

PUBLIC HEARING

on

SENATE CONCURRENT RESOLUTION NO. 16 -
PROPOSING TO AMEND ARTICLE VIII,
SECTION 1, PARAGRAPH 1 OF THE STATE
CONSTITUTION - (RE TAXATION OF LANDS
USED IN AGRICULTURE OR HORTICULTURE.)

Held:
April 15, 1963
Assembly Chamber
State House
Trenton, New Jersey

BEFORE

SENATE COMMITTEE ON REVISION AND AMENDMENT
OF LAWS

Member of Committee present:

Senator Wayne Dumont, Jr. (Chairman)

Also:

Senator John A. Waddington (Co-sponsor)

Assemblyman Douglas E. Gimson

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I N D E X

	Page
Senator John A. Waddington Chairman, Governor's Committee on Farmland Assessment	1
Phillip Alampi New Jersey State Secretary of Agriculture	9
Mr. R. C. Buckley New Jersey Petroleum Industries Committee	16
Marriott G. Haines Association of Municipal Assessors of New Jersey	18
James C. Weisel President, New Jersey Agricultural Society	31
Walter Hunt State Association of Township Committeemen	33
Mr. C. H. Fields Executive Secretary, New Jersey Farm Bureau	37
Statement of Wayne Sliker of Hunterdon County submitted for the record	41
David L. Middleton United Milk Producers Cooperative Ass'n of N. J.	43
Franklin C. Nixon Master, New Jersey State Grange	47
Dr. George Luke College of Agriculture, Rutgers, The State University	49
Mrs. Beth Poole representing the 4-H Club	52
S. Herbert Starkey New Jersey Education Association	56

SENATOR WAYNE DUMONT, JR. [CHAIRMAN]: This public hearing this morning is on Senate Concurrent Resolution No. 16, introduced on March 18, 1963, before the Senate Committee on Revision and Amendment of Laws, and is the hearing required under the rules of the Senate and otherwise by law to accomplish the purpose of holding a hearing on a proposed constitutional amendment. This is the amendment to require that farm land be assessed at fair value when it's devoted actively to agricultural or horticultural use based on that value.

The first witness this morning will be the principal sponsor of Senate Concurrent Resolution No. 16 and also the Chairman of the Commission which served throughout most of 1962 in an effort to draft a resolution. So I would like to call Senator John Waddington of Salem County.

S E N A T O R J O H N A . W A D D I N G T O N: My name is John A. Waddington and I am State Senator from Salem County, but I am speaking this morning as Chairman of the Governor's Committee on Farmland Assessment. Last year, after the Supreme Court determined that a section of the Laws of 1960, Chapter 51, were not legal under our present Constitution, a number of individuals and groups, including Governor Hughes, were concerned that we develop a Constitutional amendment that would keep the family farm in New Jersey. So the Governor appointed a committee which consisted of representatives of the New Jersey Farm Bureau, the Senator from Warren County, representatives of the State

Grange, the League of Municipalities, the New Jersey Association of Assessors, the New Jersey Association of Township Committeemen, the College of Agriculture at Rutgers, the State Department of Agriculture, the Division of Taxation, and the Governor's Legal Counsel, and of this Committee I was appointed Chairman.

The problem that we face in New Jersey is part of a national problem. This the Committee found very early in its studies which continued throughout much of last year and into this year. We found that nationally more than a million acres of farmland each year is being lost to city developments, industrial and commercial uses, and highways.

I won't take the time of this Committee, Mr. Chairman, to detail the effects in New Jersey. I am sure that this will be better done by other witnesses later. But the problem in New Jersey is similar to that which is occurring nationally.

In its studies and deliberations, the Committee reviewed the problem and the approaches that are being made to it in many states - California, Wisconsin, Hawaii, Florida, Maryland, Connecticut, and others.

I think at this time, Mr. Chairman, I should read a portion of the Report that the Committee made in March of 1963 to Governor Hughes, and I quote from the Report:

"The Committee held a number of meetings, reviewed steps taken and the experience in other states, explored a variety of proposals for New Jersey, and agreed unanimously on the recommendations presented to you.

"In the development of its recommendations on the problem of farm land assessments, the Committee gave serious consideration to (a) the desirability of continuing the family farm in New Jersey and the farmer's problem; (b) the interests of the municipalities and the problems of the assessors; and finally (c) the interests of all the people in New Jersey in maintaining open space, the beauty of our countryside, and in the availability of agricultural products fresh from the farm.

"The recommendations of the Committee are:

"1. A bill be introduced in the Legislature on March 18 proposing a change in the Constitution to require the Legislature to enact laws to provide that land actively devoted to agriculture or horticulture be assessed at values on this use only;

"2. That such lands must have been actively devoted to agricultural or horticultural use for at least the two preceding years and must consist of at least five acres;

"3. That the owner of such land must apply to the assessor for the farm land assessment;

" 4. That to give protection to the municipality against pure speculation, there be included a tax deferral or recapture feature of two years at the time of a change in use of the land.

"This recapture feature would be predicated on the difference in assessment at the new use and at the farm use.

"5. That implementing legislation be developed as rapidly as possible in order to have answers to the questions

which will be raised both by the Legislature and by the public at large.

"6. That the Governor and the administration seriously consider undertaking a broader and more comprehensive study of the problems of maintaining open or breathing space in New Jersey. This Committee, aware of the exigency of time and the compass of its existence, recognizes that assessment is an important but not the only factor warranting study. The use of zoning, of easements, and other techniques should be looked at in the context of not only farm land but of forest lands, watersheds, and recreational areas.

"7. Finally the Committee, having completed its assigned function, will be most happy to continue its existence if you wish and give advice and counsel in the preparation of the implementing legislation."

The Committee was happy and gratified that Governor Hughes agreed with its recommendations and consequently the Senator from Warren County and myself introduced SCR 16, which was the resolution containing the proposed constitutional amendment which was developed by this Committee and is now before the committee of the Senate.

There are two or three points I would like to make: First, when the Committee studied this matter, it was particularly interested in the experience of a number of other states. Maryland, for example, in 1960 passed by the Legislature and then by referendum a constitutional amendment requiring that farm land be assessed at its farm value. We understand there was some opposition in the

State of Maryland but people got the general idea that regardless of whether or not this might be a break for some farmers, this constitutional amendment would tend to keep some semblance of the lovely Maryland country side. The voters approved the amendment by a majority of three to one. Interesting enough, the city people in Baltimore County approved the amendment by approximately a four to one vote. We felt that this experience in Maryland in 1960 in the referendum and since 1960 was particularly interesting.

The studies since 1960 show that the results on farm and other land have essentially been prevented rather than a roll back of farm assessments. Essentially there was no significant loss of ratables to the municipalities. This seems to confirm the belief that in Maryland as in New Jersey the great majority of assessors were assessing farm land on its value as farm land and for its use as farm land. Throughout New Jersey, as in many states of the Union, the classic approach of highest and best use seems to be breaking down. Much of our best farm land is falling to development, even though many times keeping the best farm land in agricultural use would be good economics for the community as a whole, in terms of the availability of fresh food and of providing relief to city dwellers who need the breathing space of green belt parks and rural scenery.

The special assessment plan that is proposed could well be a program to conserve open space which might otherwise be developed, and we believe is a step in our desire of saving the family farm in New Jersey and of preserving the beauty

of our State in many sections.

We believe that the people of the entire State have just as great a stake in this as do the landowners. New Jersey has the greatest density of population of any State except Rhode Island, and we will find that our cities and towns will have a hard time bringing back green space once it is built on and so, if farmers preserve some future land until the towns are aware of the need, the farmers of New Jersey will have performed a real service for this and coming generations.

I believe that the city voters in New Jersey as were the city voters in Maryland will be surprisingly sympathetic to some people to the farmers' tax problem and to the necessity of taking steps now to preserve New Jersey for their children. I believe they will see the difference between protecting farmers who want to farm and to giving a bonanza to large landowners who might want to make a killing in real estate with low taxes.

SCR 16 gives some measure of protection in this area also.

In summary, Mr. Chairman, our farm land in New Jersey must be protected if farming is to continue in this state. The problem ahead of us - and we are in the early stages now - is of this magnitude and importance to all of the people of New Jersey. The change in the assessing requirements in the Constitution is one of the fundamental steps and one which should be taken now. Any exception made to the constitutional requirement that one man's land be taxed

the same as anybody else's must give some protection to the rest of the community against abuse and of its being used to mask pure speculation. I think the community would and should resist being a soft touch. SCR 16 does give some measure of protection here.

We must also recognize in New Jersey that this will not cost the city dwellers one penny. The people of the big cities can lose nothing but can gain much by the passage of this constitutional amendment.

Further, I believe we must recognize that assessment is a factor but is only one factor of many when farm land is sold for other uses. However, this deferred assessment plan can buy time. This time will not fully protect the open spaces unless other measures are used, but it will give us time in New Jersey and will do a great deal, in my judgment, to inhibit premature development.

In conclusion, it seems to me that New Jersey must now plan its future. The population explosion is upon us. It is estimated that in the very near future our state population will increase by more than 50 per cent and we must decide now if we want our grandchildren to escape the dangers of ant hill city living; we must decide if we want any farms and all the advantages they bring to both the country and the city people. We must decide now if we want a state of concrete and asphalt or one with adequate breathing space for all of its citizens.

So, Mr. Chairman, I believe that all of the people have a basic stake in this matter of preserving some of

our great heritage and the land of our farms for the use and the enjoyment of future generations. I believe that the people of New Jersey through its Legislature and later by referendum will recognize this and will take the necessary steps to approve this on referendum. There's a deep love of the land in all of us and a recognition that today we must plan for tomorrow.

Thank you very much, Mr. Chairman, for the opportunity to testify.

SENATOR DUMONT: Thanks to you, Senator Waddington. Now, if anyone wants to ask any questions of the witnesses we would like you to submit them here so that we can determine whether they are relevant or not. Does anyone desire to ask any questions of Senator Waddington?

I note the presence of Assemblyman Douglas Gimson from Hunterdon County, and I wonder if he desires to testify.

ASSEMBLYMAN GIMSON: Not at the present time.

SENATOR DUMONT: Why don't you come up here and join us then, and keep us company.

I will now call David L. Middleton of the United Milk Producers. I am calling him out of turn because his organization has the sad task of having to be represented later on today at the funeral of former Assemblyman Clarence Little of Sussex County, so I know Mr. Middleton desires to be heard and then be on his way. Is he here yet? [Not present] Well, then, we'll call him when he gets here.

Next, I'll call Secretary of Agriculture, Phillip Alampi.

P H I L L I P A L A M P I: Senator Dumont,
Senator Waddington, Assemblyman Gimson, and other
distinguished guests: I am Phillip Alampi, New Jersey
State Secretary of Agriculture.

I appreciate the opportunity and privilege of appearing
before this Senate Committee to present the viewpoint of
the New Jersey State Board of Agriculture on Senate Con-
current Resolution No. 16.

There is no question that this situation related to
farmland assessment is one of the major problems confronting
present-day agriculture. Just as important is its effect on
the outlook for agriculture's continuance in New Jersey. But
in a broader sense, the issue of farmland assessment has
wider implications than the direct benefits that may accrue
to farmlands under SCR 16. I want to call briefly to
your attention some of these implications as they relate
to farmlands, more general land use considerations, and
to the public interest.

With the continued outward pressure of urbanization
in New Jersey, the most densely populated State in the
nation, a set of conditions or problems is generated which
become significant in their importance to land use and
land assessment. Among the most important of these develop-
ing problems are the inefficiencies of land use, the great
increase in vacant land which develops in the forefront of
the urban push, and the sporadic rise of land values and
related land assessments. Through a combination of these
factors and many others, existing farmlands become subject

to a series of stresses and strains which often culminate in the withdrawal of such land from agriculture prior to an evident and identifiable need of these lands for more intensive urban development.

A study by the Rural Advisory Council of sample townships under urban pressure revealed that from 10 to 25 per cent of the land area in certain municipalities has become vacant and, therefore, non-productive in any economic sense. Much of the now vacant land in these sample municipalities had been in agricultural use, but now is a wasted economic asset.

Why did this premature conversion of land take place? Undoubtedly, one of the major factors was the extremely fluid situation in regard to farmland assessment and taxation. What existed in these sample townships and is so often prevalent throughout the State is a tremendous push of farmers off the land under existing assessment policy and procedure.

During the past two decades new developments have sprung up in many areas, often isolated from the main urban centers. Under such conditions, speculative, prospective, and assessed values have increased in surrounding acreages even though a ready market and need for the conversion of such acreage to urban uses does not exist. Thus, agricultural lands are caught in an assessment bind.

Higher assessments caused by scattered suburbanization have no relationship whatever to farm output,

farm income and farm service demands. They become an added fixed cost which must be paid out of static or diminishing farm incomes. Too often the decision must be made to give up the land for agricultural purposes.

Although we are dealing here with a specific farmland assessment program, several brief comments on farm taxation are in order:

(1) The competitive tax position of New Jersey agriculture can be best portrayed by a few figures:

Taxes per acre of farmland in New Jersey \$11.00

Taxes per acre of farmland in United States 1.05

(2) Property taxes take about 18 per cent of total net farm income in New Jersey. Taxes may take as high as 45 per cent of net farm income when value of farm prerequisites are excluded.

(3) In a study of sample townships accomplished for the Rural Advisory Council, it was found that farms pay a much greater percentage of the total tax levy than they require in services. This relationship becomes more pronounced as urbanization increases.

Therefore, by several important measures, agriculture in New Jersey is presently confronted with a severe tax situation.

To continue now with some of the broader aspects of the farmland assessment proposal, it is necessary to review some of the basic contributions that are made to New Jersey by our agriculture. There is a direct correlation between the extent of agricultural land in New Jersey and the economic,

conservation and open space contributions that accrue to the entire state through its presence. As existing farmland assessment policies affect and contribute to the diminution of our agricultural land, so the many-faceted contributions of agriculture must also diminish.

Agricultural land use, second only to forest and woodland in New Jersey, totals approximately 1,400,000 acres. From this land, farmers produce a total of about 310 million dollars of product. In order for farmers to create this wealth through the use of the land, an estimated 275 million dollars' worth of equipment, supplies, materials and services are purchased annually from related agricultural business. Add to this the fact that much of our farm production serves as raw material for the food-processing industry of over 100 businesses. Only then can we begin to grasp the significance of agriculture's contribution to our State's economy. Withdrawal of the agricultural land base has a multiple deteriorating effect on these related businesses which cannot be easily ignored.

Secondly, there are numerous land and water conservation effects and benefits which come to the State through lands in agriculture. Water conservation and supply, control of soil erosion, maintenance of open lands, hunting and fishing facilities, passive recreation, open spaces of multiple uses, are all provided at little or no public cost, but which all contribute mightily to our "garden state" and its people. Try to visualize, if you will, what we would have or not have if agriculture became

an insignificant land use in New Jersey.

These are some of the ramifications, some of the benefits in which we all share when a productive, viable and stable agriculture is allowed to continue; and is provided a framework within which to operate. Beyond any doubt, part of this framework is the sound and equitable farmland assessment program which is so ably spelled out in SCR 16.

I would like to divert from my prepared text for a minute to make a recommendation as to an amendment to SCR 16 which we think would definite "agricultural or horticultural use", which I think ought to be included in the record here:

On page 1 of the Resolution, line 12, it reads: "the taxing jurisdiction to be actively devoted to agricultural or horticultural use," and there I would like to suggest a definition of "agricultural or horticultural use"; "Agricultural use" shall mean the production of plants and animals useful to man, including but not limited to grains, dairy products, poultry and poultry products, livestock including dairy and beef cattle, sheep, swine, horses, mules or goats and the breeding of any or all of them, bees and apiary products, fish and shellfish and their products, and forest products. Then "horticultural use" shall mean the production of fruits of all kinds, including grapes and berries, all vegetables, nursery and floral products, and ornamental, the idea being that this will further define what we mean by "agricultural and horticultural use."

With a heretofore unknown stability in farmland assessment and therefore farm taxation, there will be confidence now and in the future that agriculture can continue in its many roles to make its many contributions to our State. May I reemphasize the point that SCR 16 has considerations far beyond the specific fact that agricultural land will be assessed on a use basis. Our agriculture in New Jersey needs Scr 16. Our State needs its agricultural lands.

In closing, I would remind you of our heritage; the charm of the past and the pride of a noble agricultural heritage are still an important part of everyday life in New Jersey. The modern New Jersey of today lives harmoniously with the tradition of yesterday and the fervant hope of tomorrow. Again I would remind you that agriculture is basic to New Jersey. Let's preserve it. Thank you very much.

SENATOR DUMONT: Mr. Secretary, the only thing that concerns me about your proposed amendment is that if we get into amending a concurrent resolution which has to do with amending the State Constitution, my understanding is we would have to start from scratch, hold another public hearing, and so forth.

MR. ALAMPI: Well, may I suggest then that we remove that portion -

SENATOR DUMONT: It would be better to put it in the implementing legislation I think.

MR. ALAMPI: - and submit a separate piece of legislation defining what we mean by "agricultural or horticultural use" in New Jersey.

SENATOR DUMONT: -- because there will have to be implementing legislation anyway following, we trust, the adoption on November 5th of this program, this proposed amendment, and I am always dubious about amending proposed constitutional amendments when you are being required, as we are today, to hold a public hearing. We don't have a lot of time left this spring; we want to get it through as quickly as possible, and I think if we get into amending the proposed amendment we are going to have to start from scratch, hold another hearing, and perhaps get tied up for several weeks, which at this point would not be a good idea I don't think.

MR. ALAMPI: I would like to remove that part from the testimony and we can handle that through separate legislation - the definition of "agricultural or horticultural use."

SENATOR DUMONT: I know that all of us have great respect for your opinion and we certainly would be receptive to it in the implementing legislation, but I am afraid this is not the right time at the moment to do it.

MR. ALAMPI: I agree with you.

SENATOR WADDINGTON: I just want to add for the record, Mr. Chairman, that the Governor's Farmland Committee recognized that there would be a number of such

questions as Mr. Alampi has raised, and we felt that it would be useful to continue the life of the Committee to aid whoever has the job, and I presume it will be the Administration, of drafting the implementing legislation, and that a number of questions such as this one will at that time be resolved.

SENATOR DUMONT: Thank you, Senator. Assemblyman Gimson, have you any questions?

ASSEMBLYMAN GIMSON: No.

SENATOR DUMONT: Thank you very much, Mr. Secretary.

Has Mr. Middleton arrived yet? [No response]. I note the presence of the Dean of the College of Agriculture at our State University, Dr. Leland Merrill. Doctor, do you want to make any comments?

DR. LELAND MERRILL: No, Dr. Luke will speak later.

SENATOR DUMONT: Thank you. Now we will get back to the order in which the witnesses signed up. Mr. R. C. Buckley, representing the New Jersey Petroleum Industries Committee, Trenton.

R. C. B U C K L E Y: My name is R. C. Buckley and I represent the New Jersey Petroleum Industries Committee in this State. Our address is Trenton.

Mr. Chairman and members of the Committee, I am speaking for the New Jersey Petroleum Industries Committee on behalf of the New Jersey Farmer, who presently is the Number One customer of our industry.

In New Jersey, the agricultural industry ranks first, with the chemical industry second, and petroleum a close

third.

We feel it necessary to call the attention of the committee to the most important part that the New Jersey farmer plays in the over-all state economy.

The Farmer in our State is a first-class citizen who pays his taxes, pays his bills, and literally requires very few services in return.

The 15,000 farms in New Jersey should be encouraged to remain in the best interest of the State and all of her citizens. The oil industry is very dependent upon the farmer, not only as a market for the many hundreds of petroleum products that we sell, but for many other reasons.

Our great refineries and research centers must have a large supply of potable water. Farm acreage helps greatly in supplying and storing water so necessary for our operations.

New Jersey is known as one of the most scenic states in the nation and attracts thousands of tourists each year. All of this adds to New Jersey's economy and much of this is a result of New Jersey's magnificent farmland.

In addition, the availability of farm-fresh foods is a must, both in war and in peace.

The oil industry and its future development depend to a large extent on the farmer, as agriculture depends greatly on the petroleum products.

For the aforementioned reasons, we of the Petroleum Industry strongly urge the passage of Senate Concurrent Resolution No. 16.

SENATOR DUMONT: Thank you. Are there any questions of Mr. Buckley? [No questions].

I take it then, we will the full support of the petroleum industry in getting an amendment passed in November.

MR. BUCKLEY: Yes, you may count on it.

SENATOR DUMONT: Mr. Marriott G. Haines, representing the Association of Municipal Assessors of New Jersey, and also, I might add, the Assessor of the City of Vineland.

M A R R I O T T G. H A I N E S: Senator Dumont, Senator Waddington, Mr. Assemblyman, ladies and gentlemen, it would take me longer to tell you who I am and whom I represent than it will to present my statement.

My name is Marriott G. Haines. I am Assessor of Taxes for the City of Vineland, the heart of the poultry industry of the State of New Jersey. However, today I am appearing as President of the Association of Municipal Assessors of the State of New Jersey. Our association has in its membership assessors from every county of the State and we have charter chapters in 17 of the 21 counties.

Our statement is as follows:

Since 1947, when the present New Jersey Constitution was adopted, the principle of absolute uniformity and equality of treatment for all legally assessed real estate in New Jersey, as set forth in Article 8, Sec. 1, paragraph 1, has remained inviolate. Now it is proposed by Senate Concurrent Resolution No. 16 to erode this provision for

uniformity by granting special and preferential treatment to agricultural lands.

The Association of Municipal Assessors of New Jersey has always opposed in principle the granting of preferential tax treatment and its inevitable effect upon the real estate tax base of the State. We have given careful consideration to the various reasons advanced by agricultural groups in favor of the resolution but none of these arguments in our judgment appears persuasive.

We deem it of utmost importance and in the best interests of a sound tax system that the door remain closed to any attempt to invade the present constitutional safeguard in the form of a single standard for real estate assessments.

As a result of these views, our association vigorously opposed the adoption of the resolution in question.

Thank you.

SENATOR DUMONT: Any questions of Mr. Haines?
Senator Waddington?

SENATOR WADDINGTON: Mr. Haines, Mr. Wilson was on the Governor's Farmland Assessment Committee representing the New Jersey Association of Assessors, and Mr. Wilson informed us that he was in agreement with the recommendations which are embodied in SCR 16, and we were told, as I recall, that he had taken this up with committees, reviewed it, and that there seemed to be

general agreement. Is this a change of attitude on the part of the Assessors Association?

MR. HAINES: Senator, Russ Wilson is a personal friend of mine, and I must report, in answer to your question, that he was speaking individually and not for the Association.

SENATOR WADDINGTON: Well, you haven't detailed the objections other than the one that would indicate that you feel that if SCR 16 is passed by the Legislature and approved on referendum, this erodes - somehow or other erodes a constitutional provision. I am curious to know how you feel that assessing farmland on its farm use, which is being done by the overwhelming majority of assessors, I am told, and merely would legalize what is already in existence - how this can be a serious problem from the point of view of the assessors.

MR. HAINES: Since 1954, when chapter 84 was adopted setting up the present state school program, etc., there has been injected into the assessing field this equalization and sales ratio program which most of the assessors of the State have been thoroughly indoctrinated in and attempted to comply with.

Incidentally, you are speaking to a fellow who was raised on a farm in Burlington County and was well acquainted with the taxation of farm property. But this safeguard that we do have in the present Constitution has been one of the problems that assessors throughout the State have had to comply with. In my own taxing district, I have problems because I probably assess as

many farms as any Assessor in the State, and in an attempt to comply with the Director of the Division of Taxation's equalization program we have relied on the present safeguard as contained in the Constitution; namely, attempting to assess all land equally, keeping in mind its potential highest and best use. Now, if this safeguard is removed, we feel that this would be but the entering wedge for other interests to want to receive special treatment, which at present, as you know, was not provided for under our Constitution.

SENATOR WADDINGTON: Well, then, I take it that you are not so much opposed to this particular amendment to the Constitution - you are forecasting that there may be other-

MR. HAINES: That's right. We are fully aware of the problem confronting the farmers because we have to live with these men. Those of us particularly who were raised on farms know what they are up against. It is the principle that we are concerned with.

SENATOR WADDINGTON: Is the Assessor's Association, Mr. Haines, aware of the Maryland experience?

MR. HAINES: Yes.

SENATOR WADDINGTON: And in the Maryland experience, as I read it, there has been roll back of assessments. It's less than 1 per cent in effect on the ratables of the State of Maryland and, to my knowledge, it has not been an opening wedge. There has not been any other constitutional amendments passed in the State of Maryland which would lead the Assessor's Association to believe that this is opening the door of a Pandora's box. So on what evidence would the Assessors take

the position that they have? I know of no other State where this has happened. A number of approaches have been tried in Hawaii, in Wisconsin and in Maryland, and I think probably next year or this year in Connecticut, and the problem seems to be in these States as in New Jersey a specific and separable one from the rest of the problems. And so I am wondering what evidence the Assessors Association has that would lead it to believe or to fear that this is going to cause damage to our situation in New Jersey.

MR. HAINES: Well, Senator, our stand on this matter was based primarily on our experience with our taxpayers, and when I say "our experience with our taxpayers," I'm thinking of the taxpayers of all the categories that we have to deal with.

SENATOR WADDINGTON: Well, as I understand your answer, Mr. Haines, the Assessors Association does not know of any experience in other states which would lead to a conclusion that New Jersey has to fear that by passage of this constitutional amendment additional constitutional amendments will be passed. There is no evidence that the Assessors Association is aware of to support this thought, is there?

MR. HAINES: We consulted with the principal opponent on a similar proposal; namely, John Keith of Sacramento, California, who was President of our International Association two years ago, and I have some of the material that they used in that campaign.

SENATOR WADDINGTON: Were you aware, Mr. Haines, that one of the principal problems in California was the

definition of what happened to land in which oil and gold and other exceedingly unusual and precious materials might be found and that this was one of the great weaknesses in the California proposal which, to my knowledge, we don't have at least in Salem County. We have water - not very good water at times.

MR. HAINES: Water is getting pretty precious.

SENATOR WADDINGTON: Was the Assessors Association aware that this was a major factor in the California situation?

MR. HAINES: Yes.

SENATOR WADDINGTON: Which is not comparable to New Jersey at all. So far as I know, all we mine is a little bit of stone in some places in New Jersey. You agree with that?

MR. HAINES: That's right. We were aware of that, yes.

SENATOR DUMONT: Assemblyman Gimson has some questions for you, Mr. Haines.

ASSEMBLYMAN GIMSON: Mr. Haines, it is my understanding and I wondered whether or not you were in agreement with this, that rather than a drastic change to our Constitution this amendment would gain a clarification needed, due to the Switz-Middletown case, as to just what constitutes real value, whether the use value or the potential value is the real value of land in this State. If this would be the feeling, and I would hope that it should be, do you feel that this would still open the door to possibly industry

seeking preferential treatment or other factions in the State?

MR. HAINES: Well, couldn't we get that definition by legislation other than amending the present Constitution?

ASSEMBLYMAN GIMSON: Well, this has been attempted, I understand, and I know I worked on S-13 last year, worked for its passage, but it is felt that in order to really tie this down this would be necessary and, if this is the truth and this is a fact, do you feel that your Assessors Association, with this in regard, would still oppose this measure.

MR. HAINES: Just at present I am not prepared to give you a yes or no answer.

ASSEMBLYMAN GIMSON: It seems that it's a principle rather than an outward opposition of the fact.

MR. HAINES: That's what I replied to the Senator.

SENATOR DUMONT: Mr. Haines, you recall that in Chapter 51 we wrote in a provision which later was declared unconstitutional by both the New Jersey Superior and New Jersey Supreme Courts which said that farmland shall be assessed on the basis of its value as farmland and not on some other non-agricultural use, providing it is in active use for agricultural purposes. Now, did your organization oppose that provision in Chapter 51 at the time we were drafting and passing that legislation?

MR. HAINES: We did not oppose it but we questioned - I think it's a matter of record - we questioned its constitutionality and, of course, what happened to it

in the courts is a matter of record.

SENATOR DUMONT: All right. Now, let's take it a step further. Last year, Senate Bill 13, of which I was the principal sponsor - I think Senator Bowkley also sponsored it - and which is now the law of the State because it was signed into law late in 1962 or early 1963 by Governor Hughes, creates a presumption of discrimination on behalf of an owner of farmland in active agricultural use which can only be rebutted by clear proof on the part of the Assessor. Now, did your organization oppose that bill?

MR. HAINES: We haven't opposed it but here again we have questioned whether it would stand up in the courts.

SENATOR DUMONT: Well, you proved to be correct in your estimate of the situation in regard to Chapter 51, but in both instances, whether Senate 13 of last year and I don't recall the chapter number at this point - but whether that gets tested and upheld or thrown out, the fact remains that all you did then in each of those two instances was to question the constitutionality, but you did not actually oppose the language; is that right?

MR. HAINES: Senator, I think it's a matter of record that we did oppose that provision during the course of the hearings on it.

SENATOR DUMONT: On Chapter 51, or what became Chapter 51?

MR. HAINES: Yes.

SENATOR DUPONT: Now, would you concede that since you are talking here about the principle of granting

preferential tax treatment, would you concede that the exemptions that are in the Constitution today for veterans and senior citizens also represent preferential tax treatment in a sense?

MR. HAINES: We think that they represented a preferential treatment before they were provided for by the Constitution. Of course, one of them wasn't in existence at the time the 1947 Constitution was adopted.

SENATOR DUMONT: That is true. That exemption was written into the Constitution of 1947, and the other was adopted in 1960, if my recollection is right, overwhelmingly by the people of the State by referendum. Now this same Committee that is holding this hearing today held this year - I don't remember the exact date, but it wasn't too long ago - a public hearing on SCR 3 and SCR 5, both of which would change the present exemptions to flat dollar values for annual deductions or credits for veterans or senior citizens to make it uniform throughout the State. Both of those resolutions have passed the two houses of the Legislature and are to be submitted as two separate public questions on November 5th. Now, when we held that public hearing I don't recall that your organization or association came in and testified against those two resolutions, did you?

MR. HAINES: Senator, I think the suggestion for these changes in the Constitution originated with our Tax Study Committee.

SENATOR DUMONT: As a matter of fact, I think that's true, because I remember Russ Wilson and others suggesting that it would be far better to have the uniform

credit or deduction of the definite amount in effect throughout the State regardless of tax rate or assessment percentages. Now, how then do you distinguish between those and this particular situation here today involved in this proposed amendment which you say is preferential tax treatment?

MR. HAINES: The two matters that you referred to are in the form of exemptions that the people have approved and, of course, under the present method of granting these exemptions assessors are constantly harassed by property owners where the value of the exemption is considerably lessened when you cross a given municipal boundary due to the difference in the present tax rates. Now, those exemptions are not necessarily limited to real estate alone, whereas this proposal is, and we feel that this amendment could have greater effect than what some people realize on the local tax structure.

I don't want to burden you with a lot of figures but I would like to cite one case that we know of in Bergen County where farmland was assembled for a new shopping center. We have learned that in assembling this farmland up as high as \$50,000 an acre was paid for some of that land. Now, there are men in this room who know that you could farm land for two generations, and maybe more, and it would never yield for farming purposes that kind of value. Yet, in so far as the equalization program under which we are presently operating is concerned, if that sort of value represents the highest and best use at present, the Assessor of that tax district would be obliged to base his assessment on that level. Now,

this proposal will, of course, change that procedure considerably, and it can't help but, we feel, have a definite effect on the local tax structure.

SENATOR DUMONT: Well, now you mentioned - and you are right about the fact that the veterans' exemption may be taken against personal property in the event the veteran doesn't own any real property. I don't think there is any question about that. But that's not my recollection of the senior citizens' exemption. As I recall it, you not only have to own property, you have to occupy it.

MR. HAINES: You are correct. That is strictly residential property.

SENATOR DUMONT: Well, I'm trying to establish what your distinction is here. I just want to note for the record, of course, that I am strongly in favor of all three of these questions, including this one, and I am sure Senator Waddington is. He was cosponsor of the other two and this one too, and I imagine Mr. Gimson is, although they can speak for themselves on it. But I am sure that we are going to do all we can to effect the passage of all of them.

SENATOR WADDINGTON: Mr. Haines, you well knew, of course, our feelings before we came here. I am still interested in this one point which seems to be kind of a bogeyman to the Assessors Association, and that is you are worried about what might happen. So, in that context, don't you feel that the very fact that here we are dealing with a constitutional amendment, rather than S-13 or some other bill which would be passed by the Legislature, is a very real and

adequate safeguard against the very thing that the assessors are basing or premising their objections on. Isn't this a very real safeguard? This kind of thing doesn't happen very often. It takes a real grave statewide problem before you can get the Legislature interested first of all in the constitutional amendment, and secondly have any hopes of having the people approve it by referendum. And so this very fact of a constitutional amendment is a primary limitation, much more substantial than any other limitation that I can think of. Would you agree with that ?

MR. HAINES: Yes, Senator, I'll agree with that. But we assessors are on the firing line; we are the ones who are approached by the property owners and whenever there is a change in the tax structure which affects the tax bill, we are the ones who get clobbered. Now, that's part of the position; those of us who hold the position of Assessor should not hold it if we don't expect to have to be subjected to a clobbering, if you will permit me to use that slang word. But getting back to your question, we still like to see the present safeguard retained in the Constitution.

SENATOR WADDINGTON: Well, it seems to me that what we are dealing with here is a sort of ephemeral thing; it is difficult for us to lay our fingers on it because it is apparently a fear conjured up in the minds of the Assessors Association which is not based on any experience in any other State. There is no indication that New Jersey is going to be changed drastically at all. You are talking about a shopping center in one place which might involve two

or three acres. We are talking about a million four hundred thousand acres, and the Maryland experience is as parallel as any I can conceive, and the experience in Maryland doesn't warrant or doesn't justify the fears that the Assessors Association seem to have. So it seems to me that maybe what we ought to do is give the Assessors Association access to some of the facts that we have.

SENATOR DUMONT: Does anybody desire to ask any questions of Mr. Haines through the Committee? Mr. Nixon?

F R A N K L I N C. N I X O N: Mr. Haines and I were brought up together on farms. I don't know whether I am classified as a farmer or not but I guess I am, and I have known Mr. Haines to be very truthful in his statements and I have dealt with him in Burlington County dealings.

Mr. Haines, did I understand you to say that you were one of the largest assessors of farmland in New Jersey?

MR. HAINES: I rank up there and have at least 600 farms in my taxing district.

MR. NIXON: And did I understand you to say that, in your present capacity as Assessor down in Vineland, you are using the same tactics we are asking in SCR 16?

MR. HAINES: In so far as the poultry farms in my taxing district are concerned. I inaugurated a formula for poultry farms when I entered the picture back in 1960. However, those poultry farms, a vast number of them, are less than five acres in area and they would not benefit by this proposed amendment. Now, I do have some larger farms that

could be affected due to the fact that I am assessing them on an appraised value that is based on the highest and best use in conformity with the State Director's equalization program and that appraised value is higher than what that farmland is worth for farming purposes.

MR. NIXON: Then you are assessing all farm buildings and farmlands at their true value or at the market value?

MR. HAINES: Yes.

SENATOR DUMONT: Any further questions of Mr. Haines? Thank you, Mr. Haines. Has Mr. Middleton arrived yet? Apparently not.

Mr. James C. Weisel of the New Jersey Agricultural Society.

J A M E S C. W E I S E L: I am James C. Weisel of Rosemont in Hunterdon County. My appearance before this Committee is as President of the New Jersey Agricultural Society, an organization which dates back to 1781, thus making it the oldest of its kind in the nation.

In its respective periods of activity it has been a strong force in resolving social and economic problems and questions of the times, as well as promoting various improvement in New Jersey agriculture which since early days has contributed substantially, as it does today, to the State's economy. Over the years the Society has attracted outstanding leaders in agriculture, industry and the professions. Among its earlier Presidents were Governor Newell, General Halsted, and Senator Clark.

The Society supported the land-grant endowment and the Agricultural College in 1864, the State Board of Agriculture in 1872, and the Agricultural Experiment Station in 1880. I cite these instances to emphasize the Society's interest in broad developments useful to the State and its people.

Such interest is demonstrated here today in supporting the resolution to amend the State Constitution. To assess farm land according to its current use, productivity and financial return, and not according to its possible future value is a commonsense approach to a problem that has troubled our farm people for years, and increasingly so. Without this acceptance, agriculture in New Jersey, with all its attributes, some intangible yet vitally important, will rapidly dwindle as a business in the Garden State.

I therefore respectfully request that Senate Concurrent Resolution No. 16 be acted upon favorably and placed upon the ballot for the decision of the qualified voters of the State. Thank you.

SENATOR DUMONT: Any questions of Mr. Weisel?

How many members do you have in your organization, Mr. Weisel?

MR. WEISEL: In the Agricultural Society? About 500.

SENATOR DUMONT: Throughout the entire State, are they?

MR. WEISEL: Well, just the membership of the Agricultural Society - just 500.

SENATOR DUMONT: But I mean, are they from all parts of New Jersey?

MR. WEISEL: They are from all parts of the State. They also include industry, you might say.

SENATOR DUMONT: Thank you. Mr. Walter Hunt, representing the State Association of Township Committeemen.

W A L T E R H U N T: Mr. Chairman, I don't have extra statements at this time but we will provide these extra statements later.

My name is Walter Hunt. I am Clerk in East Amwell Township in Hunterdon County and Chairman of the Legislative Committee of the New Jersey Association of Township Committeemen. I represent the Association as a member of the Special Citizens Committee to Study the Farm Tax Problems and participated in the Committee recommendations embodied in the proposed constitutional amendment which is the subject of this hearing.

The thinking of the Special Citizens Committee to Study the Farm Tax Problem has been described in this hearing and requires no further elaboration by me. I do want to report to you that the committee recommendations have been reviewed and endorsed by the legislative committeemen. It is, therefore, my purpose here to inform you that this proposed constitutional amendment has the support of the Association.

Townships are the traditional governments in the more rural areas of New Jersey where most of the farms are located. They contain large amounts of undeveloped acreage and they are experiencing the many problems of adjustment to

the spread of industrial and residential growth in rural areas.

Although this transition brings to the townships new property tax rates, it also brings costly new service and capital requirements which make it impossible to hold the tax line. The tragic result is an increasing property tax load which must be spread over existing farm properties as well as the newer tax rates. In all too many instances this growing tax pressure upon farm properties has forced the farmers to abandon agriculture and sell their acreage to developers. As the process continues, a vicious circle is set in motion to create still more tax demands and force still more farm sales. There appears to be no end short of complete elimination of all farm operations and the urbanization of all rural areas. Most rural townships have followed a practice of assessing farmlands according to their use as farms. This has provided some protection for agriculture in an informal way and upon a hit or miss basis. Constitutional and statutory requirements for full value real estate assessments, measured by market value, place this kind of assessment of farms in a shadow of questionable legality.

Court actions and other pressures have placed more and more obstacles in the way of informal assessment of farm lands at value below what they could possibly be sold for in other uses. This is a most candid statement of the problem, but it is a realistic one and it is a blunt summary of the reasons the Township Committeemen support the constitutional amendment under consideration here. Because

rural townships have tended to assess farmlands, it is believed that implementation of this amendment will in most cases have little effect upon existing tax ratables. What it will do is make it possible for townships to develop insistent programs of protecting farmlands against unmanageable future assessments in a way to comply with all statutory and constitutional requirements. In townships which are strictly agricultural, market value and farm value are virtually the same values, and the amendment will have significance only with regard to the future. In townships situated within urban fringe areas, its effect will be immediate.

Some explanation is in order concerning the apparent willingness of hard-pressed township governments to forego possible increases in local property tax ratables. It has been the experience of rural governments that new tax ratables created by persistent and continued development at a rapid rate are accompanied by new tax requirements and other changes which dissipate the financial advantages of the new ratables. Growth may be both desirable and inevitable but it should come no faster than it can be absorbed in an orderly way. This proposed amendment holds the promise of slowing up the rate of development by minimizing tax pressures upon farmers to hasten the day when they sell their lands for other uses. Also the amendment contains a provision whereby municipalities will receive some tax roll back upon farmlands which are sold for other uses.

No one believes that this amendment or programs developed under it will preserve all farmlands against future conversion to other uses. It is anticipated that the amendment will make it possible for farmers to continue to operate their farms beyond the time when property taxes would otherwise force them to sell out.

SENATOR DUMONT: Thank you, Mr. Hunt.

Assemblyman Gimson?

ASSEMBLYMAN GIMSON: Well, Mr. Hunt, in regard for your long experience in township government and also your awareness of the real value of property, I would like to ask you whether, rather than creating a change in the ratables especially in townships like yours, will not Senate 13, when enacted, hold the line and stop the possible increase in taxation on farms rather than reduce them?

MR. HUNT: Well, I would say it might help but I don't think it's a complete answer.

ASSEMBLYMAN GIMSON: Do you feel that the big change, constitutional change, that this resolution will provide is the roll back feature, the ability for the township to regain loss of revenues when a large sale of property is effected?

MR. HUNT: Well, it has been felt that unless we have some form of a roll back, by giving a farmer preferential treatment you might make it desirable, we will say, for him to continue to hold the farm for a period if he could make ends meet, looking forward to the time when it could be sold to advantage and he could receive a much higher price.

Under this roll-back plan, if this farm is sold for other than agricultural uses, why, of course, the township will receive some benefit by back tax relief that he has been given.

ASSEMBLYMAN GIMSON: Presently there is no method whereby a township can do this; is that right?

MR. HUNT: No. I might add, it has been estimated in my county, which is Hunterdon County, that we are losing approximately 100 farms a year and, of course, when you lose those farms, whether it is lost to industry or whether it is lost to some other purpose, you have lost tax ratables because of the fact there is no longer person/^{al}property - cattle and machinery and things like that - and in many cases the farmland lays idle and, of course, it doesn't have the same value that it would if it were in active production. So we think we are losing every time a farm is sold, as a township, for anything other than industry, and many of them are.

ASSEMBLYMAN GIMSON: I'm sure that's quite true and when you lose one farm to industry, you usually lose about four more to housing developments to provide homes for the workers in that industry.

MR. HUNT: That is correct.

SENATOR DUMONT: Thank you very much, Mr. Hunt.

Next. Mr. C. H. Fields, Executive Secretary,
New Jersey Farm Bureau.

M R. C. H. F I E L D S:

Senator Dumont, members of the Committee: My name is C. H. Fields, Trenton, New Jersey. I am executive secretary of the New Jersey Farm Bureau, 168 West State Street, Trenton, a private organization of some 6,000 dues-paying farm families who produce all kinds of crops and livestock.

For many years, the members and leaders of Farm Bureau have realized that the overall tax structure in New Jersey needed some basic changes. In our testimony before the State Tax Policy Commission, we strongly urged the adoption of a broad-based tax program for the state to bring at least partial relief from the ever-increasing burden of property taxation.

We have taken this stand, not because our people are particularly interested in paying new taxes in any form, but because we have felt that farmers are not the only property owners in the state suffering from excessive taxation. The facts clearly demonstrate that the property owners of New Jersey--both farm and non-farm--are paying more than their fair share of the total taxes collected for state and local government.

While we continue to be interested in an overall solution to this problem, we have been forced to place most of our attention on the burden of taxes on farm property.

Dr. George Luke of the College of Agriculture at Rutgers is appearing at this hearing to present in some detail the results of some basic research he has done on the taxation of farm realty in New Jersey, and the comparisons with some of the surrounding states. I will not attempt to repeat those facts and figures in this statement.

Three years ago, when the Legislature was working on legislation now known as Chapter 51 of the Revised Statutes, we asked you to include two provisions in that law to provide for some protection of farm land. Those two provisions were written into that law. One of them provided that farm livestock and machinery were to be assessed at one-fourth of the common level in a manner similar to the assessment of business inventory. The other provided that

land actively devoted to agriculture be assessed according to that use.

Subsequent to the action of the Legislature in adopting these important provisions as a part of Chapter 51, we have had a ruling by the New Jersey Supreme Court in the second Switz case, declaring the provision on assessment of farm land to be unconstitutional.

At this point, the Farm Bureau-Grange Farm Tax Committee began to study the idea of an amendment to the state constitution to provide for the same approach to this problem as originally intended by the Legislature in Chapter 51.

Shortly thereafter, we asked Governor Hughes to appoint a special advisory committee to study the farm land assessment problem. This committee, under the chairmanship of Senator John Waddington, worked hard on this problem, and the amendment to the constitution as proposed in S.C.R. 16 is the result of the committee's deliberations.

We believe the committee has proposed a plan that is imminently fair and workable. It is a plan that will make it possible for those who want to own and operate farms in New Jersey to do so in the future. It is a plan that will allow New Jersey to remain the "Garden State." It is a plan that will preserve valuable and badly needed open spaces in a highly urbanized and densely populated state. It is a plan that will help to preserve agriculture as an important and basic industry in the New Jersey economy.

The people of New Jersey have a vital interest in this proposed amendment to the constitution, whether they live on farms, in rural areas, or in the cities. For the past ten years, we have been losing farms at the rate of 1,000 per year. Many of these farmers have been literally forced to sell because the taxes were higher than they could afford to pay from a farming operation.

We believe the non-farm people of New Jersey want farming to be a part of the economy of this state. Certainly most people do not want to contemplate living in a totally urban state.

Some people will ask, "Why aren't farmers willing to pay their share of the taxes?" The answer is that they are; but they cannot pay more than they can earn in farming. Actually, New Jersey farmers are paying taxes at the rate of eleven times the national average--four to five times that of any surrounding state. When compared with the services they receive from local government, farmers are already paying more than their fair share.

If the people of New Jersey want their state to have agriculture as a part of their way of life; if they want to live in communities that have open fields and woods nearby; if they want nearby sources of fresh farm produce; they must make it possible for agriculture to stay in this state.

The adoption of S.C.R. 16 is the key to the survival of agriculture in New Jersey. While it will not guarantee or attempt to keep all present farmers in business, it will be a valuable encouragement for farmers who want to keep on farming in this state.

Unless this plan or a presently unknown better plan is put into operation, agriculture will cease to exist in New Jersey at a point not too far in the future. If farms continue to disappear at the rate they have been going during the past decade, it would only take another fifteen years to complete the job.

Our farm people do not ask the rest of the population to support them. They are willing to pay their fair share of taxes to support the services provided by all levels of government; but they cannot continue for long at present levels of assessment--particularly in the urban-fringe areas.

We strongly endorse the provisions of S.C.R. 16. We hope the Legislature will act upon it favorably and promptly; and that the people of New Jersey will give this program their approval next November.

Thank you for the opportunity to present these views.

SENATOR DUMONT: Any questions of Mr. Fields?
[No questions]. Thank you, Mr. Fields.

MR. FIELDS: I would like at this time, Mr. Chairman, to be allowed to put into the record a statement by Mr. Wayne Sliker, a former President of the Future Farmers of America Association. Mr. Sliker had intended to be here this morning to speak from the viewpoint of a young farmer but he had some sick cows this morning, and cows have a way of not recognizing when hearings take place, and if you will permit we would like to file his statement as part of the Committee's record.

SENATOR DUMONT: Mr. Sliker's statement will be placed in the record.

[Following is the statement submitted
by Wayne Sliker]

I am Wayne Sliker, a dairy farmer from Hunterdon County. I am here because the Committee, through George Lange, the State Supervisor of High School Agricultural Education, asked me to appear. It is my understanding that the Committee is interested in the opportunities and problems that face young farmers in trying to become established in agricultural enterprises in New Jersey.

I operate a 100-acre dairy farm which I rent. The livestock and farm equipment are mine. I have 45 head of registered Brown Swiss cattle. For the past two years my herd has been the top herd in the Hunterdon County Dairy Herd Improvement Association. I am presently averaging nearly 14,000 pounds of milk and 570 pounds of

butterfat with 26 milking animals. Even though my herd is producing at double the national average, it is difficult sometimes to make ends meet.

I have lived all my life in Hunterdon County and am interested in continuing to live here and operate my dairy business if it is possible.

I graduated from North Hunterdon Regional High School and received what I consider an excellent agricultural education through the Vocational Agricultural Program.

At the present time I am paying \$2,100. per year in rent. Mr. Jones, the owner of the farm pays approximately \$1,400. in taxes. This does not leave much of a margin for him when one considers the interest on his investment, insurance on the buildings, maintenance and depreciation. As a matter of fact, I know he spent more than he received in rent last year.

I am apprehensive about any increase in farm taxes, because if they were reflected in increased rent for me, I would find it impossible to continue my operation.

While my production per animal has increased and I do have an efficient operation, my costs have increased during the past 3 years and it is harder to make a profit. The uncertainty of what will happen to farm taxes is a problem to me. It creates a lack of confidence in the future of the business, especially when I consider expansion.

It was somewhat of a hardship for me to come today as I had to leave my work on the farm, but I wanted to cooperate with the Farm Bureau and Grange Committee, and I have hopes that my testimony may help other young men like myself who want to become established in agriculture in New Jersey.

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SENATOR DUMONT: Mr. David L. Middleton, representing the United Milk Producers Cooperative Association of New Jersey.

D A V I D L. M I D D L E T O N: My name is David L. Middleton and I am General Manager of the United Milk Producers Cooperative Association of New Jersey, with offices at 168 West State Street, Trenton, New Jersey. The United Milk Producers Cooperative Association of New Jersey is the largest dairy farmer cooperative association in New Jersey, and as such is vitally concerned with the tax problem faced by the dairymen of this State.

New Jersey, the Garden State, has some 1.4 million acres or 29 per cent of the total land area of the State, devoted to a diversified agricultural industry. Dairy farming is an important segment of the agricultural industry in New Jersey.

The 2600 milk producers in New Jersey have a total investment in land, buildings, machinery and livestock exceeding 250 million dollars. On this investment the dairy farmer pays a local property tax exceeding three million dollars annually. Dairy farmers contribute substantially to the support of local government.

The broad impact of this support by dairy farmers is demonstrated by the fact that milk is produced in 20 of the state's 21 counties; the lone exception being Hudson County. In many counties dairying is the leading agricultural enterprise.

Taxes paid by dairymen cause us concern since farm taxes are now taking 18 percent of the total net income earned by New Jersey farmers annually. Since 1950 the average tax per farm has increased from \$200 per farm to more than \$1100 per farm in 1962. During this same period the per capita tax paid by farmers has risen 400 percent from \$71 in 1950 to more than \$360 per capita in 1962. In comparison the per capita tax for the total population in New Jersey has risen less than 85 percent during this period.

New Jersey dairymen produce and market more than 1.1 billion pounds of milk annually. The farm value of these marketings annually exceeds 58 million dollars. In recent years returns from the marketing of milk have been the most stable source of farm income in New Jersey.

The 2600 dairymen within New Jersey purchase a substantial quantity of goods and services annually. Most of these purchases are made from commercial interests within our state.

Examples of estimated annual expenditures by dairy farmers in New Jersey would include two and three quarter million dollars for fuel and oil; one million dollars for electricity; five and a half million dollars for fertilizer; one and a half million dollars for insurance; well over a million dollars for seeds and plants; nearly a million dollars for lime and three quarters of a million dollars for veterinary services.

In addition, machine maintenance expenditures are over nine million dollars per year with another four and a quarter million spent for building maintenance.

All told, New Jersey dairy farmers have annual farm expenditures of approximately seventy million dollars. In addition to the seventy million dollars of business expenditures, personal spending would add many more dollars to the totals mentioned.

Dairymen in New Jersey employ more than 2800 permanent employees, in addition to part-time labor and family help. These employees share an annual payroll of approximately 11 million dollars.

The acres devoted to dairy farming provide the state with a great green acre program at no expense to the citizens of our state. You are undoubtedly aware that New Jersey recently enacted a 60 million dollar green acre program.

Land devoted to agriculture serves also as a valuable watershed for public and private water supplies. Water which might run off and be lost is absorbed by agricultural land and stored for later use.

Farm land should be assessed on the agricultural value of such land and not on its potential commercial value. We firmly believe that the principals as set forth in Senate Concurrent Resolution No. 16 will provide a fair and equitable basis on which farm land shall be assessed and taxed in New Jersey

Our suggestion is that the Constitution of the State of New Jersey be amended as outlined in Senate Concurrent Resolution No. 16 and that the proposal for this amendment be submitted to the voters of the State of New Jersey at the next general election.

In recent years New Jersey dairymen have been subject to an unprecedented cost-price squeeze. Between 1959 and 1962 the average price received by New Jersey dairymen declined by nearly 60 cents per hundredweight, or nearly one and one half cents per quart. Prospects are that there will be an additional decrease of 15 cents per hundredweight or nearly one third cent per quart in 1963. In December 1948 milk producers in New Jersey received two and one quarter cents per quart for their milk than they did in December 1962. Again I remind you the average per capita farm property tax increased 400 percent between 1950 and 1962.

Faced with lower incomes and increased expenditures, is it any wonder that more than 2,000 New Jersey dairy farm herds have been liquidated in the last 15 years.

The United Milk Producers Cooperative Association of New Jersey strongly believes that the milk producing industry in New Jersey contributes substantially to the economic well-being of all the citizens of state. We further believe that this vital industry should not be jeopardized by the continuation of an unfair tax policy.

Now just this morning I read figures where New Jersey dairymen are paying something over \$10 per acre on the average in farm real estate taxes. Connecticut, I think, is the next highest and they are paying about \$7.19. Pennsylvania, our neighbor to the west, is paying around \$3.00 per acre, and New York is paying slightly more than \$3.00 per acre. We feel that this is a little bit unfair to New Jersey dairymen.

I would like to take this opportunity to thank you for allowing me to appear here this morning.

SENATOR DUMONT: Any questions of Mr. Middleton?

Next, I will call Franklin C. Nixon, Master of the New Jersey State Grange.

F R A N K L I N C. N I X O N: Senator Dumont and members of the Committee, my name is Franklin C. Nixon. I am Master of the New Jersey State Grange and live in Vincentown, New Jersey, in Burlington County.

As you may know, the State Grange, the oldest farm organization, is a New Jersey corporation having 110 subordinate or local chapters located throughout the State with a total membership in excess of 16,000 members.

For many years the State Grange has gone on record in favor of a broad-base tax as a means of reducing or at least keeping within reason, the high taxes on farm real estate in this State.

If New Jersey is to continue as the Garden State, something must be done to prevent unreasonable taxes from driving farmers out of our State.

We believe that this proposed constitutional amendment will help keep farmland as open space and at the same

time continue to be a real asset to all of the people in our State.

We believe that the passage of this amendment is necessary in order to enable farmers to make ends meet and at the same time will benefit all the people in the State.

We believe that by taxing farmland based on its productivity in agriculture will affect only those farmers who are located in the fringe areas, since in most of our rural municipalities the assessors are already assessing farmland according to its farm use. And, of course, in the urban areas there are few, if any, farms left, so that this amendment will have little or no effect on the present assessment rate.

We trust you gentlemen will consider that, although the Legislature already has 60 million available to purchase open spaces, this amendment will also preserve open spaces and at the same time the farmers who are involved in these fringe areas will continue to pay reasonable taxes for the support of the local municipalities.

I would also like to point out that New Jersey is situated in a location where, in case of national emergency, we would need to have our own food supply. I would like to strongly endorse the passage of SCR 16.

SENATOR DUMONT: Any questions of Mr. Nixon?

Thank you.

Next, Dr. George Luke of Rutgers.

D R. G E O R G E L U K E: Senator Dumont, Senator Waddington, Assemblyman Gimson, I appreciate the opportunity to testify on SCR 16. The statement I have is contained in this article which I would like to submit to the Committee. [Entitled "New Jersey Farm Real Estate Taxes"]

I am Dr. George W. Luke, Professor Agricultural economics and Chairman of the Department of Agricultural Economics, Rutgers University. In the past year I have been serving as a member of the Governor's Farmland Assessment Committee. At this hearing, I am representing the College of Agriculture, the New Jersey Agricultural Experiment Station, and the Cooperative Federal Extension Service.

One of the most important services of this three-fold organization is to conduct research on those problems of significance to the agricultural industry and the people of the State. Recently the Department of Agricultural Economics completed a study of farm taxes in New Jersey, the results of which have been presented to the Governor's Tax Commission. The data in this study has particular significance to the farm assessment proposal being considered today.

The study revealed that farm real estate taxes in New Jersey are the highest in the nation and have increased at the rate of 15 per cent per year since 1950. In the last six years they have doubled per acre. At the present time, New Jersey farmers are paying more than \$10 per acre, although farmers in most states pay less than \$5.00 per acre. Farmers in those southern states who sell much of their fruit and vegetable produce in the eastern

markets pay less than \$1.00 per acre.

When property taxes are computed on a farm basis, the data revealed that taxes per farm have increased from \$200 to over \$1300 since 1950. This large increase in taxes is cutting deeply into each farmer's income. Today property taxes take about 18 per cent of the annual total net income produced on New Jersey farms. Since this net income includes imputed values for the rent of farm dwellings and food consumed on the farms, it does not represent the actual cash income farmers receive from the sale of their produce.

When farm taxes are computed as the percentage of cash net, they are substantial, varying from 24 per cent in 1955 to a high of 45 per cent in 1959.

In recent years increases in property taxes have not been shared equitably by all property owners in the State. The increase in property taxes has been much greater in rural than urban areas. Data for all the counties in New Jersey show that property taxes per capita in the most rural areas of these counties have increased more than in the most urban areas of the counties, although it is quite evident that more services are provided in urban than rural areas. In 1950, a comparison of property taxes per capita shows that the property tax was \$76 per person for the total population in New Jersey and \$71 for the farm population, almost equal. Ten years later, however, the per capita property tax was \$138 for the total population but \$360 for the farm population. This is an

increase of 81 per cent for total population and 401 per cent for farm people.

The burden of any tax can be shown by relating it to income. Since 1950, the per capita farm income has averaged about 65 per cent of per capita income for all the people of New Jersey. Under these conditions the property tax becomes a highly regressive tax and, since farmers must sell in a competitive market, it cannot be shifted.

The facts from this study show that a disproportionate amount of local taxes are borne by farmers in New Jersey. There is no doubt that this tax burden is affecting the progress of agriculture in the State and is one of the primary causes for the decline in the number of farms and land in farms, particularly in the last decade. Although the demand for services is often used as an explanation for increased taxes, it does not explain why taxes have increased faster in rural than in urban areas. The only explanation for this is the unfairness inherent in the property tax itself. This unfairness results from the assessment procedure, because under present laws assessors do not have the opportunity to relate the value of land to farm productivity. As a result, farmers who want to remain in agriculture often find it impossible to meet increased tax bills from income produced on their farms. Since the situation can only worsen in the years ahead as urbanization continues, this proposal, although not the complete answer to the preservation of open spaces and agriculture, can be considered as a giant step in the direction of maintaining

agriculture a little longer in New Jersey.

I want to thank the Committee again for the opportunity to present this statement.

SENATOR DUMONT: Does anyone desire to ask any questions of Dr. Luke?

I might say, Doctor, that this article is a very commendable job. Is there any place on the back of the article where it says requests should be addressed by anyone desiring copies?

DR. LUKE: Yes.

SENATOR DUMONT: Do you want to indicate that in the record?

DR. LUKE: Copies of this article can be obtained from our Extension Service simply by requesting it at the College of Agriculture. I think Mr. Hunter's name is on the back.

SENATOR DUMONT: And from any of the county extension agents.

DR. LUKE: And from any of the county extension agents in the State.

SENATOR DUMONT: Thank you very much, Doctor.

Next, Mrs. Beth Poole representing the 4-H.

B E T H P O O L E: My name is Beth Poole and I am from Clarksboro, New Jersey. I believe that nothing is as refreshing to look upon as vast green fields with crops growing in straight rows and a herd of cattle grazing. But today in our community a fast throughway and turnpike cut our fields into pieces and large industry exhales its fumes above our heads.

As the Delaware Valley becomes less agricultural and more industrial, when nature turns everything green in the spring our farm is open to several of the kindergartens in our area. How these children love to come and visit with the small calves and other farm animals, and in how many years are books and pictures going to have to replace these fun and educational trips for our children? If our green fields are not protected and carefully preserved, when my little boy graduates from high school farming will be a thing of the past in New Jersey, especially if the farms continue to diminish at the rate of one thousand farms per year. Gloucester County only has approximately 1500 farms left. With more industry come more people with families. We have a brand-new regional high school to be opened this fall and in East Greenwich Township, where I live, this means higher taxes again. And who shoulders the burden of these taxes? - the farmers, who have more properties to be taxed and larger properties, not the families with three or four children in school who are renting apartments or buying in large housing developments that aren't paying their share of the taxes.

With the price of farm upkeep and maintenance so high, it is easier to sell to a proposed industrial or building site than to struggle along each year starting at daylight, trying to produce more crops on less ground for less expense. When night falls you wonder whether the struggle is worth it. But just try crying the blues and people will say, "Well, if you can't make it, get out."

And more and more people are going to be doing just that, getting out of farming if they can't find a way to make a little more in the farming business. Owen, my husband, has been on a farm all his life. He was born and raised on a farm, and most of his farm friends have found it easier to go out and make a living in some other form of work other than farming, because it is too expensive to buy a farm and machinery and get financial backing today.

Our farm is not large. We only have 87 acres which we rent from my father-in-law. We rent also another 125 acres. These fields are not close; our farms are very small, and we have to do a good deal of traveling to get to these fields. At our age, this is a large undertaking. We have quite a few heavy expenses and our rent for these grounds is so high to cover the taxes that have to be paid by our landlord.

I have a few figures and these are actually the figures that my father-in-law pays on his farm: 87 acres and we have two homes; 60 head of cattle; in 1957 - \$505.06 was paid; and in 1962 - \$976.00. This is almost \$500.00 increase. Our farm has just been reassessed, so this, plus the new regional high school, will mean larger taxes again this year. I am familiar with these figures because I do most of the bookkeeping on our farm to help Owen out so he has more time to work in the fields. Both Owen and I are 4-H leaders and believe in the philosophy of four-fold development as an essential ingredient for the youth program of our country. We not only have to plan for each year for

our crops but also we have to make serious decisions about the future of New Jersey farming. With the instability of our milk market and the instability of prices in the open market, our thoughts have turned more easily toward the possibility of leaving New Jersey. We are not alone in our thinking of getting out of the garden state, but most of the older farmers would rather sell out and remain home with their family and friends. Perhaps to think that farming in New Jersey is becoming extinct might seem presumptuous, but our first love is farming and the joy of making a home for our children where they can get plenty of fresh, home-grown meat and vegetables, milk, eggs, and also good clean living. With taxes as high as they are today, we feel that something is going to have to be done to keep farming in New Jersey. Thank you.

SENATOR DUMONT: Do you represent here today the State 4-H organization?

MRS. POOLE: Yes. We are 4-H members and leaders.

SENATOR DUMONT: Thank you. Are there any questions of Mrs. Poole? Senator Waddington?

SENATOR WADDINGTON: I take it, Mrs. Poole, that the 4-H Clubs of New Jersey are strongly in support of this Senate Concurrent Resolution No. 16?

MRS. POOLE: Yes. If there are no farms in the State, our agricultural program will become less and less significant.

SENATOR WADDINGTON: I just wanted to get into the record the fact that you are supporting this resolution?

MRS. POOLE: Yes, we are.

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

Next, Herbert Starkey, New Jersey Educational Association.

S. H E R B E R T S T A R K E Y: I am Herbert Starkey, Director of Research for the New Jersey Education Association.

The New Jersey Education Association, an organization of almost 50,000 professional teachers in this State, is vitally interested in SCR 16 or any other proposal to revise our laws or the Constitution in relation to property assessments or taxation. We are interested because schools use, on the average, one-half of the property tax levy. However, in farm areas school taxes usually comprise 60 to 80 per cent of the total tax bill. Children in these areas are going to suffer seriously when property taxes on farms reach the point that farmers cannot meet their expenses and pay the sharply rising property taxes.

Farmers pay some of the highest school tax rates in the State despite the fact that rural schools usually cost far less than in the average district. The county with the highest average full value tax rate is not Essex or Hudson, but rural Salem County. While only one district in 5 in the State has an effective school tax rate of \$2.00 or more, we find 7 out of 13 such districts in Salem County. In neighboring Cumberland County 8 out of 10 rural townships have full value school tax rates exceeding \$2.00 and I feel sure the remaining two will probably exceed this

point when the 1963 rates are computed.

Because of a woefully outmoded state aid program that is based on costs of a decade or more ago, rising school expenditures must be borne by the property owner. Farmers have been particularly hard hit because many rural areas lack property valuations to adequately support even the most modest school program. I predict that farm taxes will double in the next 5 years, unless the Legislature enacts a program to substantially increase state school aid. Such an increase in farm taxes, which are already the highest in the nation, may well force a large portion of New Jersey farmers out of business.

I urge the Legislature to approve SCR 16 so that the people of the State may have the opportunity to vote on the "Farm Land Assessment Amendment" to the state Constitution. It seems most unfair to raise assessments on all farm land in a particular area because one tract is sold for development into nonagricultural uses.

I might interject at this point that I was raised on a farm in the City of Philadelphia and know what it means to have suburbs move right in the area, but Philadelphia did make an assessment distinction for farm land or we wouldn't have had the farm as long as we did.

Enactment of SCR 16 and approval by the people in November will help some farmers but it will by no means in my opinion solve the property tax problems of New Jersey farmers. The best solution is a major increase in state school aid as recently proposed in the 10th Report of the Commission on State Tax Policy.

SENATOR DUMONT: Any questions of Mr. Starkey?

[No questions.]

SENATOR WADDINGTON: Senator Dumont approves your remarks.

SENATOR DUMONT: Yes, I approve of them highly. The bills are in, of course. All we need are the votes.

Now does anybody else desire to testify this morning? If not, I will declare this public hearing on Senate Concurrent Resolution No. 16 adjourned at this time.

Thank you very much for coming and thank you for your help and your testimony.

[HEARING CONCLUDED]

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