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C O M M I T T E E   M E E T I N G

before

SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

SENATE BILL Nos. 3742, 2831, 2840, 2986, 3743, 2828, 2839,  
3744, 2837, 2856, 3745, 2838, 2858, 3746, 2841, 2857

(Legislation Dealing With Tax Sunsetting and Repeal)

December 14, 1991  
10:40 a.m.  
Committee Room 9  
Legislative Office Building  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Laurence S. Weiss, Chairman  
Senator Gerald R. Stockman, Vice-Chairman  
Senator Wynona M. Lipman  
Senator Robert Menendez  
Senator Walter Rand

ALSO PRESENT:

David J. Rosen  
Office of Legislative Services  
Aide, Senate Revenue, Finance and  
Appropriations Committee

\* \* \* \* \*

Meeting Recorded and Transcribed by  
Office of Legislative Services  
Public Information Office  
Hearing Unit  
162 West State Street  
CN 068  
Trenton, New Jersey 08625

New Jersey State Library

COMMITTEE MEETING

before

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LAURENCE S. WEISS  
CHAIRMAN  
GERALD R. STOCKMAN  
VICE-CHAIRMAN  
WYNONA M. LIPMAN  
ROBERT MENENDEZ  
WALTER RAND  
RONALD L. RICE  
JOHN H. EWING  
ROBERT E. LITTELL  
HENRY P. McNAMARA



New Jersey State Legislature  
SENATE REVENUE, FINANCE  
AND APPROPRIATIONS COMMITTEE

LEGISLATIVE OFFICE BUILDING

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TELEPHONE: (609) 984-6798

COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

FROM: SENATOR LAURENCE S. WEISS, CHAIRMAN

SUBJECT: COMMITTEE MEETINGS - December 11 and 12, 1991

*The public may address comments and questions to David J. Rosen,  
Committee Aide, or make bill status and scheduling inquiries to Sharon Birch,  
secretary, at (609) 984-6798.*

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The Senate Revenue, Finance and Appropriations Committee's meeting  
on December 9, 1991 was recessed and the committee will reconvene  
Wednesday, December 11, 1991 from 10:00 a.m. until 2:00 p.m. and  
Thursday, December 12, 1991 at 10:00 a.m. in Committee Room 9,  
Legislative Office Building, 135 West Hanover Street, Trenton to consider the  
following bills:

S-3742  
Weiss  
(pending intro)

Sunsets the provisions of P.L.1990,, c.40,  
concerning the taxation of certain sales  
and uses.

S-2831  
Laskin

Decreases sales and use tax rate from 7%  
to 6%, repeals certain impositions,  
restores certain exemptions.

S-2840  
Zimmer

One year after corresponding increase,  
imposition or repeal thereof, returns  
sales and use tax rate to 6% from 7%,  
ends certain impositions, and restores  
certain exemptions.

S-2986  
Littell

Decreases sales and use tax rate from 7%  
to 6%, repeals certain impositions,  
restores certain exemptions.

(OVER)

Issued 12/10/91



S-3743 Weiss (pending intro)	Sunsets the "Petroleum Products Gross Receipts Tax Act."
S-2828 Bubba	Repeals the "Petroleum Products Gross Receipts Tax Act."
S-2839 Zimmer	Provides that the 2 3/4% tax on the gross receipts from the sale of certain petroleum products shall expire on June 30, 1991.
S-3744 Weiss (pending intro)	Sunsets tobacco wholesale sales and use tax imposition and cigarette excise tax increase, restores cigarette wholesale surtax.
S-2837 Zimmer	"Sunsets" after one year the provisions of P.L.1990, c.39, concerning the taxation of cigarettes and other tobacco products.
S-2856 Bassano	Repeals the wholesale sales and use tax on certain tobacco products, decreases the excise tax on cigarettes to a rate equivalent to \$0.19 per pack of 20, imposes a surtax on the wholesale price of cigarettes.
S-3745 Weiss (pending intro)	Sunsets gross income tax rate increase beginning July 1, 1992, and reduces personal deduction for dependents.
S-2838 Zimmer	Limits to one year gross income tax rate increases, dependent's exemption increase and revised homestead property tax rebates.
S-2858 Dorsey	Repeals increases in gross income tax rates, the "Homestead Property Tax Rebate Act of 1990," and provides certain property tax relief rebates, deductions and credits previously repealed.
S-3746 Weiss (pending intro)	Sunsets alcoholic beverage excise tax increases, restores alcoholic beverage wholesale sales tax rate and imposition.
S-2841 Zimmer	Decreases the excise tax on alcoholic beverages, increases the tax on wholesale sales of alcoholic beverages one year after corresponding increase and decrease thereof.
S-2857 L.Brown	Repeals increase in excise tax on alcoholic beverages, reimposes alcoholic beverage wholesale sales tax and reestablishes revenue allocation to Alcohol Education, Rehabilitation and Enforcement Fund.

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NOTE: Subject bills available through the  
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SENATOR LAURENCE S. WEISS (Chairman): Good morning. As usual, it's 10:00 on legislative time; legislative time is always 44 minutes off. I would like to continue these hearings from the point where we left off on Monday. So the first one on this morning is going to be Phyllis Elston, of the Taxpayers Political Action -- what is that?

PHYLLIS ELSTON: Committee.

SENATOR WEISS: Oh, Committee. Thank you, Phyllis. If you will, please? Do you have a written statement?

MS. ELSTON: No, I don't, Mr. Chairman. I can give you one after the fact, if you would like it.

SENATOR WEISS: It's okay.

MS. ELSTON: Thank you for letting me speak this morning on behalf of Taxpayers Political Action Committee, perhaps better known as TAXPAC, a citizens' tax organization formed 17 years ago.

We have only a few points to bring to your attention this morning, but we feel that they are important.

SENATOR WEISS: Excuse me for a moment. (Chairman engages in a brief conversation with members of Committee) I'm sorry.

MS. ELSTON: As I say, we have just a few points, only five or six of them, to bring to your attention. You'll notice, maybe, on my testimony slip that I modified it, and it doesn't say that we are supporting it, and it doesn't say that we are opposing the legislation that you are considering, because I would like to ask you to consider a modification of same.

Senator Weiss, you brought up the other day a semantic difference between repeal of the package and sunset of the package. We understand now that you mean for the \$2.8 billion tax package to go away as of the end of this fiscal year. We have a concern over that because we'd like to -- because the tax package is the law, and as such I'd like to draw a

parallel, and picture it as a train. The train has started down the track, and it's not traveling really slowly, at this point. It contains passengers, i.e. State programs on the train. And the emergency cord pulling, -- albeit it six months; it's not really that long a period of time -- we fear for derailment of some of the programs that have been put in place through the \$2.8 billion tax package; and that's our point number one.

Rather than sunset with a definite date on it, with the sunset being almost like an extended repeal, maybe it might be efficient to consider the term "reauthorization," such as happens with Federal legislation. You know how complicated that is -- the Superfund, the Clean Air Act, the Federal Clean Water Act all come up for reauthorization -- and while they are being reworked and reexamined, they don't cease to exist. Even though deadlines come and go, they remain in effect.

So perhaps reauthorization of the tax package would cause the incoming Legislature to examine it on a program by program basis, and give them the time to pick and choose what kind of revenues they need to effectuate, and what kind of programs they want to retain. Again, it's a rather semantic difference, but we believe there is a difference in that word.

Point number two: We would like to stress how we feel the audit is extremely important. In the partial audit that was done, there were significant savings projected. Now that other departments of government are to be examined and audited, we assume more savings will be projected. TAXPAC is very concerned with efficient spending and elimination of government waste. Those are getting to be tired expressions, but nevertheless, that's been their concern for 17 years, so we focus attention on the audit and the savings that it will hopefully produce, thereby, perhaps, offering part of the remedy for how to replace the \$2.8 billion package.

The next point: What happened at the polls is being generally considered as a mandate of the people. To not

examine that in a partisan way, we ask your consideration to look at that mandate as a mandate for change. There is an incoming Legislature; some of you will be here, some of you will not. But perhaps what the people were saying at the polls is, "We're ready for change. We want the change to come through these representatives whom we are now selecting." So again, although six months is a lot of time from one aspect, it still is a ticking clock, or a velvet hammer. Velvet or not, the hammer would fall under your proposal at the end of six months, and the law would go away, but the programs may still be needed.

Lastly, the main objective of the organization -- Taxpayers Political Action Committee -- has always been the achievement of Initiative and Referendum in the State, so obviously this group feels that public participation is very important. It has been pointed out that one of the problems with the \$2.8 billion tax package may center on -- or two of the problems may center on -- not enough public participation, and action which may have been too hasty. So, again, we ask for public participation such as would have, perhaps, occurred if the public could have gone to the polls and expressed an opinion on this, even if it was not a binding referendum. We hope that you will consider, as the new Legislature comes in, that they will have to deal with the same things that you had to deal with when you put this budget together, and that perhaps reauthorization on a program by program, tax by tax basis may cause them to do it without a time slot pressing on them.

Those are my comments. Thank you.

SENATOR WEISS: Thank you very much, Phyllis. Would you go back in your statement. You said something about taxes going away; that I was advocating that?

MS. ELSTON: Well, with the repeal or the sunseting



of the \$2.8 billion package as of the end of this fiscal year, if I understand it correctly, the taxes would be sunsetted and would no longer exist. Is that right?

SENATOR WEISS: Not necessarily. I'm leaving the option, Phyllis, to those who follow. They could either eliminate them in their entirety, they could eliminate part of them, or they could use their infinite judgment and wisdom in keeping them all. I have no objection to anything. I just want the taxes, one, reaffirmed and I want them revisited. And since I'm one that's going, I'm going to say that if I made, or was cause of some error -- some grievance -- I want that corrected. That will give them the opportunity to correct it, without any doubt at all.

I mean, they are there, and they are elected, and they are going to have to make some hard decisions. Those decisions are always hard, and that's not said from a point of petulance or anything else. I've made those decisions for 12 years. I know what it is and I appreciate it, but there is a responsibility owed to the people in New Jersey by those of us who were here, and those of us who are going to be here in the future. That's the purpose behind it. It's no more or no less than that.

So, I'm not for the taxes going away. I'm more practical than that. I understand State finances, and I think I understand them very well.

MS. ELSTON: I know you do.

SENATOR WEISS: So, that is not my idea. But let me ask you: You mentioned something about I&R, and we voted on I&R. As a matter of fact, Phyllis, I was one of the votes for I&R--

MS. ELSTON: I know you were.

SENATOR WEISS: --but it didn't pass. Those, Phyllis, who pushed for I&R, in the final analysis, didn't give us the votes for it, but I was there.

MS. ELSTON: We're aware of that.

SENATOR WEISS: I want to tell you that I have some misgivings about I&R. If, in fact, I&R would go to the lengths that it does in California with a 286 page book, I don't know that I would be very happy with it, but fortunately, I won't have to make that judgment. But I don't think I&R is such a bad thing.

MS. ELSTON: Well, you know, you have made me a believer in sunsets. When I came to Trenton six years ago, they were a bad thing in my mind. You have helped to turn my mind around, you know, and I'm speaking, obviously, personally now, as far as sunsets are concerned. But the organization's point on this particular sunset is that it does have a deadline on it, albeit six months as I stated, and the incoming Legislature will have to deal with these things. And again, we are looking at programs that have been put in place and instituted, and in our opinion it's unknown at this point whether the six months is enough for the incoming Legislature to discard or keep the programs that are now in place.

SENATOR WEISS: That matter of time, you really can't tell when it will be enough, but my point for that is that it's six months plus 18; that's 24. A lot of time. But I'm going to go on to others.

There's just one other thing I'd like to mention. You mentioned audits. You know, this State employs a State Auditor, a constitutional officer who has about 160 people on his staff, some very, very sophisticated auditing people, with degrees in auditing, and many of them are CPAs, who audit this State constantly -- constantly. And no one -- or very few people -- look at the audits that they send out; very few, and they are always available. I've looked at them for years and I wonder why some other members of this Legislature, the public, doesn't look at them. The audits are available for the asking. They are there.

MS. ELSTON: I know.

SENATOR WEISS: To bring somebody in from the outside to do an audit is not as efficient -- will not produce a product as efficient as the State Auditor puts out. He has every line item on there. You can tell where the dollars are spent, even why they're spent. There's an errata sheet in there, asking the departments that he audits to answer the following questions as to why your department is not, or is, doing something that doesn't conform to the standard or the procedure.

So that's there. It's been there all these years. In my 14 years -- or 12 years as Chairman of this Committee, I'm constantly amazed at the lack of knowledge about where you can get these things without having outsiders come in who know nothing -- not too much -- about State government, and I'm not sure ask the right questions, and even worse than that, I'm not sure get the right answers.

MS. ELSTON: Senator Weiss, in your offices I have seen the audits, and then I saw the results of the government's management team during this fall when a candidate for office had them at a public debate and plopped them on the table in a stack that was impressive. With regard to the audit, all the organization is saying is that there were savings that were projected and have been discussed, and hopefully, and we truly hope, that these savings are going to help to obviate the need for some of the taxes.

Again, for the incoming Legislature, I don't know, no one knows, what kind of programs they are going to want. We could be looking at a 2.8 package again. We could be looking at more, or we could be looking at less. We're simply saying we hope that those savings projected by the audit will -- you know, are to be effectuated, and that that may make the burden somewhat easier.

SENATOR WEISS: Okay. Thank you.

Senator Menendez?

SENATOR MENENDEZ: Thank you, Mr. Chairman.

Ms. Elston, I thought you were here today in the other role that I know you have, which is the Railroad Passengers and the--

MS. ELSTON: That's another group.

SENATOR MENENDEZ: I didn't realize that you were here on behalf of TAXPAC, but now knowing that-- First of all, what is your position with TAXPAC?

MS. ELSTON: Their legislative agent.

SENATOR MENENDEZ: Their legislative agent, okay. Now, you say TAXPAC has been around for how long?

MS. ELSTON: About 17 years.

SENATOR MENENDEZ: As a registered group?

MS. ELSTON: Yes. As a New Jersey not-for-profit corporation.

SENATOR MENENDEZ: Now, in that process, TAXPAC sent out a questionnaire to candidates in this past election; did it not?

MS. ELSTON: That's right.

SENATOR MENENDEZ: And the thrust of your organization-- Is it fair to say that you as an organization were not here testifying in support of the tax package that was passed?

MS. ELSTON: As I said, when that slip makes you check "Yes," or "No," sometimes it's not possible, so I make my own box and put, "Hope for modification."

SENATOR MENENDEZ: Yeah, but the point is -- my question is -- which is a very simple "Yes," or "No," as your questionnaire was.

MS. ELSTON: All right.

SENATOR MENENDEZ: In fact, is it fair to say that TAXPAC did not come here and support the tax package that was before the Legislature when it was being discussed?

MS. ELSTON: During the summer-- I can't answer that with a "Yes," or "No"--



SENATOR MENENDEZ: Okay.

MS. ELSTON: --because I've only been with TAXPAC for a very short period of time. During the summer, however, when they were going through their endorsement process, I was the legislative agent for Hands Across New Jersey, and TAXPAC kept sending me bulletins as to how their endorsements were coming out. In the end I received a very thick envelope that contained their whole compiled results, which came off the computer. One of the questions on the questionnaire, as I remember it, had -- one of the ratings was whether any legislator voted for or against the tax package.

SENATOR MENENDEZ: And certainly-- But before we get to that-- I'm going to get to that, if the Chairman permits me, because we have to understand when organizations come here, what they really stand for, and understand that in the context of their position.

MS. ELSTON: That's right.

SENATOR MENENDEZ: And, through the Chair, what my question is -- you got ahead of it -- my question is very simple. Did TAXPAC -- whether it be you at the time, or anyone else -- come before the Legislature and say, "We are in favor of the tax package"? That's a simple yes or no. You were either here or you were not. Not you, personally -- TAXPAC, were you here or were you not?

MS. ELSTON: I don't know. I don't know, Mr. Menendez.

SENATOR MENENDEZ: I was at, I think, virtually all the hearings, and I don't recall TAXPAC being -- certainly, not in favor. Now, is it not fair to say that you sent questionnaires out to legislative candidates--

MS. ELSTON: The organization did, yes.

SENATOR MENENDEZ: Right. When I say "you," I mean the organization. And the focus of that questionnaire was really anti the tax package that had been passed; is that not fair to say?

MS. ELSTON: I think that's fair to say, that's right.

SENATOR MENENDEZ: And isn't it fair to say that you, in fact, endorsed candidates -- TAXPAC?

MS. ELSTON: Yes. They endorsed candidates.

SENATOR MENENDEZ: And isn't it fair to say that the endorsement of those candidates was based upon if they did not vote for the tax package, as well as other tax considerations?

MS. ELSTON: That-- Yes, that was one item on the questionnaire, but that--

SENATOR MENENDEZ: It was a very significant item, was it not?

MS. ELSTON: Yes, it was.

SENATOR MENENDEZ: And isn't it a fact that the overwhelming number of candidates that TAXPAC supported were, in fact, Republican candidates?

MS. ELSTON: There were 76 candidates endorsed, and I believe that 72 of those candidates were Republicans, some incumbents, some challengers.

SENATOR MENENDEZ: Okay.

MS. ELSTON: Based on the questionnaire.

SENATOR STOCKMAN: Did they endorse any candidate who supported the tax package?

SENATOR MENENDEZ: Senator Stockman brings a good question to mind, and that is, did TAXPAC endorse any candidate that supported the tax package?

MS. ELSTON: Not to my knowledge.

SENATOR MENENDEZ: Okay. So then, basically, it's fair to say that TAXPAC was against the package?

MS. ELSTON: TAXPAC is against the \$2.8 billion tax package accomplished without adequate public participation.

SENATOR MENENDEZ: But is it the taxes or the process? We might agree about the process.

MS. ELSTON: The process.

SENATOR MENENDEZ: Oh, so it's not the taxes?

MS. ELSTON: It is largely the process.

SENATOR MENENDEZ: You're sitting here and you would have me believe that TAXPAC, who endorsed 72 out of 76 candidates -- Republicans -- and didn't endorse anyone who voted for the package, is, in fact, only concerned about the process--

MS. ELSTON: No, I didn't say--

SENATOR MENENDEZ: --and isn't concerned about the \$2.8 billion in taxes?

MS. ELSTON: They are concerned about the \$2.8 billion in taxes. They are concerned about the way it was put in place without a lot of public participation, and in haste, and they are concerned now-- You know, this is a different picture now, because as I pointed out, there are programs in place. There are programs that are affecting New Jersey citizens. There is a proposal to make the taxes end as of the end of the fiscal year. What happens to the programs? This is a difficult position for me to come here today--

SENATOR MENENDEZ: Okay.

MS. ELSTON: --and speak not for or against.

SENATOR MENENDEZ: Okay. But I'm trying to get the group's idea before. I understand what you are saying.

MS. ELSTON: Right.

SENATOR MENENDEZ: Go slow; look at it. I understand. I'm just trying to know where the group was before.

MS. ELSTON: On the basis--

SENATOR MENENDEZ: Let me ask you a question: Weren't you a part of the Republican Party Platform Committee?

MS. ELSTON: On the-- This past summer I was asked to serve on the Environmental Subcommittee of the Republican Party Platform Committee, I guess it was called. It's not anything that stands. It's a thing that did its work and went away.

SENATOR MENENDEZ: Okay.

MS. ELSTON: I was not asked to go on there because of tax matters, I was asked to go on there because of my environmental background. When I accepted that, as you may have read in the paper, I contacted the Democratic State Committee, and asked to do the same function for the Democratic State Committee. I was eventually advised that they were not going to have a similar function. But they did hold public hearings, I did attend, and I testified on environmental matters and government efficiency matters.

SENATOR MENENDEZ: Well, let me just sum up by saying that the candidate who ran against me, and who advocated total repeal -- as did basically most of the candidates that your organization supported -- such as this one which is a generic mailer and said -- I'll leave the names out, since I've been trying to have some good relationship with these people when they come -- but says, "--believe Florio's \$2.8 billion" -- the names of the candidates says, "--believe Florio's \$2.8 billion tax and spend plan is wrong. They're working for repeal." And they go on to say, "What do you think? If you agree with these candidates, say so. Tell Governor Florio you want his \$2.8 billion tax and spend plan repealed." Not a penny on the sales tax, mind you. "And return the personalized tax repeal response card today." And then when you go inside and look at the response card, what does the response card say? It says, "Dear," and it says the candidates names, "It's been a year since Florio" and certain other candidates, "raised our taxes and we've had enough. We can't afford their \$2.8 billion tax and spend plan. Place my name on a petition" -- which I'd like to see -- "with other area taxpayers saying that I want the full Florio" -- and candidates' names -- "tax and spend plan repealed. I understand that you will present that petition to Governor Florio or his representatives." I'd love to see that.

So my point is that what people like you -- in terms of the organization, not you personally -- said to the public



was irresponsible. You come here before this Committee today and you say -- when I say "you," please, understand, that it's the organization. -

MS. ELSTON: I understand.

SENATOR MENENDEZ: You say, "Go slow. We may need some of this. Some programs may be hurt." But you didn't care one iota about the programs that this Legislature was trying to fund -- about the court mandate that this Legislature was trying to fund. You didn't care, as didn't the other people who have been testifying here, who were not in favor -- not of all of it, but of any of it. You didn't care about how societal programs needed to be funded -- the senior citizens, the poor, the disabled, veterans. Nobody talked about any of that. And you roused the public, and the message was clear. It wasn't one cent, it was 2.8 billion. Now if that message was good public policy then, I don't understand revisiting it, and giving what the public-- To hear that the public only cared about the process-- You didn't put out -- I mean the organization that you represent, the people who you endorsed overwhelmingly-- Their message to the electorate wasn't, "The process was terrible, and therefore vote for the other side." The message on billboards as I rode along Route 17; the message in the mailbox that I got as a voter; the message that I heard on the airways, the message that I saw on television was: Repeal 2.8 billion. I think it is intellectually dishonest at the time that the voters were told this, and to come before this Committee and to now say, "Go slow. Let's worry about the programs."

I am worried about the programs, and it's because I'm worried about those programs that I think we have to revisit and bring a reality check to the new incoming majority as to how government works. And we need to have it in a finite period of time, or else the programs that you're concerned about -- I haven't heard which ones they are, or how much your

organization is willing to fund or not fund, which I would be interested in hearing. What is it that you're willing to fund, how much of the 2.8 billion you're willing to say is necessary. And for that amount that you want to reduce, what is it that you are offering that should be reduced. Because this hasn't been around just in the last couple of weeks. This package has been actively debated for two years, the pros and cons of it. It has had the greatest period of time for public debate and consumption. What works; what doesn't work. What should be funded; what shouldn't be funded. What is appropriate public policy; what isn't. If two years of discussion, Mr. Chairman -- and I'm going to end, because I got beyond what I wanted to, but I just-- I can't sit here and take it. If two years is not enough for legislative and public debate, then please, somebody tell me the time frame so that we don't stall all efforts of government. What is the appropriate time frame for there to be significant public discussion?

MS. ELSTON: Again, Senator--

SENATOR STOCKMAN: Mr. Chairman, I'd like to-- As Senator Menendez, I've sat here, too, and I'm restless, but I want to absolutely agree with Senator Menendez, and the point he is making and the thrust he is making. But I'd also like to be heard on the question of the wisdom, nevertheless, of this repeal package.

SENATOR WEISS: Well, that will come a little bit later, Senator Stockman. Let's stay with Ms. Elston.

SENATOR STOCKMAN: Well, Mr. Chairman, you're making me nervous when you say--

SENATOR WEISS: You're making me even more nervous, so why don't we just continue the hearing, Senator?

SENATOR STOCKMAN: Mr. Chairman?

SENATOR WEISS: I don't propose to get into an argument with you at this point. Ms. Elston is on. She has

the floor. Make your point, and let's go on, because I have Senator Lipman waiting -- who you preempted, as a matter of fact.

SENATOR STOCKMAN: I apologize. I withdraw.

SENATOR WEISS: Senator Lipman?

SENATOR LIPMAN: Senator Weiss, thank you. I just have a short question.

SENATOR WEISS: Senator Lipman, if you will be kind enough to pull that microphone a little closer to you?

SENATOR LIPMAN: Is this it?

SENATOR WEISS: I think you just shut it off.

SENATOR LIPMAN: Hello?

SENATOR WEISS: That's it.

SENATOR LIPMAN: All right. Now I can talk today.

You want a reauthorization policy here, adopted so that the majority party after January 15 may or may not endorse some of the tax proposals that have already been put forward. Do I understand you correctly?

MS. ELSTON: That was a suggestion that I said, yes.

SENATOR LIPMAN: All right. You also suggest at the same time, that the audit -- that's what I'm questioning -- which audit will show significant savings. I suppose that you are saying this audit will turn up such savings that reauthorization of all taxes, \$2.8 billion, will not be necessary. That's what you're saying?

MS. ELSTON: I was suggesting that as a possibility, Senator Lipman.

SENATOR LIPMAN: Okay. Which audit are you discussing now? The one that everybody criticized during the election period; that the Governor did not do what he promised, and down with the administration?

MS. ELSTON: That the audit that the Governor's management team did, I believe, provoked or put forth significant savings. I'm not picking on the audit. I'm just

saying that significant savings were predicted and hopefully they will, indeed, be effectuated. And you know, as an ex-elected official myself, I know you can only look so many places for revenue--

SENATOR LIPMAN: Right.

MS. ELSTON: --and at the same time, you're looking for where you can save money. So that savings, hopefully, is going to balance some of the revenue that has to come in.

Again, who knows what kind of programs the incoming legislators are going to want? And again, the point where we are differing is that, when the people went to the polls and elected new officials to come in and deal with the problem, all that is being said here is, they'll have to deal with the problem. Should they be dealing with the problem with any date or deadline on them, or should we also then be having programs listed so that the public, also, can be looking at programs balanced with the 2.8?

I haven't got the answers. I'm simply stating the fact that -- saying that the law, which is the \$2.8 billion tax package shall end on June 30 of the coming year. Then raising the question about, what about the programs? And I don't know what the new Legislature is going to do.

SENATOR WEISS: Well, you may know on June 30.

MS. ELSTON: We will know on June 30.

SENATOR WEISS: Either way. Is that it, Senator Lipman?

SENATOR LIPMAN: Yes.

SENATOR WEISS: Thank you. Senator Stockman, you wanted to say something?

SENATOR STOCKMAN: Yes. Mr. Chairman, I submitted a statement yesterday--

SENATOR WEISS: This is on Ms. Elston, is it not?

SENATOR STOCKMAN: I'm sorry, I thought Ms. Elston was finished.

SENATOR WEISS: I don't know.

MS. ELSTON: I am-- If there are no further questions, I have no further points.

SENATOR WEISS: Senator Menendez?

SENATOR MENENDEZ: I was just hoping that you would answer my last question, which is; of the 2.8 billion, what is it that you as an organization support, and for that part which you don't support, what is it that you propose should be cut?

MS. ELSTON: Senator Menendez, we don't have any platform on what programs we support. I wish I could tell you that. That's not the job of the organization. My point is, that's the job of the incoming Legislature, of which you are one part. Our point, again, is public participation. Will I be there testifying on behalf of programs at budget time? I have been for all of my six years down in Trenton, I expect I will be again. I speak on environmental programs, I speak on transportation problems--

SENATOR MENENDEZ: I'm talking about TAXPAC, not you personally.

MS. ELSTON: And this year--

SENATOR MENENDEZ: You're here today representing TAXPAC, not Phyllis Elston.

MS. ELSTON: Right, and this year I assume I'll be in there at budget time speaking on behalf of TAXPAC.

SENATOR MENENDEZ: But what is it that TAXPAC stands for? Stand on your feet and tell us: We're against \$2.8 billion; we're against 2 billion of it. What is it that you stand for?

MS. ELSTON: I am saying on behalf of the organization, again, outside of budgetary matters, their main thrust is Initiative and Referendum. Do they want to address what's going on here now? Yes. Did I come here today with a package with a ribbon on it to tell you, keep these programs and throw them away? No. Do you want me to go back to TAXPAC and get that together? I'd be happy to do that. And at budget

time, when it's appropriate to speak on what the incoming Legislature will be doing next year, I'll be there.

SENATOR MENENDEZ: Okay. Mr. Chairman, I won't belabor it. I would hope after two years that we know what an organization today tells you, don't repeal, don't sunset, then goes on to-- That means that they either are for it, against it, but the organization endorsed candidates who overwhelmingly said they were against the program. I mean, come up and tell us what they stand for. And I find it difficult to find testimony to be weighty in terms of motivating me to move to a decision if I don't know what they stand for.

MS. ELSTON: Well, again, if all departments of the government are audited and the results of that are there and there is a statement that says we're saving \$1.5 billion, now we only need to raise "X", that may be the time to sit down and say, "Okay, now how do the programs fall in place?"

I'd love to give you a personal opinion, but that wouldn't be right on behalf of the organization.

But believe me, I hear that you have given me an assignment, and I will carry it out.

SENATOR MENENDEZ: I am lucky enough to be here to make sure that-- I will have the opportunity to ask the questions when I come.

MS. ELSTON: I am looking forward to the budget hearings.

SENATOR MENENDEZ: Okay.

SENATOR WEISS: Thank you, Ms. Elston.

MS. ELSTON: You're welcome.

SENATOR WEISS: And thank you, Senator Menendez. It appears that there is no shortage of ambivalence in this forum. Senator Stockman?

SENATOR STOCKMAN: Mr. Chairman, I want to apologize for preempting Senator Lipman earlier and apparently upsetting you a little bit about that. I didn't mean to do that.

As I indicated, I had signed a slip to speak as a citizen before this Committee yesterday, frankly, in order to dramatize more fully my strong feeling that this is a mistake. That caused some uncomfortableness among the Committee, and I respect that. One of its members pointed out to me that it is not where you sit, it is not even how many television cameras may be on you or off you. It is the power of your words that really counts, and I believe that. I am going to try to choose a few words to urge you, Mr. Chairman, to withdraw these bills, or to not push them, and not vote them out of this Committee.

In saying this, it is painful. It is painful for me to be at odds with the Chairman of my Committee. It is painful to listen to some of the witnesses who have appeared here before this Committee in opposition to this move. It is deeply painful.

Senator Menendez, in his usual very artful and effective way, I think, has been pointing that pain out; and has been pointing out what at least some might well conclude is hypocrisy on the part of some groups in terms of their posture over this very difficult issue of taxes; where New Jersey is, and where New Jersey ought to go.

But, as distressed as I am, as a losing member of this Legislature, one of the reasons I thought it might be interesting to take a seat out there before the Committee as a private citizen, was the awareness that it is only a short few days before that will be the place from where I will have to speak, if I want to influence my colleagues in this Legislature.

So, I would just like to take a few minutes to try to argue as to why -- despite that loss, despite an election that sent a message -- I don't think the message is to repeal this tax package.

Before I do that, I do want to say that I sadly think that I am observing some real arrogance on the part of that new Legislature almost already, as I look across this table and see

that the Republicans have continued to boycott this meeting. This is a painful meeting for me, but I am here. I am here to make my arguments, and to try to listen. And I think it is an affront to you, Mr. Chairman, to the members of this Committee, and to the public, that those members have absent themselves. It may be that they are fearful of having to participate in this discussion, and I think some of us can understand why.

But, as painful as that would be, I think they owe us more than empty chairs today, and I think the public will judge that. I hope they don't set the tone for the new Legislature, because I hope the new Legislature finds consensus. It is in part because I believe that pushing these bills will damage the hope for that consensus that I feel so strongly and am making this statement and this plea to you, Senator Menendez, Senator Lipman, and Senator Rice, today.

I interpret the election results as raising serious questions and, indeed, calling for change, but I think the change is primarily a call for change in attitudes and a change in process. I think we did rush this tax package. I think we did fail to take into account the need for the public to understand. I think the campaign that the Governor ran -- and I privately told him this -- was one that did not alert the public how deeply the financial circumstances of this State had gotten, and that as risky and difficult as it was, there should be more acknowledgement that the probabilities were overwhelming that some action -- some tax action -- would have to be taken.

I think that without that -- and certainly his opponent was not only unwilling to do that, but aggressively pledged no new taxes-- But without that, it was very difficult for the public to see the same administration so aggressively move a package of bills, and do it with very little sensitivity to the legislative process. I didn't speak loudly or clearly enough about that. Frankly, I am prepared to accept the vote



of the people of my district that perhaps some new representative will be more sensitive to that. I wish that new representative well. He will need that sensitivity in what he does.

But, let's turn to the facts. Stories are great, but I have had an inclination often -- and you have heard me say it -- to talk about facts. There are so many facts, I think, that discourage this move, that I may miss some. But as far as why it is the wrong move, look at the needs of this State. I know the members of this Committee too well to doubt that they know of the tremendous needs of many, many people in this State; especially children, children in many of our poorer communities, but in some of our wealthier communities, too, tucked behind doors, where they are a little less easy to see.

The problems of crime and the correctional institutions' costs, the problem of health care-- This is not the time to turn our backs on government. The first speaker before you, Mr. Budzash, spoke for a group, and claimed that people are fleeing New Jersey in droves because of the oppressive tax burden on their backs. I don't believe that; I really don't believe that. I think that to pursue this line of effort with these bills is to give credence to the notion that the needs are not there and, perhaps worse, that government is part of the problem. There was a President who sold that notion for eight years, and then left the White House and now is a private citizen. He must be watching with concern about what it is producing, down in Louisiana, and in other places.

Government isn't bad. I know and understand that our government, over the years that I served in the Legislature, in some ways overspent. I am sure there was some corruption and I am sure there was some waste. But it was a good government, and it is a good government. I think in the '90s that New Jersey needs good government. I think this tax package is necessary, because if you look at the facts, we have been

paring down government. We have been struggling to even meet budgets during the very fiscal year that they were put into place, and we're down pretty tight. While there may be a little room, certainly, to jeopardize \$2.8 billion of revenue at this time, I think, flies in the face of the fact that government does play an important, special role that the private sector and the corporations do not reach.

So, it's the wrong move, and the timing could not be worse. I don't want to insult this Committee because of its great expertise on fiscal matters, but we are in difficult times. Revenues are not rising; they are falling. I will not elaborate on the various numbers we face in the way of shortfall, except to say that to add a threatened \$2.8 billion to it, I think, at this time, would be disastrous.

Let's look at the reason. The Chairman made a statement at the beginning of this hearing -- a printed statement, which I have -- which talks about a clean slate. I think Senator Menendez has argued some, too, that it would at least open up for this new Legislature a clearer vision of where they want to go. I have served in the Legislature for a while. The budget is a complex and difficult entity to grasp. Anyone who has tried to knows that. Fifteen-plus billion dollars, an extraordinary number of categories-- We probably could simplify it. There have been some good suggestions made, and I hope the new Legislature takes them up in improving this very process, the process of fiscal management of State government.

But, to suggest to my successor, whom I must say even now talks in doubt about whether Governor Florio, in fact, inherited the deficit -- and he wants to explore that-- To add to that his responsibility to try to ferret out the best taxes, exactly what are needed, in an atmosphere of acrimony that this action, I believe, would cause, is too troublesome to me, after 12 or 13 years in the Legislature, to want to make my epitaph.

Maybe it is because I have lost, but I don't think so. I don't think that has anything to do with it. I think the consequences of moving these bills, putting them in place as law, would be bitterness among and between my colleagues in the new Legislature, which would make more difficult any action. I think it would produce tremendous confusion, and even greater cynicism among the public. To me -- and I want to say this-- To me, what I am learning more and more is not that this election was so much an antipathy by many, many people, but rather an apathy by so many more.

The Chairman spoke of the antipathy of voters -- Senator Rand, in his opening statement. I think it is more apathy. Over 40,000 voters in my district didn't even bother to vote. My opponent who won, won by 21,000 votes, with a 700-and-some plurality. The real problem we face-- We in government must find ways to reverse this trend. Frankly, we are not being helped that much by some of the media, but that is all right because there are, I think, ways around and through that, and I think we will find them. But that is where the problem really lies. I think this move would engender more cynicism and more confusion in the public than you can imagine.

Finally, I think it would be a disaster with regard to State workers in the operation of State government. I do represent a district with many, many good State employees in it. There are those who have told me that many of those employees didn't vote for me. I don't doubt that that may be true, but whether that is true or not, I think to disrupt the apparatus of government with this move would do irreparable harm; would jeopardize our bond rating.

So I say to my colleagues, these are the best words I can choose here this morning, not to say I am proud and happy to be in disagreement, or that I have all the answers, but I think on these particular bills, at this time, I have the right answer, and I hope I can persuade you of that.

Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator.

SENATOR LIPMAN: Would you like us to answer, Senator?

SENATOR STOCKMAN: I would be happy to get into a debate about it.

SENATOR WEISS: I beg your pardon?

SENATOR LIPMAN: Would you like us to answer, Senator?

SENATOR WEISS: I will leave that up to the Committee members.

SENATOR MENENDEZ: I am looking for the next witness.

SENATOR WEISS: I am looking for the next witness myself.

SENATOR MENENDEZ: Let me just say one thing, Mr. Chairman, if I may?

SENATOR WEISS: Yes, Senator.

SENATOR MENENDEZ: I understand where Senator Stockman is coming from. We both share many of the same values. The question is, how do we get there? And that is where we disagree.

SENATOR WEISS: I agree. I do not disagree with everything Senator Stockman said either. However, we do have our differences, and that's possibly June 30.

Senator Lipman, you wanted to say something. Forgive me.

SENATOR LIPMAN: Yes. I agree also with many of the things Senator Stockman is pointing out. However, I do not come to the same conclusion that Senator Stockman has come to. So I hope these hearings will enlighten us more as to that term he mentioned, how changed the public opinion seems to be.

During the last election, it seemed to me that the public was mainly saying, "Throw the incumbents out because they voted to put in a \$2.8 billion tax package which the public had no chance to disapprove." I think Senator Stockman has to agree that this was the fact; this was the real fact.

That people are fleeing the State because of the oppressive taxes-- Also, on the other hand, I have some problems agreeing with that, because we had 84 new businesses move to the State of New Jersey last year because they believed in the fiscal health of the State. Actually, now we are hearing testimony from people who also seem to believe that there was some virtue to the \$2.8 billion tax package. So I am satisfied that the efforts that we made over the past two years were the right efforts to return the State to its good health.

I am sorry about what happened, but I don't think that even if we had I&R it would have been any different. If we had had Initiative and Referendum and the people had had time to vent their spleen on this Legislature, it probably would have come out the same.

SENATOR WEISS: Thank you very much, Senator Lipman.

I will go on to the next one to appear, Mr. Ed Rajsteter, New Jersey Committee Against Regressive Taxation.

E D W A R D S. R A J S T E T E R: Good morning. In order to save time, I am going to be very brief with my statement. I have given a copy of the statement to Mr. David Rosen.

My name is Ed Rajsteter, Manager of the New Jersey Committee Against Regressive Taxation. We are an independent statewide organization of businesspeople from various industries affected by consumer excise taxes.

We are here today to voice our support for your proposed rollback on consumer excise taxes. Consumer excise taxes are regressive, and place the biggest burden on those least able to pay. For example: Two people purchasing the same amount of a product which has an excise tax added to the price, pay the same amount of tax. However, if one individual is making \$10,000 a year the actual tax he or she pays is a much higher percentage of their income than a person who makes \$50,000 a year. That makes regressive taxation unfair.

We are against consumer excise taxes because of their regressive nature. To a great extent, the fiscal problems of many states are a result of bad budgeting and bad fiscal management. Increased consumer excise taxes do not address those problems. In fact, they encourage the continuation of both.

We endorse Senate Bill No. 3744 which sunsets tobacco wholesalers' sales and uses use tax imposition, and the cigarette excise tax increase. In addition, we support a better system of fiscal management, which would include cost reductions to balance New Jersey's State budget.

Thank you.

SENATOR WEISS: Thank you very much, Mr. Rajsteter. Senator Menendez?

SENATOR MENENDEZ: Yes. Thank you, Mr. Chairman. Mr. Rajsteter, let me ask you-- Your committee, how long has it existed?

MR. RAJSTETER: We are a new organization. We were just formed four to five months ago.

SENATOR MENENDEZ: Okay. So my question which I would have asked, which is, "Were you here on behalf of the organization at the time of the package?" is a little difficult, because it didn't exist as an organization. But, let me ask you this: Does the organization take a position on the rest of the package? I see you have limited the scope of your testimony to this one specific bill that deals with excise taxes. Does it have a view as it relates to the other taxes that are involved?

MR. RAJSTETER: Currently the organization does not have a position, but what I will suggest is, as time goes on, we will have a position on various upcoming pieces.

SENATOR MENENDEZ: To the extent that these excise taxes, if sunsetted, would, in fact, produce a revenue shortfall, does the committee have a position as to what programs it is willing to, in fact, see reduced?

MR. RAJSTETER: In that matter, as well, as the committee continues to meet, we will discuss these issues and, at the appropriate time, will make comments.

SENATOR MENENDEZ: Let me ask you this: This says here that you are a group of businesspeople. That is correct, right?

MR. RAJSTETER: Yes.

SENATOR MENENDEZ: How many members do you have?

MR. RAJSTETER: Currently we have approximately 24 members. We are looking to expand to anywhere from 60 to 80 in membership.

SENATOR MENENDEZ: These are small businesses, or corporate--

MR. RAJSTETER: Across-the-board, both corporate and small business owners.

SENATOR MENENDEZ: For your membership, then, to take the position that it is proper to endorse the sunseting of this bill, you don't consider it to be irresponsible, then, at this time, I would assume?

MR. RAJSTETER: No, Senator, we do not.

SENATOR MENENDEZ: So, as businesspeople, you do not consider that this particularly places the State in jeopardy, as others have suggested that, in fact, it does?

MR. RAJSTETER: No, Senator, we do not.

SENATOR MENENDEZ: I have no further questions.

SENATOR WEISS: Thank you very much, Mr. Rajsteter. Thank you very much, Senator Menendez.

Mr. Bill Lear, New Jersey Coalition for Smokers' Rights. Mr. Lear? Is Mr. Lear in the room? (affirmative response from audience) Oh, okay. I couldn't see you because of the post.

B I L L L E A R: I do have statements which you can hand out.

SENATOR WEISS: Thank you.

MR. LEAR: I shan't take up much of your time this morning. I just want to say thank you for allowing me to be here.

SENATOR WEISS: Why not, Mr. Lear? You are entitled, and we love to extend the invitation.

MR. LEAR: Thank you. I welcome the opportunity to be here today to address you regarding sunseting the cigarette tax increases that were implemented in 1990, as defined in Senate Bill No. 3744, which has yet to be introduced.

I testified before this Committee a year-and-a-half ago and urged you at that time to be reasonable and fair regarding increasing cigarette and other tobacco excise taxes. I brought with me more than 10,000 petition signatures supporting my organization's appeal, and was joined by more than a dozen of my activists, some of whom had an opportunity to address you.

I say today what I said to you a year-and-a-half ago: The smokers of New Jersey are willing to pay our fair share of the State's tax burden. We understand that the State is in a fiscal crisis, and that all the citizens of the Garden State must do their part to pitch in. We are reasonable people, and our position remains the same today as it was in the spring of 1990: Fairness is the principle that should guide our tax policy, and, for that matter, all public policies.

We oppose excessive excise tax increases because excise and sales taxes are regressive; they are unfair because everyone, regardless of their income, pays the same amount. Many of those who smoke in New Jersey are retired senior citizens. The excessive excise tax increase hurts them disproportionately. Overnight, cigarette taxes in New Jersey jumped more than 98%. Other tobacco taxes went up over 100%. The State excise tax on a carton of cigarettes increased from \$2.70 to \$4.00. On top of that, cigarettes became subject to the State sales tax of 7%. This tremendous and excessive



overnight increase was, and is, simply too great of a burden for New Jersey consumers. It has resulted in a net loss of needed tax revenue, and has clearly backfired in more ways than one.

The New Jersey Coalition for Smokers' Rights strongly supports sunsetting the excessive tax increases on cigarettes and other tobacco products, as outlined in S-3744, and looks forward to working with the members of this Committee when the 205th Legislature convenes to address the serious fiscal problems of our State. Fair and realistic tax policies that are not regressive and that do not alienate and overburden consumers here at home are admirable goals we hope can be achieved.

Thank you very much. Are there any questions?

SENATOR WEISS: Thank you, Mr. Lear. Usually the Chair asks the question, "Are there any questions?"

Senator Lipman, do you have a question?

SENATOR LIPMAN: No. I am just saying that your statement is very clear.

MR. LEAR: Thank you.

SENATOR WEISS: It is that, sir. Let me ask you just one.

MR. LEAR: Yes?

SENATOR WEISS: How do you feel about the entire \$2.8 billion package?

MR. LEAR: Of course, our organization, as an organization, took no such stand. Insofar as the legislators themselves are concerned, with regard to whom they should vote for, or whom they shouldn't vote for, because of the package, that, also, was told that we, as an organization, did not take a stand with regard to the individual legislators.

If you are asking me where do I stand--

SENATOR WEISS: No, I am talking about the organization.

MR. LEAR: The organization, sir, never--

SENATOR WEISS: The rest is voluntary on your part.

MR. LEAR: The organization itself, as an organization, never took a stand on the overall \$2.8 million tax bill.

SENATOR WEISS: Billion.

MR. LEAR: But we did -- and I appeared before your Committee, Senator, last year--

SENATOR WEISS: Yes, you did, and I remember you well.

MR. LEAR: Basically, we are interested in fairness. We know we have a problem in this State, and we are willing to cooperate.

SENATOR WEISS: I commend you for that, sir, and I thank you very much for your testimony.

MR. LEAR: Thank you.

SENATOR WEISS: Ms. Judy Krebs, New Jersey Citizen Action?

J U D Y K R E B S: (speaking from audience) I do have written testimony. Anticipating that the question will come up, I am submitting--

SENATOR WEISS: Why don't you wait until you sit down, and we will work it out from there.

MS. KREBS: Anticipating a question about what our past position has been on the tax package, I submitted a document that we produced in 1990 for the Legislature called, "The New Jersey Tax System: It's Broken: Here's How to Fix It." That was our position on the \$2.8 billion tax relief package.

SENATOR WEISS: I don't have time to read it at the moment.

MS. KREBS: No, no, I understand. I will--

SENATOR WEISS: Could you please tell me what's in it? Otherwise, I will have to adjourn the meeting.

MS. KREBS: I am just submitting it for the record, if you want to review it to see our past position.

SENATOR WEISS: Oh, okay, fine.

MS. KREBS: The written testimony before you is what I will be speaking about today.

SENATOR WEISS: Fair enough.

MS. KREBS: New Jersey Citizen Action applauds the Senate Finance Committee for striving to address the wishes of the citizens of New Jersey. NJCA is particularly close to the citizens of New Jersey and their concerns regarding tax policy. With close to 100,000 member families and over 70 affiliated organizations, NJCA speaks to over 5000 people each week at their homes through our field operation.

Many say this past election was a referendum on the issue of taxes. This election proved what people have been telling us at their doors for a long time: New Jerseyans want a fairer tax system, and they want tax relief. They are especially concerned about tax relief in the areas of sales and property taxes.

Tax relief must be the guiding principle in any discussions about repealing the \$2.8 billion tax package. Repealing some of the tax package will provide real relief for New Jerseyans. Repealing other parts of the tax package will cause taxes to rise for most New Jerseyans.

For instance, repealing the sales tax increase offers real tax relief to lower- and middle-income families. This is because lower- and middle-income people spend a larger percentage of their incomes on the sales tax than do the wealthy.

NJCA concurs with Chairman Weiss. We support rolling back the sales tax increase, the excise tax increases, and the expansion of the sales tax.

While New Jersey's families are telling us they want a rollback of the sales tax, they are also telling us how much they value State services. Clearly, New Jersey must look at such areas as cutting middle-level management and political

patronage jobs in government service. But our economy also needs a solid infrastructure, quality education, and effective service delivery. NJCA believes corporate taxes are a good place to look for additional revenues to replace those lost by a rollback of the sales tax.

There is widespread public support for NJCA's position to open corporate books through Assembly Bill No. 4872, the New Jersey Corporate Tax Disclosure Act. Close corporate tax loopholes that are found when we open the books, and shift the tax burden from regressive sales and excise taxes to profitable corporations. Similar Federal legislation increased the corporate share of Federal revenues from 8% to 12% of the Federal budget.

Corporations in New Jersey are paying less in taxes since the Legislature did away with the net worth tax. It is remarkable that a State can pass a record increase in taxes and do nothing to change the tax codes for New Jersey's corporations. The time has come for corporations which are not paying their fair share to pay up.

New Jersey families have also been telling us that their property taxes are too high, and I know they have been telling that to you, too. Lowering the income tax to pre-1990 levels and giving responsibility for funding welfare and education costs back to municipalities would merely shift the burden of taxes back to local property taxes. In addition, lowering the income tax would result in smaller Homestead Rebates, further eroding any gains made towards property tax relief. By repealing the income tax increase, the Legislature would be increasing the burden that people already feel from property taxes. Consequently, New Jersey Citizen Action opposes repealing the \$1.5 billion property tax relief package.

The New Jersey Legislature could provide greater property tax relief by raising the top tax rate for people earning a quarter of a million dollars and above to 8%. This

money could be used to fund an even more expanded Homestead Rebate program, or a State takeover of county judiciary costs.

NJCA appreciates the difficulties the Legislature faces in paying for necessary State services. The challenge is to create a State tax policy which is both sufficient to pay for the needs of its citizens, and is, at the same time, fair. Repealing the sales and excise tax increases, looking at corporate taxes, expanding property tax relief, and raising the top tax rate on people earning over a quarter of a million dollars, would bring New Jersey much closer to this goal than repealing the entire tax package.

Thank you.

SENATOR WEISS: Thank you, Ms. Krebs. I listened carefully to your statement. I do not disagree with it. That, I think, is the purpose of sunset in place of the word "repeal," and that is the only thing I find in here. The only reason for that is, I would like all these taxes revisited, reassessed, and then reaffirmed that this is really the way to go.

So I will tell you that I didn't then, nor do I at the moment, feel like a hero about what had to be done. But nevertheless, it had to be done. The State was without funds, in the hole, like, \$800 million. That was predictable, and was predicted. That hole had to be filled, and we had to run the government at the same time. It was done in haste, I agree; it was done in haste. There is no question about it, but it was done with all good intention.

To follow that intention down the line is the reason I am sponsoring those bills that will sunset these, so that we can revisit them; so that we can take a look at these things; so that people will not be thrown out of their houses, but will still have something; that, in fact, we won't have the tremendous movement in this State from rich to poor -- I mean, people with money, not necessarily wealth, who will be made

poor. That was not the intent, nor is it the intent of this bill to disrupt State government in any way whatsoever. We just want to look at it, so folks such as you will be made satisfied. I thank you for appearing.

Senator Lipman?

SENATOR LIPMAN: Yes. I thank you, too, for taking the time to go through the tax package to tell us what you think is good and what should be abandoned. I hope your thoughts will be taken into consideration when new consideration of the tax brackets comes to us again. Thank you very much for your time and attention.

MS. KREBS: Thank you. One thing, in response to the Chairman's comments: Passing, or introducing A-4872, the Corporate Disclosure Act, in the Senate, would bring the Senate much greater information in its deliberations on corporate taxes, as we approach June 30. The fact is, it is not clear at this point where corporations -- where there is tax avoidance -- legitimate tax avoidance, legitimate tax deductions -- or the abuse of loopholes. In passing A-4872, we would be able to have much greater deliberation on the state of corporate taxes in New Jersey. If you could put some consideration into that as part of the revisiting of the entire tax package, that would be very helpful.

SENATOR WEISS: Ms. Krebs, I have, as a matter of fact, noted that as you were reading it.

MS. KREBS: Thank you.

SENATOR WEISS: Thank you very much. Mr. Richard DuPre (phonetic spelling), Commerce and Industry Association? Mr. DuPre? (no response) I guess he is not here. How about Mr. Vincent Frantantoni, President, Concerned Citizens of Belleville?

V I N C E N T F R A N T A N T O N I: I would like to thank this Committee for the opportunity to appear before it. I have

a prepared text which I will read to you, but some events transpired this morning and I would just like to cover them first.

I am sad to see that Senator Stockman left. I hope he--

SENATOR WEISS: They'll-- Oh, I thought they were coming back in now.

MR. FRANTANTONI: I would have liked for him to be here. I think he said he didn't think people were leaving the State in droves; he didn't believe that. I have three brothers -- I am the oldest of seven -- who moved to Florida. In May of this year, my nephew's business moved to Syracuse, New York. My other nephew worked for AT&T, and they moved their division to Orlando, Florida. As I was on Route 1 this morning, the announcement came over the air that J&J is moving 300 jobs to Illinois. I have many newspaper articles: AT&T plans on laying off 14,000 within the next two years. Walmart to lay off 2000 -- 1200 workers. R. J. Nabisco to cut jobs. Warner Lambert, 340 jobs in Morris Plains. Allied Signal slashes 5000 jobs. IBM cutting 20,000 jobs.

Fortunately -- or unfortunately -- Mr. Stockman isn't going to be here, but maybe he is not reading the newspapers. Maybe he is not in touch with what is actually going on in the State of New Jersey.

In another article which appeared in this morning's Star-Ledger, our Governor is now concerned about the bond ratings. But I read it differently. On the second page of the newspaper article it says that the Wall Street bond experts warned last week that Florio would either have to veto legislation to cut the package, or cut the '92-93 budget. That is what taxpayers have been asking for, and that is what taxpayers voted for.

We want these taxes repealed, and we want it done through spending cuts, which I will go into in some detail. I

am very disappointed that many of the groups that came here today did not give you any specifics. I will give you some specifics. I also have many more which I can't present, because they would be too lengthy. I would be glad to answer any of your questions after that.

On November 5 of this year, the voters of New Jersey spoke loud and clear, and I thank this Committee for responding to the voters. You are doing the right thing. By repealing, or sunseting -- whatever language anybody wants to use--

SENATOR WEISS: I would prefer you use "sunset."

MR. FRANTANTONI: Sunset, fine. By doing this as of July 1, 1992, the new Legislature will have more than enough time to prepare a reasonable and austere budget, and I emphasize "austere." You know, several countries, including England-- When Margaret Thatcher took over they were in trouble because of excessive taxation. She took over and prepared the country for austerity. You may remember that little bit of history.

We must go back to zero-base budgeting. The message on November 5 was to cut taxes through reduced spending, not to find more ways to raise revenue from the overburdened taxpayers. The \$2.8 billion program did not accomplish what it was intended to do. You were right to repeal the tax on trucks and heavy equipment, because in a short period of time it destroyed an entire industry. You were also right to repeal the paper tax. You are right now to roll the sales tax back to 6%, although I would suggest a more radical and bold initiative to roll it back to 5%. This plan would create not only a psychological factor to increase consumer spending, but the 2% -- approximately \$1 billion -- would be left in consumers' pockets to spend.

If the Legislature intends to prime the pump, it should leave something in the well to pump out. The way out of a recession is to increase spending in the private sector, not government bureaucracy.



With regard to the income tax, it is an outright lie to state that only the rich will pay more income tax. The sad truth of the matter is, the property tax reduction has been eliminated as part of your program, and everyone, rich or poor, working or retired, homeowner or tenant, will pay more income tax, directly or indirectly, through this program. Give us real and direct property tax relief, rather than the bureaucratic inefficiency of the Homestead Rebate program.

Force our local governments to control costs. Don't subsidize them with the "Supplemental Property Tax Relief Act." The only thing this Act did -- and it was an act -- was to allow local governments to raise their budgets, give high wage increases, and hide the increases to the local taxpayers with this State aid.

On October 22 of this year, our Council in my Township of Belleville awarded pay raises from 5% to 10.4%, and these were on salaries of \$60,000, \$70,000, and \$80,000. Despite objections from local residents, they have created many new, high-paying positions and have hired consultants with reckless abandon. Overtime wages are being paid as if they came from a bottomless pit. Our hospitalization premiums for employees are over \$7100 per employee because of an extremely poor experience rating. An individual could go out and get the best Blue Cross program for 4800 bucks.

As of January 1, 1992 -- a couple of weeks from now -- our town manager, in our little two-mile town, will receive a base pay of \$92,176, without benefits, or \$7000 more than our Governor earns for running the whole State.

Another Act which did not play well on Main Street was the Quality Education Act. State aid to education has allowed teachers and administrators to receive annual pay raises from 8% to 12%, while our student enrollment and test scores have declined consistently.

In 1981 -- and I would like you to hear these figures; we had them from the superintendent of schools -- our town had 4709 students and a staff of 310 and a half. In 1990 -- nine years later -- we had 3552 students -- almost 1200 less students -- and a staff of 318 -- seven more staff.

In 1988, several extremely disturbing items were revealed in our Board of Education. The current expense account was understated by \$100,000. They know how to play with the books, and we caught them. The teacher salary accounts were intentionally overbudgeted by over \$250,000, which is a violation of law, but who is going to get up to the microphone and attack a negotiated thing. Well, we did, and we won.

Capital outlay funds have gone unspent for several years, and had accumulated a balance of over \$500,000, although there were many projects waiting to be addressed. They cried poverty, the board of education.

A very embarrassing situation was developed when it was revealed in a memo -- and I have a copy which I am submitting to this Committee -- from the superintendent of schools that money for administrative salary negotiations was hidden in the school's heating and fuel oil account. You know, no citizen is going to get up and deny money for fuel oil to keep their kids warm, but that is not what the money was there for. Our superintendent of schools was dumb enough to put that in a written memo.

I am deeply concerned about the quality of education in our system. I have three school-age children, the youngest being in second grade. However, the past two decades of busing, smaller classes, special classes, State aid, Federal aid, teachers' aid, math, new math -- and you know what happened to the new math, and I pity the poor kids who were taught for those three years with that ludicrous program-- I was chastised when I got up to the microphone and said, "Who

the hell can understand this?" After three years, it was, "Well, yes, you're right. We made a mistake," but there were three years' of children who were taught under that mistake. What happened to them? They are in our system today.

Besides that, we have had liberal dress codes. T&E-- Another judge, a couple of years -- 15 years ago -- said, "We need T&E." Since when did judges get the power to act like legislators?

The State Lottery for education, more modern facilities, and computers-- What in the hell -- excuse the French -- are we doing with computers in kindergarten and first grade and second grade? A computer is a simple instrument. It is nothing more than a glamorous typewriter. What goes into that typewriter -- that computer -- depends on what is in the head behind the fingers. Let's give them a good, basic education from K to sixth grade, and then have the best computer program in the high schools. But they are spending money, and they don't even have the proper software.

When I asked my kids-- Do you know what they are doing with those things? They are playing games with the video machines. They are watching "Jaws." I don't want my kid in third grade -- which happened -- to watch "Jaws" without me. It is rated PG -- parental guidance -- not to be had in school. There is where the fraud is.

I will give you all the specifics you want, but this Committee would not have the time. I could spend one year. It has been 18 years of my life, and I will give you any documentation. I could not bring my 18 file cabinets here today.

SENATOR WEISS: I hope not.

MR. FRANTANTONI: All these things, ladies and gentlemen, have produced high school graduates with fourth grade reading levels, poor math and spelling abilities, and a general education far inferior to the graduate of 25 years

ago. The facts are clear. The more government intervention we allow, the worse our educational system becomes. All we do is throw money at them; throw money at them; throw money at them. It doesn't go to the children. Friday we are giving a lunch to our schools. My wife and I went out yesterday and bought-- The parents raise money by the kids selling candy for their programs. It didn't come from the State. A \$1000 program is coming from the parents, and the children will have to go door to door and sell candy for the extras they want.

Now, who should pay for teachers' pensions -- the State or the municipalities? Senator Weiss, I hope you listen to this. I am going to ask that question again.

SENATOR WEISS: I am listening to every word you're saying, except I have to take care of a personal matter.

MR. FRANTANTONI: Okay. Who should pay for teachers' pensions -- the State or the municipalities? No matter what branch of government actually writes the check, the fact is that the money comes from the taxpayer. I forgot my pants that I wear to tax rallies -- not the ones I am wearing today, sir. (laughter) But I have a pair of pants which I wore in Bloomfield on October 19, black pants with white pockets. I pull them out, and this one is labeled, "County Taxes," and this one is labeled "Local Taxes, Federal Taxes," and the other one, "State Taxes." They are all in the same pair of pants, those pockets, and they are my pants, and all the pockets are empty.

Now, it may be wiser to have the pensions paid on the local level. If teachers' pensions are paid on the local table as part of a wage and benefit package, the true costs will hit home and that will result in more reasonable wage settlements. We were shocked a couple of months ago when you put up this proposal to have the pension shifted. We didn't know, but we found out from our 310 staff that the pension costs for our little town are \$3.1 millior. But you people graciously pick

it up, so it is hidden from us, so we can't have the proper negotiations. We don't see it. Leave it on the local level and, believe me, you will reduce the 8% to 10% wage increases when that becomes part of the package.

Also, it will eliminate one layer of State bureaucracy. Do the right thing -- which I believe you are doing. I was on the phone with my fellow Republicans chastising them yesterday for not appearing here today. I have all the campaign literature of the Republicans during the campaign. Like John Buzash said, they didn't win. The \$2.8 billion tax package repeal won. That is what the people wanted. They didn't vote for the Republicans, who are now hiding in the back room somewhere because they are already lining up their patronage jobs to pay off for those \$2.8 billion in taxes.

Do the right thing. Where do you make the cuts? I am prepared to give you answers; detailed ones, but I will make it real short. I'll just give you the headlines:

1) Eliminate supplemental municipal aid. Make local governments more responsible.

2) Eliminate the Homestead Rebate program. You will not need to raise the money to pay for it. If we take a survey -- which I have done-- I pay a lot more than \$700 to get my \$500 back. So, don't tax me on the \$700 side, and forget about sending me the \$500 back.

3) Hold firm on your original plan to have teachers' pensions paid at the local level.

4) Reduce the State work force through attrition. Reverse Governor Kean's obscene hiring policy.

Now, I will tell you what that would do: You threatened-- The Legislature of Governor Florio threatened to lay off State workers a few months ago, and what did you do? You hired, I believe, Gerald Dorf, and paid him \$96,000 -- \$100,000 -- for failed negotiations. That \$96,000 would have

been better off in taxpayers' pockets, reducing the budget by \$96,000. So, don't threaten anybody with layoffs. We don't want anyone to lose their job. But through attrition -- and I got the figures from an Assemblyman-- In 1990, over 3000 people came off the State's payroll through attrition, through death, retirement, or other things. But you replace them. Reduce the State work force through attrition. That is another cut that will hurt nobody.

In summation, don't allow the State of New Jersey to become a collection agency, or a "bagman" for local governments or boards of education. Please, do the right thing. Repeal these tax increases.

Thank you.

SENATOR LIPMAN: Could I ask, does he have a copy--

SENATOR WEISS: Go right ahead.

SENATOR LIPMAN: --of his testimony?

SENATOR WEISS: Senator Lipman, we have it all recorded. Do you have a copy, Mr. Frantantoni?

MR. FRANTANTONI: I have a copy I can present to you.

SENATOR WEISS: Oh, good. That will be fine. But we do have it all recorded, at any rate.

I thank you for your extensive statement. I would suggest that local voters, or the people in -- is it Belleville?

MR. FRANTANTONI: Yes, Belleville.

SENATOR WEISS: The people in Belleville should take a better look at their local government, because there is a lot there that we at the State level cannot control. But they should look into it through the Department of Community Affairs -- DCA.

I could answer one question for you now that will probably frustrate you even more. Since you frustrated me with all of this, maybe I ought to frustrate you. Vince, it goes this way: Not too long ago -- about four months ago -- I looked at pension costs myself in the area of teachers,

statewide. I found that between the pension costs and the Social Security this State contributes -- or will this year contribute \$989 million. It goes up about \$70 million a year; so \$70 million less than that for last year, or \$140 million less than that for '89, '90, and '91. You're on the right track.

I thank you for your testimony this morning. We do appreciate it.

MR. FRANTANTONI: Senator Weiss, if I could just answer you-- The State can control local governments. You recently passed an early retirement program, and you left it voluntary for the towns to do. Now, we had to do the hard research, and we found out that in our town alone, it will cost between \$3 million and \$5 million to afford these early retirements for these teachers. So we have been fighting them.

We also addressed the salary increases. We protested 200 people at a meeting. The governing body locked us out. We filed a complaint with the Public Advocate. The Public Advocate told us that they were right, and ruled that Belleville had done it illegally. But again, we cannot afford the money to go into court and hire a lawyer to fight them, even though we were right.

The reason they gave the raises was because you gave them the money in supplemental municipal property tax relief. Without that, they would have had to raise the local taxes, and no way in hell would they have gotten away with it. So, the State government is directly responsible for raising our local taxes. You don't give a kid a \$50 bill, tell him to go to the movies and spend \$5 and \$3 for candy, and bring me \$42 change. You ain't going to get it. That is what you are doing with local governments. Don't give them that money. Believe me! Make them responsible on the local level.

Thank you.

SENATOR WEISS: Great. I thank you, sir. Senator Menendez?

SENATOR MENENDEZ: Mr. Chairman, I regret that I had an important meeting to go to and didn't get to hear the speaker except for his last comments. I don't know where-- Surely we want all levels of government to be responsible. I happen, also, to be fortunate enough to serve in local government as a Mayor. Let me just say--

SENATOR WEISS: Not in Belleville. Better make that a point, Senator, please.

SENATOR MENENDEZ: Not in the great County of Essex, no. You know, I feel that if you don't give resources to municipalities, like we have given them, then you can just make sure that you are ready to take over those municipalities. If you are ready to do that, then I hope you do a better job than so far the State has done taking over school systems, which has increased dramatically the cost of taking over those school systems.

Let me just say, I think most municipal officials -- for the most part -- probably at any level of government, have their community greatest at heart. That is why they run for local public office. Certainly for the most part it isn't going to be for the salary, and certainly for the most part it isn't going to be for the glamor. Maybe there is some ego in it, but the bottom line is, the issues at the local level, the last place where there is absolutely no passing the buck-- Federal government passes it to the states; the states pass it to the cities; and there is nowhere to go when you are at that local level.

Let me just say, I think I know that in my own municipality we reduced property taxes significantly. We did not give ourselves-- I heard something about a pay increase. You know, what one community, in fact, may do which may or may not be correct, is not the way to paint blanketly the way municipalities all across the State may do. One of the reasons



I am concerned about this whole sunseting without knowing -- not with the sunseting, but with not sunseting it -- is, what are we going to do with our municipalities?

I'll tell you, if significant -- very significant -- moneys are reduced from my municipality, which is a landlocked community with no major industry and no ratable base, because it is already the most densely populated city per square mile in the nation, I will probably do something that I never thought I would consider in my five years as a Mayor; that is, cough up the keys and say to the State, "Go ahead, see if you can do a better job than I am doing," because I don't know how I could possibly-- I cut employees; I cut 15% of my work force. I challenge anybody else to show me how they could cut 15% of their work force. I cannot do anymore, unless I am going to leave people, when they call the police, with no one to answer it, or a fire truck that cannot get to a scene.

Now, if you want to give me some relief, then do something about the way we do public bargaining in terms of the way arbitrators make decisions; decisions that give double digits, or higher than CPI rates, and give me caps. I will live with the caps, but don't give me all of these mandates. Don't give me all of these opportunities by which people can make judgments; arbitrators can go without looking at our costs. Don't give me a whole host of those. Stop telling me to do things, and let me run -- let me run my local government. But don't give me all of these things.

I mean, you know, if some communities do things wrong-- We are not all good. There are 500-some-odd communities in our State. But for the most part, without those resources, suburban, urban, and rural-- They will be knocking on your door this coming year.

MR. FRANTANTONI: Senator, I appreciate your statement. Also, I think I know what you are talking about. I am a former Commissioner in my township and I also cut

employees, and you can do it. That is why I am speaking from inside knowledge. There is a lot of corruption, but there are some people who are prudent and efficient. You, sir, I can see are one of them, because I notice your nameplate. You have an older nameplate from, probably, a former job. Instead of paying money to have a new one made, you just had a simple tag made -- "Senator" -- and glued it on top. (laughter) Now, that is the kind of efficiency in government we are looking for.

But, as Mayor now-- Let me ask you, as Mayor, did you give your Town Manager an \$4180 raise on an \$87,000 salary? Did you give your Police Chief a \$4332 raise when he is making \$76,000? Did you give your Fire Chief a \$3900 raise when he is making \$72,000? You know, we have a little town with an 86 man police force. The Chief is making almost \$100,000, and the guy in Newark, with an 1100 man force is getting \$68,000. The reason they did it, the reason they rammed this through, was because it looked like a small tax rate increase, because you -- when I say "you," not you personally -- the State of New Jersey gave them supplemental municipal property tax. You gave us \$1.6 million, so they raised taxes over a million dollars, but they were able to keep the tax rate increase lower, you know. They said, "Oh, yeah, we did a good job." This is what I am talking about. You have all of the facts in the file, and I can give you more.

SENATOR MENENDEZ: Okay. Mr. Chairman, let me just say, though-- I have no reason to disbelieve what you're saying. Part of it is when captains and average firemen get those or similar types of raises because of arbitration awards. They push it up. Now, I don't know anybody where the boss -- except as a Mayor, by the way -- makes less than the employees. Okay? Part of the process is that these arbitration awards push it up at the lower level. And as they push it up, obviously people who are superiors are going to get at least that much, if not a little more. The whole system is wrong.

But, let me tell you, if we had not given that aid -- you're talking about a particular municipality -- your taxes would have been higher -- much higher.

MR. FRANTANTONI: I can give you the details, but I can give you the facts from other municipalities. Regardless of binding arbitration-- I wrote letters and I fought when I was in office, and I am still fighting it. Where did binding arbitration come from? In 1979, it came from the Legislature.

SENATOR MENENDEZ: You're right.

MR. FRANTANTONI: The Legislature created that monster.

SENATOR MENENDEZ: You're right.

MR. FRANTANTONI: So, don't tell us, on the local level, that we have all of these problems. This is what I am trying to bring home: When are we going to wake up, when we get to the 72 percentage that we are paying in taxes, like England did, and then we are forced into a national austerity? When are we going to wake up and say, "Hey, we are going to let you--"

I don't know if you have any children. Do you have any married children? Are you going to pay their mortgage? Are you going to buy them clothes for the rest of their lives? Let them get out there and shift for themselves. Now, that is what is happening here. We all say the Legislature said, "Well, we are going to help the municipalities." We know why it is done. It is done for votes. Let us shift for ourselves.

Now, some of your bigger communities, where you may need to help, like Newark and Elizabeth-- I'll tell you something else: I didn't like the takeover of the Jersey City school system, and I didn't like the person who took it over, because when she was County Superintendent, I cut the budget -- and I will give you facts and figures -- in Belleville \$884,000. She didn't try to negotiate that at all. She just took me in the back room and said, "Oh, Commissioner, what are you willing to settle for?" I am not willing to settle for

anything. I will give you the whole \$884,000 back if you prove they need it, which they couldn't. So they took us to court before an Administrative Law Judge, and we won.

But now you've got that person running the Jersey City school system. So what is this Legislature doing? I told you -- you weren't here, Senator Menendez -- I could debate you for 18 months, or more, and give you my 18 file cabinets full of documentation like I have presented to you here. I couldn't make copies of everything in them, but anything you want to ask me, I will give you specifics, not like some of these other groups, like the Chamber of Commerce which was here the other day, and Business and Industry. When Senator Rand asked, he couldn't give him any specifics at all on why he changed his position. I'll give you details down to 31 cents, if you want.

This is what's happening. You weren't here, but I applauded this Committee. I am not here to criticize; I am here to praise this Committee for finally responding to the voters, and I am willing to help you. I wrote a letter to Governor Florio on October 25. It is in your package. I sent an 18-page document to the Public Advocate. We have been down there. I met with Senator Lynch on August 22, and I gave him a half inch of documents on the corruption of our Board of Education system, and I have some of that here. So, don't give State aid to education. They're wasting it. They're blowing it. Nothing is getting to our children.

SENATOR MENENDEZ: Do you have children in the public school system?

MR. FRANTANTONI: Yes, sir, I do, the youngest one in second grade. One is in the first year of high school, and the other one is down at the Somerset County Technical Institute. I am very concerned about education. My wife, for 15 years, has been on the Home and School, and so have I. We go door to door with the kids selling candy to subsidize this Board of Education. In Belleville -- the little town of Belleville --

do you know that Home and School subsidizes them over \$150,000, and they tell us-- Forget about for kids, a ride on Sunday or taking them to a museum. Do you know what they want us to buy? Microwaves for the teachers. One school just bought a whole new curtain for the auditorium.

SENATOR WEISS: May I--

SENATOR MENENDEZ: Mr. Chairman, I--

SENATOR WEISS: Vince, forgive me. We have been going on for a long time now.

MR. FRANTANTONI: Thank you.

SENATOR MENENDEZ: I just want to make one point, if I may?

SENATOR WEISS: You may make an observation, and then let's go on to the next witness.

SENATOR MENENDEZ: I can commiserate with Mr. Frantantoni--

MR. FRANTANTONI: Frantantoni. (corrects pronunciation)

SENATOR WEISS: Frantantoni.

SENATOR MENENDEZ: --if those are the facts about what is happening. But, you know, my two children are in public schools in Union City -- both of them. They are going to schools that were built at the turn of the century. They are going to schools where it is very difficult to study when the roof over your head is leaking and it is falling on you. And it is very difficult when, in the age of computers, we can't find, except at the high school level, any access to them.

So, you know, things vary from community to community. I agree with you. Money is being misspent. We certainly don't need microwaves, but we do need the types of things that open people's minds to the future, and give them the opportunity to be self-sufficient. In my school district where my children are going, those opportunities have not been

there, and they became possible, in part, by some of the legislation that we passed. For their future, I am worried about where we are headed in the days ahead.

MR. FRANTANTONI: Unfortunately, you weren't here when I read it, but it is in the testimony you have.

SENATOR MENENDEZ: Believe me, I will read your testimony.

MR. FRANTANTONI: Believe me, I know what you're saying. Do you know why the roofs weren't fixed in our town? They were not fixed because the capital outlay money, which I outline here, of over \$569,000, had gone unspent for several years. They weren't doing anything with it. They were building a slush fund for a certain reason, and we caught them. That is documented. You can check with Judge Young, an Administrative Law Judge in Newark. We were correct.

SENATOR MENENDEZ: Okay.

MR. FRANTANTONI: Believe me, they are corrupt.

SENATOR MENENDEZ: Well, that may or may not be the case.

MR. FRANTANTONI: It is because of all the money they are getting from Uncle State of New Jersey. The rich uncle is just pumping the money in, and they are wasting it.

SENATOR MENENDEZ: You know, when and if a place is corrupt, it should be rooted out.

SENATOR LIPMAN: Yes.

SENATOR MENENDEZ: But that does not mean that when someone does something wrong in one location, if, in fact, because I am not privy to the knowledge to say that-- But, whatever the place may be, we should not throw everything out because a particular location is not doing things correctly. The issue is to--

MR. FRANTANTONI: How about the East Orange Board of Education? Remember a few years ago them buying VCRs and cars

on their credit cards and all this, and I am not talking \$5 or \$10? How about the Paterson school system? How about Jersey City?

SENATOR MENENDEZ: Let me go to the--

MR. FRANTANTONI: I mean, let's go through all of them.

SENATOR WEISS: I must intercede. This is getting too far afield.

SENATOR MENENDEZ: Mr. Chairman, I just want to add: The Middlesex -- not Middlesex, down in-- I heard all urban school districts. There is a superintendent down in Middletown, I think, who left because he was putting some things on his credit card in terms of calling escort services.

SENATOR WEISS: There was that, and there was that in many towns.

SENATOR MENENDEZ: Just so we understand. It is not just urban, you know.

SENATOR WEISS: It is all understandable, Vince. We heard you.

MR. FRANTANTONI: That is why I suggest that you look at that.

SENATOR MENENDEZ: We should read it all.

SENATOR WEISS: But I have to go on. I know Senator Lipman has-- Don't go away. Senator Lipman has one thing, please.

SENATOR LIPMAN: Mr. Frantantoni, I agree with you that many things go wrong when you are operating a municipal government. A lot of things went wrong with the Homestead Rebates and so forth. But we do have these serious problems. I think I heard you except cities like Newark and Elizabeth because of our tremendous problems with crime and homelessness and poor education. Did you except them?

MR. FRANTANTONI: Yes. But, my sister was a teacher, and I have personal friends who teach in Newark. I'll tell you, you have some big corruption in the Newark school system.

So, I want to give the aid, but I am saying, don't give anymore until you investigate how the present money is being spent.

SENATOR LIPMAN: Right.

MR. FRANTANTONI: These teachers -- my personal friends -- tell me, but they are scared. "I have 21 years on the job; I can't open my mouth." But they give me the ammunition. I know where it is.

SENATOR LIPMAN: Right.

MR. FRANTANTONI: So I'm saying, get in there and look. You know, you have some members of your Newark City Council who have conflicts of interest with the Board of Education down there.

SENATOR WEISS: Hey, hey.

SENATOR LIPMAN: Mr. Frantantoni, I do not wish to discuss--

MR. FRANTANTONI: I don't like the rhetoric. I don't like it when people get up here and just give blanket rhetoric, without documentation.

SENATOR WEISS: Hey, fellows, this is a formal hearing and, Vince, I am going to have to call an end to this.

SENATOR MENENDEZ: You should go to the Attorney General. You have a lot of information.

MR. FRANTANTONI: We have gone to the Attorney General. Just last night, at our Council meeting-- I went to the State Police in our town, and they found our town guilty of subdividing a piece of property illegally. Check with the State Police. So, we do all of those things, Senator Menendez. We are a watchdog. We have been six years -- the concerned citizens of Belleville -- but I have been fighting for 18 years. I have gone to the Attorney General. I have been down to that office many times. Just last night. Check our Council meeting. They could not sell the property because they did something illegal, and we got the State Police on them.

SENATOR WEISS: Mr. Frantantoni, I am going to have to call an end to this.



MR. FRANTANTONI: Thank you for your time.

SENATOR WEISS: Thank you, sir.

We are going right through lunch, as you can obviously see. Mr. Samuel Perelli? Is he here?

SENATOR LIPMAN: Yes, he is right there. I rode the train with him today.

SENATOR WEISS: Oh, did you. Mr. Perelli?

S A M U E L P E R E L L I: Senator Lynch--

SENATOR WEISS: No, I'm Senator Weiss. (laughter)

MR. PERELLI: Oh. You'll have to forgive me, Senator. That was not meant as any--

SENATOR WEISS: He is a little shorter than I am.

MR. PERELLI: I did a little television debate with him and he called me Casey Stengel. So I hope you won't take that as an insult.

SENATOR WEISS: Well, why don't you try calling him something else?

MR. PERELLI: Senator Weiss -- excuse me -- and Senator Lipman, thank you again. You know what for. I appreciate that. And Senator Menendez-- I wish Senator Rand-- Oh, I see him up there. He is not at his seat here.

SENATOR RAND: I am afraid to sit down.

MR. PERELLI: It is sad to say that the Republican party wasn't here to listen. It is sad when people who are being paid to do a job don't show up; indeed, very sad.

My name is Sam Perelli. I am State Chairman of the United Taxpayers of New Jersey. If you look at that headline, I guess I came here today to hold a little political history lesson for those people who might not have been around the State House in 1976; for those news reporters who forgot that what they saw in the last couple of years, called a tax revolt, was revisited on us. That headline is from 1976.

The first income tax that was passed, Senators, and if my memory serves me correctly, I believe that everyone sitting

at this table with the exception of Senator Menendez, was here and participated in that debate.

SENATOR WEISS: I was not here.

MR. PERELLI: I believe that is accurate.

SENATOR WEISS: I was not here.

MR. PERELLI: You were not here in 1976?

SENATOR WEISS: No.

MR. PERELLI: I'm sorry. And you were not here either?

SENATOR RAND: I was here.

MR. PERELLI: Oh, excuse me.

SENATOR WEISS: I was too young. I was too young.

SENATOR RAND: I was here, Sam.

MR. PERELLI: Okay. You knew what happened then. You knew about an income tax that was the end all of taxation that answered the Robinson v. Cahill argument, and our Supreme Court said we're going to close your schools down if you don't properly fund our schools. Basically, we're talking about today's \$11 billion school expense. Let's get that number on the record folks.

Eleven billion dollars is spent in New Jersey if you total all of the schools' budgets. That's basically where our problem stems from. We did, in fact, have what we thought was a good way of funding our school system. We argued that the Homestead Rebate was a very elaborate money laundering scheme. If the mob did it, they would be indicted and go to jail. But we do it here at State government. We take a little bit out of the right pocket, we clean it up through a multimillion dollar bureaucracy, and we send it back to buy votes. Wrong.

You, as elected officials, by the Constitution of this State, were supposed to invest that money -- millions and millions of dollars -- in our educational system. That's what that whole thing was all about. You were supposed to keep an eye on that money; not strings but chains. And what really

happened to our millions and millions of dollars of hard-earned taxpayers' money that was supposed to be invested in our cities, which we agree need the help.

I'm not here today with a budget ax that will cut programs that are vital to the youth of this country, no matter whether they live in an urban or suburban district. We are here to say -- and cast a spell on the Legislature in this State, Republicans and Democrats alike -- that you did nothing different than the savings and loans scandal. You didn't watch where our money was going. We did have a State spending cap, and all of you participated in watching it sunset. That's why when you use the word "sunset" it scares the hell out of the taxpayers in my group. Sunset. We had a State spending cap.

If you look at one of those little chart graphs, you'll find that when that spending cap sunsetted you all participated in a spending spree. I'm tired -- as are the taxpayers of this State -- of hearing about the Tom Kean spending spree. Let's look at the record. How many of those Tom Kean budgets did all of you vote on? Let's look at that record. I think we'd be surprised, in this room, that the majority of you good folks voted for every one of the Tom Kean spending spree bills.

Under Brendan Byrne the payroll of public employees doubled, and I'm tired of hearing that it was Tom Kean who doubled it. He did no different than Brendan Byrne. Tom Kean, in my view and the view of many people in this State who look at the facts and figures, was the John Lindsay of New Jersey.

But you all participated in the spending spree. You didn't watch where our money was, and here we go into Jersey City and we take over the Jersey City school system-- Look at the records, and look at the facts. We have more bureaucracy now. We're spending more money in there than ever and still no one wants to know where did our money go; no elected official

does. Taxpayers of this State are anxious to find out where our money went. Where did our money go?

The other day Senator Rice, who unfortunately is not here, talked about the white-collar crime in these various cities and so forth--

SENATOR WEISS: Senator who?

MR. PERELLI: Excuse me. Senator Rice, who was here the other day.

SENATOR WEISS: Well, they often mistake us, one for the other. (laughter)

MR. PERELLI: I'm sorry, Rice. The fact that I don't--

SENATOR WEISS: Yeah, that happens. That occurrence happens very frequently--

MR. PERELLI: I don't have the luxury of having water, one of the things--

SENATOR WEISS: --but he's shorter than I am. (laughter)

MR. PERELLI: When we come down here to speak, the taxpayers can't even get a little cup of water. So, we're always at a loss. Senator Rice said about--

SENATOR WEISS: Rice, with an "R."

MR. PERELLI: Senator R-I-C-E. Let me put that into the record.

SENATOR WEISS: All right, because the hearing of the press, Mr. Perelli, isn't that good here.

MR. PERELLI: "White-collar crime," he said, "that's taken this money away from our cities." Well, there's two words, Senator Rice -- and you're not here -- R-I-C-E--

SENATOR WEISS: He's not here because he had a previous engagement. He's not ducking this meeting.

MR. PERELLI: All right, but I want it on the record. The two words are, "Grand Jury." The taxpayers of this State want to know where our money went. We also want to know where did our millions and millions of dollars go in Paterson? I

hope to God we're not going to be taking over the Newark system schools that permits a Freeholder who's making \$70,000 a year as a school principal, to be the President of a Freeholder Board and nobody says a damned thing about it; that the kids in that school aren't getting \$70,000 worth of supervision. And nobody, sir, says a damned thing about it.

We're all talking about the same thing. Nobody is watching where our money went. And then, without the proper debate, ladies and gentlemen -- without the proper debate, you pushed through this tax package without justifying it. That's why the people of New Jersey are angry. This wasn't a Republican victory. This was a victory of the public over a system that didn't watch where our hard earned dollars were going.

No one I know-- Let me make it clear. No one that I know doesn't want to contribute to a system that funds money for those less fortunate than we are. No one I know wants to cut a program that will put anybody in the streets, or will put the handicapped at a disadvantage more than they are; no one I know. And I dare, and I challenge, any one legislator who says that's what the taxpayer movement is all about.

No, ladies and gentlemen, we are responsible people looking for a responsible answer to where our money went. No one looked into zero-based budgeting. It's like a terrible word around here when we say let's take every program and take it apart one by one. Let's dissect it. Let's let these bureaucrats justify what they have done. Let's let them justify what they have done.

Now, to the point of this tax repeal that you're talking about--

SENATOR WEISS: We're talking about sunset, Mr. Perelli. Sunset.

MR. PERELLI: A sunset.

SENATOR WEISS: As long as you stay with that, we're on the right discussion.

MR. PERELLI: You know, as I said, I'm afraid of the word sunset. You're talking about repealing the tax at a given date. Let's not play words. Senator, you already had a good start.

SENATOR WEISS: I have no idea--

MR. PERELLI: I have a little truck to show you. (witness displays a toy truck) The truck tax that you saw-- You were on a good roll. You repealed it. You saw the inequities in it, and I applaud you. I applaud you for that.

SENATOR WEISS: Don't pull out a roll of toilet paper. (laughter)

MR. PERELLI: You already saw--

SENATOR WEISS: You know, Mr. Perelli, I thought--

MR. PERELLI: Sir, excuse me, please let me finish my testimony. You already saw what this did to the economy of New Jersey. So we put that there and say, you were on the right track. Why, Senator, aren't we here today talking about continuing the repeal, the systematic repeal of all of these taxes, including tax cuts -- excuse me, including cuts in the budget? Why aren't we talking about an immediate spending freeze? Nobody wants to use that word, "an immediate spending freeze." (Senator Menendez gives witness a cup of water) Thank you, sir.

SENATOR MENENDEZ: You're welcome. (laughter)

MR. PERELLI: Nobody wants to talk about New Jersey water. It's the best.

SENATOR WEISS: That's right from the Delaware, incidentally. (laughter)

MR. PERELLI: It came from New York then.

SENATOR WEISS: Eventually.

MR. PERELLI: In our urban school districts we spent millions and millions and millions of dollars, and what we had was a system of highly paid chiefs and no Indians. But no one down here does anything about it, because we don't want to

touch those political subdivisions. If my memory serves me correctly, right in Senator Menendez's hometown, a very prestigious State Senator was convicted of ripping off the school system.

SENATOR WEISS: Mr. Perelli--

MR. PERELLI: Senator Weiss, these are facts.

SENATOR WEISS: I'm Chairman of this Committee, and I have been for a great number of years, and I want to tell you, the Chair does not allow personalities to be brought into it.

MR. PERELLI: Senator, I'm just repeating what the newspapers said.

SENATOR WEISS: If you want to allude to someone, that's great. But the man is not here to defend himself.

MR. PERELLI: Senator, he doesn't have to defend himself.

SENATOR WEISS: Mr. Perelli, I don't care.

MR. PERELLI: A court of law found him guilty of extorting money from the school system--

SENATOR WEISS: He has to be here in the room. He has to be here.

MR. PERELLI: --of the children of that gentleman's constituency. That's what we're talking about.

SENATOR WEISS: Mr. Perelli, it doesn't make any difference.

MR. PERELLI: Nobody watching what's going on here.

SENATOR WEISS: It doesn't make any difference.

MR. PERELLI: That's a fact, Senator.

SENATOR WEISS: Sir, you're out of order.

MR. PERELLI: If you think that being out of order is stating the facts of a court of law, then I stand corrected.

SENATOR WEISS: Sir, you're out of order.

MR. PERELLI: Then I stand corrected.

SENATOR WEISS: You're out of order. The Chair rules there will be no personalities involved, no names mentioned.

If you want to allude to someone by act, allude to them by act, but no names, sir. I ask you this, and I'm not going to ask you again.

MR. PERELLI: The elected officials of this State, most of them, unfortunately, paint with a broad and unfair brush. People like myself who asked this State to examine itself starting today. Do an examination of what's happening here in Trenton. Let's talk about a cap on State spending, immediately. Let's talk, immediately, about continuing the repeal of these taxes; immediately.

I didn't come down here today to embarrass or insult anybody, but I don't like to see a group in a very prestigious position in this State that implies that if the voters of this State want tax cuts we're going to give it to them. Senator, if you do that, if you do it the way you're doing it, if you don't just say, "The people of this State have elected a new slate, let the new slate bear the brunt of your criticism and our criticism--" Let's work together on this. Let's not turn New Jersey into turmoil, because these programs have been put in place -- if my memory serves me correctly -- for over a year now and this scheme of a tax sunset action is not going to play with the voters of this State.

Let the voters of this State who have spoken, who said that they wanted a new group of people to do this-- At least give us that last respect before you leave. Let the new group of legislators do the job that they campaigned for. You think the people of this State are a bunch of jerks that you have to do this action for us. We'll take care of it. We've formed the proper committees to come down here, and now we're going to be the watchdogs with larger fangs, because the message to the Republican party is no different than the message that was sent to the Democratic party -- a nonpartisan message, a bipartisan message -- "Stop putting your mouth where our money is."



Let us go home. Let us enjoy the holidays and come back next year and start, with Democrats and Republicans alike, working to repeal these taxes, sensibly, over a span of a year's period of time, and let's get away--

Senator, as we're talking right now, it enrages me and many taxpayers that we're even considering refloating bonds and refinancing bonds and sneaking in \$2 million or \$3 million worth of cookies for Atlantic County -- Atlantic City with the Convention Center, and over here with Rutgers University, and the Stadium, and we're still doing the rush job. We're still doing the sneak job on the people of this State. For God's sake, stop the rush job.

We, the hard working people of this State, the people who really have the pain, the people who have really been devastated by what has happened to the national economy -- to our local economy -- and with the help, sir, of a tax increase at a time when we should have been looking at places to cut, and there are-- Anyone who says there are no places to cut government should leave government immediately. That's what I call do the right thing. I thank you for this time. I thank you for this opportunity.

SENATOR WEISS: Thank you, Mr. Perelli. Senator Menendez?

MR. PERELLI: (witness brings out bottle of aspirin) And I also leave, from the taxpayers of this State, some pain reliever that we had to take. I'll leave it here for you also, because I know how much pain you guys went through.

SENATOR WEISS: Mr. Perelli, the thing I was going to say before about that exhibit you have there: The truck was okay, but I thought the toilet paper was behind us. (laughter)

MR. PERELLI: Touché.

SENATOR WEISS: That being the case, let me just make one point or two: One is, the State does have in place a State cap on State government.

MR. PERELLI: Senator, that State cap is an insult to anybody who looks at it.

SENATOR WEISS: Don't tell me that.

MR. PERELLI: I'm telling you that. I'm making a statement, Senator. It's an insult.

SENATOR WEISS: That's your opinion, but nevertheless it is in place. The point is the Legislature passed a number of times, a cap that was vetoed by a former Governor and was not put in place. If you can tell me how to get around a Governor's veto I will be happy to entertain it. Now, tell me how I can get around the Governor's veto, otherwise the next one on, is Senator Menendez.

MR. PERELLI: Well, I just believe that if people would start hollering as loud here at the State House as they do during their campaigns and take the arguments back to their constituencies about that cap law, then we would have known a lot more about it. We were here, sir, and we tried to do it, sir. We've been around a long time. We're not newcomers on the block.

SENATOR WEISS: Senator Menendez.

SENATOR MENENDEZ: Thank you, Mr. Chairman. I want you to know, Mr. Perelli, that although I stepped outside a few minutes to get some water, I heard most of your arguments-- (laughter)

MR. PERELLI: Thank God.

SENATOR MENENDEZ: --including zero-based budgeting and spending freezes. I heard those while I was outside, so I don't think I lost too much of what you had to say. Unlike, maybe, some of the other people who come before us, I probably, at least, have greater respect for what you're doing and what you're saying because there is a certain degree of consistency. But I would like to ask you some questions because I haven't been here as long as some of my other colleagues, and maybe you can help me.

This recent tax package that was passed two years ago, and I think I would have remembered stylistically, if this is the way you passionately feel about things. But, did you come before the Legislature and oppose the package?

MR. PERELLI: No. We contacted many legislators by mail and by phone.

SENATOR MENENDEZ: Did you come formally--

MR. PERELLI: Senator, we don't have the luxury-- I'm here today at my own expense. Our organization is not funded by hundreds of thousands of dollars. We don't have any PAC committees giving us money or anything like that. We're the poor people of New Jersey. So, when we are able to come down here, it is because we can take a day off from our work schedules. I happen to be fortunate enough that I have a small business, which suffers dramatically when I'm not there to watch it, so I can't be in here. And for God's sake, if I could be here every day, I can assure you that the voice would have been a hell of a lot louder. For that, I have to apologize to people; that I can't put more time into it than I already do.

SENATOR MENENDEZ: Well, I certainly don't ask you for an apology.

MR. PERELLI: It's not a one-man operation, either, I might say.

SENATOR MENENDEZ: I'd like to get back to my question. Just to know: Were the United Taxpayers -- Is that the organization, United Taxpayers of New Jersey? -- here before the Senate Revenue and Finance Committee or before the Assembly Appropriations Committee saying, "We do not need any of these taxes"?

MR. PERELLI: No, sir. No, sir. They were not-- Let me qualify this. Let's not put this in a yes or no frame. Our input was to legislators who were contemplating this tax increase. That's our input: to our legislators if we can't be

here. I thought we had an open system of the phone calls, and we did lobby many legislators on our opinion, and God knows I can bring newspapers like I do here. We do a good homework. I'll show you newspapers that will show you, on the record, where we were on these tax packages.

SENATOR MENENDEZ: So, you didn't come formally before the Legislature, but you did speak to some legislators?

MR. PERELLI: Well, you call it formally. I call it formally when I make a phone call to a legislator. I think that's pretty darned formal.

SENATOR MENENDEZ: Okay. Let me ask you this, through the Chair. Is it your organization's position that none of the \$2.8 billion in taxes is necessary?

MR. PERELLI: Our position is very, very simple. It should have never been passed without the proper debate. There wasn't a proper debate. This was the first time, I believe in the history of this State, that heads of various departments were sequestered. We never had that. That was an insult to every person who ever took a dime out of their pocket and put it into a tax program.

SENATOR MENENDEZ: That's the process, and we maybe agree on the process. Let's get to the position on the \$2.8 billion in taxes. But I can understand--

MR. PERELLI: Yes, unjustified. Let me give you one answer: unjustified. That's the best answer I can give you, that none of them were ever justified.

SENATOR MENENDEZ: All right. So, you're saying that if they had been justified that they--

MR. PERELLI: I'm saying to you--

SENATOR MENENDEZ: Wait a minute, let me finish my question. If they had been justified, then your organization might very well be in favor of some of those taxes?

MR. PERELLI: I say that we already have, on numerous occasions, sir, justified things happening in the State. If my

memory serves me correctly, the people of this State justified the two-and-a-half cent hike in the gasoline tax, and that was on a referendum. What did you do with our money? You spent it on an Aquarium down in Camden, damn it! That's where the two-and-a-half cents went. And you wonder why we're mad.

SENATOR WEISS: No, the two-and-a-half cents went to the Transportation Trust Fund, and it's a matter of \$88 million, and it's dedicated. It can't be used.

MR. PERELLI: Senator, some of that money went to that--

SENATOR WEISS: Mr. Perelli, there's no sense of my arguing with you. I'm telling you where it went. The rest is yours. Senator Menendez, you're back.

SENATOR MENENDEZ: All right. So, you feel none of it was justified?

MR. PERELLI: That's correct. It wasn't justified to the people.

SENATOR MENENDEZ: However, if it was justified that, in fact, your organization might be willing to say that some taxes would be necessary?

MR. PERELLI: That's correct. That's correct.

SENATOR MENENDEZ: Okay.

MR. PERELLI: We have never been on the record against all taxes.

SENATOR MENENDEZ: Okay.

MR. PERELLI: For God's sake, look at the record of the billions and billions of dollars that we as voters of this State have approved; and bond issues. We've already told you, if you present a case we can intelligently interpret what we feel we want spent on various programs.

SENATOR MENENDEZ: Your organization, specifically, what taxes have they supported in the past?

MR. PERELLI: I can't be specific on that question. I can't be specific. We might not have supported the size of a

tax increase. We might not have supported the size. We were against the first income tax because we knew what a sham it was, sir. We knew that it would not -- and our history proves that we were correct because another Supreme Court came along and said, "Well, they didn't know what the hell they were doing before--" Where are we going? We've got leaders telling leaders, "You don't know what you're doing."

SENATOR MENENDEZ: Mr. Perelli, you can talk me to death, or we can try-- I listen to you very intently. I'm trying to get some parameters. You say, you can't be specific, and that maybe you never supported the size of a tax increase.

MR. PERELLI: That's absolutely correct.

SENATOR MENENDEZ: Now, did you ever come to the Legislature and say, "We think this tax is better if it is limited to this amount"?

MR. PERELLI: You used the key word, Senator: limited. Limited-- We don't know--

SENATOR MENENDEZ: Did you ever come and do that?

MR. PERELLI: Yes. Absolutely, Senator. I can bring you reams and reams of testimony.

SENATOR MENENDEZ: What tax did you support?

MR. PERELLI: No, no. Let's not play games. You're playing a game with me, Senator.

SENATOR MENENDEZ: No, no, no. I'm not playing any--

MR. PERELLI: Yes you are.

SENATOR MENENDEZ: You can't come here--

MR. PERELLI: Senator, this is not a court of law, and you're playing a game, and I'm not going to buy your game.

SENATOR WEISS: Mr. Perelli, this may not be a court of law, but this is a formal hearing, and the Chair demands that there be decorum.

MR. PERELLI: Senator, I will not be cross-examined. I'm not on trial here, Senator.

SENATOR WEISS: But you put yourself in a position of having--

MR. PERELLI: I don't do this full-time, for a living. I don't have a staff.

SENATOR WEISS: That may be unfortunate, sir, but may I say to you--

MR. PERELLI: For the taxpayers, you're correct.

SENATOR WEISS: Whoever it's for. May I say to you that the Chair insists that there be decorum in the room, and if you lower your voice about 15 octaves, we can hear you.

MR. PERELLI: Well, I want to make sure it gets on the record.

SENATOR WEISS: He can hear you. We can hear you, and it's a very sensitive microphone.

MR. PERELLI: It's a shame we didn't raise more. Senator Rand, I appreciate the fact that you raise your voice, and I think that I deserve to raise my voice just as loudly as Senator Rand, because I appreciate somebody who believes in--

SENATOR WEISS: Senator Rand is a very gentle person, and he speaks in a voice that everyone can hear in the room. I wish you would also.

MR. PERELLI: Good for you, and I appreciate, Senator, and I applaud you.

SENATOR WEISS: Whatever. Thank you. Senator Menendez.

SENATOR MENENDEZ: Mr. Chairman, thank you. Let me just say, Mr. Perelli, if you view my questions as cross-examination, all I'm trying to do-- You come before here. The press is here. A certain amount of the public is here representing organizations. The Legislature represented through this Committee is here. You come here and you make statements, as other people come here to make statements. My view-- You said a few minutes ago that we don't question enough about what is going on, to make a determination of where the taxpayers' dollars and the programs are going.

It's always been my view since I've been here, and since I've been privileged to serve in the House, and in this House on the Committee that determines the finances of the State, to ask a lot of questions. I pride myself on my questions, and for me to understand, as well as determine, because I think part of what we have to do here is determine the credibility of what is being said, what is being offered, I need to do that.

MR. PERELLI: Senator we used to have--

SENATOR MENENDEZ: Let me just finish. I need to do that. Now, if you choose not to answer my questions, that's your privilege.

MR. PERELLI: I can't answer your questions, Senator, because--

SENATOR MENENDEZ: Let me just finish.

MR. PERELLI: --you insult the intelligence of the taxpayer groups--

SENATOR MENENDEZ: Mr. Perelli, let me just finish.

MR. PERELLI: --when you try to get us to make some specific, individual comments on a \$14 billion budget. How dare you?

SENATOR MENENDEZ: Mr. Perelli, you just--

MR. PERELLI: How dare you?

SENATOR MENENDEZ: I'll continue to do it, because you can't have it out of both sides of your mouth. You can't have it both sides of the coin. You can't have your cake and eat it too. The bottom line is, you want to come here and espouse certain points of view, more than your privilege, and you enhance the system when you do. However, for me to understand what it is that you really are saying--

MR. PERELLI: You haven't gotten the message of what I'm really saying.

SENATOR MENENDEZ: No, I don't think you've gotten my message.



MR. PERELLI: Then, I should get up and shoot myself and go home.

SENATOR MENENDEZ: The problem is--

MR. PERELLI: Which I think we should all do.

SENATOR WEISS: No, you don't have to be that drastic, Mr. Perelli.

MR. PERELLI: Go home and come back next year.

SENATOR MENENDEZ: The problem is you haven't gotten my message, Mr. Perelli. My message simply is, I want to understand better. I want to listen to what you're saying, but I want to ask you questions to hear some of the answers that I'm concerned about. You only want to say something. You don't want to be able to give a little give-and-take with me. So, let me try again, maybe in a different way.

You tell me that they're unjustified, that some taxes, if justified, might be necessary, and might be supported by your group. You tell me that you can't recall ever coming before the group -- before the Legislature -- and saying, "We support any single tax," because maybe you never supported the size of it. I'm trying to understand--

We all agree that there's got to be some tax policy in New Jersey. So I'm trying to understand, as a group that's been around for a long time, and that advocates a certain-- I'm trying to figure out what is your tax policy other than "give me less," which is the best form to do the taxing? And you say, your comments, not mine -- Mr. Chairman -- "there are places to cut in government and anyone who doesn't know it should get out of office now."

MR. PERELLI: Absolutely, I stand by that.

SENATOR MENENDEZ: I'd like to hear from you, representing your organization--

MR. PERELLI: Anyone that has a staff, and anyone that has the subpoena powers that you have should be able to come up with some pretty concise information and cuts as to where

this budget is going wrong. As I said, I just gave a perfect example right there. Senator Lipman, in her own district. It's happening while we're speaking, but nobody dares touch it because it's politics, Senator, and this money that we all have in our pocket -- whatever is left -- is not politics. This is green money, and we play games with it. That's what the people are tired of.

SENATOR MENENDEZ: I believe people play games with it from both sides of the equation. You can't come before the Legislature--

MR. PERELLI: Don't say that the Taxpayer Association plays games with this.

SENATOR MENENDEZ: You can't come before the Legislature and just say-- You know, Abe Lincoln, a good Republican, said that "He who has the right to criticize must have the heart to help." In fact, what I'm trying to elicit from you, because then-- You said before, let me go back to your own words again -- Mr. Chairman -- "Don't blame Tom Kean; he was the John Lindsay of New Jersey."

MR. PERELLI: Did you understand that, Senator?

SENATOR MENENDEZ: I understand it perfectly.

MR. PERELLI: Oh, good. And they help participate in it.

SENATOR MENENDEZ: If you'd just let me finish. Let me just finish. You're all for spending spree bills, yet in fact-- I read the press, and I hear people. I've even heard people come here to testify before this Committee and they talk about acting responsibly. What is responsible? What is irresponsible? Now, I may disagree with the budget in terms of the process for its funding. Would you want me to stop State government and say, "Even though I disagree with some of the programs funded--"

Maybe I disagree with some of the programs not funded. Maybe I disagree with the revenue source. Would you

have me, and other legislators, stalemate the process in such a way that we don't move government forward; we don't vote for a budget because we all have individual things we don't like about a budget? Therefore, would your organization be willing to say that that is responsible?

MR. PERELLI: Senator, I think the only answer to that question could be what the famous Howard Jarvis said, who has passed away -- Howard Jarvis, the father of the tax revolt in California. He said, "There's only one secret to controlling government. Cut off the flow of money, and they become geniuses at getting along with the amount of money that they have." I can only repeat what he said, because I thought that was the most intelligent remark that has ever been made. Cut off the flow of money. The more there is, the more we spend, Senator, and we can't continue this madness. That's our only plea.

SENATOR MENENDEZ: One last question, Mr. Chairman. I'll give it another shot. How many years have you been in the organization or leading the organization?

MR. PERELLI: I've been personally involved in the organization about 18 years.

SENATOR MENENDEZ: That's a long time.

MR. PERELLI: That's a long time, that's right.

SENATOR MENENDEZ: And you've been actively--

MR. PERELLI: And I'm not tired yet.

SENATOR MENENDEZ: Good. That's good. It's important that you don't get tired. Let me ask you -- and you have actively been a State House observer? You have been actively a viewer of tax policy in New Jersey?

MR. PERELLI: Whenever we could get down here to do those things that were necessary, to schedule ourselves accordingly. As I said, it's strictly a voluntary organization, and we can't possibly put the time in. I'll give you anther little tidbit in history. There was a group around

here, years ago, called the New Jersey Taxpayers Association which would come down here and give you a lot of facts and figures, some of which we agreed with and some of which we didn't agree with, on some of their positions. But, Senator, they had a quarter-of-a-million dollar budget -- the New Jersey Taxpayers Association -- and when they spoke everyone thought that they spoke for the little guy in New Jersey, when in fact their funding came from major corporate donations, not the little guy.

Ultimately, sir, after being badgered by, I'm proud to say, a big mouth like me -- and I'm proud as hell of that -- they changed their name to the Public Affairs Research Institute, and I was happy about that, because I was tired of somebody saying, "We believe that this tax should go through." I was tired of the Taxpayers Association being misused.

SENATOR MENENDEZ: My question is, Mr. Chairman--

SENATOR WEISS: Go right ahead, sir.

SENATOR MENENDEZ: You've been a viewer, for almost two decades, of State policy. You've been a viewer, a proponent, an opponent, in almost two decades of tax policy. Certainly, in almost two decades, there must be some broad categories or areas that you as an organization -- I don't mean you as an individual, Mr. Perelli, but you as an organization -- I assume-- How many members does your organization have?

MR. PERELLI: We have about 200 groups throughout the State. These are civic taxpayers' groups.

SENATOR MENENDEZ: Okay. I assume that you as an organization, in fact, have views as to where we should cut -- not to say cut, because I have to be honest with you, I view it as irresponsible for people to come and just say, cut, and not share where they believe those policy decisions should be made. It's one thing to say, policy should be cut. That's a very broad-- You talked about broad sweeps before. That's a very broad sweep. Now, tell me areas that we should cut. I'm

not saying program No. 102. That's not what I'm asking you for. I don't expect you to have those resources. But you should be able to say to me, "We can cut a couple of billion out of education. We can cut a couple of billion out of highways." I don't know what, but I'd like to hear it, or else I'm making decisions, as we've been accused of, in a vacuum.

MR. PERELLI: One of the things that we've talked about for a long time was a funding of a school system through a graduated income tax. Let's get rid of this ludicrous funding by a property tax system. That's one of the things that we want to see explored, but we never saw it explored. We don't have the resources to go into depth on the study projections. But no one has ever done that in the State. No one has ever said, "Here's what it would cost the average person."

SENATOR MENENDEZ: So, you feel it may be better to fund education through a graduated income tax--

MR. PERELLI: That's absolutely correct.

SENATOR MENENDEZ: --versus property tax.

MR. PERELLI: It'll get a hell of a lot more people involved in the system.

SENATOR MENENDEZ: So, your organization may in fact be supportive--

MR. PERELLI: Yes, sir.

SENATOR MENENDEZ: --of a graduated income tax.

MR. PERELLI: Income tax specifically for the school system. Let's make that very clear. For the school system only.

SENATOR MENENDEZ: Could you share -- Mr. Chairman -- with us, are there any specifics?

MR. PERELLI: I think that the amount of money that we spend on education, money that's dumped into these school districts -- and I hate to use the word "dump"-- I would like to use the word "investment," but so far it hasn't been an

investment. I believe that there should be some very very strict laws passed to keep an eye on this money. I believe that we shouldn't leave the expenditure of these moneys, to some of these big local governments, to some of the major cities.

I believe that many of the legislators would like to see that happen too. It's a political bombshell. When you start giving money-- When you start funding the system and say, "But here are the strings on it; but we're no longer going to have strings, we're going to have chains on that money, and we're going to watch where every penny goes, and we're going to indict and convict everybody that messes around with that system." That's what the people of this State are looking for.

SENATOR MENENDEZ: My last question, Mr. Chairman. Mr. Perelli, you mentioned messages, in part, that the State chose a new group of people, let's give them a one year -- that's what I have as quoted -- period of time to repeal the taxes.

MR. PERELLI: Starting from today. Starting from today.

SENATOR MENENDEZ: So, you would like to see all of these taxes repealed December of 1992?

MR. PERELLI: That's correct.

SENATOR MENENDEZ: And you believe--

MR. PERELLI: Not in December. Gradually. In December they would have been repealed and have a program of spending cuts.

SENATOR MENENDEZ: Okay. I know I said last question, but that just lead me to another one, Mr. Chair, if I may.

SENATOR WEISS: Sure, go right ahead.

SENATOR MENENDEZ: We understand that December of '92 puts you into the following fiscal year. So, in fact, wouldn't you have to have the cuts realized by June, which begins the budget of the next fiscal year?

MR. PERELLI: No. I'll tell you why, Senator. In my years of experience, coming down here, I have seen a vote taken on whether or not the clock was right so that we could extend a legislative session. When I see those kinds of miracles happening, sir, I believe that this august body can do a lot of things that are not necessarily constitutionally mandated. I've seen miracles happen down here when you folks set your mind to doing it. I say that, in some cases with disrespect, and I say that with respect.

SENATOR MENENDEZ: So, bottom line is, you're speaking for your organization saying that, ultimately, in December of 1992 -- next year -- you would like to see all of these taxes repealed, sunset, or whatever?

MR. PERELLI: That's correct, sir.

SENATOR MENENDEZ: Thank you, Mr. Perelli, I appreciate it.

SENATOR LIPMAN: Mr. Chairman?

SENATOR WEISS: Thank you, Mr. Perelli. Thank you, Senator Menendez. Senator Lipman.

SENATOR LIPMAN: Mr. Chairman, I have been sitting on this Appropriations Committee for many years now and every time there is a new budget struck by the State we have listened to, literally, hundreds of persons who come in to ask about their programs and to say, "This is good, and we need to keep it, and so forth." Then we did have the Taxpayers Association, which came in to say, "This is not the way to go. You've got to reduce it. You've got to put a cap on it," and we would, in fact, try.

I hate the terminology that you use that we retract the budget, that we go ahead and misspend all the millions that we put into the budget. I'm sure that we have been thinking that we're doing the best for the citizens of New Jersey. And since you do have some 200 Civic Taxpayers' Associations throughout the State, it would seem to me that you could gather

your forces to come up in the next six months with some suggestions about -- as you just did when Senator Menendez pushed you; you came up with a graduated income tax. Why can't your group help us in the next six months so that we wouldn't have to make a new fiscal law about which month we begin the taxes in, the reauthorization of the sunset, or whatever we're going to do-- Why can't you come up with it in the next six months?

MR. PERELLI: Because I don't think that we should put these -- what could be perceived by the other party and give them excuses. See, I believe if you don't just walk away from this--

SENATOR LIPMAN: You are nonpartisan; you are bipartisan or whatever.

MR. PERELLI: That's absolutely correct. Let me make that clear.

SENATOR LIPMAN: So you shouldn't think of one group as being--

MR. PERELLI: That's absolutely correct. I think if you looked on the record you'll find that we can take a slam at both parties anytime that we want, and we don't have to feel bad.

SENATOR LIPMAN: I think you did today.

MR. PERELLI: Okay. And I think if you look at the record, this has happened many times in the past, Senator. What we're saying is we feel that we should all just go home and enjoy the holidays and come back next year, and let's start together. Let's start together because it's not going to be easy running the State of New Jersey making budget cuts. We're aware of that. But I'm afraid that if you do this budget -- not budget-- If you do this tax repealer, the other party is going to be able to say it was mischief and that you have caused an additional problem, giving more time for any excuses.



If you walk away now, ladies and gentlemen, and work together with the taxpayers of this State who sent the message out-- This message wasn't sent -- again -- it wasn't sent to the Democratic party. It was sent to elected officials that you'd better, you'd damned sure better listen to what we're saying. That's all. And I give a warning to the Republican party as well: You'd better damned sure live up to your campaign promises.

We have a committee called the August 1st Committee that we started. Every 30 days from the day that the people are sworn in -- that the new Legislature is sworn in, we will give a detailed report of who said what during the course of the campaign and who's doing what during the course of that campaign. We feel that's going to be very effective in saying to people, "Yes, Senator or Assemblyman 'So and So' is keeping his word because this is what they have done so far," or "No, they're not keeping their word." We're listening to the buzzwords already. We're in touch. We know what's going on. We know the deliberative process when someone had the ax already to cut these taxes, and now we're hearing all the buzzwords. God knows no one knows the buzzwords better than we do. I don't know what the difference between taxes and real taxes or people and real people or fake and real expenses-- I don't know. All of a sudden we have a new jargon going on.

I'm saying to you that the organizations in this State and the people of this State will not allow the party in power to ever do again what happened to it. We will not allow it. Look on the national scene, Senators. Look on the national scene at what's happening. We had a President that said, "Read my lips." And I have to be very frank with you; during the course of that campaign, one of the signs that we had was, "Florio, Bush, read our lips: no new taxes." And I got chewed out for putting that sign up, but I'm proud of it. The message is nonpartisan.

Thank you. I've taken a lot of time, and if I ruffled any feathers, I'm thrilled. Thank you.

SENATOR WEISS: Thank you. Well, if you ruffled them, none of us look chicken so it must be out of this room.

SENATOR LIPMAN: He didn't ruffle my feathers, Mr. Chairman. He just confused me. Since he represents the United Taxpayers, I thought they would be the first to admit that we got the message during the past election. It's been a month since then and the message is so damning. You said, "Repeal the taxes, sunset the taxes." That's what we're about.

MR. PERELLI: Well, Senator, I--

SENATOR LIPMAN: We heard you.

MR. PERELLI: I'm just saying I think you're making a mistake, and you might be hurting the Democratic party by doing it.

SENATOR WEISS: Well one reply will generate another, so let's go on with the meeting. I have many more people to talk. As a matter of fact--

MR. PERELLI: Thank you.

SENATOR WEISS: Thank you, sir. I have more people than I have time.

Mr. Tom Blomquist, Registered Voters Organized to Limit Terms? (no response) Mickey Stoeble, ex board member of Hands Across--

J O H N S H E R I D A N: Excuse me, Senator Weiss. I'm here on behalf of Mickey Stoeble from Hands Across New Jersey. I submitted a slip this morning. We submitted one Monday, but they were unable to attend today.

SENATOR WEISS: Oh, okay.

MR. SHERIDAN: They asked me to make an appearance on behalf of Hands Across New Jersey.

SENATOR WEISS: Your name is Sheridan?

MR. SHERIDAN: My name is John Sheridan.

SENATOR WEISS: John Sheridan. There are a number of people here I think I saw from Hands Across New Jersey. Can we have them all at once?

MR. SHERIDAN: There may be a different--

SENATOR WEISS: Oh, New Jersey Hands?

MR. SHERIDAN: New Jersey Hands '91 -- that is another organization, separate and distinct from our own.

SENATOR WEISS: Okay. We'll just ask you, for no other reason than my time is running out, to make it as short as possible, please.

MR. SHERIDAN: I understand. Surely, Senator.

I want to thank you. I'm just sorry that Senator Stockman isn't here, because I heard what he had to say and it's very unfortunate that he doesn't have to hear what I would like to say.

SENATOR WEISS: I'm sorry, sir.

SENATOR MENENDEZ: Mr. Chairman, I just want to know, Mr. Sheridan, who is it you represent?

SENATOR WEISS: John Sheridan is Hands Across New Jersey. That's different than Hands '91. There is some similarity in the name.

MR. SHERIDAN: This will be the first testimony given by Hands Across New Jersey on this sunseting of the tax package.

SENATOR WEISS: Thank you. Dispatch would be appreciated by the Chair.

MR. SHERIDAN: Okay, real quickly. In some of the testimony over the last couple of days, Senator, there seems to have been some confusion as to the message sent. This is chronological. All these newspaper clippings you see here of what has transpired the last two years. From July of 1990 it was, "Read our Lips -- no new taxes; the Capitol Offense Protest Taxes; thousands Protest Taxes in Trenton Rally; anti Tax Groundswell; 350,000 Rush to Sign Petitions to Repeal the Tax Package."

I think the message that you got this November, Senator, was: Repeal and/or sunset the tax package. But we would urge you to hinge that to also sunsetting the programs that have been funded by those tax increases. We support you in this. We think it is responsive, not irresponsible as some might accuse you of. I think it is very responsible. It is unfortunate that it just took so long to get the message. But I believe, as you did, you thought that it would-- Perhaps the taxpayers would have a change of heart, so to speak, if once they realized the benefits of what it was you were proposing to do or have done. Obviously they did not. Consequently, as the polls showed this November, your party took it pretty hard on the chin. I think you are now responding responsibly to the demands of the public, and that is that these taxes be sunsetted. And I think that's the best thing to do. I don't think it's irresponsible to sunset something, because it allows the new Legislature an opportunity to come in and reevaluate what was done.

I think your colleagues on the other side of the aisle had criticized the QEA. One or two had criticized the income tax, the sales tax, and I think it would behoove them now to join you in this effort to sunset it so that they could revisit it when they take control in January.

I think, also, that it would reopen the door once again to public input. There was a time, and perhaps rightfully so, it was said that these packages were shoved down the throats of the taxpayers. If that is, in fact, true, and they were, then certainly this would afford us all an opportunity to have the public input on the tax proposals and the programs funded by them. Therefore -- and just to make it very brief -- we do support you in this effort. We appreciate the effort, and we hope you are successful in your effort.

SENATOR WEISS: Mr. Sheridan, I thank you very much. I appreciate it. Do you have any questions, Senator Menendez? Mr. Sheridan, please?

MR. SHERIDAN: Surely.

SENATOR MENENDEZ: Yes, briefly. Mr. Sheridan, I appreciate hearing your comments. Let me ask you this, though: Has Hands Across New Jersey gone a little further -- and I did hear you say sunset the taxes, sunset all the programs--

MR. SHERIDAN: With it.

SENATOR MENENDEZ: With it, okay. Now, is your view about you're admitting -- whenever I say "you" it means the organization-- Is your view about sunseting all the programs because you believe that if you're going to sunset the taxes, you've got to do the programs, or is it because you believe the programs are unnecessary?

MR. SHERIDAN: No, it's not that we don't believe the programs aren't necessary. We just believe if you're going to-- In fact, we support the concept of sunseting. I think it should be done more often. Every program should be reevaluated; every tax should be reevaluated periodically. There's nothing wrong with that. That's very prudent. You want to see if it's working effectively. If it's working with the design that you had intended, is it having the impact that you intended? Therefore, I think it's the prudent thing to do.

SENATOR MENENDEZ: With reference then, through the Chair, the programs-- You said that it's not because you believe the programs are unnecessary. As an organization, what programs do you believe are necessary?

MR. SHERIDAN: Are necessary? Well, obviously, in light of the Court's mandate in Abbott v. Burke, you must find additional funding for it. Whether or not this was overreach or not through the QEA policy that was adopted and the funding, that is one of the purposes of revisiting it. Go back and look. See if there's a need for change. Has the money been misused? Has it been misspent? Could we have funneled it more differently, put certain conditions upon the funding?

I think it's prudent to revisit and revisit often. Don't just enact legislation or taxes and then say, "We're done with it," and go on to another matter. There's nothing irresponsible in going back. In fact, I think that's what the public wants you to do: to scrutinize everything, not only today, but tomorrow and the day after.

SENATOR MENENDEZ: Mr. Chairman, through you. You cited one example which is the Supreme Court's decision in Abbott v. Burke as something that has to be funded. Is there any other part of the package in terms of programs that you believe, as an organization, should be funded?

MR. SHERIDAN: The Homestead Rebate program as it was extended and as it was augmented and enlarged, I think that, too, needs to be looked at.

SENATOR MENENDEZ: Okay, it needs to be looked at in what respect?

MR. SHERIDAN: In what terms, in what respect?

SENATOR MENENDEZ: In keeping it or reducing it?

MR. SHERIDAN: Perhaps you may want to consider repealing it. I know that we think that there's just too much cost in taking money and then sending it back. Why not just have the-- If you want to give the taxpayers something, and only you can determine, or the Legislature can determine-- We'll give the input on it at the appropriate time, but it might be wise to give it to them up front at the time they file their income tax, the property tax deduction. Give it to them there. That way you can eliminate these costs associated with the checks and evaluating all this paperwork.

SENATOR MENENDEZ: All right. So you would be for the entire elimination of the Homestead Rebate program?

MR. SHERIDAN: Yes.

SENATOR MENENDEZ: Anything else? I appreciate these answers because whether I might agree or disagree with you, at

least I have an idea of what, responsibly, you would do as an organization in terms of programs. Anything else that you would, in fact, as an organization--

MR. SHERIDAN: As an organization, the one thing that we advocated from the beginning, particularly with respect to the highway authorities-- We wish that you would revisit those statutes which created the highway authorities -- these autonomous agencies. God, we wish you would do that. I think there is certainly a lot that could be done in that area with respect to bringing those departments together under one unified commission, or bringing them into the DOT. Repeal the autonomy. Bring them in and make them more accountable.

There's also these bond issues. We're disturbed about this recent bond proposal on the Sports Authority. We would like to see that go to a referendum.

SENATOR MENENDEZ: Let me ask you this, Mr. Sheridan. The takeover of the State of county hospital costs, do you believe as an organization that that is something that is important or something that should be done away with?

MR. SHERIDAN: I wish, Senator, that I was more familiar with what it is you are referring to. I would be happy to respond, but I'm at a disadvantage.

SENATOR MENENDEZ: Okay. I'll just try to explain it and maybe that might-- As part of the overall package which some of us viewed as property tax reform, which I assume that your membership is also upset about -- I assume that they are property owners or rentpayers who pay property taxes through their rents -- that the State, instead of having the counties pay for psychiatric hospitals, which each county has-- In fact, the State of New Jersey recognizing that that is a service that must be provided across the State, picked up its cost away from local property taxpayers who pay county taxes as part of their bills and did it in a more uniform way through the State. In doing so, it did away with the discrepancies of

the accident of where you might happen to live that you might pay more in one county versus another, but ultimately paying money. Has Hands taken a position on that?

MR. SHERIDAN: It concerns me when the State picks up the cost for any municipality, any county, because it sort of hides the additional costs that are associated with running those municipalities and county governments. So every time you pick something up, it's something that we don't see on a local level. If you provided the basics and allowed the counties to fund, and the municipalities to provide the direct services through direct costs to the taxpayers-- And I don't know, I won't get into how it should be created or drafted, or what have you-- I think the people of this State would have a better understanding of where their tax dollars are going, overall. Do you get the drift of what I'm saying, Senator?

SENATOR MENENDEZ: What you're basically saying is that you don't want the State--

MR. SHERIDAN: I see you're sending-- In other words, you're collecting all this money. I think you've sent back to the aid of municipalities or in counties like \$9 billion goes back to the counties in toto?

SENATOR MENENDEZ: In the entire State budget?

MR. SHERIDAN: Yes.

SENATOR MENENDEZ: (confers with Aide) David, is that about right? (affirmative response)

MR. SHERIDAN: About \$9 billion? And that's something we don't see. If you see it going to the State then you assume, and I think for the most part that's the way the taxpayers feel, that the State is-- That revenue goes to the State, and they have no say in how it's spent or where it goes. In fact, we don't. You turn it over to the municipalities. You put the cap law on what you're referring to.



I've now seen, or we're witnessing a movement that's afoot to create more authorities: the Parking Authority; let's create a parking authority. Now there's a bill pending to give them tenure. This is terrible. This is not what we want. We don't need more autonomous authorities on a local level, on a county level, or on a State level. What we need is accountability, because that's going to allow them to escape those caps.

SENATOR MENENDEZ: Okay. So is it fair to say that your organization is also concerned about property taxes?

MR. SHERIDAN: Oh, very much so. We're also concerned about the legislation pending now with the business ratables that the League of Municipalities, and I believe, Senator Weiss, you'll be addressing that in the near future-- We're very concerned about that 1986 court decision and the impact it's going to have on business. We're also concerned about the legislation that's now moving forward to correct that situation. They could transfer a big tax burden to the people -- the property owners who can least afford it.

SENATOR MENENDEZ: Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Mr. Sheridan. Thank you, Senator Menendez.

Mr. Riordan? (no response) Mr. Goldfarb? (no response) Mr. Cuccinello? (no response) Mr. -- I'm not sure -- Bernard L-A-U-F-G-A-S? How do you pronounce that?

**B E R N A R D L A U F G A S:** Bernard Laufgas.

SENATOR WEISS: Laufgas. Bernard, I knew. (laughter) You'll have to forgive my ignorance.

MR. LAUFGAS: Good afternoon, Mr. Chairman. I met you yesterday. It was a pleasure meeting you and I met Senator Lipman back in 1987. I don't know if she remembers. It was a nomination for somebody to be a judge. And I thank you for, at that time, voting against him, and he was a Democrat. By the way, I do go into his courtroom, and I think he stutters when he sees me in the courtroom. I keep an eye on our judges.

Good afternoon. Let me start off. You have many people here who are Republicans and evidently they want to speak out. I'm a Democrat. I've been a Democrat since 1980. I speak for myself as a Democrat. I just want to set the record straight -- okay? -- and not as the organization, the Public Watchdog, which is a newly formed organization. We have quite a few members. We also have volunteers, 23 attorneys that volunteer to do pro bono work for us. We are a little different from many organizations because, as the Spartans used to be in Greece, we are aggressive, and we will take action in court to correct wrongdoing by government, mainly, and if there is by private business, we will do that also.

Presently we do have two actions: One is against school officials, 24 of them, for stealing, and I'll go into that in a little while. The other one is against one of your State agencies, the Division of Motor Vehicles and the Department of Insurance. They simply ignored what you voted for. Senator Lipman, Senator Stockman voted for it, Senator Littell, and a number of others. They simply ignore the law. The biggest travesty in this State's history they are committing now, since 1983. People have gone to jail for driving on the suspended list. No one has assessed them points legally. This Title 39, Motor Vehicle-- There's been a law on the book. The statute is 39:5-30.6, which specifically authorizes the court -- the judge -- to assess the points. Senator Weiss, you're not telling me--

SENATOR WEISS: No. As a matter of fact, very fortunately I am not. Excuse me, present company, Bernard, absolutely accepted. Senator Menendez is a very astute attorney and a good friend.

MR. LAUFGAS: Let me set this record straight. The only one that's authorized by law since 1983 to assess points is a judge. The court shall -- S-H-A-L-L is a direct order.

SENATOR WEISS: Oh, I can't interpret it for you. Perhaps the Senator can, for the moment.

SENATOR MENENDEZ: My look of amazement, Mr. Chairman, is that I am trying to get the relevance of Mr. Laufgas's Title 39 to the repeal.

MR. LAUFGAS: You'll understand in a second.

SENATOR WEISS: I think it's just that they don't follow the bureaucrats, or someone doesn't follow the law. I think that's the point. Is that it?

MR. LAUFGAS: I understand. Let me explain. Our organization is a little different, as I've said. We are here. We are going to take on the government. We're going to take them on where they're going to listen. We're going to take them to see Judge Wapner, as they say on television. Okay? In plain English, this is the only way to understand. There's one other way and that's the gun, and I don't believe personally in guns. So, the other way the government has more of that than us.

I believe about a year or so ago, our Governor, which I helped elect -- that I went out there, and I regret it-- I'm not ashamed of it, that I regret helping him get elected. Not because of the tax, not because-- Mostly because the Governor promised us, "Give me one year and I will streamline the government." I was delighted. He's going to take this big, bureaucratic monster and condense it, and he's going to make it better for the people. This is why our organization is offended, that this bureaucratic monster-- He has not done that. We have excess baggage in this State -- talking about in the judiciary, talking about in the executive branch. Now let's go into-- I'll come back to that.

We have, last year, you shoved on us \$2.8 billion. What that did is basically take from one hand and give it back to the people. That was wrong. That was to buy votes, in plain English. Now, what did that \$2.8 billion-- When you give us some of it back to us -- \$750 million to \$780 million was in the form of rebates. Why take first, and then give it to us? Why not just leave that alone?

Another one, Quality Education. You gave that back. And I'll go back to the board of education where the money went, and I think it's going to be an eye opener. What Vinnie told you is part of the problem.

Another one was property tax relief. You gave it to them on the school boards so they could waste more money. And some of the tenants received a rebate from the landlord. However, again, you took it from the taxpayers. Totally unnecessary. People on welfare receive a check from their landlord. Basically, the City of Newark that has a Housing Authority had to give money to welfare. I'm not against people that really need the money, but how could the city give back a rebate in the form of \$70, \$80, \$100 or whatever?

Now, another thing that they did: When Governor Kean left, he left us with \$100 million, the uninsured--

SENATOR WEISS: Uncompensated Care Fund.

MR. LAUFGAS: And we had to pay that back to the Federal government.

SENATOR WEISS: Thirty-three million dollars a year.

MR. LAUFGAS: I didn't hear any of you say anything about that.

SENATOR WEISS: You're not here all the time. Absolutely.

MR. LAUFGAS: I apologize if I didn't. But nothing was really said in the election. You people ran for reelection. Why didn't you speak up? Why didn't you tell us what Governor Kean was doing to us?

SENATOR WEISS: Mr.--

MR. LAUFGAS: Laufgas.

SENATOR WEISS: Bernard.

MR. LAUFGAS: Yes?

SENATOR WEISS: Let me tell you something.

MR. LAUFGAS: Yes.

SENATOR WEISS: Since I-- I give you this because it's a personal experience.

MR. LAUFGAS: Okay.

SENATOR WEISS: Since 1982, and that goes back a ways, when Governor Kean came in, this was before that, I had been proposing-- And those were first a couple of bad years, then good years. I had been proposing that we put money away. It was called a "Rainy Day" fund. I couldn't get it through that administration no matter how I tried, and we had a billion dollars. And I want to tell you something, there were a few people in this room, Senator Lipman, Senator Rand, then Assemblyman Menendez, who were with me on that thing. We all were. We asked that it be put away, and this would not be the situation in this State today if they had listened. But the problem down here is when you come up -- and I agree with many of those who appeared here today-- When you come up with a program that no one really likes or no one wants to do, they just don't listen. I agree with you, and I want to tell you something. Some of us are paying the penalty for that. That's my resentment.

MR. LAUFGAS: I understand. Senator, let me continue.

The other thing, you just gave a couple of million dollars to a township in Ocean County, Manchester Township. Why? I'll tell you why: Because Governor Florio wanted to save the town. If the people in that town-- And by the way, that administrator was Joe Portash. He died, and he took millions of dollars.

SENATOR WEISS: That was under the Kean administration.

MR. LAUFGAS: No, that was done--

SENATOR WEISS: Under Kean.

MR. LAUFGAS: But still it was done under the Kean--  
However, money was given to Manchester--

SENATOR WEISS: You're absolutely right.

MR. LAUFGAS: --under Florio. Why did they give it back? For votes. And that was wrong. Stop buying votes.

I went in 1982 and I told Joe Portash he's a crook, and I would like to complete what the Prosecutor started.

SENATOR WEISS: I would ask you to, as I asked the previous witness--

MR. LAUFGAS: I understand. Not to mention names.

SENATOR WEISS: No names, please.

MR. LAUFGAS: I apologize, Mr. Chairman.

However, why let the people, just like in the Soviet Union-- By the way I was born in the Soviet Union. They're suffering now. They will appreciate the country a little better once they get out of their mess. And those municipalities, they simply voted for his people for years. However, now they're going to confession and asking God for forgiveness why they listened to them. Why did the Florio administration pump in millions of dollars of all of our money to save a little town? If they go under, fine, let them go. The next town will learn then because we have to learn from history.

Now let me go into some of your agencies where the excess baggage is. Let's go into the Department of Education. The Department of Education is supposed to oversee all the school districts. Am I correct, Senator?

SENATOR: That's part of their job.

MR. LAUFGAS: Okay. You ought to find out when was the last time they did an audit in Burlington Township, where I live. They haven't done that. You make legislation for them to follow. They ignore you. Why are we paying that excess baggage? Get rid of them. Streamline the Department of Education. Maybe a secretary and one individual will do a better job for you for all those people that are sitting over there and drinking coffee.

Now you started off by giving the teachers, a few years ago, a starting salary of \$22,000 a year. In our town a year ago, they gave them a 30% increase over three years. Now, you should cut off aid to school systems totally. What you're creating is another form of a welfare system. The Board of Education relies on this money religiously, like a drug addict. You should cut it off. Let them rely. Cut off the Commissioner's power. When the voters vote on a budget, don't give the Commissioner the power over the voters. Give it back to the people. Let them go down there and cut. They have a right. School boards, I don't know whether you're aware of them, they have a right to take money from one account and put in another. So whatever you cut, they'll have money.

Senator, you were referring to that Superintendent that went from Middletown? Well let me explain to you. I'm a little more familiar about that. He charges to his credit card for an escort service. The escort service was from Camden. My question was -- and I called up -- was she male or female? That was my question. That's ridiculous.

Let me tell you some of the other things that the school board did, and by the way, I've been litigating them since 1986. There's no money for-- If a kid forgets his money for lunch, they charge them. The Superintendent took \$3000 to go to Las Vegas. On the way, he rented earphones for \$3.50 so he could listen to the television and radio. He had to go see ESPN boxing. That's very educational to teach our kids. I thought corporal punishment was outlawed. He also rented a car for \$244. Why? Why do school boards have to spend two nights in Atlantic City at a convention? We're only 45 miles away. Who is more important, the kids or the superintendent? He's making more money than the kids.

Let me give you another thing. He got caught pumping 1300 gallons into his private car, his wife's car, his daughter's car. The transportation coordinator-- They fired

the transportation coordinator. Nobody did nothing-- Oh, they took away an increment, an increase in his salary, by \$2000. They next year they gave him a \$5000 increase, plus the \$2000 from the year before.

Now, let me tell you another thing. Recently it came out that the school board overspent on the bond, by \$1.2 million. The County Superintendent turned around and he said, "Well, that's typical." I wonder if he would do it in his own household budget. If they overspent \$1.2 million, I think he would be in bankruptcy.

The School Board spent \$8000 to prosecute me for passing a school bus. By the way, they use a statute -- here's Title 18 (witness displays statute book) 18A:16-6.1. That statute is to defend employees. I filed-- I'm very good, of course, as a litigant. I filed a petition before the Commissioner. He sent it to the OAL. The OAL judge -- and I'm going to the OAL -- turned around, and on the day he told me to commence discovery, he closed the case, and he said, "How's that prosecutor going to get paid?"

SENATOR MENENDEZ: Mr. Chairman, if I may?

SENATOR WEISS: Yes.

SENATOR MENENDEZ: My question, Mr. Laufgas, is: I listened to you with intent. Are you going to get at some point soon to whether you are for or against the repeal or the sunset of these taxes--

MR. LAUFGAS: I will.

SENATOR MENENDEZ: --and if so--

MR. LAUFGAS: Absolutely.

SENATOR MENENDEZ: I assume you're leading to that.

MR. LAUFGAS: Absolutely, I'm leading to that. I'm showing you where that money for education is going. We have school board members whose wives are teachers. How could they work for their increase? Where is that money going to, that you give back to the towns? That's your funding. They are



taking it. When the voters vote on the budget, they don't care, because they still have money to send the superintendent to Las Vegas, or Disneyland. That money is not for him. That money is for the education of our children. He had his education. He has a Ph.D. And if he doesn't have it by now, I think he ought to go into a different business. That's what the change--

Now, let me-- The total money that you are allocating for education, for the school system, should be cut out. Let the municipalities work on a smaller budget that will be a little more conservative when they don't have that money. Let's go into the Attorney General's Office, that is supposed to represent the government -- the State. The Attorney General's Office sent a representative to Atlantic County because I wanted to see public records. He wasted taxpayers' money, money that you voted for the AG's Office, so he could go to Atlantic City and tell the judge that I had no right to look at the voter registration lists because I'm not a voter in Atlantic-- I'm not a registered voter. They couldn't find my name on the voter registration lists in Atlantic County. Of course I'm not in Atlantic County. I'm in Ocean County. But he went--

I told George Connors at that time it must be the polluted water that he drinks or the illegal cigarettes that he smokes. This is your money -- taxpayers' money -- that he's wasting. You should streamline that agency, that excess baggage. Why are we giving jobs to Deputy Attorney Generals who don't even know how to tie their shoelaces? They don't know the "Right To Know Law." I don't mean about chemicals, I'm talking about looking at public documents. Why is it necessary to waste the money?

Going back to that statute. That statute has been in effect since 1983. People have gone to jail. The Deputy Attorney General wrote a brief--

By the way if you want to know about the points -- how the points came into effect, Senator, this is the brief that the Attorney General's Office sent. Those Deputy Attorney Generals should be fired. In private practice there are attorneys who own the firm that would get rid of them. It doesn't say anything about the statute.

I have three -- a number of affidavits. The Chief Court Administrator says, "We never instructed the judges to give points." You don't have to. You have a statute. This is the type of people that you are paying. Streamline that excess baggage.

By the way, the judge sent it to the Appellate Court, Judge Levy. For your information, here is his abstract. (witness displays abstract) He has points, and he shouldn't have had it, because no judge has given him points. Why are we paying them these huge salaries? They are wasting our money.

I wanted to see documents at the Department of Insurance. They denied me. I had to sue them again. Again, they had to send a Deputy Attorney General. A total waste of money.

SENATOR RAND: Mr. Laufgas?

MR. LAUFGAS: Yes.

SENATOR RAND: Would you please get-- Senator Menendez wants to ask you some questions. Would you get to the point that he wants to refer to? We would appreciate that.

MR. LAUFGAS: Correct.

SENATOR MENENDEZ: Mr. Chairman, maybe I can-- Mr. Laufgas, can we characterize your view as one in which all levels of government, because I think you are going to go through--

MR. LAUFGAS: No, only a few.

SENATOR MENENDEZ: --a hundred examples-- Which is fine. Is your view then that every department of government -- every department -- because you have already said that we should cut all aid to public schools--

MR. LAUFGAS: Correct.

SENATOR MENENDEZ: --even though that would defy the New Jersey Supreme Court?

MR. LAUFGAS: Change the law.

SENATOR MENENDEZ: You're not an anarchist, I would assume.

MR. LAUFGAS: No, absolutely not. I believe in law.

SENATOR MENENDEZ: Okay, so therefore I would assume you expect us to observe the law as well, as law-abiding citizens?

MR. LAUFGAS: Absolutely, absolutely.

SENATOR MENENDEZ: All right, so we can't quite do that. Now, I've heard your examples of the Attorney General's Office and the Department of Insurance. Is it basically your opinion that we should cut across-the-board?

MR. LAUFGAS: No. Absolutely not.

SENATOR MENENDEZ: Okay. Well, can you help the Committee, because I know there are other members, and I want to hear them, as well. Can you help us-- What is it that you stand for? What is it that you believe it should-- As to the issue before the Committee of sunseting the taxes, what should we do.

MR. LAUFGAS: Call it whatever you want to. I'll tell you. We should--

I have to just mention a couple of other agencies, just briefly, and I'll go. We are totally-- In repealing that tax, that \$2.8 billion, plus more--

SENATOR MENENDEZ: Okay.

MR. LAUFGAS: However, there is waste. Let me give you a couple of agencies that should be cut completely. The OAL. What are they doing? There was an article in The Star-Ledger not too long ago. They are sitting around and drinking coffee. You're paying them. In private industry they would not exist.

You just voted for 36 new judges. We have a chronic shortage of judges in Ocean County. We need four more judges, however, Ocean County sends judges to Gloucester County. Where is the shortage.

We just spent \$96,000 to send judges to a three-day school. That's ridiculous. If they want to go to a three-day school, let them go over the weekend at their own expense. There is no reason for the taxpayers to spend all this money.

Now, the Attorney General's Office gives ludicrous opinions. And I think somebody-- We should have better. Now, we have asked, and I litigated a number of agencies, and I got a court order for the Attorney General's Office to permit me to receive the magnetic tapes from the Department of Motor Vehicles. I don't know if you know what magnetic tapes are, but they contain everybody's driving record in New Jersey. Now they are telling me they want me to pay a dollar per magnetic page. Now, I want to help, but we need help from you. Order them to give us that information. We want that information from the Secretary of State's Office. We want the information from the Election Commission. We want that information from Payroll.

Now we have a main frame. We would work with you. But we want reasonable fees to charge for that. They don't know how much to charge. The Election Commission charges \$125. The Payroll is going to cost us \$250. The Department of Motor Vehicle, they want a dollar for each magnetic page. Multiply six million drivers times three pages, and they want the money up front, because they don't trust us. That's ludicrous. This is public records. It should be available to the public at a minimal charge. Why? It is totally unnecessary. They should work together with us, but they're in their little niche. They don't give a damn for us, the bureaucrats.

In a way they are making fun of you people. They are telling you, you are only going to be there temporarily; we are going to be there much longer than you.

You are representing us. We have a check and balance between the three branches of government. You make law, the executive branch enforces it, and the judicial interprets it. When a judge tells me, or tells any attorney a ludicrous statement, that "shall" is discretionary, not mandatory; the penalty points are our indexing, there are no seriousness to them; and the Director of Motor Vehicle has the same judicial authority as the judge; that judge should get his walking papers and find another job, maybe in construction. And I'm not going to mention his name. By the way, he is just down the street from you.

Now, how could we have fairness? Like I said, our organization cares more about what type of service you give us. We care about the taxes. When you cut the excess baggage, when you streamline the government -- really streamline it. You don't need 87,000 employees. You could cut down. You need help, Senator. I'll sit down with you. I'll show you how to correct the people's driving records. I'll show you, there are people sitting in jail today because they were driving on the suspended list -- illegally. I thought that was done under Hitler and under Stalin, people were thrown in jail, not in New Jersey. We want something better for the people.

How can you tell somebody that penalty points are our indexing? They're not serious. Have you received your surcharge lately from the Division of Motor Vehicles? Totally illegal.

This is what I'm referring to. You ask me to pay taxes. Fine, I'll go along with you. Show me a reason why, when you tell me you want me to pay taxes, and I tell you there are people sitting in jail illegally, or people are being surcharged by the Division of Motor Vehicles illegally, how can

you ask me to pay to fund those fools that are doing a job on us? What we should do is give them a size 9, and kick them out of their jobs. When they are unemployed they will appreciate what it is to work for the public. In China they used to have public servants, and they appreciated the jobs. Maybe our public servants are just like our big corporations, and maybe that is why a lot of people don't buy American vehicles, because the quality has gone down. Well, in New Jersey, the quality of State service, and through no fault of yours, the fault of the employees and the bureaucrat-- They are doing it to us.

Let's cut it out. Let's get rid of some of those cabinets and pay new ones with half salaries. You will save. That's what we should do.

We are totally against-- We want the thing repealed. Sunset it, repeal it. Every year when the budget comes out there should be hearings and we should look into ways to save tax dollars, and not waste. As of now they are wasting money in every State agency. And if you wish for me and my organization to help you, I'll be more than glad to do that, Senator. You have a nice day.

SENATOR MENENDEZ: Thank you very much, and I'll be looking forward to--

MR. LAUFGAS: And one last thing: There is no money-- Ocean County, this update from the Ocean County Observer. It says, "Recession slaps County budget." By the way, this is Republicans. The County just gave the County Attorney an increase from \$110 to \$125 an hour. That same law firm advised their private clients not to pay their State taxes. If you want to see the letter, I'll show it to you.

SENATOR RAND: Mr. Laufgas, thank you very much.

MR. LAUFGAS: You have a nice day. Senator, do you have any questions?

SENATOR LIPMAN: No. Thank you.

SENATOR RAND: We have three people from New Jersey Hands '91: Lillian Fox, Stephen Napoliello -- is that correct -- and Frank Mikorski. Did I pronounce the names correctly?

F R A N K M I K O R S K I: I'm not with that group. I'm just--

SENATOR RAND: Mr. Mikorski, you're not with that group?

MR. MIKORSKI: No. I'm just an individual citizen.

SENATOR RAND: All right. How about the two people, Lillian Fox and Stephen Napoliello, are they with Hands '91?

S T E P H E N N A P O L I E L L O: Yes.

SENATOR RAND: Would you please come up, sir.

MR. NAPOLIELLO: Yes, sir.

MR. MIKORSKI: But don't forget me, though.

SENATOR RAND: Oh, I won't forget you.

How about the lady? Do you want to come up also?

L I L L I A N F O X: Well, I--

SENATOR RAND: Are you from the same group?

MS. FOX: Yes. But I'm speaking on a different area.

SENATOR RAND: Well, we're going to allow you to speak on a different area.

MS. FOX: Do you want me to sit there now?

SENATOR RAND: We would appreciate that.

MS. FOX: All right.

MR. NAPOLIELLO: Senators Dalton and Weiss, I would like to thank you for allowing me to make some statements. I am in favor of sunsetting and downsizing government. I would like to start off by mentioning that I feel we have a major crisis of credibility in governing today, and the people's revulsion with the ongoing, continuing blatant public lying by politicians. The most recent reversed public pronouncement of, "Read my lips, there will be no new taxes," is one of the most recent blatant examples.

The reason why tax groups are popping up and proliferating all over this State is not because we think it's fun to be here, or we have nothing better to do. We feel betrayed. We feel robbed. We see real estate, sales, income, and every other tax rising and robbing us of spendable income and savings, which also adds -- and we shouldn't leave it out -- inflation of goods and services that we attempt to buy. We are here because we are sick and tired of seeing and hearing of pressure groups getting their demands, while we are forgotten -- the taxpayers.

Let me continue with the anatomy of oppressive taxes in New Jersey, and the fact that taxes only lead to more taxes. Let me give you some examples. In 1963, under Richard Hughes, after tremendous partisan battle, we got our first broad-based tax, a 3% sales tax to relieve, "local real estate taxes, etc., to help improve local schools." In 1965 they came back to raise it to 5%. The people complained that local real estate taxes didn't go down as promised, they went higher. Politicians countered at that time by saying, "They," -- the real estate taxes -- "would have gone even higher, had we not invoked the sales tax."

Then again in 1966, Richard Hughes and the Legislature tried to push through yet another broad-based tax, the income tax, which was stopped by partisan opposition, and then forming tax groups.

In 1968, Bill Cahill, before being elected, would not commit himself on taxes, but was heard to say after being elected, we need a broader based tax, an income tax, to "support our local schools in a more equitable manor, and to give local real estate tax relief." Thanks to the tax groups, it was defeated. So was Cahill and his bid for reelection in the 1971 primary.

In 1971, Brendan Byrne in October, "There will be no income tax in the foreseeable future." A very famous quote.



Soon after being elected and before taking office, he was huddling with the Legislature -- legislative leaders -- to put together an income tax package. That package was dubbed a progressive income tax that topped out at 8%. Thank God it was defeated. The battle raged on until 1975 when they dreamed up and passed the Thorough and Efficient Education Tax -- T&E -- two-and-a-half percent.

In 1981 Tom Kean, the Reagan Republican, who promised to cut everything. Instead, in 1983 he raised the sales tax from 5% to 6%; the income tax from two-and-a-half to three-and-a-half percent for those making over \$50,000; and added two-and-a-half cents to the gas tax in 1988, and doubled the State payroll.

In 1989 -- September, October -- Jim Florio, when asked about tax increases he said, "I don't know that the citizens of New Jersey are undertaxed, and if I am elected Governor, the first thing I will do will be to conduct an audit to see that we are prudently spending the revenues that we have, to effect cuts in waste, to set spending priorities. I have a sense that moneys are being wasted." The understatement of the century. It was no time at all after taking office that Governor Florio and his legislative leaders passed through the Legislature, without an audit, and without bipartisan debate, one of the largest State tax increases in our history.

Since the advent of the income tax -- the T&E law in 1976, 15 years ago, our State budget of then approximately \$3 billion has gone up 490%, to \$14.7 billion. The present FY '92 budget has gone up 17% -- or 16.7% over the previous budget. Do all politicians think that there is no bottom to the taxpayer pit, that more and more must be spent, and higher and higher taxes must be levied; more and more government bureaucracy is better and that more and more pain must be inflicted on the taxpayers? Doesn't this body ever think, or

doesn't our government ever think of downsizing government, eliminating the unnecessary and waste and reduced budget and taxes?

I'm also disappointed that the Republicans aren't here today. As a matter of fact, I'm mad as hell about it. At least they should have had the courtesy to be here to contribute something to these hearings. Let's put their feet to the fire. That's my feeling on this. I feel that you should pass this sunset. I feel let's put their feet to the fire. I feel that a bird in the hand here, is worth nothing at all by the end of the year.

Where would I cut, I guess is the question you would ask me? I would eliminate the Public Advocates Office created by Brendan Byrne. What is the function of the Public Advocate's Office? As I understood it under Byrne, it's to serve as an ombudsman between the people and its government. Well, gentlemen, that's your job. You are our representatives. You are our ombudsman. We don't need a Public Advocates Office. It was created as a haven for lawyers. I say put them out to useful work. Eliminate that Department and save us a lot of money.

I would look at the Department of Human Services, to eliminate a couple of layers of bureaucracy or directors over there. For example, in FY '91 they had a budget of \$191 million earmarked for five State mental institutions to provide care for 2600 patients. That comes to \$76,000-- This is just an example of what goes on in State government. That comes to \$76,153.35 per patient. I'd say, gentlemen, there is something wrong there, when we have to spend that kind of money to help these people. I'd say you have a couple of layers of directors or management that you don't need. And I understand that is the case. We have directors running around that the superintendents can't find. It jumped \$20,000 per patient from

1986 to 1990. Do you folks ever look at these ratio costs when you create new programs and when you create a new budget? I wonder.

New Jersey DOT, for example, apparently has some managing problems. When we see-- When we go along Route 130 and we see a worker out there with a hand shovel, going along, cleaning the curb, picking up some sand and tossing it to the right-of-way, behind him we see two gigantic dump trucks and a forklift following those two trucks and about six or seven men. One guy shoveling.

I would also look at the DCA -- the Department of Community Affairs -- with approximately 1200 employees, telling our local towns and cities how to run their affairs. Let me give you an example of what the DCA can do to us in these towns. I had a fire last year; my home was burnt out completely. I had to reconstruct that house. I had to pay \$2800 in permits to reconstruct my house because the DCA mandates the fee schedule for permits granted by third party inspection, as of January 1990. Prior to that every town who hired third party inspections got whatever fee they could get, and we were fairly low. But the State got involved and brought them all up to, I guess, North Jersey levels, or New York levels. You know, what the hell are they doing sticking their nose in town business when towns can operate more efficiently?

The Department of Education is another example. Governor Florio appointed an Inspector General to see to it that the QEA funds are properly spent. What's the Commissioner of Education doing? Why do we need an Inspector General to see to it that the funds are properly spent?

And I wondered -- as well as many people wondered -- why was QEA ever established? I mean, the figures that I got. I looked at cost ratios. The figures that I got from NEA was that New Jersey was spending per pupil, on average, \$8436 per student. The national average was \$4500. QEA is going to

mandate \$12,000--some-odd for high school students. In my town, we are already approaching \$10,000 per student. Camden is around \$9000 per student. I understand Newark is around \$12,000 per student.

SENATOR LIPMAN: Yes, \$12,000.

MR. NAPOLIELLO: This is ridiculous. This is a Princeton University. Why do we need QEA when we're spending this kind of money? Why don't we find out why this kind of money is being spent. I'll tell you why in my town. We have a superintendent who makes big bucks. He had an assistant superintendent who sat there during the day picking his nails. He has been so embarrassed by continual pressure that he has retired, finally. We have a system of 2056 students. We have a superintendent who is making close to \$100,000. We had an assistant superintendent. We have principals, we have assistant principals, we have supervisors, we have department heads, we have coordinators. You have six layers of fat before we ever get to the classrooms. What you gentlemen have to find out is how in the hell we can get this money to the classrooms -- to the teachers -- and eliminate all that fat who add nothing to the classroom, really.

At the State level -- DOE -- we have layer after layer after layer to regional coordinators. That's where our money is going, gentlemen.

And these are my examples of where you can look, and I thank you very much for being here.

SENATOR RAND: Thank you very much. Ms. Fox?

MS. FOX: Okay. Mr. Chairman, I really don't know your name, so I'll call you Mr. Chairman.

MR. NAPOLIELLO: It's Dalton. Senator Dalton.

MS. FOX: Dalton, okay.

SENATOR RAND: Do you want to move that mike right over?

MS. FOX: This one?

SENATOR RAND: That's it.

MS. FOX: Okay, Senator Dalton--

SENATOR LIPMAN: No, it's Senator Rand.

MR. NAPOLIELLO: Oh, I'm sorry.

SENATOR RAND: That's all right.

MS. FOX: He told me Dalton. All right, Senator Rand, and the Senators who are present. I thank you for having me here.

SENATOR RAND: Could you speak into the mike, just a little bit. Bring that over a little bit.

MS. FOX: This one? Can you hear me now?

SENATOR RAND: That's it, thank you.

MS. FOX: I don't think I had it turned properly.

I don't have anything to read you. I have little notes I made while sitting there. First I'm going to introduce you to something. Of course, you know what this is, this is New Jersey Hands '91, and this one says, "Repeal the Income Tax". (referring to buttons worn by the witness) This is an old friend, this one. This one I've had for 15 years. I went to Trenton when they were passing the income tax for T&E -- Thorough and Efficient Education. I was a school board member at the time, and I was very much opposed to this. There was a tax group, and I was one of them, and I have the year in the back of it. I'm sorry that I have to wear it again, but I do. And I hope that after listening to me -- and I'm sure you have heard from others -- that it will never be necessary for anyone to wear this again.

The singles' income tax is what I'm here to talk about. I am single because I am widowed, and I am retired. I have an income.

First, let me back up a little bit. I'm also representing many people who are not retired, who are younger and who are working, and they are working-- I don't know why this big double tax. We are paying twice as much in taxes, at this point, than married people are. I'm talking about married

people without children. I have two people living alongside of me who are in this situation. And I am not angry with them because they're not responsible for what you people have voted for.

The single people: We don't live in a little room someplace, and we have all this money, and we just go out and have a good time, and we don't have anything to do with it so we have to give it to you -- or give it to you for you to spend. And you're spending it in a way that I feel is absolutely outrageous, because you are taxing -- overtaxing -- a disproportionate amount of people. At least when this tax went in in 1975 or 1976, at least they taxed everybody, and those who didn't have much gave nickels and dimes, but nickels and dimes count up too, they really do.

This business here, higher tax rate for wealthy. I am not wealthy. I am middle class, and the way these other single people are now working, to pay for their mortgages, to have a little nest egg for their later life, so we don't have to say, "Well, Social Security doesn't give us enough. The government has to help us." We prefer to have our independence and our dignity. But we don't want to be robbed either.

I remember some years ago I saw an article in a newspaper which stated a statesman -- and I just wish I could remember his name, but it was someone from back in revolutionary times -- and he said, "Taxation for anything that is not absolutely necessary is highway robbery." That's exactly what you, the Senate, the Assembly, Florio, and the whole bunch of you are doing to single people.

Now, I'm in a home now. These people, the ones who are single and working, are doing what I did. I had two little children, I went to work. I was raised to take care of myself, to pay my own bills, not to ask anybody to give me anything. In turn, I'm not crazy about paying somebody else's taxes when I already have to pay my own.

The QEA is a joke of its own. But let me tell you-- I can only-- I have talked to people; we have a lot in common. I will tell you about why I feel this way, and please relate this to all the others who are out there, because they all feel exactly the same way as I do.

I have a home. I have been in this home for 34 years. I am alone now. My children are married; they have children. My husband passed away six years ago. I have to pay-- I'm relating to why the difference between the married and the single. That's one of the points I am trying to make.

I have a house, the same as my neighbors have a house. I have to fix my house; I have to repair my house; I have to get the plumbing fixed; I have to get the roof fixed. I have to pay my taxes. I pay my taxes on my house. They pay taxes on one house. They don't pay it on two, yet they are allowed to keep twice as much money as I can keep, and pay half as much taxes.

Now, I heard a lot of talk when I was sitting back there about fairness and justice. I am saying to you, where is the fairness and justice when a single person who is trying to stay in her home, pay her taxes, pay the real estate taxes, pay the income taxes, who all of a sudden has to pay twice as much now than a single couple has to pay -- and I am talking about couples without children-- I have the formula of it here, if anyone isn't sure they remember it. What are we paying it for? We are paying twice as much, and what are we paying it for, to give rebates to people who never even paid taxes? And even if they did pay taxes, it is not my responsibility to pay mine and also pay theirs. I would like to know how any of you would feel if you wanted to pay your taxes, and then had to contribute to pay someone else's?

Now, let's for a minute move to the QEA. That is the biggest waste of money there ever was. No one has said what they are doing with that money. There is so much money in the

schools now that the whole thing is ridiculous. I don't know what happened to the first income tax that was supposed to support thorough and efficient education. That never was repealed, so they already have-- They are still getting that money now. So what happened to it? Why do we need other letters? What happened to thorough and efficient? It disappeared, and this will disappear also. What are we doing with it? One of the outrageous things about it is that once they put that tax in, then they took away \$360 million, which you people approved, to give to people who never even pay taxes. That is what we are taxed for.

You in the Senate, and the Assembly, and Florio, and all of you, have to realize, I am a grandmother. I have five children -- five grandchildren. Other people, all of us who are single-- We are not having a party. We are helping our families. I have three grandchildren, two who are ready for college now, because they graduated high school, and one who is a senior. I am helping one. I cannot help all three. Should I help this QEA nonsense, or should I help my granddaughter? What would any one of you do? What would you do? Am I going to end up -- a lady who worked and paid a neighbor to watch her children, who didn't say, "Give me child care," didn't say, "Give me nurseries free--" No, I will pay my way.

So now that I have done that, should I end up on the welfare list because I have to help New Jersey? I can't help New Jersey. Why don't you people, instead of making these people so co-dependent-- Why don't you show them a program where they can learn a trade of some kind, and they can then go out and earn a living; they can have the dignity that I have and you have; they can pay taxes and live in a better home, and things like that, instead of saying, "Give us money, give us money"? That system is getting so big now that it is going to be impossible for us to handle it. Yes, are we fleeing New Jersey? You're darned right. I know a lot of people who flew from New Jersey.



I don't want to stay up here forever, but I will tell you one other thing: This 17% that our Governor says is paying this tax is incorrect, because he is down to the middle class. He is not in the wealthy when he is talking about me. The other thing I would like to remind him of -- if I think I can get your attention--

SENATOR WEISS: Yes, I am listening to you, but--

MS. FOX: Okay. I just want to mention one other thing. I am sure you all remember--

SENATOR WEISS: My hearing, at times, isn't--

MS. FOX: That's okay; that's all right. We're back together. Let it go at that.

I want to mention one thing about how people feel, and you don't even have to have an organization to do it. You all remember the catastrophic tax. We were not organized as a group. They were in Florida and California and all over the country, and others of us were here. But that was repealed, because everybody said, "A disproportionate amount of people are going to pay for it." That is what you are doing in the singles' tax. It is a disproportionate amount of people. If you need an income tax, you tax everybody. We are not trash; we are citizens. We are hard-working people. We are people who always paid our own way. We want to help our families. We want to be able to have enough money to keep us through our old age. You have no right to take it from us.

I don't get a pension like you've got. The only pension--

SENATOR WEISS: Wait a minute, you've got the wrong guy; you've got the wrong guy.

MS. FOX: Like you will get. All right, but you all get pensions.

SENATOR WEISS: Absolutely the wrong one, and I will tell you--

MS. FOX: What's wrong? Tell me.

SENATOR WEISS: I have 40 years of public service, and I don't have a pension. Would you believe it? I have 16 in the military; I have 14 here; I have five years on one board and five years on another board, not directly connected, and I do not have a pension. If I get out of here--

MS. FOX: No, not now, but will you get a pension?

SENATOR WEISS: Maybe about \$3000 or \$4000, and that is for 40 years. So, you dropped the right question. I wish I could connect them all, but at my age it would be too expensive to buy back all the years I need.

MS. FOX: All right. Well, I'm sure your income is a lot bigger than mine. Let's put it that way. But it doesn't matter.

SENATOR WEISS: That is another story.

MS. FOX: What does matter is that it is disproportionate. If you select one group of people, by their age, by their income, by their race, by anything, and say, "You people have to do this, but nobody else has to do it," it is discrimination, and it is wrong. I wish you would stop it. If you don't, you are going to lose half of us. We will move out of this damned State.

SENATOR WEISS: Oh, please don't use that word.

MS. FOX: Well, what else can I do?

SENATOR WEISS: It's a good State.

MS. FOX: It is not a good State.

SENATOR WEISS: Of course it is.

MS. FOX: No, no, no, no, no. It is not.

SENATOR WEISS: We may have a gripe with it, and I have my own, but I think it is a good State.

MS. FOX: I don't have a gripe with it. I have much more than a gripe with it.

SENATOR WEISS: Its land and its people.

MS. FOX: Well, I am very upset about it. I hope you understand.

SENATOR WEISS: Thank you. I really appreciate your being so candid.

MS. FOX: -Yes, I am being blunt with you.

SENATOR WEISS: Absolutely. Candid is blunt.

MS. FOX: I can't tell you how I feel and be flowery about it, because I don't feel flowery about it.

SENATOR WEISS: Ms. Fox, thank you very much.

MR. NAPOLIELLO: Thank you, Senator.

MS. FOX: Thank you.

SENATOR WEISS: Don't go away. Senator Lipman wants to--

SENATOR LIPMAN: I just want to thank you for your specific suggestions about how to cut a budget. I see that you have spent some time on it. We appreciate these suggestions you have made. You know, there are times, sitting where I am sitting, when you think you made all the best possible arrangements. Well, you know, you can't always do that. But we do appreciate your suggestions.

MS. FOX: Thank you.

MR. NAPOLIELLO: Thank you. Have a nice day.

MS. FOX: Thank you very much.

SENATOR WEISS: I thank you very much, sincerely. Thank you.

Mr. Mikorski? Oh, here he is. I thought you were going to leave.

MR. MIKORSKI: No. First of all, I would like to get this juvenile stuff out of the way.

SENATOR WEISS: Wait, I think the gentleman who left that here--

MR. MIKORSKI: He left.

SENATOR WEISS: No, I think he is back there.

MR. MIKORSKI: There he is. He is still here.

SENATOR WEISS: He is still here. I hope he has grandchildren.

MR. MIKORSKI: If he doesn't, I do.

SENATOR WEISS: Okay. You got a truck.

MR. MIKORSKI: Except for the toilet tissue.

SENATOR WEISS: Oh.

MR. MIKORSKI: First, I would like to identify myself. My name is Frank Mikorski. I don't represent any group but myself. The reason I wanted the opportunity to speak with you is-- Since I retired -- I was associated with the process design engineering business -- in '87, I have made it a point to attend every municipal and school board meeting, because when I worked I did not have that opportunity. I really learned a lot by attending the meetings.

When I stand before you-- I came here because I had an experience the other day -- or, a number of years ago -- that said to me, "Something has to be done." My wife and I are both retired, so I must confess to you she has a sign in the kitchen that says, "The kitchen is closed permanently," so we eat out most of the time. I had occasion to go to Burger King one day and there was a young lady cleaning tables. I got to speaking to her and I said, "This is probably not a proper question to ask you, young lady, but how old are you?" She said, "Seventy-two." I said, "What in heaven's name are you doing in this place cleaning tables?" She said, "I have to work here to pay my taxes." She was a widow.

There is something wrong with a system that makes a person at age 72 go back to cleaning tables in Burger King. That is why I became involved. Your proposal, Senator, on this sunset provision, I think, is absolutely right. You lost the election because you didn't know how to market it. I saw the impact of what you did. Some of the QEA money resulted in the fact that we did not have a tax increase on the municipal level. It also brought to the attention of the people that you put on caps, and if you ever take those caps off, forget it. There isn't enough money in this world to satisfy those who are waiting.

I submit to you that the Republicans have a problem on their hands, and I am a Republican, registered conservative. But, they have a problem on their hands. They made certain commitments to an organization called the NJEA, and when they come to collect, there isn't enough money to satisfy that.

I have sat at school board meetings and said, "How can you justify 10%, 9%, 8% raises?" And that is what is going to happen. We most recently had an example where the public works employees in our community were in negotiations, but they waited until the end because then they went to a fact finder. Where these fact finders get their facts from, I don't know, Senator, because in this economy they propose 6%, 6%, and 5-1/2%. There isn't anybody in the private sector getting that kind of money. Plus, they gave them additional benefits.

When you ask me, "What can we do?", put the sunset provision in there. Let those who ran on a platform that said, "We have a better way" -- let them show us. I think it is a disgrace that they are not sitting here, and I apologize for being a Republican seeing those empty chairs. They should be docked a day's pay. They are not present. And those members of the Assembly who did not appear should be docked a day's pay. Are we playing games here? This is a serious issue. Even if they do not agree with the sunset provision, at least hear us. They criticized you when you did the tax bill for not giving them the opportunity to speak. They are not here now. They are practicing the same thing that they criticized you for, and I am ashamed of that. I think, seriously, they should be docked.

Now, let me give you some specific areas where I think you can cut. The Legislature has made a big mistake, because year after year, time after time, you mandate changes in benefits. You mandated a change in the police pension plan. You were talking about your \$4000 pension. We have a police chief in our town who is going to retire at 70% of his final

pay, which is over \$50,000, and he will be paid over eight months of unused sick leave. You people did it, and I think you have to look at every mandate you did.

You are mandating now the 911. Don't mandate it; let us decide whether we want it. If you are going to impose it on us, just like Senator Lynch says, "If you are going to mandate it, pay for it."

I must take a moment now to comment: The only person who was available to listen to us on this issue of the salary explosion in the educational arena, was Senator Lynch. I am not ashamed to say that I supported him, because of the fact that he took on a group that virtually runs the area. Let me tell you, we used to have government "of the people, by the people, and for the people." Now we have government of public employees, by public employees, and for public employees. You've got to change that, because there are not enough tax dollars to satisfy that thing. There is no correlation, that I have seen in the educational community, between higher salaries and improved performance of the students, and that has to be there. If we don't have accountability, don't pay them the money.

And, Senator, just to clear the record, I have experience in the educational community because I teach at two colleges -- one college and one university -- on a part-time basis. So I don't want you to think that I am speaking just out of emotion on this issue. I see some of the students coming out of our systems, and if this is what we are paying for, there is no chance in hell that we are even going to compete with the Japanese. We've got to get our arms around education, not through more dollars, but through structured accountability. In our own community, we have a superintendent who is retiring who is making \$110,000. He is going to get paid unused sick leave. One-hundred-and-ten-thousand dollars

for a student body of 3000. There is something wrong. We have principals making \$90,000. How in the world will you ever find enough money to satisfy this?

I just plead with you: If you are looking for areas to cut costs, stop mandating. Don't mandate anymore. Or, if you do mandate, take it from somebody else. Don't take it from me, because I like to be the one who goes to my meeting and says, "Let me look at this." If I want to spend the money for it, let me spend it.

Let me give you another example: We recently went through the practice where the school board, instead of using a revenue bond for some work that has to be done in the schools, they used what I call the "school board gimmick," namely lease/purchase. That should be stopped, because I can tell you now, the taxpayers don't have a chance to say anything about it. We are not stupid people. If the roofs need repair, we will understand it, and we will vote for it. But don't use a backdoor approach. That is what is happening. It seems as though things are happening, and people are saying, "Hey, look, there is no end to this." So, put the sunset provision in there. Let those people who said, "We have a better way," show us that better way. I have to tell you, Senator, they are going to have a tough time, because there is no way to satisfy the cost side of what we have structured over the years.

I had a couple of other points I wanted to make -- just a few notes here. I am sorry I don't represent any group, but I am trying to represent myself.

SENATOR LIPMAN: That's all right. We appreciate it.

SENATOR WEISS: Don't be sorry. You represent the constituents of the State of New Jersey.

SENATOR LIPMAN: That's right.

SENATOR WEISS: As a matter of fact, I see a man in back -- Vince -- who says you represent him. I would indicate to you that you represent me, also, because I can hear some of the arguments that I make, and Senator Lipman, and Senator Rand.

SENATOR LIPMAN: Yes, sounds like me.

SENATOR WEISS: So, go on. You are pleasing. But don't take too long, because I have to get out of here.

MR. MIKORSKI: I have to get home, too. Since the Republicans campaigned against the taxes imposed, give them the opportunity to put their plan into effect.

SENATOR WEISS: You've got it.

SENATOR LIPMAN: Right, you've got it.

MR. MIKORSKI: Give them the chance. We have always concentrated on the revenue side, and the cost side has been running away from us. During Governor Kean's administration, and The Courier-News had an editorial the other day, yesterday -- 17,000 jobs were created. Do we still need them? Are they still around? What are they doing? Seventeen thousand jobs. I recognize that you had a deficit to cover when you did this. However, you did not market your program properly. If you had, you would not have had the results you did.

SENATOR WEISS: We should have talked to you first.

MR. MIKORSKI: I have a course. Marketing 101 would have been available to you.

SENATOR WEISS: Mr. Mikorski, invite me to the opening day of the next course. I will be happy to attend. I have been a salesman all my life.

MR. MIKORSKI: Thank you. If you ever remove the caps -- as I mentioned before -- the local taxpayer will not survive. Some examples: In the last contract that we negotiated with the police officers, a 9.5% increase. This is March 1, 1991 -- 9.5%. No change in health care benefits, which are being obliterated in the private sector; plans being changed, contributions being put into effect. We don't have a pension plan in the public sector that can touch this pension plan.

SENATOR WEISS: Mine can't.



MR. MIKORSKI: Well, I recognize that now. I think these are real important issues. We had a situation where the city clerk, the tax assessor, and the financial officer sued the town, because the increase they received was not as great as other employees in the municipality. We spent \$60,000 in legal fees, lost the case, and they are getting back pay. They cited for me that there was a law on the books that permitted them to do that, because you cannot discriminate. I tried to find the law, but I can't find it.

Senator Lynch was right in bringing to the attention of the public the escalation of teachers' salaries. More money; no change in student performance or teacher accountability. None of those things.

I would suggest to you, Senator-- If the issue of the sunset doesn't go through, a couple of other suggestions: Cut the sales tax from 7% to 5%. Put the money in the peoples' pockets. They will spend it. Our economy will be a plus by it. We will have an advantage over Pennsylvania and New York, and they will come shopping over here. Cut it from 7% to 5%. That is immediate money in my pocket, and let me tell you, Senator, with my wife and my grandchildren, I have much difficulty holding onto my money. I spend it, and I think that is good for the economy.

I would suggest, don't tax interest. We have interest income, and the CDs are way down now. We are the lowest saving nation in the world. We pay a tax on interest to the Federal government. We have to declare our interest to you, and you tax it again. Say maybe the first \$500 is free, and then tax it, because when you tax us, with the tax on top of what the CDs pay, and inflation, do you know what we're gaining? Zero, zero. I think that should be looked at.

The point was made previously about the bond issue on the Sports Authority. Please, Senator, forget about that. Bonds have to be paid. If they can't exist on their own, get somebody else to run it, but don't ask us to pay for it.

An issue was brought forth by some people on the Highway Authority. Sure, 101 has been running a feature on the Parkway Authority. I happen to know the Chairman very well, because he happens to be a member of our board at our hospital, and I am on the same board. But, hey, maybe the thing we ought to do is eliminate the tolls. Put a two-cent sales tax on there. Eliminate the tolls. That two-cent sales tax will more than cover the expense of that Parkway Authority.

Finally, as I said before, try to regionalize. Why do we need a board of education -- not a board of education, a superintendent at the county level in education? Eliminate the job. It is not necessary. We have a Commissioner of Education, we have local boards. Why do we need something in-between? If we are going to talk about regionalization, the county government was a form of government that was appropriate for colonial times. It is obsolete now. Eliminate it.

So, Senator, I thank you very much for the opportunity to speak with you. I hope I have put forth some issues which--

SENATOR WEISS: You did, Mr. Mikorski; absolutely.

MR. MIKORSKI: I hope I brought forth some issues not on an emotional basis, but on the basis of, "Hey, there has to be a cost/benefit relationship. If there isn't, don't do it."

SENATOR WEISS: Thank you. This has been just a very enlightening hearing all day.

SENATOR LIPMAN: Very refreshing.

SENATOR WEISS: Very refreshing is right. I thank you very much. I thank you for waiting. I know you have been here since, like, yesterday.

MR. MIKORSKI: Well, I will only need a note for my wife.

SENATOR WEISS: Well, I am going to need a note for mine, too, in about two minutes.

MR. MIKORSKI: If I may take just one second for the Senator when he asked about places to cut, Senator-- First of

all, to make the record clear, I support the idea of the sunset provision, but at the same time, if you want to save money, stop mandating. Stop mandating different things for us to pay for. Let us decide at the local level if we want those things.

Secondly, put some controls on the escalation of salaries in the teacher arena. We have tried to do it locally, because I never miss a school board meeting, Senator, and I never miss a municipal meeting since I retired. But the sad part about it is, there are only about four or five of us at the meetings. All of the money in the world, Senator, is not going to improve education. It is going to be structure, accountability, and performance. It is not going to be dollars.

I just wanted to mention to you, Senator, when you asked for areas to cut, I think those are the areas you can look at. Don't mandate any more improvements in police and firemen pensions. Seventy percent of final pay is just about as far as you can go.

Thank you very much.

SENATOR MENENDEZ: Thank you for your time.

SENATOR WEISS: Thank you very much, sir. We appreciate your coming down again.

I do have one last person, Bob Angelo. Mr. Angelo, from AFSCME? Is he here? (no response) Oh, he submitted written testimony.

In that case, I will recess this meeting until tomorrow at 10:00. I thank everybody for their kindness and for their patience today. It has been trying, I know, but very enjoyable, in spite of the fact that there have been a few fires around.

Thank you.

(MEETING CONCLUDED)

APPENDIX



**NEW JERSEY**



**The New Jersey Tax System:**

**It's Broken  
Here's How To Fix It**

Prepared by:

**New Jersey Citizen Action**

**Fair Taxes for a Fair Budget**

**400 Main Street**

**Hackensack, NJ 07601**

with the assistance of:

**Citizens for Tax Justice**

**1311 L Street, N.W.**

**Washington, D.C. 20005**

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## Executive Summary

### **New Jersey Taxes: It's Broken — Here's How To Fix It**

New Jersey's current tax system is unfair and is failing to provide enough revenues to meet the state's basic needs. Property taxes are too high. Property taxes, and sales and excise taxes are regressive and unfair. The fairest tax, the personal income tax, is under-utilized.

New Jersey could choose to muddle through its current fiscal crisis, enacting a pot-pourri of tax increases without reforming the basic tax structure. This would only make a bad situation worse. Likewise, Governor Florio's tax reform proposal, while it has much to commend it, has several shortcomings.

New Jersey Citizen Action offers an alternative. Working with Citizens for Tax Justice of Washington, D.C., New Jersey Citizen Action has crafted a plan with the following objectives in mind:

- To give property tax relief to hard-pressed middle- and lower-income families;
- To make the resulting distribution of state and local tax burdens more proportional across income groups;
- To fully fund, beginning in FY 1991, the state share of the elementary and secondary school aid formula;
- To meet the budgetary targets spelled out by the Florio administration;
- To retain the homestead rebate in FY 1991;
- To restructure the New Jersey tax system so that there is no increase in the already regressive sales and excise taxes imposed by the state.

To achieve these goals, the Citizen Action plan does the following:

- Provides property tax relief through state assumption of financial responsibility for certain services paid for by local units of government, including full funding of the school aid formula, and passes the local savings on to taxpayers in the form of property tax relief;
- Adopts a property tax "circuit breaker" for those earning up to \$75,000. The credit amount is the property tax which exceeds 4% of gross income, to a maximum of \$750. Renters are included;
- Raises corporate taxes by \$400 million over current law;
- Raises income taxes on families with income over \$70,000, with a top marginal rate of 8% on income over \$250,000. An income tax surcharge of 15% on all taxpayers is also adopted. This surcharge on the progressive income tax is in lieu of any increases in the regressive sales tax.

Under the Citizen Action plan, four out of five of New Jersey's typical families would see their tax bills go down. Only the wealthiest families and corporations would pay more. This is accomplished by the combination of generous property tax relief, no increase

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## Executive Summary

in regressive sales and excise taxes, income tax increases which are much greater on the wealthy than the poor and middle class, and increases in corporate taxes.

Governor Florio's plan differs from the Citizen Action plan most significantly in its raising of regressive sales and excise taxes, which are relatively low in New Jersey and should stay that way. Governor Florio would enact a corporate tax increase limited to oil companies but does not broaden the tax base by closing loopholes and reinstituting the Corporate Net Worth Tax. Governor Florio's plan offers less property tax relief, less funding of schools in FY 1991, and less reliance on the personal income tax than Citizen Action's plan.

In contrast, the Citizen Action plan would be both more progressive and would better address local governments' needs. The Citizen Action plan would provide for state funding of such things as judiciary costs, DYFS foster care, indigent patients in institutions, special residential services for the developmentally disabled, SSI payments, assistance for dependent children, emergency assistance, and municipal welfare. The school aid formula would be fully funded in FY 1991.

The Governor's plan, though not as progressive as Citizen Action's, does offer significant reform. The Governor's plan holds the line on taxes for the lower income sixty percent of typical New Jersey families and raises taxes on the wealthy.

In sum, New Jersey's tax system is in need of significant reform. Without reform, the revenue increases which are inevitable will only make an already bad situation worse. The Citizen Action plan is a true reform plan. It offers tax relief for four out of five New Jersey families. The Citizen Action plan would provide revenue increases that would allow the state to fund services now paid for by local government. And, the Citizen Action plan would provide for full state funding of the school aid formula.

Citizen Action offers a plan grounded in a basic principle: that the ability to pay should be the primary consideration in making tax policy. Middle- and lower-income New Jersey families who already pay their fair share of New Jersey taxes should not be asked to pay more until and unless those with greater ability to pay are asked first. It's only fair.

# **The New Jersey Tax System: It's Broken — Here's How To Fix It**

The taxpayers of New Jersey want what all Americans want. We want to own our own homes. We want our children to succeed in schools that educate. We want neighborhoods that are safe. We want a government that works.

These are pretty simple things. We are not asking for all that much. But today in New Jersey, we have a tax system that threatens our ability to realize these basic goals.

We have a system that threatens to tax many middle-class homeowners right out of their homes.

We have a system that doesn't take into account the ability to pay, which means that hard-pressed families with children pay far more than their fair share of state taxes.

We have a system which, because it hasn't kept pace with a changing economy, can't raise the money it needs to provide the services we must have to grow and prosper.

We have a system which, because it asks so little of the richest families in the state, can no longer pass the test of public credibility or support.

That system needs to be changed. We're not talking about cosmetic changes. We need wholesale, fundamental reform. This year, due to the fiscal crisis our state faces, New Jersey has a once-in-a-generation opportunity to fix the mess.

This paper details New Jersey Citizen Action's fair tax plan — a plan which would reduce taxes for four out of five of the state's typical families, provide significant property tax relief, allow full state funding for elementary and secondary education, and ask only that the state's richest taxpayers devote roughly the same share of income to state and local taxes as do families which earn around \$20,000 a year.

We have commissioned Citizens for Tax Justice, a Washington, D.C.-based tax reform organization (recently named "the best" public interest group in the nation by *The Washington Monthly*), to analyze the impact of the current system, our proposal, and Governor Florio's proposals on taxpayers at every point of the income spectrum. Their findings are spelled out in this report.

We have taken this step because it is not enough to stand on the sidelines and complain. It is not enough to simply whine about taxes and government and then walk away. No one likes to pay taxes, but we recognize that government needs revenue to get things done. We also understand that not all taxes are equal in the way they affect the middle- and lower-income families which we represent. The New Jersey Citizen Action plan provides long-overdue tax relief to the families that need and deserve it without jeopardizing the state's ability to run the government.

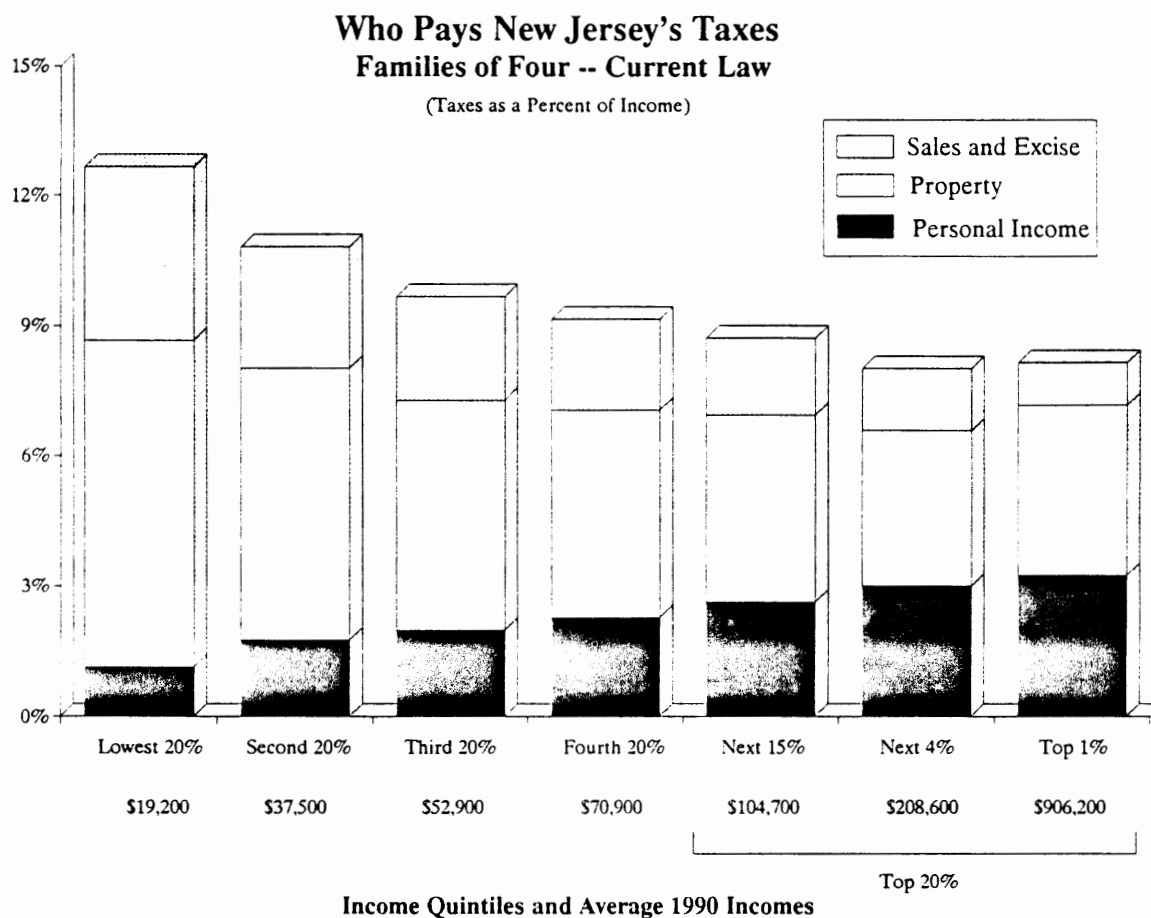
Over the next two months we will be taking this message to doorsteps throughout the state. The New Jersey state tax system is broken. It can be fixed. We intend to work to create a political climate in which real, lasting reform can become a reality.

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## THE CURRENT SYSTEM

The chart below shows how the New Jersey tax system affects families ranging from one that earns less than \$20,000 a year all the way up to one that earns more than \$900,000 annually.

The data reveal that the distribution of the tax burden in New Jersey runs counter to the most basic principles of tax fairness.



Tax fairness means that the share of income paid out in taxes should rise as total family income rises. Some people buy into the notion that the share of income devoted to taxes should be roughly equal across income groups. But few indeed would promote or defend a system which asked middle class and poor families to devote a significantly greater share of their family incomes to taxes than the richest of their fellow citizens.

Yet that is precisely what New Jersey does at the present time. The data from Citizens for Tax Justice show that a middle-income family of four (making about \$53,000 a year) in New Jersey actually shells out a larger share of its income in state and local taxes than does a family whose income puts it among the richest one percent

5x

of the state's families. This typical middle-class family pays 9.7 percent of its income in property, sales, excise, and income taxes, almost twenty percent more than a family earning in excess of \$900,000 a year which pays 8.2 percent of its income in these taxes.

The bottom line is even worse for a family earning \$19,200 a year — the average income for families who are among the state's poorest twenty percent. The major state and local taxes they pay extract 12.7 percent of their total family, a more than fifty percent higher share of income than that paid by millionaires!

These data confirm for New Jerseyans what we already know by bitter experience — after all, we're the ones who pay the taxes. The current New Jersey state tax system takes its biggest bite from families who are already being squeezed the hardest, couples who find it tough to pay the bills and for whom a second income is a necessity not a luxury, younger families with children, families headed by women, and others living from paycheck to paycheck.

### **Property Taxes Are Too High**

What accounts for this? Again the data confirm for New Jerseyans what we already know — property taxes are too high. The property tax burden on the typical middle-class family is greater than the total burden of all other major state taxes combined — by a margin of 5.3 percent to 4.4 percent of family income. And the share of income paid in property tax is significantly greater for this middle-income family than for a millionaire family — by a margin of 5.3 percent to 3.9 percent.<sup>1</sup>

Again, the burden of the property tax is even worse for the poor. They devote, on average, a full 7.5 percent of their incomes to the property tax, almost twice as great a share as that paid by a \$900,000 plus a year household.

There are plenty of other data sources which lead to the same conclusion. Census Bureau data show that New Jersey's property taxes, when calculated on a per-person basis, are the fourth highest in the nation. When calculated as a share of the state's personal income — which is probably a better way of doing it, because this calculation takes into account variations in states' economic capacity — New Jersey's property tax burden (4.6%) was well above both the national average (3.4%) and the regional average for the northeast (4.0%). On this scale, New Jersey ranked ninth highest in the nation and tops in the region.

The bipartisan Advisory Commission on Intergovernmental Relations (ACIR), based in Washington, D.C., ranked New Jersey 11th in the country in terms of property tax "effort" in 1986. This high ranking is particularly surprising in light of New Jersey's high property values. Higher property values mean a larger tax base. With a large tax base a smaller "effort" is required to raise the same revenue than would

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<sup>1</sup>The Citizens for Tax Justice estimates are based on the following assumptions: that property taxes on apartment buildings and other multifamily units are shifted to tenants and that commercial and industrial property taxes are paid by the owners of these businesses (many of whom live out of state). Therefore, the property tax figures reflect the burden of this tax on renters, as well the burden of the industrial and commercial portion of this tax on New Jersey taxpayers.

be required in a property-poor state. Notwithstanding its property wealth, New Jersey still ranks among the highest “effort” states in the entire country.<sup>2</sup>

Later, we will see that New Jersey ranks near the bottom of the pack when it comes to effort with relation to the personal income tax and other revenue sources.

Property taxes, on their own, do not take into account the relative ability to pay of taxpayers. They place their greatest pressure on families which are most vulnerable — particularly young families with children. For these families, property taxes can push the already increasingly distant dream of home ownership beyond their horizon.

### **Sales and Excise Taxes Are Unfair**

Taxes levied on the consumption of goods and services are the most regressive of all revenue options available to state lawmakers — even more regressive than the property tax, which is levied on business property as well as on homeowners. The reason is a simple one: as income rises, the share of income which is spent on taxable goods falls. Rich people and poor people alike pay sales tax on, say, shampoo. Rich people, no doubt, buy greater amounts and more expensive brands of shampoo. But, when calculated as a share of income, the sales tax burden is infinitesimal on the rich. The nickels and dimes add up much more quickly for those of limited means.

According to Citizens for Tax Justice, poor people in New Jersey shell out more than three times as great a share of their incomes for the sales tax than do people at the top of the income scale. A family of four earning less than \$20,000 a year pays just under 3.0 percent of its total income in state sales taxes; a family making more than \$900,000 a year pays just under 1.0 percent of its income in these taxes.

The sales tax also takes a much greater chunk out of the pockets of the middle-class than from the well-to-do. A family of four with an income of about \$53,000 devotes just under 2.0% of it to the sales tax, more than twice as great a share as that paid by the richest of the state’s households.

These figures do not include the impact of consumer excise taxes — taxes levied on specific products such as gasoline, tobacco, and alcoholic beverages. The distribution of the burden of these types of taxes is even more regressive.

As a share of family income, middle-class families pay four times more than the rich in gasoline taxes, and more than 20 times more in cigarette taxes. Poor families pay nearly eight times more in gasoline taxes, and almost sixty times more of their income in cigarette taxes.

The good news is that while New Jersey’s property tax is judged to be among the highest in the nation, New Jersey ranks near the middle or rear of the pack when it comes to the use of most consumption-based taxes.

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<sup>2</sup>The Advisory Commission on Intergovernmental Relations defines “effort” as follows: “the ratio of its actual revenues to its estimated capacity. Effort thus provides a measure of the extent to which a state and its local governments are taxing their available resources relative to the national average.” (see, ACIR, “State Fiscal Capacity and Effort: 1986”).

New Jersey ranks 21st in the country when the sales tax burden is calculated on a per capita basis, and 41st in the country when calculated as a share of personal income. The ACIR says New Jersey's sales tax "effort" is 39th highest in the nation.

Reliance on motor fuels and alcoholic beverage taxes is low as well. New Jersey ranks 45th and 48th nationally in terms of motor fuels taxes per capita and as a percentage of personal income, respectively. We rank 46th in terms of motor fuels tax "effort." The numbers for alcoholic beverages: 40th per capita, 44th as a share of personal income, and 42nd in terms of effort.

Taxes on tobacco products are the only exception to this trend: on a per capita and personal income basis, New Jersey ranks 10th and 26th, respectively; tax "effort" is eighth highest in the country.

This relatively low reliance on consumption taxes is one of the few good things that can be said about the current New Jersey tax system. As stated earlier, these sales and excise taxes are even more regressive than the much-hated property tax. They don't get as much attention because they just don't represent the same absolute burden. They may be unfair, but they don't take as large a chunk out of our pockets as the property tax does, and their impact on day-to-day life is hidden because they're paid a little at a time.

We need to keep it this way. The absolutely wrong choice for the state to make at this time would be to pay for property tax relief through higher sales and excise taxes. New Jersey would be substituting reliance on a bad tax with revenues from an even worse one. The state and local tax burden on the majority of New Jersey taxpayers would rise under such a scenario, particularly for the working poor. Such a plan would provide significant relief to the state's millionaires; it would make an already very regressive state tax system worse and further shift the burden of paying for government to those with the least ability to pay.

### **The State Personal Income Tax Is Fair**

The state personal income tax is the only major state and local revenue source which takes into account the ability to pay.

According to Citizens for Tax Justice, the richest one percent of New Jersey's families devote 3.3 percent of their incomes to the state personal income tax, middle-income families pay 2.3 percent, and the state's poorest twenty percent pay 1.1 percent. From the point of view of tax fairness, this is New Jersey's best tax.

It is also a revenue source which New Jersey doesn't rely on very much:

- State income taxes represent only about one-fifth of the total state and local tax burden of middle-income families;
- The top income tax rate in New Jersey (3.5 percent) is the third-lowest in the country, lower than all other states except Illinois (3.0 percent), and Pennsylvania (2.1 percent);
- As a share of state personal income, New Jersey's income tax burden (1.8 percent) is well below both the national average (2.2 percent) and the regional average (4.0 percent), ranking 31st in the nation as a whole;

8X

- According to the Advisory Commission on Intergovernmental Relations, New Jersey's personal income tax effort is one of the lowest in the country, ranking 42nd among the states.

The New Jersey tax system is out of whack. It places much too great a reliance on a tax — the property tax — which hits people hardest when finances are tightest. And it places way too little reliance on the only tax — the personal income tax — which actually requires wealthy households to contribute their fair share. It is a tax system which no longer deserves nor maintains the support of the vast majority of New Jersey's taxpayers.

### **Cut Waste, Perks, and Sweetheart Deals**

The fiscal crisis is a real one. And the crisis cannot and should not be resolved solely through revenue increases. Waste and inefficiency should be ferreted out, and tax deadbeats should be located and forced to pay what they owe.

Wasteful middle management, and cronyism and unneeded perks in state government are problems that need to be addressed head-on. We should not shrink from cuts — and some cuts are no doubt warranted — simply because certain individuals may enjoy political clout or possess powerful allies. Contracts should be let on the basis of the effectiveness, timeliness, and cost-consciousness of contractors, not the size of political contributions.

There is simply no excuse for waste. Public servants deserve a day's pay for a day's work. But we must have the confidence that we, the people who pay the bills, are not paying for a bloated management cadre or political favors.

Having said all this, however, let us not stick our heads in the sand and pretend that spending cuts can solve everything. The state cannot ignore legitimate public needs and investments, nor can it simply slough off even more responsibility to local governments.

The implications of years of federal cutbacks and a soak-the-non-rich tax strategy could be covered over during economic boom times, but the recent downturn has revealed major flaws and cracks in the state government's economic foundation.

Let us admit, then, that new revenues are needed and that the spending levels suggested by the Florio administration are reasonable ones. The "T"-word — taxes — can, therefore, be discussed in the open and with a minimum of demagoguery.

The state must do three things. First, it must eliminate waste and fraud, ensuring that taxpayers get the biggest bang for their bucks. Second, it must raise money and third, it must reform a terribly unfair system. If it does all of these things at once, middle- and lower-income taxpayers will come out ahead. But if public debate on tax reform is drowned out by a chorus of anti-tax and anti-government rhetoric, the Legislature is likely to punt altogether on reform.

9x

## OPTIONS FOR CHANGE

### OPTION 1: THE MUDDLING THROUGH OPTION

If the Legislature punts on reform, it will settle, instead, for “muddling through,” tinkering a little here, a little there, raising taxes that are “easier” targets, such as sales and excise taxes, and maintaining the existing distribution of tax burdens.

“Muddling through” is an unacceptable option. The table below shows why. It tells us what tax burdens will be if the Legislature raises the money to meet Governor Florio’s revenue projections, but keeps the existing distribution of tax burdens intact (this would require an across-the-board tax increase of 12 percent).

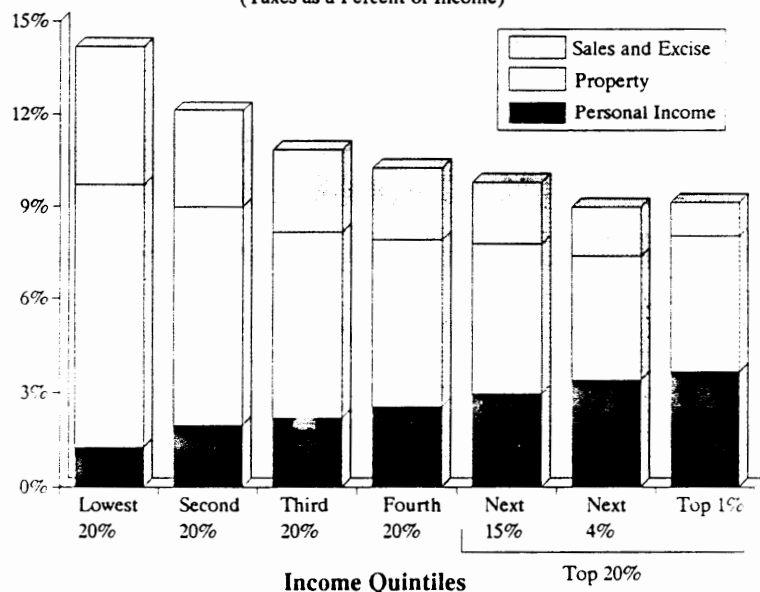
**The Burden of Muddling Through**  
Taxes as a Percent of Income

Income Quintiles	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Top 20%		
					Nxt 15%	Nxt 4%	Nxt 1%
Avg. '90 Incs.	\$19,200	\$37,500	\$52,900	\$70,900	\$104,700	\$208,600	\$906,200
Sales	3.2%	2.4%	2.1%	1.9%	1.7%	1.4%	1.0%
Cigarette	0.7%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%
Gasoline	0.6%	0.4%	0.3%	0.3%	0.2%	0.1%	0.1%
Property	8.4%	7.0%	6.0%	5.4%	4.8%	4.0%	4.4%
Personal Inc.	1.3%	2.0%	2.2%	2.6%	3.0%	3.4%	3.7%
Total	14.2%	12.1%	10.8%	10.2%	9.8%	9.0%	9.1%

Middle-income families would see their total state and local tax burden rise into double digits as a share of income. They would pay just under 11 percent of their incomes for these taxes — a rate *twenty percent higher* than that paid by a millionaire family. There would be no property tax relief if New Jersey just muddles through: property taxes would rise to a full 6.0 percent of income.

Poor families would see their total state and local tax burdens balloon to more than 14 percent of their total incomes — a far larger share

**The Muddle Through Option**  
Current Distribution of Tax Burdens Projected  
(Taxes as a Percent of Income)



10X



than that of \$900,000-a-year families (they would contribute 9.1 percent of their incomes).

Whenever politicians talk about taxes, they almost always use language about "tough choices." By "muddling through," New Jersey would choose to continue to force the toughest of all choices on the poor — the choice between paying taxes and paying for the kinds of necessities that the rest of us take for granted. Notably, New Jersey would continue to place the harshest of the state tax burdens on those persons whose participation in the workforce is most marginal — precisely the opposite of what an honest supply-sider would desire.

New Jersey needs a big dose of tax fairness. It needs to raise revenue. It can accomplish both by shifting the burden towards those with the greatest ability to pay.

## **OPTION 2: THE NEW JERSEY CITIZEN ACTION FAIR TAX PLAN**

Talking about tax fairness is not enough. We have, in conjunction with Citizens for Tax Justice, designed a tax reform package which we hope will help inform legislative debate. This package was crafted with the following objectives in mind:

- That hard-pressed middle- and lower-income families should be provided some long-overdue tax relief;
- That the resulting distribution of state and local tax burdens should be, at a minimum, proportional across income groups;
- That the state share of the elementary and secondary school formula be fully funded, beginning in 1991;
- That the budgetary targets spelled out by the Florio administration be met;
- That meaningful property tax relief be provided and linked to individual taxpayers' ability to pay, and should include retention of the homestead rebate in 1991;
- That the state government assume the financial responsibility for certain services now paid for by local units of government via the property tax and that the local savings be used for property tax relief;
- That there be no increase in the major sales and excise taxes imposed by the state.

The major elements of the New Jersey Citizen Action Fair Tax Plan are as follows:

### **Property Taxes**

The Citizen Action plan provides across-the-board property tax reduction by state assumption of local government costs. Because local governments must rely on the regressive property tax, whereas the state government can use progressive income taxes, the state's assumption of costs makes the tax system more progressive and provides significant property tax relief. Under the Citizen Action plan, the state will fund Judiciary costs, DYFS foster care, indigent patients in institutions, special residential services for the developmentally disabled, SSI payments, assistance for dependent children, emergency assistance, and municipal welfare. Three-hundred, sixty-five million dollars of property tax relief is provided in Fiscal Year 1992. The savings which local governments realize from additional state funding will be passed on to taxpayers.

The Citizen Action plan also fully funds the school aid formula at a cost of \$517 million. These savings to school districts are also passed on to taxpayers as property tax relief.

The Citizen Action plan includes a property tax "circuit breaker" for families with incomes below \$75,000. The credit amount is the property tax which exceeds 4% of gross income, to a maximum of \$750. For example, a family which earns \$50,000 per year and pays \$2,500 in property taxes would receive a \$500 credit — equivalent to a 20% reduction in property tax.<sup>3</sup> A family earning \$45,000 per year and paying property taxes of \$3,000 would receive the maximum of \$750 — equivalent to a 25% reduction in property taxes.

For renters, 18% of their rent is considered to be property tax for purposes of the circuit breaker. The entire circuit breaker program provides over \$750 million in property tax relief.

Until these property tax relief proposals take effect, the homestead rebate is preserved.

### **Corporate Taxes**

Citizen Action proposes raising New Jersey corporate taxes by over \$400 million. These changes include restoration of the Corporate Net Worth Tax; closing of leveraged buyout loopholes; taxing savings institutions at regular corporate rates; an eight percent surcharge on the corporate income tax; and institution of an Alternative Minimum Tax.

These tax increases will fall overwhelmingly on larger corporations, not on small businesses or family-owned proprietorships.

The Citizen Action plan adopts Governor Florio's proposal for a gross receipts tax on oil companies.

Citizen Action also calls for full release of corporate tax filings so that the public knows how much in taxes the state's corporations are paying. To further enhance public awareness and understanding of tax related issues, an annual tax expenditure report is called for as well.

### **Personal Income Tax**

Citizen Action proposes income tax increase on families whose taxable income exceeds \$70,000, with a top marginal rate of 8% for those whose income exceeds \$250,000, and an income tax surcharge of 15%. The personal exemption for children would be increased from \$1,000 to \$1,500.

The Citizen Action personal income tax plan is effective at the start of fiscal year 1991.

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<sup>3</sup>The calculation is the property tax amount, \$2,500 in this case, minus 4% of income, 4% of \$50,000 which equals \$2,000 in this case. The \$2,500 minus the \$2,000 equals \$500 — the credit amount.

### Citizen Action Plan Tax Tables

Married Filing Jointly and Heads of Households		Single and Married Filing Separately	
Bracket (Taxable Income)	Marginal Rate	Bracket (Taxable Income)	Marginal Rate
Under \$20,000	2.0% *	Under \$20,000	2.0% *
\$20,000 to \$50,000	2.5% *	\$20,000 to \$35,000	2.5% *
\$50,000 to \$70,000	3.5% *	\$35,000 to \$40,000	5.0%
\$70,000 to \$80,000	5.0%	\$40,000 to \$75,000	6.5%
\$80,000 to \$150,000	6.5%	\$75,000 to \$250,000	7.0%
\$150,000 to \$250,000	7.0%	Over \$250,000	8.0%
Over \$250,000	8.0%		
*Same as current law		*Same as current law	

The income tax changes raise over \$2.1 billion.

### Sales Taxes

Sales and excise tax rates are left at current levels, with no increase. The Citizen Action plan adopts Governor Florio's proposal for eliminating the exemptions for certain telecommunication charges and truck purchases. Removal of these exemptions raises over \$300 million.

### Revenue

The Citizen Action plan raises sufficient revenues to fully fund Governor Florio's budget proposals as well as the tax relief programs described above.

### HOW THE CITIZEN ACTION PLAN AFFECTS NEW JERSEY FAMILIES

The table below and the accompanying chart show the impact our plan will have on families of four all across the income spectrum.

The key outcomes include:

- Eighty percent of the state's typical families<sup>4</sup> would enjoy a tax cut under the New Jersey Citizen Action Fair Tax Plan. When the plan is fully implemented, middle-income families will see the share of income they devote to state and local taxes fall 6.4 percent below its level today. Poor families will see an 8.3 percent drop in their total tax burdens.

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<sup>4</sup>This analysis defines families as families of four. See the methodology section for more details.

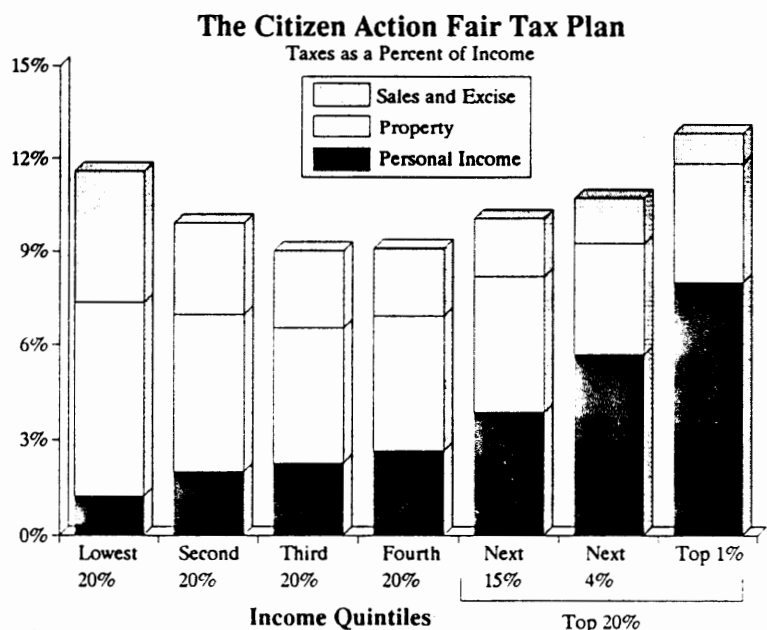
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- The total property tax burden will fall from 5.3 percent today to 4.3 percent for middle-income families under the Fair Tax Plan, a reduction of about 20%. The Citizen Action plan puts property taxes a full 28% below what they would be if the legislature were to punt on tax reform this year and the “muddling through” scenario were to be realized.
- The total property tax burden on low-income families also falls about 20 percent, from 7.5 percent today to 6.1 percent under the Citizen Action proposal. It falls a full 27% from the projected 8.4 percent burden under the “muddling through” scenario.
- The wealthy would finally begin to pay their fair share of the state and local tax burden under the Citizen Action proposal, but that share, after federal deductibility is factored in, would still fall below the share of income paid by the poorest families in our study.

**The Citizen Action Fair Tax Plan — Burdens By Income Group**  
Taxes as a Percent of Income

Income Quintiles	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Top 20%		
					Nxt 15%	Nxt 4%	Top 1%
Avg. '90 Incs.	\$19,200	\$37,500	\$52,900	\$70,900	\$104,700	\$208,600	\$906,200
Sales	3.1%	2.3%	2.0%	1.8%	1.6%	1.3%	0.9%
Cigarette	0.6%	0.3%	0.2%	0.2%	0.1%	0.0%	0.0%
Gasoline	0.5%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%
Property	6.1%	5.0%	4.3%	4.3%	4.3%	3.6%	3.8%
Personal Inc.	1.2%	2.0%	2.3%	2.7%	3.9%	5.7%	8.0%
Total	11.6%	9.9%	9.0%	9.1%	10.1%	10.7%	12.8%

State and local income and property taxes are deductible against federal income taxes. Sales and excise taxes are not. Thus, higher income and property taxes at the state and local level lead directly to lower income taxes at the federal level. A taxpayer in the 28 percent federal tax bracket in essence gets a rebate equal to 28 percent of whatever increase in income and property taxes he bears. This “revenue sharing” effect should be factored into an analysis of aggregate state and



14 X

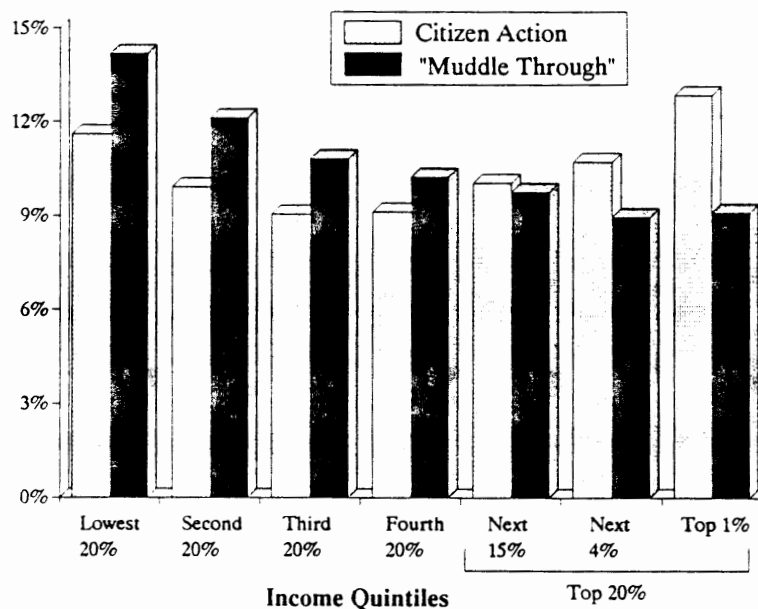
local tax burdens. Federal deductibility provides some very real relief to higher-income families in particular, for they are the ones who itemize their deductions and who are in the highest tax brackets.

After federal deductibility is taken into account, the total state and local tax burden for families of four at the \$900,000 annual income level is 9.9 percent of total income — still less than the 11.6 percent of income that poor families would pay under our proposal.

For all the whining and wringing of hands and gnashing of teeth that will accompany reform proposals which ask that the wealthy begin to bear their fair share of New Jersey taxes — under our plan, the richest families in New Jersey will still pay proportionally less than the poorest. This is hardly a radical outcome, or some resurrection of a share-the-wealth program. It is no more and no less than a move toward basic fairness in the New Jersey tax code.

### Citizen Action and Muddle Through Plans Compared

Total State and Local Taxes as a Percent of Income



### FEDERAL DEDUCTION OF STATE AND LOCAL TAXES

— Citizen Action Fair Tax Plan —

(As a percent of income)

Income Quintiles	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Top 20%		
					Nxt 15%	Nxt 4%	Top 1%
Avg. '90 Incs.	\$19,200	\$37,500	\$52,900	\$70,900	\$104,700	\$208,600	\$906,200
Total Before Deduction	11.6%	9.9%	9.0%	9.1%	10.1%	10.7%	12.8%
Federal Deduction	0.0%	0.9%	1.6%	1.8%	2.5%	2.4%	3.0%
Total after Federal Deduction	11.6%	9.0%	7.4%	7.3%	7.6%	8.3%	9.8%

Moreover, the conduct of state tax policy cannot be isolated from recent trends in federal tax policy. Study after study in recent weeks has detailed both the dramatic increase in the incomes of the richest of America's families and declines in the effective federal tax rates these families are asked to pay.

15x

On average, the richest one percent of America's families, whose average income will be close to \$550,000 in 1990, have seen their effective federal tax rates drop by 15 percentage points since 1977, while their incomes have more than doubled. This works out to an average tax savings in 1990 of over \$80,000 apiece.

Meanwhile, these same studies have documented a decline in real (inflation-adjusted) after-tax incomes of between 7 and 14 percent for middle- and lower-income families over the same time period. For a full ninety percent of the American people, combined federal taxes (income, payroll, and excise) as a share of income have risen, despite campaign rhetoric about across-the-board tax cuts.<sup>5</sup>

The 1980s saw a deliberate shift in programmatic responsibility from the federal government to states and localities. President Reagan once suggested that there was "room" for states to raise taxes given tax cuts at the federal level. What has become clear is that there is only room at the top. There is no room at all for middle- and lower-income families. We should take former President Reagan at his word. Let's find the revenue where there is the room. Let's take back a portion of that enormous federal tax cut for the rich and use that money to provide tax relief to the people who have been paying more than their share all along.

- The Fair Tax Proposal results in a distribution of the tax burden that is roughly proportional across the middle-income groups. The lowest total tax burdens are realized by the two income groups with average incomes of \$52,900 and \$70,900, respectively.
- Families with children will benefit from a proposed increase from \$1,000 to \$1,500 in the value of personal exemptions claimed for children. Inflation has eroded the real value of the personal exemption since the personal income tax was first established in New Jersey, forcing many poor families onto the state income tax rolls, and shifting the burden to middle-income families.
- The proposed increase in the top rate to 8 percent on income in excess of \$250,000 a year is equaled or exceeded in 12 states, including California, Hawaii, Idaho, Iowa, Maine, Minnesota, Montana, New Mexico, New York, North Dakota, Oregon, and the District of Columbia.
- There will be a leveling of the business playing field, which is currently tilted against those businesses that have followed more traditional financing practices, that have invested with an eye to the long-term, and that have less clout in the offices of bank presidents, and is tilted towards the high-rollers, the leveraged buyout specialists and junk-bond investors.
- Large multistate and multinational corporations that do business in New Jersey will benefit from a healthy economic climate, a tax system that doesn't tax their employees out of their homes, from a fully-funded school aid formula that ensures quality education, and a transportation system that allows efficient distribution of goods. The owners of these corporations, who are spread out all over the country, should bear part of the burden of fixing the mess. That's why

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<sup>5</sup>See, for instance, Citizens for Tax Justice, "Inequality and the Federal Budget Deficit," "Background Materials on Federal Budget and Tax Policy for Fiscal Year 1991 and Beyond," Committee on Ways and Means, February 6, 1990, Government Printing Office, Washington, D.C.

we have included a corporate income tax surcharge and a restoration of the corporate net worth tax among our proposals.

### **OPTION 3: GOVERNOR FLORIO'S PLAN**

We have also taken a look at Governor Florio's plan, various aspects of which have been publicly reported in newspaper accounts.

Its key elements are as follows:

#### **Property Taxes**

Governor Florio's plan, like the Citizen Action plan, provides across-the-board property tax reduction by state assumption of local government costs. Under the Florio plan, the state will fund such things as DYFS foster care, indigent patients in institutions, special residential services for the developmentally disabled, SSI payments, assistance for dependent children, emergency assistance, and municipal welfare. \$215 million of relief is provided in Fiscal Year 1992.

The Governor's plan also includes a property tax "circuit breaker" for families with incomes below \$65,000. The credit amount is the property tax which exceeds 5% of gross income, to a maximum of \$500. For example, the family which earns \$50,000 per year and pays \$2,750 in property taxes would receive a \$250 credit — equivalent to about a 10% reduction in property tax. A family earning \$45,000 per year and paying property taxes of \$3,000 would receive the maximum of \$500 — equivalent to about a 17% reduction in property taxes. The Governor's circuit breaker program provides over \$500 million in property tax relief.

The Governor's plan removes the homestead rebate immediately. The circuit breaker and state assumption of costs do not go into effect until fiscal year 1992.

#### **Corporate Taxes**

The Governor's proposal does not include corporate taxes except for a gross receipts tax on oil companies.

#### **Personal Income Tax**

The Governor's plan includes an income tax increase on families whose taxable income exceeds \$70,000, with a top marginal rate of 7% for those whose income exceeds \$150,000. The personal exemption for children is increased from \$1,000 to \$1,500.

The income tax changes raise over \$1.2 billion.

17 x

### Governor Florio's Plan Tax Tables

Married Filing Jointly and Heads of Households		Single and Married Filing Separately	
Bracket (Taxable Income)	Marginal Rate	Bracket (Taxable Income)	Marginal Rate
Under \$20,000	2.0% *	Under \$20,000	2.0% *
\$20,000 to \$50,000	2.5% *	\$20,000 to \$35,000	2.5% *
\$50,000 to \$70,000	3.5% *	\$35,000 to \$40,000	5.0%
\$70,000 to \$80,000	5.0%	\$40,000 to \$75,000	6.5%
\$80,000 to \$150,000	6.5%	Over \$75,000	7.0%
Over \$150,000	7.0%		
*Same as current law		*Same as current law	

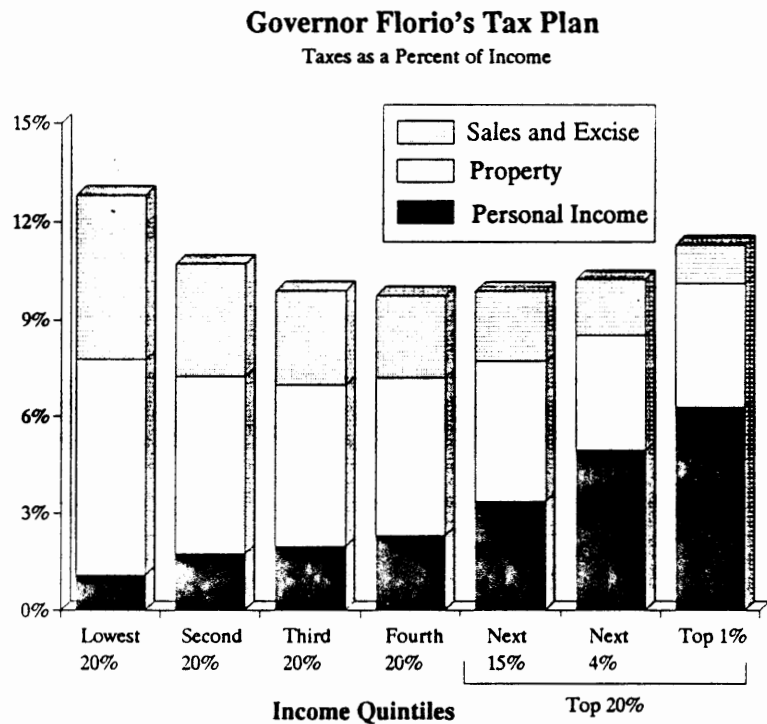
### Sales Taxes

The Governor's plan increases the sales tax rate from 6% to 7% and raises taxes on alcohol and tobacco. The plan also removes exemptions on non-prescription drugs, soaps and detergents, certain paper products, telecommunication services, and truck sales. These tax increases raise over \$1.1 billion.

### HOW GOVERNOR FLORIO'S PLAN AFFECTS NEW JERSEY'S FAMILIES

All in all, the Florio plan — as presently reported — represents a major step forward in the direction of tax fairness. It reverses the shift in state and local taxes that has thrust an ever-greater burden on the backs of middle-class and lower-income taxpayers. It raises revenue from well-to-do families which are currently paying far less state and local tax (as a share of income) than do the non-rich. And it uses that money to provide some badly-needed property tax relief for most New Jersey families.

The Florio plan represents genuine leadership on tax reform. Compared to the



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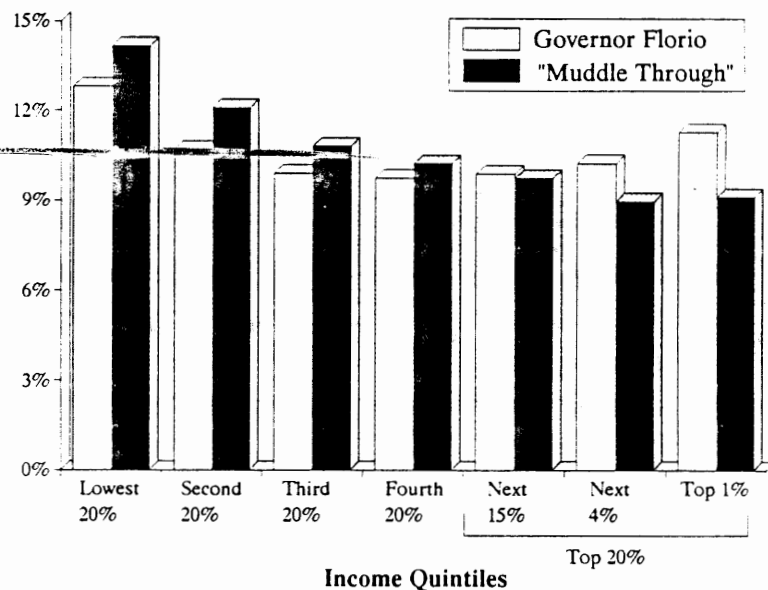
“muddling through” scenario, the Florio plan cuts taxes for more than eighty percent of the state’s taxpayers.

Let’s be clear: in the absence of leadership, the muddling-through scenario is the likely one. When fully implemented, the Governor’s plan cuts taxes on middle-income families by 8 percent and on the poor by 10 percent compared to what they would be if revenue goals were met by “muddling through.”

Even when compared to current law, the Florio plan does an admirable job of minimizing any additional tax burdens on middle-and lower-income families during an extremely difficult fiscal period. For the bottom sixty percent of New Jersey’s typical families, the Florio plan holds the line on taxes altogether, a pretty notable accomplishment in view of deficits running into the billions of dollars.

Property tax burdens on middle-class families decline from 6.0 percent of income under the “muddling-through” scenario and 5.3 percent under current law to 5.0 percent under the Florio plan. Property tax burdens on the poor fall from 8.4 percent under the “muddling-through” scenario and 7.5 percent under current law to 6.7 percent under the Governor’s plan.

**Governor Florio and Muddle Through Plans Compared**  
Total State and Local Taxes as a Percent of Income



**The Florio Plan — Burdens By Income Group**  
Taxes as a Percent of Income

Income Quintiles	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Top 20%		
					Nxt 15%	Nxt 4%	Top 1%
Avg. '90 Incs.	\$19,200	\$37,500	\$52,900	\$70,900	\$104,700	\$208,600	\$906,200
Sales	3.7%	2.7%	2.3%	2.1%	1.8%	1.5%	1.1%
Cigarette	0.9%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%
Gasoline	0.5%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%
Property	6.7%	5.5%	5.0%	4.9%	4.4%	3.6%	3.9%
Personal Inc.	1.1%	1.7%	2.0%	2.3%	3.4%	5.0%	6.3%
Total	12.8%	10.7%	9.9%	9.8%	9.9%	10.3%	11.3%

19 X

The Governor's plan, by shifting funding responsibility for certain services from localities to the state and by implementing the property tax circuit breaker, embraces two key elements of a meaningful property tax relief program.

And, again, for all the wailing that has accompanied release of some of the details of his plan from such corners as the editorial page of *The Wall Street Journal*, the Florio plan merely makes a very regressive system somewhat less regressive.

Even before federal deductibility is taken into account, the Florio plan taxes the richest one percent of the state's families at a rate less than the poorest of the state's families pay, 11.3 percent to 12.8 percent of family income. The gap becomes even wider when the deductibility of state income and property taxes is factored in. The total burden on the poor stays at 12.8 percent (they don't itemize), while it falls to 8.8 percent for the \$900,000 a year family under the Florio plan.

### PROBLEMS WITH THE FLORIO PLAN

Although there is much to commend the Governor's plan, there are several elements we disagree with. Here's where we part company:

- We support retention of the homestead rebate in 1991 and until such time as other forms of property tax relief are provided. The Governor's plan repeals the homestead rebate immediately, and we think that's bad politics and bad policy.
- We disagree with any move to increase sales and excise taxes, with the exception of eliminating certain exemptions that principally benefit the well-to-do. The Florio plan's sales and excise tax increases take away part of the relief it provides elsewhere to middle- and lower-income families.
- We think that there are ways to eliminate special advantages that a few, large, profitable corporations enjoy. The Florio plan is, for the most part, silent on the issue of corporate taxes.
- We believe that a fully-funded school aid formula should be one of the principles guiding a reform package. The Florio plan postpones the day of reckoning on this tough issue.

We feel that our plan is the better one. But we recognize that Governor Florio faces a daunting task in trying to deal with both enormous state deficits and a tax system that is almost unbelievably unfair. He has chosen to raise the bulk of new revenue from those New Jerseyans who benefitted so handsomely from federal tax policy in recent years and who have paid so little at the state level — the richest ten percent of the state's families — while holding the line for the rest of us. That's not bad. If he succeeds — and it won't be easy — the state will enjoy a more stable economic and fiscal climate and a much fairer tax system for years to come.

### CONCLUSION

The New Jersey state tax system is very unfair. Moreover, it no longer raises enough money to fund the services people and businesses need. These two facts are very closely related.

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For years, New Jersey has pursued a soak-the-middle-class and soak-the-poor tax strategy. A system developed that, today, asks middle-income families to pay twenty percent more of their incomes in state and local taxes than families earning close to a million dollars a year.

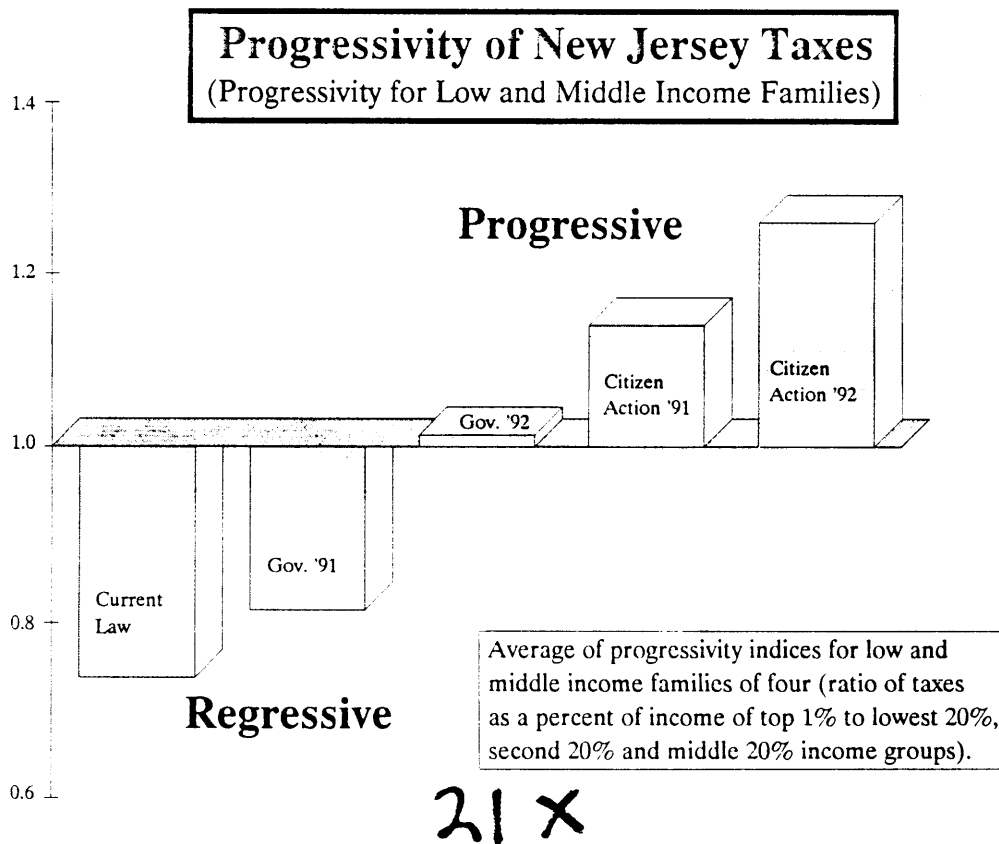
This is outrageous. But no one seemed to notice as long as the economy was booming, incomes were rising, real estate values were skyrocketing, and revenues just kept going up — in the absence of any legislative action. ~~The inevitable has occurred~~ — the economy has slowed a little and now the chickens have come home to roost.

The result: a tax structure that just keeps asking more and more of the people who face the greatest financial squeeze is running into big trouble. It can't raise the money the state needs and it drives people into revolt.

We know what the answers are. We need to provide meaningful property tax relief to the families of this state. We need to ask New Jersey's wealthy families to pick up a greater share of the state tax tab. We need to get the state to take on some of the financial responsibility for functions which have been foisted off on localities for all too long. But what we need most of all is the political willpower to get the job done.

For the next two months, New Jersey Citizen Action will be taking its case directly to the homeowners of this state. We'll be knocking on doors, talking to the folks who are the real taxpayers of this state, building a constituency for the kind of reform that this paper has spelled out.

This year represents a golden opportunity for significant and lasting reform of our state's tax system. Let's not blow it.



## METHODOLOGICAL NOTES

The burden analyses in this report are for average families of four within each quintile.

Determination of income quintiles and calculation of income taxes was based on information provided Citizens for Tax Justice (CTJ) by the Internal Revenue Service and updated to 1990. The IRS data was verified against the New Jersey Department of Treasury's "Statistics of Income" publication for 1987 income tax returns (published in Spring 1989).

Sales and excise tax burden analysis was based on a computer model from CTJ's March 1988 report *Nickels and Dimes*, which uses adjusted Consumer Expenditure Survey data to calculate the sales and excise tax burdens on different income groups. The model was updated to provide results under current law and the other options discussed in this report.

Property tax calculations were based on the New Jersey Department of Treasury's "Owner Occupied Housing Statistics" publication for 1987 (published in Spring 1989) and on CTJ's computer property tax model. CTJ's model is based on Census, FHA, IRS and other data sources. Proposed "circuit breakers" and the homestead rebate are treated as reductions in property taxes even though circuit breakers are delivered as reductions on income taxes and the homestead rebate is delivered in the form of a separate payment.

Revenue projections are taken from Governor Florio's budget proposals, the final report of the State and Local Expenditure and Revenue Policy Commission (SLERPC), estimates and projections of the Office of Management and Budget, and from the CTJ models.



## **New Jersey Citizen Action**

New Jersey Citizen Action is a non-profit organization whose purpose is to increase citizen participation in the democratic process for economic and social justice. With more than 67,000 members, New Jersey Citizen Action is building the largest citizen coalition in the state. We have fought for a wide range of issues, including fair taxes, affordable health care, toxic waste clean up and lower utility rates.

## **Citizens for Tax Justice**

Citizens for Tax Justice was formed in 1979 to give ordinary citizens a greater voice in the development of tax laws at the national, state and local levels. Against the armies of special-interest lobbyists for corporations and the wealthy, CTJ fights for a fair shake for middle- and low-income families, based on the idea that people should pay taxes according to their ability to pay them. Dan Rostenkowski, chairman of the House Ways and Means Committee, has called CTJ "the average taxpayer's voice in Washington." *The Washington Monthly* ranked CTJ first in its 1988 list of the "best public interest groups."

Previous CTJ reports on state and local taxes include *Nickels & Dimes* (1988), *The Sorry State of State Taxes* (1987), and *The Impact of Recent Changes in Federal Depreciation Rules on State Tax Revenues* (1981), as well as numerous state-specific studies on a variety of tax issues.

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## Concerned Citizens of Belleville, Inc.

P.O. Box 353  
BELLEVILLE, NEW JERSEY 07109

December 9, 1991

*"making Belleville better"*

Sen. Laurence Weiss, Chairman  
Senate Revenue, Finance, and  
Appropriations Committee

Honorable Chairman & Committee members,

On Nov. 5, 1991, the voters of New Jersey spoke loud and clear. I thank this committee for responding to the voters. You are doing the RIGHT THING. By repealing or sunsetting the 2.3 billion dollar tax package as of July 1, 1992, the new legislature will have more than enough time to prepare a responsible and AUSTERE budget.

The message on November 5, 1991 was to cut taxes through reduced spending, not to find more ways to raise revenue from the overburdened Taxpayer. The 2.3 billion dollar program did not accomplish what it was intended to do. You were right to repeal the tax on trucks and heavy equipment, because in a short period of time it destroyed an entire industry. You were also right to repeal the paper tax.

You are right to roll the sales tax back to 6%, although I would suggest a more radical and bold initiative to roll it back to 5%. This plan would create not only a psychological factor to increase consumer spending, but the 2% (approx. 1 billion) would be left in consumers' pockets to spend. If the legislature intends to "prime the pump", it should leave something in the "well" to pump out. The way out of a recession is to increase spending in the private sector, not government bureaucracy.

In regards to the income tax, it is an outright lie to state that only the rich will pay more income tax. The sad truth of the matter is that the property tax deduction has been eliminated, and everyone rich or poor, working or retired, homeowner or tenant, will pay more income tax, directly or indirectly. Give us REAL and direct property tax relief, rather than the bureaucratic inefficiency of the Homestead Rebate program. Force our local governments to control costs, don't subsidize them with the "Supplemental Property Tax Relief Act". The only thing this "ACT" did was to allow local governments to raise their budgets, give high wage increases, and hide the increases with the State aid.

On October 22, 1991, the Council in my Township Of Belleville awarded pay raises from 5% to 10.4%, despite objections from local residents. They have created many new, high paying positions, and hired consultants with reckless abandon. Overtime wages are being paid as if it came from a bottomless pit. Our hospitalization premiums for employees is over \$7100.00 per employee because of an extremely poor "experience rating". (Nobody's watching the store!) As of January 1, 1992 our Town manager will receive a base pay of \$92,176.00 or \$7000.00 more than our Governor earns.

Another "act", which did not play well on Main Street, was the Quality Education Act. State aid to education has allowed teachers and administrators to receive annual pay raises of 8% to 12%, while our student enrollment and test scores declined. In 1991 our town had 4700 students and a staff of 316-1/2. In 1990 we had only 3552 students and a staff of 318.

24x





## Concerned Citizens of Belleville, Inc.

P.O. Box 353  
BELLEVILLE, NEW JERSEY 07109

"making Belleville better"

- 2 -

In 1988 several extremely disturbing items were revealed. The "current expense" account was understated by \$100,000. The teachers salary accounts were overbudgeted by over \$250,000., which is a violation of law. Capital outlay funds had gone unspent for several years and had accumulated a balance of over \$500,000.00, although there were many projects waiting to be addressed. A very embarrassing situation developed when it was revealed in a memo that money for administrative salary negotiations was hidden in the schools heating and fuel oil account.

I am deeply concerned about the quality of our education system, as I have three school age children, the youngest in second grade. However, the past two decades of busing, smaller classes, special classes, state aid, federal aid, teacher's aides, new math, liberal dress codes, T & E, the state lottery for education, more modern facilities, and computers, have produced high school graduates with fourth grade reading levels, poor math and spelling abilities, and a general education far inferior to the graduate of 25 years ago. The facts are clear; the more government intervention we allow, the worse our education system becomes.

I ask the legislature to repeal the O.E.A. and conduct an investigation and audit to determine how our existing education dollars are being spent, before we commit more revenues.

Who should pay for teachers pensions, the State or the municipalities? No matter what branch of government actually writes the check, the fact is that the money comes from the taxpayer. It may be wiser to have the pensions paid on a local level. If teachers pensions are on the local table as part of a wage and benefit package, the true cost will hit home, and will result in more reasonable wage settlements. It will also eliminate one layer of State bureaucracy.

**DO THE RIGHT THING !!** Repeal these oppressive taxes. Where do you make the cuts ?

1. Eliminate "Supplemental Municipal Aid". Make local governments more responsible.
2. Eliminate the "Homestead Rebate" program. You will not need to raise the revenue to pay for it.
3. Hold firm on your original plan to have teachers pensions paid at the local level.
4. Reduce the State workforce thru attrition. Reverse Governor Kean's obscene hiring policy.

In summation, don't allow the State of New Jersey to become a collection agency ( or Bagman) for local governments or Boards of Education! **DO THE RIGHT THING !!**

Very truly yours,

Vincent J. Frantantoni, Pres.  
(201) 750-4111

25X

*Township of Belleville*  
**Board of Education**

190 CORTLANDT STREET  
BELLEVILLE, NEW JERSEY 07109-3168  
(201) 450-3500  
FAX 201-450-3504

Patricia Pisano, *President*  
Seymour Grossman, *Vice President*  
Dr. Anthony C. D'Agostino  
Joseph P. Dei Guercio  
Gabriel Nazziola  
Vincent Marrone  
Angelina M. Paserchia

Michael D. Nardiello  
*Superintendent of Schools*  
Michael A. Lally  
*Assistant Superintendent*  
Edward J. Appleton  
*Board Secretary - Business Administrator*  
Frank Pomaco, *Board Counsel*

July 30, 1991

Mr. Dan Ippolitto  
35 Overhill Road  
Belleville, New Jersey 07109

Dear Mr. Ippolitto:

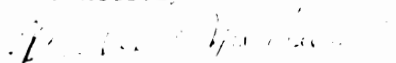
In response to your comments made on July 29, 1991 I have researched the issue of staff positions in relationship to enrollments. During the 1981-82 school year we had 4709 students and a staff of 310½. Within that staffing we had 18 special classes. During the 1990-91 school year we had 3552 students and 318 staff members. We increased our special classes to 28 necessitating the adding of 10 teachers.

We also added a nurse, a librarian, a learning disabilities teacher consultant, math and social studies teachers to meet state mandates.

The ever changing requirements obligates us to meet the needs of our population. Small group instruction makes staff/student relationships meaningless. Our class sizes are reasonable and we are always looking to reduce our educational costs. This year we reduced the middle school staff by four positions.

I hope I have answered your concerns.

Sincerely



Michael D. Nardiello  
Superintendent of Schools

MDN:gc  
copy to: Board of Education

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*'Belleville, A Superb School System*

*Dr. Elena J. Scambio*

# CAN BELLEVILLE AFFORD THESE SALARY RAISES ????

??

North Jersey Herald & News

Saturday, September 14, 1991

B 11

## Legal Notices

### TOWNSHIP ORDINANCE

PUBLIC NOTICE is hereby given that the following proposed ordinance was introduced and passed on first reading at a meeting of the Municipal Council of the Township of Belleville, N.J. held on Tuesday evening, Sept. 10, 1991 and further notice is hereby given that the second and final reading of said ordinance will be considered by said Municipal Council at a meeting to be held at the Town Hall, Washington Avenue and Belleville Avenue, Tuesday evening, Sept. 24, 1991 at eight o'clock p.m. when all objections to the passing of same will be heard and considered.

Mary Lou Hood  
Municipal Clerk

"AN ORDINANCE TO AMEND AN ORDINANCE CREATING PERMANENT POSITIONS AND ADOPTING RECLASSIFICATION AND COMPENSATION PLANS PROMULGATED IN THE N.J. DEPT. OF PERSONNEL IN AND FOR THE TOWNSHIP OF BELLEVILLE"

BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE TOWNSHIP OF BELLEVILLE, NEW JERSEY:

SECTION 1. That Section 1 of the above entitled ordinance be and is hereby amended to set forth after the titles listed herein below the salaries set forth below in said title:

Title	1990 Base	1991 Base
Township Manager	\$83,607	\$87,787
Township Clerk	36,752	42,700
Police Chief	72,193	76,525
Fire Chief	68,975	72,419
Director Public Works		
Township Engineer	66,000	69,360
Director of Finance	67,327	70,672
Director of Health and Human Services	44,750	45,455
Director of Recreation and Cultural Affairs	45,117	47,373
Director of Planning	53,000	55,620
Tax Collector	38,762	42,700
Tax Assessor	37,720	41,061
Superintendent of Public Works	46,965	49,334
Supervisor of Parks	45,117	47,373
Supervisor of Shade Tree	44,355	46,572
Superintendent of Maintenance	34,737	36,474
Supervisor of Water & Sewer	35,992	37,792
Construction Official	45,218	50,627
Administrative Secretary to Township Manager	32,812	34,516
Secretary to Law Department	29,250	30,713
Secretary to Director of Public Works	31,175	33,151
Assistant Township Attorney		
Prosecutor	26,569	31,430
Municipal Judge	34,792	37,517
Attorney to Planning Board	6,000	6,311
Attorney to Zoning Board	6,000	6,311
	Minimum	Maximum
Per Street or Village Streets	0	\$ 3.00
Neighborhood Preservation Grant Coordinator	\$10,000	\$14,500

SECTION 2. That the salary schedule set forth in this Ordinance shall be effective January 1, 1992. The expiration of the term of the Director of Public Works, the Engineer and the Director of Finance shall be determined by the expiration of their respective terms of office.

Sept. 14, 1991 P.M. 10:00

TOWN MGR. UP \$4180.-  
TOWN CLERK UP 3938.- 10  
POLICE CHIEF UP 4353.-  
FIRE CHIEF UP 3449.-  
ENGINEER UP 3300.-  
TREASURER UP 3365.-  
HEALTH DIR. UP 4213.- 9.  
TAX COLLECTOR UP 3938.- 10.1  
TAX ASSESSOR UP 3861.- 10.4  
DIR. OF PLANNING UP 2650.-

AND.....

THIS DOES NOT  
COUNT LONGEVITY!!!

PUBLIC  
HEARING  
TUESDAY  
OCT 22, 1991  
6:30 P.M.

27X



## Concerned Citizens of Belleville, Inc.

P.O. Box 353  
BELLEVILLE, NEW JERSEY 07109

"making Belleville better"

October 25, 1991

Governor Jim Florio  
State House  
CN 1  
Trenton, N.J. 08625

Dear Governor Florio,

There has certainly been a sea of controversy over your tax policies. On many occasions, I have called your office to voice my discontent or offer advice on certain issues. A few times I have complimented your actions, by phone call and letter.

At this time, I am writing to advise you just how your "Supplemental Municipal Property Tax Relief Act, P.L. 1991 C, 6" money is being spent.

The Township of Belleville is a working class town with many young families struggling to survive and raise children. We also have a large senior population on fixed incomes, and no senior citizen housing. The State and Nation are in the midst of a severe economic downturn, which many believe to be long term.

While you, on a State level, are attempting to control costs, layoff employees, and rescind wage increases, our elected officials in Belleville are using your "property tax relief" money to give very generous raises to our town employees and officials. I am enclosing correspondence sent to the Public Advocate's office.

Please Governor, be aware that you are being advised by bureaucrats who appear to have little knowledge of what is going on in the "front lines". While your "Municipal Aid", "Homestead Rebate", "Education Aid", and other aid programs sound good on the surface, we are rapidly losing sight of how these programs are "really" funded.

Local taxes, county taxes, state taxes, and federal taxes come from four different pockets and the pockets are all in the same pair of pants, belonging to Mr. & Mrs. Taxpayer. Excessive taxation has emptied all the pockets, there is nothing left to fuel an economic recovery.

Municipal employee salaries, teachers salaries, and extremely generous benefits have placed a severe financial strain on our communities. When the same economic burdens are placed on private industry, the company collapses, as we are presently witnessing.

Please do whatever your authority allows to encourage local officials to control these runaway costs. The future of New Jersey depends on it.

Very truly yours,  
*Vincent J. Frantantoni*  
Vincent J. Frantantoni, Pres.  
(201) 752-4111

28x



MARCH 1988

ACCOUNT NO	DESCRIPTION	TO	FROM
110	Administration Salaries	(\$12,921.44)	
120	Contracted Services	(\$41,021.04)	
130	Other Administrative Expenses	(\$12,810.91)	
211	Principal Salaries	(\$14,238.06)	
212	Supervisor Salaries	(\$23,892.68)	
213	Teacher Salaries	(\$167,281.21)	
214	Other Instructional Salaries	(\$11,390.00)	
215	Secretaries Salaries	(\$32,647.68)	
220	Textbooks	(\$ 4,217.42)	
230	Audio-Visual Materials	(\$ 2,562.20)	
240	Teaching Supplies		\$26,843.76
250	Other Expenses		\$24,076.55
310	Attendance Officer Salary	(\$ 243.00)	
410	Health Salaries	(\$19,658.93)	
420	Other Health Expenses		\$ 6,552.22
510	Transportation Salaries		\$25,000.00
520	Contracted Services	(\$ 7,184.27)	
540	Pupil Transportation Insurance		\$28,000.00
550	Other Transportation Expenses	(\$22,279.60)	
610	Operation Salaries	(\$19,896.67)	
620	Contracted Services	(\$12,371.35)	
650	Supplies	(\$ 8,283.55)	
660	Other Expenses		\$ 3,520.66
710	Maintenance Salaries	(\$22,632.57)	
720	Contracted Services	(\$12,595.06)	
730	Replacement of Equipment	(\$22,413.57)	
740	Other Expenses		\$50,532.16
820	Insurance & Judgements		\$79,999.74
870	Tuition		<u>\$175,000.00</u>
1010	Student Body Activities Sal.	(\$ 3,109.76)	
1020	Other Expenses	(\$14,955.27)	
1030	Expenditures to Other Expenses	(\$ 5,000.00)	
<u>Total Fund 1101</u>		<u>(\$539,816.24)</u>	<u>\$430,915.09</u>
213	Teacher Salaries		\$ 5,5400.00
230	Audio-Visual Materials		\$ 311.05
240	Teaching Supplies		\$ 4,533.82
250	Other Expenses	(\$ 36.62)	
720	Contracted Services	(\$ 370.00)	
730	Replacement of Equipment		\$ 355.40
<u>Total Fund 1108</u>		<u>(\$ 406.62)</u>	<u>\$10,600.27</u>
213	Teacher Salaries		\$100,000.00
320	Textbooks	(\$ 3,586.15)	
230	Audio-Visual Materials	(\$ 1,732.62)	
240	Teaching Supplies		\$ 6,600.54
250	Other Expenses	(\$ 192.69)	
730	Replacement of Equipment	(\$ 2,381.58)	
<u>Total Fund 1112</u>		<u>(\$ 7,893.04)</u>	<u>\$106,600.54</u>
1230	Capital Outlay - Buildings	(\$133,640.00)	
175	Unappropriated Balance		<u>\$133,640.00</u>
<u>Total Fund 1000</u>		<u>(\$133,640.00)</u>	<u>\$133,640.00</u>

30X

# New Jersey's Demographics in the 1990s

By Dr. James W. Hughes  
Professor of Urban Planning  
Rutgers University

**W**E are now well into the first year of the final decade of the 20th century. The previous decade (the 1980's) was a time of unprecedented economic prosperity in New Jersey. However, these gains are now history. We have entered a period of economic and fiscal questioning as the state's economy slows and fiscal problems grow. But there are forces which represent relative certainties as we proceed toward the 21st century. Long-term demographic fundamentals have already defined a good part of our future.

In particular, there are five demographic long-waves structuring the shape of society and the economy in New Jersey as well as in the United States:

1. Maturing and Middle Aging
2. Shrinkage and the Coming of Age of Shrinkage
3. The Aging of the Elderly
4. Slower Growth and Reduced Growth Increments
5. Increased Minoritization

They will be evident within every municipality in New Jersey; their impact will be sustained and pervasive.

## Maturing and Middle Aging

The balance of this century will see a much more mature New Jersey—a much more middle-aged state. This is the number one demographic trend today. The underlying force is the middle aging of the baby boom, the huge group—77 million strong nationally—born during the high-birth period between 1946 and 1964. The critical mass of New Jersey's, and America's, population is moving into its middle years. Much more of New Jersey will be cocooning, while much less will be discoing!

This year (1990), the oldest baby boomer will be 44 years old—the youngest, 26 years. By the turn of the century, the oldest will be 54 years old—the youngest 36 years. Thus the dominant population group in the state will be entering its peak earning and income years during the 1990s. To income-tax collectors, these should be the demographics of delight.

A major result is a maturing housing demand equation, with married-couple, owner, baby-boom households—31 to 49 years of age in 1995—increasingly the dominant housing-demand sector. Thus a booming trade-up market should be anticipated, but it could be inhibited by a demographic bulldozer—our second long wave.

## Shrinkage and the Coming of Age of Shrinkage

The second long wave is the result of a maturing baby-bust generation, a much smaller population group produced during the low-birth era from 1965 through 1976, when fertility rates plummeted. This "cohort of contraction" is now entering its 20s, with the oldest "baby buster" this year turning 25 years old. Between 1990 and 2000, the baby bust will drain the 25 to 34-year-old population in New Jersey; the number of 25 to 34-year-olds will decline by nearly one out of five persons. The vanishing teen of the 1980s will be replaced by the vanishing young adult of the 1990s.

As a result, between now and the year 2000, entry-level housing demand will be in retreat and the number of new entrants into the labor force will contract. All activities and functions predicated on young adults face shrinking markets. In fact, the baby bust is beginning to do to other sectors of society and the economy what it did to school systems in the 1970s—generate pains of contraction.

For the first time, the bottom of the housing pyramid is shrinking. Historically, there were always far more buyers at

the bottom attempting to move up than there were sellers, particularly for starter homes. This is no longer the case. A market in entry-level shelter may be great for the shrinking group of young adults, but it is less so for the static "middle-agers" who have to sell in order to trade up. Home price increases should be much more moderate in the 1990s; municipal assessment gains based on price/value appreciation, in turn, should slow.

## The Aging of the Elderly

During the entire post World War II era, the elderly—those 65 years of age and over—always showed strong growth in New Jersey and America. But during the 1990s, the number of elderly will grow at far slower rates than in the past. The growth that does occur in the elderly ranks will be in the group over 75 years old. The 65 to 74-year-old sector—the young elderly—will actually shrink in number during the 1990s. This is due to the retirement of the Depression Era Birth Dearth—the earlier baby bust of the late 1920s and 1930s. Thus, overall, the elderly will be aging. The nursing home market may boom, but housing for the young elderly represents another stagnant shelter market.

## Slower Growth and Reduced Growth Increments

As a result of the preceding dynamic, future growth increments will contract. National household and the labor-force growth patterns tell the tale. In the 1970s, the number of households in the United States grew by 1.7 million per year. In the 1980s, this yearly growth fell to about 1 million households. And in the 1990s, growth will fall to between 1.0 to 1.1 million households per year. Thus the number of consumer (and taxpayer) modules and the number of basic housing demand units will be growing far slower for the balance of the 20th century. Housing production will be similarly scaled down. In general, residential growth pressures on municipalities should abate, solely as a result of demographics.

A second element of slow growth is the labor force. During the 1970s, the American labor force expanded by 2.

*Dr. James W. Hughes is Professor of Urban Planning and Policy Development at Rutgers University, where he joined the faculty in 1971. He was Chairman and Graduate Director of the Department of Urban Planning and Policy Development from 1983 through 1988. Presently, he serves as the Director of the Rutgers Regional Report in addition to his professorial duties. Volume II of the Report—New Jersey Home Prices—has just been released.*

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# AFSCME

American Federation of State, County, and Municipal Employees

Administrative Council 1, New Jersey  
3635 Quakerbridge Road, Suite 1  
Trenton, New Jersey 08619  
Telephone: 609-587-5000

Robert Angelo  
Executive Director

STATEMENT OF: ROBERT ANGELO, EXECUTIVE DIRECTOR, COUNCIL #1  
AMERICAN FEDERATION OF STATE, CNTY & MUNICIPAL EMPLOYEES (AFSCME)

TO: SENATE REVENUE, FINANCE & APPROPRIATIONS COMMITTEE

DATE: MONDAY, DECEMBER 9, 1991

On behalf of AFSCME's 45,000 members, their families and their communities, I am urging you to reject the proposal to repeal last year's revenue program. Approval of this fiscal step backwards would be equivalent to a Pearl Harbor attack on public services. The devastation this ill-conceived idea would wreak on government at every level as well as the lives of New Jersey's needy and vulnerable citizens would be unparalleled.

Given the rapidly developing budget deficit for FY '93, the diminishing federal support for state and local programs, the widening national recession and the rising costs of providing essential services, it would be IRRESPONSIBLE to approve the repeal proposal. The 1990 tax package was the right thing to do then and it remains a sensible ingredient of our present and future budget strategy. The action contemplated today is tantamount to playing politics with the lives and livelihoods of hundreds of thousands of New Jerseyans.

Without the revenues generated from last year's tax plan;

How will we address the learning crisis in our schools?

Who will care for the mentally ill wandering our streets?

What will we be able to do for the sick, the homeless, the poor, the aged?

Where will we find the resources to fight the war on AIDS?

Who will keep our air and water clean and pollution free?

How will our state's higher education system keep its doors open to all students?

Where will New Jersey's cities get the fiscal aid necessary for their survival?

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AFSCME is convinced that the anger vented by the electorate last month was aimed at the way the tax plan was enacted not the reasons it was needed. To now back-pedal away from the very real responsibility for the fiscal well-being of our state will only serve to intensify the public's frustration with elected officials and further erode confidence in government.

For all of our sake, I strongly urge you to leave the tax package in place.

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