heretofore or hereafter approved under
58 the statutes of this State or for which Federal funds are provided
59 by any Act of Congress.

60 "Vocational school pupils" shall mean pupils enrolled in courses
61 of study for vocational education approved by the State board,
62 provided however, no district shall count in its enrollment any
63 pupil regularly attending on a full-time basis a county vocational
64 school.

ARTICLE II. STATE PUBLIC SCHOOL FUND BUDGETS AND ALLOTMENT

1 4. There is hereby created in the State Treasury a "State Public
2 School Fund" into which shall be paid the revenues from the "State
3 Public School Tax," the income from the fund for support of free
4 public schools, all appropriations hereafter made by the Legislature
4A for the maintenance and support of the public schools of the State,
5 all moneys made available for public school purposes by any Act of
6 Congress, and all balances remaining in any State aid account on
7 the effective date of this act.

1 5. On or before April 1 every year, each district board and each
2 county vocational school board shall submit to the commissioner a
3 current expense budget for the coming school year on such forms as
4 may be prescribed by the commissioner together with the projected
5 enrollment for the last school day in the following September. In
6 those districts where applicable, a special budget and a supple-
7 mentary budget shall be submitted at the same time. Special and
8 supplementary budgets shall be accompanied by such information
9 as the commissioner may require for proper evaluation of the
10 programs to be financed thereby.

11 Nonoperating districts shall submit a budget for the incidental
12 expenses of the board, according to rules and regulations promul-

13 gated by the commissioner.

14 Any district which has elected to assess a school tax in addition
15 to that imposed by the "State School Tax Act" shall indicate the
16 amount to be so raised in submitting a current expense budget.

1 6. All budgets submitted by district boards and boards of county
2 vocational school shall be calculated on the basis of criteria herein-
3 after prescribed:

4 a. Current expense budgets shall be calculated on a base formula
5 of \$850.00 per pupil in grades K-6, \$925.00 per pupil in grades
6 7-9, and \$1,000.00 per pupil in grades 10-12 based upon the enroll-
7 ment projection submitted with the budget. Vocational school
8 pupils shall be calculated on a base formula of \$1,500.00 per pupil
9 or full time equivalent whether such pupils attend a school in a
10 local school district or a county vocational school.

11 b. Special budgets shall be calculated on a base formula of
12 \$2,500.00 per pupil in approved special classes and \$250 per pupil
13 in approved remedial classes; provided, however, that the per pupil
14 calculation for remedial classes shall be in addition to the amount
14a for each pupil as set forth in a. above.

15 c. Supplementary budgets shall be calculated on the actual cost
16 of transportation within the statutory limits set forth in chapter
17 39 of Title 18A of the New Jersey Statutes, debt service require-
18 ments, a base formula of \$250.00 per pupil for accredited evening
19 high schools, a base formula of \$250.00 per pupil for approved sum-
20 mer schools, and a base formula of \$500.00 per full time equivalent
21 pupil in evening vocational school, requirements for normal re-
22 placements of or additions to furniture, equipment or apparatus,
23 requirements for miscellaneous capital repairs and renewals of
24 buildings; and requirements for special programs heretofore or
25 hereafter approved by the commissioner, or for which Federal
26 funds are provided.

1 7. On or before July 15, the commissioner shall notify the board
2 in each district and the board of each county vocational school of
3 the total budgetary allotments under section 6 of this act, and shall
4 certify to the State Treasurer the amount to be disbursed to each
5 district from the State Public School Fund.

1 8. The sums payable from the State Public School Fund shall be
2 payable in each school year, $\frac{1}{4}$ on September 1, $\frac{1}{4}$ on December 1,
3 $\frac{1}{4}$ on February 1, and $\frac{1}{4}$ on April 1. Payments shall be made by
4 the State Treasurer to each board upon certificate of the commis-
5 sioner and warrant of the Director of the Division of Budget and
6 Accounting.

1 9. If any budget as set forth in section 6 of this act is modified
 2 under section 30 as hereinafter provided, the board of education
 3 whose budget is so modified may appeal within 60 days after noti-
 4 fication by the commissioner to the Public School Commission for
 5 a review of the modifications and a reinstatement of the amounts
 6 disallowed.

1 10. The Public School Commission shall act on such appeals
 2 within 90 days, and the decision of the commission shall be final.
 3 Where it is the decision of the Public School Commission to rein-
 4 state all or any part of the funds on appeal, payment of the addi-
 5 tional funds shall be made in the quarterly allotments during the
 6 balance of the school year and the commissioner shall certify the
 7 additional amounts payable to the State Treasurer.

1 11. Any surpluses remaining in the accounts of any district or
 2 any county vocational school at the end of the school year shall re-
 3-4 main there; provided, however, moneys expended in any year sub-
 5 sequent to the year they were budgeted shall be expended only in
 6 accordance with rules and regulations promulgated by the commis-
 7 sioner and approved by the Public School Commission.

1 12. Surplus moneys in the account of any district or any county
 2 vocational school on the effective date of this act shall remain there
 3 to be expended subject to the limitations set forth in section 11
 4 of this act.

SUPPLEMENTAL PROVISIONS IN ARTICLE II

1 13. From the proceeds of the State School Tax, the Public School
 2 Commission shall establish a contingency fund each year which
 3 shall amount to not less than 1% nor more than 2½% of the antici-
 4 pated revenues from this tax; provided, however, that in the first
 5 year of operation of this act, there shall be allotted 2½% of the
 6 anticipated revenues for the contingency fund. Any balances re-
 7 maining in such fund at the end of each year shall be calculated
 8 in the determination of the amount to be allocated for the con-
 9 tingency fund in the succeeding year.

1 14. Expenditures from the contingency fund shall be made for
 2 the following purposes:

3 a. Emergencies in any district caused by circumstances beyond
 4 the control of the district board of education, including, but not
 5 limited to, the need for temporary quarters because of damage to
 6 existing school facilities, or repair of such facilities;

7 b. An increase in enrollment in a district in excess of 3% over
 8 that anticipated in the current expense budget;

9 c. Experimental programs which have been approved by the
 10 State board and concurred in by the Public School Commission;

11 d. Transportation of pupils which does not fall within the statu-
12 tory limitations as to distance, but where hazardous conditions
13 prevail;

14 e. Any other circumstance approved by the Public School Com-
15 mission. All expenditures from the contingency fund shall require
16 the approval of the Public School Commission; provided, however,
17 the commission may authorize the commissioner to expend up to
18 \$500,000.00 from the balances in the contingency fund in any 1
19 year without specific approval of the commission, but no single
20 expenditure of the commissioner under this provision shall exceed
21 \$10,000.00. All such expenditure authorizations by the commis-
22 sioner in any quarter shall be reported to the Public School Com-
23 mission.

ARTICLE III. CAPITAL CONSTRUCTION

1 15. On or before July 1, the board in each district shall submit
2 to the commissioner a projection of anticipated capital require-
3 ments for the ensuing 5-year period. The requirements submitted
4 shall be divided into two parts: a. those anticipated to meet in-
5 creases in enrollment, and b. those for replacement of substandard
6 buildings.

1 16. Any district, including a nonoperating district, which at the
2 above July 1 date is a sending district, other than a component of
3 a regional high school district, shall submit a projection of antici-
4 pated increases in resident school age population, and proposals,
5 if any, for the development of an independent system, or for con-
6 solidation with another district.

1 17. Upon receipt of the projected capital requirements and pro-
2 jected enrollments as set forth in sections 15 and 16 of this act,
3 the commissioner shall establish a list of capital priorities for
4 submission to the Public School Commission. The list so estab-
5 lished shall give first priority to those projects where a. the exist-
6 ing facilities are in immediate need of replacement, and b. where
7 existing facilities are inadequate in size. Second priority shall be
8 given to those projects where anticipated replacement should be
9 made within a 5-year period, or where anticipated increases in
10 enrollment during the ensuing 5-year period will cause serious
11 overcrowding of existing facilities. All other projects shall be
12 classified as third priority.

13 In each instance, together with the priority given a project, the
14 list submitted to the commission shall indicate the outstanding net
15 debt, both school and municipal, as a percentage of the equalized
16 valuation of the district. Where such a district encompasses more

17 than one municipality, the percentage shall be based upon the
18 average of the equalized valuations of the municipalities.

1 18. Based upon the list submitted, the Public School Commission
2 shall establish a list of priority projects which recognizes both
3 need and existing levels of local indebtedness.

4 When a final determination shall have been made of the obliga-
5 tions of the State Public School Fund, including the disposition
6 of appeals pursuant to section 10 of this act, the commission shall
7 allocate the surpluses, existing or anticipated in the fund, to those
8 projects with the highest priority until such surpluses are ex-
9 hausted.

10 Districts having projects to be financed from surpluses of the
11 fund shall be notified forthwith and the commission shall thereupon
12 certify to the State Treasurer an amount not to exceed 5% of the
13 anticipated cost of the project to be paid to the district for planning
14 and development.

15 When such projects are designated by the commission to be
16 financed from surpluses of the fund, the total amount so designated
17 shall be committed and cease to be available for any other purpose
18 than the 5% per project heretofore authorized.

1 19. Payments from the fund shall be authorized to cover the cost
2 of:

3 a. The acquisition or construction of buildings for any lawful
4 purposes and the improvement of the sites thereof, with or without
5 the original furniture, equipment and apparatus required therefor.

6 b. The reconstruction, remodeling, alteration, enlargement, or ad-
7 ditions to or major repair of buildings for any lawful purposes and
8 the improvement of the sites thereof, with or without the furniture,
9 equipment and apparatus required therefor.

10 c. The acquisition by purchase or condemnation of lands for
11 school purposes and the grading, draining and landscaping or the
12 improvement in any like manner thereof.

13 d. The purchase of furniture, equipment and apparatus for any
14 building used or to be used for school purposes, or any major re-
15 newal of furniture, equipment and apparatus for such use, except
16 such as may be included in an issue of bonds for the purposes
17 described in subsections a. and b. of this section, at maturities of
18 or within 10 years.

1 20. When, in the determination of the State Treasurer, the an-
2 ticipated surpluses in the fund have been committed, he shall notify
3 the Public School Commission to that effect.

1 21. Upon notification of the State Treasurer that anticipated
2 surpluses of the fund have been exhausted, the Public School Com-

3 mission shall authorize those districts having first priority projects,
4 not financed from the surpluses of the fund, to issue bonds subject
5 to the following limitations:

6 a. Bonds shall be issued at maturities of not more than 25 years.

7 b. Bonds shall be issued only to cover the cost of those items
8 enumerated in section 19 of this act.

9 c. Interest and redemption schedules shall be subject to the ap-
10 proval of the local finance board.

1 22. If, in any year the surplus available for capital construction
2 shall exceed the amount needed for first priority projects, the excess
3 shall be assigned to second priority projects as determined by the
4 commission.

1 23. Principal and interest payments on all bonds issued pursuant
2 to section 21 of this act shall become obligations of the fund and
3 such obligations shall be included annually in the supplementary
4 budget of the district.

1 24. All bonds authorized but not issued on the effective date of
2 this act shall be presumed to have the authorization of the Public
3 School Commission and may be issued for the purpose originally
4 intended. Upon issuance of such bonds, the annual principal and
5 interest payments shall become obligations of the fund and shall be
6 included annually in the supplementary budget of the district.

1 25. The board in any district not receiving moneys for capital
2 construction from the State Public School Fund and which does not
3 receive authorization to issue bonds for construction, may call a
4 special election to secure the approval of the voters of the district
5 for the issuance of bonds at a cost to the taxpayers of the district
6 over and above that imposed by the State Public School Tax. Such
7 elections shall be governed by the procedure set forth in chapter 14
8 of Title 18A of the New Jersey Statutes.

ARTICLE IV. DUTIES OF THE COMMISSIONER

1 26. On or before April 15 in each year the commissioner shall
2 submit recommendations to the Public School Commission for the
3 upward or downward revision of the base formula for any or all of
4 the categories of pupils set forth in section 6 of this act which in his
5 view is necessary to maintain a high level of educational quality in
6 all districts throughout the State and his reasons therefor. The
7 commissioner shall include in his report an estimate of the addi-
8 tional cost to the State School Fund of his recommendations in each
9 category, his recommendations for deletion, modification or expan-
10 sion of special programs heretofore approved, together with the
11 savings or additional cost thereof, and the estimated income for the
12 ensuing fiscal year of the State School Tax.

1 27. On or before February 1, a municipality required to include
2 school district costs in the amount to be raised by taxes in the
3 municipal budget, pursuant to sections 40A:4-12 to 40A:4-14 of the
4 New Jersey Statutes, shall submit to the commissioner a statement
5 of such budget requirements for that year. The commissioner,
6 thereupon, shall certify to the State Treasurer the amount which
7 shall be paid to each such municipality from the State Public School
8 Fund, and the commissioner shall furnish a copy of such certification
9 to the municipality. The amount so certified shall be anticipated by
10 the municipality as miscellaneous revenue in its budget.

1 28. As soon as practicable after receiving the budgets submitted
2 by the district boards of education and the boards of county voca-
3 tional schools in each category set forth in section 6 and the obliga-
4 tions set forth in section 27, the commissioner shall report to the
5 Public School Commission the aggregate amount requested in each
6 category.

1 29. Subject to the approval of the State board, within 6 months
2 of the effective date of this act, and annually thereafter, the com-
3 missioner shall report to the Public School Commission on voca-
4 tional education in the State with recommendations for expanding
5 facilities now served by local or county vocational schools and the
6 extension of vocational education to areas not now served by such
7 schools, together with the estimated cost of such projects, the
8 potential number of pupils for each project, the amount of Federal
9 funds which may be anticipated and such other information as may
10 assist the Public School Commission to determine the need for new
11 or expanded facilities.

1 30. When the current expense budget of any district, calculated
2 on the base formula established for any school year exceeds that of
3 the previous year by 15% or more on a per pupil basis, it shall be
4 the responsibility of the commissioner to report to the Public School
5 Commission his evaluation of the increased cost in each district and
6 his recommendation as to whether the current expense budget
7 should be approved as submitted or if it should be reduced. The
8 evaluation of the budget by the commissioner in such circumstances
9 shall be based upon the establishment of new programs in the dis-
10 trict, the expansion of existing programs and special circumstances
11 not usual in the current operations of the schools in the district.

1 31. The commissioner shall administer the contingency fund,
2 subject to the approval of the Public School Commission, and shall
3 report quarterly to the commission on the status of the fund.

1 32. N. J. S. 18A:7-3 is amended to read as follows:

2 18A:7-3. A county superintendent of schools shall receive such
3 salary as shall be approved by the commissioner and the President
4 of the Civil Service Commission subject to availability of funds.

5 Each county superintendent shall receive, in addition to his
6 salary, the traveling and other expenses incurred by him in conduct-
7 ing his office and performing his official duties, which shall be paid
8 **[by the county treasurer]** *from the State Public School Fund upon*
9 *a warrant [on the orders]* of the commissioner, upon his furnishing
10 to the commissioner an itemized statement thereof certified under
11 his oath, together with proper vouchers, and no such order shall be
12 issued until such statement and vouchers are so furnished.

1 33. N. J. S. 18A:7-10 is amended to read as follows:

2 18A:7-10. Each county superintendent shall, on or before
3 December 1 of each year, furnish to the **[board of chosen freehold-**
4 **ers of the county]** *commissioner* a statement of the amounts esti-
5 mated to be necessary to be appropriated for the ensuing year for:

- 6 a. the compensation of his clerical assistants;
- 7 b. the supplying of furniture, supplies and equipment for his
8 office;
- 9 c. printing; and
- 10 d. traveling and other expenses incident to the conduct and the
11 performance of his official duties of his office incurred by him.

12 The **[board of chosen freeholders]** *Public School Commission*
13 shall fix and determine the amounts necessary to be appropriated
14 for such purposes and shall **[appropriate the same accordingly]**
15 *certify such amount to be paid from the State Public School Fund*
16 *in quarterly installments.*

1 34. N. J. S. 18A:8-6 is amended to read as follows:

2 18A:8-6. The county superintendent shall, within 30 days after
3 such request, file with the governing bodies of all of such municipali-
4 ties and the board of education of the school district a report con-
5 taining such financial, educational and other information as he may
6 deem necessary to enable said governing bodies and board of educa-
7 tion to form an intelligent judgment as to the advisability of the
8 proposed separation and the effect thereof upon the educational and
9 financial condition of the new district and the remaining district
10 **[and setting forth the amount of indebtedness, if any, to be assumed**
11 **by the new and remaining districts calculated as hereinafter pro-**
12 **vided]**.

1 35. N. J. S. 18A:8-9 is amended to read as follows:

2 18A:8-9. The governing body of the applying municipality may,
3 within 30 days after the filing of the report, petition the commis-
4 sioner for permission to submit to the legal voters of the munici-

5 pality the question whether or not the municipality shall be con-
 6 stituted a separate school district, and in such petition may
 7 request any specific reduction or increase in the amount of in-
 8 debtedness to be assumed. Proof of the service of a copy of the
 9 petition upon each municipality in the original school district,
 10 the board of education thereof, and the county superintendent,
 11 prior to the filing of the petition, shall accompany the petition.

1 36. N. J. S. 18A:8-11 is amended to read as follows:

2 18A:8-11. In such answer said municipality may:

3 a. Consent to the granting of the application; or

4 b. Oppose the same because, if the same be granted—

5 [1. An excessive debt burden will be imposed upon the remaining
 6 district.]

7 [2.] (1) An efficient school system cannot be maintained in the
 8 remaining district without excessive costs,

9 [3.] (2) Insufficient pupils will be left in the remaining district
 10 to maintain a properly graded school system, or

11 [4.] (3) Of any other reason, which it may deem to be sufficient;
 12 or].

13 [c. Request that if the petition be granted, the amount of debt
 14 which the remaining district would be required to assume, cal-
 15 culated as hereinbefore provided, be reduced for the reason that—

16 1. Such amount of indebtedness, together with all other indebted-
 17 ness of the municipality would be excessive,

18 2. The amount of expenditure for debt service which would be
 19 required would be so great that sufficient funds would not be avail-
 20 able for current expenses without excessive taxation, or

21 3. Such amount of indebtedness is inequitable in relation to the
 22 value of the property to be acquired by the remaining district and
 23 would materially impair the credit of the municipality or such
 24 districts and the ability to pay punctually the principal and interest
 25 of their debt and to supply such essential educational facilities and
 26 public improvements and services as might reasonably be an-
 27 ticipated would be required of them.]

1 37. N. J. S. 18A:8-12 is amended to read as follows:

2 18A:8-12. Within 15 days after the filing of the answers to the
 3 petition, the Commissioner of Education shall submit the petition
 4 and answers to [a board of review consisting of the Commissioner
 5 of Education, as chairman, the Commissioner of Conservation and
 6 Economic Development and the Director of the Division of Local
 7 Government in the Department of the Treasury,] *the Permanent*
 8 *Commission of the Public Schools* which shall hold a hearing
 9 thereon at the request of any interested party and shall consider

10 the effect of the proposed separation upon the educational [and
 11 financial] condition of both the new and remaining districts on the
 12 basis of the allegations of the petition and answers and of any other
 13 factors which might have been alleged in the answers as herein-
 14 before provided.

1 38. N. J. S. 18A :8-13 is amended to read as follows :

2 18A :8-13. Within 60 days after the receipt of the petition and
 3 answers, the [board of review] *Public School Commission* shall,
 4 by a recorded roll call majority vote of the full membership [of
 5 such board], grant the application [and determine the amount of
 6 indebtedness, if any, to be assumed by the remaining and new
 7 districts, respectively], or deny the same.

1 39. N. J. S. 18A :8-20 is amended to read as follows :

2 18A :8-20. The first board of education of the new district and
 3 the first board of education of the remaining district shall each pre-
 4 pare and submit, [to the voters of the district,] as required by law,
 5 the first budgets for said district and they shall make proper pro-
 6 vision for conducting an election for the members of the board of
 7 education of the district to replace the appointed members of the
 8 board, for such terms that three members of the board of the dis-
 9 trict, as thereafter constituted, will be elected each year, at an annual
 10 election to be held in the district at the same time as that on which
 11 the next annual election for the original district would have been
 12 held and at appropriate places within the territorial limits of the
 13 district to be fixed by said board.

1 40. N. J. S. 18A :8-21 is amended to read as follows :

2 18A :8-21. The board of education of the new district, and the
 3 board of education of the remaining district, to which members are
 4 first elected shall not take charge and control of the schools of their
 5 respective districts until the beginning of the next school year, but
 6 each may in the meantime exercise any powers which may be neces-
 7 sary for the proper organization and functioning of the public
 8 schools of the district when the same shall be created, and any ex-
 9 penses incurred in connection therewith may be paid from appro-
 10 priations of said district, when created, if items therefor are in-
 11 cluded in the budgets of the district, notwithstanding that said
 12 expenses were incurred prior to the creation of said district[, and
 13 they may call special elections for the purchase of land and the con-
 14 struction, alteration or repair of school buildings, and for the mak-
 15 ing of special appropriations or the issuance of bonds for any
 16 lawful purpose].

1 41. N. J. S. 18A :8-22 is amended to read as follows :

2 18A:8-22. Upon the creation of the new district, title to all
 3 school grounds and buildings and the furnishings and equipment
 4 thereof situate therein shall vest in the board of education of that
 5 district, and such board shall thereupon assume such amount of
 6 the indebtedness of the original school district as shall have been
 7 determined upon by the board of review and shall pay to the board
 8 of the remaining district, at least five days before the same shall
 9 become due, the amount of the principal and interest of the in-
 10 debtedness so assumed, and said principal and interest shall be paid
 11 by the board of the remaining district as and when the same
 12 becomes due and payable.

1 42. N. J. S. 18A:8-24 is amended to read as follows:

2 18A:8-24. The county superintendent in a written report filed
 3 by him at the end of the school year preceding that in which the new
 4 district is created shall make a division of the assets, except school
 5 buildings, grounds, furnishings and equipment, and of the liabili-
 6 ties, [other than the bonded indebtedness of the original district,]
 7 between the new district and the remaining district on the basis
 8 of the amount of the ratables in the respective districts on which
 9 the last *State* school tax was levied, and in determining the amount
 10 of assets to be divided, he shall take into account the present value
 11 of the school books, supplies, fuel, motor vehicles and all personal
 12 property other than furnishings and equipment. In the case of any
 13 vehicle used for the transportation of school children, the original
 14 cost of the vehicle, less any state aid appropriated therefor, shall
 15 be deemed to be the present value.

1 43. N. J. S. 18A:13-34 is amended to read as follows:

2 18A:13-34. If the boards of education of two or more local dis-
 3 tricts, or the board of education of a consolidated district, or of a
 4 district comprising two or more municipalities, and the commis-
 5 sioner or his representative, after consultation, study and investi-
 6 gation, shall determine, that it is advisable for such districts to
 7 join and create, or for such district to become.

8 (a) an all purpose regional school district for all the school
 9 purposes of such districts or district, or

10 (b) a limited purpose regional school district to provide
 11 and operate, in the territory comprised within such local dis-
 12 tricts or district, one or more of the following: elementary
 13 schools, junior high schools, high schools, vocational schools,
 14 special schools, health facilities or particular educational ser-
 15 vices or facilities,

16 said board or boards shall by resolution frame and adopt a proposal
 17 to that effect [stating also the manner in which the amounts to be

18 raised for annual or special appropriations for such proposed
 19 regional school district, exclusive of the amount to be raised for
 20 interest upon, and the redemption of bonds payable by the regional
 21 district, shall be apportioned either upon the basis or apportion-
 22 ment valuations as defined in R. S. 54:4-49 or upon the basis of
 23 the number of pupils enrolled, on the last school day of September
 24 of the current school year, in the proposed regional school district],
 25 and each such board shall call for, and conduct, upon the same day,
 26 a special school election in each municipality in its district and shall
 27 submit thereat the question whether or not said proposal shall be
 28 approved, briefly describing the contents of said resolution and
 29 stating the date of its adoption and they may submit also, at said
 30 special election, as part of such proposal, any other provisions
 31 which may be submitted, at such a special election, under the pro-
 32 visions of this chapter but no such special election shall be held on
 33 any day before April 15 or after December 1 of any calendar year.

1 44. N. J. S. 18A:13-40 is amended to read as follows:

2 18A:13-40. The board of education of a newly-created regional
 3 district may, prior to taking charge and control of the educational
 4 facilities of the regional district, do all other acts and things which
 5 may be necessary for the proper organization and functioning of
 6 the public schools of the regional district during its first year, in-
 7 cluding the making of contracts for the employment of necessary
 8 personnel and for other proper purposes], the preparation and
 9 submission to the voters of the regional district for their approval
 10 or disapproval of the budget and the appropriations for the conduct
 11 of the public schools of the regional district during its first school
 12 year, the authorization of the purchase of real and personal prop-
 13 erty, and the construction, enlargement and repair of buildings, for
 14 school purposes, and the appropriations of the funds necessary to
 15 carry out the same and the authorization of the issuance and sale
 16 of bonds in order to provide for the payment therefor in whole or in
 17 part and the calling and holding of special elections when necessary
 18 for any such purposes and to carry out any or all of said purposes].

1 45. N. J. S. 18A:13-45 is amended to read as follows:

2 18A:13-45. The corporate existence of an enlarged regional dis-
 3 trict shall be continued without interruption from the date of its
 4 original creation notwithstanding its enlargement and its corporate
 5 name shall remain unchanged unless another corporate name, ap-
 6 proved by the State board, shall be adopted by resolution of the
 7 regional board of education and shall be certified to the Secretary
 8 of State.

9 **Each new constituent district shall become responsible, for the**
 10 **indebtedness of the regional district then outstanding or authorized**
 11 **but unissued, as if it had originally constituted a part of the re-**
 12 **gional district.]**

1 46. N. J. S. 18A :13-50 is amended to read as follows:

2 18A:13-50. Upon the dissolution of any local district the officer
 3 having custody of the funds of such district shall deliver all of the
 4 funds of the dissolved district in his possession to the secretary of
 5 the successor regional district who shall give his receipt therefor
 6 and shall immediately turn the same over to the custodian of school
 7 moneys of the regional district.

8 All personal property, books, papers, vouchers and other docu-
 9 ments belonging to any district, being dissolved, shall be trans-
 10 ferred to the secretary of said regional district who shall cause a
 11 complete inventory to be made on all assets, real and personal, re-
 12 ceived by the regional school district. Upon and after the date of dis-
 13 solution of the district **all proceeds of taxes of any nature raised or**
 14 **to be levied for use or benefit of each dissolving school district and**
 15 **rights and claims with respect thereto, and] all the property, funds,**
 16 **moneys and assets of each dissolving district shall vest in the re-**
 17-18 **gional district and the regional district shall be subject to all the**
 19 **contracts, debts and other obligations of each dissolving district.**
 20 **Upon said date all bonds and notes, of each dissolving district,**
 21 **theretofore issued and outstanding shall be and shall constitute ob-**
 22 **ligations of and payable as to both principal and interest by the re-**
 23 **gional district, and, unless otherwise required or provided for by**
 24 **law, in the same manner and to the same extent as if such bonds and**
 25 **notes had been issued by the board of the regional district.] The re-**
 26 **gional board shall cause an audit and settlement of all accounts of**
 27 **officers of the former district or districts to be made forthwith. The**
 28 **official bonds of such officers shall be continued in full force and**
 29 **effect until the completion of such audit and satisfactory financial**
 30 **settlement of said accounts shall have been made.**

1 47. N. J. S. 18A :17-8 is amended to read as follows:

2 18A:17-8. The secretary shall be the general accountant of the
 3 board and he shall:

4 a. Collect **tuition fees and other] moneys due to the board not**
 5 **payable directly to the custodian of school moneys of the district**
 6 **and transmit the same to such custodian;**

7 b. Examine and audit all accounts and demands against the board
 8 and present the same to the board for its approval in open meeting,
 9 and when payment thereof shall be ordered by the board, he shall
 10 indicate the board's approval upon the same in writing with the

11 president of the board and present the same to the district comp-
12 troller, or to the custodian of school moneys of the district; and

13 c. Keep and maintain such accounts of the financial transactions
14 of the district as shall be prescribed by the State board in accord-
15 ance with the uniform system of bookkeeping presented by the
16 State board including a correct detailed account of all the expendi-
17 tures of school moneys in the district.

1 48. N. J. S. 18A:20-4.1 is amended to read as follows:

2 18A:20-4.1. The board of education of any Type II school dis-
3 trict may without authority first obtained [from the voters of the
4 district] *from the public school commission*:

5 (a) Rent, on a year-to-year basis, or for a term not to exceed
6 5 years, in case of emergency, buildings to use for school purposes;
7 and

8 (b) Take an option not to exceed 1 year in duration, at a cost
9 not to exceed \$100.00, on the purchase of any land which the board
10 could lawfully purchase after securing the consent [of the legal
11 voters to the purchase thereof, but such option may be exercised
12 by the board only after authority to purchase the property covered
13 by such option has been given at an annual or special school elec-
14 tion] *of the commission*.

1 49. N. J. S. 18A:33-2 is amended to read as follows:

2 18A:33-2. When any school district shall fail to provide such
3 facilities and courses of study, the county superintendent shall,
4 by order in writing, approved in writing by the commissioner and
5 transmitted to the custodian of school moneys of the district, direct
6 such custodian to withhold further payments, for the account of
7 the district, of any moneys theretofore and thereafter received
8 [from State aid] until such suitable facilities and courses of study
9 shall be provided, which order shall be effective upon the date
10 stated by the commissioner in his approval thereof. The county
11 superintendent shall notify the board of education of the district
12 of his action with the reasons therefor forthwith.

1 50. N. J. S. 18A:33-2.1 is amended to read as follows:

2 18A:33-2.1. No board of education of a school district providing
3 high school education in its own high school shall propose to close
4 its high school and to contract with another district or districts
5 to provide high school education for pupils of the district, unless
6 and until [a public question as to whether or not the board may
7 enter into such a contract or contracts shall be submitted to and
8 approved by a majority of the voters of the district voting thereon
9 at an annual or special school election] *permission is received*
10 *from the Public School Commission*.

1 51. N. J. S. 18A:38-8 is amended to read as follows:

2 18A:38-8. The board of education of any school district having
3 the necessary accommodations may receive, or may be required
4 to receive by order of the State board, pupils from another district
5 not having sufficient accommodations, at rates of tuition fixed as
6 in this article provided.

1 52. N. J. S. 18A:38-24 is amended to read as follows:

2 18A:38-24. Any pupil may with the consent of the board of edu-
3 cation of the district in which he resides and of the commissioner
4 be admitted to any demonstration school maintained in connection
5 with any State college. The board of education of the district and
6 the board of trustees of the State college, with the approval of the
7 Board of Higher Education, shall determine the amount to be paid
8 for the education of the pupil, and the board of education of the
9 district shall pay the amount so determined to the treasurer of the
10 college out of any money available for the current expenses of
11 the district. Pupils attending such demonstration schools for whom
12 tuition is paid by the sending district shall be counted in the deter-
13 mination of State aid for the school district in the same manner
14 as pupils attending schools in any school district other than the
15 sending district.

1 53. N. J. S. 18A:39-1.1 is amended to read as follows:

2 18A:39-1.1. In addition to the provision of transportation for
3 pupils living remote from any school house, and for handicapped
4 children, the board of education of any district may provide, by
5 contract or otherwise, in accordance with law and the rules and
6 regulations of the State board, for the transportation of other
7 pupils to and from school.

8 **【The cost of transporting pupils pursuant to this section shall**
9 **not be included in calculating the amount of State aid for trans-**
10 **portation of pupils.】**

1 54. N. J. S. 18A:39-15 is amended to read as follows:

2 18A:39-15. If the county superintendent of the county in which
3 the districts are situate shall approve the necessity, the cost, and
4 the method of providing such joint transportation and the agree-
5 ment whereby the same is to be provided, each such board of edu-
6 cation providing joint transportation shall be entitled to **【State**
7 **aid in an amount equal to 75% of】** its proportionate share of the
8 cost of such transportation pursuant to the terms of such agree-
9 ment.

1 55. N. J. S. 18A:46-23 is amended to read as follows:

2 18A:46-23. The board of education shall furnish daily transpor-
3 tation within the State to all children found under this chapter to

4 be handicapped who shall qualify therefor pursuant to law and
 5 it shall furnish such transportation for a lesser distance also to
 6 any handicapped child, if it finds upon the advice of the examiner,
 7 his handicap to be such as to make such transportation necessary
 8 or advisable.

9 The school district shall be entitled to **[State aid for such daily**
 10 **transportation in the amount of 75% of the cost to the district of**
 11 **furnishing]** such transportation **[to a program]** approved under
 12 this chapter in New Jersey when the necessity for such transporta-
 13 tion and the cost and method thereof have been approved **[by the**
 14 **county superintendent of the county in which the district paying**
 15 **the cost of such transportation is situated].**

1 56. N. J. S. 18A:46-24 is amended to read as follows:

2 18A:46-24. Any two or more districts may provide for facilities,
 3 examinations or transportation under this chapter under the terms
 4 of an agreement adopted by resolutions of each of the boards of
 5 education concerning setting forth the essential information con-
 6 cerning the facilities, examination or transportation to be pro-
 7 vided, **[the method of apportioning the cost among the districts**
 8 **and of computing the proportion of the State aid to which each dis-**
 9 **trict shall be entitled,]** and any other matters deemed necessary
 10 to carry out the purpose of the agreement. No such agreements
 11 shall become effective until approved by the commissioner.

1 57. N. J. S. 18A:46-26 is amended to read as follows:

2 18A:46-26. The commission may, in accordance with rules of the
 3 State board:

4 a. Provide and maintain the necessary facilities by acquiring
 5 land, building, enlarging, repairing, furnishing, leasing or renting;

6 b. Take such action as may be necessary for the lawful and
 7 proper conduct of the educational program for such children as
 8 are referred to the commission by boards of education which are
 9 members of the commission;

10 c. Employ necessary principals, teachers and other officers and
 11 employees, who shall have the same rights and privileges as those
 12 who are similarly employed by local boards of education;

13 d. Accept pupils from other school districts **[and fix the tuition**
 14 **rates therefor;].**

15 **[e. Apportion among the contracting districts the amounts of**
 16 **the capital and current operating costs of the program so under-**
 17 **taken.]**

18 Within the limited responsibilities of this chapter and except as
 19 otherwise provided, the commission shall have and may exercise
 20 all the powers of a board of education in carrying out the purpose
 21 of this chapter.

1 58. N. J. S. 18A:46-27 is amended to read as follows:

2 18A:46-27. Each contracting board shall, in accordance with
3 rules adopted by the State board:

4 **[a.** Proceed to raise the amounts apportioned by the commis-
5 sion, in the same manner as other school funds for capital and cur-
6 rent expense purposes are raised;]

7 **[b.** Pay to the commission such amounts as are apportioned by
8 the commission;]

9 **[c.] a.** Be responsible for the classification of children within the
10 district and making referral to the commission;

11 **[d.] b.** Provide required transportation for pupils to and from
12 school, referred to the commission.

1 59. N. J. S. 18A:47-5 is amended to read as follows:

2 18A:47-5. Children who are dependent and delinquent, or who
3 are habitually truant or incorrigible, or who shall be found by the
4 court to require special instruction, and who reside in a school
5 district in which there is no such special school of instruction may
6 be committed to such a special school of instruction maintained in
7 another district. The board of education of the receiving district
8 shall be entitled to collect and receive **[from the board of education**
9 **of the sending district]** such sum for the tuition and maintenance
10 of such children as the **[boards]** *Public School Commission* shall
11 agree to, but not in excess of the actual cost per pupil as determined
12 according to rules of the commissioner approved by the State board.
13 **[The board of education of the sending district shall issue an order,**
14 **payable from any funds available for current expenses, for such**
15 **sum in favor of the custodian of school moneys of the school district**
16 **maintaining the school to which the child shall have been**
17 **committed.]**

1 60. N. J. S. 18A:48-1 is amended to read as follows:

2 18A:48-1. The board of education of any school district may
3 establish and maintain public evening schools for the instruction of
4 persons over 12 years of age who are residents of the district.
5 Unless such evening schools are maintained for at least 64 evening
6 sessions of at least 2 hours each in each year and at least three
7 evening sessions each week, the **[amount of State school aid payable**
8 **to such district for the ensuing year shall be determined without**
9 **including therein any sum for evening school pupils of the district]**
10 *base formula allotments for evening school pupils shall be with-*
11 *held, unless special approval is granted by the Public School*
12 *Commission.*

1 61. N. J. S. 18A:49-6 is amended to read as follows:

2 18A:49-6. The board of education of any school district receiving
3 State **[aid] moneys** for the purpose mentioned in this chapter shall
4 annually, on or before August 1, make a special report to the com-
5 missioner in the manner and form prescribed by him.

1 62. N. J. S. 18A:49-8 is amended to read as follows:

2 18A:49-8. The expenses incurred in carrying out the provisions
3 of this chapter shall be paid by the State Treasurer on the warrant
4 of the Director of the Division of Budget and Accounting. **[No**
5 **expense shall be incurred nor payment made for any of the purposes**
6 **named in this chapter until an appropriation therefor shall have**
7 **been made.]**

1 63. N. J. S. 18A:50-3 is amended to read as follows:

2 18A:50-3. Moneys allotted to this State by the Federal Govern-
3 ment which are to be devoted to the object set forth in this chapter,
4 together with moneys **[and apportionments made available under**
5 **this chapter] made available from the State Public School Fund,**
6 shall be apportioned by the commissioner under rules approved by
7 the State board.

1 64. N. J. S. 18A:50-6 is amended to read as follows:

2 18A:50-6. Any surplus arising from the excess of receipts from
3 donations, tuition fees or from any source **[other than local taxa-**
4 **tion]** over the actual cost of the maintenance and operation of the
5 adult education program in any school year shall not lapse into the
6 general current expense balance of the district, but shall remain
7 in the separate account to be utilized exclusively for carrying out
8 a program of adult education during the next ensuing school year.
9 In the event that the adult education program in any district shall
10 be discontinued for 2 consecutive school years, any funds remaining
11 in the separate account shall lapse into the general current expense
12 account of the district.

1 65. N. J. S. 18A:50-7 is amended to read as follows:

2 18A:50-7. There shall be apportioned and paid by the State
3 annually to each school district employing a supervisor of adult
4 education an amount equal to **[$\frac{2}{3}$ of]** the supervisor's annual
5 salary**;** provided that in no case shall payment by the State exceed
6 \$12,000.00**].** In the case of districts employing a part-time super-
7 visor, the salary of such supervisor shall be proportionate to the
8 ratio such part-time employment bears to full-time employment,
9 such applicable ratio to be established in each instance by the
10 commissioner.

1 66. N. J. S. 18A:50-9 is amended to read as follows:

2 18A:50-9. Where two or more boards of education have provided
3 jointly by agreement for the employment of a supervisor of adult

4 education to serve the participating districts, the agreement shall
 5 designate the board of education of one of such districts as the em-
 6 ployer [and the one to receive the State aid herein provided. Such
 7 aid shall be calculated and paid in the manner provided in section
 8 18A:50-7].

1 67. N. J. S. 18A:50-11 is amended to read as follows:

2 18A:50-11. On or before November 15 of each year, the com-
 3 missioner shall estimate the amount necessary to be appropriated
 4 to carry out the provisions of this chapter for the succeeding school
 5 year, and shall determine [for budget purposes] the amounts
 6 estimated so to be payable to each of the districts for such succeed-
 7 ing school year.

8 On or before September 15 of the succeeding school year, the
 9 commissioner shall make his final determination of the payments
 10 to be made under this chapter for said school year. The sums so
 11 payable shall be paid to the districts at the same time and in the
 12 manner [as other State aid under section 18A:58-15] *prescribed*
 13 *in section 8 of this act.*

14 [If such payments to any district should exceed the amount to
 15 which such district is entitled under section 18A:50-7, such excess
 16 shall be deducted by the commissioner from succeeding State aid
 17 payments to said district.]

1 68. N. J. S. 18A:51-9 is amended to read as follows:

2 18A:51-9. Each county educational audiovisual aids commission
 3 shall forward to the commissioner, on or before September 1 of
 4 each year, a statement of its organization and its proposed pro-
 5 gram of operation for the next ensuing school year, [together with
 6 an estimate of the amount of State aid, calculated as hereinafter
 7 provided, to which it will be entitled for that school year] and it
 8 shall certify, on or before the next June 30, the amount raised by
 9 assessments and private donations for the purposes of such audio-
 10 visual center for the said school year and if the amount so raised by
 11 assessments or private donations or both for any 1 school year,
 12 for the establishment and maintenance or for the maintenance of
 13 such aids center shall be not less than the sum of \$500.00, and if the
 14 commissioner shall approve such organization and program he shall
 15 thereupon certify to the Director of Budget and Accounting in the
 16 Department of the Treasury that there shall be paid to the cus-
 17 todian of moneys of the commission an amount equal to the amount
 18 so raised by assessments and private donations out of [any funds
 19 appropriated by law for said purposes] *the contingency fund*, which
 20 amount shall be paid on the warrant of said director drawn on the
 21 State Treasurer in favor of the custodian of moneys of the com-

22 mission except that the amount so to be paid by the State to any
 23 such commission shall not exceed the sum of \$5,000.00 in any 1 year
 24 nor shall it exceed the sum expended by the commission for educa-
 25 tional audiovisual aids purchased by it in any year after the first
 26 five annual payments have been made. [If the sum appropriated by
 27 the State for State aid to county educational audiovisual centers in
 28 any 1 year shall be less than the total amounts so certified by the
 29 commissioner, each commission shall be entitled to be paid its pro-
 30 portionate share of the total amount so appropriated.]

1 69. N. J. S. 18A:51-10 is amended to read as follows:

2 18A:51-10. Any unexpended balance of the moneys or funds in
 3 the hands of the custodian of moneys of any such commission at
 4 the end of any school year shall be available for expenditure by
 5 the commission in the succeeding year or years [but it shall not be
 6 included in any report of the amount raised as the basis for the
 7 calculation of State aid for any succeeding year].

1 70. N. J. S. 18A:51-12 is amended to read as follows:

2 18A:51-12. Any board of education of any participating school
 3 district may withdraw as a participating district pursuant to
 4 resolution duly adopted by said board and notice of intention to
 5 withdraw given to the secretary of the commission on or before
 6 August 1 in any year and in event that all participating boards of
 7 education, or all of said participating boards of education except
 8 one, shall determine to withdraw from any such county educational
 9 audiovisual center, the same shall be dissolved and the property of
 10 such center shall be disposed of at a public or private sale and
 11 [$\frac{1}{2}$ of] the amount realized therefrom, together with [$\frac{1}{2}$ of] any
 12 unexpended balances remaining in the treasury of such center, shall
 13 be paid to the State Treasurer to be devoted to the maintenance and
 14 support of the public schools [and the remainder thereof shall be
 15 apportioned among the boards of education participating in said
 16 center at the time of its dissolution on the basis of the total average
 17 daily enrollment of the pupils of said district ascertained as here-
 18 inbefore provided].

1 71. N. J. S. 18A:51-15 is amended to read as follows:

2 18A:51-15. The resident enrollment shall be calculated and
 3 determined upon the basis of the current school year in the same
 4 manner as the same was calculated and determined by the com-
 5 missioner for the apportionment of current expenses [State aid
 6 for schools among the participating school districts].

1 72. N. J. S. 18A:53-1 is amended to read as follows:

2 18A:53-1. The board of education of any school district may
 3 [provide by contract and appropriate funds] *submit as part of its*

4 *supplementary budget requests for funds to contract* for the sup-
 5 port and maintenance of existing museum facilities and services
 6 for the educational or recreational use and benefit of pupils in the
 7 public schools. [Appropriations for such facilities and services
 8 shall be made in the same manner as for other school purposes.]

1 73. N. J. S. 18A:54-7 is amended to read as follows:

2 18A:54-7. All such boards of education shall receive pupils from
 3 other districts so far as their facilities will permit [and shall be
 4 entitled to collect and receive from any sending district for the
 5 tuition of such pupils a sum not exceeding the actual cost per pupil,
 6 as determined], according to rules prescribed by the commissioner
 7 and approved by the State board.

1 74. N. J. S. 18A:54-20 is amended to read as follows:

2 18A:54-20. The board of education of a county vocational school
 3 district may:

4 a. Purchase, sell, and improve school grounds, erect, purchase,
 5 lease, enlarge, improve, and repair school buildings, including any
 6 building or buildings for school purposes owned by any munici-
 7 pality or school district in such county, with or without furnishings
 8 and equipment, and purchase school furniture and other necessary
 9 equipment *subject to the provisions of Article II of this act*;

10 b. Take and condemn land and other property for school pur-
 11 poses in the manner provided by law regulating the ascertainment
 12 and payment of compensation for property condemned and taken
 13 for public uses. If either party shall feel aggrieved by any
 14 proceedings and award thereunder, he may appeal in the manner
 15 provided by law for appeals from such proceedings and award;

16 c. Insure school buildings, furniture, and other school property,
 17 and receive, lease, and hold in trust any and all real and personal
 18 property for the benefit of the school district;

19 d. Employ and dismiss principals, teachers, janitors, mechanics,
 20 and laborers; fix, alter, and order paid their salaries and compensa-
 21 tion, and prescribe the course of study to be pursued;

22 e. Appoint a treasurer, who shall not be a member of the board
 23 of education and fix his salary and term of office. The treasurer
 24 shall give bond in such amounts and with such security as the board
 25 shall determine;

26 f. Make, amend, and repeal rules, not inconsistent with this title,
 27 or with the rules of the State board, for its own government, for
 28 the transaction of business, and for the government and manage-
 29 ment of the school and school property under its control;

30 g. Suspend and expel pupils from school;

31 h. Provide textbooks and other necessary supplies and ap-
32 paratus;

33 i. Adopt an official seal by which all its official acts may be
34 authenticated;

35 j. Make an annual report to the commissioner on or before
36 August 1 in the manner and form prescribed by him;

37 k. Appoint a secretary and fix his salary and term of office【;
38 and】.

39 【l. Borrow by temporary loan such sum as may be necessary to
40 meet the current expenses of such school district, not exceeding
41 80% of the anticipated receipts of money which may be distributed
42 to such county for the purpose of carrying out the provisions of
43 this chapter. Such temporary obligation, if any, shall be paid
44 first out of the moneys received under this chapter.】

1 75. The following sections, chapters and acts, together with all
2 amendments and supplements thereto, are hereby repealed:

3 New Jersey Statutes sections:

4 18A:21-1 to 18A:21-5

5 18A:22-1 to 18A:22-48

6 18A:24-1 to 18A:24-65

7 18A:58-1 to 18A:58-37

8 18A:8-3.1 to 18A:8-3.3

9 18A:8-4

10 18A:8-7 and 18A:8-8

11 18A:8-37 and 18A:8-38

12 18A:13-15 to 18A:13-17

13 18A:13-20 to 18A:13-32

14 18A:17-12 to 18A:17-44

15 18A:20-4.2

16 18A:38-2.1

17 18A:38-3

18 18A:38-15 to 18A:38-23

19 18A:46-21

20 18A:49-3 and 18A:49-4

21 18A:51-7 and 18A:51-8

22 18A:54-9 and 18A:54-10

23 18A:54-11.1

24 18A:54-12 to 18A:54-15

25 18A:54-23

26 18A:54-27 to 18A:54-29.1

27 18A:54-29.3 to 18A:54-36.

1 76. This act shall take effect July 1, 1972, provided that it shall
2 be inoperative unless and until the "State School Tax Act" (now
3 pending before the Legislature as Assembly No. 2454 of 1971) as
4 introduced in the current session of the Legislature shall be enacted.

SENATE, No. 2267

STATE OF NEW JERSEY

INTRODUCED MAY 3, 1971

By Senators MILLER, HIERING, GUARINI and ITALIANO

Referred to Committee on Education

AN ACT establishing a Permanent Commission on the Public Schools, and making an appropriation therefor.

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

1 1. The Legislature finds that:
2 a. There is need for a reevaluation of elementary and secondary
3 education in New Jersey, including, but not limited to, the financing
4 thereof;
5 b. Although they share common educational goals, there is a
6 need for greater communication and understanding among legis-
7 lators, educational administrators and the general public;
8 c. The causes of disruption in the public schools must be remedied
9 in a manner which is equitable to all parties concerned, and with
10 the major view of providing the opportunity for a high quality
11 education for all children in the State.

1 2. There is hereby created a commission to be known as the
2 "Permanent Commission on the Public Schools." The commission
3 shall consist of 16 members, four Senators to be appointed by the
4 President of the Senate, four Assemblymen to be appointed by the
5 Speaker of the General Assembly, four to be appointed by the Gov-
6 ernor from among the citizens of the State, three school adminis-
7 trators to be appointed by the Governor, one of whom shall be from
8 a large urban district, one of whom shall be from a suburban dis-
9 trict and one of whom shall be from a rural district, and one ap-
10 pointed by the Governor on the recommendation of the New Jersey
11 School Boards Association. The State Treasurer, the Chairman
12 of the State Board of Education and the Chancellor shall serve
13 ex officio. Of the four members each appointed by the President
14 of the Senate, the Speaker of the General Assembly and the Gov-
15 ernor from the citizens of the State, no more than two shall be of
16 the same political party. Each member shall serve for a term of 2
17 years from the date of his appointment and until his successor is

18 appointed and qualified. Vacancies resulting from causes other
 19 than by expiration of term shall be filled for the unexpired term
 20 only and shall be filled in the same manner as the original appoint-
 21 ments were made.

1 3. All members of the commission shall serve without compen-
 2 sation, but they shall be entitled to be reimbursed for all necessary
 3 expenses incurred in the performance of their duties.

1 4. The commission shall select from among its members a chair-
 2 man and a vice-chairman and also shall select a secretary who
 3 need not be a member of the commission.

1 5. The commission is authorized, empowered and directed to:

2 a. Act as overseer of the "State Public School Fund";

3 b. Address itself to the development of compensation schedules
 4 for all school personnel in cooperation with the State Board of
 5 Education, the commissioner and representatives of school em-
 6 ployees organizations;

7 c. Conduct studies to develop innovative programs, including
 8 work-study programs in cooperation with the State Board of Edu-
 9 cation, business, industry and community groups;

10 d. Conduct studies to develop meaningful business courses in
 11 the schools of the State;

12 e. Study the relationship of the public and nonpublic schools and
 13 provide advice and direction to the Legislature and the Governor.

14 f. Undertake studies of its own in any area affecting the ele-
 15 mentary and secondary schools of the State.

1 6. The commission shall report to the Governor and the Legis-
 2 lature annually on the second Tuesday in January and periodically
 3 as it deems necessary.

1 7. The commission shall be entitled to suitable quarters. It may
 2 hold hearings in any part of the State and by its subpoena may
 3 compel the attendance of witnesses and the production of books,
 4 papers and records. It shall be entitled to the assistance and ser-
 5 vices of any State, county, municipal and school district employees
 6 as may be required and the commission may employ competent
 7 counsel, expert analysts and such other assistants as may be re-
 8 quired for the proper accomplishment of the purposes of this act;
 9 provided, that the compensation to be paid such counsel, analysts
 10 and assistants shall be within the limits of the appropriation made
 11 therefor.

1 8. There is appropriated for the purpose of this act the sum of
 2 \$150,000.00.

1 9. This act shall take effect immediately, but shall remain in-
 2 operative unless and until the "Public School Financing Act,"
 3 introduced in the current session of the Legislature, shall be
 4 enacted.

JUN 27 1985

