

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

before

THE COMMISSION ON EFFICIENCY AND ECONOMY IN STATE GOVERNMENT

Held:
June 3, 1977
Council Chambers
Municipal Building
Cherry Hill, New Jersey

COMMISSION MEMBERS PRESENT:

Senator Alene Ammond, Chairman
Assemblyman Martin A. Herman

ALSO:

Patrick Brady, Research Associate
Legislative Services Agency
Aide, Commission on Efficiency and Economy in State Government

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EXHIBIT B

Page 1

THE COMMISSION ON ECONOMIC AND SOCIAL DEVELOPMENT

1971

1971

1971

1971

1971

1971

1971

1971

1971

1971

1971

1971

1971

1971

I N D E X

	<u>Page</u>
Charles Prato Superintendent Eastern Regional Schools	1
Stewart Alperin Director Jewish Community Center, Southern New Jersey	6
Ronald Watson Resident Cherry Hill, New Jersey	7
Richard Rohrbach Engineer Cherry Hill Township	13
Rosemarie Hospodor Councilwomen Cherry Hill Township	15
Richard Shirley ITT Diversified Credit Corporation Cherry Hill, New Jersey	17
Betty Martin ITT Diversified Credit Corporation Cherry Hill, New Jersey	18
James Anzide Superintendent Berlin Schools	19
Ann Foley Member Haddonfield School Board	25
David S. Myers, Jr. Cherry Hill, New Jersey	27

SENATOR ALENE S. AMMOND (Chairman): I think we will get started. To my right is Assemblyman Martin Herman from District Three. To my left is Dr. Patrick Brady, who is the official Legislative Staff Aide to the State Commission on Efficiency and Economy in State Government. The Commission was established pursuant to legislation which I sponsored and was passed by both houses. It was passed around January of this past year. The Commission then received an appropriation - which was as a result of legislation as well - and voted to hire the Wharton School of Finance to begin an in-depth management probe of State Government.

This is the first time in the history of New Jersey that a professional in-depth management probe has ever been conducted of this scope. We have had smaller management studies before, but never anything in such a wide scope. We feel that probably the next area that we will go into will be the Department of Education. We are using the management fifteen-eighty-five theory, and that is, that fifteen percent of all government agencies spend eighty-five percent of the tax dollar. So when you do a management study, you go into the fifteen percent or the largest spenders first. This is not a secretary by secretary study or an employee's happiness type study. This study is geared toward, one, efficiency, productivity, management by objective, and management by result. The object is to examine the decision-making process to eliminate, wherever possible, any duplication, to streamline and to stop decisions based on political considerations, rather than management considerations. In short, what we would like to do - and it is a monumental task, but it can be done - is to see government operate as if it were a successful corporation, and as if it were spending its own money and not ours. Sometimes what happens with government is - since they are spending our money - they tend not to relate to it as if it were their own corporation.

The members of the Commission are myself as Chairman; Senator Bernard Dwyer, who is the head of the Appropriations Committee; Republican member Garrett Hagedorn; Alvin Lycee from industry; Marge Myngaarden from North Jersey; former Assemblyman Russo, a Republican; Martin Herman; Alina Miszkiewicz, Assemblyman from Jersey City; Walter Kavanaugh, a Republican, and an Assemblyman from North Jersey as well. It is a ten-member Commission.

I would like to now begin. If there are any witnesses who have not given me their names, they may do so now, but I think we have everybody. I think I am going to start with Mr. Charles Prato, who is the Superintendent of the Gibbsboro Schools--- I am sorry, the Eastern Regional Schools.

C H A R L E S P R A T O: I wish I could have heard your opening remarks, Senator, before I prepared this statement. If we are concerned with efficiency on the local level, ultimately what is important is what is happening to the boys and girls in the elementary and secondary schools and junior colleges of our State. I think that is why we all exist, and that is why the State Department of Education exists, and so on. On that basis, maybe my remarks will have some relevance to your topic today.

I would like to preface my remarks with some historical background, though, which might be useful in providing perspective. The State Legislature is directed in the New Jersey Constitution, specifically by an Amendment in 1975, to "provide for the maintenance and support of a thorough and efficient system of free public schools." The Legislature can, of course, delegate this responsibility or aspects of this responsibility to the State Board of Education, and the Commissioner.

In 1957, Russia successfully launched sputnik, and apparently assumed the lead in space technology. This accomplishment triggered a severe public reaction. Many critics of American education emerged. Rudolph Fleisches' book, "Why Johnny Can't Read" became a best seller. He was joined by Rickover, Best and a plethora of cynics and dissidents. At this time, America found itself in a period of relative affluence. The post-war boom in the birth rate was increasing school enrollments. The public demanded a high priority for education. Thousands of studies were designed to improve our knowledge about the teaching of reading and the learning process in general. Math and science were also emphasized.

The National Defense Education Act was passed providing additional funds for the purchase of math and science equipment. There was a marked increase in the number of students who opted to attend college. The College Entrance Examination Board reported incredible increases in S.A.T. scores around the country. In essence, the period 1957 to 1967 was marked by a virtual educational renaissance, which was fueled by prosperity, increased student enrollments, and a desire to win the space race.

Now that we have a brief historic perspective of '57 to '67, let's look at what has happened from 1967 to the present time, and some of the factors which have, in my opinion, mitigated against the continuation of the kinds of educational improvements which marked the earlier period.

The period 1967 to 1977 was marked by the end of the baby boom, the beginning of a decrease in enrollment in many school districts; the Viet Nam war, which, although it began in the late fifties, had its greatest impact in the United States after 1967; student activism which probably reached its pinnacle at the Kent State protest in May, 1970; an increase in the number of senior citizens and people on fixed incomes, social security, pensions, et cetera; considerable attempts to reform society as a result of the race riots in urban areas. The Watts riot took place in 1965, and locally the Newark riot in 1967; the end of affluence for millions of Americans because of higher taxes, inflation, and limited employment opportunities. As if these antecedent conditions were not enough, it is my position that the courts, Congress, the State Legislature, in an attempt to solve the problems of the society over-reacted, over-legislated, and in short delivered the final blows of the coup d' grace to the public school districts. Trouflers' book "Future Shock" outlines reasonably well the effects of rapid change on the mental health and welfare of individuals.

The school districts have not been immuned to this problem. While attempting to cope with societal change, the rapidly increasing volume of knowledge, the expanding curriculum, automation, et cetera--Schools have been literally deluged by proliferation of court decisions, laws, rules, and regulations which have seriously impacted on the human and financial resources of our school districts. I am not saying that taken individually these decisions, rules and regulations are unholy nor am I attempting to judge them at this time. What I am trying to say is that the rapidity and the extent of these requirements, their accumulative affect in the past five years or so have impacted so hard on school districts as to virtually paralyze them. Specifically some of the legislation creating this situation is in the area of negotiations, and collective bargaining.

Since 1968, and the establishment of Chapter 303 and the passage of Chapter 123 in 1974 - which enlarged the scope of collective bargaining in the public sector - these rules and regulations embodied in the law have placed great stress on school districts. It would be interesting to learn the cost to the school districts and to the state - and the taxpayer pays for it either way - of negotiations, mediation, fact finding, and arbitration that has been generated since 1968, not to mention the time and attention lost on the true purpose of education.

The impact of court decisions limiting the control and standards schools can impose upon students, the impact of age eighteen, the right to drink, vote, et cetera. The Civil Rights Division and the dimension they have added to the 1964 Civil Rights Act ranging from co-ed gym to maternity leave pay for teachers, and affirmative action, employment and educational practices. Taking one little side light on integration and busing, the litigation generated by the above mentioned legislation we can illustrate by two towns, Luling, Louisiana, has been hit with lawsuits of more than \$5 million, and Hammond, Indiana, schools have spent \$11 million since 1973 on the process of desegregation. Every couple of years the rules and regulations regarding special education have changed or expanded. Each year the specifications for school buses have changed. The only certain result of these changes are manifested in increased costs of school buses to the district. A bus which cost \$7500 a few years ago cost \$15,000 now. Almost every law passed has a price tag attached, a price tag which the taxpayer must pay.

How many of these new rules and regulations concern themselves with the process of education, and yet they affect the schools and they impact on the schools. On top of the list we have the legislation related to or embodied in Chapter 212, the Public School Education Act of 1975, better known as T and E. Chapter 212, however, concerns itself at least with the process of educational planning and can result in schools that are more accountable and responsive to the needs of our children, parents and communities. Again, in summarizing, I am not saying that any one of these laws, decisions, or rules in themselves are not needed. I think the point I am trying to make is that the rapidity of this change in the last five years, especially, has impacted so hard on schools and at the same time they were financially burdened because of the high increase in taxes, and were not able to put on any kind of real administrative help, and so the existing administrative staffs have to cope with these changes in the rules and regulations. They have been a very serious problem, and I am not mentioning or getting into the business of all the myriad of forms and the bureaucracy that accompanies all this legislation and all this change.

The administrators of the public schools of our State have been driven further and further from the classroom and further and further from the educational process. Thank you.

SENATOR AMMOND: What you said was very relevant. Many of us feel that way. That is why I said the next Department we plan to go into is the Department of Education as it relates to the local level and the school systems. We do not want to interfere with the process of education, but see if we can possibly streamline it by stripping away the levels of bureaucracy that have been created over the years. We felt that with the first study we wanted to go into an area where we would be fairly welcome and the study would not be sabotaged. In a particular Department where the bureaucracy is very, very strong and vigorous, we stand a chance for being completely sabotaged and not being welcome. If that happens, then the first part of the study would not be successful, because the Wharton economists said there was no way they could work or do a study where they were not wanted, because there are many ways in which people in the management of the Department could hurt them or sabotage them and withhold information.

We too believe, and Assemblyman Herman can speak for himself, that education is the next target. The process of education is getting further and further away from the child. It is becoming an entity and bureaucracy unto itself, for its own end, and not for the end of educating the child. So what you have to say is extremely

relevant. I think there will have to be more superintendents and administrators - and even the teacher's union, if you can get them on your side - working together to start to change this. We are polarized now. We now have management, and we have labor, and very often management isn't even management any more, because labor has now infringed in those areas, particularly when a school board may have members that have some connections to the labor sector, and it makes it very difficult. I am very pleased with your comments.

Assemblyman Herman, do you have any questions?

ASSEMBLYMAN HERMAN: In reference to your observation that the Administrator is being driven further and further from the classroom, if I could ask you to plug in some examples of how you feel that the school system which, of course, is part of the overall state school system could be better served and produce the same quality of education that it has previously produced in a more efficient manner by returning to some of the basics that I assume you allude to; how would you respond?

MR. PRATO: Well, I would respond this way: As I mentioned in Chapter 212 or Thorough and Efficient, because it concerns the process of education, I think after the smoke cleared that most of the superintendents now are really not opposed to it. The only thing they were opposed to was the fact that it came on the top of so much activity that they have not adjusted to yet, but what I was alluding to was the negotiations process. Since 1968 a superintendent has to prepare, if he is going to be the official negotiator, or the person to do the collective bargaining for the Board or any other function. He has to take time to study the contract that is prepared by the NJEA, the model contracts that most teachers associations or unions - association is a euphemism, the word should be unions- use in collective bargaining. He has to study the impact of such a contract, and all the clauses, and the whole system, to participate at the meetings that sometimes go on three or four times a week, so that doesn't leave him too much time for getting into the classroom or to work with Committees of teachers concerning curriculum improvement, articulation of curriculum and all the other necessary problems.

If he has to spend the next day surveying fringe benefits and salaries all over the county, he is not going to be too efficient as far as any educational changes that take place. Principals and middle management have to get involved in negotiations. Anyone involved with the school district is eventually involved in negotiations, and that doesn't even get into the business of attitudes and the problems that you allude to or the division between the unions and administration, and so on and so forth.

ASSEMBLYMAN HERMAN: How would you propose to solve that, if I may ask?

MR. PRATO: Well, for one thing, and this is just an opinion given more time I think I can document or present a good argument in its favor we had no right getting into this business of collective bargaining in the public sector, because we are not profit making organizations. Every single increase in fringe benefits or salaries are paid for by the taxpayer, not by a corporation that is making millions of dollars and paying dividends. I don't know how we got into this in the first place. Now, if we take a darn good look at why we got into it, I would suspect that many people were sponsoring bills advocated by a vested interest group, namely, the NJEA. They are all vested interest groups who eventually sponsor or get sponsored or push this kind of legislation in which the impact of this legislation, the cost of the legislation, is never really studied before it is passed.

ASSEMBLYMAN HERMAN: Are you suggesting that we abolish collective bargaining?

MR. PRATO: That would be my opinion, yes.

ASSEMBLYMAN HERMAN: And what would you substitute in its place?

MR. PRATO: Some governmental agency, some regionalization kinds of negotiations, or some state agency that would study the situation, the supply and demand factor--- Because it is kind of ludicrous with thousands of teachers not being able to find positions, and we are still forced to give 9% and 9 1/2% increases across the board. I am talking about administrative salaries, middle management salaries, custodial salaries, secretarial salaries. The secretaries end up becoming part of the unit, and now they are backed by the association or the teacher's unit, and you have to deal with them. That is just one area.

ASSEMBLYMAN HERMAN: I would just like to ask you one more question, because I know we have a lot of witnesses. In areas other than collective negotiation, union versus management, in the classroom you mentioned the impact of laws, decisions, rules and regulations; is there an area of regulation that you could point to that could be better handled in a more efficient and economical way that you know of, an area where present rules and regulations make that difficult?

MR. PRATO: Yes, I say the cumulative effect of all these makes it difficult. Now, if we concentrated on the type of legislation that is in Chapter 212, minimum standards, basic skills, accountability - if we had centered on that kind of legislation in the last five or ten years, and not things like affirmative action, which takes a fantastic amount of time in our schools, if we were concerned about curriculum, if we were concerned about passing a law which mandated that every school have a thorough in-service training program for teachers, that kind of legislation impacts on kids, not just on administrators.

But when you are told even though you have sixty-five applicants for a secondary English teaching position, you have to go advertise in NOW to make sure that more women apply, or you have to advertise in some journal that is printed in Newark so that more minority groups apply, it is kind of ludicrous when you have sixty-five applicants already for that particular position.

Just to digress for a moment, in the newspaper last night it said that thirty-eight sponsors in Congress have signed some kind of a petition to also include in the 1964 Civil Rights Act homosexual rights. Now, taking this affirmative action to its logical conclusion, it means that we will now have to advertise every time we have a position open in certain journals that homosexuals have access to, which is distributed in New York City or San Francisco or somewhere else. It begins to get a little ludicrous, and that is part of affirmative action. You must make a resolution that you are attempting to attract minorities to apply, whether or not you have sixty or sixty-five applicants or not. And when you think of women as a minority, almost 100% of the elementary school employees are women. In secondary schools we are about 50-50, except for cafeteria employees and secretaries, and so on, which is 100% women. And, yet, we have to prepare reports like you wouldn't believe to the affirmative action people in Trenton. We don't get any answers either, as to whether these plans that we have been required to make to send up there are approved or not approved. We don't know.

ASSEMBLYMAN HERMAN: We thank you very, very much.

SENATOR AMMOND: Thank you. The next witness is Mr. Stewart Alperin, Director of the Jewish Community Center, Southern New Jersey.

S T E W A R T A L P E R I N: Thank you. Senator, my purpose today is to speak about the nutrition program for the elderly which is currently sponsored by the State of New Jersey with Federal Funding under Title 7. As the Committee is aware, there are a number of nutritional sites throughout the State of New Jersey.

It is our feeling that in Camden County the needs of the Jewish elderly are not currently being met. That is because the nutritional sites are scattered throughout the county under the sponsorship of one agency. You may be aware that Title 7 indicates that ethnic needs should be satisfied in nutrition centers. Because of that, the State has indicated that those elderly Jews that need assistance, those who fall below the poverty level and cannot maintain their own dietary needs, may be served kosher foods.

In some parts of the State that is provided through a centralized service sponsored by a Jewish agency. In the southern part of the State, especially in Camden County, that is not the case, and the generalized sites are asked to provide this kosher food. We don't believe that this is sound sociologically for the Jewish elderly who have other needs besides nutrition, nor is it sound from a standpoint of accessibility to the site, because they have no transportation, and therefore it costs them a considerable amount of money to be transported to the site. It is also not sound from an economic standpoint, because the cost in providing kosher food at the sites in Camden County would be much higher than is provided at a centralized site. We have suggested to the Department of Nutrition that the Jewish Community Center be considered as a site. If that were possible, we, through the services of the Jewish Federation, would be able to provide kosher meals at a much lower cost than they would be provided for now, whereas they are frozen foods, and they would cost as much as \$3.60 per person. The current food costs in New Jersey in the nutrition program run from \$1.56 per person to \$2.61 per person. It is our feeling that through provision of food on the site, which would be 100% kosher, the food would be at a much lower cost.

SENATOR AMMOND: Can I back up a little bit? This is under Title 7; it is federal funding that comes through the State of New Jersey, handled by the Department of Community Affairs, who then gives the grants to the county freeholder ward who then decides which agency shall get this particular grant; is that correct?

MR. ALPERIN: That is correct.

SENATOR AMMOND: Now, in Camden County am I correct in the fact that it is the Salvation Army that gets the nutritional funding for this particular area?

MR. ALPERIN: That is correct.

SENATOR AMMOND: And up until now, even though it is supposed to be provided, they have not provided kosher meals to the Jewish elderly under this funding; is that correct?

MR. ALPERIN: They have indicated a willingness to provide the kosher meals. The problem is that the elderly Jews throughout Camden County do not live near the sites, and therefore have been unable to avail themselves of them. When they have been at certain sites, they would provide frozen meals, and the cost of frozen meals is substantially higher.

SENATOR AMMOND: The sites they have chosen have been dispersed around the county, and what you are saying is that these people cannot get to the location where the meals are provided and the meals are much more expensive anyway, under this particular program?

MR. ALPERIN: Yes. There are two factors. The sites certainly meet the intent of the law, but they don't take into account the needs of the special group, such

as the Jewish elderly with special dietary needs. Elderly Jews do not live in any one particular area of Camden County. They live throughout the entire county, so if the Salvation Army establishes a site in Collingswood, that may serve the elderly residents who are within walking, or close riding, distance of that site, but it doesn't satisfy the needs of an elderly person who may live in Bellmawr who can't get to that site. We proposed to the Department of Nutrition that were the Jewish Community Center selected as a site, we would make every effort to bus the participants to the building, so they could be brought from all areas of the county to one specific spot where they could avail themselves of these meals.

SENATOR AMMOND: What do you project as the cost savings if you were to handle it in your manner?

MR. ALPERIN: Well, our feeling is that through our providing food, we would be toward the low end of the scale, rather than to the high end of the scale, a savings of only \$1 a meal amounts to \$100 a day or \$20,000 a year.

SENATOR AMMOND: That is a lot of money. May I ask if you have had any problems in dealing with the Department of Community Affairs under their nutritional program that you would like to bring to our attention?

MR. ALPERIN: The only problem has been the lack of response. It has been some time. We have had some meetings with them. We get the impression that the basic concern is on cost efficiency, and we respect that. In this particular case, the concern to derive cost efficiency really ends up costing more. So our problems really with that Department would be to help them understand the needs of Jewish elderly. Their needs are somewhat different, because of the dietary laws, than other elderly.

SENATOR AMMOND: But you have met no resistance.

MR. ALPERIN: Well, we don't have a program yet.

SENATOR AMMOND: All right, then you have met resistance, passive resistance. How can this Commission help you with that? If you would give us a report in writing, we will write as a Commission to the Department of Community Affairs with respect to the cost savings that is available under your plan versus their plan. Would you like that?

MR. ALPERIN: That would be fine.

ASSEMBLYMAN HERMAN: I have no objection, since the Senator does represent the Cherry Hill district, and represents it very well, I might add; I might point out that I have no objection, as a Commission member, and I would assume, knowing the rest of the Commission members, that if you contact the Senator directly certainly she can make direct inquiry on behalf of the district as well as the Commission, with the committee staff. Maybe that would be helpful.

SENATOR AMMOND: Thank you very much. The next witness is Mr. Ronald Watson from the Federal Reserve Bank, who will be speaking with respect to banking needs.

Mr. Watson, could I have a two-minute recess, please.

(Whereupon a recess was taken.)

SENATOR AMMOND: Mr. Ronald Watson, speaking for the Federal Reserve Bank in Philadelphia. You are a New Jersey resident?

R O N A L D W A T S O N: Right. Thank you, Senator. I am here today, not as an official representative of the Federal Reserve Bank of Philadelphia, or the Federal Reserve System, but simply as a resident and taxpayer of Cherry Hill. I have no special expertise in the area of managing state government activities or transportation

in particular, nor am I here as an academic type person. I am sure the consultants at the Fells Center will do a terrific job for you reviewing the literature that the academics and the other state governments have been able to churn out with regard to their transportation departments and what might be applicable to New Jersey.

Instead, what I would like to do is restrict my comments to the experiences of my own organization, Federal Reserve Bank, in its operations improvement program, which has been in place for about two years now. Since we are a quasi-government or agency, we are not entirely comparable to a Department of Transportation type agency in New Jersey or any of the other state agencies, but we are still government, and the similarities may be close enough for you to benefit from the experiences that we have had.

Just a minute or two of background, in case you are not familiar with what the Federal Reserve Bank is and does. Basically, we are a bank for bankers. We lend money to banks. We clear checks for banks. We hold and sell securities to both banks and the public. We provide coin and currency services and things like that and we examine banks. We have some very important policy tasks in conducting national monetary policy, but they are done primarily in Washington and in New York.

Overall, I would say that our organization is a fairly broad mix of policy and operational tasks, so in that sense it might be fairly close to a state agency, having a variety of different things to do. From 1960 to 1973, or the sixties in general, the Fed. grew very fast. Congress assigned it a lot of new jobs to do. We were getting involved very heavily in dramatic changes in our automation processes, and there was very little budget pressure, because the national economy was expanding fairly rapidly. An unfortunate result of this lack of pressure and this rapid expansion was that our own operations, frankly, became a little bit loose. Costs rose a little bit too high. The quality of the services that we were providing to the banking system deteriorated, and our relative standing in the Philadelphia Bank - vis-a-vis the other Federal Reserve Banks - slipped a little bit. In 1974, a commitment was made by higher management of the bank to tighten our operations up and to tighten it up significantly, so that we would be providing a better level of service at a lower cost, if at all possible.

Since 1974, the results have been much better, thankfully. Employment dropped from a 1974 peak of 1500 employees to a 1977 current budget level of 1232. It is not very common, I would wager, in government agencies to cut employment by some 20%. The budget of 1977 over 1976 is up a little less than 5%, which doesn't even cover inflation. The projections for the '78 budget over '77 are up between 3% and 4%. So there has been cost control in a very serious sense of the word. Service quality has been improved immeasurably, and all of this has been done in an environment where the number of tasks that we do has been increased almost constantly by Congress, as they add additional reporting and monitoring functions in the equal credit opportunity area or the housing, or redlining area or so forth.

In short, our operations are in much better shape. Now, the point of this review is to give me an opportunity or a base for showing or suggesting to you several factors which we, in looking back over what's been done in the last couple of years, have found to be very important in whatever successes we were able

to achieve. The first thing that seems to be crucial, as we look back and analyze it, to the success that we have had is that there has been a very, very serious commitment on the part of top management to achieve these results. This program has not been treated casually, and it has not been given any lip service. In fact, it is the absolute sheer determination almost of one man, but of a group of senior executives, that this program would be accomplished and would be successful that has made it clear to everyone in the organization that cosmetic changes just simply would not suffice. A knowledge that the program would not soon fade away or that an upturn in the economy would not soften the pressure has spurred everyone to make it his or her effort to economize a bit more serious.

It has also instilled fear that failure to cooperate would damage one's career chances. I realize that the Federal Reserve is not a Civil Service bound agency, and that may make its operating processes and its constraints very different from those of a Jersey State agency, but I am very sure that in the short-run fear and concern over one's employment opportunities does create some of the incentive needed to get this kind of program off the ground, to get it moving, to create a consensus that it is going to be effective. If our experience at the Fed. is applicable, the Governor and the Legislature must demand sincerity of the state agencies who are being asked to make these changes. Being in favor of it simply isn't going to be enough. Going on record as saying we are in favor of economy isn't there. They have to be willing to demand success and to treat failure as something that isn't going to be tolerated.

The second factor that we think contributed to the successes that we have had is that we have learned to set very, very specific goals. I am sure you have all been innundated with the management by objectives literature and the management by results, and all the other buzz words that go with this kind of a field until you are sick of it. I am not going to try to give you any more insight into that technique. However, by trial and error, we have discovered the extreme importance of setting goals that are very specific and very easily measured, even at the sacrifice of setting some broader goals and setting some policy kinds of goals. The fuzzy goals in our experience just simply did not produce any results. As a for instance: If we allowed a department to define its goals as improving service to member banks in clearing their checks, the results were almost zero. The goal was too fuzzy; there was no perscription as to how the results would be measured.

Alternatively, in the second year of the program, if the goal was defined as improved service to member banks, A, by increasing the volume of checks processed by 8% by December 31, 1977, and cutting department costs by 2% by December 31, 1977, and simultaneously reducing processing errors from one in 15,000 checks processed to one in 25,000 checks processed by that same date, that goal worked. That one produced the results that we wanted. It was the same goal as the previous one, but its motivation power was far stronger. It was tangible. The evaluation criteria were clear to everyone involved, both management and the employees, and in fact, we found that putting goals in dollar terms whenever possible created an even stronger incentive to meet them. They seemed more tangible, more real, and somehow more important when it was stated in terms of dollar benefits produced or dollar costs cut.

The final observation that we have on our own experience is that it is very, very important to create achievement incentives. What I mean by that is that public employees are really no different than any other private sector employees. They are willing to cooperate, all things being equal. The problem is that in any kind of an operations improvement project, the employee understands very clearly that there are some risks to this process of change. There is a risk of layoff if the efficiencies are too great. There are risks of enormous operating problems in the transition from one method of operation to another, problems that cut into free time, that create aggravations that stop you from sleeping and so forth. There is also the risk that the employee might not like the job that he has after this operation change occurs, whereas he knows he likes what he does now. The response is a perfectly natural one. Under these circumstances, I think government leaders are obliged to find ways to overcome this resistance and uncertainty with some very specific policies that lay out the ground rules that will be followed on transfers, layoffs, and so on, anything that will help the employees to reduce risk, to reduce their fear of the uncertainty that lies ahead as the changes are affected.

Now, that is one way. The reduction of the risk is one way to overcome this resistance. Another way to overcome the resistance is to make it worthwhile for the employee to bear the risk. This is somewhat sort of the opposite side of the coin. How? Well, the obvious way is by financial incentives to do so - rewards for high productivity or unusual innovativeness. I am not sure to what extent New Jersey has in place incentive systems that will reward people for being productive or for offering good new ideas on how to process work, but I think they have been reasonably effective when we have introduced them in our shop. Bonuses for specific unusual services, frequently defined as some proportion of the savings during the first year or two, have been useful; widening the range over which salary adjustments at the end of the year can be made, I think, has given management a fair amount of flexibility; the right to really reward someone who has been cooperative and industrious, and the right to reduce the real salary, even if not the nominal salary, of someone who has been stonewalling.

This may be contrary to standard pay practices in government. It is contrary to the practices we were following two or three years ago, but currently we have the incentives running in the wrong directions. There is too much confidence that the public sector real wages will be protected in the long-run, and a fairly well-founded confidence, I think, that people - and managers in particular - are paid on the basis of the size of the department they run, and they have no incentive whatever for reducing the size of that department or the size of their budget. They loose. They can't do anything else.

As I say, this is contrary to standard operating procedure, probably, but I think if the State really wants unusual performance from its employees, it has to be ready to show some innovativeness itself in dealing with restructuring the work environment to give them credit for what they are able to do and able to effect by way of improvements.

A final observation is that you can get an achievement incentive not only through financial rewards, but through competition. Among agency offices, where services that are offered are measureable and comparable, you can create competitive standards to see who does best. In the Federal Reserve System, for instance, we have twelve district banks. Every three months, the

operating results of all of the line departments, with respect to cost, quality of operations and efficiency of operations are published within the system. You know where you stand relative to the other banks; you know where you stand relative to your goals in the management by objectives system, and that has been a very definite spur to production. Nobody wants to be at the bottom of the heap and wants everyone else to know that they are at the bottom of the heap. Even within an agency, publicizing interim progress reports on various functions, or how the functions are doing in meeting their goals may be useful even if there is no real comparative standard. I have not really thought this through, but it is possible that it might even be beneficial to tell the media what your goals are and what your targets are, and let them be the scorekeeper of the time. It could create problems, but it would create a real incentive not to change your targets in mid-stream simply because they were inconvenient or proved to be awkward.

Well, in short, if our experience can be transferred successfully to New Jersey government agencies, the State may find its efforts to streamline operations are enhanced by working to assure a continuing commitment of the leadership toward this objective, encouraging affected departments to set their goals out as precisely as possible and in dollar terms, if possible, by giving state employees at all levels a financial interest in being successful in this, giving them a reason to do it profitably and to do it imaginatively. Thank you.

ASSEMBLYMAN HERMAN: I would like to make an observation. I thought that was absolutely an excellent presentation, and I think right on key to the purpose of this Committee. The operation improvement program that you mentioned, which is the basis of your being here and your presentation, can you tell us how it functions, how it is implemented? In other words, what do you do?

MR. WATSON: I can't get into elaborate specifics because I don't run the program itself. One thing that we did was hire a senior or a vice-president level person and called him Operations Improvement Officer. That created a new position, and I am really hesitant to suggest anything that smacks of creating additional bureaucracy or anything that can sustain itself and continue its own existence sort of by inertia. But this man was simply responsible for looking everywhere that he could, talking with everybody, and being as helpful as he could be in keeping them on track.

The guts of the program was done through budget constraints and through management by objectives. All the programs, and all the expenditures were laid out each year. The Department Heads, the Assistant Vice-Presidents, the Vice-Presidents who ran sections and departments had to come to the senior officers with a program of what they were doing, how it fit in the bank's roles, where they were cutting costs, where they were showing real efficiencies and improving the services that they were delivering at the same time. That is all fairly fuzzy. It is nothing you couldn't conjure up all by yourself. But I think the thing that made it work was not the structure of the program, but the commitment, the knowledge all the way down to the toes of the organization that this was going to happen. There wasn't any question about it.

ASSEMBLYMAN HERMAN: Basically what you are saying is that a Department or Division wouldn't dare come in and say, "Well, we are operating as efficiently as we can; we don't think we can make any improvement," because that would have been unacceptable?

MR. WATSON: Yes, basically. Now that doesn't mean that there weren't such departments or that department managers didn't believe that, I should say. But somehow, somewhere, we always managed to find a few dollars more that it was willing to sacrifice, even by cutting a program to the role of reduced overall costs. Because very few government agencies I am familiar with don't have a program that isn't more a pet of the head of the agency than something that has been mandated by a Legislative directive. We have plenty of them. It is just a question of what you want to give up in order to serve the taxpayer a little bit better.

ASSEMBLYMAN HERMAN: Thank you very much.

SENATOR AMMOND: Your testimony was excellent. Do you believe that in State government a goal such as this is actually achievable? You are dealing with legislative factors, political factors, the public employee unions, and the unions that put pressure on the legislators and the governor to get re-elected. Do you believe such a program is actually achievable?

MR. WATSON: I wouldn't have believed it --- I would really like this to be off the record --- until I watched what happened in Philadelphia over the last couple of years with their budget problems, and the outcrying of hostility from people and the way that Mayor Rizzo was able to martial this public antagonism toward his budget in his dealings with the unions. Now, he has not necessarily established a basis for long-term reduction in wages in the public sector, and he has all sorts of problems with his budget, but still they have overshot it this year, and they probably will overshoot it next year. But there is an opportunity there, an opportunity which he used, at least in the short-run, to martial public opinion to keep those wage increases low, to keep them within budget guidelines. I think it can be done. Whether it will be done is a question of whether or not there is enough courage at the top of the ladder, and whether or not somebody is willing to sacrifice some political objectives or some social ones. I don't know.

SENATOR AMMOND: Well, it took us two years to get the Commission rolling because of the fear in government. After the bill was passed and we had a commitment from the Executive Branch, it took months to get the bills signed because of fear, and it was once again the risk factor, once we really convinced everybody in government that this was not a hatchet job, that they had a vested interest in it, we began to roll along. But how this turns out, we don't know.

We feel that hiring the most professional consultants - and I think that you agree that Wharton is probably the most professional along with a few others in the United States - that we have taken it out of the political realm and we have made it strictly professional.

MR. WATSON: Just as an aside, our staff reductions were affected, for the most part, without layoffs. And I am just guessing at the numbers, but perhaps 10% of the staff reduction is firings or layoffs, with appropriate severance pay, and assistance in finding additional jobs, and so on and so forth. A phenomenal amount of it could be handled, we found, by ordinary attrition in turnover, and reassigning and retraining.

SENATOR AMMOND: We thank you very, very much for your presentation. Thank you.

Councilwomen Rosemarie Hospodor and Mr. Richard Rohrbach, Engineer for Cherry Hill Township.

R O S E M A R I E H O S P O D O R: I think I am going to ask Mr. Rohrbach to start first. He has a few comments which I think might be of interest. They deal primarily with Cherry Hill's relationship in working with the various state agencies. Mr. Rohrbach is our Municipal Engineer.

R I C H A R D R O H R B A C H: Thank you. I have just a few brief comments concerning our relationship with some of the State agencies. I would first like to start out with the Department of Environmental Protection.

SENATOR AMMOND: So does everyone else.

MR. ROHRBACH: In essence there are two key points that I think bear some merit in discussion concerning efficiency. One deals with streamlining the procedures to expedite some of the processes that we are faced with in trying to get approval of some of our projects and programs. Through that I think it is going to be required to get more clearly defined procedures spelled out through the State agencies to streamline these processes and procedures.

The other aspect has to do with improved communications. I think there is a tremendous lack of communications between some of the State agencies and the local governments. Perhaps some regulations are set down, but unfortunately they don't seem to be getting in the hands of the people who should be getting them. They may be sent to the elected officials, and not to the people who have to perform the actual functions on a municipal level. I would like to get into something a little bit more specific in this area.

Starting with the State DEP, primarily the Solid Waste Bureau, I believe last year Senate Bill 624 was passed dealing with the resource recovery aspect and regionalization and solid waste facilities. One of the things that Cherry Hill is faced with now is the sanitary landfill that we are taking our material to. It appears that by the end of this year it is going to be closed. We understand that a private company has put in plans and specs. et cetera to the State DEP, Bureau of Solid Waste, to have another site open. Unfortunately, it doesn't look like the site is going to get open. The point that I am trying to make here is that it would appear that the Bureau of Solid Waste is taking steps to close landfills without providing any viable alternatives to the local municipalities as to how we can proceed to have our solid waste disposed of.

I think in this area we are in need of better planning before some of these steps are implemented at the local level. The Bureau of Water Resources, we had an incident that took place here in 1976, in which evidently some design parameters and procedures were changed up in that office, and municipalities and consultants in the area were never notified of those design changes. It resulted in delays in getting plans approved by the agency, which increased the cost, as far as engineering services are concerned. It is going to increase the cost further as far as the cost of construction is concerned, because of the delays involved in not getting this information out to the respective municipalities.

There is one thing I will say with respect to the DEP which I think has improved, and that is the 90-Day Construction Permit Act. I think here you have had a clear schedule set up, as far as a time element, for review of plans and specifications and there is 90 days under which action has to be taken, otherwise they are automatically approved. Perhaps, if we have a system developed whereby more time elements are considered, time constraints are considered for review of material that is sent to these agencies, it will help speed up the process and perhaps streamline

some of the red tape that we are getting involved with in trying to get more clear guidelines and approvals in our projects.

I would also like to comment on the State DOT program. I am a little bit concerned with the interstate highway program. I am concerned from the standpoint of the interstate highway system being bogged down as a result of changes in procedures that take place, perhaps at the federal government level as well as the State Government level, the kind that would require us to go back and redo some of the things that have already been done. We have a State highway system up in North Jersey, Interstate Route 78, which I believe should have been constructed and completed through the Union County area during the mid-sixties. It is my understanding that this is going to be the last section of the interstate highway system to be constructed in that area. It is a vital link to the Newark Airport area.

It would seem to me that if we are going to have legislation passed, that if a project gets far enough along, it should not be made retroactive to delay some of these projects from proceeding. I think the case in point I just cited is one case in particular where the project was moving along, the design had been authorized, and I believe as a result of the change in legislation it required redoing the design, the environmental impact studies, et cetera, which were not previously required. The cost of the project is estimated to be considerable.

One other comment I would like to make, and that has to do with the tie between legislation passed and the Administration getting involved with the interpretation of the Legislator's bill, whereby he is required to develop the rules and the guidelines. It seems to me that some of the Administration has taken it upon themselves to have kind of a carte blanche with respect to the rules and guidelines that it develops from legislation that is passed. I believe that the State has recently passed a bill which would require any rules and regulations developed by the Administration to go back to the Legislature to see that it is in concert with the original bill. I think, and I hope, that certainly if this does take place, it will eliminate a lot of the problems that municipalities have had with the Local Public Contracts Law.

In essence, I feel the State could perhaps improve their communication with their local officials. I think we can certainly act as a sounding board for many of the rules and regulations that are being promulgated prior to their actual implementation. I think there is a definite need to get the communications down to the local level, to those people who have to administer those rules and regulations. And I think there is a need for clearly defined policies and procedures to be established in these agencies and time limits and schedules placed on review of plans and specifications that are sent up to the various agencies. The red tape that gets involved with some of these reviews at times causes some further delays in that the ninety-day time period doesn't start until perhaps the last "T" is crossed and the last "I" is dotted. I think that again costs the taxpayers additional money. It delays the project from getting moved forward. Thank you.

ASSEMBLYMAN HERMAN: I sit here with sort of a dual hat, as not only Vice-Chairman of this Committee, but Chairman of the Assembly Legislative Oversight Committee, and I was just wondering whether at a future date - and Senator Ammond and I have discussed this - because these two Committees are very compatible, looking at the overall goals, efficiency and economy and reducing rules and regulations - if we can schedule in the summer months, I believe, a Legislative Oversight Committee

hearing in this area of the State - you would be kind enough to return at a future date with some amplification in those areas of the law or administration of the law where you feel rules and regulations have exceeded statutory authorization.

MR. ROHRBACH: I would be happy to return, yes.

SENATOR AMMOND: But, before you return, since that is somewhere in the future, I want you to know that your complaint is fairly widespread. But it goes back to Mr. Watson's statement originally, if at the top you don't have the Chief of State directing all of its cabinet officials and supervisors right on down with the ripple effect to avoid these things, you are not going to get change. Even if you have regulations sent back to the Legislature for review, you are again increasing the time process, and there has to be a better way to handle it. It goes back to management and that starts at the top. It is very difficult.

If more of the local officials could be recognized - and you have a Mayor's Association, and you have an Engineer's Association - and if you as a group could articulate and write down and establish some of these problems on paper, and give them to us, to the Commission, and send it to the Governor, we might get a more clearly defined goal as to what we should achieve. We are having problems in government because everybody is shooting off in their own direction. The larger the Department, the better the salary of the supervisor, and it all goes back to the same problem, from management to government or the lack of it. Do you agree?

MR. ROHRBACH: Yes, I do.

SENATOR AMMOND: We are not going to sit here and make big promises. It is a very, very difficult transition. We have to start now. We should have started ten years ago, but we didn't. There are many of us who are willing to start now. We have to be able to influence the Chief of State, and the more back up that we have from the community and from officials, the better the chances for achieving this goal.

MR. ROHRBACH: Well, also serving as the Vice-President of the Municipal Engineers Society, I will certainly impart your comments there as well.

SENATOR AMMOND: I realize that you are a very large, viable group and you had very bad experiences with government in the last four years, and we understand that. Even just removing the individual who is the head of the Department is not enough. You must change the whole management of government, the whole concept of how it is to be managed, otherwise we are never going to get anywhere. So if you will act as a body, I think it will do all of us a lot of good. I thank you very much.

Councilwomen Hospodor.

MS. HOSPODOR: I think Mr. Rohrbach basically said what so many of us feel, really, that there is such a delay, such a time lag between the rules and regulations, interpretations, guidelines, departmental requirements, whatever you might want to call them. I have one minor suggestion. It might very well be a good idea for some legislators to establish their own deadlines in the legislation. There is no reason why the legislation could not say that the rules and regulations promulgated by Department "X" shall be set forth to the municipalities or to whatever agency is going to be involved in them, by a specific date. I think we heard previous testimony here that sometimes that serves as an excellent motivation to get these things done.

I think the greatest example, of course, would have to be the income tax and the tax rebate system, whereby the administrative requirements and the rules and regulations and guidelines were changed five times. There were periods of time when the changes were occurring within twenty-four hours and municipalities were placed in total havoc. There was absolutely no regard for the fiscal impact that some of these state requirements would have on municipalities, the staff time involved. Cherry Hill was fortunate, much more fortunate than a number of other municipalities, in that we have a rather large municipal staff, and we certainly did take people away from some vital areas to put them into the tax assessor's office, and the tax collector's office. There were a number of smaller municipalities who had to get these rebate checks out who didn't really have the staff to call in to help them. I think it is unfortunate that the state somehow never takes into account the impact that some of its requirements are going to have on the various municipalities.

I think Rich's comments on the landfill can be probably echoed in the Department of Health with the new health financing regulations. Their municipalities were once again thrown into somewhat of a turmoil, a budgetary turmoil. We didn't know when the act was going to go into effect, was it this budget year, was it next budget year, what do we do in the meantime? It really was a very unfortunate experience. We have our own peculiar problems. It is very difficult for municipalities to deal with the State sometimes, because I think we are trapped in the bureaucratic maze, and no matter which way we turn, we become further and further entrapped. And the secret passage is shown to us, and then they change it and they never bother to tell us what is happening, so it is a very serious problem for us.

I think very definitely a questionnaire from the various departments of the state to the municipal agencies with which they deal is very much in order. I think that might serve the State to do a little bit of in-house evaluation. Why not take advantage of the user? Because, after all, government is basically a service organization, and evaluation is difficult for government because we have no product to evaluate. We have a service, and sometimes it is difficult to evaluate that service. But, certainly, the Department of Environmental Protection, for example, could contact municipal engineers, zoning officers, building officers, and building inspectors, that sort of thing, and find out just what the local municipal problems are in dealing with various State requirements. That way they might be streamlined.

I suggest--- I have just finished reading a book--- Incidentally, program evaluation is important for municipalities, too. I don't really want to be here and be a hypocrite. Municipalities have some of the same problems. We have our own bureaucracy; we have our own difficulties; we have our own rules and regulations, which many of the people affected by don't understand either. But, I would bring to your attention the fact that the Urban Institute has put out a series of evaluation programs for local government. I think an interesting case in point is just that fact. I ordered these shortly after I took office in Cherry Hill which was in 1975. We have our own bureaucracy here within this building. I just received my copies a week and a half ago. My term expires July first, so I am reading very quickly. They are called "Practical Program Evaluations for State and Local Government Officials." And I think some of the ideas you might find helpful.

I have a couple of specifics which I would like to mention. I have made a few notes. I think one slight change that could be made which would be

of great help to municipalities is to make concurrent the municipal and school district budgeting years. The school districts are working on a fiscal year and municipalities work on a calendar year, and the municipality is, of course, the collecting agency for the school district funds. It makes it very difficult to explain changes in the tax rate, because most taxpayers don't realize the budget years are non-concurrent. I think it is a simple change, but one that can be made to help everyone understand their local budgets a little bit easier.

I think another thing that can be done for municipalities is to eliminate the rather archaic cash reserve for uncollected taxes requirement, and instead permit municipalities where the credit rating is such to borrow the funds to cover the reserve for uncollected taxes and charge the interest rates on that loan, that temporary loan, the short term financing loan, to the delinquents. I think that would tend to stabilize the tax rate, and that is what everyone is interested in. I think, of course, this is exactly what you are doing in developing a practical program evaluation for all departments and once they have done that, to impart that knowledge to the municipalities, and to give some help to municipalities so that they too can follow the example and come up with their own audit or evaluation program, or whatever.

As the previous gentleman said - and I was really most interested in his testimony, which was excellent, the fellow from the Federal Reserve Bank - not only do they have to identify specific program objectives, but in government I think they have to identify the population segments, and the agencies that are going to be involved in that. And I think that is where the survey to individual municipal officials would come in handy. I think it is absolutely needed. The state might be enlightened, and I think the municipalities might be too. We may be wrong. We would like to find out. Thank you.

SENATOR AMMOND: Thank you very much. I am going to read out the next few names, so everybody knows where they stand. Mr. Richard Shirley, ITT Diversified Credit Corporation; James Anzide, Superintendent, Berlin Community Schools; Ann Foley, Haddonfield Schools; Mayor Robert Clyde; David Myers.

Mr. Shirley, would you care to come up now.

R I C H A R D S H I R L E Y: Betty Martin from our tax department will join me. We are in the One Cherry Hill Building in Cherry Hill. I will give you a little background on who we are. ITT Diversified Credit Corporation, which is our particular company, is a subsidiary of ITT Financial Corp., which is a subsidiary of International Telephone and Telegraph. We are engaged, our particular division, in the business of inventory financing. This is the stocking of inventories for businesses. We are not involved in the consumer lending field. Our local office is in Cherry Hill. That office employs sixteen people. We have a monthly payroll of a little over \$18,000 and annually comes out to a little over \$219,000. Our projection for next year is an estimated payroll of twenty-two people, and total dollars of a little over \$300,000. What isn't spent via the Federal Government is spent in the State of New Jersey, and particularly in this community.

In addition to our payroll, we are paying approximately \$15,000 in rent in that building. Our local vendor's printing stationery costs are about \$7500 a year. Other costs, which include local travel, restaurants, furniture and equipment total about \$71,000. The point of it is, we think that we are nice people to have in Cherry Hill. We spend some money in the State of New Jersey, and I would hope that the State of New Jersey would like us to remain here. We have relocated from

Pennsylvania in early '76. At the time, we were unaware that hidden in your tax laws was a little section which makes it just about impossible for us to make a profit in this State. The section, we think, was passed some thirty years ago. It was not meant to apply to us, I am sure, but it does. Betty has some figures prepared, and maybe she can give you a copy of it, telling you just what kind of effect it has on our operation.

B E T T Y M A R T I N: The handout I have given you is a comparison of the New Jersey tax impact on our particular organization - of course, these are rounded numbers - with the impact of Pennsylvania, Delaware and Maryland to the same operation. The section of the law that we are talking about is the section that requires us to add back to our income any interest that we pay to our parent company, being a related party, and, also, in the net worth section of the tax, requires us to add to our net worth any debt that we owe to our parent corporation.

In our case, we are structured so that the parent corporation does all of the external borrowing, and each subsidiary corporation then borrows from the parent company. We do this in order to obtain a much lower interest rate than we would have to if each subsidiary were to borrow from outside lenders on its own. So we do this for the sake of efficiency and economy and to increase the profits. The parent corporation then passes out the money cost or the interest cost to the subsidiaries based on their borrowings, and there is no profit motive at the parent corporation level, so there is no inflated interest rate being charged to the subsidiary. It is simply passing on the interest rate that the parent corporation is having to pay.

In the various surrounding states, there is no such section in the law which would require us to add back the debt to our parent to net worth or to add back the interest paid to our parent in our income tax situation. As you can see from the statistics that I have given you, it becomes very economically unfeasible for us to remain in the State of New Jersey. It makes it almost impossible for us to make a profit here. We are paying more than twice the tax in New Jersey than we would pay in Pennsylvania, for example, on the same amount of income.

So our concern is, there is some needed change in this income tax law, to make New Jersey more equitable with surrounding states. I believe there is a concern of bringing industry into New Jersey and keeping it here for economic reasons, employment reasons, et cetera. This Committee, I feel, could for us recommend such a law change to make the law more equitable to corporations such as ours.

SENATOR AMMOND: Well, I have been in touch with the members of your corporation, and I had written legislation to this effect. The Office of Fiscal Affairs has informed me that there is going to be a lot of resistance in our State Government. They will not put a price tag on it. They are only saying that such open-ended legislation to remove this particular clause would in all likelihood cost New Jersey a lot of money.

Now that I look at your figures - I didn't have anything to go on before - I am going to give this to the Office of Fiscal Affairs, and the Legislative Services, and the Department of the Treasury. I had no figures to challenge their statement, but I am going to now proceed to see what I can do about it. There is a really strong difference between our state and the other states. I appreciate this. The information is rather valuable.

MS. MARTIN: I think the example makes it very obvious as to why we must consider relocating. It is not by choice, but the economy that you are looking at here. We simply can't afford to operate in the State of New Jersey.

ASSEMBLYMAN HERMAN: Do you know how many companies pay this tax in New Jersey?

MS. MARTIN: No, at the moment, I don't.

ASSEMBLYMAN HERMAN: Are you paying this as an exception to the general corporate tax collection, or is this a general practice?

MR. SHIRLEY: We are aware of at least one corporation who left the State because of this. A lot of companies in our business borrow through banks, but our competitors, who are the people we are most aware of, have different borrowing practices, primarily. So we really have no figures. We don't know if this applies to shoe stores, or exactly why the law was passed. It is worded in such a way that it almost looks as if thirty years ago someone specifically went after some specific company and threw this in there. It talks about relatives who own the company. ITT is not a family owned organization.

ASSEMBLYMAN HERMAN: So we have heard.

MR. SHIRLEY: Yet it is just an example of a law that really does not make sense, and you are losing some employment probably because of it - not just our small sixteen people. We realize sixteen jobs---

ASSEMBLYMAN HERMAN: You mentioned one company. What company moved out?

MR. SHIRLEY: Part of a Ford Motor Company subsidiary was formerly located in New Jersey. They moved their office to New York.

ASSEMBLYMAN HERMAN: A credit type company?

MR. SHIRLEY: Yes, in our field. That is why we are aware of it.

SENATOR AMMOND: Dr. Brady has a comment to make.

DR. BRADY: The problem here is, obviously, this legislation as it is presently written may apply to many corporations in different types of circumstances. In your particular case, it may be such that a specific type of exemption may be in order without necessarily cutting the entire program. It may just be the way you finance your internal operations that works against you. There is a gentleman on our staff whom I will refer this problem to, so we can go through it much more specifically without necessarily cutting out the entire network of tax laws.

MR. SHIRLEY: We don't expect you to restructure your entire---

DR. BRADY: No; no. But it may be a manner in which you do your internal financing that is the cause of this problem. We don't know how it is going to apply to all the other corporations who are taxed under it.

SENATOR AMMOND: You see, the problem is, if it applies in a broad way to all the corporations that are taxed, the dollar amount and cost loss to the State could be very high. But we have to determine and ascertain whether we could give you an exemption on this, as opposed to the rest of the corporations. So what I think we are going to do, we will see if we can work with some of the people in Legislative Services to come up with some kind of an equitable solution.

I think there is an answer to the problem with the cost analysis you gave us here. I appreciate your coming. This is the kind of testimony we need from business and industry. We will contact you. Thank you very much.

Mr. James Anzide, Superintendent of Berlin Schools.

J A M E S A N Z I D E: First of all, I am pleased to have been invited here this morning to express my views concerning the operation of a

government agency, the local public schools in the State of New Jersey. I am sure many of the things that Mr. Prato said here this morning I may probably repeat, and add to some of the things, but I hope it will be worthwhile in giving you a sense of what we feel is affecting the efficiencies and economies of local public schools.

During the past three to four years, local schools have been under great pressure caused by the demands of increased State and Federal legislation, requirements passed by various departments and their agencies within State and Federal Government, and the movement toward centralization of the State's educational system.

The Legislature and the agencies have failed to fully comprehend the effect that all these complex and ever-changing laws and rules have had on local school districts. The continuous state of confusion brought about by the rapid and unpredictable changes and the increased demand for completion of forms, paperwork, and for the reviewing of reams of guidelines and other literature have not served to improve the efficiency and economy of education in New Jersey. To be specific, I hope that the following examples might provide you with a few concrete examples of the problems having a negative impact on local schools.

The original intent of the Supreme Court's decision with regard to T & E was to insure a quality education for all children attending New Jersey's public schools. The first drafts of T & E required that all local school districts in concert with the community establish a process to guarantee a quality education and a thorough and efficient operation of the schools. Unfortunately, the New Jersey Legislature and the State agencies saw T & E as a vehicle to bring about massive changes at the local level by including additions to State minimum standards, and reporting forms, the state assessment program, to name a few, and a rapid move toward centralization of education with the end result being a massive increase in useless paperwork.

The Senate and Assembly are now considering additional programs of state aid to non-public schools. Along with the existing transportation and textbook programs already in operation, these new non-public aid programs will be thrown upon the local school districts to organize, to administer, without any consideration ever being given to the staff and planning needs.

In addition, there is a proposal in the Legislature calling for the possible establishment of a voucher system in New Jersey, which will only serve to bring about another unclear and unstable situation in the State. The voucher system has been studied and has been tried in various school systems throughout the United States, but has not met with any success. In fact, all programs have been cut short because of the major problems it developed. And, by the way, this was a voluntary effort; it was not a mandated effort. Yet, after these experienced failures, the New Jersey Legislature is giving it serious consideration.

ASSEMBLYMAN HERMAN: Just put your mind at ease, the bill was introduced in the Assembly, but it is perhaps dead. You can take that message back.

SENATOR AMMOND: Ditto, for the Senate.

MR. ANZIDE: To continue with some concrete examples, the affirmative action program requirements, which Mr. Prato alluded to this morning, which were established by a one-sentence law, have created frustration and unrealistic demands on schools. Here are the administrative guidelines, and then you begin to multiply a one-sentence law by these types of administrative guidelines by the stacks of actions that local districts must take, and sometimes unrealistic actions. But,

these are to satisfy the approval of a state agency. This is unreal. We are now in the process whereby schools must begin to develop a master plan and the change over to a program oriented budgeting. These projects are not minor tasks, and will more than likely require additional staff and additional costs. There is no question that schools must be accountable to the communities they serve. I firmly believe that. However, accountability is not the issue. The issue is to move toward centralization and the constant interference from state government with its demands for too much too soon, and thus the inefficient and ineffective operation of local schools.

As an individual who has served as President of the Camden County Association of School Administrators during the past year, there is no question in my mind that the chief school administrators of Camden County, and I am certain administrators throughout the State, are capable and willing to work for the development of the original T & E concept. And that T & E concept could very possibly bring about many of the improvements needed in New Jersey education. However, the problem is, time is needed to work toward its implementation and operation. If educators of this county and New Jersey are given the time to do the job without being faced with constant changes and additions and state requirements, there is no question that the school systems will improve and all New Jersey's school children will greatly benefit.

The New Jersey Legislature cannot continue to be influenced by the sometimes selfish interests of the various lobby groups when it comes to decisions with regard to education. I mean all groups, administrative groups as well as teacher groups. There has been too much education legislation passed without consideration ever being given as to the total impact at the end point - the local school district. Give the responsibility of education to the local districts and demand that they meet the challenge. I am not just saying to give it away, and so forth. I think the gentleman that spoke in terms of objectives and good planning and so forth, that is essential, and that is an important ingredient, but I think the administrators, the staff members at the local district, are capable and qualified sufficiently to develop those plans at those local levels, and report back to a central agency if need be. But, again, this is the way it is done, constantly coming down. It sort of eliminates any initiative to improve and to bring about an improved system.

You know, allow the local districts to measure their students' progress, and to develop that original T & E concept and the end result will be a more efficient and effect operation of local schools. You know, we often hear statements that kids in New Jersey can't read and write. Yet, in Berlin Borough, the district that I serve, the recent Iowa tests of basic skills results indicated that the students in our grades four through eight scored better than eighty percent of the kids from across the Nation who took the same test in areas of reading, mathematics, language skills, and geography and history type skills. And I am certain that many other schools throughout New Jersey are getting the same results but often don't brag enough to their public. A recent Eagleton survey out of Rutgers University revealed that eighty-five percent of the New Jersey residents surveyed felt that the schools were doing a good job. That is amazing. We hear so much about the negative aspects but eighty-five percent of the New Jersey residents surveyed felt the schools were doing a good job, and yet only nine percent of the legislators in New Jersey surveyed expressed that same opinion. Why the gap? Is the Legislature really reflecting the

concerns of its constituency, or is it the development of justification for a direction of greater centralization and greater controls of the educational system?

If I have come down too hard on the Legislature, I apologize, because I sincerely believe that you and the other members are trying your best during difficult times. I appreciate your concerns and your pressures, and respect you for the awesome decisions that you must make. However, the Legislature must begin immediately to lessen its involvement in the day-to-day operation of the schools. I think recent legislation has been just that, almost affecting the day-to-day operation of the schools. New Jersey, by the way, is one of the few states in the Nation that has so many volumes of State laws governing its schools. Most states permit their state boards or commissioners to carry out the duties and responsibilities for which they have been assigned.

I sincerely hope that my comments have been taken in the positive manner with which they are offered, and that is, a real concern for the development of a realistic and the best educational system possible for the benefit of kids. I repeat, the most efficient and the most economical and the most effective approach is not by way of a centralized system of education, but by a strong local effort. Again, I thank you for this opportunity, and if I can respond to anything, I will be happy to do so.

ASSEMBLYMAN HERMAN: I have a few questions, if you don't mind. When you are talking about volumes of state laws, are you really making reference to regulations that come out of the Department of Education?

MR. ANZIDE: I am referring also to Title 18A. There are several volumes, and they are continually being updated with the Appendix each year. And in addition to that, the rules and regulations which are then generated.

ASSEMBLYMAN HERMAN: Let me just pursue that for a moment. In the administration of your duties, the difficulties that you have had, if you had to place them on a scale, do you find more difficulties with the administration of the law or the response to the regulations?

MR. ANZIDE: Okay, I guess it is a combination. One of the most difficult things I find is trying to keep up to date with the repetitive legislation that is coming out of the New Jersey Legislature. I find it extremely difficult in just keeping up to date with what's happening, and that is very, very time consuming. Yet, I don't dare, and members of our superintendents in Camden County don't dare, put down our guard in terms of the voucher system type issue.

ASSEMBLYMAN HERMAN: You are talking about bills that are introduced versus bills that are actually adopted.

MR. ANZIDE: Yes, bills that are introduced, and that are going through the House and the Senate and so forth. So that presents a problem as well as the types of interpretations, as mentioned a few minutes ago, in terms of the regulations.

For example, if you take affirmative action, I appreciate the fact that that is a one-sentence law, and some department gets a hold of it and builds on to that and it becomes just another frustration that we are dealing with. I see the need for this. There is no question about that, but a lot of it is really--- We have a district with just under 1,000 kids K to 8, you know, and we are almost running around creating things to just report back. We don't have to worry about complying with a lot of these things. We don't have course selections where we have to worry about kids, and yet we have to respond to these types of things. It is frustrating.

ASSEMBLYMAN HERMAN: You mentioned earlier in your presentation that there is a great deal of - using your term - "useless paperwork." In your district,

with those 1,000 kids, if you were to perhaps put a handle on it, could you give us a ballpark figure as to what you think that useless paperwork relates to by way of dollars and personnel?

MR. ANZIDE: Let me just cite one example. I know Mr. Prato referred to negotiations and he talked about the impact there, and I think that goes into it. The other day I spent maybe three, three and a half days, working on some data for a negotiation session for the Board. I estimated the cost of that, and I explained to the Board my concern with even going to the next level which is fact-finding, because I will do all the reporting. Those three or four days cost in terms of typing and energy close to \$500 just for that one particular thing.

ASSEMBLYMAN HERMAN: If we could put aside just collective negotiation just for a moment, we can get into some of the other reporting considerations that you are required or mandated to do. Now, setting aside the area of negotiations, could you give us some idea of those areas and the costs involved and what you consider to be useless paperwork?

MR. ANZIDE: That is difficult to put in specifics.

ASSEMBLYMAN HERMAN: Well, if I put it in terms of - again setting aside collective negotiations - a percentage of an administrator's work week, would you say 10%, 15%, 20%, et cetera, of your work week would be devoted to this "useless paperwork"? I am just trying to get a handle on it.

MR. ANZIDE: Okay, I would be in error if I said to you, you know, 25--- I would say maybe at the minimum 10% of the administrator's work week. I would say, for example, the involvement of staff in just the T & E Steering Committee, which requires staff, community involvement and so forth, we had to provide release time yesterday, for example, about two hours for about eight or nine staff members to participate. We had to provide for coverage.

ASSEMBLYMAN HERMAN: You are leading into my next question. We didn't rehearse this, ladies and gentlemen. The T & E law itself, in your opinion, has it added anything to the quality of education? I am talking about the various requirements for community involvement and all the goal setting. Do you see it leading to the improvement of the quality of education, and do you think the time that is required to be put in it is worth the effort versus the result that may be possibly be obtained? That is a loaded question, but I would appreciate it if you could respond to it.

MR. ANZIDE: If I may, I think the process is a good process. I think the original intent of T & E which was to make schools become accountable in terms of involvement of the community needs to be there. There were many schools that had shut doors to parents and the community, and I think that door needs to be opened. I think the idea of good planning, good procedures of needs assessment and evaluation and so forth are excellent, and I think we need to begin to move in that direction. That process needs to be followed.

But the problems that we find are, how can you do a needs assessment when you don't know what you are assessing, and yet through minimum standards and these types of things that have been tagged on, we are doing needs assessment sloppily and half-heartedly and trying to come up with data to complete the reports and so forth. And what it does is throw rocks into the system as you are moving along, and it makes it a more frustrating experience to go through, rather than going through and developing in an efficient manner.

So, to answer your question, yes, I think the process is good. I think the idea of community involvement is also good. I think, though, that the

realistic approach is to have competent administrators and people who are very, very competent in the school districts. And I think those local people have to begin to develop some pride in what they are doing and come down and say, carry this out and do it, and so forth, that is not very creative. I think we are somewhat creative people and I think we are capable of carrying out the planning much like business and industry and bringing about a system that can be accountable, that can be reported. For example, there is no reason why I would hesitate to report to State levels of government the types of testing that we are doing, but in addition to our own types of testing which we feel comfortable with and which gives us the type of information we need, on top of that, we have to do other testing that comes in, and we are becoming a test-oriented school system. I am not sure that is to the advantage of the kids, but we will get lots of statistics and lots of data to be used in any way people want to use it. I don't know whether I have answered your question or not.

SENATOR AMMOND: Now, it was mandated by T & E.

MR. ANZIDE: Yes, it is mandated by T & E, but it is my understanding also that the Legislature still wanted to get a hand on things in terms of what is happening in New Jersey schools.

SENATOR AMMOND: That was a reaction to the public opinion.

ASSEMBLYMAN HERMAN: That was Tom Kean's bill, and I understand it is---

SENATOR AMMOND: That was a reaction to public opinion that despite what the Eagleton Institute says, at that time the public opinion rated the educational system in a rather low manner. What would happen if you eliminated the State testing and used instead the Iowa Achievements, C.A.T.'s, S.A.T.'s, which is the National testing and reported that back to the State?

MR. ANZIDE: This is a problem when you try to centralize things. The problem might be a difficulty in bringing these together to make comparisons of all districts throughout the State. There has been an attempt - and I am not sure how successful it has been - to take the scores and somehow be able to compare them. Comparison would be the most difficult problem, but again, to me, I think it is important that there be pride in the local districts as well, and the people who work there should be proud of their efforts. We want to do the best we can. We want our kids to score high and learn as much as they can. I think the most important thing to me in Berlin Borough is to be able to report to my superiors, the Board of Education, and the community, and then on up to anyone else, how our kids are achieving. If we give the Iowa's, I think that reflects on Berlin Borough. Somebody else may give the California tests in literature, and that reflects on them, but to put it together in a massive report, that is where the problem comes up, and that is why the neatness, I guess, of one system to test all kids.

Again, we talked about the idea of the regions before. That creates a lot of pressure. Are we going to begin to get coaching for the tests? When the test results came out we were listed in the Courier. Nobody wants to be second from last or third from last. But yet nobody considered the social conditions that exist within those communities. That was not considered in terms of a Haddonfield or Morrestown scoring high. We happened to do fairly well, and we were very pleased. But, again, there are other factors, and these things I have considered. Again, you are bringing in the possibility of another problem in terms of curriculum and---

SENATOR AMMOND: Well, if I might editorialize, you do run a fine school system. I have been through it. You shouldn't feel badly about criticizing the

legislators. I don't think I know too many legislators who have used education as a political football. I think there was a genuine feeling throughout the United States that something was wrong in education because of the enormous sociological changes, not because it was the fault of the schools or even the teachers, but society was changing too fast. I think what we were concerned about was the reaction and how we were going to cope with this change. I think we are finally starting to begin to cope. In many school systems they are "going back to basics" or whatever. But I think we still have to have input from the local superintendents.

How are you getting along with the State Department of Education as far as getting them to listen to what is happening at the local level? How are they reacting to you?

MR. ANZIDE: I think our county office, which has the most direct contact with Dr. Biterman and his staff, finds them to be very, very responsive. But I think the main concern should be as you get further and further away from the local level. People then begin to lose the proper perspective, and we talk about things that happen in local districts in Trenton that honestly and truly do not reflect many times the situation in local districts.

To say that there is friction and things like that--- I have to appreciate Fred Burke's position. I really do. I sometimes get annoyed with him, as my district gets annoyed with me as an administrator, but he is under a tremendous amount of pressure in terms of everybody wanting everything done, and the rapidity with which it has to be done as well. What I am trying to say is the demands that are being created at topside, you know, then come into the need for reporting and forms, and so forth, and what happens is this, as a report or form comes down, you begin to change your program to fit the form, and that is a shame. You know, I think the programs really should fit the kids, and it's the same thing in federal legislation. You start doing things because you know you are going to be filling out these forms and you begin to adjust, and the adjustment is not always for the betterment of the program, but it is to try to expedite it and meet with the form requirements.

This is my concern. I am saying, we will develop a plan, and this is what Berlin Borough is going to do, and each district should say, this is what we are going to do, these are our objectives, very specifically, what we are going to accomplish and so forth based upon the needs of our community. I would have no objection to reporting that and coming in and evaluating that process and so forth, but it is just a shame that we all have to fit into--- Just because there is a problem expressed in Newark, Berlin Borough, Cherry Hill, Haddonfield, and so forth, have to meet the same types of demands. The same thing is prevalent in federal legislation. Because of the problems in Detroit or Los Angeles, every school district in the United States has to meet the same requirements. That is unfair and very, very burdensome.

SENATOR AMMOND: We thank you very much.

MR. ANZIDE: I don't know if it helped, but---

SENATOR AMMOND: Yes, you have been very helpful. Thank you. We have Mrs. Ann Foley, a Haddonfield School Board member. Today, apparently schools are in.

ANN FOLEY: I appreciate the opportunity to be here this morning. I have just jotted down a few thoughts of my own. I think the gentleman from the

Federal Reserve Bank articulated very, very well what I am trying to say. I believe very strongly that the techniques that he described can be used in a State Department such as the Department of Education. But that can be done only with courage and dedication and honesty, particularly courage. It will take somebody with courage and commitment to apply these management techniques to the schools.

Now, on the other hand, schools reflect the needs of society, and education must define what we expect the schools to do. Is it to educate the child, to meet the needs of society, or where are we to draw the line, and what do we expect? Only then, when we define our goals, can we implement the management techniques that were referred to this morning.

To me, money is not synonymous with good education. What happens within the classroom, the dedication and commitment of the teacher, is the primary factor of success. There again you go back to the societal pressures of what is expected of the school system. To me we need stricter controls at all levels in the schools for expenditures, utilization of equipment and space, management training for administrators, evaluation and performance, better teacher training, higher standards within the teacher colleges, and we really have to have increased productivity at all levels. I would not be opposed to limiting to 10% the increase within line items in the budget.

I support the CAP theory, although that may be somewhat converse here, and there are flaws within it. Basically, someone had to have the courage to take a stand to stop the spiraling expenses in the school system. We do face a difficulty in negotiations where settlements are made at 8% and 9% and exceed our cap. There again we need your courage to say what programs are effective, what are we doing, why are we doing it, do we need to cut people, do we need greater productivity in order to provide the programs for the children? I feel it can be done, but only with good leadership and articulation of goals can we do this.

I feel the T & E process basically is a very good one if it is properly applied. The accountability and the evaluation that T & E will give us is very good. Unfortunately, if we were all doing our job from the lowest level on up we may not have needed the legislation that has been implemented. The laws to me are a reflection of the basic lax in the individual which comprises to group, so the bureaucracy is another problem that needs to be looked at. The parents find it difficult to get through the maze of bureaucracy on behalf of their child. Their child loses instructional time. It can be years before you actually implement laws that are on the books as a result of societal pressures. An example of that is the handicapped child. The State Department of Education, or any department, is in a very difficult position right now. So, in my opinion, there is much good that is being done by pressures being put upon us.

I am not saying my viewpoint is a majority viewpoint when it comes to the income tax or the T & E process, but with good leadership and courage I think we can get through this. I am willing to answer any questions.

ASSEMBLYMAN HERMAN: Just a Constitutional reminder that the minority viewpoint sometimes becomes the majority viewpoint.

MS. FOLEY: There is no point in reiterating again in detail what the gentleman from the Federal Reserve Bank said, but I feel that the techniques that he talked about cannot be educational, cannot be efficient and cannot be effective until we define exactly what we are about. I don't know whether a study group does

this or the Department of Education is going to do this, or what we as a society expect the schools to do. - only then can we implement what he was talking about.

ASSEMBLYMAN HERMAN: Thank you very much.

SENATOR AMMOND: Are you then saying that we really haven't defined what education is all about?

MS. FOLEY: No, we haven't decided whether we educate the child to read and write, basic skills, or whether we deal with the society problems, morals, values and the other pressures within society, or do we do both? If we are going to do one or the other or both, we need to find it, and then you have to find out what we are all about. Is it strictly to say we will meet educational goals as it relates to reading, writing, arithmetic, science, foreign language, or do we also have instruction in morals and values and marijuana and sex education and all the problems facing society? Are the schools responsible for this? If so, to what degree?

SENATOR AMMOND: How would you go about implementing some of these changes on a statewide basis?

MS. FOLEY: You mean defining?

SENATOR AMMOND: Starting to define what it is that we want for the State of New Jersey or what the parents want. Isn't T & E basically supposed to do this by bringing in parent involvement?

MS. FOLEY: I would say the T & E process could help define what it is that we identify at the local levels as meeting the needs of the student, and what to expect. Maybe the need of one district is entirely different than another district, so again, one district may view our general operation as meeting the needs of their moral values and they want strict concentration on the academic skills and vocational skills, and another district may have a different need. So I would expect the T & E process, as it refines itself, to help articulate these things. But the T & E process is in the state of refinement.

SENATOR AMMOND: Thank you very much. Mr. Caramanna.

C H A R L E S C A R A M A N N A: I don't have a prepared statement. I came to listen. I would be receptive to any questions that may come up.

SENATOR AMMOND: Well, I think the educational problem has been fairly well covered this morning.

MR. CARAMANNA: I am at a disadvantage. I came quite late.

SENATOR AMMOND: I believe that ends the number of witnesses for this morning. Is there anyone else?

MEMBER OF THE AUDIENCE: Yes. My name is David Myers.

SENATOR AMMOND: Okay, you will be our last witness today.

D A V I D M Y E R S: I am David Myers, Jr., 1601 Springdale Road, Cherry Hill, New Jersey. Briefly I have spent more than 7,000 hours in four years reviewing the assessment system in the State of New Jersey and particularly the assessment of the Township of Cherry Hill

I have been in Superior Court against the assessment system more than nine times in the last two years. I have had seven victories in Superior Court in nine attendances. I understand that this meeting is on the efficiency of government. The State has just enacted a ruling which will efficiently and effectively reduce many thousands of the twenty-eight thousand appeals. They are now being heard or to be heard in the next three years before the Appellate Division of the

Superior Court. The efficient way that the State is doing this is through blackmail and coercion. Under the property tax rebate system, on May 6th, after I stepped into the picture on May 2nd, John F. Laezza, Director of the Division of Local Government Services, sent out a new ruling that the State would pay the people whose properties were under appeal their tax rebates based upon the amounts that they are not contesting. In other words, if your property is assessed at \$40,000 and you have it under appeal at \$30,000 they are paying you the rebate based upon \$30,000 even though most of the people paid taxes on \$40,000. The assessors have been telling the people that the only way---

Prior to May 6th, they were telling the people on May 2nd, 3rd, that if you want your tax rebate, we suggest that you withdraw your appeal to have your assessment lowered; you won't win anyhow, and in this manner you will have your tax money now. In the Township of Cherry Hill, I told the people on May 2nd that came to me, prepare an affidavit, go back to town hall and tell them that David Myers was working on it. They were told then, upon saying that, come back Wednesday, you will have your check in the amount of the uncontested amount. On Tuesday, May 3rd, the day after it was brought out that I was involved, the Director revised his program and said he would pay on the lesser amount.

Now, I will be going into Superior Court contesting that payment of the lesser amount, because it is discrimination in its purest form; it is blackmail; it is coercion. But the people should be paid the full amount of the tax rebate, and then two or three years later when their appeals are heard, if there is additional money due them, the property would then be assessed that - either the new owners or the present owners.

Now, over to what can be done to correct the massive backlog in the appeals situation. In February of this year I appeared before the Appellate Division of the Superior Court. The court wanted to hear my case, which was against the former assessor of Cherry Hill for filing a false affidavit where he swore all the properties were recorded at their market values without favoritism and partiality. I also had a suit and an appeal at the same time against the county board of taxation for unlawfully rejecting the 1974 tax books which were filed by Assessor Zerbo, after I obtained a court injunction in January of 1976 enabling him to file his set of books. They rejected them and forced them to keep the H.L. Yoh assessment on the books. The assessment system to be corrected must be done by going down to the appraisal level and revising the laws of the appraisal system, making the appraiser liable monetarily on the amount and type of quality of work that the appraiser does. I have that in detailed program here, because it is part of my more than 7,000 hours of reviewing the assessment system.

Also, the assessor must be held liable for filing that affidavit where he swears that all the properties are correct at their market values without favoritism or partiality. Part of my investigation of the H.L. Yoh assessment shows that the political contributors of the 1975 BES Team, which is now the new spirit team, 99% of those who contributed to the political fund in excess of \$100 where the names are recorded received beautiful or huge reductions under the assessment, as compared with only one out of three receiving reductions by the normal people living in Cherry Hill who were not political contributors. This year they violated the law. I now have that under formal complaint with the New Jersey Election Law Division. They have not provided their list of contributors for this

past election. Now, also, to correct the system - this is to get into efficiency of government - we can streamline the appeals system and the problems we have with property taxation if we correct the erroneous assessment system.

Now, we have a system called County Boards of Taxation. County board members are politically appointed from the realty group. Three realtors from within the county sit on the Camden County Board. I don't know whether they have the same number sitting in the other counties or not. These commissioners are real estate agents. They are not accountants. They are not CPA's. They are politically appointed. They then rule on what assessment reductions will be given these multi-million dollar businesses and other businesses where it should be CPA's who review the profit and loss statements, not real estate salesmen.

When the reductions are given, as they have been in Cherry Hill, over \$3 million in taxation has been transferred back to the residential people of Cherry Hill. It has caused chaos in Cherry Hill. The residents have picked up over \$10 million in taxes in three year's time, approximating \$540 per household.

A year ago, I called Mr. Deardorff of the Assembly Taxation Committee. I discussed for more than an hour on the phone the results of my investigation of the assessment system. He told me at that time that I went about it a different way than the State did. The State spent five years reviewing, but that my findings support both findings, and it was completely different - and I was one man doing it, versus the state with their Committee and their monies. But, however, nothing will be done on the assessment system until the income tax is put on the books. The income tax was put on the books. I am now asking for a formal invitation that I appear before the Taxation Committee to present all of the detailed program completely, graphs, charts, names, et cetera, contributions, to show how to streamline the assessment system so that the State, when it finally does take over statewide taxation, which they will need to be doing on an efficient basis, they can do it effectively. At the present time, counties, Camden County, Burlington County, et cetera, are toying and moving along with the idea of going into regionalized taxation.

I wrote and spoke a year ago. This cannot be done under the present assessment system, because the errors that are already in the H. L. Yoh assessment of Cherry Hill and similar communities would be compounded if they were merely turned over to the county board without going back and redoing every property correctly. Now, I have developed a system to redo every property correctly, which is to present to the people, when you give them the assessment figures, the appraiser's worksheet, which will become the property record card.

Now, I went into Superior Court in January of this year against the Township of Medford asking for the right to have those worksheets. On the basis of my court suit we got the worksheets for the Township of Medford, but the municipal officials - the mayor, solicitor, and the assessor - held back the people getting these, until only a few got them out of the 5,000 properties. So, it didn't have much of an effect in correcting the assessment then.

Now, making these changes, you will come into an efficient assessment system, where you won't have the tens of thousands of people continuously on appeal to the State level, to the county level. The cost of maintaining the assessment system will be greatly reduced. The people will believe more in the government because they will have the right to review. By the way, I got court orders which gave the people the right to review all property record cards in Cherry Hill, Lawnside and that, of course, then can be applied in other municipalities. But

when you once open up the books completely to the public to review all assessments, you can then find out whether you are equally or fairly assessed in comparison to other properties in your neighborhood or elsewhere. Not that you are assessed at \$40,000 - which is \$2,000 below the market price of your house, which the appraiser then and the county board and the Appellate Division says, well, you are fairly assessed, you are assessed lower than the sales price. That is not so. Nationwide has spoken in the same manner. If your property is valued at \$42,000 or assessed at \$40,000 then you would be fairly assessed. But as the system shows, you can be assessed as low as \$20,000 and as high as \$50,000 or \$60,000 on that \$40,000 property. This is all part of my documentation.

So, I can continue on and on. I do have the program for appraisals set forth here in writing. I would like to present that as part of my testimony. I would like the Committee to talk over with Mr. Deardorff and the Assembly and see about my getting together with him. I am also submitting all of this information to the Public Advocate. I had spoken a year ago for two hours with a governor's aide, who since has moved on to other territory. I have turned over my tape recordings, documentation, everything else to the SCI for over a year, and they have been sitting on top of it.

Now, the assessment problem is going to be opened up down here further. I am going into an in-depth review, based upon the new contributors' list. I would like to see if the State would assist me or join me in going through this effort, so that we can finally weed out any political motivations in assessments, any favoritism shown to business associates, legal associates, contributors, et cetera, so that we can have a correct assessment and thereby affect efficiency and economy in Government. Thank you.

SENATOR AMMOND: Mr. Myers, are you going to turn that over to us?

MR. MYERS: Yes.

SENATOR AMMOND: I am sorry that you were a few minutes late. The other members of the Commission had to leave. I am sorry that the press didn't get a chance to hear you. But I promise you that we will evaluate the information and Dr. Brady will see if he can get you a meeting with Mr. Deardorff, or the proper individual.

MR. MYERS: Fine, Senator, I appreciate that. I regret not being here on time, but I finally spent an hour or two trying to make a livelihood today.

SENATOR AMMOND: Thank you. That concludes the hearing. The hearing will then be adjourned. Thank you.

(HEARING CONCLUDED)

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