VOLUME III

P U B L I C H E A R I N G

ON

NEW JERSEY'S TAX PROBLEMS

Held:
April 27, 1962
Assembly Chamber
State House
Trenton, New Jersey

B E F O R E

THE COMMISSION ON STATE TAX POLICY
and
THE TAX ADVISORY COMMITTEE

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Dr. William Miller, Princeton
Staff Director of the Commission

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I N D E X

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ARCHIBALD S. ALEXANDER (Chairman): Will the meeting please come to order.

Before we hear from our first witness, I would like to read into the record a Resolution forwarded to this Commission by the President of the New Jersey Home Builders Association, which Resolution was passed by that Association on January 17th.

"WHEREAS, The rising cost of education has created an oppressive burden upon individual property owners in the State of New Jersey, and

WHEREAS, New Jersey supports its school systems largely from local taxation, causing one of the heaviest property tax burdens in the nation, and

WHEREAS, Municipalities throughout the State of New Jersey are presently faced with the Herculean task of meeting these rising costs and providing additional school facilities for our expanding population out of local tax levies, and

WHEREAS, New or expanded sources of revenue are essential to assist in meeting this increasingly burdensome drain on local resources, so as to provide for more equitable distributions thereof

NOW THEREFORE BE IT RESOLVED: That the Governor of the State of New Jersey requests the Legislature to enact legislation necessary to call a tax convention to consider these problems and to present to the Governor and the Legislature and the citizenry of the State of New Jersey, its recommendations for the permanent or long-term solution thereof.

Signed by: Harold D. Sarshik, President."

First to be heard this morning will be the New Jersey Citizens Highway Committee.

Will you step up to the lectern, please.

J. ANTON HAGIOS: Mr. Chairman and members of the Commission:

The New Jersey Citizens Highway Committee appreciates this opportunity to appear before you to present our views on financing needed modernization of highways in our State. Our Committee is non-partisan and non-profit. Our regular membership is made up of citizens in various walks of life, of almost every facet of the economy, and from all counties in the State. Our Committee speaks here today for this cross-section of our State's citizens, and because it does, by necessity can not be speaking on behalf of any specialized segments of the economy, such as the highway construction or railroad industries.

We should like to make it clear, however, that as good citizens we believe in a balanced transportation system for our State, and recognize the significance of rail commuter transit, particularly in the Newark-New York and the Camden-Philadelphia metropolitan areas. We also believe that the relationship of rail commuter service in the over-all transportation picture must be determined by performance and by public acceptance. With the President of the United States recently having emphasized the plight of urban mass transportation, and with Senator Harrison Williams' bill reportedly assured of passage by the Congress, Commissioner Palmer's commuter transportation plan for New Jersey appears to be well on its way to realization.

Our statement is concerned primarily with the discussion of the highway aspects of the State's transportation problem, and, more importantly, as to where the money is to come from to bring about a satisfactory solution to this problem.

HIGHWAY BACKGROUND

Let us take a moment to review the background. Prior to the great economic depression of 1929, New Jersey highways were considered among the nation's best. The reason for this eminence was that we had a highway fund, separate and apart from the general treasury, which was set aside exclusively for highway construction and maintenance. Because the people of the State were led to believe that all highway-user taxes would be used for highway purposes, and highway purposes only, there was then, and continues now, a moral if not a legal obligation to adhere to

that promise. The late and highly respected Union County Senator Arthur N. Pierson personally advocated and vigorously advanced this concept before the citizens of our State. This promise to the people was kept for only one decade.

From 1931 to 1946 there was comparatively little highway construction. During the depression years added funds were needed for relief and highway funds were "borrowed" for this purpose, but they were never repaid as they should have been. During the war years supplies and manpower were unavailable. Thus, in the early post-war years, construction rose with the aid of reserve funds accumulated during wartime. Starting in 1949, highway improvements were centered on our toll roads which have become great. Since the advent of the new Interstate Highway Program, the New Jersey State Highway Department has concentrated its major effort in advancing that program to the construction stage as rapidly as possible.

Paralleling this development, motor transportation has become increasingly important as:

1. Motor vehicle registrations between 1930 and 1960 have almost tripled - from 858,841 to 2,428,414;

2. The efficiency of motor transportation has increased;

3. Railroads have curtailed or abandoned service;

4. Population has exploded (79% of New Jersey people live within standard metropolitan areas) and new communities have sprung up in areas serviced only by bus and passenger cars, resulting in completely new transportation problems;

5. New Jersey mountain and seashore resorts have become big business;

6. Industry has decentralized and built on the fringe of metropolitan areas;

7. Heavy long-haul truck transportation has developed into a major industry;

8. Pleasure driving has increased due to greater leisure and the rising national income;

9. According to the 1960 census, the State has become the third most urbanized -- topped only by the District of Columbia and by Rhode Island.

THE STATE HIGHWAY MASTER PLAN

Because of the tremendous growth of highway transportation, our State Highway Department made a comprehensive study of New Jersey's highway needs. Thus no longer are these needs a matter of conjecture, but a matter of fact. The Department established a cost estimate of overhauling and modernizing the State's highway network and of bringing it up to the standards required for 1975 traffic. It comes to between 2 3/4 billion and 3 billion dollars. This cost estimate is commonly referred to as the State's Highway Master Plan.

Today New Jersey's highway network comprises 327 miles of toll roads, 1,862 miles of state highways (Federal-aid portion included), 6,662 miles of county

roads, 21,761 miles of municipal and township roads and streets. About half of the total cost estimate, or $1.4 billion, covers the Federal-aid Interstate System, of which the Federal Government pays nine-tenths of the cost of construction. Barring a sudden drop in the level of Federal and/or state appropriations, the Federal-aid Interstate portion is expected to be completed by 1975. Fifty-six miles of this are now in operation. About 40 miles of the northern section of the New Jersey Turnpike were also incorporated into the system. When completed, this Interstate mileage will increase to 376 miles. So will the State's obligation to maintain this mileage. There is no Federal-aid for maintenance -- only construction.

Funds for the other half of the Master Plan appear to be in sight only in an aggregate of about $700 million between now and 1975, thereby leaving almost a billion dollars' worth of needed overhauling and modernization without any financing whatever.

This category includes

a) some of the mileage of the so-called Federal-aid ABC roads -- that is, primary and urban feeders calling for 50-50 matching in State funds and secondary roads calling for 50-50 Federal-County matching;

b) the state highways which are not included in the Federal-aid system;

c) the hundreds of miles of widening, dualization, center-barrier installations;

d) county roads;
and, above all,

e) municipal arterials connecting the core areas with the ever-expanding suburban areas.

It is these municipal arterials and major county roads and parts of the ABC Federal-aid System that carry the heavy daily traffic which is almost entirely intrastate.

State Highway Commissioner Palmer has estimated that it will take $70 million more annually for the next 13 years, over amounts currently being appropriated, to complete the Master Plan by the target date.

NEEDS

Now, before we discuss ways and means of raising these additional funds, we should like to touch upon the crux of this whole problem, namely needs.

The New Jersey motorist does not, and we are sure the members of this Commission do not, require much persuasion to be convinced that the State needs substantial improvement in its highways over and above those currently being undertaken. Whether the motorist is a daily commuter to and from urban centers or merely a week-end driver going to our shore and mountain resorts, he knows from experience behind the wheel that inadequate highways and the prevailing congestion cost him directly in wasted time, wasted gasoline, and increased wear and tear on his motor vehicle. When we add to that the cost of insurance, based on constantly growing

accident rates due to congestion, then the argument advanced by experts that "it is cheaper to build good roads than to use bad ones" is really meaningful.

BENEFIT COST RATIOS

Today highway needs and highway construction costs are measured scientifically. They are expressed in terms of benefit cost ratios. Our own State Highway Department was a pioneer in developing these yardsticks. There are two kinds of benefits involved:

First, the motorist, commercial or private, stands to gain directly from the highway improvement in several ways. He saves time, motor fuel, vehicle wear and tear and through reduction in hazards that contribute to a high accident rate. And everyone who buys products transported over the road (and who does not?) also stands to benefit directly from better service and lower prices reflected in savings in highway operation costs. It has been estimated that the highway transportation factor constitutes about 10% of the costs of all goods and services produced.

Second, the indirect benefits of highway improvements have now been officially determined as a result of the Section 210 Cost Allocation Study which was made at the request of Congress. The incremental benefits to citizens at large amount to 8% of the total cost of highway construction, according to this study.

The 2 3/4 billion cost estimate of New Jersey highway needs is a carefully and scientifically-arrived-at estimate. Further, it was checked by an independent survey of engineering experts of the Automotive Safety Foundation in Washington. The Department balanced benefits and costs on a road-by-road and project-by-project basis. This is a sound way of determining whether or not the various improvements making up the Master Plan are actually needed. Where a given road improvement project will yield benefits which exceed the cost involved, it can be said that there is a real need for that project. The sum total of all such projects in the State equals the total need set forth in the highway Master Plan.

The potential economic benefits derived from the completion of the Master Plan in its entirety would be tremendous and many times worth the cost of construction. An example of such benefit is the enormous industrial expansion which occurred as a result of the circumferential Route 128 around Boston. Not only would similar peripheral development occur around the large cities of New Jersey, but general economic growth would be spurred throughout our State, particularly in Southern New Jersey.

HOW AND WHERE DO WE FIND THE MONEY?

Assuming, then, that the Master Plan is a true and close-to-accurate estimate of New Jersey's highway needs; assuming further that the benefit cost ratios are irrefutable evidence that a completely integrated network of modern, efficient, adequate and safe highways contributes materially to the economic growth of the State and the well-being of virtually all its citizens, and as a result produces greater highway revenues than is currently the case, how do we go about bringing it to reality so that all of these benefits can be realized forthwith?

First, it must be understood that we are not speaking of a normal construction program, but of a catch-up program which will call for greater effort and

greater expenditure to complete the entire plan by the target date of 1975. Our highway plant is 15 years behind present-day traffic requirements. That is why the catch-up program of major proportions and an accelerated construction schedule is a necessity. The State need not necessarily provide for all the money to be expended within the period of construction, because the benefits would accrue to new users in subsequent decades.

Second, New Jersey might find it advisable to do at the state level what was done by Congress. When the need for legislative action on highways became apparent, Congress, knowing that the Bureau of Public Roads of the Department of Commerce was conversant with both the engineering and revenue implications of highway programming, asked the Bureau to recommend "ways and means" of bringing about realization of the program. Result: establishment of a Highway Trust Fund, an accelerated construction program, a fixed completion date, and, above all, adequate revenues with which to do the job on a planned, businesslike schedule. In like manner here in New Jersey we might use the all-around knowledge and technical skills of our State Highway Department.

Third, we would be doing this within the framework of a stabilized budget, and not one which has been out of balance ever since the State Constitution was revised and which was balanced only by the questionable device of seizure of highway funds.

Fourth, we would revise our tax structure and/or establish other sources of funds to provide the highway working capital for the duration of the catch-up period, through issuance of bonds or use of general funds up to the 8% increment established by the Cost Allocation Study.

DIVERSION OF HIGHWAY USER FUNDS

In our State it would be inappropriate to discuss future highway financing without recognizing the evils of diversion -- the current practice of using almost half of the highway-user funds for other purposes. The New Jersey Citizens Highway Committee believes that as a matter of fairness and good business all highway-user revenues, or an amount equal to their annual total, should accrue directly to the construction of new highways and to their maintenance -- at least for the catch-up period of the next 12 to 15 years.

At our last Annual Meeting, the New Jersey Citizens Highway Committee, recognizing that dedication of highway-user revenue for highway purposes by means of a constitutional amendment (as was done by 27 other states) might not be politically feasible in our State, came out in favor of a broad base tax adequate to provide, out of a total yield of $170 million, an amount of at least $60-million for highway purposes annually. Such an amount would not only make possible the stepping up of the construction program but would enable the Department to augment its understaffed engineering and administrative personnel.

Another major means of financing would be a series of three bond issues of $400 million each, to come out three or four years apart until the program is completed. Such issues could be pegged to an increase in the gasoline tax if necessary; or to N. J. Turnpike surpluses if necessary; or Turnpike bonds might be redeemed and after 1972 the full Turnpike earnings could be applied to highway maintenance.

HOW OTHER STATES DO IT

We are enclosing exhibits with this statement showing how such states as California, Iowa, Michigan, Mississippi and Ohio have met this problem through the development of "package" finance plans involving two or more tax resources and covering a period of from five to ten years. This method is, in our opinion, the only way to eliminate the unsatisfactory "hand-to-mouth" financing, which has not only prevented our Highway Department from constructing sorely needed highway facilities but has also severely hampered its long-range highway planning program.

Whether highways are financed on a pay-as-you-build basis, or a series of bond issues, or a combination of the two, or through so-called third structure taxes, is a matter of policy to be determined by the Legislature. The motorists of our State have shown through their extensive use of our toll roads that they are willing to pay for good roads in one way or another. On the northern section of the New Jersey Turnpike motorists are paying tolls in the equivalent of a gas tax at the rate of 60 cents a gallon over and above the regular gas taxes and registration fees. We hope that this Commission will recommend, and that the Legislature will enact, a sound, adequate, long-range highway finance program to restore our State to the forefront of highway transportation, which will assure continued economic growth.

May we conclude with this quotation:

"New Jersey highway needs and the character of their financing are probably unmatched in any other state. As a bridge between two of the most densely populated metropolitan centers in the world, New Jersey has a traffic volume and concentration of congestion unequal anywhere in the world".

That quotation is taken from the State Tax Policy Commission's 1950 report. It is now 1962. It seems to us that it is time to act. We hope you agree.

MR. ALEXANDER: Thank you. Will you just stay there a minute or two, Mr. Hagios.

MR. HAGIOS: Yes.

MR. ALEXANDER: I see that you don't have to be a preacher to quote scripture.

I wonder if you would tell us what a third structure would be.

MR. HAGIOS: Oh, I would consider turnpike tolls a third structure of highway taxation. A weight-distance tax might be a third structure tax. In other words, additional taxes not commonly used for highway tax purposes today.

MR. ALEXANDER: My other question is, do you have something in more detail regarding possible use of surplus revenues of either the turnpike or the parkway?

MR. HAGIOS: I don't have them with me today but if I may be permitted, I will be very glad to supplement this statement by sending them to you. Presently I think they run at the rate of 11, 12, 13 million, but I wouldn't want to say for sure.

MR. ALEXANDER: Well what I would like to ask you is if you would submit supplemental data covering both the figures and the legal opinions on legalities and illegalities.

MR. HAGIOS: I will be very glad to.

MR. ALEXANDER: Are there any other questions by the Commission or the Advisory Committee?

Thank you very much.

(Exhibits referred to by Mr. Hagios will be found in Volume IV, Appendix.)

MR. ALEXANDER: The next speaker to appear at our request will be the Commissioner of Education, Dr. Raubinger, and we have asked him to give us some brief remarks regarding his view of this matter before us in the light of his responsibility to education.

DR. FREDERICK M. RAUBINGER: I want to thank you for the invitation to appear here this morning. I suppose some of what we have to present in the way of statistics you have already had in one form or another, but we have tried to arrange what we have to say in such a way that it will be helpful to you and to the staff of the Commission. So if it is agreeable to you, I will proceed with this prepared statement.

Incidentally, we have some charts here which, I think, will help illustrate some of the statistics we are presenting.

As we review our records since the adoption of the State School Aid Act of 1954, we note that there have been significant changes in our needs and in our basic statistics concerning births, enrollments, costs and debt. During this period, there has been a steady increase in educational expenditures caused by growing enrollments, the decrease in the purchasing power of the dollar, the improvement in the quality of education and the growth in demand for educational services.

Public school enrollments increased in this eight-year period more than 346,000 or an average of more than 43,000 additional pupils each year, as this chart will show, so that currently there are more than 1,103,000 enrolled in the public schools.

Day school expenditures increased from $213,000,000 in 1954 to $491,000,000 in the current year. This chart shows the rather steep increase.

Per pupil costs increased from $282 to $445. We are going to use this chart again. Mr. Kilpatrick is pointing to the present $445 over the $282.

In order to pay the principal and interest on this "mortgage," the debt service requirements have increased from $19,000,000 annually to more than $63,000,000 annually, as this chart indicates.

MR. ALEXANDER: Could I interrupt?

DR. RAUBINGER: Yes you can at any time.

MR. ALEXANDER: I think copies of those are not in here, are they?

DR. RAUBINGER: They are not. The statistics are in the back but not the charts.

We could have these reproduced, incidentally, and added to it.

MR. ALEXANDER: I think it would be helpful if you could have the charts reproduced subsequently.

DR. RAUBINGER: We will be glad to do that.

Statewide, the payments of principal and interest on debt now account for 11 percent of the total budgetary expenditures in contrast to 8 percent in 1954. These charts indicate that steep rise in debt service. But in some rapidly expanding districts where it has been necessary to construct new secondary school facilities, the amount required for such debt payments exceeds 25 percent of the total budget. And as you know, that debt service has first call on the tax moneys and, therefore, has an influence upon the amount of money available for operating expenditures.

During these eight years, 1954-1962, the amount of financial support provided from local tax sources increased from $210,000,000 per year to $460,000,000 per year or from $277 to $417 per pupil enrolled, out of local tax sources.

The enactment of the State Aid Act of 1954 increased the State's share of the current operating expenditures from $25,000,000 in 1954 to more than $84,000,000 in the current year.

Turning to the School Building Aid Act, the School

Building Aid Act of 1956 provided for the first time in the history of our state, grants-in-aid for school construction or for the payment of debt incurred on buildings previously constructed. Payments from this source will exceed $15,700,000 this year.

While the number of dollars provided by the state has increased appreciably since 1954, the amount paid from both of these acts, that is, the General Aid Act and the School Building Aid Act, leveled off in 1957 at about $90 per pupil. This red line on the chart shows the leveling off of the $80 per pupil. This is building aid and this is the current aid, and you see that contrasted with the rising total expenditures.

While the number of dollars, as I said, provided has increased appreciably the amount, then, has leveled off at about $90 per pupil for the year in which the payment is made. This is presenting difficulties in most of our districts as per pupil costs continue to increase.

Two hundred sixty-seven districts or 46% of the total number within the state will receive minimum aid of $50 per pupil in 1962-63 as compared with 174 such districts when the formula became operative. And this was during a period when per pupil costs increased about $140 per pupil.

A district of average wealth per pupil is now a minimum aid district, which I believe was not the intention of the original School Aid Act.

Although it is not direct aid to the local school districts and is not calculated in per pupil costs, substantial contributions are provided for the Teachers Pension and Annuity

Fund, including group Life Insurance and the employer's share of the Social Security tax. The state's appropriation, which was slightly less than $14,000,000 in 1954, exceeds $40,000,000 in 1962. In fairness, we think that figure should be presented.

Under the present method of financing schools in our state, the taxpayers in our local communities, in spite of a limited number of rejections of bond issues and annual operating budgets, have generally provided substantial support for their public schools. As previously indicated, they have authorized local school boards to expend more than $817,000,000 for new facilities and authorized local tax levies for schools which are currently $250,000,000 more than in 1954 when the recommendations for financing our schools contained in your Seventh Report became effective. Even with this great dependence upon local financial support of public education, New Jersey continues to pay an average teacher's salary which is surpassed in only three states and to expend an amount per pupil which is exceeded in only two states.

But I must point out that there are also emerging problems which relate to our present method of financing and we urge the Commission and the Advisory Committee to take a critical look at them as you review the financial needs of our schools and how these needs may be best met.

The present school enrollment in grades K-12, kindergarten through 12, of 1,103,698 will jump, as this chart will show, to 1,310,000 in 1966-67 or a five-year increase of 206,000 over current enrollments. This estimate is based upon children already born. It's a conservative estimate and

does not take into account the fact that New Jersey is one of the fastest growing states in the United States with a great deal of in migration of people who will come bringing with them additional children, in addition to those who are presently born in this state. So we are convinced that this is a very conservative estimate.

Sixty-seven thousand of these children will be enrolled in grades 9 to 12.

And all available information indicates that enrollments will continue to rise so that an increase of half a million public school students might be expected in 1975.

The impact of these additional children in 1966-67 at the prevailing cost of education would add $103,618,000 to the total annual expenditures of the school districts in that year.

But taking a more realistic view, based upon assumptions that some inflation will continue, that national income and prices will continue to rise and that demands upon public education will continue to increase, it is quite likely that the increased enrollment and additional costs per pupil will add more than $210,000,000 to the total annual expenditures five years hence. With the present program of aid, the state will contribute only about $18,000,000 of this increase, and the balance will rest on the local property tax.

In 1954, approximately 46,000 pupils were housed in sub-standard facilities or attended school on a part-time session. In spite of the tremendous effort made at the local level of expending $100,000,000 annually for new school con-

struction, the number at the start of the current school year had increased to 108,000 pupils. During these eight years, little progress has been made in the replacement of obsolescent facilities and in constructing the necessary facilities to adequately house this increased enrollment. The expedients of sub-standard rooms, oversized classes and part-time sessions must be, in my opinion, avoided.

To house this additional enrollment at least $457,000,000 will be expended in capital construction by local school boards in the next five years.

Bonds issued to finance this construction will increase the gross school debt from $865,000,000 to $1,123,000,000 five years hence, in our judgment.

Principal and interest payments on this debt will increase annual debt service costs from $63,000,000 to more than $88,000,000 five years hence. And that's also keyed into these charts that Mr. Kilpatrick is showing.

The teacher shortage continues to be a problem. In 1954, approximately 3,000 teachers did not meet minimum standard requirements for certification, while currently approximately 6,500 teachers do not meet these requirements.

Our research indicates that 39,350 additional teachers will be required in the next five years, on the basis of one new teacher for each additional 26 pupils and a 12-percent annual teacher replacement for those who leave teaching, retire, or are deceased.

School costs will continue to rise as prices increase and if the purchasing power of the dollar continues

to decline.

About 19 percent of the total number of pupils enrolled in our school system was attending grades 9-12, the high school grades, in 1954, 19 percent, while currently 26 percent, and five years hence, more than 27 percent will be enrolled in the upper four grades. Education at these grade levels is more expensive than education in the elementary school, and accordingly, the increased percentage of pupils in the high school will continue to require increased expenditure.

Since 1954, there has been a significant expansion of special education for the physically handicapped, mentally retarded and emotionally maladjusted children and presently 14,000 are enrolled in special classes. Our research indicates that the enrollments in these classes will continue to increase in the same relationship to the total K-12 enrollment as during the past five years.

Continued emphasis has been placed upon the extension of the educational program, particularly for adult education. Vocational education at the county level shows a dramatic expansion and we now have 14 county vocational school districts as compared with 7 in 1954.

Special services provided for children in the area of transportation and food services will continue to increase in cost.

Our estimates for the next five years indicate that:

Day school expenditures will increase from $491,000,000 to $681,000,000.

Per pupil costs will increase from $445 to $520.

of higher education, leading toward 1970. And I felt that prior to the publication of that report I should not reveal its specific recommendations but I should like to put on the record that we shall have substantial needs in education beyond high school between now and 1970; our publicly supported institutions, the State University, the 6 State Colleges, the Newark College of Engineering, will need to provide for at least an additional 25,000 full-time undergraduates during that period of time. This is going to call for substantial capital appropriations and when and if these appropriations are made that will call for additional operating increases also.

The two-year community college, in my judgment, must come into existence in this State, just for the good of the State and for the industry of this State.

I would hope that when the report, to which I have alluded, Mr. Chairman, is published that it might be made an official part of the presentation to this Commission.

Thank you very much.

MR. ALEXANDER: Thank you very much, Commissioner. I think there may be one or two questions, if you don't mind.

MR. TOOLAN: Commissioner, all of the figures that you have presented and projected are based upon past experience with reference to the cost of education. Is that correct?

DR. RAUBINGER: Yes.

MR. TOOLAN: Now, with all the advances that we are making in various fields, isn't it possible to anticipate or to project ourselves into a position where we might anticipate cutting down, let's just say, teacher costs

through the medium of other methods of teaching so that you do not need one teacher say for an average of 25 children?

DR. RAUBINGER: I will express a personal opinion about that. I think the possibilities of that kind of mechanized, electronically controlled kind of thing - the possibilities of doing what you say in relation to these things have been greatly exaggerated. I do not know any place in the country, for instance, where teaching by television has been instituted where it has made any substantial difference. As a matter of fact, in many places it has added to the costs.

Just to give you an example, Channel 13, which has been taken over by the Metropolitan Television Corporation is planning to do some work in so-called educational television. They have already asked the Boards of Education in that area to put up $50 a pupil to help finance what they are going to do.

I have seen no evidence that what you hope for is likely to come about in any substantial way. And, of course, again I would express a personal opinion that I don't think there is any real substitute for a live teacher with live children in small enough numbers so that the teacher can know the children.

Now, this isn't just for the benefit of the children, it's for the benefit of the investment that's made in their education. So that's a general answer. I am a little dubious about the proposition.

MR. TOOLAN: I was very much interested and I was wondering if there was any hope for relief in that direction at all.

in a general high school. What to him was a frill to me is a necessity for a certain group of students. So I really don't know what he means.

I think this, I think the school districts of this state are managed about as efficiently and about as economically as any unit of government that I know about. There is no agency that is subject to the scrutiny that the local school is. It is subject to the scrutiny of the local school board elected by the people of the district and it's subject to the scrutiny of the voters when the budget goes up; it's subject to the scrutiny of the voters when the bond issue goes up; it's the only bit of governmental expense on which the people vote.

So I discount the fads and frills considerably but I am not above discussing them if somebody says I think this particular thing is a frill, then we can talk it out.

MR. TOOLAN: May I suggest that what the fad and frill was that this one speaker mentioned, it was at one of your Teacher Colleges, a course teaching the girls how to use a broom and dust rag and carry on ordinary household tasks that most girls ought to be able to learn at home, and that they got 3 points credit in their course for such things as that, including the raking of leaves, and they stated that should be eliminated.

DR. RAUBINGER: That is absolutely false. I don't know who your testifier was but that is absolutely false, completely out of the question, it could not be discovered in any one of our colleges, would not be tolerated if it were true, categorically denied.

MR. TOOLAN: Well at least we pointed up the issue.

MR. ALEXANDER: Are there other questions of the Commissioner?

MR. NIXON: Referring to page 10 (page 18 of transcript), under "Teaching" and explain to me just what you mean by the numbers in that table?

DR. RAUBINGER: The numbers on the right-hand side?

MR. NIXON: Yes.

DR. RAUBINGER: The A.D.E. means Average Daily Enrollment. That's the total enrollment in the class for the year, divided by the number of days that school was kept open. So that here is a Pre-first class taught by a teacher who has had 44 years of teaching, her salary is $4850, she has 27.4, that's the way it's arrived at, pupils in that class on the average during the year.

You have the first grade teacher, this is her first year of teaching, she's paid $4,000 a year and she has 42 pupils in the first grade; and so on.

MR. NIXON: May I ask one other question?

DR. RAUBINGER: Yes, sir.

MR. NIXON: Maybe you don't want this on the record but I would like to have an answer if I could.

I think that in the beginning God meant for one of the greatest creatures in the world to be the teacher, which is the mother. If mothers went back to the oldfashioned way of teaching the multiplication tables and the ABCs before they got rid of them when they tried to, at the age of 4 now, how much would it cut down on your teachers to teach higher grades?

DR. RAUBINGER: Well, that's a hard question. That's assuming that all mothers are in the class you talk about, that all mothers could teach reading and that all mothers would or could be willing to teach the multiplication tables. Mr. Nixon, I couldn't answer that. There are parents now, even in this present day, who are obviously greatly helpful to their children. They have books around, they help them to read better, they help to explain things that go on in school.

I don't believe that that would make a great deal of difference, although I think it's fine if parents do that.

Incidentally, these people in our schools don't go quite as young as 4, unless they send them to nursery schools.

MR. NIXON: They try to get rid of them at 4.

MR. KERNEY: Commissioner, when will the report on higher education be ready for us?

DR. RAUBINGER: It is being printed at the moment and should be available next week.

MRS. CLARK: This statement that you expect the increase in special education to remain in the same proportion as it has been in the last five years puzzles me a bit in view of the rate of births since 1954. Was there a leveling off in the last five years that will continue? I would think that we have had the big spurt and now it should keep a fairly constant relationship rather than having an increase as great as it has been.

DR. RAUBINGER: Your question is - is there going to be a greater increase than I have mentioned?

MRS. CLARK: That's right.

DR. RAUBINGER: What we said may not be quite as clear as it should be. I think what we are saying is that the proportion of children who will probably be in classes for the mentally retarded, etc., will continue to remain somewhat constant to the total population and will therefore increase.

I am not sure that I got the full --

MRS. CLARK: Yes. You said here the increase will be in the same relationship. I would think that the total would remain fairly constant and increase now with the enrollment but the increase itself would not be as great as it has been.

DR. RAUBINGER: Oh, I think that's right.

MRS. CLARK: This would account for the higher pupil cost.

DR. RAUBINGER: I think that's right.

MR. TOOLAN: Have any studies been made with reference to capital expenditures and cost of constructing new schools to devise a plan of schools that will be functional, adequate, but eliminate a lot of costs that now go into schools? In other words, to build your schools at the lowest possible dollar cost to the taxpayer.

DR. RAUBINGER: Well, our Department is as interested in that as anyone else. Actually, we are building schools in New Jersey as low as $14 a square foot. That doesn't mean they are built there because there are variations in what the community wishes. But I think we

could supply figures to indicate that compared to other kinds of construction, industrial, commercial, etc., that school costs, construction costs are not as high or as exaggerated as sometimes we are led to believe. However, I know that schools are always experimenting with new material, they are building with painted cinder block many times, instead of plastered walls, etc., and I am sure they are conscious of the costs. I don't believe I can add anything to that except what I said.

MR. TOOLAN: Well my point is, when you look at these figures it is certainly terrifying.

DR. RAUBINGER: That's right.

MR. TOOLAN: -- projecting yourself over a five year period and I am wondering if all of us don't have to give a lot of thought to ways and means of seeing if there can't be some saving on this program other than what is projected in these figures.

DR. RAUBINGER: I grant you that the figures are startling and I wouldn't disagree with what you said but --

MR. LEUCHTER: Commissioner, my object in asking this question is not to put architects out of business but the question has been raised over the years and becomes more compelling every year with the greater number of schools being constructed. Your figures show capital construction in the next 5 years of approximately $457,000,000. I don't recall what the standard fee for architects is but it comes to somewhere around four or five percent on schools, does it not?

DR. RAUBINGER: Six.

MR. LEUCHTER: Six. Well, how about the suggestion of the possibility of the State Department of Education having an architectural services division so that perhaps it wouldn't be necessary to hire a completely new architect on every single school building that's built in this state. If you could save, say, just 3% of the cost of architectural services in some way, you would be saving on this figure alone in the next 5 years some $13,000,000, which isn't a figure to be sneezed at. And I also wanted to call attention to the fact that in addition to the architects whenever any substantial school is built the local school board usually hires a clerk-of-the-works to oversee the actual construction and make sure that it goes according to plans.

How about the possibility of standardizing plans and specifications that school districts could use to send out on bids? Is that feasible?

DR. RAUBINGER: Well, I don't think it is. In saying that I hope you don't think that I am just against everything that's proposed but the history of that sort of thing in school construction has not been good.

I understand that New York State a few years ago appropriated a certain sum of money to the Department of Education for this purpose and I was told, and this is hearsay, I don't have it directly from them, that nobody has made use of these, nobody has been willing to do it this way. Of course, you have local preferences there.

The local districts actually determine what's done. In Ridgewood, Montclair or Levittown, or wherever, if they don't want to do that sort of thing they won't.

But aside from the wanting to, I think the general experience has been that it doesn't work.

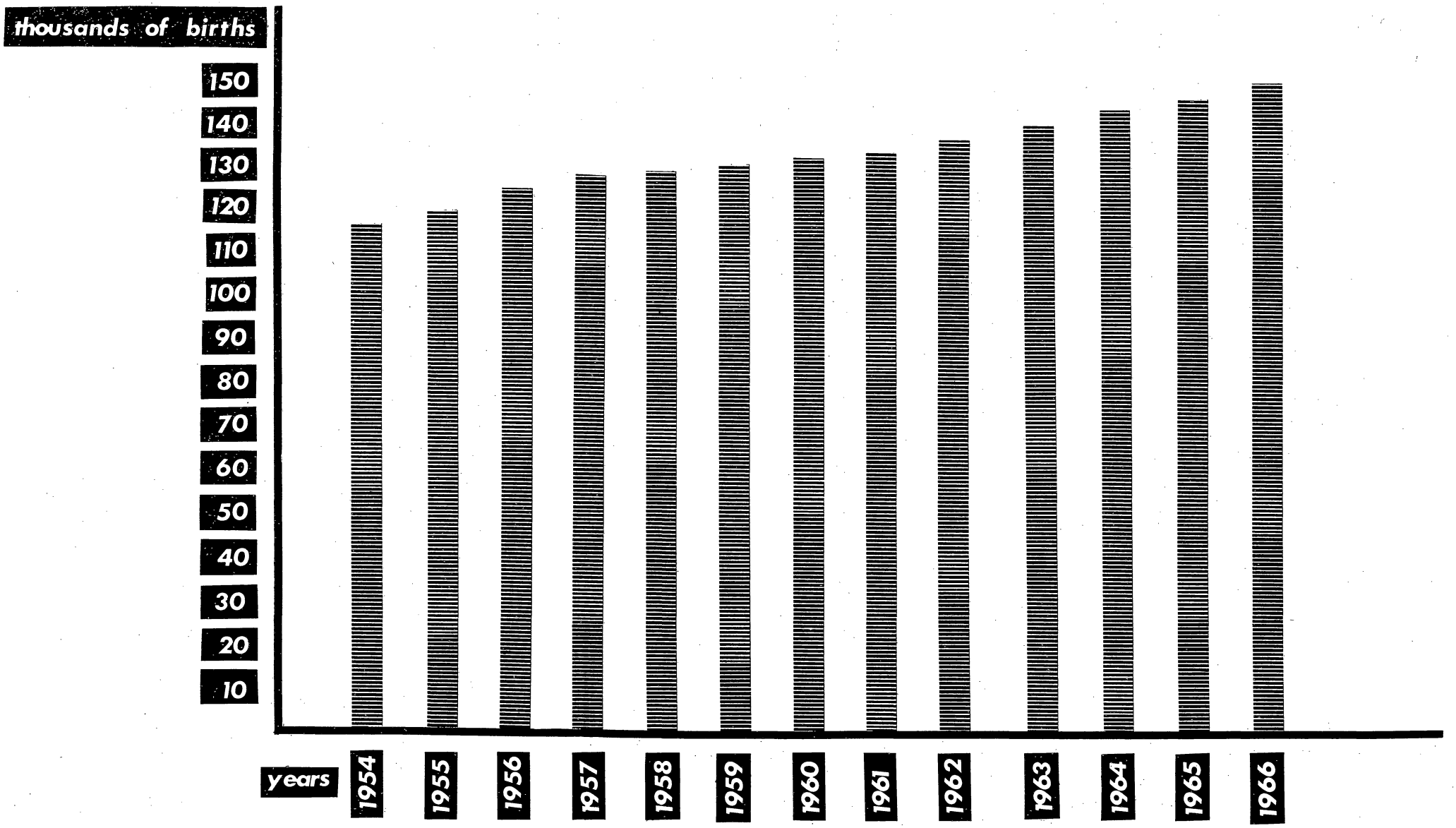
MR. ALEXANDER: Are there other questions of the Commissioner?

Thank you very much, Commissioner.

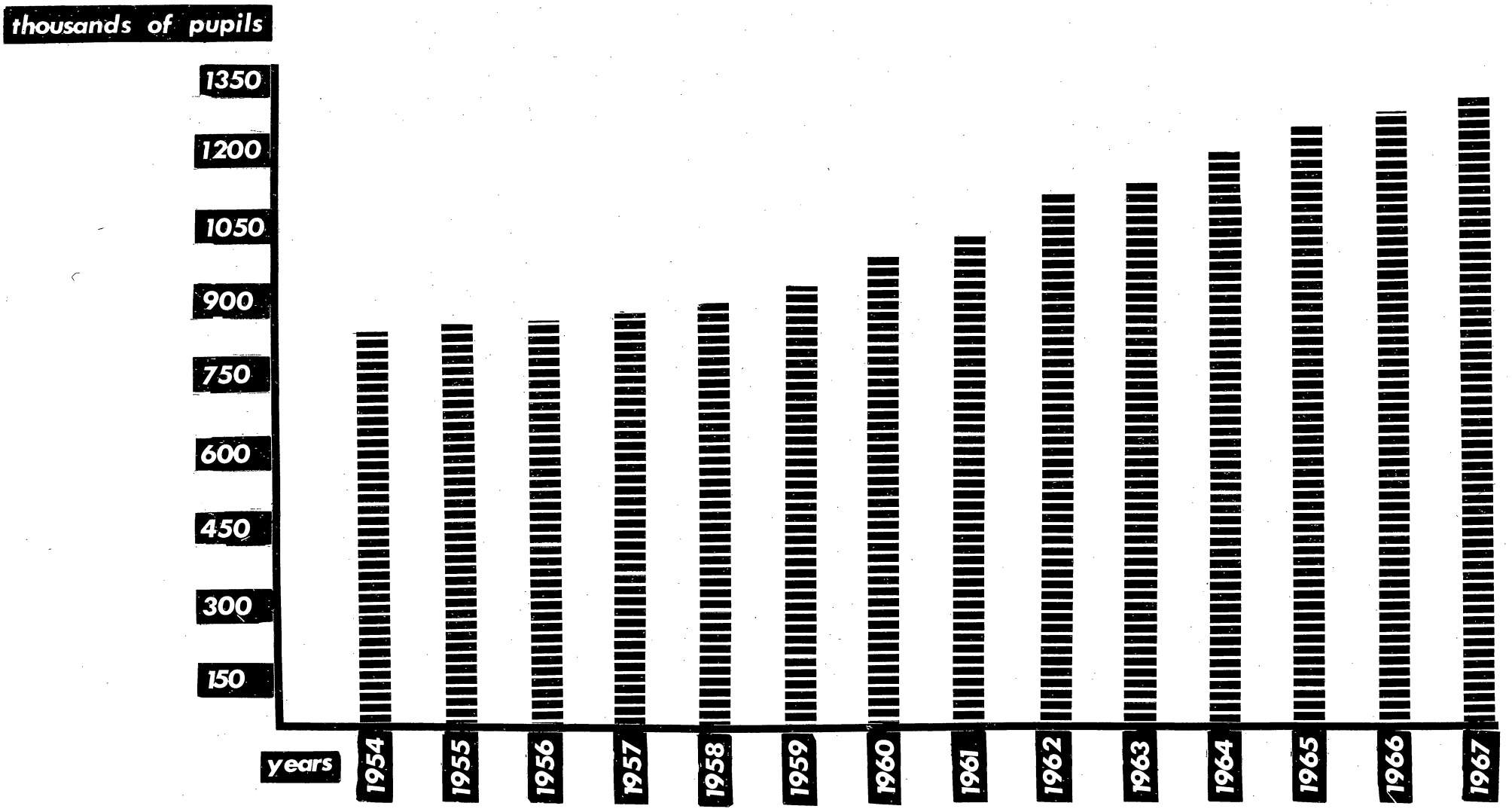
DR. RAUBINGER: Thank you very much. I appreciated being here.

(Immediately following are charts referred to by Dr.Raubinger)

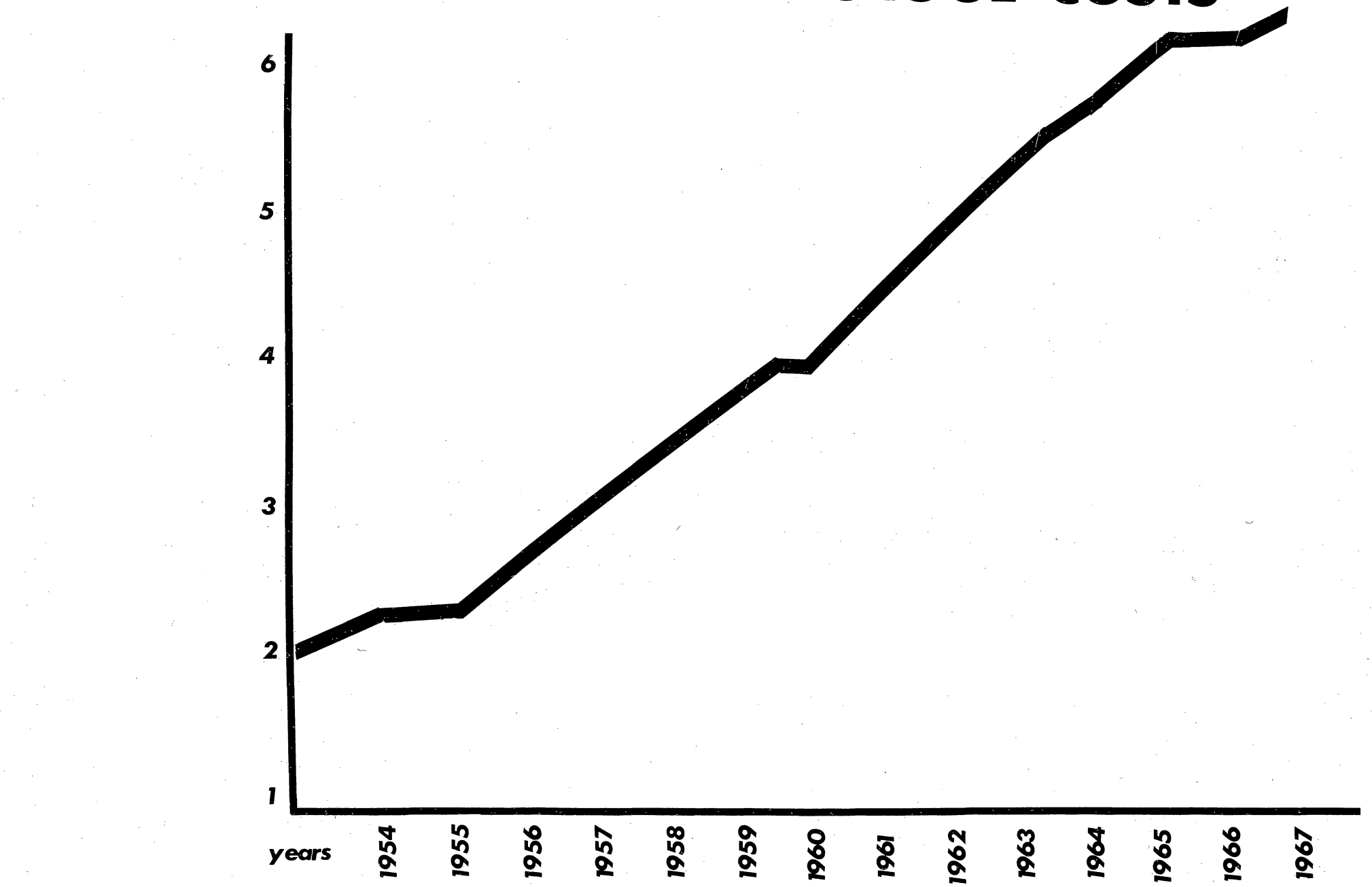
BIRTHS 1954-1966



AVERAGE DAILY ENROLLMENT



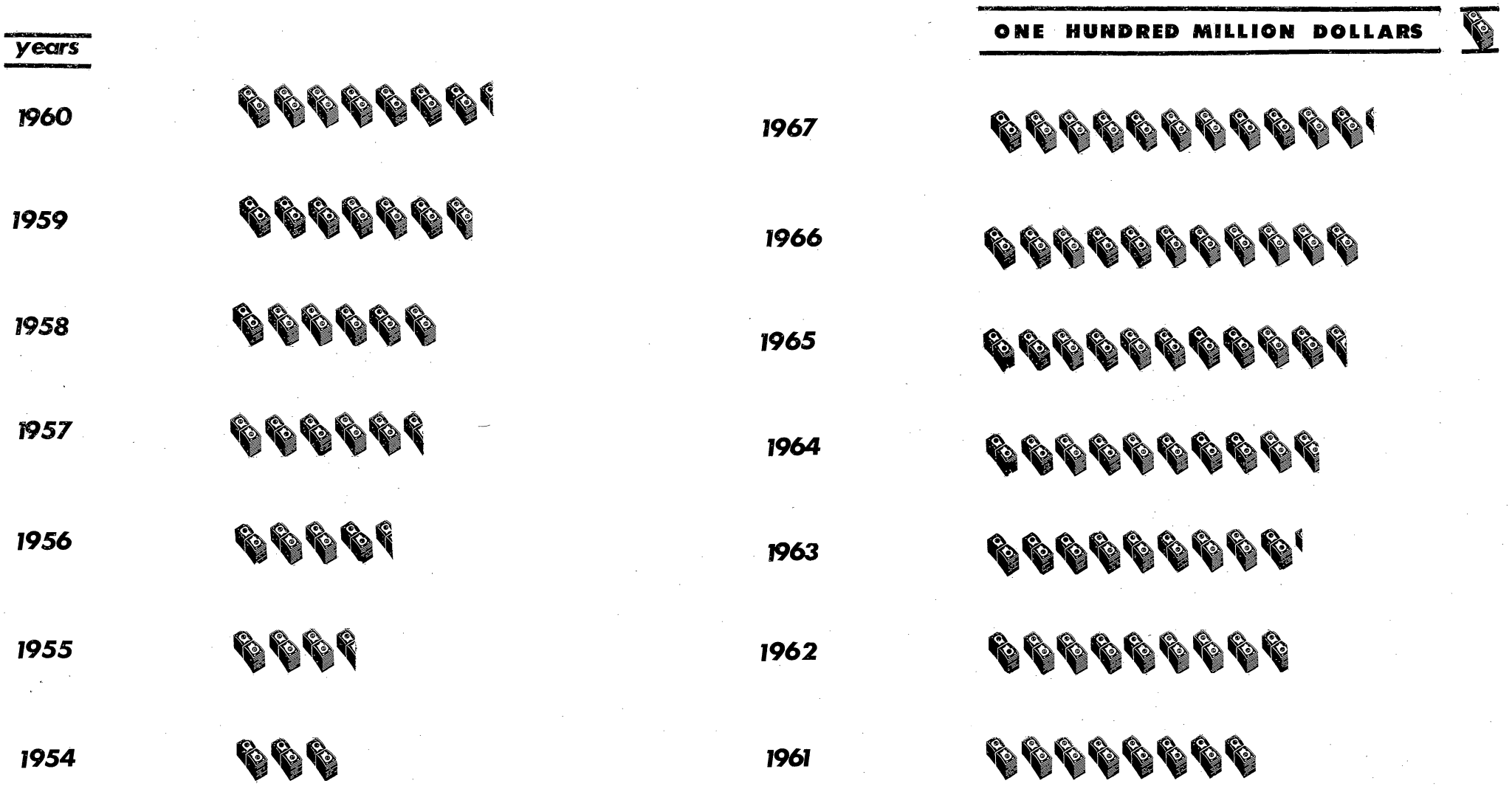
TOTAL DAY SCHOOL COSTS



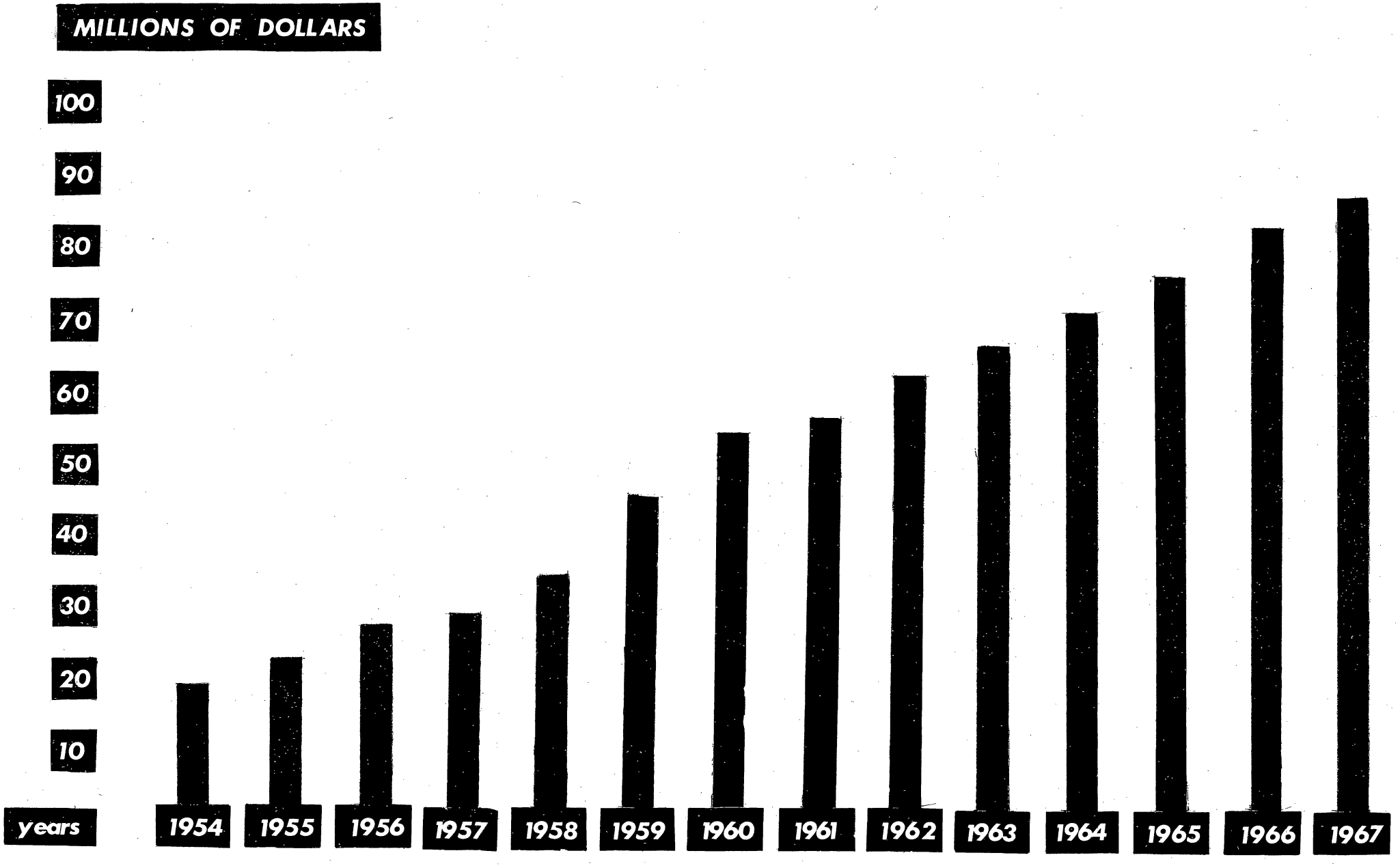
EXPENDITURES

	state aid per pupil	cost per pupil
1967	76.25	520.00
1966	76.25	505.00
1965	76.25	490.00
1964	76.25	476.00
1963	76.25	462.74
1962	76.47	445.49
1961	76.23	423.60
1960	74.85	404.60
1959	75.25	394.32
1958	76.68	375.21
1957	75.79	345.60
1956	74.72	324.70
1955	46.32	301.14
1954	35.64	282.01

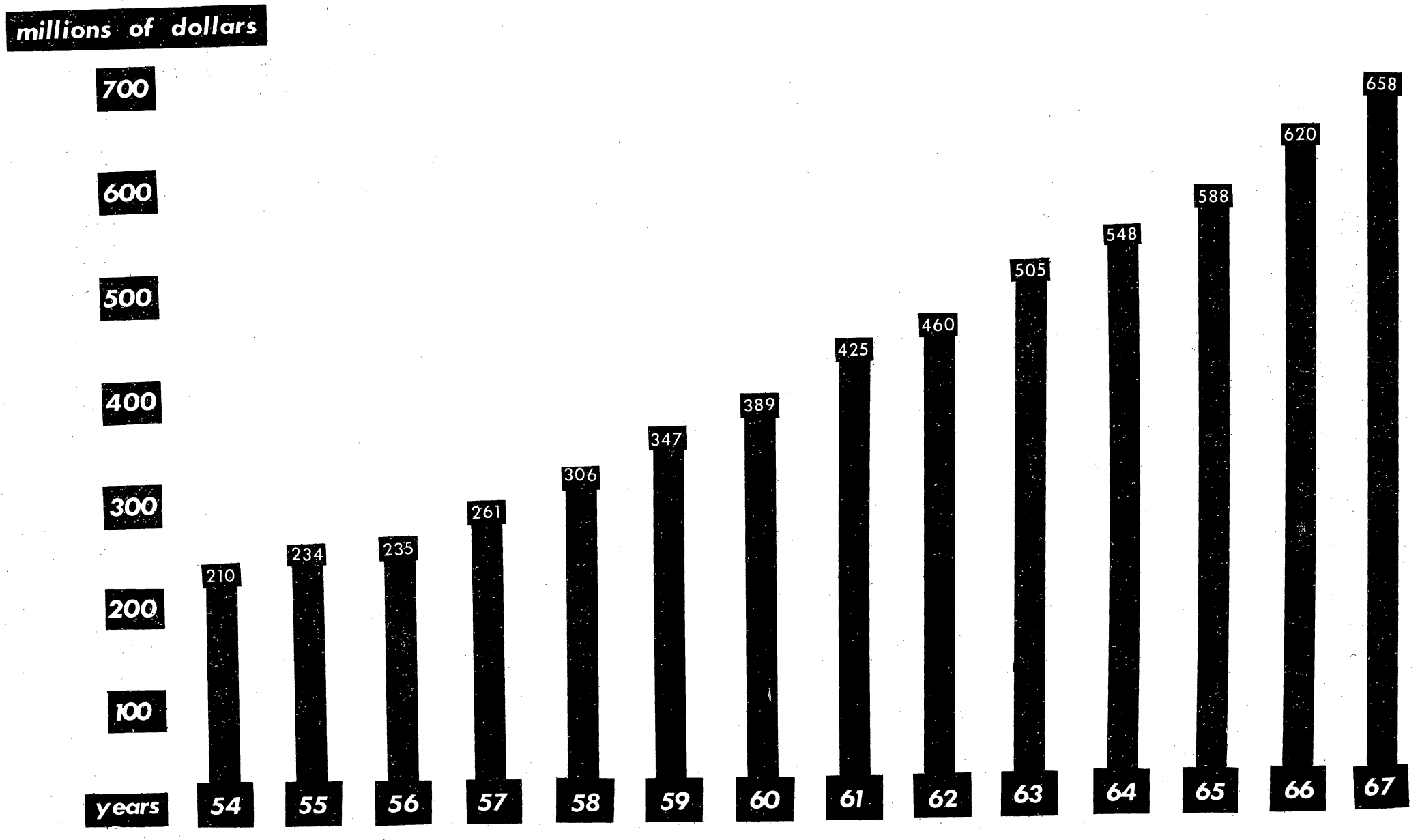
GROSS DEBT


years
ONE HUNDRED MILLION DOLLARS
1960
1959
1958
1957
1956
1955
1954
1967
1966
1965
1964
1963
1962
1961

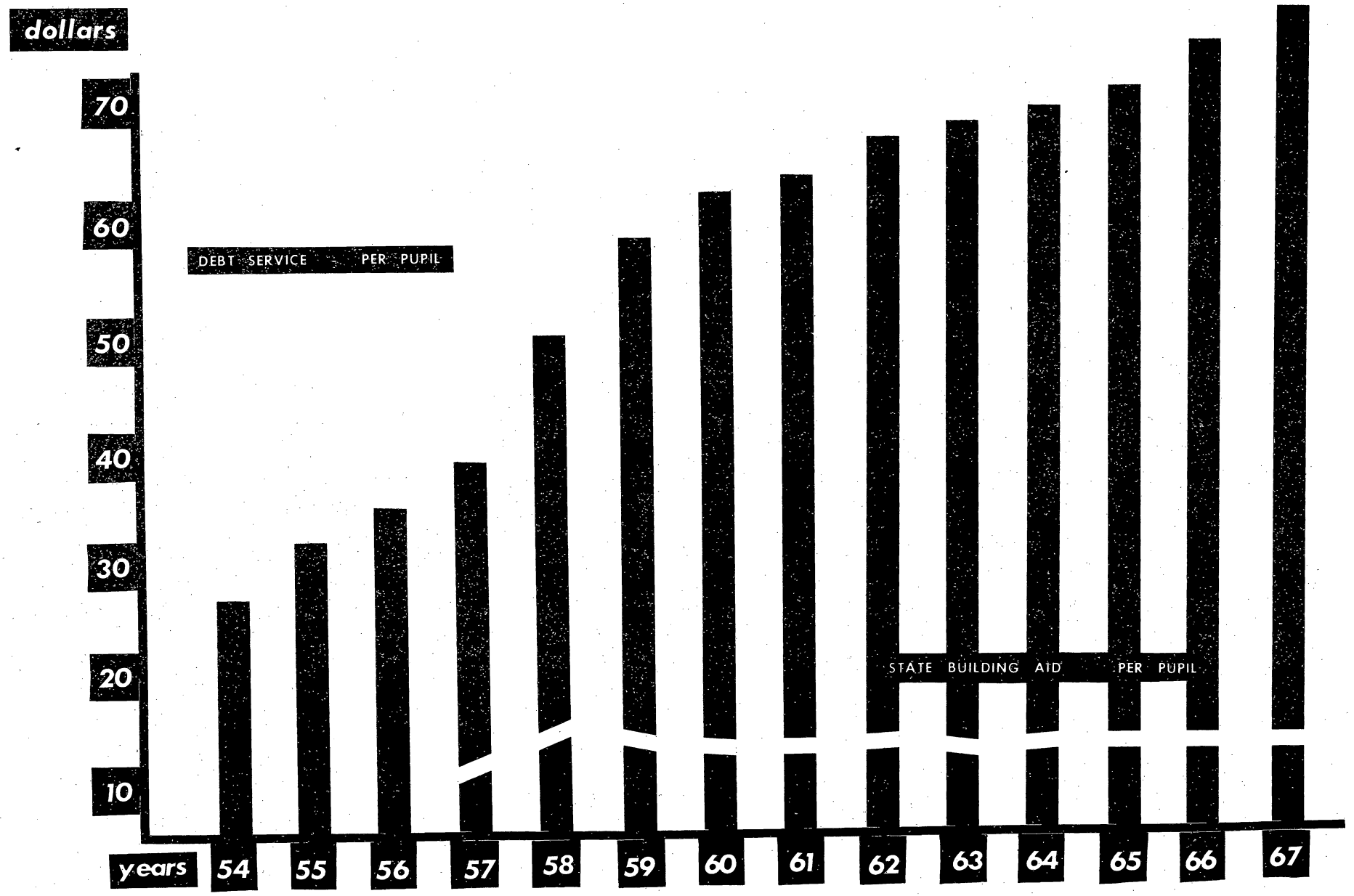
TOTAL DEBT SERVICE COSTS

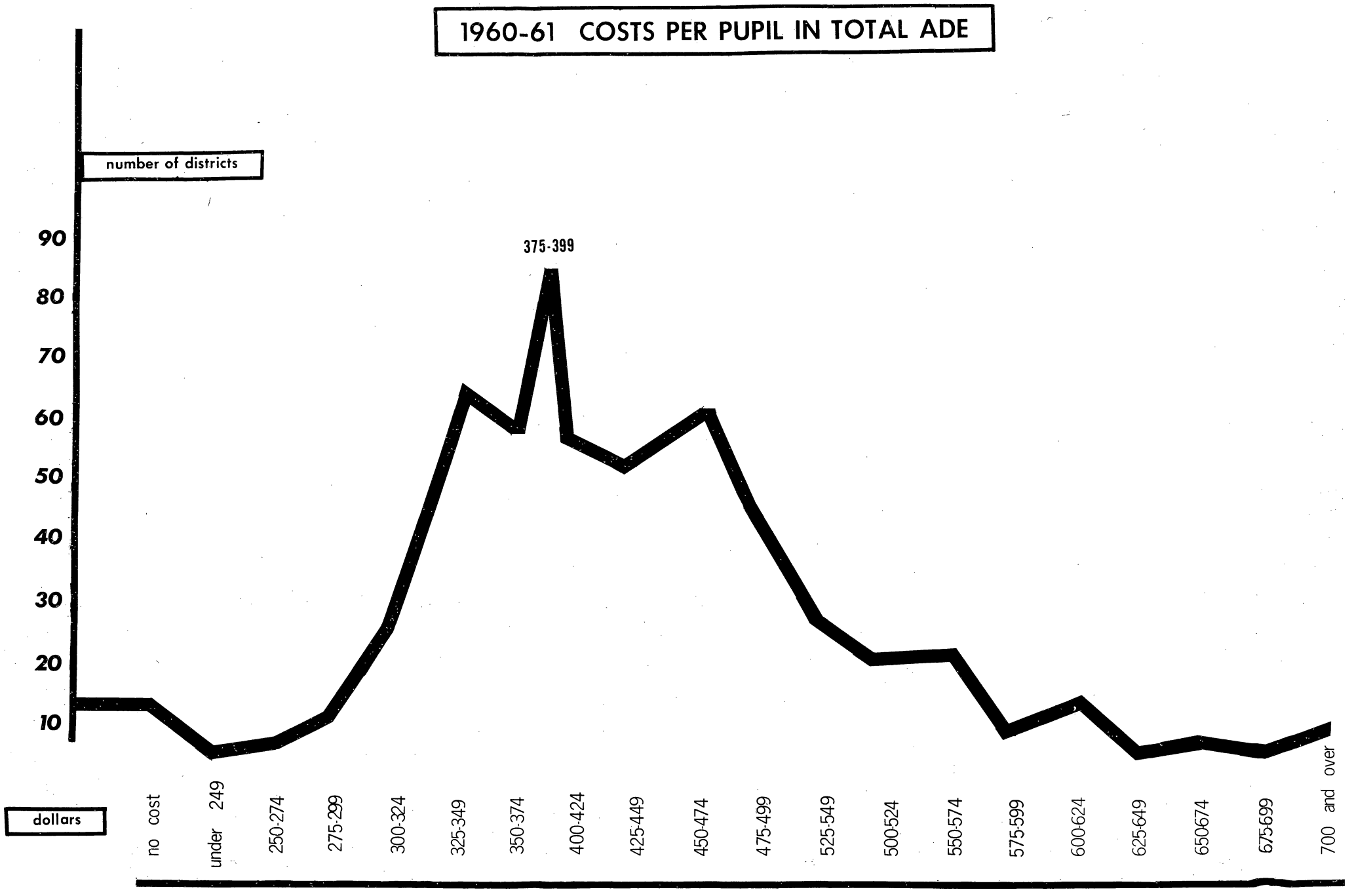


LOCAL SCHOOL TAXES



DEBT SERVICE - STATE BUILDING AID




1960-61 COSTS PER PUPIL IN TOTAL ADE
number of districts
90
80
70
60
50
40
30
20
10
375-399
dollars
no cost
under 249
250-274
275-299
300-324
325-349
350-374
400-424
425-449
450-474
475-499
525-549
500-524
550-574
575-599
600-624
625-649
650-674
675-699
700 and over

B-1857
4/24/62

SELECTED DATA
NEW JERSEY SCHOOL DISTRICTS

Year Ending 6/30	Births (Calendar Year)	Average Daily Enrollment	EXPENDITURES: Day School	Cost Per Pupil	Capital	Debt Service	Debt Service Per Pupil	Gross Debt
1954	118,252	757,593	$213,648,802	$282.01	$ 53,993,176	$19,492,714	$ 25.73	$301,710,052
1955	120,969	795,501	239,553,764	301.14	84,814,357	23,042,585	28.97	369,305,817
1956	124,580	831,430	269,961,696	324.70	96,311,629	25,944,847	31.21	447,163,336
1957	129,258	873,812	301,987,519	345.60	116,072,873	30,942,429	35.41	560,132,121
1958	129,729	917,181	344,138,945	375.21	111,320,629	38,531,696	42.01	609,120,848
1959	130,659	965,924	380,889,512	394.32	86,780,627	48,989,684	50.72	681,371,690
1960	132,594	1,014,870	410,616,266	404.60	116,780,088	54,291,314	53.50	744,175,026
1961	135,908	1,055,591	447,151,391	423.60	100,109,429	58,764,817	55.67	804,872,538
1962	137,000	1,103,698	491,685,623	445.49	105,000,000	63,372,266	57.42	865,000,000
1963	140,000	1,157,000	535,393,516	462.74	100,000,000	67,906,864	58.69	927,000,000
1964	143,000	1,206,000	574,056,000	476.00	108,000,000	72,058,500	59.75	983,000,000
1965	145,000	1,244,000	609,560,000	490.00	98,000,000	78,300,000	62.94	1,052,000,000
1966	148,000	1,273,000	642,865,000	505.00	76,000,000	83,400,000	65.51	1,098,000,000
1967	151,000	1,310,000	681,200,000	520.00	75,000,000	88,300,000	67.40	1,123,000,000

Year Ending 6/30	REVENUES: Local School Taxes	Per Pupil	STATE AID: Current	Per Pupil	Building	Per Pupil	Pension	Per Pupil
1954	$210,402,270	$277.72	$27,000,124	$35.64			$ 13,751,989	$ 18.15
1955	234,340,895	294.58	36,848,822	46.32			15,297,982	19.23
1956	235,356,900	283.07	62,121,476	74.72			15,296,741	18.40
1957	261,838,646	299.65	66,224,035	75.79	$10,699,063	$12.24	18,251,904	20.89
1958	306,691,641	334.39	70,325,510	76.68	13,501,166	14.72	22,179,935	24.18
1959	347,059,668	359.30	72,687,928	75.25	13,865,571	14.35	29,725,572	30.78
1960	389,765,597	384.05	75,960,482	74.85	14,431,985	14.22	34,552,973	34.05
1961	425,356,407	402.96	80,464,143	76.23	15,189,019	14.39	35,269,496	33.41
1962	460,524,089	417.25	84,404,963	76.47	15,713,422	14.24	40,425,468	36.63
1963	505,408,429	436.83	88,225,145	76.25	15,961,853	13.80	47,893,974	41.39
1964	548,700,000	454.98	91,957,500	76.25	16,884,000	14.00	54,000,000	44.78
1965	588,038,800	472.70	94,855,000	76.25	17,416,000	14.00	60,000,000	48.23
1966	620,371,090	487.33	97,066,250	76.25	17,822,000	14.00	66,000,000	51.85
1967	658,780,000	502.88	99,887,500	76.25	18,340,000	14.00	72,000,000	54.96

MR. ALEXANDER: Is the Honorable Alfred Brady, Mayor of Bayonne, ready?

NATHAN ZINADER: My name is Nathan Zinader. I am representing Mayor Brady who, unfortunately, took ill 10 days before an election campaign in our City and he is unable to be here.

I have submitted for consideration by this Commission a report of a study made to determine the inequities in the apportionment of county expenses among the municipalities caused by the exclusion of Gross Receipts Tax Valuations, from the "Table of Aggregates for the County." (See Volume IV - Appendix)

I will take about one minute to make some comments on this and leave the data with this body.

The gross receipts tax is assessed pursuant to the Laws of 1940, as amended in 1952, on street railways, sewers, traction, gas and electric light, heat and power companies using the public streets, highways, roads or other public places. It is in addition to the franchise tax and in lieu of local taxes on certain personal property of the above named utilities.

The money resulting from the gross receipts tax is, after administration costs are deducted, apportioned to the municipalities in the proportion that the value of the scheduled property of the taxpayer located in each municipality bears to the total value of the scheduled property of the taxpayer in the State.

The property producing this revenue is similar to the personal property of the many commercial houses and industries in the State which in 1960 paid over $85 million in personal tax to the municipalities where they are located.

All local assessments producing this $85 million are included in the county tax base used to apportion county taxes, but the estimated $450,000,000 of personal property producing the gross receipts revenues is not included in the county tax base, and because it is omitted, gross inequities appear in the process of measuring any community's ability to pay county tax and to support a fair share of education costs.

The Study I have submitted will point up the situation in Ridgefield in Bergen County, which does not have to appropriate any money for local purposes by taxation. The income received from the Public Service Generating Plant located in Ridgefield is sufficient to cover all local needs.

The valuation of the Public Service property, as a result of which Ridgefield receives this money, is not included in the tax base that Ridgefield furnishes to Bergen County on the basis of which the county tax is apportioned.

A more glaring example is Holland Township up in Hunterdon County. A year ago when we had a conference with Governor Meyner on this same subject he made the statement that Holland Township can build a school for cash, which is a wonderful thing.

Another item that I wish this body would take into consideration is the general proposition of "in lieu of

tax payment." At the present time the Board of Freeholders in Hudson County underwrote a $15 million bond issue to be used by the newly created Public Markets Commission, a tax exempt body. This body will build this public market on land located in three municipalities in Hudson County - Secaucus, North Bergen and Jersey City. The land values will be removed from their list of ratables. However, the Market Commission will make payments to the three municipalities in lieu of tax but the valuations, again, of the land on which this payment will be based will not be included in the aggregate of ratables supplied to Hudson County.

That is all the time I will take. Thank you. And I urge your consideration. We recommend that the law be amended to include in the table of aggregates this item - value of personalty of street railway, traction, sewerage, gas and electric light, heat and power corporations," - that language is from the statute - so that the said value shall be included in the base on which county taxes are apportioned.

Thank you.

MR. ALEXANDER: Thank you very much.

Are there any questions?

MR. DAVIS: There was a suggestion made here the other day that a similar allowance be made in the base for public housing. Would you be in favor of that too?

MR. ZINADER: I think it is something that should be taken into the over-all consideration by this body. When I mention the Public Market Commission - the Public Housing Authority is similarly situated in that it is a tax exempt

body and I think it is a serious problem that should be given utmost consideration by this body. Public housing is increasing in scope. The Port Authority, with which you are all familiar, and other bodies such as Public Market Commission, which are rendering a valuable service to the State but the tax angles should be considered in the over-all picture as it affects a community involved.

MR. TOOLAN: Well, then would you suggest that, for instance, institutions like the State University, located in New Brunswick, some value should be put on that and that should be included in the ratables of Middlesex County even though there is no tax assessed upon it?

MR. ZINADER: Well there I think, Senator, we are going off into a different sphere, taking in the original examption law covering educational institutions, religious institutions, etc., which I think is another larger matter for consideration.

MR. TOOLAN: Well the impact of the University falls with great weight upon a city like New Brunswick which must provide all sorts of governmental facilities and in recent years I know the State University has made some small contribution toward the support of local government but it is nothing compared to the services which they must render to the university. That's been a subject under discussion going back to the time when I was here.

MR. ZINADER: Well, of course, it becomes a matter of mathematics, I guess, which renders more service,

whether Rutgers is more of an asset to New Brunswick or the other way.

The reason I mention that, if I can take just one second, about 10 years ago I spent some time in Tucson, Arizona, and the natives there were telling me of the time shortly after statehood when the powers-that-be decided that the state university would be located in the new city of Tucson but the State Capitol would be located in Phoenix and they figured one is just as much of an asset as the other to the particular community.

MR. ALEXANDER: May I ask a question? Your suggestion would be that the properties be included in the total valuation based on the same ratio as market value as properties that pay full tax, whether or not they pay a large or a small or no payment in lieu of tax.

MR. ZINADER: That's correct.

MR. ALEXADER: There are no other question, I think. Thank you very much.

MR. ZINADER: Thank you.

MR. ALEXANDER: The New Jersey State League of Municipalities.

RUSSEL T. WILSON: Mr. Chairman, members of the Tax Policy Commission and Advisory Committee: My name is Russel T. Wilson and I am Director of Property Taxation for the City of East Orange. I am here today, however, as Chairman of the Tax Study Committee of the New Jersey State League of Municipalities.

We appreciate the privilege of appearing before you. Your task is not an easy one. Many difficult problems have been assigned to the Tax Policy Commission over the years, and we feel that the enactment of legislation implementing your Reports has been most beneficial.

And if I may depart from the script for just a moment, I would like to say that after hearing Dr. Raubinger's predictions for the future I am impelled to propose that the State assume the full burden of school costs and in return the municipalities will be very happy to surrender their right to assess business personal property.

MR. TOOLAN: I thought somebody was going to make that statement.

MR. WILSON: I just couldn't avoid this opportunity, Senator.

Municipal problems have been compounded by rising tax rates and rising costs of government. Our is a complex society and our citizens are constantly demanding new and improved services from government. If local governments cannot serve their constituencies well, higher levels of government or new administrative solutions will be sought.

The League's Tax Study Committee has been in existence for a number of years and since its inception, the Committee has considered every major piece of tax legislation introduced in the Legislature. We participated actively in the series of hearings conducted by Senator Dumont in 1958-59. Besides myself, the Committee currently consists of the following:

League President Harold P. King, Mayor of Upper Penns Neck Township, ex officio
Thomas M. Kane, Legal Assistant, Newark, and Chairman of the League Legislative Committee, ex officio
John R. Burnett, Director of Revenue, Newark
Marriott G. Haines, Supervisor of Assessments, Vineland, and President of the Association of Municipal Assessors of New Jersey
Charles J. Miller, Comptroller, Trenton, representing the Municipal Finance Officers Association of New Jersey
Leo Rosenblum, Tax Counsel, Jersey City
Raymond Wheeler, Clerk-Treasurer-Tax Collector, Haddonfield

You can see that a representative cross section of municipal finance officials has been included.

A great many taxation and financial problems face our municipalities. We will not try to offer any particular solution since that is not our purpose. We plan to point out these problems, their seriousness, and the urgent need for a solution. Municipalities do not always desire to go hat in hand to the State seeking aid for various programs. However, this procedure has become increasingly necessary over the past few years because the Legislature has enacted many new programs requiring local financial participation. Since municipalities must finance more than 90% of local programs from the property tax, and there is a limit to what the property taxpayer can bear, the only other solution seems to be to seek assistance from that body which enacted the program - the State Legislature. The municipalities have no other alternative since the Legislature has not allocated them any additional taxing powers, as has been the case in many of our States. In addition, the property tax is also supporting the costs of school budgets, and the costs of county government. New Jersey is among the top states

relying most heavily upon the property tax for support for governmental services. The property tax rate in many of our municipalities has climbed to the point where economic initiative is being stifled.

State Aid to Education. One major problem is the rising cost of education. For some years now, the League has been part of the Committee for School Support, a state-wide organization of 10 groups. This Committee has been urging the Legislature to enact a broad base tax in order to increase State aid to local school districts. The 1954 State School Aid Act was a wonderful thing, but percentagewise, school aid has been decreasing each year, while local property taxes have increased. This is due largely to the tremendous enrollments which the schools must handle. It is time for a complete review and up-dating of the school aid formula. Some increases have been automatic because of the formula, but local property tax increases have far out-stepped the State's role in assisting local boards.

This past winter, some 65 New Jersey communities voted down their school budgets. The basic reason must have been that an average of 82% of school costs now comes from the property owner and the property taxpayer cannot bear much more.

State Aid for Municipal Road Construction. New municipal road construction is another problem which has faced our municipalities for some years. Construction was delayed during the 1930's and World War II. Since then, other demands upon the State budget have limited any increase in State aid for municipal road construction and/or maintenance. The original legislation providing for State aid in this field was enacted in 1912 and no amendments in the formula have been made since 1948. The State program of construction of more limited access roads and toll roads pours an increasingly

heavy volume of traffic on our municipal roads and streets. Recognizing this fact, the League adopted a resolution at its last Conference urging that an increased capital construction aid program for the next 10 years be undertaken to permit municipalities to construct a system of roads and streets capable of supporting current traffic needs, as well as those anticipated for the immediate future.

SJR-6 and AJR-14 have been introduced in the Legislature providing for a study of this important problem. While we realize it is not within the scope of the Tax Policy Commission to be concerned with road aid formulas, we point out that this is another important area which must be considered when studying the over-all needs of the State and its local governments. State aid will be given for construction of interstate and major State highway routes, but we must not lose sight of the fact that local streets, connecting roads, and secondary routes are an integral part of this entire program.

State Aid to Local Health Departments. In 1959, the State Public Health Council promulgated the "Recognized Public Health Activities and Minimum Standards of Performance for Local Health Departments." These standards were carefully drafted and will improve local health administration throughout our State, but as is the case with many State programs, they increase the financial burden on municipalities. At the time these Standards were promulgated, the League urged that the State Department of Health offer greater assistance to local boards of health in establishing such standards, through increased personal consultation and financial State aid.

Although our municipalities have been endeavoring to meet the requirements of the State Department, there will be little or no improvement

in many areas unless the State does give further assistance. A program of State aid to local health departments, as proposed at the recent Public Health Conference, is vital. We understand that legislation calling for such aid is to be introduced and this will be another program which the State must consider in planning its fiscal needs.

State Aid for Urban Renewal. Urban renewal faces practically all of our municipalities. It is not limited to our big cities alone, or communities within the metropolitan areas. Urban renewal can very well face the smaller municipalities in our rural areas. The municipalities cannot assume the entire cost of urban renewal. We realize that the Federal government contributes greatly towards this program; nevertheless, we believe the State must also enter the picture, for if our municipalities wither away, the cities' economy will be nothing and the State of New Jersey will also shrink in stature.

At the last League Conference in Atlantic City, the delegates petitioned the New Jersey Legislature to enact a program similar to that now in operation in Pennsylvania, whereby the Commonwealth provides grants on a matching basis to municipalities desiring to undertake urban renewal projects. New Jersey has been in the forefront in the development of programs leading to urban renewal - that of planning assistance. More master plans and planning programs have been developed in New Jersey during the past 5 years than in any other State in the country. We must now implement these plans and an important part of this implementation is more State participation in urban renewal efforts. By replanning and rebuilding, our municipalities can maintain their position as attractive centers for industrial and commercial

activity, and such action will also encourage middle and upper income families to remain as residents. Governor Richard J. Hughes recognized this problem in his inaugural message when he stated that "... a balanced distribution of people, jobs and industry between our urban and suburban communities is essential for the revitalization of urban life and the orderly growth of suburban areas. We cannot stand by while the bright face of New Jersey is disfigured by decay of its cities and haphazard growth of its suburbs. ... There must be a bold attack in the field of urban renewal, with its eradication of slums and the development of new homes and business. The rebirth of our cities and planned development of our suburbs are inseparable."

Burden of Welfare Programs. In the field of public welfare, municipalities must directly assume the responsibility for general assistance, also known as poor relief. While this need has risen over the past several years, we hope that the current economic upturn will bring about a decrease in the number on our relief rolls. The major burden of welfare is not the general assistance cost but the indirect costs of programs supported by the county. These county costs have increased tremendously over the past few years, and the transfer of Aid to Dependent Children from the State to the county in 1960 resulted in additional financial burdens in some of our more urbanized counties. This has caused the county groups to call for State assumption of 75% of the welfare programs. The League has supported such pleas because a large portion of the county budget is devoted to welfare.

The Legislature is currently considering a type of medical care for the aged. Action has been stymied because of lack of funds. We ask that you not overlook the burden such a program would place on local governments.

I need not dwell further on the case for strengthening State participation in welfare programs. Other groups have ably discussed this subject.

Tax Exemptions. Property tax exemptions narrow the base upon which local government services are supported. The entire problem of exempt property should be studied carefully. The 1961 Report of the Division of Taxation shows over $2-1/4 billion of assessment valuations is exempt from taxation. The net valuation taxable for 1961 amounted to $10-1/4 billion. Thus, it can be seen that the amount of exempt property is equal to nearly one-quarter of the total net assessed valuation. 1960 showed a net decrease in exemptions granted for real and personal property. This is mainly due to the fact that a great many municipalities eliminated the taxation of household personalty and therefore the $100 exemption granted to each head of household was also eliminated. However, the addition of a senior citizens tax exemption has whittled away once again at our major base. This exemption alone has cost our municipalities an aggregate of 7.7 million tax dollars.

There are currently before the Legislature several resolutions to provide for "dollar" exemptions to veterans and senior citizens in place of the current assessed value exemptions. What effect this will have on our municipalities is not known. In those municipalities which have experienced revaluations recently, resulting in lower tax rates, an amount will have to be picked up in order to provide the dollar exemptions proposed under such Constitutional amendments. At a recent hearing on these two proposals, we suggested that while the Constitution is being amended, the veterans exemption in the future should be limited to those veterans who were residents of New Jersey when they entered service. This would not deny the exemption

to any veteran who is now a resident of New Jersey and receiving the exemption.

The exemption from taxation of goods stored in public warehouses has presented another problem to our assessors. During the year 1958, the assessor for the City of Newark presented a well-documented case showing that some businesses are conducted using the warehouse exemption as a subterfuge in order to avoid taxation of personalty stored therein. While we have no quarrel with the legitimate warehouse operator, it has been shown that many manufacturing type operations are conducted in the guise of a public warehouse.

In 1959, the Courts sharpened the interpretation of the warehouse exemption law in the case of General Electric vs. the City of Passaic. However, we have found that evasion of taxes through use of the public warehouse exemption statute (R. S. 54:4-3.20) is still possible. Therefore, we urge that a careful look be taken at this statute. If further documentation is necessary, I am sure that some of our larger municipalities can furnish ample proof of evasion.

The Legislature must grant exemptions in a most cautious manner. Each session, various proposals are introduced providing for exemptions for newly created authorities, fallout shelters, associations, historical sites, etc. The problem of State-owned property in some of our municipalities is also most acute. We realize exemptions do not "cost" the State anything. They do, however, have a notable effect on local property taxpayers.

Chapter 51, P. L. 1960. The League participated actively in

the 1958-59 hearings which eventually led to the drafting and enactment of Chapter 51, P. L. 1960. We were disappointed when the Legislature postponed the effective date of Chapter 51 during its 1961 session. During this current legislative session, the League and its members once again strongly opposed any further delay in the effective date of this act. However, the Legislature saw fit, after a long discussion, to delay the act an additional year.

While we recognize that Chapter 51 is not a perfect law, we feel it is much to be preferred and desired over existing statutes which now confront municipal officials and taxpayers alike. Recent court decisions have held that business personalty must be taxed at the common level. This means that in many instances such property could be taxed at 100% of true value. The assessors have no recourse but to assess all property at the common level for the tax year 1963. Whether or not this will be accomplished remains to be seen and whether or not future court cases are forthcoming is something we cannot predict accurately at this time. Chapter 51 is still very much with us and the Legislature must solve this problem as part of our entire tax program.

Conclusion. This statement has not been offered as a panacea of New Jersey's fiscal ills. We have rather pointed out some of the areas of great concern to local government. Many of these problems have been with us for some years and their solution becomes more important as we become more involved in the "fiscal squeeze." We feel that the time has now come for the Legislature to stop delaying the enactment of proper tax legislation. The recent storm emergency illustrated once again the piecemeal solution of a crisis. Our organization has been on record for a number of years urging

the adoption of a broad base tax of one form or another, or a combination of taxes, to provide sufficient State aid for municipalities in order that the local property taxpayer can be relieved. We doubt that New Jersey can long remain one of the two states having neither a personal income tax nor a sales tax. We cannot continue piecemeal, patchwork amendments of our tax statutes. These fiscal problems must be met in a forthright manner, or New Jersey's entire economic growth will be hampered. The State cannot solve its problems in a vacuum. It must at this point be recognized that the municipalities are in desperate straits and must have substantial additional financial help to avoid fiscal catastrophe or taxpayer rebellion.

I thank you very much.

MR. ALEXANDER: Thank you, Mr. Wilson.

I have two questions for you, if you please.

First, could you give us, not necessarily now, but file with us price tags for these additional burdens which you feel should be undertaken by the State?

MR. WILSON: We certainly shall do our best. I don't know whether we can actually put a price tag on them but we will do our very best.

MR. ALEXANDER: Well, your best estimate would be all we could ask for, but we would like that.

MR. WILSON: Right. I will be very happy to.

MR. ALEXANDER: My second question is to ask whether in your judgment the municipalities are taking advantage of the opportunities there are to do some of their

work together such as planning or such as furnishing common services.

MR. WILSON: I will be very happy to attempt to answer that last question.

I understand the question arose yesterday and there was no answer forthcoming.

I would call your attention to Chapter 40:48d-1 which was enacted in 1960 and which permissively allows municipalities to combine for the performance of services, contracts, and anything that would normally be required in a community.

In addition to that, Assemblyman Matthews, last year, introduced Assembly Bill No. 744, which would specifically have permitted the creation of a joint taxing district or a regional assessment provision -- by the way, this bill has not been re-introduced, so far as we know.

Now, specifically, I do not know of any communities that have joined with others in the tax field. There are, of course, many communities where joint services are employed in the collection of garbage, in many cases, of course, share the services of engineers and city counsel and jobs of that kind. I know of no district, however, that has attempted up to this point to consolidate the services of an assessor. And if you want my opinion, I think this would be a very desirable end.

MR. ALEXANDER: Then you feel that the laws now are adequate to permit this except for the --

MR. WILSON: With mild adjustments, I think it

would be possible. I think in Title 40 there is a residence requirement for all municipal employees and I think that would have to be removed in order to accommodate the joint assessor problem. But basically I think the law does permit the consolidation of services.

MR. ALEXANDER: Well, would you be willing to give us a further study on that point and --

MR. WILSON: I would be very happy to give you a short memo on this, yes.

MR. ALEXANDER: And also saying whether you think that this law which was introduced in the Assembly last year should or should not pass.

MR. WILSON: I would be very happy to do that, sir.

MR. ALEXANDER: Are there other questions of Mr. Wilson? Dr. Ashby.

DR. ASHBY: On Wednesday there were two witnesses here, Mr. Wilson, who advocated a very heavy tax on land and a relatively light tax on the improvements on the land as a means of encouraging urban renewal. And since you comment on that in your remarks, would you have any comment on these suggestions?

MR. WILSON: Well, I am not exactly a student of international taxation but I understand the principle of taxation of land essentially is one that is employed on the European Continent to a very successful degree. I believe in England and in many parts of the British West Indies the property tax is employed only in connection with land, in fact no tax is applied to improvements.

I would not be in a position to answer, or even to debate, without a great deal of study, the proposal that was made. I am very much afraid, however, that it would not be practical. I think our requirements are such that we would certainly have to change the standard of true value if we were going to get enough money out of just the land, ignoring the improvements. The standard of true value would have to be materially changed because I think in most of our municipalities true value is the basis for assessment and in a great many of them we are assessing at 50% and better. So to pick up the difference between what we would lose on the assessment in improvements in the land we would have to change our concept of true value.

MR. ALEXANDER: Are there other questions of Mr. Wilson?

DR. WATSON: Mr. Wilson, in Cranford, a community that I am quite familiar with, we are fortunate in having the services of an assessor like Markowitz, who I see you brought with you this morning --

MR. WILSON: Very competent too.

DR. WATSON: I was wondering if the League is doing anything about bringing up the caliber of the assessors around the State to the caliber of Mr. Markowitz.

MR. WILSON: I am very happy you asked that question, Doctor.

As Marriott Haines, our Association President, yesterday pointed out, the assessors have been conducting a bootstrap operation for over ten years. We have conducted

each year at least three winter courses, consisting of 16 weeks, 2 hours a night per week, in the instruction and training of tax assessors. Annually each year for the past 8 years we have had a week's institute at Rutgers University where we spend every waking moment studying and trying to improve our capacities. And again we have recently inaugurated a society within the Association called the Society of Municipal Assessors, which is designed to create true professionalization of the assessor's job, and membership in this Society is accomplished only by passing a very, very rugged test and by having had some years of experience in the field.

MR. ALEXANDER: I wonder, Mr. Wilson, if you would be willing to add, among the things being done to improve the quality of assessments the work of the Division of Local Government in there, including the manual, for instance?

MR. WILSON: I certainly would be amiss if I did not mention that the Local Property Tax Bureau of the State Division of Taxation had contributed mightily to this effort, in fact all segments of government, the State League of Municipalities has been a participant, the State Division of Taxation, the County Board Commissioners Association, they have all contributed to this.

DR. ASHBY: Mr. Wilson, you advocate a broad base tax, do you advocate a specific tax?

MR. WILSON: I cannot, speaking for the League, take a position on a specific tax. Personally, I feel that

human welfare.

All this boils down to but one thing - money - tax money. Nearly everyone agrees that property has been taxed to the limit. In my humble opinion, the only solution is to broaden the tax base by a new tax source which will yield added revenue sufficient to do the job that needs to be done. Counties are proud of their record of frugality in spending of public tax monies. While Freeholders aren't in the business of advocating new taxes, we are prepared individually to back up legislators who have the duty and the courage to meet the financial needs of this State.

Freeholders realize that programs calling for adequate funds are highways, education and welfare. A suitable accommodation must be effected to provide for the needs of each.

Since road revenues provide nearly 50% of today's annual State budget, there is ample money for a more equitable sharing with the counties and municipalities, when a new tax source is found. An organic formula is needed, one which grows proportionately with income to provide good transportation in a corridor state. Our present roads are mostly obsolete. They hamper the economy and strifle the prosperity of the Garden State.

Freeholders are proud to administer welfare programs given into their charge by the Legislature. But a sounder formula basis is needed in the four assistance programs, at a ratio of 75% state aid and 25% county share, after federal participation. Otherwise, the counties cannot

wisely move into other welfare services such as mental health and care of the medically indigent, because of the unbelievable burden upon the property tax base. Today no less than 44.9% of the average county budget goes for welfare and correctional services, with 11.7% for roads. In my home county of Sussex this is reversed and we spend 42¢ of every tax dollar on our highways and around 12 or 14 for welfare.

The $200 million this year in highway revenues in New Jersey is enough to build us the finest state roads in America and share favorably with the counties and municipalities, if the full equivalent could be used on highways and their safety. A new broad-based tax could then be used to provide for the needs of education and a rapidly growing welfare cost, the extent of which we have not yet begun to realize.

During the past two years I traveled each of the 21 counties talking with local officials and citizens. First in 1960, to discuss the desperate need of the counties for more state aid for roads; again in 1961 to explore opinion on a larger share of state participation in the cost of welfare programs. Everywhere people were convinced that a fresh tax source - fair and broadspread - was needed to meet their legitimate demands. They were outspoken in saying that Legislators should not refuse to institute such a tax as a sales tax if conditions warranted. Certainly these conditions exist today in our State.

Counties have been forced to wander in the wilderness without increased state aid for roads since 1946; for two decades of growing welfare responsibilities without sufficient help from the State. Your Commission can

revolutionize the tax structure of New Jersey - an out-moded patchwork of odds and ends - and give our citizens taxation with representation. You have a golden opportunity to bring order out of chaos, to provide a reasonable study of fiscal needs as a basis for your recommendations.

Freeholders share the concern of this Commission for the future cost of welfare, education and highways. We administer the County roads and operate the welfare programs, and some of us even serve on boards of education. You must solve the overdue problems of our state to educate and move people, meeting welfare needs without discrimination - all within the means of our citizens to pay and avoid bankruptcy.

State aid in New Jersey has grown from less than $70 million in 1951 to more than $200 million this year. The counties have not benefitted directly from this jump of $144 million. In the same period revenues from roads to the State jumped from $68 million in 1950-51 to $201 million in 1960-61. Of this added sum of $132 million the counties got nothing and the municipalities got only $2.1 million for local roads to be dispensed by the State Senator. Of this pyramiding sum, the State Highway Department got $50 million in new money and the State Treasury an extra $81 million. We do not plead for the counties alone because we serve in close cooperation with state and local governments, but if county government is to survive and perform its commitments, many of which are mandated by the Legislature, more funds must be found at the state level for its public services.

When I speak out for a broad-based sales tax in New Jersey, I do so as an individual and not as President of the State Freeholders Association. Our group has taken no formal action in advocating a particular new tax since our members feel this is an obligation of the Legislators under the law. My personal interest in a sales tax is because it is fair and broadly distributed. It protects savings and investments, and should exempt foods and medicines. The alternative to a sound broad-based tax is higher and higher property taxes. And for some reason it seems to me that a lot of people have the idea that property tax is the perfect equitable tax. I suppose maybe that's the reason property tax pays two-thirds of the total tax bill of the State of New Jersey but there are a lot of inequalities within the property tax itself, aside from the assessment, inequitable assessment, which I would like to discuss a little further.

When the point of confiscation is reached, interest and ability of home owners drops off as it has already in several high tax areas of our State. Real property values then suffer and wither in the municipalities, the school district and the county.

It is high time that we dissipate the image that New Jersey lives on its vices and socks its homeowners until they hurt - that we seek and achieve for our time a responsible tax base to support government and encourage greater development. Your task is not an easy one. Freeholders do not envy you. I hope we have shed some light on the plight of elected county officials beset by so many problems, few of their own making.

Thank you.

MR. ALEXANDER: Thank you, Mr. Price.

May I ask you a question about the state aid which has grown from $70 to over $200 million. You are referring to state aid to counties, municipalities, school districts, for whatever purpose?

MR. PRICE: The whole state aid, yes.

MR. ALEXANDER: Not only school aid but all the others, highway and welfare.

MR. PRICE: Yes, sir.

MR. ALEXANDER: Are there other questions?

MR. MARGOLIN: Are the freeholders making an effort to spend their money in the municipalities where they get it from? I am thinking specifically of Parsippany-Troy in Morris County which allocates more to the County Government than they do for the running of their own municipality.

MR. PRICE: You mean the county tax is paid --

MR. MARGOLIN: What is mean is this, does the municipality get the service for exactly what it gives the Freeholders, or do you take money from one municipality and give it to another one, in the form of services.

MR. PRICE: Well, the county tax works a whole lot like the allocation of state aid, I suppose. The services the county renders are available and used by every municipality, such as courts and the county jails and the county registrar, the surrogate, and a lot of others. They are all county departments serving all the people in the county according to their needs. Some municipalities - you mention this one

municipality pays more in county taxes than it raises for its own local services. That could well be. They may have some particular fortunate circumstance that they operate under. I don't know just what it would be. I do know that the amount of taxes paid by the municipalities to the county vary with every municipality, depending upon local conditions.

MR. MARGOLIN: I realize that completely but what I mean to point out is simply this, that a municipality has no representation as such on the Board of Freeholders and the money taken from one municipality is spent in another one.

MR. PRICE: Well, this is done according to the law of the State of New Jersey, that each municipality is to pay proportionately according to their tax ratables for the county services provided by theCounty Board of Freeholders.

So that's one of the things the Legislature tells us we have to do and that's the way it has to be done.

DR. WATSON: Mr. Price, you stated here that you traveled the 21 counties first in 1960 and then in 1961, and you spoke with local officials, as well as citizens, and that everywhere people were convinced that a fresh tax source was needed to meet legitimate demands, and yet close to your summary you say that the State Freeholders Association has not come out endorsing any broad base tax at this time. Has it been because there has not been a meeting so that you could do such, because you infer here that most of them are in favor of it, or is it just that you want to keep hands off as an organization?

MR. PRICE: Well, there has been a division of

opinion among the voting members of the State Association, up until now at least. However, I detect quite a change in some individual members to what it was a year or two ago. We haven't gotten to the point yet where we have agreed to support any particular new tax source. I have for years and I don't care who knows it.

MR. ALEXANDER: I have one further request to make of you, if you would, Mr. Price, do you think your organization could file with us its best estimate, let's say over the next five years, of the additional cost to the state government which would be involved in the recommendation which you gave us this morning, like changing the welfare ratio from 50-50 to 75-25. Do you think you could furnish us with estimates of what that would cost?

MR. PRICE: I think so. We already have some estimates. I think we could furnish that information to the best of our ability in estimating it.

MR. ALEXANDER: Thank you.

Are there other questions of Mr. Price?

Thank you very much.

Next will be the representative of the Farm Bureau.

C. H. FIELDS: Chairman Alexander, members of the Commission: My name is C. H. Fields. I am Executive Secretary of the New Jersey Farm Bureau, 168 West State Street, Trenton. The Farm Bureau is a non-governmental, voluntary organization of farm families, organized for the purpose of developing policies on public issues and speaking for a majority of its members on these important issues. We are organized in 19 counties in New Jersey, and we are

one of 50 state Farm Bureaus that comprise the American Farm Bureau Federation. Across the nation, there are more than 1,600,000 Farm Bureau member families. In New Jersey, our membership is slightly in excess of 6,000 farm families.

As I am sure you know, it takes a small group of farmers to agree 100 percent on any issue. We never pretend to speak for every one of our members. We do strive to seek out the majority view and to base our policies on that view.

We are quite sure that members of this Commission are aware of the fact that New Jersey farmers have serious problems — the most pressing of which is the matter of taxation of their real and personal property.

Our statement to you today will be brief. We are in the process of planning an agricultural tax conference, which we hope to hold sometime prior to July 1, in which we hope to arrive at some sound and workable solutions to our tax problems. Our goal will be to arrive at a series of recommendations that represent the best thinking of the entire agricultural community in the state. We should like to request that we have an opportunity at a later date to appear before this Commission to present the fruits of our efforts.

For ten years, our organization has been advocating the adoption of a broad-base tax for New Jersey. In recent years, we have specifically called for a selective retail sales tax, with the revenue to be spent on education. For some time, we have been an active member of the Committee For School Support, whose spokesman has already appeared before you in support of a broad-base tax to be spent for greatly increasing state aid to local schools.

Our policy in favor of such a broad-base tax is predicated on the following:

1. We believe the piecemeal approach to the financing of essential expenditures of the state government has reached a point of diminishing returns, and can no longer cope with the situation.

2. The increasing demand for new and expanded services by the state and local governments means that additional sources of tax revenue will have to come from some source. Not for very much longer can the demand for more funds for schools, highways, colleges, welfare, and other services be ignored.

3. New Jersey is one of only two states left in the nation without either a sales or personal income tax. We are bucking a growing national trend.

4. The present burden on property owners in New Jersey is one of the heaviest in the country. New Jersey farmers, for example, now pay taxes on their farm property more than ten times the national average. They cannot bear further increases in this burden.

5. We favor a selective retail sales tax over a personal income tax, because we feel that the sales tax would be borne by a larger segment of the population; because such a tax would allow us to collect significant sums from tourists; and because the taxation of income is already adequately covered by the Federal Government.

Two years ago, we thought we had found a workable solution to the taxation of real and personal property on farms. In its wisdom, the New Jersey Legislature adopted provisions in Chapter 51 providing that land actively engaged in agriculture would be taxed according to its use in agriculture -- not some future potential use; and that farm livestock and machinery would be taxed like business inventory -- at one-fourth of the common level.

Since then, Mrs. Olivia Switz of Monmouth County, through court action, has thrown a shadow of doubt over these provisions of the law. We are now awaiting a decision by the Supreme Court on whether these two provisions are constitutional or unconstitutional. Until we have this ruling, our situation is in doubt, and we are at a loss to know what will be needed to meet these problems.

Farmers are not asking for special favors in the matter of taxation. They are ready and willing to pay their fair share of the burden of providing essential and prudent governmental services. Because of a continuing cost-price squeeze that is national in scope, however, farmers are in a poor position to bear more than their fair share.

We fully realize that the adoption of a retail sales tax might just add an additional tax burden, and not lessen the present inequalities in the property tax. We believe it is the responsibility of this Commission to find and recommend ways of equalizing the tax burden, devise new taxing procedures to meet needed increases in expenditures; and bring a new stability and order to our whole tax structure in New Jersey.

We know that under our constitution a new sales tax could not be dedicated to education; but we favor a program in which state aid to local schools would be increased significantly, and the passage of such a tax to pay for it. Any funds over and above that needed for such an enrichment of the state aid formula should be spent to stop at least some of the present diversion of highway-user taxes away from the building and maintenance of highways; and for other needed programs such as implementation of the Kerr-Mills Act to provide medical assistance for needy old people.

We believe this Commission should make a full and complete study of what has been taking place in certain other states in reference to tax reform. Recently, for example, the people in Wisconsin adopted a package program that significantly reduced property taxes, while at the same time providing a broad-base tax that raised total revenues.

Perhaps it is wishful thinking; but we think it might be possible to arrive at a taxation program for New Jersey that would eliminate the

personal property tax -- or at least the tax on inventory. This would be a help in equalizing present tax burdens, and would be a tremendous encouragement to business and industrial development.

Like other taxpayers, farmers are not waiting in line to pay more taxes. We believe that a serious effort should be made by all branches and levels of government to reduce expenditures and to eliminate non-essential services. But when these efforts fail to meet the problem of matching tax revenues with essential services, we must turn to the task of devising a tax structure that is fair and equitable to all concerned.

We want to impress upon you strongly that New Jersey farmers cannot continue indefinitely paying higher and higher taxes on their land, buildings, equipment and livestock. We are already at the danger point of taxing agriculture out of New Jersey. Unless workable solutions can be found to these problems of taxation, the "Garden State" may become the "Cement State."

We appreciate the interest and help on our taxation problems that has been demonstrated by Governor Hughes, members of the Legislature, employees of the executive branch, and many others. We are still optimistic. We believe that sound and workable ways can be found to make and keep New Jersey agriculture a growing, dynamic part of a healthy New Jersey economy.

If we can be of any service to the Commission or any member, please call upon us. We stand ready to provide you with any information at our disposal in the agricultural field. We will appreciate the opportunity to appear before you at a later date to offer our specific recommendations on some of the special and technical problems of taxing agricultural property we have mentioned briefly here today. Thank you very much.

MR. ALEXANDER: Mr. Fields, so far as presenting additional date to us is concerned, of course, there will be the opportunity for that, whether it turns out to be desirable to do it with a written report or a public hearing or other material.

May I ask you one question which perplexes me. You say on page 2 that you favor a selective retail sales tax over personal income tax; then on page 3 you say that you realize the adoption of a retail sales tax might just add an additional tax burden and not lessen present inequalities; then you say it is the responsibility of this Commission to devise something which will enable us all to have our cake and eat it too, - couldn't you be more resourceful on that and tell us why you recommend a sales tax and then you say maybe that's not the most fair.

MR. FIELDS: Well, I think what we are trying to say is this, that we realize there is some danger that adding a sales tax just simply adds a whole new tax burden, but that is not enough, that we need to equalize the over-all structure of taxation as we adopt a broad base tax, and then I suggested that perhaps we can do something on the personal property tax and that might help equalize the whole tax burden. I would hope that we could devise a broad base tax program that would raise sufficient revenue so that we can have some reductions in the property tax.

MR. ALEXANDER: Are there other questions of Mr. Fields?

MR. TOOLAN: You mean to figure out some way to take it off some place and put it on another so it won't cost anything

Commission at some later date some statistics on the average family income of our farm families in this State so that we can study the relative effects of a sales tax and a personal income tax? Could we get that information later?

MR. HIGGINS: I feel very sure that we can. From personal experience I know that the average farm family's net income is far below that of the average school teacher in New Jersey today.

MR. ALEXANDER: May I suggest that any and all farm organizations that have data on this, perhaps in collaboration with the Department of Agriculture, could get the figures for us which Mr. Leuchter is speaking of, which will give us the net income for farms as compared to other families in this State.

MR. NIXON: May I make a statement the Rule Advisory Council at the present time, in cooperation with Rutgers University, is making a complete study of all the tax problems of agriculture in New Jersey and that will be included in that study, and that should be finished by September. We can furnish the material before that, I think.

MR. ALEXANDER: Well, I would urge, in your own interest, Mr. Nixon, that you accelerate that date as much as you can.

Thank you, Mr. Higgins.

MR. HIGGINS: Thank you.

MR. ALEXANDER: Next will be the representative of the New Jersey Council of Americans for Democratic Action.

JEFFREY M. ALBERT: My name is Jeffrey M. Albert. I am a member of the Bar of this State. I appear this morning for the N. J. Council of Americans for Democratic Action.

We appreciate this opportunity to appear before the Commission on State Tax Policy. We have always had a great deal of respect for the careful work of this Commission, for the distinguished men who have served on it, and for its talented staff.

We are here this morning to urge that the Commission recommend the adoption of a low rate income tax for New Jersey in the report requested of it by the General Assembly this January. The rates we would recommend would yield approximately $172 million in new revenues. This is the same as that projected for the 3% sales tax proposed in Assembly Bill 21.

We are not economists. Our interest in the New Jersey tax imbroglio is best explained by reference to a sentence from Mr. Justice Holmes. "Taxes," he said, "are what we pay for civilized society." (1) Because ADA is vitally interested in the healthy growth of a democratic and vital society in this State, as in the nation, we are deeply concerned that our tax structure be strong. Equally, we are committed to the principle that it be fair.

We believe it to be beyond argument that New Jersey needs new revenues desperately. I will not belabor that point here. It has been excellently documented in a pamphlet entitled "Poverty Amidst Plenty" which was prepared by Seymour Friedland. (2) I recommend this to the Commission. The need was recently underscored by Governor Hughes, when, in his Budget Message, he referred to several necessary projects which had to be put off because of the lack of funds. (3)

But the problem, as we understand it, goes even deeper than a delay in urgently needed new State services. This Commission has recently said,

> "It is unrealistic to assume that property taxes can be reduced, or even held at or near their present level, or that State expenditures may be maintained at their present level, without some form of new or increased nonproperty tax." (4)

The Commission's meaning seems clear. A new tax source is not only the sine qua non of increased funds for State aid and for State services, but it is also essential to the maintenance of our existing facilities. It is not therefore simply a question of "new taxes." It is largely a question of new sources for the tax increases we have traditionally borne in the form of increments to the property tax rates (5), or in excise hikes.

In the Resolution authorizing the study of which this very hearing is a part the General Assembly recognized the basic necessity for new sources. It said,

" . . . Current efforts to standardize the imposition of taxxs on real and personal property will not serve to equalize fully the responsibility of all to contribute their fair share to the costs of government..."(6)

The reasons for this are obvious.

Our property taxes ha ve placed inordinate demands on industry. (7) This Commission itself has recognized the severe braking effect this discrimination can have on our economy. (8)

Further, property taxxs penalize home ownership. It is generally recognized that apartment dwellers do not bear the same local tax burden as a home owner with equivalent facilities.

Even beyond its discriminatory aspects, excess reliance on a property tax is harmful.

The way in which it contributes to urban decay is an old story.

Perhaps the dispositive consideration is that an increase in property taxes would provide "no additional revenues for State purposes." (9) Although local services might be kept at their present level, State services could not be. Much less could needed improvements in State services be made.

We do not believe that an increase in the corporate franchise tax(10) by itself is the proper course. An increase in the corporate tax rate sufficient to cover all our needs would plainly risk the flight of business capital to other states. To produce $172 million in additional revenues the income-based franchise rate would have to be raised from 1 3/4% to about 11%.(11) We want to make it clear, however, that we would favor an increase in this tax sufficient to insure that corporations carry their equitable share of any increase in the general tax liability.

Nor do we believe that excise tax hikes will work. They cannot produce enough within the probable limits of increase. (12) Moreover, they are, like sales taxes, regressive and inflexible.

We believe there to be but two realistic alternatives facing the Commission. One is a sales tax and the other is a low rate income tax. We oppose the enactment of a sales tax for various reasons.

First, a sales tax is regressive. It burdens the most those who can afford it the least. (13)

Second, a sales tax is inflexible. It cannot be adjusted to the economic condition or to the family condition of the taxpayer.

Third, a sales tax cannot be adjusted easily to avoid double taxation of New Jersey residents who work in other states. They will pay the sales tax where they live, where they buy. They will pay an income tax where they work.

Fourth, a sales tax tends to exaggerate downward trends in the economy. It contributes to putting off "unnecessary" purchases.

An income tax such as we propose would have none of these objectionable features.

It would not be regressive. Nor would it be a "soak-the-rich" device. The impact of a straight-line low rate income tax would fall most heavily somewhere in the $7,000. to $10,000. bracket. (14)

An income tax automatically adjusts itself to the economic status of the taxpayer. By deductions for exemptions and by other deductions it is adjusted to the taxpayer's status in general.

By credits, by interstate agreements, and by other techniques an income tax can be adjusted easily to avoid double taxation on New Jersey residents who work in other states.

By automatically adjusting to income the tax rate follows the economy down in a sluggish period. It does not accelerate decline.

It has been argued that the income tax well is dry, that further augmentation of income tax liability would affect incentives significantly. Whatever truth this theorem might have elsewhere it is not true for New Jersey. Here the most significant factor tending to discourage investment is our property tax structure. To the extent that an income tax would result in holding the line on property taxes an income tax is at lest a neutral incentive factor. To the extent that it can induce a rational and stable tax base, an income tax would surely be a boon to incentives.

It is of course true that a sales tax might have the same incentive effect. Its desirability in this regard, in relation to an income tax, is considerably undermined by at least two factors.

First, the use of a sales tax to hold the line on commercial property taxes dramatically underscores the regressive nature of a sales tax. To use a sales tax for this purpose would be to tax lower income families to support business capital. Second, there is a bonus available when an income tax is used to hold the line on commercial property taxes which is not available when sales taxes are so used.

The bonus is this. The imposition of an income tax in conjunction with a stable, or hopefully declining, commercial property tax ra te would tend to direct earnings, particularly corporate earnings (15), into expansion and new plant. Such a diversion of capital might well mean the creation of new jobs. The creation of new jobs for New Jersey is one of the key steps toward increased activity in our State economy. The State Senate, only last year, said,

> "The members of the Senate hereby request the Governor and the heads of each department in State Government to examine their own discretionary actions and orders in any way relating to commerce, industry and agriculture, in terms of the effect of such governmental action upon new jobs for New Jersey." (16)

A sales tax would not have this reinvestment bonus. First, earnings could be spent out of the State and the tax avoided altogether. Second, sales taxxs do not have the immediate impact on the flow of earnings that an income tax does. Third, a large portion of earnings might be directed to purchases not affected by the sales tax or to savings.

We believe that the following features would be desirable in a State income tax:

(1) Rates. We would recommend a rate schedule estimated to yield $172 million, to wit: 1% on the first $1000 of taxable income; plus 2% on the next $2000; plus 3% on the next $2000; plus 4% on the next $2000; plus 5% on the next $2000; plus 6% on all over $9000.

This would work out, for example, on an income of $9,001 to a tax of approximately -- I believe it's $290 a year, if I am not mistaken.

(2) Provision against double taxation. We would recomment credits to non-residents if their state provided equivalent credits to New Jersey residents. We would recommend credits to New Jersey residents compelled to pay income taxes to a jurisdiction which does not provide credits. This, by the way, is the way the New York Statute reads in this regard.

(3) Withholding. We would recommend withholding for wages, salaries, interest and dividends.

(4) Conformity with the 1954 IRC. We would recommend conformity with the federal tax system wherever possible to ease the burden on reporting. In particular we would recommend deductions similar to federal deductions including the optional standard deduction and the deduction for personal exemptions. Similarly we would recommend exemption from liability for non-profit educational, religious, medical and charitable organizations.

(5) Other. Because of the limits of time it is impossible to discuss here desirable treatment of capital gains, corporate income, trust income, tax procedure, penalties for avoidance and other vital matters.

As a final note I would like to thank the Commission very much for giving ADA this opportunity to present its views on this very important matter. We are confident that you will give them careful consideration. We are hopeful that you will decide to adopt them.

One additional point, Mr. Alexander, you will find in Footnote No. 7 that our figures are incorrect. However, they are incorrect on the down side. The correct figures actually accentuate the point we are making.

MR. ALEXANDER: Mr. Albert, you referred to a yield in the tax that you recommend of $172 million. Why was that the target?

MR. ALBERT: Actually, sir, as you will see from the booklet we have provided, we would prefer a tax yield of $250 million. That, we feel, is the very minimum crisis need of New Jersey today. However, inasmuch as we are faced with a 3% sales tax it would yield $172 million.

We would yield to practicality to that extent and reduce our rate.

MR. ALEXANDER: So you took the figure of $172 million because in the bill which was introduced for a sales tax that was the estimated yield.

MR. ALBERT: Yes, sir. That's correct.

MR. ALEXANDER: Are there other questions of Mr. Albert?

Thank you very much.

MR. ALBERT: Thank you.

(Immediately following are footnotes referred to)

FOOTNOTES

1- Compania de Tabacos v. Collector, 275 U.S. 87, 100.

2- FRIEDLAND, POVERTY AMIDST PLENTY (ADA 1960).

3- BUDGET MESSAGE OF GOVERNOR RICHARD J. HUGHES FOR THE FISCAL YEAR ENDING JUNE 30, 1963 14a-15a (1962). At page 15a the Governor noted,

"With New Jersey's expanding population, it is reasonable to conclude that such improvements in the future must be provided in anticipation of needs, rather than after they have become critical. While bond issues have provided New Jersey with excellent facilities in the pa st, we should look to the future in developing our needed capital construction on a long-range pay-as-you-go basis."

4- NEW JERSEY COMMISSION ON STATE TAX POLICY, NINTH REPORT - THE GENERAL PROPERTY TAX IN 1958 6 (1958) (hereinafter referred to as the 1958 REPORT.)

5- See ARNOLD, NEW JERSEY TAXES AND TAX CLASSIFICATION 62 (Constitutional Convention Association 1960).

6- New Jersey Assembly Concurrent Resolution No. 22 (January 29, 1962).

7- In 1957, for example, taxxs on commercial property constituted roughly 37% of all property taxes and roughly 25% of all state and local revenues combined. These figures are extrapolated from tables in the 1958 REPORT at pages 19 and 53.

8- In NEW JERSEY TAX COMMISSION ON STATE TAX POLICY, FIFTH REPORT - TAXATION AND PUBLIC POLICY IN NEW JERSEY 14 (1950), the Commission said,

"The truth is the New Jersey tax structure is not favorable to business that must own large holdings of real estate and improvements; that requires large inventories; that faces heavy replacements in machinery or equipment; that wishes to encourage home ownership

"for its employees; or that is seeking a stable tax base bearing some reference to its capacity to pay."

9- 1958 REPORT at page 100.

10- The corporate tax is a combined franchise tax based on net worth and net income. N.J.S.A. 54:10A-5.

11- FRIEDLAND, op.cit. supra note 2, at page 8.

12- Ibid.

13- The proposed 3% sales tax would range from $1.06 per $1000 of income on families with income of $3000 and under to $.37 per $1000 of income for families with income of $25,000 and over. See LEAGUE OF WOMEN VOTERS OF NEW JERSEY, COMPARATIVE BURDEN OF A STATE PERSONAL INCOME TAX AND A STATE SALES TAX (1962). For other authorities on the regressive nature of a sales tax, some arguing that it is not in fact regressive, see HELLERSTEIN, STATE AND LOCAL TAXATION 343 (1961).

14- FRIEDLAND, op.cit. supra note 2, at page 10.

15- Non-corporate earnings would be diverted primarily by the availability of depreciation deductions.

16- New Jersey Senate Resolution No. 5 (February 6, 1961).

MR. ALEXANDER: Dr. Granville Thomas, Superintendent of Schools, Salem.

DR. GRANVILLE S. THOMAS: Mr. Chairman, members of the Commission, my name is Granville Thomas and I am City Superintendent of Schools of Salem, New Jersey.

The City of Salem is providing a high level of support for its public school educational program, with a very low tax base to finance this program. The City of Salem recognizes the need for a high quality educational program, but finds the financing of this program increasingly difficult. While financing of the operating expenses of the Salem Public Schools is difficult, provision for a capital program seems to be impossible at this stage.

Of the Salem elementary schools, one is 77 years old; another is 57 years old; one is 6 years old. The 57- and 77-year-old schools house approximately one-half of the elementary school population of the City of Salem, and are educationally obsolete and do not meet present standards of construction for safety.

The Salem High School was built in 1912; one addition was made in 1930, and another addition in 1950. Extensive additions and modifications or replacement of the high school building are needed to meet the future needs of Salem.

The table below lists pertinent data of the Salem Public Schools.

	1960-61 *		
	Salem City Public Schools	Salem County Public Schools	New Jersey Public Schools
Day school cost per pupil	$401.06	$362.93	$410.01
Equalized valuation per pupil and resident ADE	$11,727.00	$18,338.00	$30,112.00
Net valuation taxable	$7,850,125.00		
Average assessed valuation on real property 1958-59-60	$6,347,357.00		
Ratio of assessed to true value	29.24		
School debt	$695,000.00		

* Report of the Commissioner of Education
Financial Statistics of School Districts

A capital program to replace and/or modify the Salem Public Schools would be in the magnitude of $1,500,000 to 2,000,000 at a minimum estimate.

In 1960, 22.5% of Salem City's population was in the public schools. This is a relatively high percentage. **

To further describe the financial situation of the City of Salem, the full value school tax rate in 1961 was $2.29, as compared with the state median full value school tax rate of $1.58. The full value school tax rate of Salem was exceeded by only 30 districts of 538 in the state.

The equalized valuation in 1959-60 for Salem was $13,019.00, as compared with a median of $27,540.00. There were only 32 districts in the State of New Jersey with a lower equalized valuation per pupil.***

To summarize, Salem is faced with increasing school costs both from increased population and the necessity of maintaining a sound educational program, as well as a capital program which is becoming increasingly critical, with a very low tax base already taxed very heavily in comparison with the rest of the state. In my professional judgment, Salem City urgently needs additional funds to operate and maintain the school system, which funds probably cannot come from a local tax.

** Salem Comprehensive Plan, Report #1
Government Consulting Service
Fels Center of Local and State Government
University of Pennsylvania

*** Basic Statistical Data of N. J. School Districts
Bulletin No. 61-2, New Jersey Education Association

MR. ALEXANDER: Thank you, Dr. Thomas. Are there any questions?

Could I ask you one? How many teachers do you have in your system that are not fully certificated for the courses which they are teaching and what is the total number of teachers there?

DR. THOMAS: We have 120 professional staff members to roughly 2400 youngsters. Our substandard certifications, which include emergency and provisional by

definition, run 13% of that number.

MR. ALEXANDER: Thank you very much. I think that seems to be all.

Dr. Howard Morris, Jr., County Superintendent for Salem.

DR. HOWARD MORRIS, JR.: My name is Howard Morris, Jr. I am County Superintendent of Schools in Salem County.

I have requested to testify in behalf of the nine rural school districts of Salem County. I hope to convince you of the serious nature of the financial plight of these districts and to underline their need for revenue from some source other than real estate taxes.

The key to a school district's wealth is the true value of property supporting each pupil. The 1960-61 Commissioner of Education's Report lists such a figure for the state as a whole, for each county and for each school district. An examination of these figures will show the potential of these nine Salem County districts:

Area	True Value per Pupil
State of New Jersey	$30,112.00
Salem County	18,338.00
Alloway Township	14,003.00
Elmer Borough	11,123.00
Elsinboro Township	12,188.00
Lower Alloways Creek Township	10,394.00
Mannington Township	19,546.00
Oldmans Township	11,821.00
Pittsgrove Township	14,319.00
Quinton Township	11,929.00
Upper Pittsgrove Township	10,142.00

You will note that several of these nine districts are only one-third as wealthy as the typical state district and that only one of these nine districts is near the average for the county. All except one of these districts are less than half as wealthy as the state average. These contrasts show why people in these school districts are really concerned about the subject of these hearings.

Each of these school districts is an "equalization" district for state school aid purposes to be sure; however, with the State Aid Foundation Program set at $200.00

per pupil and costs running well over $350.00 it is easy to see the high portion of school revenues raised on a small amount of real estate.

A further complication arises from the school district debt situation. Each of these districts is carrying a debt equal to 20% to 30% of its total assessment. Again debt service payments bring tax pressure on real estate.

The economy base of these districts is agriculture. Since the farmer's chief asset, his land, is subject to an ever increasing real estate tax for school purposes and the pressure of market competition, the farmer property owner is doubly distressed.

I do not want to give the impression that our friends and neighbors are unwilling to support our schools financially because this is not true. Our budgets have been approved with a fine consistency to this date. If the real estate tax squeeze continues to increase and the State Government does not build its relative school financial support back toward its proportion of the mid-fifties, I suspect our neighbors will be sorely tempted to withdraw their support.

Thank you for your interest in what I, and those I represent, find to be a very serious situation.

MR. ALEXANDER: Thank you, Dr. Morris.

Could I ask you whether the population in these districts has been rising very rapidly or what is the reason why they are distressed as they are?

DR. MORRIS: The population in these districts has increased. It has increased fastest in Pittsgrove Township and second fastest in Mannington Township. I think that the real reason, however, that they are distressed is because the whole tax structure is based on real estate and the real estate in these districts is the farms. There has not been industrial growth in any of these townships with

the exception of Mannington Township, which has one plant. And you can see the relative better position of Mannington Township, with its one plant, than the other eight.

MR. ALEXANDER: Are there other questions?

Thank you very much.

DR. MORRIS: Thank you.

MR. ALEXANDER: Mr. Charles Thompson of Middlesex County Council of the Parent Teachers Association.

C H A R L E S T H O M P S O N: Mr. Chairman, members of the group assembled here this morning: I give you no prepared statement. I have come to discuss something with you at the grass-roots level so to speak.

I serve presently as the vice president of the Middlesex County Council of Parent Teachers. I have also served as a Board of Education member in Madison Township in Middlesex County and I have come this morning to present some of the practical problems that are ours right now, not dreaming into the future as to what our needs are, but talking to you about some of our very real problems that have to be solved.

In Middlesex County of recent date because of school proposals, Woodbridge, which is not like the community which the gentleman who just spoke was describing, but is one that has both some industry and some residences, has been put in the position of having the township government officials, a body ordained by the Legislature of the State of New Jersey, in competition with its own Board of Education, recommending alternative plans during the last week of the proposal for school improvements.

In other words, the political body then moved into the sphere of the non-political body, both of which are children of the father, the State of New Jersey. This is a local squabble between two of your created children that must be solved in some way. The reason for the squabble - the

fact that those who've been ordained with the responsibility for the conduct of municipal government are trying to hold the municipal tax level, while those who are on the Board of Education are seeking to provide for the education of their children. The two do not go together, are not working out, principally because all of the moneys that must be derived for the local improvements are predicated principally upon the revenues from municipal tax.

In Sayreville, another situation in Middlesex County, which is a desirable balanced situation, we likewise have had school budgets defeated for the same reason.

Recommendations come from political leaders at the last week when the school budget proposals are before the public. The public is both confused and protective of its own interest and therefore votes against the expenditure of additional moneys.

I come from a township where I served on the Board of Education where the local government had approved in a tentative form 28,000 housing plot sites within a given year. Within that community at that time we had approximately 4,000 buildings and we had 26 elementary classrooms in use. I would ask you: What is the problem if you were sitting on the Board of Education at that point? Madison Township has grown and we have been forced through spurious, devious means of keeping up with that growth, means that are really outside of the law. We had to persuade the builders that it was in their interest that they build classrooms for us as they built homes. So we have been the recipients of free

classrooms from our builders. This is contrary actually to the laws of the State of New Jersey, but it was necessary for the maintenance of an educational program in that town.

This has been helpful. We are now pressed beyond that point and we need additional classrooms. I might say to you that when I went on the Board of Education in 1954 roughly, that we had 1400 to 1500 students. I might tell you that as of this date we have 6,000 students. I might tell you that in 1964 we anticipate 11,000 students. I might tell you that we came before the public with a referendum here recently, the referendum for the building of junior high school facilities which are sorely needed. In the presentation of that program, someof our municipal leading lights came forth with the information that the building program as presented was insufficient and the Board of Education itself said that their building program was insufficient. Insufficient for what reason? It was insufficient for the simple reason that the State of New Jersey by statute limits the amount that can be raised through bond issues for each district. We sorely needed two junior high schools so that the proposal was for two pieces of ground and one building which the money that the state would allow could provide for.

In that issue our political leaders, as I say, very quietly went about indicating, and to their own concern because of the municipal tax level, that there was a necessity to hold back on this issue - why go ahead with something that was insufficient and was recognized to be so? That has held back the progress in education in that particular town

for a period of time now.

The Board of Education immediately had to start preparation on another plan of attack. As they begin in on this other plan of attack they come up with classrooms that are of cheaper construction, that that particular community cannot afford to maintain over the years, for more students and present that referendum now on the 23rd of May when that particular community has a Sewerage Authority bonding for $4,050,000 and each one of the home owners coming up with the necessity for laying out possibly in the neighborhood of $500 for connections, when the Water Authority in this rapidly-building community finds it necessary to make some sense out of the hodgepodge that has grown and are presently buying up at this moment two of the smaller water companies with a bond issue of $800,000.

I submit to you that the proposition for the passage of a $3 million bond issue for school purposes, voted on by the individual voter in that community, has little chance of success right now.

I submit to you likewise that something then must be done about the structure of support if we do nothing more in the Legislature than see to it that something is done among these bodies that we have created down at the municipal level and at the Board of Education level. These are our problems at the State level. They are not the problems of the created bodies. Each one of the members thereof are trying adequately to do the job for which they were appointed.

When our Sewerage Authority is spending $4 million,

they are doing so because they are persuaded that a health problem exists which must be corrected. When our Board of Education wants to spend $3 million, they are doing so because they are looking forward to 11,000 students three years from now. Each one of these people are trying to do the job for which they have been appointed, but the end result is that there is conflict between these groups and that the job is not being done and something must be done in order to take care of the situation.

We are in a position in our particular community likewise of having all of these homes come into the community, most of them actually on the basis of not having any appreciable money invested. We are making these sizeable outlays ---

MR. ALEXANDER: I was just going to remind you that our jurisdiction is: What State revenue suggestions do we have? We sympathize with the situation of your municipality, but we would appreciate it if you would tell us what you suggest that this Commission recommend to the Governor.

MR. THOMPSON: I was just getting to that point, sir, if I may.

In our community, relative to the immediate tax situation and the group that will actually supply the moneys for these improvements, we have people who have moved into that community as property owners in a purely dormitory community situation. All of these people move from their homes to other communities for their sustenance. When they

are hit with these additional programs in public utilities, these people do not have sufficient equity in these homes to withstand additional municipal tax raises to allow them to hold those homes.

Now I mention these other expenditures for the simple reason that all of these are tied to the property owner and, if these people come into the community and they are strapped up to X number of dollars as they have purchased their home, and then the municipal level raises and certain improvements are put in by ordinances that require the raising of that level, then these people are not going to be able to sustain additional property tax responsibilities.

What I am suggesting to you is that we are reaching a level now that is borderline in what can be withstood in the property tax field. Imagine what would happen in our community if we go into an additional expenditure of $7 million, if it is authorized, and $4 million is already - if we go into an expenditure of $7 million and we hit certain reverses economically and we are totally dependent upon property taxes and these people who are without equity in these homes take the first natural avenue of escape, simply move into rented quarters. They have nothing to lose; they have everything to gain by giving up the responsibility.

I am submitting that this is not only true in my particular community but in vast areas in the State of New Jersey.

MR. ALEXANDER: So that your recommendation is that the state aid to local school districts be increased and perhaps the formula changed?

MR. THOMPSON: My recommendation and that of the county group which I represent is strictly for a broad base tax arrangement which will not only provide - we are cognizant of all of the school needs - but we are also cognizant that there are other necessary related community improvements which must go on. We are not here to fight the municipal government. We are not here to fight the Sewerage Authority, the Water Authority, whatever it may be, the ordained group. But we are here to say that some other avenue of revenue must be found.

With that same thought in mind, let me say that when one of these people buy into these homes in a no-money down payment situation, that person for Federal income tax purposes is sympathized with to the point that he is forgiven the interest that he has to pay out on his mortgage. He is forgiven the responsibility for paying tax again on what he has laid out on municipal tax on his property. But the State looks at him as the holder of a property worth $15,000 or whatever the amount might be in value. In other words, we are presently taxing him as if he held wealth. Instead of holding wealth, he is holding an obligation, and something should be done rapidly not only to look into the areas that we have not explored in tax revenues, but to go back and re-examine the property tax and let us say: Is

this a land tax or is this a wealth tax or just exactly what do we propose that it is? It is neither a land tax because we don't assess each block of property in the exact form nor a wealth tax because if I buy a $15,000 home because I can't afford to rent elsewhere I certainly do not have $15,000 worth of wealth - I have $15,000 worth of obligation. While the Federal government is saying to me, "We will go along and help you to buy that home and forgive taxes on what you have to pay in interest," our State government is saying, "You are the owner of $15,000 worth of wealth and we will tax you accordingly."
Thank you very much, gentlemen.

MR. ALEXANDER: The next witness will be Mrs. Randolph from Franklin Township Board of Education. Is Mrs. Randolph here? This is not Mrs. Randolph.

S A M P S O N G. S M I T H: This is a joint presentation by Professor Kurt Nathan, President of our Board of Education, and myself, Sampson Smith, the Superintendent of Schools.

In the 1948-49 school year Franklin Township enrolled 1266 pupils, in 1958-59 - 3361 pupils, an increase of 165 per cent in the decade. For the past three years on the average the enrollment has increased by 436 pupils each year. By 1980 over 11,000 pupils are expected.

To meet the growing school population the people of Franklin Township built: two elementary schools in 1957, one a 10-room school, the other a 21-room school; another 21-room elementary school in 1958; and a 54-room high school in 1961.

In 1957-58 there were 99 professional staff members. Now there are 200 and next year there will be 223.

New teachers in the district were as follows:

1957-58	40	while	new	positions	created	were	20
1958-59	38	"	"	"	"	"	14
1959-60	39	"	"	"	"	"	7
1960-61	45	"	"	"	"	"	15
1961-62	74	"	"	"	"	"	56
1962-63	42	"	"	"	"	"	23

The high instance of teacher turnover is of course a result of inability to be competitive in teacher salaries.

Studies of school building needs in the years ahead indicate the following: the equivalent of a junior high school and two elementary schools of 21 rooms each by September of 1967. By 1980 the total needs for elementary, K-6 pupils and special classes will be an additional 139 classrooms over the present standard 100 classrooms. In addition at least two junior high schools will have to be built. The estimated cost of these at present day prices is over $10,000,000. Our elementary schools have no libraries and few facilities for special services. If these are realized the amount will increase.

Does the State of New Jersey assume its just share of the costs of education in this situation. The answer is emphatically, NO!

For example, the State has a law in which the average ratio of assessment to true value is used in the State Aid formula. If nothing were done in this period of rising prices, including real estate prices, the formula would eventually cause practically every community in New Jersey to get minimum State aid. In Franklin Township reassessment at 25% was made by a reputable firm, at a cost of $27,000 in 1957. But before the formula became operative the ratio in 1958 was 23.42, then in 1959 - 21.50, in 1960 - 21.26, in 1961 - 20.25. (These ratios were achieved only after arduous appeals.)

State aid this year was $94,000 less than it would have been if the 25% could have been maintained. At least the formula should be flexible to include normal rises, the cost of property.

The State Aid Laws are unfair in another respect. If you pay tuition to a receiving district you must pay according to the current year's cost. However, the State reimburses for current expenses one year behind cost and two years behind cost for its share of building aid.

Franklin Township each year for three years in a row has educated an additional 436 pupils 100 per cent from local taxes and has a year later received inadequate State aid of current expenses and two years later inadequate State aid for building buildings.

Franklin deserves an "A" for effort. To provide $450 for the education of a pupil a $15,000 house in Franklin would be taxed $343, in North Plainfield $323, in Somerville $281, in Bernardsville $153. State Aid reduces these injustices some but it should be more.

New Jersey's constitution affirms that education is a State function. Most statesmen believe that our survival as a free people depends upon the quality of the education of all our people. The simple question that the citizens of Franklin Township poses to the Tax Policy Commission is: Do you believe education is a State function, that it is important, and if you do, what do you propose to do to have the State take the burdens of 80 per cent of the cost off the local real estate owner?

These facts were obtained from materials - unfortunately I do not have copies for the Tax Policy Commission - but the township has spent $34,000 with the Community Planning Associates to study the situation in the township to 1980. This also is a part of that study. The Board of Education in terms of its projection for the decade 1958-68 has a study of its own and these statistics are taken from what we believe to be reliable sources.

Now President, Kurt Nathan, will continue and complete the presentation.

K U R T N A T H A N:

In addition to the darkening picture of dwindling local property tax resources as compared to the rapidly rising school population in Franklin Township there are several philosophical aspects which should also be considered. To quote from a recent article by Dr. Roy F. Nichols, a governor and trustee of Rutgers - The State University, "It will be cheaper in the end to spend on schools than on the necessities of dealing with the costs of maladjustment. The success of democracy depends on the encouragement of intelligent cooperation rather than disappointment and protest." (1)

Many public school districts which have recently had their budgets and school bond issues defeated at the polls have had plenty of this disappointment and protest. This in turn makes local boards of education overly sensitive to public pressures which demand a reduction in the cost of school operation and building programs which is sometimes inconsistent with sound educational standards and requirements.

Boards of education, created by and operating under authority of the State of New Jersey for the purpose of providing education for the youngsters of our communities reflecting the wishes and ambitions of those communities, have been forced to become in fact boards of taxation, often attacked and resented by large elements of a district.

(1) - Nichols, Roy F., An Exciting Race, Rutgers Alumni Monthly, Vol. XLI, No. 6, April, 1962, pp. 11-12.

Under such conditions an inferior school system results, with poorly prepared teachers, minimum physical facilities and double sessions for many children. Bright and capable students with great professional potential, growing up in districts in which the pupil increase is outrunning the local property tax base are thus deprived of a first rate education. This results in real tragedy and often lasting unhappiness for them and their families as they are unable to realize their ambitions and real potential. Society is the real loser.

I feel very strongly that greater state assistance is required to give all the youngsters of New Jersey, whether they live in Summit, Franklin Township or Hammonton, their rightful chance for an adequate education.

Thank you very much.

MR. ALEXANDER: Thank you very much. I take it that neither one of you wants to make a specific recommendation as to what the Tax Policy Commission should recommend. In general, you are in favor of a different formula and amount of State Aid to the public school system.

MR. NATHAN: That is true. I am speaking for myself now. I will let Dr. Smith speak for himself. I do feel that a broader tax base is needed. I am not in a position to make any specific recommendations.

MR. ALEXANDER: Do you wish to add anything?

MR. SMITH: Do you have time for a "quickie"? The

difference between a pessimist and optimist - I think I might throw this in because you are about ready for lunch - is an optimist gets up in the morning and looks out the window on a day like today and says, "Good morning, God," and the pessimist looks out the window and says, "Good God, morning." I am not sure whether we are optimists or pessimists here today.

In answer to your question, I would say in a fast-growing district like ours, to throw this into the consideration, there must be another formula that includes consideration for fast-growing communities comparable to New York.

My own personal feeling in studying the tax situation in the United States, only Nebraska and New Jersey have presently the property tax as the major base. This goes back to probably the 12th century. I think without any question we believe that we must have a broad base tax. I personally - this is only for one individual - believe that it should include both consideration for the merits of a personal income tax and consideration of a sales tax. I personally would recommend that we have a combination of both.

MR. ALEXANDER: Thank you very much. One of the witness's endurance was less than ours and will not appear so we only have one more this morning.

I think the Bound Brook Board of Education remains to be heard from, Mr. Freedman.

S T A N F R E E D M A N: In deference to your lunch, I will be brief.

Mr. Alexander and members of the Commission: I gather these hearings started Wednesday. By Now, I am certain you

gentlemen have heard thousands of words attesting to the need for additional aid to schools. I recognize the complexities of this problem and don't pretend to grasp its total ramifications throughout the state.

I'm certain you're deluged with facts and are probably seeing columns of comparative data in your sleep. Because I'm not a professional Educator, I'll use that as an excuse and spare you a recitation of figures. Instead, I'd like to tell you what has happened to the 1.6 square miles that comprise my community: what has happened and perhaps might happen to our children and the 10,000 people that live in my town.

Bound Brook is small and for the most part fully built and reasonably stable. We are not blessed with industry. We are essentially a dormitory for the people who work in surrounding industrial areas. We have a modest central business district that is now feeling the attrition of highway shopping centers. The burden of taxation has fallen in part on the small business section and heavily on the people who own homes.

Now, these folks who own property in Bound Brook are wonderful people: for this is what they've done over the last 14 years with which I'm familiar.

They started out by electing able Boards of Education and gave these Boards a mandate by an expressed community willingness to place a premium on a high quality education.

Under the leadership of competent professional administrators, 2 1/2 schools were built with overwhelming public approval.

The Curriculum was kept abreast of the times.

Class size was reduced.

Teachers' salaries were brought into a healthy relationship with those of similar type school districts--and in time--there came to be a community-wide "swelling of chests."

These were schools with a fine reputation.

This was a town that supported schools and Board members luxuriated in the knowledge that Real Estate Agents used the reputation of our schools as part of their selling message to prospective home owners.

Now, in addition to being on our Board, I have the unique advantage (and sometimes disadvantage) of having a retail business on Main Street in Bound Brook. From this listening post I always heard the usual scattering of complaints about taxes--when is it going to stop?--and where will it end? This was par for the community course. But then the gripes gradually worsened. The local effort to pay for schools increased at an alarming rate while State Aid stayed static and even decreased.

Our budgets passed but the margins became ominously smaller. The educational disease known as the "Rickover Syndrome" was found to be catching--and flourished in Bound Brook with mass symptoms of "Let's get back to the 3 R's"--"Basic education costs less"--and "Let's trim the frills." And as the burden of this inverted pyramid known as the Real Estate property tax grew heavier, the nature of the community altered and with it came a corresponding change on our Board of Education. Because, Gentlemen, a Board despite its freedom of action cannot be insensitive to the relative ability and willingness of the citizens to support schools. Nine aggressive people seeking the best in educational values--mutated to nine literally timid members--who have over the past four years adapted completely a policy of "Let's hold the line." Retrenchment supplanted progress. A tax point became the common denominator of all our actions. This is the past.

And now, the present.

In February of this year, we submitted a budget of $1,130,353.32. $111,214 of it represented State Aid. $811,777.43 was to be raised by local taxation. This budget was $3,200.00 less than the preceeding year's For the first time in over 25 years it was defeated. It was resubmitted and again defeated. The Mayor and Council after reviewing it with their own auditor acted in a highly responsible fashion and reduced this over $1,000,000.00 figure by only $4,000.00 thus attesting to the lack of fat in our budget. Even this $4,000.00 necessitates a reduction in services. This is the present.

The future of education in Bound Brook is related to dollars and hence to the action of this body and of our Legislators. If the foundation program is increased from $200.00 to at least $300.00 per pupil. If building aid is increased to at least $38.00 per pupil and if a broad based tax sales and/or income tax supplies these funds, I'm certain the children of my community can again enjoy a sound and forward moving school system.

I feel quite certain that you know that our situation is repeated again and again throughout the state.

We know that there are all sorts of variations on school needs in different districts and in districts with different problems.

We hope that whatever is done about improving State Aid for schools will face the biggest problem first. We believe that problem is to provide a realistic basic foundation program of State Aid and of building aid for all districts. If there are other special problems of aids for districts with atypical problems, we feel that action on that should be handled apart from rather than as a part of a basic foundation program of State Aid to all districts.

The future of education in Bound Brook and I feel in the State is related directly to dollars and hence to the action of this body and our legislators. If the foundation program is increased from $200 to at least $300 per pupil, if building aid is increased to at least $38 per pupil, and if a broad base sales tax and/or income tax supplies these funds, I am certain the children of my community and the State can again enjoy a sound forward-moving school system. Thank you, gentlemen.

MR. ALEXANDER: Thank you very much, Mr. Freedman. I think that is a very eloquent statement of what the problem is in many school districts. I am sorry it is so near home.

MR. FREEDMAN: Thank you very much.

MR. ALEXANDER: We will now recess for about 37 or 38 minutes.

(Recess for lunch.)

Afternoon Session

MR. ALEXANDER: Will we please come to order again.

The first appearance will be on behalf of the Central Railroad of New Jersey, Mr. Moore.

Just for your information, these are members of the Advisory Committee and all of this is going to be in the transcript so that anybody who is absent will get it.

E. T. M O O R E: As a preface to the statement I am about to present, I would like to say that I am not here as a tax expert qualified to make recommendations as to the sources from which taxes should be obtained or what disposition should be made of tax dollars, but rather to point out the impact of New Jersey State and local taxes on the Central Railroad Company of New Jersey, which, if not alleviated, will in my judgment lead to a very serious and adverse effect on the general economy of the State of New Jersey.

Much could be said about the historical development of our State and local tax structure and its impact on the railroads in New Jersey.

However, it shall be my purpose to outline briefly and succinctly the situation as it exists today without reciting all of the ramifications and the controversies of the past pertaining to this involved subject.

The Central Railroad Company of New Jersey operates 402 miles of railroad, serving 17 of the 21 counties in the State of New Jersey. Our New Jersey payroll amounts to $22,096,000 annually, and our purchases from industries

located in New Jersey amount to $3,319,000 annually. The only other state in which we operate is Pennsylvania, but these operations are minor in scope as compared with our New Jersey operations. We have 3,750 employees in the State of New Jersey, as compared with only 950 employees in Pennsylvania, which is indicative of the scope of our operations in New Jersey and why the Central Railroad Company of New Jersey is frequently characterized as New Jersey's railroad. On a normal weekday we provide transportation for approximately 14,000 people in the State of New Jersey, the vast majority of them commuters going to and from work. We serve approximately 1,344 industries located on our lines in the State of New Jersey whose freight traffic amounts to approximately 215,630 carloads annually.

Our New Jersey State assessed property tax bill in 1961 amounted to $3,322,545. In addition, we paid a New Jersey State franchise tax of $4,000. The latter was the statutory minimum because our operations for the year resulted in a large deficit. The last year in which we had a net income was in 1957. In that year our net income was only $42,695 from system operations, but we paid a New Jersey franchise tax bill of $316,710.

Because of the lack of funds to pay New Jersey State assessed taxes, the Central Railroad Company of New Jersey was in reorganization from 1939 to 1949. Because of highly inflated earnings from abnormally heavy wartime traffic, we had sufficient net income to make a settlement of delinquent taxes and penalties which required the payment of $25 million in 1948. This settlement cleared the way for formulating and putting into effect a plan of reorganization for the Company.

In the last 14 years we have abandoned 768 acres of property, mostly in Hudson County, because we were unable to pay the taxes and could find no way to make a profitable use of the property. Using current tax rates and the assessments applicable at the time of these abandonments, the annual tax bill on these properties would total $1,639,962. We have been in more or less continuous litigation for the past 25 years in an effort to obtain some relief from these high taxes and we have a perfect record in that we have never won a case affording any substantial relief.

We have had four consecutive years of large deficits from all operations: $1,905,000 in 1958; $2,839,000 in 1959; $4,293,000 in 1960 and $7,101,000 in 1961, or a total deficit of $16,138,000. We had an actual cash loss in excess of $4-1/2 million in the last year. In our efforts to remain solvent we have sold in excess of $8 million worth of assets in the last ten years and late last year negotiated a $15 million Federal Government-guaranteed loan, of which we allocated more than $5-1/2 million to replenish depleted working capital. Our losses are continuing, with a deficit of $1,705,000 in the first quarter of 1962.

It is true that most Eastern railroads are confronted with financial problems of serious proportions and the lack of a coordinated transportation policy on Federal, State and local levels is one of the principal causes. However, in addition to the general situation affecting Eastern railroads, the impact on the Central Railroad Company of New Jersey of New Jersey State assessed taxes and large losses from commuter operations

create a serious threat of insolvency. Losses from passenger operations, as determined by independent accountants employed by the State, amount to more than $5 million annually. Under contractual arrangements with the State we are receiving payments totaling $1,550,000 for the current fiscal year as a partial offset to these losses. These payments, however, represent less than 31% of the losses, as determined by the State's accountants, incurred by us in providing this essential service. We are actually paying in excess of $800,000 annually in State assessed taxes for the "privilege" of providing essential commuter service at a loss in excess of $5 million, with the State in turn paying us $1,550,000. In effect, we are returning more than half of the State aid funds in the form of taxes and in addition we are absorbing, or subsidizing if you will, this essential public service to the extent of $3-1/2 million annually.

In 1961 we had an operating deficit in excess of $4 million and in 1960 an operating deficit of $1,370,000. Our operating deficits are continuing at a rate only slightly less than those incurred in 1960. We all know of course that bankruptcy is no solution to a corporation's financial problem when income does not cover bare operating expenses. Our State assessed tax bill, together with the remaining losses from commuter operations after State payments, amounted to $6,772,000 in 1961, and this total was equal to more than 15% of our total operating expenses.

With these facts facing us, it is obvious that the real danger is the discontinuance of all operations and liquidation of the property and not simply reorganization through bankruptcy.

I would like to make it clear, however, that my reference to "liquidation" does not constitute a "threat" on our part to

go out of business; it merely means that the danger of our being forced out of business definitely exists.

Of the total of $3,322,545 we paid in New Jersey State assessed property taxes in 1961, $2,140,343, or 64.4% of the total, were submitted by the State to municipalities in Hudson County. I am fully aware of the dependency of many communities in New Jersey on railroad tax dollars as a source of revenue to meet their budgets and I have some knowledge of the historical developments that brought about this situation. Realistically, however, it seems abundantly clear to me that we are at the crossroads where we can no longer defer a very major and far-reaching decision between two alternatives, neither of which is pleasant to contemplate:

1. Do we take the necessary steps to find some other source of revenue to meet community requirements, or

2. Do we force the CNJ into a bankruptcy from which it can emerge only through liquidation or Government ownership? Liquidation would deprive the industries and the citizens of this State of the railroad passenger and freight service we now provide, and the thought of Government ownership is abhorrent to all people who believe in our free enterprise system. Furthermore, if Government ownership should occur it is most likely that payment of taxes to the State and to the communities would disappear.

If our analysis of the situation is correct, and I can see no other alternative, this Committee's recommendation will have an important bearing on the ultimate decision as to which of these two courses should be followed in the public interest. I am not envious of your job.

MR. ALEXANDER: Well, Mr. Moore, I return the compliment. Could I ask you one or two questions?

MR. MOORE: Surely.

MR. ALEXANDER: First, your tax bill in New Jersey was $3.3 million in 1961, that is, your local property tax bill.

MR. MOORE: That was our total New Jersey tax bill in the State and local, yes.

MR. ALEXANDER: And your deficit for that year was $7,100,000.

MR. MOORE: That's right.

MR. ALEXANDER: So that even if this Commission by a wave of the wand could remit those local property taxes, there would still be trouble.

MR. MOORE: There certainly would have been trouble based on a year such as 1961. It so happens that our New Jersey tax bill total plus our losses from commuter services that are not made up by State contract just about equalled our total deficit last year.

MR. ALEXANDER: My other question relates to your studies with Commissioner Palmer and the others charged on behalf of the State government with trying to help you find a solution. Would it be more appropriate for us to address questions that don't have to do with taxes to him or to you?

MR. MOORE: Either one so far as I am concerned. We are working very closely with Mr. Palmer and we have made progress and we are looking forward to more progress in that direction so far as the commuter situation is concerned.

Of course, I understand your problem here is primarily one of taxes, not commuter losses. I just mention the two in here because they are both related directly to the State of New Jersey and they both have this terrific impact on our situation.

MR. ALEXANDER: Sir, do you have in the tax field any specific recommendations that this Tax Policy Commission should make in your opinion?

MR. MOORE: Well, as I said, I am not the expert on where taxes come from or what to do with tax dollars, but specifically we just need a very substantial relief in our tax obligations to the State and the local communities in New Jersey.

As you mentioned, if we had gotten complete relief, which is even a little bit more than I anticipate - I should never say that, but I am frank enough to admit it - it would still not have put us on our feet in such a year as 1961. I admit, however, that 1961 was the worst year the eastern railroads ever had and I am sure a lot of them will be in trouble if they have another '61. It is somewhat better this year, but not much better. We are still losing cash and that is the serious thing.

MR. ALEXANDER: Are there other questions? Mr. Leuchter.

MR. LEUCHTER: Mr. Chairman, I would like to ask Mr. Moore to what extent the railroad is affected by our normal State or local business equipment and inventory taxes? What extent of this $3 million comes from this inventory and equipment

tax or are railroad taxes figured completely different than those on standard industrial property?

MR. ALEXANDER: Let me just amplify that to the extent of saying that nobody has yet suggested before us abolition or a very substantial change in the tax on real property, but there have been suggestions of tampering with the taxes on personal property.

MR. MOORE: The railroads do not pay a tax on so-called inventory. We do pay property taxes, which is the main item, the principal item in our tax bill. We pay taxes on equipment, such as rolling stock, cars and locomotives and the like, and we pay a franchise tax which is based on earnings. As long as we have no earnings, that is not too burdensome. But as soon as we have earings, it takes a good bit away.

The real tax that hurts the railroads is what we call Class II property tax, which is a tax on all property outside the limits of what is called the right-of-way, the main stem, which is a strip 100 feet wide down through the middle of the road. Anything beyond that that is used for railroad purposes comes under Class II property. That property is assessed by the State and the rates apply to the communities in which the property exists. It is collected by the State and paid back to those communities.

MR. LEUCHTER: May I ask how this compares to normal property taxes for industry? Is it the railroad's contention that their property per acre is taxed on a higher basis than normal industrial property?

MR. MOORE: Well, I think the best answer to that

is the statement I made here that in the last fourteen years we have abandoned 768 acres of property, mostly in Hudson County, and I am sure that at least 750 of those acres are still just the way we have abandoned them. Nobody has been able to do anything with them because of the high taxes, which is certainly an indication that the assessments are far in excess of what they are for adjoining or other industrial property.

MR. ALEXANDER: Dr. Watson.

DR. WATSON: Mr. Moore, there has been some discussion, as I understand it, in doing away with the commuter ferries and trying to tie in another way in getting into New York. Could you possibly suggest as to what type of relief this will give from a fiscal standpoint?

MR. MOORE: Well, I think you are referring to the so-called Palmer Plan, which proposes that the Jersey Central make a connection with the Lehigh Valley Railroad at Aldene just east of Cranford, use the Lehigh Valley tracks and Pennsylvania Railroad tracks into Penn Station at Newark where our passenger service would terminate in lieu of going into Jersey City and using the ferries to cross the Hudson. The connection beyond Newark, of course, would be by Pennsylvania Railroad trains uptown and by way of the H & M to downtown New York.

We do not have precise figures as to what that would do for us. We think it would make a substantial improvement in our passenger losses. It depends on how it is finally worked out as to what our real benefit is. But we are advocating

it. We think it is feasible. We think it is one way that would make it possible to continue this essential commuter service. Unless something like that is done that will provide a measure of relief, this commuter service can only do one thing - disappear - because of lack of money to pay the bill.

DR. WATSON: Possibly would you be able to make these figures available when they become available?

MR. MOORE: Yes, we would be glad to make them available just as soon as we can. There are several things that prevent determination of the final figures. Number one is: There are some capital expenditures necessary to bring that about. Nobody knows at the moment where that capital money is coming from and what you might have to pay for it in the way of interest and carrying charges. Another factor that is still uncertain is: We have not up to now negotiated any definite understanding with the Lehigh Valley or the Pennsylvania Railroad as to the charges we will have to pay to use their tracks to get to Penn Station. We have a general understanding that they are going to cooperate and this is feasible and possible and we are all working toward the same end. But we haven't gotten down to negotiating an operating contract.

MR. ALEXANDER: Mr. Margolin.

MR. MARGOLIN: Most communities in the last few years have had revaluations of their property in order to bring them up to date. Do you know in what year your Class II property was last revaluated by the State?

MR. MOORE: Our real estate is assessed more or less

annually by the State. They make adjustments up and down annually in assessing our Second Class property.

The City of Jersey City where most of our property is located and where we pay most of our taxes or where most of the taxes finally go - they have not made any re-evaluation of property in that community, in that city.

MR. MARGOLIN: That doesn't answer my question. Your Class II property is revalued by the State or should be revalued by the State periodically. When was the last time that was done?

MR. MOORE: As I say, the real estate is adjusted up and down pretty regularly. I don't recall the last time that they made a complete re-evaluation of railroad property. It was quite a long while ago.

MR. MARGOLIN: I think you will find 1911 is the date for it.

MR. MOORE: That might be so.

MR. ALEXANDER: May I ask one more question: You have indicated that primarily the commuter service that your railroad furnishes is the cause of these heavy losses which can't be continued into the future. Do you have a concern as to how, if the State decides it ought to help you continue the commuter service, that should be done; i.e., should it be by payments for commuter services by the State or by tax reductions or don't you care?

MR. MOORE: The last statement is my answer, personally. Dollars are dollars whether they come through tax relief or by state aid payments on commuter service. I

would like to emphasize this point: I am sure what your intention was. You said by "helping us." When it comes to commuter service, I think it is a question of a public interest. I think it is a question not of helping the railroads. I have said repeatedly, if this commuter service is not important to the public, for goodness sake, let's stop it - let's discontinue it. But if it is essential, somebody ought to pay for it.

I think this gets down to a point as between taxes and state aid payments on commuters where it becomes a very practical problem. If you eliminate the taxes from us which is just as good as giving the dollars in state aid, you then get into a situation where the communities don't have the income they need to meet their budgets. That is the difficult problem, I believe.

On this very same operation, this commuter operation, where we now receive $1,550,000 this fiscal year in state aid, which I said is only 30 per cent of our loss, but on that same operation we are paying over $800,000 back to the state in the form of taxes which, however, does not stay with the state. It goes back to the communities which make it part of their budgets.

MR. ALEXANDER: Are there other questions of Mr. Moore?

Thank you very much, sir.

MR. MOORE: Thank you.

MR. ALEXANDER: I think the next witness, if he is here, is Mayor Alfred Pierce of Camden.

MAYOR ALFRED PIERCE: Mr. Chairman and members of the Commission: First, may I extend to you my thanks for the opportunity to be with you and to express some of our views from the City of Camden.

We are one of the larger cities in New Jersey. We are the fourth largest city. Our population is 117,000. Our population in 1930 was 117,000; in 1940 was 117,000; 1950, it rose to 124,000; 1960, it went back to 117,000. I cite these figures to show that we are rather static in our population. We account for the rise in 1950 to 124,000 because it was the influx of people who came into the city for the war years between 1940 and 1950 because of defense work and the like. Then the population dropped back to 117,000.

We also in the city are the industrial center of our end of the state. We have 70,000 jobs in the City of Camden with 117,000 population. With those 70,000 jobs about one-third of the 70,000 are filled by people who live in the City of Camden. The remainder come from the surrounding areas.

Too often in our American way of life there are so many of us that don't act until something falls into our laps and until we get hurt. Then when we get hurt, we begin to scream and scream very loud and sometimes we lack the vision to project ourselves into the future and to see what things are going to happen. I think that this failure of vision certainly applied to those who didn't take a good look at the condition

of our cities.

We have six cities in New Jersey that are over 100,000 population and comprise between - oh, I'd say one-sixth to one-fifth of our total population in the state. I think that probably the situations are comparable in each where they are the industrial centers and furnishing jobs.

Within the past several years, as has been referred to, we have had to experience re-evaluation. Re-evaluation as a result of court decision has brought with it tremendous change in the tax-paying habits of people who live in cities. The residential property owners have been hit - have been smashed real hard. I will emphasize it - real, real hard. In our city we are actually reducing taxes this year, not only because of going through a 50 per cent assessment, change in assessment, but also because of the fact that our total municipal appropriations for the year 1962 are less than they were in the year 1961. So I think we are very proud of that fact, that our municipal appropriation has fallen below what it was the year before. So we are trying by economy to help ourselves and we are.

But the cities cannot sit idly by and see special groups come in, each talking about their own situation. A city is composed of all groups. It is composed of business, residential people, professional people. We have everyone. So when I come, I don't speak for any particular group within the city, but for all of the groups within the city - what is for the greater good for all.

In our city despite the economy which we have effected,

I just want to say to you that for the year 1962, if you were a property owner and your house was evaluated at $10,000, which is cheap housing, despite the fact that we have cut back on the budget, you in 1962 would be paying $418 a year taxes, $418. Now around us, the suburban communities who don't have the problems of the cities, of blight, deterioration and decay can offer a much more attractive tax base to the resident. To build a $20,000 house, you can see that you are going to pay in the city to live $936, as I say, despite economy.

Reassessment has caused serious problems to the taxpayer. It is fair. Property should be properly assessed. But when it hits with an impact and when some people find their taxes doubled over a period of years and they have adjusted their income to it, this is a hard blow to take.

I heard the chairman say that some people have come here and made various proposals about change in the tax structure. Nothing was said about changing the real estate tax structure. But there have been recommendations made with regard to business personal property tax. I will come to that in a moment.

In the past few years, we have seen an increasing evidence on the part of the state of legislating matters that simply thrust a blow upon the cities: mandatory salary increases that the Legislature decides - well, we have to do something about teachers; therefore, the salaries throughout the state are going to be thus and so. Cities who are buckling under this load, people who are buckling under this load suddenly have

this thrust upon them, without having an opportunity to say anything about it. It is not fair. We have the whip that says when you go to build schools, you have to build them in such a way that we think they are more costly in many ways than they should be because of the stiff requirements that sometimes are made.

We also find that we have had franchise taxes taken away from us last year - all cities - further losses of revenue.

These bring real problems of declining sources of revenue.

It has been said "Let's eliminate the business personal property tax." I just want to tell you as a fact what that would do to us. Our net ratables on a 50 per cent basis is about $170 million. $32 million we receive from business personal property tax. Now actually we could very easily be receiving $50 to $60 million in business personal property tax, which would be a substantial relief and help to the small homeowner who is paying $418 for the cheapest kind of a house that you can get. If you take this $32 million away from us and you tell this fellow who has the $418 to pay for his $10,000 house that he may be paying $600 or $700 in taxes, where are people going to live?

I think that you could give serious consideration to whether or not a homestead exemption might be instituted to give some kind of relief. I am not saying that this is the answer, but I throw it out to you for your consideration. When we present to you the fact of what people are paying -

and it is not speculation and this is universally true among all of our cities - it is not the state only that needs the relief from oppressive taxes; it is the little person who is there working and trying to render a service. I say to you, you might consider that. You might consider whether you want to have a thousand-dollar homestead exemption for each property owner so that we can attract into the city the kind of a man who says "I want to build a $15,000 or $20,000 house and live in the city," so you just don't make of your cities one mass of cheap housing and say "Now, go ahead and run your government and let's build $10,000 house after $10,000 house." We have to be able to attract in the cities people of all economic groups, people who can run for public office, people who can serve in appointive positions, people who have educational backgrounds to fulfill the requirements to help run cities. It is a very important point to us.

I think as you consider this question of broad base tax, certainly the people in the cities could not support any broad-base tax unless there was positive, definite tax relief to the local property owner. Merely finding a way to have a broad base tax so the state can get more revenue does not solve the problem. We need some help. I could tell you - we have just come out in our city with a 20-year plan. It is a very attractive, practical plan. It is not a "pie in the sky" plan. It is geared to financial ability to pay. We, as I say, are willing to help ourselves. We want to help ourselves. But all we ask for is fair equal treatment so that we can compete with others.

I hope that this Commission does not take the position that simply because extra funds are needed somewhere, you should get it from some broad base tax.

I also want to state from a positive position that if there is one tax that we would be opposed to, it would be a sales tax. We are opposed to a sales tax. I think that the sales tax takes the man that might be -- I am not talking about rags or riches, but I am talking of what I think is reality and truth. I don't think it is an equitable tax. I don't think it is fair to the fellow who is making $60 a week. When he goes in and buys a loaf of bread, he pays the same tax on it as the man who is a millionaire. I don't think that is a fair way to say you are going to distribute taxes. And I am not an advocate of saying, tax the rich. I am an advocate of coming up with a tax which is an equitable tax, which is a fair tax to everyone. That is all, Mr. Chairman. Thank you.

MR. ALEXANDER: Thank you, Mr. Mayor. Can I ask you a question about that taxpayer who would be paying $418 now?

MAYOR PIERCE: Yes.

MR. ALEXANDER: Could you estimate for us how much of that is for school support?

MAYOR PIERCE: Well, I would say that about 25 per cent or 30 per cent of that would be for school tax. May I add a further comment on schools? I have heard it said that thinking about a broad base tax for direct aid to schools -- I was on the Board of Education and I have always fought for higher salaries for teachers. From 1950 to 1959 I was a Board

of Education member and a solicitor and our school system was in very bad shape throughout the state. I think our school systems have come a long way. But I think our municipal services are even in worse shape today. I think our streets, our water, our sewers, and all the things that we need are even in worse shape because I think we made substantial improvements in our school system, in our school salaries. I think that the experience we had back, I believe in 1954, when we had what was known throughout the state as the windfall when because of change in the basic formula for state school aid, there were some of us that suddenly had this windfall. The City of Camden school board got a million dollars, which suddenly we had. It looked real good. But it went for salaries. It went for many other things. And the next year the people had to pay it because it was picked up - it came in - it went out - it was spent and the bill eventually came back to the people because we had an increased budget.

I think when we think of a broad base tax, whether or not it should be just to one avenue of municipal service, I don't think that this is the answer, that you can allocate just to one segment of municipal service, as important as education is, and say "This is where it should go." We are in the process of rebuilding. We have properties to acquire, things to change in the city, and I think that the people at the local level should have some say as to what they think is the place where their money should go, without someone saying "You must put it here."

MR. ALEXANDER: Dr. Watson.

DR. WATSON: Mr. Mayor, I believe I recall your saying that you realize somewhere in the neighborhood of $32 million from business personal property assessments. Is that right?

MAYOR PIERCE: Yes.

DR. WATSON: -- and that you could realize ---

MAYOR PIERCE: Not realize $32 million, but the assessment is $32 million.

DR. WATSON: And that your assessment could be somewhere between $50 and $60 million, is that right?

MAYOR PIERCE: Yes.

DR. WATSON: Do you think this elevation in assessment could possibly drive out some wholesale operations which do not require the exact central Camden location, but perhaps might move into the periphery or circumference of Camden?

MAYOR PIERCE: I don't think so because I think that you would then decrease real property tax on business and industry. I think one of the real pitfalls that we fall into in this business of government is when we always get a crystal ball or a Ouija board and try to forecast and speculate what is going to happen in the future. I say, if you do something and you find it is not working, government is such that it can be changed and changed immediately. But when we are constantly dictating our course of action because we say that this may happen, I don't think that is the way to do it.

DR. WATSON: Don't you think some of the problems

that we have today are because there wasn't proper long-range planning?

MAYOR PIERCE: Yes, absolutely.

DR. ASHBY: Mr. Mayor, this $418 tax you mentioned, was that on a $10,000 home or was it on a $10,000 assessment?

MAYOR PIERCE: On a $10,000 home at a $5,000 assessment.

MR. LEUCHTER: Mayor Pierce, the thousand-dollar homestead exemption which you suggest, is that an exemption on the over-all value of the home? In other words, a $20,000 property, would you suggest your 50 per cent assessment ratio be applied to $19,000 instead of to $20,000?

MAYOR PIERCE: No, sir, whatever I am suggesting for your consideration would be on the taxable base upon which the taxpayer's return was computed. In other words, that would be on the $5,000 assessment.

MR. LEUCHTER: Decrease that to $4,000?

MAYOR PIERCE: Yes, which would be a 20 per cent reduction.

MR. LEUCHTER: Wouldn't this be a situation in which if the State Legislature at the behest of the State Tax Policy Commission legislated this into law, it would be something which it would be demanding of the local municipalities? The municipal administration of Camden would then have to give this exemption to every home in Camden and you would then have to make it up in higher assessments or a higher tax rate on business property; isn't that so?

MAYOR PIERCE: I think your point and your question

are good. I would add this to what I have said: I am always in favor of submitting any question which deals with the economic welfare of the community directly to the community. I would certainly be in favor of the Legislature saying to the city, "Yes, you can do this, but you must have a municipal referendum so that the people can give their view of it." If you have something and you think it is right, I am a great believer in submitting it to the public and letting the public vote on it. Even though I say that I throw this out for your consideration for a thousand-dollar homestead exemption, I think the public should have the right to express themselves on it should you feel, yourselves, that this is something worthy of consideration.

MR. LEUCHTER: You are then asking for permissive legislation rather than a mandatory provision in the state? You would want local option?

MAYOR PIERCE: Yes. I am in favor of local option because the situation, when you are dealing with cities and large municipalities, is a changing situation and I don't think there is any fixed rule of thumb that you can adopt which is going to hit everybody right smack on the nose and say, "This is going to apply to them all."

MR. LEUCHTER: The reason I have asked this is: We have already heard from Madison Township, as an example, this morning - it could apply to Levittown or any place else - where there is a heavy residential community and practically no industrial base. A homestead exemption in such a municipality would just be kidding the people because they get the exemption

on the property, but the tax rate would have to go up because there is nobody to share it.

MAYOR PIERCE: Permissive legislation and referendum would take care of that situation.

MRS. CLARK: Mayor Pierce, who did you include in the "we" in your attitude toward the sales tax? Who is included in the "we"?

MAYOR PIERCE: The people of the City of Camden. I like to think that I am speaking for them when I express my opposition to the sales tax.

MRS. CLARK: You have reason to believe that is their feeling?

MAYOR PIERCE: I have. Naturally because of newspaper, radio and television publicity, people have begun to talk a great deal about broad base tax and the one tax that I hear people really speaking against in my town is, by naming it specifically, the sales tax.

MR. ALEXANDER: Are there any other questions? Mr. Kerney.

MR. KERNEY: Before you leave, I understood you to say in speaking against the sales tax that you were opposed to a tax on bread. As I understand it, some of the people who have advocated sales or combination of sales and income taxes would exempt foods and groceries, and I assume bread.

MAYOR PIERCE: I did not mean to infer or to imply that my remarks were against a tax on bread. I gave that as an illustration. I could just as easily have picked an automobile tire. The illustration I was attempting to give

was that a man who is making $60 a week who has to go buy a tire and pays a sales tax on a tire is paying the same amount that the man does who is a millionaire. I think that this is not an equitable tax distribution. I merely used bread as an example, not because I am opposed to bread.

MR. NIXON: May I ask a question?

MR. ALEXANDER: Yes. Mr. Nixon.

MR. NIXON: Mr. Mayor, because of the sales tax in Pennsylvania, I surmise it increases the sales in Camden. Is this the reason you are opposed to the sales tax?

MAYOR PIERCE: I am sorry. I didn't hear the last part.

MR. NIXON: Because a sales tax applies in Pennsylvania and is not applied in New Jersey, this increases the sales, I assume, in Camden.

MAYOR PIERCE: Yes.

MR. NIXON: Is this your reason for not wanting a sales tax?

MAYOR PIERCE: No, that is not the reason, but I would certainly agree with your statement which is contained in that question, that having no sales tax in the State of New Jersey certainly is an inducement to businesses to locate in New Jersey so that they can sell their products. Yes, it does increase sales in New Jersey.

MR. ALEXANDER: I believe that is all. Thanks! Is Dr. Sample, Superintendent of Schools of Madison Township, in the room?

W I L L I A M J. S A M P L E: Unlike the gentleman who preceded me, I will describe anything but a static situation. Mine is the story of a population explosion and the problems that come with it.

I heard a reference made here to Madison Township and I don't know how much of this will be repetition. However, I will do the best I can.

Madison Township is situated in the southeastern part of Middlesex County, as you all know, in Central New Jersey, comprising an area of 42 square miles. It extends from Raritan Bay on the east to the Borough of Spotswood and the Township of Monroe on the west. On the north it adjoins the Township of East Brunswick and the Borough of Sayreville. On the south it is bounded by the Townships of Manalapan, Marlboro and Matawan, all of which are in Monmouth County. It is favorably situated for continued growth. Three main traffic arteries cross the township in a north-south direction: United States Route 9, the Garden State Parkway, and State Route 35. These highways link a vast undeveloped area with the metropolitan area of New York City and Newark, with Philadelphia, Camden and Trenton and with the shore communities. Hence, large housing developments have sprung up throughout the township with resultant increases of gigantic proportion in school enrollments.

In 1940, according to the United States Census, there were 3,803 people in the township. By 1950, we had doubled the population to 7,365 people. Between 1940 and 1950 we had tripled the population to 22,772. Since then,

it is estimated that there are some 27,000 people, that is, between 25,300 and 27,000 people, living in the township. Of the some 8,000 family units, most of these are either large families or people whose income is fixed, that is, people who are living on retirement.

Medium priced homes such as ours in our developments have attracted young home owners with moderate incomes, large mortgages and large families. The township is presently only 25 per cent developed with practically no industry and thus the property owner has to assume practically the entire tax burden.

The municipality is not only faced with schools, but also with sewers, roads and all the other necessary services for an expanding community.

In the past two years, school enrollment has increased over 1,000 pupils each year - 1,000 pupils more than the preceding year in our schools. For instance, in 1960 we had 1,120 youngsters enrolled - that is, an increase of 1,120 pupils. Thenin 1961, an increase of 1,105 pupils over the enrollment of 1960. Our predictions indicate that our present school population will almost double by the school year 1964-65, increasing from 6,464 pupils currently enrolled to 11,440 in 1964-65. We go on to predict that by 1966-67 we will probably have 14,180 pupils. We must build new schools to accommodate these increasing numbers.

Now to support a $3,100,000 school budget we have to raise by means of local taxation $2,143,000. Or, to put it in another way, we must support two-thirds of our school

budget by means of local taxation. The net valuation of our property as of January 1962 was almost $22 million. In 1959, the assessed valuation of real property was almost $14 million. In 1960, it rose to over $16 million. 1961, it was $21.5 million; 1962, almost $22 million.

My point in referring to these statistics is simply this, that although our ratables have increased in a four-year period by $7 million, the large part of this increase has been due to the building of new homes, not to new ratables such as industry coming into our township. The ratio of our assessed valuation to true valuation, according to the county equalized assessment table is 16.98 per cent, or on a home valued at $9,000, assessed at $2,000, a taxpayer in Madison Township is presently paying $284. With our projected building program, our proposed building program, to take care of immediate schools needs, that will rise to $317. Remember that a lot of these people are retired people living on fixed incomes that I am referring to here. On a home valued at $15,500, assessed at $3,400, the tax currently paid is $426. It would go to $482. On a home valued at $16,000 and assessed at $3,500, the tax currently paid is $497. It will go to $554, and so on. I will cite one more illustration. An $18,000 home, assessed at $4,000, the tax will go from $568 to $634.

Now, our total net debt of our municipality as of January 31, 1962, was $4.5 million. Our school debt as of January 31, 1962, is almost $3 million. Our per pupil costs have increased - and these per pupil costs, by the way,

and strengthening of those basic services for which we strive, and which will fall fairly and equitably on the people of the United States.

We are here today to ask for additional taxes, not in pursuit of our own self--interest, but rather as responsible citizens who have over the years advocated expanded facilities and services which we believe to be in the best interest of the residents of this State. We consider it the obligation of any citizen who believes in expanded state services to implement his belief by indicating his willingness to bear the additional taxes required.

In this context, we have polled each of our local Sections, after careful examination of the present tax structure, through study groups, general membership meetings and discussion by our legislative committees. All of our responses indicated a strong desire for a revision of the state tax structure to provide a broader base tax. A large majority of our Sections favored a state income tax. We do not profess to be tax experts and therefore feel that it would be presumptuous of us, in the short notice given, to recommend a specific plan of taxation. We wish merely to state our willingness as individual taxpayers to assume our fair share of the financial burden engendered by the social reform we seek. We have been impressed by the thorough study of taxation that the League of Women Voters has made which led them to the conviction that a graduated personal net income tax is most equitable. A very fine study, "New Jersey's Financial Problem" by Professor Paul Strayer of Princeton, points in the same direction, while accepting a food-exempt sales tax as a first step in tax reform. The previous reports of the State Tax Policy Commission itself reveals complete familiarity with the existing inequities and resultant overburdening of property

We are hopeful that the painstaking research required will be done by this knowledgeable body in which we have great confidence. The representation of a cross-section of the public on your advisory committee should prove of great value in weighing and measuring the effects of your projected tax policies. From this thorough exchange should come a complete revision of the tax structure with fair and equitable procedures designed to produce sufficient revenues to reduce the backlog of financial needs that serve to weaken the economy of our state.

Governor Hughes clearly enunciated his view of the function of modern government in his inaugural address, as follows: "Good government is government with a sense of social justice, acting not as a patronizing busybody but as a friend to the migrant laborer in his underprivileged status, the worker displaced by automation, the poultry farmer with his problem of over-production, the Negro in search of a decent home — to mention but a few of the many - the all-for whom government truly exists....But we must not forget that a viable economy is the foundation stone of such service. New Jersey has grown with America, and I am determined that it shall set the pace for the economic progress of this nation. How does a modern state accomplish this? It seeks a fair and stable tax policy."

The quality of your efforts and the results of your deliberations can well be the milestone from which we will measure the transition from the archaic, outmoded and inadequate tax structure with which we are now saddled, to a new, modern, cohesive plan that will spur the growth of our state's economy. You - and we - are indeed fortunate that we now have leadership in our state that is cognizant of the critical need to provide funds for the services which New Jersey has been so lax in providing. As Prof. Strayer indicates in his book, "Much could be done by vigorous action, but until state officials are willing to act,

the people are not likely to be properly informed about the deficiencies of the state and the need for a completely revised tax and revenue system. Certainly the growing requirements are not going to be met by further increases in the level of the general property tax. As already indicated, reaction against the property tax has begun and little more can be expected from this source. Yet it is the provision of good services that will keep the state a vigorous and progressive community, and investments for education, recreation and planning will make New Jersey a better state to live in."

The needs to which we subscribe, and are undoubtedly well-known to you, deserve to be restated in the light of an imminent possibility for accomplishment.

EDUCATION: Overcrowding in our public schools, part—time sessions, overly-large classes, uncertified teachers require greatly increased state aid to education. The disproportionate tax burden on local property owners is causing widespread budget defeats, which are slowly eroding our entire public school system. Incidentally, we are a member of the Committee for School Support, as testified previously.

HIGHER EDUCATION: Further expansion of classrooms, laboratories, dining space and dormitories is essential at our State University, if we are not to turn away thousands of qualified college prospects. We can not afford to waste a single human resource in this highly competitive technological ara. The addition of community colleges to our structure will aid in this objective. As we meet the building needs, we must provide more well-trained college teachers.

YOUTH EMPLOYMENT: Expanded vocational training in our schools and on-the-job are essential to reduce the anticipated number of unemployed youth in the decade ahead. State funds are needed to implement federal training programs for adults and youth.

HEALTH: Overwhelming medical expenses too often force low-income families into relief programs. The Public Medical Care proposals which we support would go far in reducing this burden and raising the general level of health of our resi-

dents. We believe medical care for the aging can best be accomplished through Social Security insurance, but recognize the need for an interim plan to provide immediate relief.

MENTAL HEALTH: A massive program to provide a network of rehabilitative services to more mental patients could well reduce the enormous costs now borne by taxpayers to care for such patients on long-term bases. Further prevention of long--term mental illness is being accomplished by mushrooming community clinics. More state funds are needed to allow the required number to come into being. The Mental Health Act of 1962, which would completely modernize our care for the mentally ill and mentally retarded, will undoubtedly require additional funds to implement its long-range goals.

HOUSING: All types of middle-income housing are necessary to reduce the shortage of decent housing for many groups in the state. Incentives should be adopted for urban-renewal programs and particular attention given to relocation of persons displaced by new projects.

These are needs with which we are familiar through our community services program, which supplies trained volunteers to supplement governmental services. They represent the most outstanding areas requiring substantial sums of money of which we are aware. In addition - of equal priority but lesser financial need, are expanded programs in civil rights enforcement, migrant worker education and housing, increased labor benefits, child care shelters, greater consumer protection and varied services for the aging. We are reaping today the results of repeated postponement of a responsible and realistic tax structure capable of meeting its citizens needs on a pay-as-you-go basis.

There are several guidelines we wish to offer in your search for the fairest system of taxation:

1. Determine the approximate amount of money required to meet the most critical needs.

2. Eliminate the personal property tax which is apparently the worst offender in the current system.

3. Reach out to groups such as unincorporated businesses which are now bearing a disproportionately small share of the tax burden.

4. In considering sales vs. income tax, weigh the least regressive forms of both; i.e. high deductions and exemptions for low-income groups under income tax and food-, rent-, medicine-exempt sales tax. The desirability of an income tax is enhanced by the recovery of Federal and commuter taxes, which appear to be substantial.

5. Search for methods of equally distributing industrial taxes to assist "bedroom" communities with few ratables.

I stated earlier that we do not speak here today in our own self-interest. I would like to amend that statement by affirming most emphatically that it is our belief that it is in the self-interest of every resident of the State that we rehabilitate the sick, the aged, the unemployed - that we educate the rich and poor, Negro and White, skilled and unskilled - to the maximum of their potential. For in the words of the Council's newly-framed Code of Personal Commitment, we believe that --

I will know that as I build, so is the world built

And if I am indifferent, I abandon the world.

Thank you for the opportunity of testifying.

MR. ALEXANDER: Thank you very much. Are there any questions that a member of the Commission or the Advisory

Committee would like to address to Mrs. Liss? (No response.) Thank you very much.

Next will be Mr. Peter Polowniak, Secretary of the Steering Committee for School Support of Passaic.

P E T E R G. P O L O W N I A K: First, I would like to thank the members of the Commission for making this opportunity available to me to share with you some of my observations concerning the plight of one of our larger, older, industrial type cities located in the northern part of New Jersey.

I am not an official of the city nor am I its official representative here today. I am speaking for the Passaic County Committee for School Support and for the Council of Teachers' Associations of Passaic County.

To start with, I would like to point out that this city, once alive with thriving industrial activity, contributed substantially to the growth and development of many of its surrounding communities and to the growth of the county as well as to that of the State.

In a natural and somewhat unrestricted growth, this city developed: a large retail mercantile center, a large downtown area of modest working-class homes clustered around industrial sites, and an uptown area of comfortable residences occupied by business and industrial leaders as well as other professional people of the community. It was once recognized as a great textile manufacturing center.

Today, like many other cities of similar nature, it is plagued by many problems:

- local taxes have reached a dangerously high level,
- many of the major industries have gone, leaving in many instances obsolete industrial buildings which in most cases are perhaps too expensive for modernization in order to meet newer industrial requirements,
- the exodus of industry was closely followed by that of many business and industrial leaders and professional people who left what were once comfortable residences either to decay and demolition or to conversion into multiple dwelling units,
- the downtown area and its culture began to expand and to move uptown,
- the labor force began shifting and moving, leaving behind empty tenements and other empty multiple dwellings,
- smaller business establishments went out of business, leaving vacant stores.

There is a rapid change coming over the entire community: urbanization, redevelopment, highway routes and the loss of industry and business, all have a very serious and a very obvious effect on ratables.

The school population too is changing:

- the conversion of empty stores into large street-level apartments,
- the combining of small cold-water flats into multiple bedroom apartments,
- and the low-rental public housing - all are creating very serious problems for the schools.

Why? Because into many of these rehabilitated

dwellings move families, who through no fault of their own, have experienced very serious educational and cultural deprivations. In many instances these are large matriarchal families.

The education of these children not only poses almost insurmountable challenges to the educational leadership of the community, but strains beyond practical limits the budgetary requirements necessary to meet the needs of these children. This, unquestionably, has an adverse effect on the education of all of the children of the community, for it siphons off and curtails the necessary pupil services that are an important part of a good educational program.

The education of the socially, economically and culturally deprived children requires pupil services which few communities today can afford. It means small class sizes; specially trained personnel; a remedial program in all areas and on all levels; and additional services of psychologists, social workers, and guidance personnel.

The education of these disadvantaged children is expensive, but not nearly as expensive as the other things. Cities today are spending more money on crime and relief than on education.

The education of these children is very important. Sociologists tell us that at the present rate of increase, more than half of our population will consist of this cultural level within the foreseeable future. The education of these children cannot be ignored.

Under the present tax structures, there are few if any communities today which can provide adequately for the education of these children.

My pleas to you today, ladies and gentlemen, is that you do everything in your power to help this community and others like it meet the educational needs of its changing school population. Please be mindful of the fact that the older industrial type cities, which need so much help today, at one time made substantial contributions to the growth and development of our great State. Thank you.

MR. ALEXANDER: Are there any questions of Mr. Polowniak? [No response]

Thank you, Mr. Polowniak.

Before I call the next witness, I would like to read for the record a telegram to the Chairman of the New Jersey State Tax Policy Division: "Sales taxes for education or any purpose of so-called local aid will not relieve real estate tax burden but will promote inflation and inefficiency in the operation of public schools by removing local restraint on the expenditures of these funds. Suggest all members of your commission read The Law and The Profits by Professor Parkinson." Signed, Robert J. Cornell, Watchung, New Jersey.

The next appearances will be on behalf of certain chapters of the League of Women Voters. I would ask that they be good enough to identify themselves and their chapter when they step to the rostrum. I think first is Mrs. William Fairbanks.

M R S. W I L L I A M E. F A I R B A N K S:

Mr. Chairman, members of the Tax Policy Commission and of the Advisory Committee: I am Mrs. William E. Fairbanks of the League of Women Voters of Englewood.

Our League seconds fully everything that our State President, Mrs. John K. deVries said here on Wednesday. We should like merely to elaborate on certain aspects of the revenue situation in which New Jersey finds herself today.

We believe that there is adequate documentation of the need for additional revenue to fulfill the minimum

responsibilities of civilized society in an urban area characterized by rapid population growth and a sophisticated economy. One example of our unmet needs strikes us in Bergen County especially vividly - what John Gardner of the Carnegie Corporation has labelled "the wasteland of higher education" in New Jersey. Although New Jersey is the largest exporter of youth for higher education in other states, our public colleges still cannot meet the minimal needs of our college-bound youth, and last September turned away substantial numbers of fully-qualified applicants. In the field of professional training, the record is even more poverty stricken - some 77% of our students go out of state for their legal, medical, dental or other professional degrees. New Jersey needs additional liberal arts facilities, two-year community colleges, graduate courses, and professional institutions. Yet the State has no money to build or to operate such facilities.

Turning to the question of possible sources of revenue, we are firmly convinced that the graduated personal net income tax is the most equitable tax in a situation which seems to us to call for a broad-based tax rather than additions to the present patchwork.

Here I should like to interpolate a comment apropos of the remarks of the Mayor of Camden: We believe that in a system dominated at the local level by high real property taxes and at the state level by selective sales taxes, the fairest tax is the personal income tax. Its progressive character would equalize the burden of the

regressive real property tax, especially on retired persons and on the growing families with children, particularly those who face the cost of college education today.

From the point of view of an area where a large proportion of the taxpayers are commuters to New York, the personal income tax has two special charms. It would restore equity to their tax liability in relation to their Jersey-employed neighbors. It would also make possible a level of state services at home comparable with the state activities which their commuter tax dollars help to maintain in New York.

The comments herein relate to only one of the unmet needs of New Jersey and emphasize only one aspect of our preference for the personal income tax. We believe, however, that viewed from any and all angles, our state has stretched her present tax dollars to the limit and that, when we face the situation realistically, the equitable, efficient and preferable answer is the personal income tax.

Thank you for your attention.

SENATOR DUMONT: Mrs. Fairbanks, the argument you make in relation to New York State - are you basing that on the predication that their reciprocity clause would not be changed and, therefore, might recover for New Jersey all that New Jersey residents are now paying to New York State in income tax?

MRS. FAIRBANKS: Well, in any arrangement in which we end up after what cases are now threatened or are in the courts might turn out, and after we got an income

tax, I assume that New Jersey commuters to New York, if they continue to pay in New York, would be paying more to that state than New York residents who commute here and work here, and from whom we would then collect a tax, would pay to us. But my point was simply that we would then recover something for New Jersey.

SENATOR DUMONT: Yes, but the argument of the League prior to this recent change by the New York Legislature of the general reciprocity provision in their law - the argument used to be that we would recover all of the money that has been paid by New Jersey residents to New York State. Now, you are no longer making that argument, is that it?

MRS. FAIRBANKS: No. Unless there is some court decision which alters Mr. Rockefeller's legislation.

SENATOR DUMONT: In other words, your feeling would simply be that New York State would continue to keep what they got from New Jerseyites and the best we could get would be what we could collect from New Yorkers working in New Jersey.

MRS. FAIRBANKS: Which would be a small proportion.

SENATOR DUMONT: That's right.

MRS. FAIRBANKS: It would be fairer to all New Jersey citizens if all paid an income tax, since part are going to pay to New York in any event. Also I think it's fair to say that if we had an income tax in New Jersey, perhaps New York couldn't manage to switch the bases from

residents to the place where you work.

SENATOR DUMONT: Well, of course, the income tax that we did pass, no matter what it was called by name - the income tax that we did pass, those of us who voted against it at the time raised the question of whether New York would continue to have their reciprocity clause as it was, or if it would make the change that in effect they did make.

MRS. FAIRBANKS: They beat us to it.

I would also say that I think there is still room for doubt as to whether a selective, as it is now, income tax on only those coming in from New York is legal.

SENATOR DUMONT: I agree with you. I think there is strong doubt about it.

MR. ALEXANDER: Next is Mrs. Robert Klein.

M R S. R O B E R T K L E I N: Mr. Chairman, Members of the Commission, Members of the Advisory Commitee: I am Mrs. Robert Klein from the League of Women Voters of Morristown. We find in our local League that, whether we are considering a specific need at the state level or discussing county problems with the Freeholders, or working to pass a school referendum in the face of rising property taxes, just as the needle of a compass always turns to point north, so our problems always revolve in the same direction - to point to the need for a broad-base tax in New Jersey in order to provide improved state facilities and to provide additional aid to local communities.

In the past five years our League has had many meetings on the very popular subject of taxes. Not only our members are interested in this matter. When we sponsored a luncheon meeting on State Taxes and invited businessmen and other organizations in the area to participate, we drew more than 100 people.

Through meetings, study and discussion within our League, we arrived at positions as did other local Leagues in the state. These stands, which we took in our local Leagues, then became the position of the League of Women Voters of New Jersey, as presented to you by our State President on Wednesday.

Having recognized the need for a broad base tax in New Jersey, and the necessity for a shift away from the heavy reliance upon property as a basis for taxation, why did the Morristown League recommend the adoption of a graduated personal net income tax and not a sales tax? There were many reasons, but the factors which weighed most heavily with our members are the inherent fairness of the income tax because it is directly related to ability to pay, and the substantial recapture, particularly at the higher income levels, of Federal taxes for use in our own state, as is currently enjoyed by other income tax states.

Coming from an area which houses many commuters, our League wishes particularly to call attention to the fact that a General Sales Tax in New Jersey would be highly discriminatory against a large group of New Jersey citizens...the thousands of commuters who work in other states. A Sales Tax would mean that this group, and no other group in New Jersey, would be called upon to pay two broad-based state taxes.... the income tax which they now pay to the states where they work, plus a general sales tax to New Jersey. The resident credit, which could be used to equalize the tax burden to these people if we adopt an income tax, could not be applied with a Sales Tax. We stand opposed to the adoption of a Sales Tax which would not only be generally regressive, but would also be most unfair to this specific segment of our population .....the commuters.

The League of Women Voters of Morristown supports the adoption of a Graduated Personal Net Income Tax for New Jersey.

Thank you for this opportunity.

MR. ALEXANDER: Are there any questions of Mrs. Klein?

The next witness will be Mrs. Joseph F. Pritchett.

MRS. JOSEPH PRITCHETT: Mr. Chairman, Members of the Commission, and Members of the Advisory Committee:

I am Mrs. Joseph Pritchett, Chairman of the State Taxes Committee of the League of Women Voters of Camden.

After a thorough study of the New Jersey tax structure the League of Women Voters of Camden is convinced of the necessity for a broad based tax in New Jersey to provide sufficient revenue to adequately finance government services. We urge the adoption of a graduated personal net income tax as the fairest and soundest method of raising additional revenue.

The need for increased state aid to public education has been pointed out many times. There are many other needs which have been postponed for a number of years until now they have become critical.

The Department of Institutions and Agencies for many years has requested new buildings to relieve overcrowding and end long waiting lists. Some of the crisis projects are being taken care of with funds from the recent $40 million bond issue and temporary cigarette tax. However, the Governor's Budget Message lists 44 separate items of long-range capital construction which would require an additional $40 million.

Need is not restricted to new buildings, for as they are completed, additional funds will be needed for operating expenses. Although dedicated workers may be found in our institutions, it is difficult to retain qualified personnel at the present salary scale.

New Jersey's lakes, streams, beaches and green forests are being inadequately husbanded and developed to meet recreational and economic needs.

40% of New Jersey's local health departments lack a qualified public health officer. The State Health Department has urged municipalities to join together to arrange for this service, but state grants-in-aid are needed to encourage such cooperation.

The League of Women Voters of Camden believes that only by more state aid to municipalities for schools, roads, health and welfare can the spiralling local property tax be kept within bounds.

Our members have shown their interest and support by working to inform our own community on the need for a broad based tax and the advantages of the graduated personal net income tax. They have cooperated by bringing their husbands and friends to League meetings to "talk back about taxes" and by urging other organizations to hear our speakers and panels on State Taxes.

MR. ALEXANDER: Are there any questions of Mrs. Pritchett?

[No questions] Next, Mrs. Lloyd Van Buskirk.

MRS. LLOYD VAN BUSKIRK: Mr. Chairman, Members of the Commission, and Members of the Advisory Committee:

I am Mrs. Lloyd Van Buskirk of the League of Women Voters of Bloomfield, Essex County, and I speak because of a conviction that the privilege of being a citizen in a democratic society carries with it an equivalent responsibility. Much testimony has been given at these hearings to demonstrate that New Jersey's tax structure like an outgrown and curiously patched garment, can no longer cover what it must.

We of one League of Women Voters hope New Jersey will set its financial house in order by adopting a personal income tax. This is the one broad base tax in keeping with that American principle that is equally at home in such diverse settings as the courtroom and the baseball diamond. I refer, of course, to the principle of fair play, or, if you will more formally, the principle of equity.

The personal income tax, based as it is on ability to pay, recognizes that individual opportunities and differences extend even into the realm of personal finance. The retired citizen helplessly watching his marginal income nibbled away by inflation, the young couple who find their children and expenses vie to outgrow each other, the family harrassed by prolonged medical costs - these people cannot and must not be asked to accept the same responsibility for costs of government as those whose income has been stabilized at a higher level.

As far back as 1950 this Commission's Fifth Report decried the fact that "ability to pay" was not a factor in New Jersey's tax philosophy and pointed out "A citizen can own one million dollars' worth of high yield securities and pay not a nickle to either state or local government." Instead it was the property owner who was and is expected to underwrite the costs of government so generously at a local level as to minimize the need for state aid for services. Lucky the community with high ratables and few children!

The years have compounded these inequities. We feel the time has come to let logic and not emotion make the determination so that each citizen's obligation can be tempered to his resources through the adoption of an income tax. Thank you.

MR. ALEXANDER: Thank you, Mrs. Van Buskirk.

Are there any questions?

Mrs. F. W. Hopkins.

M R S. F. W. H O P K I N S: Mr. Chairman, Commissioners and Members of the Advisory Committee: I am Mrs. F. W. Hopkins, and I represent the League of Women Voters of Highland Park, in Middlesex County. The members of my League feel very strongly about New Jersey's need for new revenue. Equally strongly, we support a personal income tax as the source of this new revenue, chiefly because we think an income tax is fair and a sales tax is unfair.

But I would like to take my allotted time today to emphasize three of the practical reasons why we prefer an income tax:

1. According to our figures, a tax like New York's, but at lower rates graduating from 1 to 6%, would yield approximately $182 million. A 3% food exempt sales tax, as embodied in Assembly Bill 21, would bring in somewhat less, $172 million. The yield of an income tax at the New York rates of 2 to 10% would come to $272 million. To raise this amount with a food exempt sales tax would require a rate of 4-3/4% higher than any state now uses.

Now, the point I want to make, of course, is that the income tax has a high yield.

2. The revenue of an income tax can be very closely adjusted to exact revenue needs. Without any change in the rate structure, it is possible to add a percentage credit or surtax. New York, for example, has granted a 10% credit in many years when the Legislature decided the full amount of revenue which would be produced was not needed. A sales tax, on the other hand, can only be changed, as a practical matter, by a full penny or possibly a half penny,-

a large percentage swing. As a result, the state would often have to raise either more or less than the exact amount needed. Either eventuality might be unfortunate.

3. The income tax would recapture for New Jersey many millions of tax dollars which now go out of the state in federal taxes. As Mrs. deVries showed you the other day our retention of federal taxes would amount to about a quarter of the total yield of a 1 to 6% state income tax. This is a very conservative estimate. I have here a letter from a Principal Research Analyst in the New York State Division of the Budget, which states, "There is no published figure available as to the per cent of state tax absorbed by the deduction allowed for state taxes on the federal income tax return, but our most recent estimate is approximately 37%."

The group of League members who have just addressed you represent only a few of the 85 local leagues in New Jersey which have spent much time in studying New Jersey taxes and much effort in alerting their communities to the importance of a fair and adequate state tax structure. We are delighted that this Commission is now making an official study in depth of our number one state problem and we look forward with keen anticipation to your report.

Thank you for letting us express our views.

MR. ALEXANDER: Thank you, Mrs. Hopkins. Are there any questions?

SENATOR DUMONT: Mrs. Hopkins, I think you were asked this by somebody else at the time of the Appropriation Committee meetings this year: Did you take any poll in your state convention as to the percentage of preference between

an income and a sales tax among your members?

MRS. HOPKINS: Senator Dumont, we on principle are opposed to polling. We don't think that this brings out the real views of the membership. What we do, in arriving at consensus in the League of Women Voters, is to study it in our separate local groups, discuss it in small groups, and arrive at a consensus which is then reported to the State League.

SENATOR DUMONT: Well, then, let me ask you in another way: Is this a unanimous opinion of the League of Women Voters chapters, or does it represent a majority of the membership of these chapters?

MRS. HOPKINS: I am sure it's unanimous if you take them by local leagues - all 85 would be for this view. We certainly have a few members who are not. In my own League I know of no opposition to this view.

SENATOR DUMONT: I see. Now, isn't it true, of course, that either of these broad-based taxes could be deducted from the federal income tax?

MRS. HOPKINS: That is absolutely true. The deduction with the sales tax, however, would not come to - the recapture would not come to anywhere near as large an amount, for the reason that the payments of sales tax at the high income levels are much lower than the payments of income tax, as Mrs. deVries demonstrated with her Comparative Burden Charts the other day. Do I make that clear?

SENATOR DUMONT: Well, I think I know what you mean. But actually in the case of a selective sales tax,

isn't it true that people buy in proportion to what they have available to buy the items with, so isn't it actually based to some extent on income?

MRS. HOPKINS: Not quite in proportion. Our figures show that the family with the smaller income pays out a much greater proportion of that income, a very much greater proportion of that income, in sales tax than the family with a larger income.

SENATOR DUMONT: Well, doesn't that basically depend upon what you exempt in the way of necessities of life?

MRS. HOPKINS: It does to some extent. The figures that we have worked out, of course, have been based upon Assembly Bill 21 which is before the Legislature, which exempts food. It also exempts gasoline and alcoholic beverages.

SENATOR DUMONT: I think it exempts drugs and medicines too, does it not?

MRS. HOPKINS: Prescription drugs are exempt.

SENATOR DUMONT: Thank you.

MR. ALEXANDER: The next appearance will be on behalf of the Council of State Employees; I believe Mr. Melnick and Mr. Sheff.

A R T H U R M E L N I K: Chairman Alexander, Senator Dumont, Members of the Commission and the Advisory Committee: The Governor has persistently maintained that the State should be a competitive employer and should pay public employees at a salary level similar to that for equivalent employment in private business.

Surveys made have shown that on the average state employees' salaries have been for many years substantially below that paid in industry in New Jersey.

A recent survey shows that as of June 30, 1961, the average salary paid to state employees was $4,370, while that in covered employment averaged $5,371 - a difference of about 18.64 per cent. Since then, wages in industry have continued to climb, the cost of living continues to rise, and the average salaries of state employees regressively fall behind. The difference now is about 23%. Hospitalization and medical-surgical premiums recently have been increased by 19.9%, and Public Service bus fares are in all probability to be given another nickel on a 20¢ fare, or a 25% increase.

The last general increase for all state employees occurred in 1959 - a small adjustment averaging about $25 per employee per annum was made in 1961.

Because of the low salaries paid by the State, it has become a training ground for industry and, I am told, the State has a fairly high labor turnover, and this is more costly to the State - in the long run - than it would be if the State were a competitive employer. It seems to me that it costs less to maintain a property in good condition than to allow it to fall into substantial disrepair and then bring it back to good condition. Protective maintenance is cheaper than the cost of major rebuilding necessitated by neglect.

The Committee must realize that the service by

state employees is as essential to good government as are the physical facilities needed to provide such services. In fact, the physical facilities alone are of little value without the services of the state employees who implement the programs which the State has obligated itself to provide. It may also be said that the best facilities are of no better value to the citizens of the State than the services provided therein or emanating therefrom.

Adequately-paid employees, therefore, is the key to a proper functioning of the State. To do this, the State must have resources sufficient to establish the State as a competitive employer. It has been proposed that to provide such resources, the State must adopt a broad-base tax - real property tax has reached a saturation point. From all the source material I have read, this point of view is supported.

Whether such a broad-base tax should be a general sales tax with certain exemptions or a graduated personal income tax also with adequate basic minimum exemptions, or a combination of the two, is something beyond our ability to recommend, as we are financially in a position to make an adequate survey to determine this.

But of this we are certain - The entire tax structure of the State should be examined with a view toward providing the most equitable tax - if we can call taxation equitable, as some believe all taxation is inequitable - a tax which will adequately provide for the services which the State has obligated itself to give to its citizens and to provide these services, the State employees should and

must be paid, on a continuing basis, salaries comparable to those prevailing in industry in order to provide that high standard of service to which our citizens are justly entitled.

On behalf of the Council of State Employees and for myself, I wish to thank you sincerely for the opportunity to present the problem of those who toil in the vineyard of state citizens.

May I introduce my colleague, our Chairman of the Committee on Compensation of Personnel, Mr. Bertram N. Sheff, who has some additional material to present.

MR. ALEXANDER: Thank you, Mr. Melnick.

B E R T R A M N. S H E F F: Gentlemen, we are appreciative of your invitation to appear before you to express our position with regard to taxation in the State of New Jersey. We, the state employees, are in a unique position with regard to the legislative and executive functions of the State of New Jersey. We are the people who execute the mandates set by law and executive decision. We collect the taxes and spend the taxes. We provide the manifold essential services of the State of New Jersey to all of its citizens.

We feel that the State of New Jersey is a State second to nine. We feel that the State of New Jersey is entitled to first-rate services, the services that can and must be performed by the state employees. We also know that it is a harsh fact of life that the services are generally only as good as are paid for. We can say without any false modesty or exaggeration that we have been making silk purses out of "sow's ears" when we compare what we do and what we

are paid for doing it, with what private industries' wages are and the type of service performed for those wages.

As far back as 1959, the Council of State Employees went on record in favor of a broad-base tax. We did this after our many years of association with the fiscal problems of the Legislature and the Governor's budgets. At no time was any administration unreceptive to our requests for consideration. The facts were all too plain. We were not receiving a living wage. The big stumbling block was the very honest and plaintive question asked by administrations and Legislatures, "Where will we get the money?" Possibly this may strike a familiar personal note in the Chairman's memories.

Based upon this and based upon the fact that in so many past years, the state employees' requests were granted as if coming from the bottom of the barrel; i.e., after all other requirements were taken care of, the afterthought was that if there could be any money spared, a sop could be given to the state employees. We feel that this was a choice forced upon Governors and Legislatures because of lack of funds. Our revenue program was not designed to discharge the state's manifold requirements and to pay for the service necessitated by said discharge.

We are not taking a positive stand for or against any particular type of tax. We look with equal favor upon a sales tax, upon an income tax, or upon a combination of both.

Costs are important. The state payroll for the period January 1, 1961 - December 31, 1961, the past calendar year, grossed $127,000,000 plus. We estimate it will take approximately $25,000,000 added to this figure to bring salaries to parity. And, of course, I may point out here that better than 20% of this figure comes back to the State from federal grants for salaries.

Our statistical studies show that the state workers have for the past several years lagged substantially behind comparable employment in private industries, as you have just heard. This is most inequitable and we feel that any consideration in changing or altering the tax structure should give foremost position to providing the necessary financial structure as will insure the 28,000 state employees parity with the rest of their fellow-citizens in this State. Our request must be considered at this time "at the top of the barrel" in order to provide for a financial structure that will forever obviate such an unfair disparity in wages.

Thank you.

MR. ALEXANDER: Thank you, Mr. Sheff. Does anybody have any questions of either of these gentlemen? I think I asked my questions a few years ago.

MR. SHEFF: Yes, you did.

MR. ALEXANDER: Is Mr. Joseph Frangione here? [No response].

Mr. Arthur M. Kallop of Summit? Do you have a written statement?

A R T H U R M. K A L L OP: I do not have copies, but I would like to furnish them to you by mail if I may do that.

MR. ALEXANDER: Will you please do that.

MR. KALLOP: When I asked to appear here, I told you I wanted to do so as an individual citizen. Such are rarely heard at government hearings such as this one, and I think this is indeed unfortunate. Organizations of all sorts have a lot to say and you have heard a great many of them, but this isn't necessarily an expression of any truly democratic opinion. Organization opinions are the opinions of their leaders - not always, of course, of their rank and file members. Furthermore, organizations have specialized interests; they have axes to grind. These frequently are not the interests of the general public. I think it is important for this Commission to obtain actual opinions from the man in the street, the fellow who is going to pay the tax bill, as well as he who purportedly wants all the more services.

You have heard of Professor Parkinson several times, I gather, in the course of these hearings, but let me say it again,- his second law which reads, "Expenditure rises to meet income." Before we adopt any new broad-based tax in New Jersey, let's examine opportunities for governmental cost reduction - the Governor to the contrary yesterday at his press conference notwithstanding. The steel industry has recently found need to look for new means of cost reduction. Why not our state government? There are current examples of real progress in this direction. A few years

ago in Pennsylvania a Commission of eminent legislators and citizens was appointed to look for ways of reducing the cost of state government. This was the Chesterman Commission, and it developed some startlingly large and effective opportunities for cost reduction in the Pennsylvania State Government. The Hoover Commission did the same thing for our federal government. It pointed the way to a 20 per cent reduction in the non-defense portion of our federal budget, and substantial amounts of government money were saved.

The New Jersey Commission on State Tax Policy, in my opinion, should recommend a similar study by a competitive commission in our State. This study should be made by a committee of capable private citizens, as well as representatives from government. And, incidentally, the opinions of respective members should not be investigated before their appointment in any attempt to load the deck. Excessive taxation, gentlemen and ladies, is a threat to our welfare, to our prosperity , and even to our very national existence. "Excessive" as defined by Professor Parkinson is more than one-third of gross national product. Our tax load - national, state, and local - currently is 36% of gross national product, so we are already at Professor Parkinson's danger point.

In seeking government economy, the Committee should first take a long look at education. It is one of our largest state and local public expenses, and was the beginning, at least, of this Commission. There can

be extensive cost reductions in my opinion effected in education and not at the expense of good, sound, solid basic education. No one wants to short-change up-coming generations, but let's not at the same time we educate them hand down to them a tax load which breaks their spirit and their initiative and their incentive. First, let's take a look at our State Teachers Colleges. Let's change them into liberal arts colleges. We can provide thereby a lot more opportunities for more college students at lower costs. We will do a better teaching job at the same time, a teacher training job. Students of education who are exposed to other fields of learning by association will have broader horizons and be better teachers than those who are limited to contacts in college within the narrow confines of pedagogical methodology. The corollary benefit would be to retard further enlargement of our State University which has already attained a size both unwieldy to manage, in my opinion, and one that enforces an undesirable, impersonal sort of education, even though it does happen to produce some pretty good football teams.

Teacher productivity, in my opinion, in my opinion, can be increased. Industry is continally increasing productivity of people. The teaching profession can do likewise. Educational TV can help in this respect. Teacher teams, consisting of one fully trained professional with several less completely-trained assistants or trainees to do routine clerical work, can perform as much as several fully-paid teachers.

Other professions have set an example that teaching

can follow. The routine jobs in a law office are usually done by trainees. Engineers have technicians for assistants. Hospitals use internes. Teachers can be similarly established. Teacher certification requirements need a long, hard look. A great many capable liberal arts graduates could become available for teaching if less methodology and unneeded specialized course requirements were eliminated.

Good reason exists for thinking teacher quality could be improved at the same time. Universal merit rating of teachers is badly needed. It is time we stopped passing out automatic raises to incompetent teachers - and there are at least a few. Virtually all business and industry salaries are graded, and good merit systems contribute to efficiency and lower costs, because pay bears a close relationship to performance. Ways must be found to more fully use present physical facilities in order to limit the need for new additional ones. Our school facilities by and large are largely unoccupied for substantial parts of each day and each week and each year. And, incidentally, I am not advocating more adult education. I regard courses in social dancing and bridge and "slimnastics" for women, along with flower arrangement, as entertainment that people should pay for individually and not through some new state tax.

School curricula and school programs need close critical examination to improve use of time and at once limit school activity to what are properly defined as educational objectives. Schools cannot do the job in the

home, church, YMCA, Police Athletic League, etc., although some school administrators are trying to.

As my final and most important cost control measure, I propose that local control be maintained of school functions, expenses and taxation. The State should set reasonable minimums, and after that local citizens should decide what they want and what they are willing to pay for. State control cannot help but increase over-all expense through bureaucratic control and the impersonality of large government units. No State Legislature will dole out money without control. It would be derelict in its duty if it did so. Without control, large amounts of money would well be wasted.

I know the weight of professional opinion opposes many of my suggestions here. However, I cannot find that any objective research has developed concrete evidence to support the opinions of some of the well-entrenched professionals that such ideas cannot work. And, incidentally, neither the press nor any legislative appropriation committee is going to do this kind of research. Neither will have the time, the resources, or the inclination. I mention this because our Governor yesterday said the press and legislative appropration committees were completely adequate to prevent governmental waste. This, I dispute.

In conclusion, I urge that no new broad-base tax be adopted until there is exhaustive investigation of cost reduction in the State of New Jersey. This should be made by competent, unbiased people. A new broad-base tax will only encourage higher government expenditure. This is no

crass, cynical comment on politics. It is a realistic appraisal of human values and of democratic political processes.

Loss of local control due to a broad-base tax and associated local aid programs will give us many services we may not really want or need. We can improve our government services through extensive economy which can be developed by appointment of a non-partisan and unrehearsed public committee to study the subject.

I told you I would submit a copy of my talk for your records. Gentlemen, I know it's been a long, tiring day; it's been a long, tiring week for you. Thank you very much for listening.

MR. ALEXANDER: Thank you, Mr. Kallop. Before you leave, there may be one or two questions. I would like to set one piece of the record straight. You spoke of the Teachers Colleges and the possibility that their programs might be liberalized. Well, it's my understanding, though I have no direct connection with them, no connection with them - that they are no longer called Teachers but are called State Colleges, the six of them, and that the curricula are in process of being very considerably liberalized so they do already give the equivalent of many liberal arts colleges in the way of education, and certainly far from all their graduates do become teachers.

MR. KALLOP: Well, I am happy to hear that their programs are being so liberalized. I didn't realize that this was going on, and I certainly would urge that

they be further liberalized and broadened, because I think this is an extremely important point not only from the cost point of view but also from the point of broadening the outlook of the youngsters who are at these colleges.

MR. ALEXANDER: I wonder if you would be good enough to either give us now or send in, as you prefer, something about your own occupation and background. I have a slight suspicion from what you said about Rutgers Football Team that you might possibly be a Princeton graduate like me.

MR. KALLOP: I was somewhat disturbed a while ago to hear New Jersey referred to as an educational wasteland. I couldn't help but think that any state that had Princeton certainly was not that.

SENATOR DUMONT: He must be a Princeton graduate. He didn't answer your question.

MR. ALEXANDER: This Lafayette graduate says that because you didn't answer the question, you must be a Princeton man.

MR. KALLOP: Well, at least he says it right; he says a "Princeton man," because the saying goes - Harvard students, Yale boys, and Princeton men, and I'm glad Senator Dumont got it correct.

SENATOR DUMONT: We still don't have the answer.

MR. KALLOP: Oh, I'm sorry. I didn't catch your question.

MR. ALEXANDER: Well, the question was intended to develop your occupation and your past experience, if you would - just to qualify yourself.

MR. KALLOP: I am currently employed as a Sales Engineer. I have been all my life. However, as a part-time activity in Pennsylvania I spent four years as Borough Councilman in a town of about 8,000 people. I spent two of those years as President of that Borough Council and had a great deal to do with the local budget. I was a member of the Recreation Board, Treasurer of the Recreation Board in that same town; I was also a local Vice-President of the Parent-Teachers Association. I have studied Politics in the course of my college career and I taught some Politics afterward.

SENATOR DUMONT: What town in Pennsylvania was that?

MR. KALLOP: Shillington.

SENATOR DUMONT: I know very well where it is. Thank you.

MR. ALEXANDER: Any other questions? [No response]. Thank you very much.

Is Mr. Frank McDermott here?

Do you have copies of your statement?

F R A N K M c D E R M O T T: Yes, I do. But I didn't go to Princeton. I went to Columbia. There's a difference.

Chairman Alexander, Senator Dumont, Mr. Kerney, ladies and gentlemen of the Advisory Committee:

I am Frank X. McDermott of Westfield, Executive Secretary of New Jersey Organization for a Better State, popularly known as NEW JOBS. We are a non-partisan organization dedicated to promoting an economic climate in New Jersey conducive to the development of more employment opportunities for our growing population.

Whatever recommendations this commission may make, please don't tax new jobs. New Jersey's need for new jobs is too great.

New Jersey's population is growing at an average rate of 100,000 per year. State government sources have estimated that an additional 40,000 to 60,000 new jobs must be developed each year to meet the employment needs of our growing population. However, instead of gaining in this respect the State is falling behind. Since 1951 there has been a decrease in manufacturing employment from 811,500 to 792,600 in 1960, a loss of 18,900 jobs in ten years' time. During this same period, the United States, as a whole, experienced a 1.6% increase in manufacturing employment. Moreover, this loss in employment is considerably magnified when viewed in the light of the State's natural advantages. New Jersey is endowed with an ideal location having two huge metropolitan markets at either end of the State, a fine work force and all the ingredients necessary to make it a leading and growing industrial state. Yet we are falling behind the national growth in job opportunities.

Today the struggle between states to attract new industries has reached extraordinary proportions. It used to be a mild mannered competition limited for the most part to occasional advertisements in magazines and newspapers. Now it

is an all-out race between the states. Some are motivated by a strong urge to industrialize on a greater scale to provide good jobs for their citizens and to share in the other rich benefits that attractive plants bring to a community. Some, including a neighboring state, are trying to win back plants and jobs that were lost because of a poor business climate. The latter states, and Pennsylvania in particular, have found that the road back is a rough one, even though exceptional steps were taken to correct the mistakes which were the source of their unfavorable reputation in the business world.

Now if our state were poorly situated or saddled with some fundamentally unfavorable conditions, our plight might be excusable. Our great problem is the high and growing cost of doing business in New Jersey. Business competition being what it is, we only delude ourselves if we expect to hold and attract good, sizable and stable business concerns unless our economic climate is at least as good as that of the states in competition with us.

And if we fail in that regard, we must accept the responsibility for not being able to provide the jobs for our present work force, to say nothing about failing the 40,000 young men and young women joining the work force each year. And then, to complete the tragedy, residential property taxes go up, real estate values go down, and every spiritual, cultural and economic facet of community life is penalized.

Many factors affect the cost of doing business, and taxes, of course, are the most important. No business can possibly escape the impact of federal taxes, but all companies will continue to seek the most desirable tax climate at both the state and local level.

During these hearings this Commission heard from many special interests urging consideration of their own specific problems which would be created if this proposal or that one were adopted. NEW JOBS does not intend to add another approach to the many which have been proposed to date. However, we urge this commission to examine all the proposals relating to commerce and industry in terms of their effect upon job opportunities in the State and determine whether such proposals may have any future discriminating or deterring effect upon the investment of capital and the creation of needed payrolls in New Jersey.

Thank you very much for the time you have given me.

MR. ALEXANDER: Thank you, Mr. McDermott. Would you give me one bit of enlightenment, please? NEW JOBS is a non-profit foundation type of organization?

MR. McDERMOTT: That's right. Our chief function is to support candidates for public office within the State of New Jersey who are interested in our economic development and will produce the kind of economic climate in the State that will be conducive to industrial growth and create more jobs for our growing population. That is our purpose; that is our sole objective .

MR. ALEXANDER: May I ask you if that persuasion that you do involves any expense, or where does the income of the organization come from?

MR. McDERMOTT: We accept gifts from all sources, but I'm not going to pass the hat here today. We receive support from businesses - small, large, medium sized - from individuals, and from anybody who sends us money.

MR. ALEXANDER: Are there any other questions of Mr. McDermott? Mr. Leuchter?

MR. LEUCHTER: Mr. McDermott, there is something conflicting here. Would you say that in the last decade the fact that New Jersey is one of the two states in the country without either a sales tax or a personal income tax is a matter of pride and would put us in a favorable tax advantage in comparison to other states?

MR. McDERMOTT: I presume, Mr. Leuchter, you are talking about that so far as attracting business into the State. Is that it?

MR. LEUCHTER: Yes.

MR. McDERMOTT: Unfortunately, what has hurt our industrial development is the fact that we don't have a settled tax system to date. Perhaps you remember a few years ago United States Steel was considering settling its Fairless Works on this side of the Delaware, but because our situation was rather muddled then, as it has been for almost half a century, they didn't want to take the chance of putting a large investment in the State and all of a sudden be hit by tax lightning. I have talked to many

people who work for industrial realtors and they say they get clobbered by competitors in other states who constantly throw at prospective customers the headlines from our newspapers, which say one day one lady is going to court to upset tax equalization; the next day somebody talks about this kind of tax and that kind of tax and, although we don't have a sales tax, the fact that we don't have a system that is completely settled has been very detrimental to our industrial growth.

MR. LEUCHTER: Are you suggesting specifically here today before us that one of our problems is our inventory tax?

MR. McDERMOTT: Well, I won't suggest that specifically, but I'll tell you that is one of our problems.

MR. LEUCHTER: We would like to know what it is that you are proposing.

MR. McDERMOTT: That is one of the problems. You see, if you take the statement about our being in competition with neighboring states, neither New York nor Pennsylvania have a similar tax. And, therefore, if a company had to locate in this huge metropolitan market, and if taxes were of very prime consideration, they might very well settle in Pennsylvania or New York.

MR. LEUCHTER: One of the reasons that I am questioning you is that before NEW JOBS was created, about 10 years ago I started to be an active member of the Southern New Jersey Development Council, and so I, too, have been looking for new jobs - to help produce new job opportunities

in the southern portion of the State now for the last decade. After ten years of it, I admit to you frankly that I don't know what Industry is looking for, and I have seen a lot of polls conducted by magazines such as Dunn's Review, and I find that on a number of them taxes is way down the list, something like sixth or seventh of what Industry is looking for. Specifically, we found, for example, that our toughest competition with Pennsylvania is its revolving fund that they have, where they are actually offering them low construction - low interest-bearing loans. If they have a sales tax or if they have any other tax doesn't seem to make any difference when they have gimmicks like this. We point with pride that, yes, we are one of the two states in the country without any broad-base tax, and they laugh - it doesn't seem to make any difference to them.

MR. McDERMOTT: Well, that's very true. You are talking about PIDA, aren't you - the Pennsylvania Development Authority. Incidentally, you know, on the other side of the Hudson now, we are faced with the same problem from New York. Last year, the State Legislature of New York passed a bill to set up a job development agency over there and pledged $100,000,000 of state funds. This is more than any of the southern states have done, and they are sitting right on our doorstep.

MR. LEUCHTER: And New York is a high tax state, is it not, supposedly?

MR. McDERMOTT: Well, I'm no expert on taxes, I will readily admit that, so I would have to guess to

answer that question directly. I don't know. But taxes are a very important consideration. You say you are a little bit uncertain as to what other factors bring industries in. All I can say to you is that from my business experience it may very well depend upon the nature of the business. If yours is a warehousing operation, what you want to do is get close to your market, and a warehouse isn't going to cost you much money, but if you are United States Steel and you are going to sink in a fantastic amount of money in machinery, plant site, and what not, taxes is a very important consideration, and the important part of the consideration is that taxes be settled. Industry doesn't mind paying taxes; they want to pay their fair share, but they want to know that they can count on taxes being fairly stable over a period of time and that they will not be subjected to tax lightning.

This is what we urge you gentlemen to do. We know you are going to come to some solution this year. We hope it is a favorable one for New Jersey, and we hope that the Legislature buys your recommendations.

MR. LEUCHTER: Thank you for your amplification.

MR. ALEXANDER: Are there any other questions? Thank you very much.

DR. ASHBY: I would like to ask one question before you leave: You aren't suggesting what the Committee should do here. You are very careful about that. Could you suggest any things that we shouldn't do?

MR. McDERMOTT: Well, if you take it on the one hand and you take it on the other, and I suggest that you not

do something, in a sense I would be suggesting that you do something. I don't mean to equivocate about it, but we have not as an organization taken any specific stand on any legislation. We endeavor not to do that, because we are in the job of selling New Jersey, particularly to its own people first, and then we think we can be an attractive climate to -

DR. ASHBY: But you do say we ought to get a stable tax.

MR. McDERMOTT: Yes, I do, very definitely. It's very important.

MR. ALEXANDER: Next is the State Federation of District Boards of Education, Mrs. Mancuso.

MRS. RUTH H. MANCUSO: I am Mrs. Ruth H. Mancuso, Legislative Chairman of the State Federation of District Boards of Education.

Members of the Tax Policy Commission and of the Advisory Committee, we thank you for this opportunity to discuss with you our concerns for the education of New Jersey's Youth. We are appreciative of your efforts to discern our needs and seek a solution to our ever-pressing financial problems.

The members of local boards of education are dedicated citizens whose objective is to provide the best possible education for the children of our State. As they seek this objective, they face with mounting concern the realization that some 50,000 children are housed in substandard classrooms and some 60,000 children are on double and even triple sessions. This, despite a total school

building debt edging toward one billion dollars.

School boards recognize that able, well-qualified and well-paid professional staffs are the strength of their educational programs. Even though an increasing proportion of the local financial effort is for staffing, we face a shortage of teachers and our children face a greater number of teachers holding substandard certificates. In a 10-year period, this number has tripled.

The citizens of New Jersey, as well as of the nation, recognizing the needs of our times, are demanding improved educational programs and more educational services. All are familiar with recent efforts to strengthen the scientific programs. Less familiar, but increasingly demanded, are stronger reading programs, more experiences in the humanities, greater attention to the exceptional child, increased vocational and technical education, planned programs for physical fitness, and greater attention to general pupil welfare. Many school districts find it difficult, if not impossible, to finance these needed educational programs.

The one constant factor which affects the program, staff, and physical facilities of a school district is the amount of money spent. The local school board attempts to solve this financial problem in the only way possible under the present inadequate state-aid program - raise the local tax rate on property to secure the necessary revenue. A brief look at an increasing expenditure, state-wide, of $40,000,000 a year and an increasing per cent of total taxes for schools to 49.7% in 1961 indicates the local

burden. From 1957 - 1961 local school taxes rose $165,246,000 while state aid increased $18,254,000. In Gloucester County the school tax need rose to 69.3% of total local taxes collected and required an increase from 1957-1961 of $4,939,000 while our state aid increased by only $850,000. In my local district our budget in the same period increased by $351,000 and state aid only $42,000. This state aid to our district represents less than 12% of our increased costs. The Board of Education of National Park in a communication to me indicates their 1957-61 budget increase was $53,000 of which $2000 was an increase in their state aid. The National Park Board further indicate their plight by stating their 1962-63 school budget was defeated twice by 5-2 and 3-1 votes. Their defeated budget reflected the lowest average classroom teachers salary in the county - which county average is one of the lowest three in the state. Their annual per pupil elementary k-8 expenditure would have been $268. One-half of their current expense budget or $134,000 would have been spent to educate 500 children in a k-8 school. What factors contributed to this budget defeat? A community where almost all of the ratables are on private homes - where it would cost the owner of a $15,000 home - $435 in property taxes to finance a $450 educational program per pupil - where the "mayor led a move to defeat the school budget, believing that an estimated property tax rate of close to $19.00 would put such a tremendous burden on the property owners that they would be sure to lose their homes" - where "under the present archaic laws, the budget then went to the Mayor and Council and was reduced $27,500. This leaves the school board in the position of trying to operate an adequate and efficient school system without sufficient funds." This board of education states,

"we realize that we cannot afford to offer an adequate program to our pupils."

Other school boards in New Jersey for similar and other reasons have faced budget defeats or more accurately educational defeats. As local tax burdens grow and opposition, even in more favored communities increases, school boards will improve fewer educational programs, build fewer buildings, secure less able staffs, and crowd more classrooms. The strength and vitality of local control by school boards will wane as political pressures to hold the financial line increase.

We propose today that there are open to the citizens of this state methods to solve our financial problems and insure that the past enviable educational echievements of New Jersey's children be maintained and improved.

The following recommendations have been stated many times by the State Federation of District Boards of Education:

Increased State Aid for Current Expense

We recommend an aid formula based on the current average cost of education. This aid should supply at least 45% of the cost of education exclusive of contributions to Teacher's Pension and Annuity Fund. The formula should be so devised to provide for regular, periodic revisions based on current cost factors and should not require frequent legislative action. The Federation believes the minimum formula based on today's costs should be at least $350 per child with a minimum foundation program of $75.00 per child. The districts local fair share should remain at 5 mills. We further recommend that the formula be based on current enrollments. We also suggest making available to local boards of education the 25% of the districts' shared taxes. This provision would present a clearer picture of actual municipal and school expenditures and revenues.

Building Aid

The Federation recommends that building aid be increased to $48 per child and local fair share remain at 5 mills. It further recommends that building aid be based on current enrollments.

This need becomes increasingly greater as the total school building debt is over $750,000,000 and debt service represents 15% or more of many school budgets.

Special Aid

The Federation requests that aid for special classes be increased proportionately. We note with concern that there is this year no state appropriation planned to further implement the law establishing county psychological teams.

We urge an increase in the emergency fund to assist hard pressed fast-growing districts.

Consolidation

The Federation recommends provisions in aid to encourage the consolidation of districts from kindergarten through the twelfth grade. We believe incentive state aid for consolidation would improve educational programs and provide sounder financing in current budgets and in bonding procedures.

Vocational and Technical Education

The Federation recommends that study be given to a method of greater support for these schools to strengthen a vital area of our educational program.

State Department of Education

Since the activities of the State Department of Education and State Colleges and Universities are of direct concern and assistance to local boards of education, we urge consideration for the financing of an expansion of both the services and personnel of the Department.

Securing Local Revenue

The Legislative Committee of the State Federation urges your study of the method of submitting annual school budgets for approval. Boards of education find they alone on the local, state or national level are required to submit their current operating budgets for approval to the electorate of to Boards of Estimate. We believe that provision of a financial basis such as a stated millage or percent levy, within which the current operating budget could be adopted, might provide a more stable basis for financing the educational program.

At the local level the people of New Jersey have put forth a tremendous effort to finance good schools. Even with this effort, there exists a wide disparity in the quality of programs school districts can offer their children. Within our own county it would require a low level effort of $69 in property tax to a high level effort of $465 on a $15,000 home to finance the state average cost of a $450 education for each child.

The Federation strongly supports the principle of equalization so that every child regardless of his residence may secure at least an average education.

To implement its proposals, the Federation since 1950 has stated a willingness to support a broad-based tax so that the acute financial needs of local school districts can be alleviated by an increase in state aid for education.

The Federation urges the release of Tax Policy Commissions findings and recommendations for financing New Jersey's educational needs. We urge this immediate release so that your recommendations may be considered and steps taken to assist local boards of education meet their financial problems.

We again thank you for the privilege of presenting our concerns for your consideration.

MR. ALEXANDER: Thank you, Mrs. Mancuso. May I say, regarding the release of the Tax Policy Commission's findings and recommendations, they will be released as soon as they occur, but this is the beginning of the process - hearing from you and other people. You didn't mean by "immediate" now.

MRS. MANCUSO: Well, I think we understood, Mr. Alexander, at your previous hearings, at which time the Federation had appeared and many educational groups, had led - had possibly, I'll put it that way - had possibly led to some study and further recommendations by the Tax Policy Commission. You know you have conducted a number of hearings in the past year on the subject of state aid for education or educational financing which was, as you know, your original commission. We perhaps are making an assumption here that there would have been some recommendation from that study. We do recognize that the scope of your study has been enlarged, and we appreciate that task.

MR. ALEXANDER: Thank you. Could I ask you another question for clarification? That National Park, I think it was, property tax rate of close to $19, which would have occurred if there hadn't been a negative vote - that's $19 of true value?

MRS. MANCUSO: No, approximately 20% county-wise.

MR. ALEXANDER: Twenty is bad enough as it is, but I wondered what the county level was.

MRS. MANCUSO: The county level is about 20, and the county level in Gloucester is supposed to go to 30

for the next taxing year.

MR. ALEXANDER: May I ask one other thing.

MRS. MANCUSO: Surely.

MR. ALEXANDER: I don't know whether the State Federation has estimated the cost of these specific recommendations.

MRS. MANCUSO: Yes, I think it has.

MR. ALEXANDER: But it would be very useful to us to have them, especially projected perhaps something like five years.

MRS. MANCUSO: I have that here but rather than belabor you on a hot afternoon, we will -

MR. ALEXANDER: Will you be good enough to file them?

MRS. MANCUSO: Yes, we will.

MR. ALEXANDER: Are there any other questions?

SENATOR DUMONT: Mrs. Mancuso, this recommendation you make in the two state aid formulas is to drop the one-year lag for current operations and the 2-year lag for capital construction, is that right?

MRS. MANCUSO: Correct.

SENATOR DUMONT: And base this only on current enrollments. Now, how would you do that exactly? Would you take a particular date in a current year?

MRS. MANCUSO: I would first preface when I say this that we do not have an official position. I would assume from our position on other matters of this type that we would use the September 30th enrollment.

SENATOR DUMONT: You would do away with average

enrollment and substitute September 30th for that.

MRS. MANCUSO: Yes.

SENATOR DUMONT: Thank you.

DR. ASHBY: Mrs. Mancuso, does the Federation have any suggestions as to incentive aid for consolidation as to how this might be done?

MRS. MANCUSO: Yes, the millage allowance that is given to regional districts is an example of the type of allowance. It is hoped that this might be improved slightly and extended beyond the 10-year period which is now in effect for regional districts. Dr. Ashby, also in this statement there is an exact statement of the cost of encouraging this regionalization and consolidation, and we will see that you have a copy of that.

MR. ALEXANDER: Any other questions? Thank you very much, Mrs. Mancuso. Next, Mr. John Partridge, Middlesex County School Board Association.

R O B E R T B L U N T: I am not John Patridge. I am Mr. Blunt substituting at the last minute for Mr. Patridge and speaking for the Middlesex County Association of School Boards. I should perhaps apologize to begin with that I have no formal prepared presentation but rather some very brief thoughts. In the first place, my views are probably suspect, being a product of our State University, and, secondly, being a professional school administrator. For these, I apologize. But I think, by the same token, by virtue of my position I am in a position to speak of the financial plight that many of our districts in Middlesex

County find themselves in.

I think it is widely known that Middlesex is one of the fastest growing counties in the country. We have a school population increase of about 130% in the last decade and, in spite of what is also recognized, that Middlesex has attracted a great deal of industrial activity, and therefore industrial ratables to help carry the financial load, nevertheless the taxable wealth behind each pupil, oddly enough, has decreased in Middlesex - in spite of the happy fortune of attracting a lot of industry. Thus, an even greater burden is being placed year after year on the individual taxpayer.

Every year the schools of Middlesex are costing roughly four million dollars more to run, just operating costs alone. And again, as has been said very recently, the state aid has not increased in proportion to this. The state aid which was a perhaps fair proportion when our present formula was first devised has fallen far behind in carrying the state's accepted share; that is, the share that has been already accepted.

I spoke of about four million dollars increase each year in the cost of running Middlesex schools; actually only about a half million of this comes from - or rather the increase has been only about a half million in the last year. The State's present share of the total school cost, based on last year's figures, was less than 15% - far from the projected figures of 40 or 45% that have just been mentioned.

But equally staggering, and this is another point going hand in hand with it, is the inequality of ability of our districts to provide adequate education. In a county where the average equalized wealth is a little over $22,000 per pupil, the range runs from one district, from which you have heard, $14,500 of taxable wealth back of each pupil to another where they have $80,700 back of each pupil. This inequity is quite apparent. I chose two neighboring districts, both of them large, both of them offering, I think, very adequate educational facilities. Their aspirations are high and they have been willing to carry the load up to the present, but it has been a back-breaking thing for one of them, for one of them has a wealth back of each pupil of less than this county average - $22,000 - and another right next door to it, by virtue of the happy accident of the location of Route 1 and the Pennsylvania Railroad, and so on, has ratables of almost $60,000 back of each pupil.

I don't think I need to say any more to cite the great inequity in a State where we guarantee equal educational opportunity. And the result in those two districts has not been that one is offering a subsistence level of education - they have gallantly done the best they could, and I think, from my point of view, offering an equally good program. So the tax effort, in other words, on the taxpayers of that burgeoning district is over twice what its neighbor's is, in order to do the same job. We must have revenue from other sources than real estate to

carry the load. You have heard the claim before. I am not asking, even though education may have to cost more - I am not talking about so that we can spend more. I am saying that any increased cost should come from some other source besides real estate.

I think, gentlemen, that that summarizes my views. I have tried not to throw out a lot of statistics but to emphasize the two points: the need for increased revenue from other sources than real estate and the need for great attention to the principle of equalization of opportunity.

Thank you very much.

MR. ALEXANDER: Just let me check if the secretary got your name.

MR. BLUNT: My name is Robert Blunt, Secretary of the Middlesex County School Boards Association.

MR. ALEXANDER: Are there any questions of Mr. Blunt? Thank you.

Next, Somerset County Council for Parent-Teachers Association.

MRS. E. P. GARRETSON: I represent the 40 Locals in Somerset County Council of Parent-Teachers Association. There is one local PTA, at least one in every one of the 21 school districts in the county. I think the PTA's in Somerset County are very strong for Locals, and the reason why they are strong is because the parents are interested in education. Our concern, of course, is for the best possible education for every child. We are concerned with various things, with good teachers, good

school libraries, with proper equipment for all the different types of curriculum in the school, and we realize that this takes money.

Mr. Gillliland, our County Superintendent of Schools, I believe gave you all the facts and figures, so I am not going to try to give any of those. I am just talking about our own opinion in the PTA.

We believe, in Somerset County, that we are a fairly wealthy county. We don't think we are one of the poorer ones. And we believe we have good education and care for it. However, even in our county a number of bond issues have been voted down in the last few years. North Plainfield has three times voted down a bond issue. I have been in their schools and, believe me, I think they need it.

I know the work of the PTA's in these towns trying to get budgets passed and their utter disappointment and frustration when they fail. We had three budgets in good districts fail this last February. The result was that in Bound Brook the budget had to be cut $4,000. In Watchung it had to be cut $33,000. In Manville - and that's a fast growing school district, where the high school of just a few years ago is overcrowded now and a new school is in the process of being built - and with all that increase in their budget, their total budget was cut $60,000 before it was passed this year.

Now, some of the towns don't have quite as acute a problem as this, but we all have it one way or another, and I think we are all convinced that it is just because real estate tax can't pay the burden. We have gotten to

the point of no return. We believe that Bridgewater - at least I consider Bridgewater the luckiest town from that point of view in the county, because it has over 50% of its school cost paid by industry taxes, which we think is very fine. But when I talked with Bridgewater people, they said, "Oh, well, the proportion of the school cost that is paid by industry is going down every year." Their pupils are coming up and they are going to face the problem ultimately, too.

Basking Ridge, where I come from, is proud of its new high school that was started just this fall. We haven't had any budgets voted down for quite some time, but we realize that there are more pupils coming into the school system than there are houses being built that increase the ratables in the same proportion, where the ratables are going up slowly and the pupils are going up fast, and we are going to hit a point too.

I understand that in our county, over-all, at the present state aid we will only be getting about 12% of the cost of the schools, total cost, from the State, and so my one point is that we, the parents in Somerset County, feel the need for a further broad-base state tax in order to support state aid for education. We want it. We are willing to pay for it, and we hope it comes soon.

Thank you.

MR. ALEXANDER: I won't be so tactless as to ask you about consolidation of school districts.

MRS. GARRETSON: That was the only thing that was voted down, as you know, in Basking Ridge, and then we had our own school.

MR. ALEXANDER: Thank you very much.

Dr. James Kimple, Superintendent of Schools, Fair Lawn.

D R. J A M E S K I M P L E: We are all aware of the fact that in the State of New Jersey, the State has placed the major responsibility for the financing of education upon the local school districts and has consistently been most niggardly in providing funds from state sources. I think we are all well aware of the fact that a district such as Fair Lawn must supply from local property taxes between 80 and 90% of the funds for school purposes. In most school districts in the State, school budgets are voted on annually by the people. This places schools in a unique position, for this is the only form of taxation upon which the people have a direct voice.

I am not saying that this is bad. I think that this is good. But it is good only when the proportion of taxes is not too great for people to bear.

In recent years, large numbers of school districts have turned down school budgets. Fair Lawn has been turned down in two years - 1958 - 1960. In 1960, we had $234,000 cut from the budget. There have been people in Fair Lawn who say that this has no effect upon the quality of education. Of course, no one takes the time to define what we mean by "quality," but nevertheless it

has no effect.

Let me point out some of the things here that this $234,000 reduction has affected the program in Fair Lawn. I shan't mention all of the items by any means but will just select a few of the major ones. Taking our own office as one example, we have been functioning with one person less since 1958 than we had prior to that, even though our enrollments have gone up. The budget defeat effectively eliminated an administrative intern and plans for additional help there. It also eliminated one secretary in the central office. We have been rather sorely understaffed. Two teachers were taken from the number requested for the Senior High School. We had planned to increase or decrease the teaching load of English teachers in order that teachers might conduct a more effective program for the students in the High School. This went out the window also. Fair Lawn has had a summer program since 1955. This summer program was one of the most effective ways of making changes in educational programs that we have ever been able to devise, because it gave teachers an opportunity to experiment and do some research.

One of the things that amazes me - and this is said parenthetically here - I have heard people on occasion when we talk about business and industry say that industry and business spend large sums of money in research and development. The amount of money spent in research and development in education is almost nil. And if we talk about experimentation and research in education, it is something that

some of our business friends stand up and scream and moan about. It is a very impractical approach taken by people who are most effectively involved in research and development.

We dropped our summer program in effect when we put it on a tuition basis. The year before, we had had 1300 boys and girls involved. Last summer we had 250 on a tuition basis. One teacher was eliminated from the elementary school and, in this particular school, we have combination grades. We, therefore, increased the class size so that this was not particularly affected. We had budgeted 3/10ths of a librarian - I don't know which 3/10ths of a person this would be - but we had 3/10ths in to keep the Senior High School Library open evenings, in order that students might have the opportunity to work in the library. Our library is not open this year during the evenings.

Our number of guidance counsellors was reduced. We had asked for two additional people this year. We had 8/10ths less. Our guidance counsellor ratio to students was increased from 280 to 353. We talk about the need for guidance of high school students- the vocational, educational, and personal guidance. A guidance counsellor cannot do an effective job with 353.

An additional secretary which had been budgeted for one of our large elementary schools was eliminated, a new secretary for the Senior High School, even though we had asked for this particular person for a period of about three years. We also eliminated a dental health program and

a mental health program for the children of Fair Lawn, which, incidentally, is sorely needed.

As a sequel to this, the 1962-63 school budget is less than the budget that was initially presented for this year, even though our Senior High School student enrollment will increase by more than 300 students.

There have been few of the services deleted last year restored for next year. Our summer center program is still operated on a tuition basis, and I forgot to mention one thing as I was talking about deletions: We had some workshops for teachers in order to help the teachers become a little bit better prepared for teaching than they currently are. This was deleted last year and we have had quite an uproar about the inclusion of a magnificent sum of $8,000 for this summer's work, out of a total budget of $4,954,000.

Now, these are a few of the concrete evidences of the result and the effect of a budget defeat upon a school program. There are many intangible ones that are very difficult on occasion to put your finger on, and people will stand up if they have a particular point of view and say that this has no effect whatsoever. Let me show you, however, that we have lost a number of good teachers from Fair Lawn, some outstanding teachers, to some districts not too fair from us. We are still losing teachers. Last year we employed 77 new teachers for this year; 46 of the 77 have had no teaching experience prior to entering the classroom. Each and every school district has a

responsibility for training a certain number of new teachers, but certainly not to bring in new teachers in such large quantities as these with the high turnover rate that we have had during the past eight or ten years.

In my initial statement, I had intended to say that the quality - or rather that the maintenance of the democratic society which we have depends almost exclusively upon the quality of education which our boys and girls receive. In order that our boys and girls receive the type of educational program which will fit them to live in the world in which they will live, which incidentally will be much different from the one in which we are accustomed to living, it is essential that people of every community elect to boards of education individuals who have some concept of the future and have some sincere desire and interest in boys and girls and the desire to provide them with the type of programs that will assure that these boys and girls of ours will become productive and responsible members of a democratic society.

I am convinced, unaterably so, that property taxes, which must increase if we are to educate our boys and girls properly, have a direct bearing upon the quality of people who are elected to boards of education, and I am not deprecating the efforts of those boards of education who serve without pay and are dedicated to the task that is before them. I think, however, that it can be documented throughout the State of New Jersey that considerable numbers of board members have been elected solely on the promise

that they will watch the school dollar and eliminate waste in education. I am not aware of waste in education, but we are going to eliminate it anyway. These people of whom I am speaking at the moment do not possess the qualifications necessary for them to make the wise policy decisions necessary for boys and girls to deal with the future. Not only are some poorly-qualified members elected to boards of education, but communities are often split, and split right down the middle, in their arguments over money, to the degree that we lose almost complete sight of our reason for existence in the public schools to provide for the needs of boys and girls. Children in situations of this sort tend to become numbers - numbers to be shifted around at will, in order to save a few dollars.

Now, I firmly believe that until such time as the State of New Jersey assumes its responsibility as the major governmental source that is responsible for education, until New Jersey assumes its responsibility for financing public school programs, we shall continue to have educational programs in many communities throughout the State which are determined by expediency rather than by the need to provide each child with the type of educational program best suited to his need and abilities. This, I think, is what we believe in this country. I know we believe it. In order to implement it, it is essential that the State assume its responsibility. Education is an investment in the future, and the future of our children depends upon the wisdom of the decisions which we as adults make today.

Thank you very much.

MR. ALEXANDER: Thank you. Are there any questions of Dr. Kimple?

Next, the Somerset County Committee for School Support, Mr. Deily.

R. L. D E I L Y: Gentlemen, Members of the Tax Policy Commission, Chairman Alexander: I am chairman of the Somerset County Committee for School Support and also Mayor of Green Brook Township; also, incidentally, a Lehigh man. I haven't found any of those yet today.

I have not made a prepared statement, because in listening in the relatively short time that I had the opportunity to listen today, and I am sure over the three days that you people have been listening, practically all of the statistical arguments have been advanced.

I want to say first of all that I personally and the Somerset County Committee for School Support and its affiliated organizations are for good education at the reasonable costs which are determined under our system by both the professional educators and the local school boards. I think that the needs for increased sums of money to be spent in the schools are self-evident. Amongst other reasons about which we can argue not at all is the fact that its population is increasing and if it costs X number of dollars to educate one child, it will cost 2X to educate two, and so on. So that going from this base that we need good education and we are happy to pay for it, the major item of interest is in the existing tax method

for getting money for school support which, of course, is primarily in property tax. I am speaking as an official of a town, as well as a citizen, to say that this gives us a great deal of difficulty and problems. What we need, with the relatively high property tax that exists and the lack of equalization between communities, is to develop the concept of bringing industry into the State at the local level in the same way that we have to bring, in one way or the other, ratables into a community, in order to keep our property taxes from going ever higher and, of course, as they go higher, this increases the difficulty of bringing in ratables. In addition, property taxes - and I haven't heard this point brought out, although I am sure it has been - are a fixed charge on the taxpayer, from which he cannot escape. There is no choice in regard to property taxes. He must pay them if he intends to keep his house.

Other sources of tax revenue, which would result from a broadened base of tax, are discretionary on the part of the taxpayer to a certain extent. Certainly, a sales tax is discretionary, since not everyone has to buy the things on which taxes are put. This is particularly true, I believe, of older folks, and I have seen evidence of this in the community where older folks - in a community like Green Brook and other parts of Somerset County - taxes are up to $60 or $70 per month, and with persons on fixed income this becomes a very difficult matter to support and, in fact, has already and will continue if the taxes are not

kept at their present line or relatively lower, and force such people to sell their homes.

In addition to this, just as another bad effect of it, such people are not likely to be interested in improving their properties, and so on, which is, as anyone knows, particularly for retired people, one of their prime sources of satisfaction to them, but very often they feel that if their properties are improved their taxes will go up. This also is a vicious circle.

For those people, sales tax or income tax, either one, broad-based tax, are considerably more discretionary than property tax. In fact, they are discretionary and property taxes are not. Older folks, as everyone knows, do not need to buy so many things and, therefore, they will pay a lesser proportion of taxes, which is in accordance with their generally reduced income.

Again, the basic reason that the school support group is interested in a broad-base tax is, of course, assisting the schools by increasing the amount of aid to the local communities, and I want to emphasize again that I personally and the Committee are for increased aid so that the various programs that we feel are necessary may be conducted by the school, the lack of which was illustrated so graphically by the preceding speaker.

There is another point which I have not heard raised, although I am sure it has been, and that is a form of tax and, in this case, a state sales tax, will bring in revenue from out-of-state people to the State.

All of us, I am sure, do a good deal of traveling and certainly we of New Jersey frequently buy things either in New York State or in Pennsylvania, and we supply to them a very considerable source of revenue which is not reciprocated. I feel, on this one point alone, that a state such as New Jersey, with its geographical characteristics, can scarcely avoid getting back, one way or the other, some of this revenue. And, of course, we have that kind of situation with the income tax which has been under discussion.

Finally, and on somewhat related lines, speaking for myself, I believe that there is a source of tax revenue which could be brought up, which is not a broad-base tax but a specific tax, and this is the ton mile tax on truck transit through the State. Again I haven't heard it, but I am sure it has been brought up.

Incidentally, I feel, since I live very close to Highway 22 and do a great deal of driving, as a great many people do, that the enormous increase, the almost logarithmic increase, in the usage by the trucking companies of the highways, which could be documented very easily, and within the last 10 years particularly, for heavy freight, such as steel, coal, or cement particularly, and other such items, has taken away from the railroads of the State of New Jersey a major source of revenue, and this in turn has taken away from the communities that are taxing the railroads a major source of revenue, and they are using the public highways without any compensating return to the

State, and I think this is a source of revenue which should be looked into.

Thank you, gentlemen; I appreciate your interest.

MR. ALEXANDER: Thank you, Mr. Deily.

May I ask you whether there is any place that you suggest we go for current information on a possible ton-mile tax. I know the matter was before the Commission in an earlier year, but based upon the facts as at that time. I am sure you are not going to say the Truckers Association.

MR. DEILY: Mr. Alexander, I suppose that one would say the Railroad Association. Incidentally, to point out something of a personal reason, I am a Sales Engineer and I have been working in and around the steel industry for a good many years so that I know from personal experience that within the last 10 years I saw the steel companies go from shipping a major proportion of their product by rail to shipping it by truck. I saw it. I saw them do the necessary changes. The same thing has happened with cement and I have been involved in a very minor way with some of the engineering phases on that.

This is not answering your question. I am afraid that there would be no sources of information on that particular point that I am aware of. I just don't know, but certainly it is a matter of observation which is incontrovertible that this has happened. I would go to the railroads, although they are obviously biased, but they still may have some information.