

PUBLIC HEARING

before

ASSEMBLY COUNTY GOVERNMENT COMMITTEE

on

IMPACT OF THE PROPOSED FEDERAL BUDGET CUTS
ON COUNTY GOVERNMENT OPERATIONS

Held:
March 23, 1982
Room 501
County Hall of Records
Newark, New Jersey

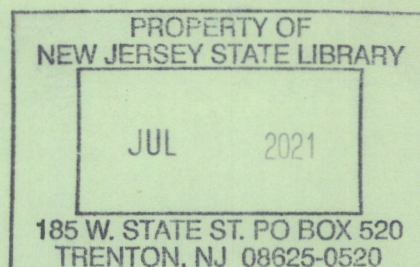
MEMBERS OF COMMITTEE PRESENT:

Assemblyman Harry A. McEnroe (Acting Chairman)
Assemblyman Garabed "Chuck" Haytaian

ALSO:

Assemblyman Willie B. Brown
Assemblywoman Maureen Ogden
Assemblyman Eugene H. Thompson

Virginia DiBianca, Research Associate
Office of Legislative Services
Aide, Assembly County Government Committee



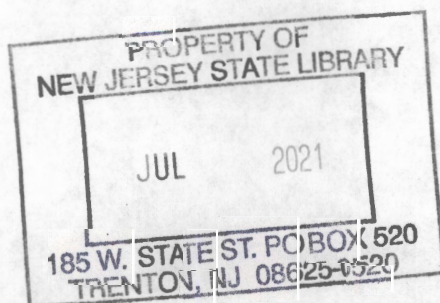
* * * * *

974.90
F491
1982d v.1

I N D E X

	<u>Page</u>
Peter Shapiro County Executive Essex County	1
Martin A. Livenstein Director Division of Community Health Services Essex County	14
Rocco Meola Executive Director Essex County Sheltered Workshop	18
Rebecca D. Andrade Director Department of Citizen Services Essex County and Judith Goldstein Director Division of Welfare Essex County	23
Alan Bowser Evanbow Construction Company East Orange, New Jersey	35
Frank Askin Coordinator Essex County Coalition for Human Priorities	39 & 5x
Victor DeLuca Administrator Ironbound Community Corporation City of Newark	41 & 2x
Martin A. Bierbaum Director, Urban Study Program Rutgers University	45
Joseph McConnell Speaking for County Executive Edward Clark and Hudson County Board of Freeholders	46

1-48:I



NEW JERSEY

100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200

NEW JERSEY STATE LIBRARY
PROPERTY OF
185 W STATE ST PO BOX 523
TRENTON NJ 08646-0523

ASSEMBLYMAN HARRY A. McENROE (Acting Chairman): I would like to welcome all of you here this morning to the Assembly County Government Committee hearing. This Committee has been directed by its Chairman, Michael Matthews, of Atlantic County to hold a series of hearings in various parts of the State to determine the level of preparedness on the part of our New Jersey counties to successfully administer and develop programs at the funding level required by the federal government for fiscal 1983. There are reported reductions in domestic spending of possibly 16 percent and also in social services.

Before we proceed, I do want to introduce my colleague, a member of the Assembly County Government Committee, representing part of Warren County and part of Sussex County, the major part of each - he has had experience in county government as a Freeholder and as Freeholder-Director of Warren County and he serves with me on the County Government Committee - Honorable "Chuck" Haytaian.

ASSEMBLYMAN HAYTAIAN: Thank you,

ASSEMBLYMAN McENROE: It is nice to have you with us.

We do anticipate Mr. Thompson and other members of the Assembly joining us at various times during the hearing.

The level of cuts has not been finally determined. Of course, Congress has substantial input into the decisions that will be made prior to its finalization. Prudent judgment on our part dictates that we ascertain the experience of county governments during the past year in order to anticipate their requirements during fiscal '83. The information that we develop - the testimony that we hear today - of course, will be relayed to our colleagues. The Joint Appropriations Committee begins its hearings this week. We will not finalize our State budget until two and one-half months from this day. So, we are on target timewise and we are reaching out to the counties and to the providers of services for people across this State, to ask them for their input, their good advice, and to evaluate their experience.

Our first witness will be the Executive from the County of Essex, the Honorable Peter Shapiro. Mr. Shapiro, welcome.

PETER SHAPIRO: Thank you, Mr. Chairman and Mr. Haytaian, and welcome to you.

It is an honor for me to welcome you to Essex County and really to you, Harry, to welcome you back to Essex County because for those people who are here and aren't aware of it, Harry McEnroe before he began his service in the State Assembly was a member of the Board of Freeholders here and frequently sat in this room going over the county budgets and many other things that we are still going over today, I hate to tell you, not the same budgets, ones that are slightly higher due to inflation and slightly lower in services due to the fact that revenues haven't kept up with inflation. We are glad to have you back here and we are glad to have Assemblyman Haytaian here as well, a former member of the Board of Freeholders in Warren County. So both of you, I know, are familiar with the operations of county governments in general and in Harry's case with this one in specific.

I am confident that these hearings will assist the State Legislature in its understanding of the very grave difficulties that counties are experiencing as they struggle with the cuts imposed by President Reagan's budget policies, as well as with the overall strains that all local governments are under today with high expectations and high inflation keeping a gap between what we are able to provide and what the citizens would like to see us provide.

I am going to go through my testimony and ad-lib a little bit along the way.

Here in Essex County where one out of every five people is on some form of public assistance, we have very real reasons to worry about the fallout of the President's budget.

Specific dollar impacts of fiscal '83 budget proposals are not yet clear. In fact, even for some of the fiscal '82 cutbacks, they are not clear because they still are being passed down by the State - passed down by federal agencies. What we know, however, about fiscal '83 is that the cuts are going to be deeper than in '82 if anything resembling what the President has proposed is actually passed by Congress.

The effects of the first waves of Reaganomics have been severe. With the '82 cutbacks alone, there has been a big impact on our people. When we talk about the fiscal condition of county government, we cannot neglect to mention the effects it has on the people in the county. Here in Essex County, nearly 4,000 families were knocked off our welfare roles. That means over 18,000 individuals, the vast majority of those children, have lost not only income, but medical care as well.

The families cut off assistance are for the most part headed by single parents, typically mothers, who had entered the job market, who were working in low-paying jobs, usually minimum wage jobs with minimum benefits, who depended frequently on day care for their children, who looked to Medicaid for health care, and who supplemented their earned income with a welfare grant.

All of this has been pointed out before in many of the studies which have been done. What has happened though today with these very people is that they have lost much of this income, much of the benefits, and in many cases are faced with the choice of either continuing to work at a low-paying job or quitting and going entirely on welfare.

We have already anguished over the CETA public service employees who were eliminated. In Newark alone, up to 200 child care workers were CETA-paid. Without them, day care slots have been reduced and working mothers have lost that support system that made their working possible. Day care, so vital to the working mother, is further eroded by the block grant reduction in Title XX funding, which is now referred to as the social services block grant, which includes many day care programs.

The loss in actual funding can be calculated. The human repercussions, however, of those losses can only be estimated. Plans have been on the drawing board for a shopping center in the Central Ward of Newark, which depends on a supermarket as the key to development. Now there is a snag. The market investor pulled out of the project and gave as one of his reasons the cutback in food stamps and welfare, which meant that there was simply less money circulating through the local economy. It is a funny side to supply-side economics that when the supply of income in that area dropped, investors decided it simply wasn't a good area to put a supermarket in. Supermarkets, by the way, if you drive through the Central Ward, are in extraordinarily short supply. It is not infrequent for me to go to a senior citizens' building and hear that people go as far as West Orange or into Elizabeth by taxicab simply to do their shopping for groceries.

My administration here in Essex has made some very hard decisions as the effects of the Reagan budget cuts became known.

To me, there are clear examples of where we have to act to plug the gap in services opened up by Reaganomics. As part of the President's program, the federal government has sharply reduced the most important program which funds basic social services, as I mentioned before, Title XX. Title XX funding in Essex County was cut from \$6.3 million last year to \$5.9 million in 1982, and will be further cut in '83, for programs that provide such services as homemaker care to the frail elderly and transportation for the disabled who really would die without kidney dialysis and

cancer treatment. If we simply let the federal government's cuts stand, we would be silently acquiescing in an unconscionable act. Let me describe the people who are affected: These are people President Reagan does not include among the "truly needy." By the new federal standards, they are too rich; their incomes are above \$4800 a year. I have a hard time considering that kind of person wealthy. Almost all these people are very old and very frail. The typical person who receives a home health care visit lives alone and depends on the health aide for the minimum level of care: a bath, a hot meal, a clean room to live in. That visit is the one thing that keeps that person out of an institution or a hospital. To the person receiving meals-on-wheels, that meal delivery often represents the only touch with the outside world, the only time someone will be coming in to check if that person is alive and well.

A compassionate federal government would recognize that inflation and the aging of the population would require a slight increase in the funding for these programs, rather than the nearly one-half million dollar cut we've been handed. But a compassionate federal government is not what we seem to have today. Therefore, I have called for an additional \$700,000 in county funds this year, bringing our share to \$4.88 million to maintain just last year's level of service.

I have to say this is one of the most difficult dilemmas facing local officials: that is, whether to come up with local property taxes in order to plug the gap in services created by the cutbacks. It is something that undoubtedly you will find in your other inquiries, that everywhere around this State people are saying, should they let the cutbacks stand, should they let the misery be felt, or should they, in fact, raise their local taxes. We are trying basically to cut it half way and this is an example of a program we have decided to raise taxes for.

Our program to improve the quality of life and the economic well-being of our citizens cannot be successful if national policy is working against us - and it is. The Reagan economic policy hits very hard in areas that are critical to our goals for economic development.

Massive cutbacks in job training funds hurt tremendously because they dry up the private investment incentive of a trained workforce. We need to provide people with basic job skills. It is not uncommon for plant owners here within the county to say that they would put on a second or a third shift if they had the people ready to fill the jobs. And a look through our want ads in our local papers would give you a measure of that, how many openings there are for semi-skilled jobs, not unskilled but semi-skilled, not computer programmers, not people that translate Greek into French, not engineers, but people who basically could do work like in a bookbinding factory in Fairfield where they would like to put on a second or third shift. The fact is, the growing workforce is there, but it is untrained. CETA cutbacks have eliminated 50 percent of our program funds - \$6.7 million. The staff has been reduced from 200 to 79. Better than 2,000 public service employment positions were lost countywide. Two thousand people were laid off under the CETA program. That is equivalent to shutting down one of the largest factories in the State of New Jersey and laying off its entire workforce. There would be an uproar if that were to have occurred anywhere in the State. But, in fact, in Essex County, 2,000 people were directly laid off by CETA cutbacks alone.

The hardships caused by the President's funding cuts are equal in severity to the effects of his basic economic philosophy. Huge deficits, coupled with high interest rates, hit hard at us and at every business and new investment we hope to generate.

This is particularly true in the area of infrastructure. Heavy cutbacks in funding to improve the infrastructure make it all the more difficult to encourage

industrial activity. Government has a responsibility to provide good roads, adequate sewage systems and flood control before industry commits itself to locating in an area. If older urban areas like ours are going to be a good place to do business, we need rail lines that work on time and won't break down, bridges that can hold as big a load as industry places on them, roads without potholes and sewage and water lines that can adequately serve this area.

Let me just stop for a moment here if I can, and give the effects of the federal monetary policies on that whole area. If we don't have federal funding to support the infrastructure improvements, we need to be able to finance it ourselves. I am not opposed to that. I think that we can go into the bond market and get the money we need to do long-term capital improvements. But we cannot do it in the climate as it exists today. Interest rates are terribly high for a number of special reasons and they are terribly high, particularly in the public sector. The increase in interest rates for public-sector borrowers has been far bigger than it has been for the private-sector borrowers. To give you one measure of that, in 1979 we borrowed long-term bonds at 5.6 percent - that was just three years ago. Five point six percent was a very favorable rate of interest. We would not try to borrow long term at this point. It would be inconceivable because the rates are so high. The average published in the New York Times last week for municipal bonds on the market today is 14 percent, a nearly quadrupling in the cost of interest. The things that have done this are, undoubtedly: the tight monetary policies in Washington; the high deficits scaring investors and making them think we need to have higher interest rates for the future because of the potential demand that \$100 billion in federal borrowing will place on the market; as well as a couple of other things which aren't as often noted. One of those is the all-saver's certificate which most of the public-interest groups throughout the country opposed on the ground that what it does is drain investor money that would ordinarily go into tax-exempt bonds, municipal bonds typically, and now instead are going into things like all-saver's certificates. I have to confess I, myself, bought one. They are a great investment. The fact of the matter is in a free market, what they are going to do is drain money that would ordinarily go into support for things like municipal bonds to provide for better bridges, roads, sewer systems and water systems.

There is one other step that they have taken in the last year which has been very negative to us and that has been the reduction in upper-income tax brackets on investment income, so-called unearned income. It was until January 1, 70 percent of a tax rate on that kind of income. Starting this January 1, it dropped down to 50 percent. That means that high-income investors who used to look for tax-exempt investments simply because they would otherwise have had to pay a 70 percent tax on a taxable investment have now not been looking for them as much. Because they are down in a lower tax bracket, they are now less likely to look for a tax-exempt investment like a municipal bond or a county bond. For those reasons, we are seeing our cost of borrowing up dramatically.

On top of that, the President's business tax cuts have been set up to encourage investment in new construction rather than in rehabilitation. Our area, with many old buildings and few wide open spaces, is bound to suffer from that kind of policy.

Cutbacks in direct economic development grants will force suspension of public works projects that were undertaken in specific planned phases to open investment opportunities. Our community development block grant was cut a half a million dollars and will be cut further in 1983 at a time when we desperately need the projects that the full funding would permit.

In West Essex, our municipalities are searching for funds to resolve a sewage problem out there that is holding up \$150 million in new private-sector investment and better than 10,000 jobs. Road improvements would make other sites more appealing to developers. All these infrastructure cutbacks are hurting us badly.

There are some hopeful signs on the State level. I think Governor Kean has made some very positive steps in this direction.

The initiative Governor Kean has taken in transportation aid is very praiseworthy. Earmarking \$40 million in the new budget for construction and repair to local roads will assist a critical problem and strengthen the economic health of this area. Hopefully, sewage projects will also be given the same consideration and addressed through adequate funding as well. This too is an investment in our future. It may not be as visible a one. But the fact of the matter is the lack of sewage capacity is holding up the economic development all across the State, particularly in Essex County.

I urge the Legislature to further target economic assistance programs to distressed areas. Clearly, our urban centers require more in-depth assistance, because it is here that unemployment is highest and deterioration is heaviest. Across-the-board grants that go to every area of the State dilute funding and jeopardize success by spreading resources too thin. We have too few resources today not to marshal them and make sure that they go to the areas that need them the most.

Governor Kean's job-training initiatives, a brand new initiative in the State budget, is also good news. Cuts in education, however, which accompany them, are counter-productive because education really should be viewed as a job-training program itself as well.

Take, for example, our own vocational school system here in Essex County which serves more than 2,000 students and provides training for them for meaningful employment in the future. Governor Kean's proposed budget would in effect require that the county pay 52 percent of the cost of vocational education from 44 percent just a year ago. What is happening under this is a shifting of the burden to the Essex County property taxpayers who are already paying too heavy a load. In reality, what will happen is that all that money will not be levied. There will be a cutback again in vocational education. In effect, though what has happened is the county's share of the vocational education budget has increased 27 percent over three years, while the State's has gone up only 13 percent. I don't think that is a fair system.

The Governor has also proposed - I think unwisely - freezing aid to county colleges. If you go through the higher education budget, the only area that has received a zero increase has been county colleges. Every other area of higher education has gotten more. County colleges are the front line of job training in a lot of ways. They are providing remedial education to kids who went to high schools that provided inadequate education. They are providing career preparation for so many young people today. To see the State simply say, "We are going to freeze it unlike every other institution of higher learning," is very, very tragic for both our taxpayers and for the citizens who need to be receiving that service.

So, in effect, this is the end of the line. We are the direct providers and we cannot shirk our responsibilities or pass them along to governments beneath us. Local self-determination and community control are part of the appropriate responsibility that should be given to us as the government that delivers the actual services to meet the needs of our people.

I urge this Committee to support a mandatory pass-through of federal funds to the local level to keep State administrative costs to the barest minimum and

thereby ensure the maximum can be spent on direct services for people in need. This is particularly urgent because of the proliferation of block grant programs. The initial signs from the State bureaucracy last year were very, very discouraging. It looked like they would try to grab the lion's share of the block grant and pass the minimum through to local governments.

I urge you legislatively to make sure there is a requirement that the barest minimum be retained by the State bureaucracy and the most amount be passed through for services to the people directly.

Thank you for permitting me to testify on this most important matter. I will be happy to answer questions at this time.

ASSEMBLYMAN McENROE: Thank you, Mr. Executive.

Mr. Haytaian, do you have any questions?

ASSEMBLYMAN HAYTAIAN: Yes. Please excuse my voice. I came down with a horrible cold the last few days.

Peter, what part of Essex County's revenues are now made up of federal dollars?

MR. SHAPIRO: The only real revenue that we can use as a flexible revenue, Assemblyman, is the money that we get through revenue sharing which makes up a very small percentage of our total receipts. I think we are receiving now about \$8 million. If Don Biazzini is here, he can correct me. I think we are receiving about \$8 million total in revenue sharing. That compares with our property tax levy of \$143 million. So you are talking about a small percent that is flexible federal dollars; that is, that we could spend on any program we wanted to. We receive a large amount of additional funds, however, under programs that specifically earmark the federal aid towards a specific purpose. For example, we receive an extensive amount of Medicaid reimbursement because we run the largest hospital in the State, larger than any of the State Hospital, our Essex County Hospital Center in Cedar Grove. At that institution alone, through Medicaid, Medicare and other federal reimbursement programs, we are receiving about \$30 million. If we were to add on top of that the money we receive through CETA, we are getting CETA funds of \$6.7 million. Again, none of that can now be spent on county government needs at all because there is no more public service employment program. It all must be spent directly on job-training programs.

We received a community development grant which is about \$5 million which provides for specific kinds of bricks and mortar community improvements. We receive other similar kinds of aid.

Well, there is one other category I ought to mention before I do it in summary. We also receive, of course, when we pay welfare benefits --- the federal government pays 50 percent of the cost of welfare benefits. That alone accounts for probably \$100 million in federal aid. If we were to simply look at the area that allowed us to operate the government as the elected officials of the county would choose to do, the only real aid program there is that revenue sharing program. However, without the reimbursements, obviously the elected officials would restructure the other programs.

ASSEMBLYMAN HAYTAIAN: Two areas --- Revenue sharing - where do you put revenue sharing moneys today?

MR. SHAPIRO: Well, the requirement under the law that we specifically allocate the revenue sharing towards a specific purpose is no longer there. In the re-enactment, they took that out of it. So, technically, it can just go into the general pot. Before that, we used to arbitrarily for bookkeeping purposes charge it against the cost of operating the Essex County Hospital Center. But that is

really just a bookkeeping nicety. In reality, that goes into the pot and can be appropriated for whatever purpose our county's legislature feels has merit.

ASSEMBLYMAN HAYTAIAN: All right. Now, in addition, since 1976 when the cap laws were put into effect, Essex County lost revenue in the total of \$1,559,780, and that is due to the inheritance tax, motor vehicle fund and probation fines that were taken away by the State.

Last year, we all had - we as freeholders and you --- had a suit against the State due to the bank corporation and financial business tax which took an addition \$1,356,302. How did you make up that difference?

MR. SHAPIRO: The only way we could make that up is with higher property taxes. Of course, we can do it with cutbacks as well. We have tried to balance that. Just to give you the broad profile of how we have handled these things, over the last three years, we have reduced our workforce dramatically. We had 8300 county-paid employees three and a half years ago. We have 6800 today. Our tax rate has come down in that same time because we have been working consciously to try to do that. But the fact of the matter is every time we lose these traditional sources of State funding, as have been constantly whittled away for the last ten years, we simply have the choice of either cutting back on programs or employees, or raising our property tax.

I should point out that this legislature has considered and, in fact, passed legislation which would further whittle away some of that support by means of the motor vehicle fines; although it was amended - and wisely so - to hold us harmless at the 1980 level, it will still be a reduction from the 1981 level. And, unless the fines go up considerably, there is no chance of our having growth which was going on traditionally in the area.

ASSEMBLYMAN HAYTAIAN: What affected and bothered me last year - and I guess the questions that I have this year are carry-over from last year's - when the Legislature last year had a chance to override the Governor's veto on this bank corporation tax, they didn't do a thing. Now, where the federal government is starting to try to cut down in its overall size of government, we are hearing that everything is hurting us extremely hard. I guess what I am looking at is the last six years actually where the counties have been hurt. It is not all today. What has happened today is coming down from the federal level. But what happened in the last six years from the State level has to be considered and should be considered, and that should also be told to the people, that all these other things were taken away and, therefore, it is making it even more difficult to make it up at this point in time.

MR. SHAPIRO: We have been beaten black and blue by both the state and the federal government. I should say in all honesty as well that the federal cutbacks did not start with President Reagan. President Carter initiated, starting in 1978 really, a round of federal cutbacks which were also hurting us. But the magnitude of the cutbacks in the last two budgets under President Reagan, the one we are under currently and the one that has been proposed for fiscal year '83, beginning on October 1st, are such that they are not equalled by anything we have dealt with before. We are seeing much bigger cutbacks in terms of all sorts of areas of services than we had ever seen before. We are not seeing the cutbacks like the State has done in those traditional sources. But the cutbacks that we are seeing in every other area are really unequalled to anything we have seen in the past.

ASSEMBLYMAN HAYTAIAN: Thank you, Harry.

ASSEMBLYMAN McENROE: Thank you, Mr. Haytaian.

I would like to welcome two of my colleagues at this time, both representatives of this particular area right here. In fact, I believe we are sitting

in the Assembly District represented by two of the gentlemen that just arrived. On my right is Assemblyman Eugene Thompson and Assistant Majority Leader, Assemblyman Willie Brown, both representatives of District 29.

We have heard testimony of, I think, major importance from the County Executive and we are offering questions to him at this time.

I would like to ask you a few questions, Peter. In your testimony, just referring to this quickly, on page 4, you mention that we have lost 2,000 public service employment positions in this county of Essex through loss of CETA. There is considerable concern and interest on the federal and state level and on the part of people involved over the loss of the whole CETA program. Yet, the weakness in the CETA program, as I understand it, was the public service employment component. Would you and do you enthusiastically support a new concept that would provide employment opportunities and not all associated with public service employment. Do you think that is a reasonable way to go and do you think that was the most successful part of it?

MR. SHAPIRO: To be honest with you, I would say that the public service employment program was a defective program in many ways. First, I think it is important that people understand what it consisted of. It really had two parts to it. One was service within the county and local governments. The other was service within community-based organizations. That second part, the service in community-based organizations, was extremely beneficial: working in day care centers, learning to work as part of a community organization, getting job skills, arriving to work on time, working along with people in your own neighborhood. And keeping up the health of community organizations was a very valuable purpose and should be restored if it possibly could be.

The work within the government had a problem. And the problem was not so much that the work wasn't worthwhile that they were doing; but in a lot of ways, the CETA program instead of being a job-training program became an urban-aid program. It was not intended to be aid to municipalities and counties. It was intended to be aid to individuals that needed job skills and needed employment. When it got turned on its head by virtue of the fact that local governments had an appetite for free help, in effect, it started having all the wrong incentives in it. For example, traditionally this county had employed a large number of CETA workers as Jail Guards. The problem is, once they are done with their 18 months' training program as Jail Guards, they can't find private placement as Jail Guards because there are no private jails that I know of that are operating in this area - or shouldn't be, at least. So you typically would find a public service kind of employment that would have no equivalent in the outside world.

I would think if we want to have an urban aid program, let's do it as urban aid. If we want to have a job training program, let's use our community-based organizations, which is kind of a public-sector use and was treated as a public-sector use in the past; let's also use our private sector. That is the direction that I know the Governor is moving in and I think it is a laudable one. What he has proposed in the new budget, \$8 million, is tiny in terms of what the need is. But, at least, it is a start and it is the first sign of a State commitment in that direction and I really think he deserves our praise for that.

ASSEMBLYMAN McENROE: Assemblyman Thompson.

ASSEMBLYMAN THOMPSON: I would like to mention in reference to the \$8 million the Governor is talking about as far as job training is concerned, as I understood his particular statements, that those jobs are not geared to people that are laid off in the CETA program. He is talking about technical jobs. He is talking

about, at least, young people who are able to operate at a certain level, who have finished the Essex County Vocational School or Irvington Vocation School or Bloomfield, and who have some technical background. What is happening is that the people who came through the CETA process, as bad as it was, will not have a ghost of a chance of being involved in these particular programs.

He went on to talk about the working poor, which is sort of ambiguous, because he was talking about people who were on welfare. If they are on welfare, they are not working because Reagan made sure of that in his first move after he was inaugurated. A person who is a working poor person - I don't see how he is eligible for this program unless he leaves his employment. I just think we have to come up with a redesigning where we can have both things, the work within the government, part of that CETA concept, and also the urban aid type of thing. I thought it was a farce because the jobs just weren't there unless there was built in the holding of civil service tests and things like that where the people could have been assimilated once they finished the 18 months that you were talking about. It was just a hoax on the people because they had their hopes built up and then went back on the streets after the 18-month period was over.

MR. SHAPIRO: I don't want to argue the merits of the Governor's proposal. I really don't think it has been made in detail yet. It has to be embodied in specific legislation. At that time, I would hope to comment on it.

I should point out, however, Assemblyman, that some of the job openings that we are aware of, while they call them technical, are not really very technical. They require some job training. An example I would like to point out is a bookbinder who is operating a mechanized bookbinding plant in Fairfield who built his plant to have three shifts to operate 24 hours a day. At least until recently, he had the clients to be able to do that. But he didn't have the workers to be able to do that. Part of it is because it is in a suburban location and it is difficult to get employees to it. The other part of it is that there are not a whole lot of people who have the job training to be able to work in a mechanized plant like that. It is skilled work. It is not like being an engineer. It is not like being a toolmaker or something like that. But it does require some training. That is the kind of thing where a little boost can help people.

I hope that the Governor's program will move in that direction and I hope that you will play a part in forming it that way.

ASSEMBLYMAN THOMPSON: I want to ask you a question if I may. Would you be adverse to having a regional concept as far as secondary education is concerned; in other words, a complete combination of the vocational schools and, say, the Newark high school system, coming up with an altogether different curriculum, eliminating kids graduating with a general education? Either they are in the academic area or they are trained in the vocational area. The reason I asked that was because the experience I had in Germany was that, regardless of whether you were going to be a doctor or a psychiatrist or a lawyer, you knew how to build a house through their process - they don't call it high school --- through their system. So you had some type of skill other than the academic things that you learned in school.

The reason I ask that is I just think the school system is outdated in the 1980's, the one that we are operating now. We keep putting millions of dollars into it and I don't see any by-products.

MR. SHAPIRO: I really don't have sufficient background in that area to comment with any degree of expertise. The whole area of education is one which strikes me as being in need of much improvement. But I am really not prepared to say how to go about it.

ASSEMBLYMAN McENROE: I have one question. You have indicated your concern about the economic development grants being cut and you have commented on the need for sewage facilities in West Essex to help develop that area and, of course, to offer job opportunities. Has this county, an urban county in an urban state, given the fact of the high interest rates as a consider, thought at all about the establishment of a utility authority to answer that need, to go to the market and see if it is feasible? Are the job opportunities worth the commitment?

MR. SHAPIRO: We have given some thought to that. However, the real problem there in terms of setting up any authority is that interest rates are so high today that setting up a new agency that would have no credibility to start out with would even be subject to above-average interest rates within the very high average that exists today. We have given some thought to doing that, specifically with the sewage capacity problems that we have in the Verona-West Orange-Cedar Grove corridor, the Peckman River Basin, as it is called, and with regard to the Roseland-Caldwell-West Caldwell area. However, the real need there is to work out an agreement among the municipalities and get the funding to be able to do the construction work that needs to be done. These are old plants that regularly surcharge whenever there is a storm. That means you have sewage overflowing into brooks. The sewage goes down those brooks into the Passaic River. And I hate to admit it, but we then drink that water. The more you hook up to those sewage plants, the worse our drinking water becomes. We need to do some significant things with those sewage plants in that area to improve our water quality, but also to make it so that we can have more jobs available to us.

This is not a question of urban as opposed to suburban in this case; this is a question of whether we will have the growth nearby in an urban county like this or whether growth will go out to a Sussex or a Somerset or a Morris County where it won't even be minimally accessible to our urban areas.

ASSEMBLYMAN McENROE: Thank you very much.

Are there any further questions? Mr. Brown.

ASSEMBLYMAN BROWN: Thank you, Mr. Chairman.

Mr. County Executive, from the county perspective, how do you see the proposed State budget? What impact will it have on the counties, especially Essex, as opposed to last year? Do you see it as more positive, or negative, or the same, rather than giving your whole presentation all over again?

MR. SHAPIRO: In terms of the State budget, there are a few specific things that I would point to, Assemblyman. I would see it, with regard to the county's fiscal position, basically having some positives and some negatives - some clear positives. One of the things which really I think the Governor deserves a lot of praise for is the big initiative in the area of transportation. He is putting \$40 million for local road aid there, for restoration and reconstruction of local roads, which will really help us out a lot. He is really giving a big lift in terms of corrections. One of our biggest problems is the incredible burden placed upon our correctional facilities. He has placed above and beyond even what the Department of Corrections had requested additional funding in there to handle the tremendous impact on their facilities that has made it so that we are holding today in excess of 180 State prisoners within our prison, forcing us to back up Newark's lockups in really inhumane ways and making it so that we have a big fiscal burden upon us.

He has proposed this job training program, which I think is a big plus, particularly targeting it towards the working poor who have borne the brunt of the burden of President Reagan's cutbacks.

On the flip side - on the negative side - a lot of attention has been

given to the increases in taxes he has proposed, the gasoline tax, the cigarette tax, and a couple of other things, the taking away of \$75 million of the growth of the gross receipts sharing that would normally go to municipalities. What hasn't been talked about nearly as much is that the State budget as proposed contains within it implicitly a proposal to increase property taxes by \$195 million over what they would otherwise be. I get that figure by simply directly looking at cutbacks that have been made in aid programs, the biggest one of which, of course, is the cutback in basic assistance to elementary and secondary education through the various parts of the "thorough and efficient" law.

What that will mean to us in the counties, specifically, is the cutbacks in vocational education. That will make it much more difficult for us to continue to provide that very valuable service.

The freezing of aid to the county colleges --- The only institutions of higher learning where they decided to give no increase at all, simply pretending that inflation didn't exist, was the county colleges. Rutgers, NJIT, College of Medicine and Dentistry or the University of Medicine and Dentistry, the State Colleges, all have gotten an increase. But the county colleges are getting zero increase. Worse than that, at the same time that they gave zero increase they are refusing a tuition increase uniquely to the county colleges. We can't increase tuitions on our own. Only the State Board of Higher Education can allow us to do that. They are saying, no tuition increase either. That means we are caught in a bind: no additional State fund, no tuition increase, the third source of money is the county's treasury, and we cannot go above a certain amount. All that money is capped. That means cut back those services.

There was one other area, which is the welfare equalization money. We had hoped that this Governor would propose that the welfare equalization program be kept up and paced with inflation. Instead of doing that, that has also been frozen. So, instead of having the full amount that ought to be put in there, we are having less than the full amount. What that means is the increased cost being shifted back onto the local property tax.

ASSEMBLYMAN BROWN: One more question, Mr. Chairman, through you.

ASSEMBLYMAN McENROE: Certainly.

ASSEMBLYMAN BROWN: Maybe it is in the form of a statement also. The fact is, with all our priorities, we recognize that crime is one of the major issues in the State and a lot of attention should be given in that area. I notice that the Governor proposed \$44 million additional for prisons because of the overcrowding in the prison system. But, on the other hand, we are having a cutback in the educational process. In higher education in the budget, the proposal is a 10 percent increase in tuitions. I have always been an advocate of higher education and felt that education was a deterrent to crime.

My question is: How do we shift priorities? I think there is a need to shift priorities based on the millions of dollars going to prisons versus the cutback in the educational system. When we look at the track record, we find that for most of the individuals who have completed college and gotten a degree or just attended college, the chances of their being involved in violent crime which plagues the entire State are very slim. There may be some white-collar crime to some extent, but not violent crime.

I am concerned about how we can shift those priorities. The climate in the State is to increase the cost of prisons more and more, but we aren't dealing with

the deterrent. The tuition increase is 10 percent. I see that as a problem. Then in those three universities you mentioned - the University of Medicine and Dentistry, NJIT, and Rutgers - they are talking about a 15 percent increase, which will automatically mean a decrease in the number of students who will be able to attend college and which makes them more unemployable - that's the other problem - and that then leads to crime. It also means that more prisons are needed. So, I kind of question the direction we are going. I am wondering how from a county position we could shift that priority or sense of values maybe into the other direction, deterring crime.

MR. SHAPIRO: I think what you ask makes an awful lot of sense. I think you are right in terms of education's value as a bigger program to help reduce crime. I think even more important, however, is that that education be followed up by a job. If education is dead end and if kids have a sense of that - and they get that sense very quickly because they know what happened to the kid who graduated the year before --- if they have a sense that it is a dead end, their sense of hope, their sense of pride, and their sense of having a good future, is going to be much less. Therefore, the likelihood that people take education seriously is much less.

I don't know, Assemblyman. I am kind of skeptical of the State's ability to fight for economic well-being on its own without a federal policy which also encourages that. I am not saying federal money. I am saying a federal policy which fosters a good economy. The federal policy today of high deficits, high interest rates and unemployment is not one that is going to make it so that education seems meaningful to kids who are going through it.

That leaves us in the awkward position in this federal partnership of having to deal with the fall-out of bad economic policy and a bad economy. Part of that fall-out is high crime. Given that we have high crime, we are best off, I feel, making the criminal justice system work as well as it possibly can. What you will hear from every one of our judges is that the criminal justice system simply will not work if there is a bottleneck created in our prisons, that we are more likely to have, not just prison riots and injuries to our Jail Guards and inmates, but also to have a significant likelihood of judges not willing to give out the sentences they would otherwise give out, freeing people more than they would otherwise desire. And in no society is that a desirable outcome for a judge to not be able to exercise what his judgment would be, given the lack of a facility. That should not be his consideration.

ASSEMBLYMAN MCENROE: I recognize Mr. Haytaian.

ASSEMBLYMAN HAYTAIAN: In one of your statements - I just can't let it go - when you talk about the possible shopping center and a supermarket in the Central Ward of Newark, we had a bill in the Legislature to help specifically that problem, especially with supermarkets. In fact, Assembly Gormley had a bill to funnel to money through improvement authorities so that supermarkets can be built in the inner cities. I think that would be beneficial to you in this area. Is that correct?

MR. SHAPIRO: Well, to use an improvement authority to do supermarket construction would really do one basic thing: it would avail to the supermarket investor a lower rate of interest. However, the problem is, an improvement authority again is issuing tax-exempt bonds to get that low rate of interest. Improvement authority bonds today would be likely sell without a guarantee. Nobody is going to guarantee a supermarket, at least in the public sector, that I know of. That is something like a rate of 14 percent. That is not much of an economic incentive for a supermarket investor. If you have to recapture in your profits a 14 percent rate of interest, you are going to have a hard time making a go of it, particularly in an

area like Springfield Avenue in our Central Ward where you are going to have additional security precautions and where your cost of operating is going to be much higher than it would otherwise be.

The biggest thing for any businessman, of course, is making sure that he has a market, making sure that he has a place to go to sell his goods. And if the income of the people in the surrounding area has been cut back by means of food stamps, as this investor said his income would be, he knows his likelihood of turning a profit is going to be that much less.

ASSEMBLYMAN BROWN: Which also, through you, Mr. Chairman, indicates that there has been no commitment from the supermarket industry to establish a supermarket in the Central Ward in spite of this legislation on it. To my knowledge, I am not aware of any. I think that legislation - Assemblyman, correct me if I am wrong - addressed Atlantic City, basically only Atlantic City. They were the only ones that expressed interest in that area. I think that was part of the problem with the legislation.

ASSEMBLYMAN HAYTAIAN: I think it was improvement authority, and not specifically for any one location.

ASSEMBLYMAN BROWN: But based upon the research that has been done, there was only one area that had indicated a commitment.

MR. SHAPIRO: I think you are both correct on that. The impetus came from Atlantic County. They would have been eligible in all four counties that have improvement authorities, and we are one of those. But the reality of it is it is a small discount. The traditional spread between tax-exempt and taxable bonds was only about a 65 to 100 spread. That is usually what it was. Right now, that spread has narrowed so much because of the combination of factors I described before that we are seeing the spread really being maybe 14 percent for tax-exempt and 16 percent for taxable.

ASSEMBLYMAN McENROE: I would like to offer one comment before we thank you, Mr. Shapiro, for your input into the meeting. The particular bill we are referring to impacted mostly, and totally at this point, on Atlantic County because it was tied to areas where a county improvement authority is involved in housing. The impetus of the bill, as I saw it, was to provide the opportunity for local shopping for people that are residents of housing developments. The bill is still alive. The concern, a legitimate one, was raised with the idea of minority ownership and minority employment. The bill I think still retains great merit. I think with some input and some redefining of its intentions that it will again be considered by the Legislature. I would hope at that time that the County Improvement Authority through your office and good advice undertakes to review that whole new concept.

Again, Mr. Shapiro, we appreciate your taking the time to be with us. Your testimony has been important to us. It is the first testimony today. Frankly, as an Executive in a county with the kinds of problems that Essex experiences, your concern was anticipated and we appreciate it very much. We will be back to you, I would think in the future, to determine your thinking and plans for some of the legislative proposals. Thank you very much.

MR. SHAPIRO: Please let me know if there is anything further at any later date that I could help out with. We are going to have other members of the county government here testifying today. I hope you will give them the same welcome that you have given me. I appreciate it.

ASSEMBLYMAN McENROE: We certainly will.

I do want to acknowledge that I believe there are two members of the Essex County Board of Freeholders who are here. We would like to hear from them if

they want to say something. We have the Vice President of the Board, Corena Kaye. Ms. Kaye, it is very nice to have you in attendance. We also have Freeholder Joseph Parlavecchio who was here just a moment ago.

Next on our agenda we have the Director of the Essex County Division of Community Health Services - Mr. Martin Livenstein, Director of Community Health. I know the importance all of us place in the area of community health. Good morning. It is nice to see you, sir.

I would like to introduce my colleagues. On my far, we have Assemblyman Brown, 29th District; Mr. Haytaian, representing District 24, most of Warren and Sussex; and Assemblyman Thompson is also with us here.

M A R T I N A . L I V E N S T E I N: In the interest of time, I was asked to limit my presentation to five minutes. So I would like to get right into it with your permission.

Mr. Chairman and members of the Assembly County Government Committee: This presentation is made by the Division of Community Health Services of the Department of Health and Rehabilitation, County of Essex. The primary focal point, per your request, is the reality of determining county services, particularly in regard to mental health services, in my presentation.

Recently, the National Association of Counties in their publication, "The County Government Role in Mental Health Systems," the authors wrote - and I quote - "As the federal role in mental health services diminishes in favor of state and local authority, the county is likely to be increasingly important in the overall mental health system." In the March 17th issue of Mental Health Reports, it is indicated that NaCo sees several results emerging from the current trend:

First, county participation in state-delivered care is likely to expand.

Secondly, citizens may increasingly look to counties to "fill the gaps" left in the service system by state and federal cutbacks. This is the item that Mr. Shapiro referred to and the constant dilemma we are in because of cutbacks resulting in gaps and the county dollars having to fill those gaps.

Thirdly, responsibility for deinstitutionalized patients is more likely to fall on the county, not only for mental health care, but also for services from the criminal justice, housing, welfare and other support systems.

Finally, county participation as advocate for the mentally ill must necessarily increase as budgets tighten. Again, while other levels of government can pass problems along, local governments must respond. The relatively more intimate knowledge of the needs of people "may uniquely suit elected county officials to act as advocates for often-forgotten mentally-ill citizens."

These results have now become reality in Essex County. Just recently, an inpatient mental health unit was cut by \$150,000 because the Omnibus Budget Reconciliation Act of 1981 excludes inpatient service from funding support in the alcohol, drug abuse and mental health services block grant. That is Part B of the Omnibus Budget Reconciliation Act. The county now receives a request by this agency to fill this \$150,000 gap. We have to consider the potential for that. The State continually turns to counties to assume greater responsibility for mental health service delivery, particularly as regards deinstitutionalized patients and other "target populations" at risk of institutionalization.

It becomes of paramount importance for the State of New Jersey and its counties to engage in a process of developing the state-county partnership to the highest level of cooperation and clarification of their roles. I would like to offer four recommendations to be very specific and concrete. Let me jump to them.

The first recommendation is that the State pass through mental health and other block grant funds directly to counties with a minimum of administrative write-off by either party. Mr. Shapiro again commented on this in his presentation. It is vitally important because, at present, under the Omnibus Budget Reconciliation Act, states can use "no more than 10 percent" for administering the mental health, alcohol and drug abuse block grant funds. That means they can take up to 10 percent for their own administrative purposes.

Secondly, it would be wise to strictly limit any amounts of these block grant funds which can be drawn from these block grants for other State purposes. Again, the Reconciliation Act of 1981 specifies that - and I quote - the "State agrees to use 95 percent of the funds allotted to it. . . for the mental health, alcohol and drug abuse activities" in fiscal year 1983, and 85 percent in fiscal year 1984. This allows up to 5 percent in fiscal year 1983 and 15 percent in fiscal year 1984 to be used for other State purposes. That would be operating against our own purposes if that were allowed to happen. I would strongly recommend that that drain-off not be permitted to take place.

Thirdly, the State Department of Human Services should engage in negotiating performance contracts with counties with approved mental health plans for the purposes of specifying state-county relationships and roles, as well as specifying the allocation of resources and services to be delivered. Within this performance contract negotiation, there should be serious consideration given to the reallocation of existing State funds to local counties for the maintenance of the present service delivery system.

Finally, if I may have the luxury for just a moment to comment on the last item - the state-county partnership must again of necessity explore and develop alternative forms of health care as alternatives to our present institutional system. These include the consideration of such things as home health care, where individuals are cared for in their own or in similar family-like homes, and aggregate living facilities where small groups of people requiring health care can be brought into home-like atmospheres, but living as a group under constant supervision of the person who runs the home.

I think we have to explore the possibilities of a third alternative to institutional care because of the high cost of institutional care; and that is the possibility of developing smaller satellites that would be less expensive to run, less expensive than the daily costs for hospitals and other institutions for care.

The state-county partnership and roles must be re-evaluated in light of the pressures put upon them by federal policy. There is some opportunity to maintain the mental health service delivery system within severe fiscal constraints, with a restructuring of the roles and resources.

Thank you for the opportunity to be heard.

I limited myself very consciously. I have some additional material on the cutbacks that took place in the various block grants under the Department of Health of the State of New Jersey. I would like to make this available to you. I think you can read this on your own. But it comments on the actual figures that they estimated that resulted in 1981 from the 1981 Budget Reconciliation Act. So I will leave this with you.

ASSEMBLYMAN McENROE: Will you give that to our Committee Aide, Mrs. DiBianca. (See page 1x of this transcript for material submitted by Mr. Livenstein.) Are there questions?

I have a few questions, Mr. Livenstein. On page 4 of your testimony, you

talk about home health care or aggregate living facilities and you had talked about the state-county partnership. Do you recommend that the county alone anticipate the expense of home health care or aggregate living facilities?

MR. LIVENSTEIN: Oh, no, not at all. I don't see any way that the county could possibly do that fiscally. It would have to be a state-county partnership. As to determining who would take the responsibility, I would suggest the State could take responsibility for standard-setting, for monitoring and assuring compliance with any contracts that are negotiated.

The county, because of the intimate knowledge of the localities involved and the people involved, could take the responsibility of delivery of the services and monitoring the local delivery of services. There could be a specification of roles.

ASSEMBLYMAN McENROE: You do talk about an expansion of county participation. You stated on page 1 and over on page 2 that citizens may increasingly look to counties, county participation is likely to expand and the responsibility for deinstitutionalized patients is more likely to fall on the counties. And, as advocates of the mentally ill, you again recommend that the county participate.

In what form do you mean that? Do you mean higher taxes in the county?

MR. LIVENSTEIN: I think this primarily will take place in reallocation of existing resources. We, for instance, as Mr. Shapiro mentioned, have the largest psychiatric center - county psychiatric hospital - in the country. We have to look, and we are presently looking, at how we might reallocate resources within the context of that institution to provide alternative forms of care. We have to do that again with the State because there is no way that the county can make up for what is lacking as far as federal funds or in developing new alternative as far as the State support for the mental health system.

So, again, although we can consider our fiscal resources and reallocation of those, it has to be done in concert with the State.

ASSEMBLYMAN McENROE: What was the experience of the community health programs in Essex County during 1981 as compared to '79 and '80?

MR. LIVENSTEIN: In 1981, our drug programs throughout Essex County took one shellacking. They were probably the hardest hit. If you look at the estimates that were put out by the Department of Health, you will find that of \$2 million that were estimated to be cut, \$700,000 were cut in the drug abuse programs. Another hard hit area was alcoholism. Now, in my mind - and I speak individually; I am not speaking on behalf of the county - it is somewhat disconcerting to see Mrs. Reagan stating as her primary concern the area of drug abuse while, at the same time, her husband through the federal budget cuts has cut the heart out of the drug abuse programs. Those two things just don't seem to set right in my mind. But those were the hardest hit. Another area that was hard hit was the maternal child care service. We are talking about well-baby clinics and the opportunity to examine newborn babies over the period of their first year of life where people don't have readily available to them the usual pediatric service for such purpose. We are talking about on-going care for pregnant women and pre- and post-natal care.

So, in a nutshell, it has been said by others and I simply would like to say it this way because I think it is most effective, someone is going to die as a result of this.

ASSEMBLYMAN McENROE: Has there been any corporate or business involvement in funding levels to assist your organization in those particular areas: drug abuse and alcohol abuse?

MR. LIVENSTEIN: We are presently exploring the possibility --- we have an

Alcoholism Advisory Board in Essex County and we are exploring with them the organization of the Business, Industry and Labor Committee, for the purpose of at least helping business and industry and labor to understand the implications of alcohol use and abuse upon their constituents, and to see if there are some ways that we could put our heads together and our efforts together to develop alternative services for that population. So we are exploring different ways of doing it. It is difficult. I think it has been indicated by several national associations of businesses that they can't expect to plug the gap left by the Reaganomic policies either. And they have said this openly and publicly. So, to some degree, we are limited in the use of business and industry as a real resource, although they are certainly most welcome and receptive to our efforts.

ASSEMBLYMAN McENROE: Thank you. Mr. Thompson.

ASSEMBLYMAN THOMPSON: I have one question through you, Mr. Chairman.

Ann Klein, the former Commissioner in the Byrne administration, released a lot of mentally ill people. I just wanted to know whether or not you use a standard in reference to the release of these people and, if so, was it in conjunction with the counties to which these people were released? I am interested in the standard because there is an overriding public policy, which is the public interest of the State of New Jersey. From personal experience, they just seemed to have dumped a lot of people in the City of Newark where we really have other massive problems. I want to know whether you had any involvement in this. And, if you did or you didn't, did she use any standard that you know of as far as releasing these people?

MR. LIVENSTEIN: To your question, most of the people who were released from State psychiatric centers were released during the period 1964 to about 1978. In that period, about 10,000 mentally-ill patients were released. I came on board in Essex County in the latter part of 1979. So I am not that intimate with the experience of Ms. Klein. However, I have had experience in other states and I would go along with your thinking that if it followed the usual process followed by other states, they literally dumped hundreds, if not thousands, of mentally-ill patients into local communities, without the involvement of counties, without the involvement of local agencies, but simply on the basis of the fiscal savings that might be had as a result of the need to not follow through on accreditation requirements in closed facilities or closed sections of facilities, for any number of fiscal reasons. I have found in the past in other areas, in other geographic areas, that the dumping process has taken place.

ASSEMBLYMAN THOMPSON: I am going to ask this question as a cold and calloused individual. God forbid, any of us could be in those types of circumstances. In Newark, we have a Police Department that is limited. Then we have some Policemen who for many reasons don't want to do the job. Then when you get a few who want to do the job and they look at an individual who starts at Haines and by the time he gets to Cedar Street, he has taken off all his clothes, and they are worried about muggers and pickpockets and other people in the street, I think it is a shame.

MR. LIVENSTEIN: I think that is the point that was made, that the responsibility for the deinstitutionalized patient will fall not only on the mental health system, but on the criminal justice system and the welfare system. I think you are commenting on that. My sense is that wherever we can diminish the involvement of the police authorities in the rescue, in some instances, and, in other instances, the care of the mentally ill, to that degree I would like to do that because I think they have other more important jobs to be done. That is not literally a legitimate police function. I would see that as vitally important. We are developing a conference

right now on emergency and crisis services in Essex County. We hope that conference will take place at the end of May, to which we are inviting all of the mental health and welfare, police authorities, business authorities, to come with us and help us determine how we might avoid exactly that misuse of various elements of our service delivery system. It is a serious concern.

ASSEMBLYMAN McENROE: Thank you very much.

Next on our agenda, we have, representing the Sheltered Workshop of Essex County, its Executive Director, Mr. Rocco Meola.

May I introduce my colleagues on the Committee: Mr. Brown of Essex County, Mr. Haytaian of Warren and Sussex - I am from Essex also - and Mr. Thompson.

Mr. Meola, prior to your statement of any comments you have, kindly bring us up to date if you will on the history very quickly of the Essex County Sheltered Workshop and its effort to train the handicapped.

R O C C O M E O L A: Yes. The Occupational Center of Essex County is a private, not-for-profit agency. We are not a county agency as such. We provide services to the severely mentally and physically disabled residents - adult residents - of Essex County, those individuals who are unable to be employed in the competitive labor market.

The Center has been in existence for 27 years. We are located in Orange. We have a satellite facility located in Livingston. We are the largest such facility in the State and we are the oldest. On an annual basis, we serve approximately 400 people; on a daily basis, approximately 300 people. And the services that we offer are basically of a rehabilitative nature. We provide evaluation, work adjustment training, counselling, job development and placement, follow-up services and skilled training for clients that are capable of working at a skilled level. We also provide long-term sheltered employment for individuals who are unable to work in the competitive labor market. We provide them with services on a daily basis plus the opportunity to work.

Essentially, the Center is a fee-for-service agency. We receive fees for the services from the New Jersey Division of Vocational Rehabilitation, from school systems and the Veterans Administration. In order for us to survive, we must have a continual flow of referrals and fees coming through the agency. In the last year with the federal cutbacks, we have experienced a shortfall in these referrals and we have had to seek funding from other sources in terms of grants, such as United Way, Community Development Block Grant Programs, from foundations and from the County of Essex, itself, and the municipalities within Essex County. We have obtained support from these individuals and these other agencies. However, with the continuing change in terms of the federal dollars and the cutbacks, we have experienced an inability to improve or increase the services that we offer.

I think that the problems that we have felt specifically and the other 40 agencies like ourselves throughout the State that service nearly 4,000 handicapped people have been handled in a very unique way in terms of the cutbacks. First of all, there has been a limit in terms of eligibility for services placed on the people who can come through the programs by the State agency. So, people with the severest disabilities are being limited from this service, contrary to the '73 Rehab Act and the '78 amendments.

The State has established production requirements. For example, if a person goes through an evaluation program, for him to get continued training, he must produce at a certain level in order to be funded for a second part of the training program. This, of course, negates a type of long-term training for the most

severely handicapped, whether mentally retarded or individuals with emotional problems, since production requirements are not the sole criterion and do not represent really good rehabilitation practices for individuals.

A third area that has been used to limit the funding for such agencies is the establishment of a financial eligibility test. In other words, if a handicapped adult is living with his parent, that parent's income and any other individuals living in the household, their income is taken into consideration before that person can receive training services at a facility such as the Occupational Center. This has had a negative impact on our programs in the sense that any four-person family earning over \$22,000 a year would have to pay for the services that are rendered in such a program. This is regardless of any unusual expenditures that the family might incur or any unusual medical expenses that that family might incur.

I think that with the cutback in referrals and the funding, there is a danger in terms of the loss of community-based programs such as the Occupational Center. The other 40 agencies throughout the State are also going to feel the same impact in terms of loss of dollars.

The people who are most in need of the services, the handicapped individuals, will not be able to avail themselves of the services, leaving many people in the community or, worse, back to the institution, for which we will all pay.

I think there is also an alienation of individuals who are considered lower-middle-class or middle-class individuals who are struggling to survive in this economy and now are forced to bear an additional burden with their handicapped son or daughter who now is an adult and pay for all of the training that they are receiving from age, let's say, 20 until age 65. That is a long time to pay for services for an individual. It seems that it almost would be financially more beneficial for the parents to kind of give up on the handicapped adults and say, "Let the State take care of them. It is their responsibility. They have institutions for such things." And, again, the cost to all of us could be very dramatic.

The results of the financial cutback in terms of the potential loss of programs and, I think, more importantly, the cutback and the waste in human potential of people who otherwise have potential to work, to participate in the community activities, would be that they would be eliminated from these activities. I think it also speaks to the humaneness of our society when we cannot provide adequately for those people who are not quite as fortunate as we are in terms of their mental or physical capacities.

In terms of the dollar cost and the effect overall, we can talk about institutionalizing an individual for anywhere from \$27,000 to \$50,000 a year. We can talk about a community-based program ranging from adult activities at \$7,000 a year, to a program such as the Occupational Center operates of \$2,500 a year. When you consider the living arrangements of having these people remain in the community, whether in an intermediate care facility or whether in a group home, a family home, or at home with their parents, the cost becomes substantially reduced again.

I think all of us in terms of the long range would be benefited by ensuring that the funds are made available to the community agencies. I think all of us would seriously be affected in terms of the funding cuts and I think that the impact on the mentally retarded, the emotionally disturbed, the physically disabled, who can't always speak in their own behalf, will be severe.

I would just like to pick up on a thought that was mentioned by Marty Livenstein and the County Executive earlier, in terms of the allocation of the State dollars. It seems that with the federal cutbacks, although the actual dollars that the Division of Vocational Rehabilitation has to work with from the federal government

have not really been cut, the increases have been curtailed. There has been a substantial cut in the amount of dollars that are used for the services and moving the services to the community. It leads me to believe that the dollars that are left over are being used to fund a higher administrative cost of the State agency. One of the things that I would ask of this Committee is to ensure that with the federal cut-backs, those dollars are funnelled down to the community level through either the county government or the community-based agencies who can provide the service at a much lower unit cost with a lot less of the overhead that the State would have to handle. I think in that way we would all ensure that the services are getting to the people who need the services the most.

I thank you for the opportunity to make this presentation.

ASSEMBLYMAN McENROE: Mr. Haytaian.

ASSEMBLYMAN HAYTAIAN: Thank you. Mr. Chairman, through you - Mr. Meola, when you talk about the block grants coming directly to the communities, I would assume you mean through the counties to the communities, to provide the services.

MR. MEOLA: Yes.

ASSEMBLYMAN HAYTAIAN: I would also assume - at least, I hope you mean - that the dollars that are earmarked for specific programs be used for those specific programs rather than to be put into the general treasuries of the counties.

MR. MEOLA: That is specifically what I mean - that they are used for programs.

ASSEMBLYMAN HAYTAIAN: Thank you.

ASSEMBLYMAN McENROE: Mr. Thompson.

ASSEMBLYMAN THOMPSON: Through you, Mr. Chairman - In one of your remarks you criticized the State government. I can put it in better terms. You are dealing with clusters. Say an individual gets through one stage. What the State is saying to you is: "If it is our determination that this individual has not reached x level at this particular stage, we are not going to fund you." Is that what you are saying?

MR. MEOLA: Yes.

ASSEMBLYMAN THOMPSON: Well, what is wrong with that when we are talking about taxpayers' money. Certainly now, we have a problem of allocation of State dollars. The Governor, right or wrong, is trying to set some priorities on where this money is supposed to go. Aren't they supposed to have some type of check and balance system so that they can attempt to make a determination, whether or not an individual is in rehabilitation because of physical or mental disability, as to whether he has reached this certain stage before they fund you with more taxpayers' dollars?

MR. MEOLA: My criticism was basically on the sole criterion of using production. We all know that production is not the sole criterion in success or failure at a job. I would dare say that if we used that criterion with employees - with regular or normal individuals - that cannot be the sole determining factor. When you are talking about an individual who is severely handicapped or an individual who has been institutionalized for 30 or 40 years and is first coming back into the community, we are talking about a person who has not been in the competitive labor market, who cannot develop over a 10-week or an 18-week program the skills necessary to maintain specific production standards.

What I am saying is that there is time that is needed to maximize this human potential that is there.

ASSEMBLYMAN THOMPSON: The problem is that the ones who measure the time would be the people doing the training. Not only that, it is subjective. Each individual functions differently. You are saying, "Johnnie is not ready yet." Two years pass and he is still not ready. Maybe in three years he is not ready. That is still the

taxpayers' money. I am not a psychiatrist. But I would think perhaps you could put a team together and you could convince the State to change their criteria and expand the time limit with regard to what they consider and what a reasonable man would consider to be the amount of time at least one stage of the training should take before moving on to the next cluster. Just a carte blanche operation I think is unfair to the taxpayers. This is just from listening to your testimony.

MR. MEOLA: No, I am not suggesting a carte blanche. I am suggesting that at this point in time there is really no room for movement in this area. It is a hard and fixed point. If a person doesn't meet a certain criterion, that is the end of the program. It is contrary to dealing with people who have been institutionalized, You have on the one hand, the State moving people out of institutions for the mentally retarded and putting them in the community and looking for community programs for these individuals.

We now are having the Division of Vocational Rehabilitation, charged with the responsibility of providing the rehabilitation services, say that you have to do this in a 10- or 18-week period when this person has been locked up in an institution for 30 years. That is sort of a miraculous type work if it can be done in that period of time.

ASSEMBLYMAN THOMPSON: Thank you.

ASSEMBLYMAN McENROE: Mr. Brown.

ASSEMBLYMAN BROWN: Through you, Mr. Chairman - Mr. Meola, you mentioned in your comments that there was not necessarily a decrease in the funding, but that there was just a decrease in the increase. There was no increase, but you were getting additional funding above that on an administrative level where you thought that the cuts probably should be made and that should be filtered down to the people for whom it was intended. Would you like to expand on that? I am not sure if I got your concept. Are you suggesting there are enough funds?

MR. MEOLA: From what I have seen in the federal allocations for the Division of Vocational Rehabilitation and for rehabilitation in general, the level of funding between 1981 and 1982 has stayed relatively the same at the federal level, so that there was no planned increase. I am not sure what the rate of increase would have been. Obviously, when that money now comes into the State and the State matches those federal dollars, the amount of money is going to be less than was anticipated with the normal 5 or 10 percent increase or whatever was going to be in the budget.

What I am saying is that with the automatic increases that the administrative staff within the agency get, more of those dollars are now being used to administer the program and less of those dollars are filtering down. I am not sure of the exact numbers, but I could provide you with them. If, for example, \$15 million were used for services of a \$25 or \$26 million budget, we are told this year that they are only going to be able to utilize \$11 million, which means that the difference, the \$4 million difference between the \$15 and \$11 million is now going to be absorbed someplace else within the system. It is certainly not filtering down to the service level.

ASSEMBLYMAN BROWN: Which means indirectly there is a cutback in those areas?

MR. MEOLA: Right.

ASSEMBLYMAN BROWN: Okay.

ASSEMBLYMAN McENROE: Mr. Meola, there are sheltered workshops across the country. Have all the members of that organization taken any position relative to the anticipated federal budget of 1983, or '82?

MR. MEOLA: Most of the workshops belong to the National Association of Rehabilitation Facilities and, through that nationwide organization, there is an

effort to hold the funding at the present level without any further recissions or cutbacks for next year, and simply reiterating the cost effectiveness of such rehabilitation programs.

I haven't seen a specific piece of information pertaining to what would happen at the local levels. But I know that this is being felt across the nation at this point in time.

ASSEMBLYMAN McENROE: So there is an effort at the federal level ---

MR. MEOLA: Yes, there is.

ASSEMBLYMAN McENROE: --- to change the levels of funding?

MR. MEOLA: Yes.

ASSEMBLYMAN McENROE: Is there anything different about the Essex County Sheltered Workshop from others across the country? Are there more handicapped in Essex? Does it hurt more in Essex than it does in other places?

MR. MEOLA: Yes. I think the need in Essex is much greater. Marty Livenstein testified before and, Assemblyman Thompson, you asked a question about people coming out of institutions. And I think it has been fairly widely publicized that Essex County, the Newark and the East Orange area specifically, have felt the burden of the people coming out of the institutions and living in boarding homes, group homes or the housing that is available in this area. As a result, the need for services has increased tremendously because these may not have been county residents to begin with. But in the process of deinstitutionalization, they now are county residents and they are in need of the services. So, I would say that the need is much greater here.

The State Division of Mental Retardation, for example, plans to deinstitutionalize approximately 2,000 individuals in the next three to four years. Three hundred of them, at minimum, are slated for the Essex County area. That means, if all of them were to come into our program, you would need another program the size of ours within the next four years, just in this county.

ASSEMBLYMAN HAYTAIAN: Are you saying that these people are not capable of taking care of themselves if they come into the community?

MR. MEOLA: I am not saying that at all. I am saying what they need is some kind of daytime activities. They are not going to be coming out of an institution and going right into the labor force and finding a job. They are going to need some activities that may be work related that are going to move them to a status where they can be more independent in the community.

ASSEMBLYMAN HAYTAIAN: Question: The 504 regulations were supposed to have been implemented years ago. Some counties are now putting a lot of dollars into implementing the 504 regulations. Do you think there may be some merit in holding off on that implementation and putting more money into the type of programs you are talking about in rehabilitation for the short run?

MR. MEOLA: I think that is a very difficult question to answer because you are talking mainly about the physical changes of buildings and things of that nature. And I think there is a critical need for that as well. I would say, if the State policy though is to move people into the communities, then I think the State ought to make sure that there are service programs there to provide the services for these individuals. I understand that that will be happening.

ASSEMBLYMAN HAYTAIAN: This is the point I am getting to: the program is not a federal program to move people in the community; it is a State program to move people into the community, correct?

MR. MEOLA: It was initiated by the federal government because there have

been federal moneys through the intermediate care facilities to move people out of the institutions. The State can then obtain money to refurbish their institutions and upgrade them.

ASSEMBLYMAN HAYTAIAN: Thank you.

ASSEMBLYMAN McENROE: Thank you very much. I have one more question for you, if I may. Have there been any efforts to establish sheltered workshops in some of the more rural areas of the State? Is it good business to get our sheltered workshops into the rural areas?

MR. MEOLA: I know that every county in New Jersey is represented with a sheltered workshop. In Essex County, there are four such facilities. For example, in Sussex County, which is fairly rural, there is a sheltered workshop, as in Cumberland County.

ASSEMBLYMAN McENROE: But none of them are county facilities as such, are they?

MR. MEOLA: No.

ASSEMBLYMAN McENROE: Thank you, Mr. Meola.

I would like to welcome our colleague, Assemblywoman Maureen Ogden, who represents part of the County of Essex. Nice to have you with us.

ASSEMBLYWOMAN OGDEN: Thank you.

ASSEMBLYMAN McENROE: Next on our agenda we have the Director of the Essex County Department of Citizens Services, Miss Rebecca Andrade. Rebecca, if you will join us at the table, we would be interested in your comments, your thoughts and testimony.

As I have stated earlier, these are fact-gathering hearings at which we want to speak with representatives of the various county agencies, both within county government and in the private sector, to determine the impact of fiscal '82 and to anticipate the federal budget and the responsibility required of you in fiscal '83.

May I quickly introduce the members of our Committee who are here:

Mr. Brown of Essex, Mrs. Ogden of Essex County, Mr. Haytaian of both Warren and Sussex Counties. I also represent Essex and Mr. Thompson, on my right, represents Essex. Our Committee Aide is Mrs. DiBianca.

R E B E C C A D. A N D R A D E: Thank you, Mr. Chairman.

I have also asked Judith Goldstein, who is the Director of our Essex County Division of Welfare, to join me at the table. As we get into questions and answers, she may be able to help with some of the details on the effects of the cuts, particularly in the Division of Welfare, within my Department of Citizen Services.

First of all, I would like to thank the Committee for giving us this opportunity to highlight especially some of the issues as we see them, and how they will affect us here in local government. Certainly, our County Executive was very thorough in his beginning remarks concerning how the new federalism will affect people here in Essex County. What I would like to do is add on to the overview that the County Executive presented to you.

One of the things that is very clear to us now, after six months of living under the new federalism, is that the new federalism has really, in fact, been primarily an attempt to reduce the federal support of human services at the local level. What we have seen in the shift is that the burden now will fall on the budget process of state government, county and municipal governments to close the gap that has been created by the federal cutbacks.

It is clear from the results that we have already seen that there are thousands of truly needy people who are being hurt presently and additional people

will be severely hurt by the cutbacks if the proposals for fiscal year '83 are carried out.

I would like to point out some particular areas to those of you who are representing our State Legislature, based on several months of experience that I have had participating in a State Block Grant Steering Committee, which was convened by former Human Services Commissioner Timothy Carden. Right at the time Commissioner Carden took office, we had just received word in New Jersey that New Jersey would receive a \$20 million cut in one block grant in particular, the Title XX social services program or what is now called the social services block grant. In an attempt to deal with this crisis, Commissioner Carden called a number of people together across the State to work with his department to deal with the problem of how were we throughout New Jersey going to deal with the cuts. So most of my comments are based on having worked intensively for about four or five months with State government in trying to deal with how our State and the people in our State could absorb over a \$20 million cut in social services, recognizing that this \$20 million cut was on top of a social services budget coming into New Jersey that had a ceiling. In other words, the social services allocation for New Jersey did not have any relationship to the numbers of people in need to begin with. Then, in addition, we received a \$20 million reduction.

First of all, my strong recommendation to the State Legislature is that we immediately initiate action by Joint Resolution, calling on our Congressional delegation to stand firm against any further cuts in federal funding of social services or any further establishment of block grants, until we have had an opportunity to study the full implications of the cuts already in place.

Secondly, New Jersey has been historically frugal with its State dollars committed to social services and to updating the income needs of its most vulnerable citizens in our State. We must at this point resist any further attempts to reduce the State level of support for social service. Rather it really behooves us now to increase the State level of support for social services, in light of the cuts that have been made at the federal level. We certainly have heard from previous speakers who are also bringing to your attention the importance of having the mandatory pass-through of these federal dollars to county and local levels, that the federal dollars are shrinking and that they not be further shrunken by high administrative costs at the State level.

We feel that county governments and local governments have demonstrated ability to administer services in a more efficient way and that this would be the more effective way to administer block grants.

One of the areas that particularly came through in reviewing the social services block grant in particular was the fact that the State has historically relied very heavily on funding from the federal and county levels to meet the costs of services that are actually mandated by State government.

One example is in the protective services programs for children administered through the Division of Youth and Family Services. Approximately 45 percent of funding for these services comes out of the federal social services grant. In other words, even though protective services for children is a State-mandated service, 45 percent of the financing of that service is provided through the social services block grant in particular. Because the social services block grant has been cut by \$20 million and the projection is that there will be a \$14 million cut in fiscal year '83 from the federal government, this puts more pressure on county governments and local community agencies. What it means is that a State agency, the Division of Youth and Family Services, representing protective services for

children, is pitted against county governments, which are providing services, and also against the community-based organizations which provide child care, homemaker, transportation and the other kinds of services described earlier. This, we feel, is an unfair situation where the State agency which actually administers the program also has to rely for 45 percent of its funding on that source of funds.

Our proposal is that the State Legislature begin to assume a larger portion of the cost of State-mandated services, that over the next 4 to 5 years the State government increase its support of State-mandated services and, basically, phase itself out of using federal dollars to finance State-mandated services, especially in the area of protective services for children.

A second example - and the County Executive pointed it out earlier - is in the area of expenditures for administration of the food stamp and AFDC programs throughout the State. These programs, as you know, are operated under State plans which require State approval of almost all expenditures, and especially staffing levels. Yet there are no State dollars available for county administration of these programs.

I would like to point out to you, for example, with regard to the cost effectiveness of local-county administration, that through our Division of Welfare, we administer over \$200 million worth of assistance programs, counting AFDC, social services and food stamps. The administrative cost for the program is approximately \$13 million. So the administrative cost is about 6½ percent of the total budget. We feel that this is a cost-effective way to administer programs and that with more flexibility from the State level in administering the programs, we can become even more cost effective in how we do business here at the local level.

Our experiences on the Block Grant Steering Committee also pointed out some other areas where we feel legislative action is needed to bring some safeguards into the State administration of block grants. There are presently 8 block grants in place. There are several points we would like to bring to your attention. For example, with the removal of the federal government in the administration of these block grants, there is a need now for State legislative action, for example, in the area of citizen participation, to guarantee that citizens have an opportunity to be involved in the planning of these programs and some comment on the plans for the expenditure of the fund.

Secondly, the State Legislature can pass legislation requiring that public hearings should be held prior to the implementation of the block grant plans.

Another area of concern is that there be some guarantees at the State legislative level that funds will continue to go to those most in need.

We also need to make sure that there is some guarantee that there are equal opportunity provisions within the administration of the block grant. The Title XX social services program has afforded opportunities for many minority organizations - community-based organizations - to deliver services and also has provided a vehicle for them to appeal when they felt that they were not being properly served. Now, the State government is going to have to put those kinds of protections in place for people in New Jersey.

Another very important area is that the State government must provide for equitable distribution of funds throughout the State, that there be some kinds of distribution of funds' formulas, county by county, based on population needs and other indicators. At the present time, we really have no way of determining whether or not there is an equitable distribution of the funds that will continue to come into the State, whether they are federal funds or even state-appropriated funds. So we need a formula for equitable distribution to the counties.

There needs to be a clear position taken by State government to support and induce the continued support of the private, nonprofit sector in particular, in

providing contributions to the social services program. You are familiar with the old Title XX program which provided 75 percent federal and 25 percent non-federal. At least \$.8 million of the non-federal share has been provided by local governments, United Ways, private foundations and other non-profit, charitable sources. If the State Legislature does not provide some means for those agencies to continue to contribute to social services, the cuts at the local level will be even more severe. We can see a fast erosion of that \$18 to \$20 million investment that local people make in social services.

Those are the major areas where we feel there has been a tremendous gap left by the removal of federal regulations and, certainly, the Legislature of our State government can be in a unique position to provide those protections for us within New Jersey.

One of the most severe areas of cutbacks under the federal regulations for us in Essex has been the loss to over 4,000 households of their Medicaid benefits. Washington talks about work incentives. But the largest work incentive in the AFDC program has been removed, so that 4,000 working women have lost partial assistance and all of their Medicaid benefits over the past 6 months. It is our belief that a medically needy program as part of our Medicaid program would be a greater incentive for those women to keep their low-paying jobs than trying to replace the dollar loss that they have experienced with the federal cutbacks.

New Jersey is one of the few states that does not have a medically needy program. In other words, in New Jersey, in order to use Medicaid, you must be on AFDC. So the working poor have no subsidized health care system. We think this medically needy program would be the first step towards having a real work incentive in the State of New Jersey.

I would certainly be remiss not only as Director of the Department of Citizens' Services, but also as a human being, not to bring to your attention that New Jersey has one of the lowest assistance benefit levels for people who are on AFDC. At the present time, we are expecting people to live out of what amounts to \$273 a month, with some gradation of increases for the number of children under their responsibility. Here in Essex County, there are now approximately 34,000 families who represent over 80,000 children who are living below the poverty line because of assistance levels established by State government. We feel in this day when all of us who are fortunate enough to have jobs are suffering from inflation and having to buy food and pay rents and other costs of living at highly inflated costs that it is untenable for us to expect people on AFDC who have to pay the same rents, shop at the same supermarkets, buy clothes at the same stores that we do, to make do on income which is one-tenth of what many people in our society expect as their due.

It has been brought to our attention that the present State budget that has been submitted to the Legislature does not even deal with the possible cost of living increase for AFDC recipients. We hope that this Committee along with the Joint Appropriations Committee will see that possibly some assistance can be given in this area so that there is at least some amount of cost of living increase that is awarded to people throughout the State of New Jersey who do rely on AFDC. I have to remind you all that the AFDC program is a program for dependent children primarily. The new federalism has most severely hit vulnerable children and elderly in our society. So we must say that from what we have experienced of the new federalism, we are concerned that the new federalism is really an assault on human services, especially for us here in Essex County; we have suffered very greatly from this. We hope that our State Legislature will help us in bringing these matters to our Congressional

representatives because just as you in the Legislature will have the last say on the State budget, we know that our Congressional representatives will have the last say on the new federalism.

Thank you very much for the opportunity to speak to you. Dr. Goldstein and I would be glad to answer any questions in detail for you.

ASSEMBLYMAN McENROE: Questions from the panel - Mr. Brown?

ASSEMBLYMAN BROWN: Miss Andrade, you mentioned something to the effect that the cutback in funds will now lead to some people not being able to work, which would therefore increase unemployment. Has there been any kind of study by which you have any idea what numbers would be involved just on a county level? How many families or parents would now be unemployed and would perhaps have to receive welfare, as we know it, when they could be working?

MS. ANDRADE: Well, the 4,000 that have been cut off partial assistance, a good number of them are still working. The question is: How long can they continue to work without some kind of supplement? We get letters every day from women who lost their AFDC and their Medicaid. Their first reaction is that there has been some mistake and they are appealing for us to look at their case and see if they are still eligible. In the cases we have checked out, they were cut off correctly according to the new federal regulations.

Let me ask Director Goldstein if we have gotten any indication yet as to whether or not some of those families are starting to come back to us, looking for full assistance. In other words, they have had to give up their jobs to come back. Do we have any figures?

MS. JUDITH GOLDSTEIN: We have a small amount that are beginning to come back. What happens is, first of all, many of these low-paying jobs --- they are not coming back all the time because of the money, but also because these are transient kind of jobs. They are the first jobs to go when there is a cutback. When there is a layoff, these are the first people to be laid off. Also if there is an illness in the family since most of them do not have any kind of medical coverage - they have lost the Medicaid coverage - they really have to leave because they can't handle the medical care.

Then, part of the group that was cut off were families where there was an 18-year-old who was not going to graduate from high school before that child was 19. These are also adding to the unemployment. Not only are these children not eligible now for continued education; but even if we managed to get some of them back in school or you have a lot of disabled kids who lose a year or two and you get them back in school, these children are no longer eligible to receive any kind of subsistence, any kind of support. They are now out in the labor market with less ability to find a job than they would if they had this kind of background.

Also under the new social security regulations, the children who were receiving social security benefits are being phased out of support for college educations.

ASSEMBLYMAN BROWN: I was led to believe the whole concept of the new federalism as far as shifting responsibility from the federal level to the state level and cutting back some of the funds was that the private sector would then pick up all these people and employ them. We really don't see the private sector reaching out for these individuals. The unemployment is actually increasing. Also some of our people are unemployed who probably would have remained working had they had some small assistance.

MS. GOLDSTEIN: Yes.

ASSEMBLYMAN BROWN: It is going to mean an increase in cost in the future

with a larger percentage being on welfare, which the taxpayers will be burdened with.

MS. ANDRADE: It really is just shifting the burden to the State and local governments for taking care of people.

ASSEMBLYMAN BROWN: But not the resources.

MS. ANDRADE: But not the resources. The responsibility, but not the resources. There is certainly a lot to be said for shifting the authority to the State and local levels. But we also need more of the federal dollars to come back to us because the taxpayers of New Jersey are not even getting our fair share of the federal tax dollars back into the State to deal with the needs we have at home. Some of our tax dollars in New Jersey in terms of proportion are going to other states. We need those dollars to come back here to create jobs and to revive our industries and to bring those opportunities to more young people in New Jersey.

I would like to point out also that with the cutoff of the 18-year-olds, that some of those families - the 18-year-old and the mother who no longer is getting assistance from the county - are looking for help from municipal welfare agencies and the cost of municipal welfare is a city and state cost. There is no federal share at all in the municipal welfare. And the mayors of the different towns are already counting up the increases that they are getting in their caseloads as well.

MS. GOLDSTEIN: Plus the medical cost falls squarely on the municipality.

ASSEMBLYMAN BROWN: In addition to that, I understand with regard to municipal welfare, people are leaving here and going to New York because they are paying more. They are leaving certain boroughs in New York and going to Lower Manhattan because they get more fringe benefits, which I think is way out of whack and out of control.

ASSEMBLYMAN McENROE: Thank you. I want to recognize Mr. Haytaian.

ASSEMBLYMAN HAYTAIAN: Mrs. Andrade, I have two questions. I guess philosophically I ask this. You made a statement: government is to take care of people. Is that really the role of government, to take care of people? Or, is it the role of government to help people take care of themselves? That is just a philosophical question and I think we could probably spend hours on it.

But, based on what you are asking here, there has to be more revenue. Are you suggesting - and maybe you are not --- but I get the feeling that you are saying we need more money. Therefore, I ask: Do we need more taxes? Do we need greater deficits? How do we fund the kind of programs that you are looking for?

MS. ANDRADE: First of all, one of the values of the Title XX social services program was the fact that it provided services which did help people work. For example, child care is one of the largest programs under Title XX or the now social services block grant. Obviously - and especially in our case when we are talking about people on AFDC --- obviously a woman, usually a single parent who has children, if she is going to work, she has to have child care. So, at the same time that people can't afford to lose their jobs, they are losing their child care, their subsidized child care benefits. This is a case where we are saying a federal program was helping people to help themselves because it was enabling people to work. And, as the people were working, they were providing taxes back into the system. Some of the other programs, for example, under Title XX, such as homemaker, prevented people from being institutionalized. But also, if a person had an elderly parent in the household, that person could still work because he or she knew that the elderly parent had a homemaker who was going to be there during the daytime.

The transportation programs, first and foremost, were for medical transportation and job transportation. So it is really like a support program to make it possible

for low-paid people to get some support service through the government. And these were people who were paying taxes. As long as they had a job, they could also pay some taxes back to us.

ASSEMBLYMAN HAYTAIAN: These 4,000 women, I assume, are mothers with children that you are talking about.

MS. ANDRADE: Yes.

ASSEMBLYMAN HAYTAIAN: Where are their husbands? Have they left home? Have they died? What about parent locators? There are parent locator programs.

MS. ANDRADE: We are talking, again, about women who are working and trying to support their families. If you look at what people are making, for example, in today's economy, some of the women work, for example, at some of the fast food places. They are paid the minimum wage. Some of the people are working in the factories where they are paid the minimum wage. Basically, if we are talking about a work incentive and we are concerned about the size of the welfare role, the people who should not be punished for working are these 4,000 women. They are working and they receive very little assistance from us.

Most people in our society agree that with the high cost of medical care, most Americans cannot afford to pay for medical care out of their own pockets. Certainly, someone who is bringing home \$100 a week is not in a position to pay for medical care. Even an emergency room visit for a kid who cuts his finger or his foot costs about \$35 or \$50 just for the emergency room these days. So, when you take someone like that who is bringing home \$100 or \$120 a week in a job, she is not going to be able to even get minimal health care for the children in her family. If there are two or three children, it is outright impossible.

We are talking about an income situation where the federal programs were designed to give supplementary services to people who could not afford to pay for these things out of their own pocket. This is what the impact of the cuts has done: it has removed the incentive for people to keep working and to keep in the job market.

ASSEMBLYMAN McENROE: Mr. Thompson.

ASSEMBLYMAN THOMPSON: I have one question of Ms. Goldstein. It seems like we are in a Catch 22 situation and it will probably take a Solomon to figure out the final solution to this. But I would like to ask this: It is obvious that \$273 is unrealistic to support a mother bringing up one child. What is the relationship of the Essex County Welfare Board with the Essex County Business School and some other schools around here in the county that are presumably training people for the work world? I know they are not doing it for nothing. Do you keep monitoring these programs as far as placement is concerned and the type of jobs these students get. You had a WIN program. I think you ran that, didn't you?

MS. GOLDSTEIN: No, the WIN program is a federal program and it is a requirement built into the AFDC program by the feds. It is a joint program with labor, which now is cut back. A woman is required to register for WIN - a youngster 16 through 18 must register with WIN. WIN is supposed to get a job for people or to train them. I understand they are trying to phase WIN out. They have been cut drastically. We get an audit exception from the feds, which means they will take money away from us if they go through a case of ours and find out that a woman has not registered for WIN. Yet if we send somebody over to WIN to be registered, they don't have the staff to register them.

ASSEMBLYMAN THOMPSON: What has been your success with WIN?

MS. GOLDSTEIN: Our success with WIN has been very, very poor because there

has not any been any job training over there.

ASSEMBLYMAN THOMPSON: What about this Essex County ----

MS. GOLDSTEIN: With CETA, we have very much more success.

ASSEMBLYMAN THOMPSON: I am not talking about that. There is a school that used to be on Broad and Market, the Essex County Business College.

MS. GOLDSTEIN: What we have had in the past are programs where we have supplemented some work training for people on the rolls and we have been successful with that. Once WIN took over, we were limited as to what other kinds of work programs the Division could get involved in. Prior to the WIN enactment, we had several on-the-job work programs. We trained people through such kinds of organizations and schools for jobs that they actually got when they were through with their training. It wasn't like you were trained for 18 months and then you were left, as Mr. Shapiro said, with nothing. We had had more success before. But as a result of WIN being imposed upon us, we were limited in getting involved in other kinds of training.

ASSEMBLYMAN THOMPSON: I am only saying, as far as the comments you and Mrs. Andrade made, if you are able to capture some of this money and if you are going to have a relationship of this kind with the Welfare Board and their programs, I don't see them doing anything. They have a lot of young ladies there and I am not down there monitoring the program. But I ride the busses and I hear the language that they use. I am not talking about profanity. I am talking about being able to communicate in English, not the King's English. Nobody is going to hire you if you are going to split three or four infinitives and don't know anything about the language. In some way, these people are not operating these programs on WIN. They are getting some money from the federal government through the Welfare Department or State funds and that is taxpayers' money.

MS. GOLDSTEIN: CETA probably.

ASSEMBLYMAN THOMPSON: I think that this has to be monitored because there are a lot of welfare people down there on AFDC. What is that - Aid to Dependent Children?

MS. ANDRADE: Aid to Families with Dependent Children.

ASSEMBLYMAN THOMPSON: That comes out of your department.

MS. ANDRADE: But you have to look back. We are talking now also about the 4,000 working women who are on AFDC who now have been knocked off the rolls. The question is: What is going to be the incentive as we talk to the other thirty some thousand, knowing that their working income is not sufficient to meet the cost of living? Now, the Department of Labor, for example, says in our country it takes about \$20,000 a year for a family of four to live decently. There are not many people who even make \$20,000 a year. If you drop that down to \$6,000 a year, which is about the income that we are talking about, people start out knowing that they are always going to be behind. The question is: What kinds of incentives then are we going to have in our society to make it possible?

The second thing I want to bring out to you is that Essex County is a depressed labor area, that we have people with college degrees who don't split infinitives, people who don't have child care problems, people who are not minorities, who are going to be the first people to compete for the jobs that are available. So, when you are talking about an employer, why would an employer want to take on the burden of hiring, say, a person who has educational problems, who has two or three children at home and who is a single parent, when that same employer can hire someone who is in a much more competitive position?

ASSEMBLYMAN THOMPSON: I am not arguing on that. I agree with you on that. But why should you allow a person who is on Aid to Dependent Children or AFDC to enroll in a program on taxpayers' dollars and you know, if you checked the program

out, you would find they are perpetrating a fraud and that these people are out in Alice in Wonderland somewhere preparing them for courses that don't exist and they don't have a ghost of a chance of being placed?

MS. ANDRADE: Maybe you have investigated that particular college and you have more information on it.

ASSEMBLYMAN THOMPSON: No, I have a law office in the same building and I just went down there and watched them. And I didn't see anything relating to the job market of today that the majority of them could get into. After these people have spent 18 months there and they have gotten their money, then a new class comes in.

MS. ANDRADE: We have never done an investigation. We could check it out. But the ads that I have seen and the jobs that they advertise that they are preparing people for are jobs that are very much in need in our society: the computer, the clerical, the stenos. These are the jobs that the companies in this metropolitan area do need people for. What I suspect is one of the problems though is that the people going in are starting out so far behind because of the public education that they have received, that it is going to take more than 6 months' training to make them job ready. So a lot of the colleges - the county college has experienced it - job training places have experienced it. They are trying to undo a gap that has been created by poor preparation in the public school system and you can't do that in six months. It is really impossible.

ASSEMBLYMAN THOMPSON: They know that. Why would they accept the people? That is the problem.

MS. GOLDSTEIN: Our new regulations probably are precluding any of this training to begin with. We will not be supporting any training because we will not be allowed to.

ASSEMBLYMAN McENROE: Thank you very much.

May we hear from Mrs. Ogden.

ASSEMBLYWOMAN OGDEN: In dealing with the 4,000 working mothers, I think there is a tremendous cost in human terms as to what is happening here.

I wonder if you have also figured out if they all have to go on the welfare rolls, what it will cost as opposed to their working and receiving the Aid to Dependent Children grants.

MS. GOLDSTEIN: The first 2,000 that were cut - these were cut in October - those were people who were grossing 150 percent of standard, which means that they were really getting very little in assistance from us from AFDC. Well, the first that were cut - for a family of four, if you grossed six twenty-one, you were no longer eligible. If your gross was \$621 per month or more, you were no longer eligible. That was a very small amount in money because they had grants of maybe \$35 or \$40 a month, not the four fourteen. Then the next 2,000 that were cut off in February were getting a little more because the new rule said that if you were employed and you didn't make up to the 150 percent of gross, you were allowed to have a disregard of \$130 off your gross for four months. Then the disregards were taken away. They felt that: you could live on what you were making. That was the balance. But that is still less, for example, than a full grant of \$414 plus the Medicaid. So, in amounts of money, if they come back on welfare, it is going to cost us much more than if they were allowed to work; that is, if they come back on a full grant.

ASSEMBLYWOMAN OGDEN: This is what I thought. You don't have any ball-park

figures as to the amounts.

MS. GOLDSTEIN: Not at the moment, no.

ASSEMBLYWOMAN OGDEN: Two other questions: I wondered in connection with your advocating an equitable distribution of funds among the various areas, as to why it is not equitable at the moment and what you are proposing. The other one is about the inducements for private ---

MS. ANDRADE: There are two reasons why the formulas are not equitable now. One, the funding formula from Washington was never based on population directly or the number of people within the State of New Jersey who are eligible by income for Title XX social services. Back in about '76, I think it was, Congress put a federal ceiling on Title XX. So it meant there was an artificial cut-off of the appropriation. Then a formula was developed state by state. But the level didn't start with reflecting what New Jersey's population really needed. That is one thing. So we start off behind because the original allocation was not reflective of our population in New Jersey.

The second reason is that the Title XX program started out requiring a 25 percent non-federal share. Since 1975 when it started, the State Legislature has never appropriated the full amount of dollars required to bring in the federal money. So New Jersey has relied very heavily on private contributions and local governments. The money tended to end up in those places where there was a local government or United Way or a private foundation who would put up the match money. So the distribution was not based on statewide policy saying, this is where it belongs. It was really based on: where was the match money? Back in '75, it was brought out New Jersey was not claiming over \$40 million of what was then 4-A money. It was not being drawn into the State because we didn't have the non-federal. So there was a very fast growth of the program, mainly by going out to the private sector to come up with the money to supplement the State appropriation.

It ended up that the State government has had to administer the program basically where it could find money to match. This has caused sort of an unscientific allocation of the dollars across the State.

I think you asked another question.

ASSEMBLYWOMAN OGDEN: I asked about your last point with regard to inducements to retain continued support of private groups, what sort of inducements are you thinking of?

MS. ANDRADE: Well, I think, at least, there needs to be some kind of request. There needs to be a very clear public statement, I think, coming from the Legislature saying that we still need these dollars. There have been letters sent from the Administration, from the Department of Human Services, to donors. But, for example, for local governments - and here I am sort of wearing another hat --- but there has not been a State policy to local governments asking for maintenance of effort in the program. So if our county government did not on its own initiative continue to support the program at the present level, it would have every right to reduce the county participation in the program. There has been no request by the State government to ask us to maintain that, or to city governments, or even to the private agencies.

There also has been a charge of 5 percent to donors - administrative fee. I think many of the donors would prefer to give that money to the community agencies that they are funding. I think that would be another incentive if it was clear to them that the State government was not going to charge them 5 percent for giving money to the State government, which is sort of the way the program has run.

There could be others. I am sure if the committee has future hearings,

there are donors in the private sector, such as United Way, who have very strong opinions about other areas they feel would be very helpful to them in working with the local agencies as well.

ASSEMBLYMAN McENROE: Ms. Andrade, a few years back everyone was conversant with categorical grants and the procedures involved in that. In place of those, the block grant concept was established and the intent there was to streamline the efforts administratively in the delivery of services to the clients - the people. Have you noticed or do you recommend or could you describe any administrative improvements in that?

MS. ANDRADE: In all fairness to the State agencies, I think there are two reasons why New Jersey might be a bit behind. One is the fact that we had a new Commissioner who came in right at the time that the budget crunch hit us. The second, of course, is a new State government completely, from a Governor on down to his cabinet. So there has been kind of a lull in terms of dealing with some of the policy questions. The program has sort of gone along pretty much as is, without any major changes, sort of waiting for new decision-makers to be put into place. While we in the Block Grant Steering Committee were meeting, former Commissioner Carden did conduct a personnel audit of the Department of Human Services. His department did make some recommendations and some decisions as to how he felt the Department of Human Services could be streamlined. He found duplication of certain functions, in auditing, for instance, in different divisions within his department, which he felt could be centralized at the departmental level.

I have never seen the final report. But I am sure a legislative committee could obtain that report if you requested it of the Commissioner's or the Governor's Office. But there was a very extensive survey done of that department because we at least got the commitment from that Commissioner that in terms of implementing the cuts, he would first try to impose the cuts on the department in the administrative areas before he passed on a percentage of the cuts to county governments and to the local community agencies. That was done to some degree.

ASSEMBLYMAN McENROE: There is a tremendous number of people across the State of New Jersey that are experiencing great difficulty in providing the necessary level of productivity for their own existence. Inflation is robbing us all of the opportunity of living the kind of life that we like to expect. And many of them in considering that fact relate to persons in public office. They are concerned with many of the existing programs and many of them, frankly, are directed at the neediest. It is not fashionable, but it is often reality. They will say to me - and I am sure to other people in my circumstance as an elected official - that they recognize that many of these programs, if not all of them, have some merit. But in these times when you must establish priorities, you must make a determination as to which are the most important, not because you want to establish the priorities but because you can only afford to fund them to a certain level.

The new Reaganomics, the new federalism, if you will, imposes responsibilities on you as an administrator, particularly in a county of this size and complexity and the kind of need we have here. Two questions: What has the department done - what have you done to cut back on just the overhead, if you will, the administrative costs? What have you done on your own initiative because you have asked us to provide more dollars to allow funding to a level similar to what you have now? That is one question.

Secondly, where are the priorities; what are the programs? The old Title XX programs, as you and I know back a few years ago, we discussed them -

they are all supportive - have they stabilized families, are they important, was that the right decision? But what are the basic things we have to do to keep people surviving, which everybody is trying to do in these tough years?

MS. ANDRADE: There are a couple of areas that we in the county are prepared to work. The problem is that they really will require State agency initiative. For example, when we looked at the cut in Title XX, one of the areas where a lot of the Title XX dollars are consumed is in, as I mentioned, the protective services area with DYFS, and then the social services money that is passed on to the counties to administer. We had come with a proposal that the county government could assume additional duties through our county welfare agency for protective services' families, so that we could reduce the amount of dollars that were being used out of that pot of money for protective services and then release some of those dollars to go into what we call the tangible services, such as more homemaker, more transportation, more into the services that the community agencies provide, as opposed to the services that we provide.

If you remember the County and Municipal Government Study Commission Report talked about the overlap of functions of state and county government in social services. What we had come up with was a proposal to remove the overlap. But it would require the State Department of Human Services to delegate certain functions to the county government, and that we would carry out those functions on their behalf. We have taken a public position that we are prepared to do that, which means assuming additional duties and functions through our county agency. That, of course, means that the State agency would have to give up certain duties and they have not yet responded to that.

The second area is, of course, that the county budget has increased. Originally, Title XX federal money was supposed to be 75 percent of the social services. Right now, with the budget that is before our County Board of Freeholders, if our request is successful, the county's share in social services will be up to about 45 percent instead of 25 percent. So each year, the county government is assuming a larger portion of the cost of administering social services here in Essex County. And in that proportion, there is no State share. It is just a county share and a federal share.

There is another area where we think there can be changes. We have made requests formally to State agencies. But, again, any help is appreciated, especially in my department. We administer about seven or eight different federal programs. Each State agency that we have to work with sends us different regulations, procedure, reports, etc. We think if there could be a major effort at the State level to make uniform those reporting requirements, it could reduce the paper load and the time that we have to spend reporting in twenty different ways to twenty different people requesting information in Trenton. So we think that if part of the streamlining could be inter-departmental agreement at the State level, it could reduce our problems locally very much.

We are trying to do the same thing in the county government. We are trying to reduce the amount of reporting and fiscal requirements that differ for the different agencies that we work with to try to streamline the amount of time that they have to spend giving us reports. There are ways to streamline. We just don't think that our State government has really gotten into it as extensively as we have in the county as yet.

ASSEMBLYMAN McENROE: Are there any of those programs presently funded that you think are minimally productive?

MS. ANDRADE: No. What has happened is that actually the cuts have been coming for a long time, not just since the present President has been in office. Human Services has been undergoing cuts for at least six or seven years in reality. So, because of the size of the need in Essex, we now are down to really the primary services. Our primary dollars in Essex are going for protective services, which means prevention of abuse and neglect, and prevention of institutionalization through child care and homemaker and transportation. Just about all the dollars we have are in there. Some goes to youth counselling. But outside of crisis intervention, youth counselling, homemaker, day care, medical transportation and child care --- we have gotten down to those. So, the sort of little extras we used to have a few years ago now have gone by the wayside

ASSEMBLYMAN McENROE: Thank you very much.

ASSEMBLYMAN HAYTAIAN: Mr. Chairman, I have a suggestion. It may be well for the counties to initiate a meeting with Human Services Commissioner George Albanese. He is a county-level individual. He is cognizant of the problems. I think it would be well for all of the counties to initiate that kind of meeting.

MS. ANDRADE: Yes.

ASSEMBLYMAN HAYTAIAN: If that doesn't happen, maybe we can ask him to initiate it.

MS. ANDRADE: We have already extended him an invitation to visit us in Essex, to sort of take a tour and to talk with us. We are very heartened to see that kind of Commissioner in office. We think it will be helpful.

ASSEMBLYMAN McENROE: Just as an aside, he came before the County Government Committee last year at a hearing. His testimony in behalf of Union County was very impressive.

MS. ANDRADE: I hope his memory isn't too short.

ASSEMBLYMAN McENROE: Thank you very much, Mrs. Andrade and Mrs. Goldstein.

MS. ANDRADE: Thank you.

ASSEMBLYMAN McENROE: Are there any representatives from other counties, such as Hudson, Morris, Warren, Sussex or Passaic, here? If there is not, we will plan to adjourn by 1:00 P.M.

We have on our agenda as interested in testifying Mr. Alan Bowser, Evanbow Construction Company. Mr. Bowser, will you join us. For the record, I would just like to say that Mr. Bowser is a candidate for political office on the federal level. I would admonish you, if you would, sir, not to comment too much on your preparedness for that office, but more on the impact of federal budget cutting as it relates to your business.

A L A N B O W S E R: Thank you, Mr. Chairman.

Good afternoon, Mr. Chairman and members of the Assembly. I very much appreciate the opportunity you have extended for testimony on this critical issue in our lives, mainly the impact of Reaganomics on county government.

President Reagan in his February 8th budget message to Congress reminded us of the four fundamentals of his economic recovery program.

One, reducing personal and business taxes to stimulate savings, investment, work effort and productivity.

Two, reducing the growth of overall federal spending by eliminating federal activities that overstep the proper sphere of federal government responsibilities.

Three, reducing the federal regulatory burden on areas where the federal government intrudes unnecessarily on private lives or interferes unnecessarily

with the official conduct of private business or the conduct of state and local governments.

Lastly, supporting a moderate and steady monetary policy to bring inflation under control.

Also the President proposed strengthening the nation's defenses, to restore the so-called margin of safety, and to counter the Soviet build-up.

These are laudable objectives and I know many of you agree with them in principle. However, the Reagan economic plan, Reaganomics, clearly has not had its desired effect. In fact, the Reagan administration has brought us firmly into the midst of a recession, which is the worse since the great depression and whose end is not in sight.

Members of the New Jersey Legislature must vigorously protest the administration's job-destroying, tight-money, budget-slashing policies and immediately propose anti-recession, job-creating programs that will put our county and state back to work.

The President's State of the Union address and budget message add up to a total disregard for human needs and for the economic and social cost of high unemployment and recession. Nothing in his proposals will help jobless workers or hasten economic recovery. And Ronald Reagan's new federalism proposal should not divert public attention from the administration's blatant failure in economic policy. The President would thrust basic national responsibilities upon the states which historically have failed their responsibilities.

Our County Executive Peter Shapiro notes in his annual budget message that one-third of President Reagan's thirty-nine plus billion dollars in budget cuts eliminates services provided by state and local governments. Mr. Shapiro writes: "Each wave of cuts we suffer directly affects the student who needs vocational education, the unemployed worker who needs job training, the parent who needs day care for a child, the home-bound elderly who needs assistance to buy fuel."

This is the bottom line for the people in Essex County. The federal government has turned its back on the constitutional charge to, "form a more perfect union, establish justice, ensure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity."

The Reagan administration has lost contact with the reality of our residents in Newark and elsewhere who have no heat, poor housing, who eat cat food for regular nutrition, and who have no hope.

It is important to remember just what the Republicans in Washington are proposing, which has dire consequences for our county.

ASSEMBLYMAN McENROE: Mr. Bowser, I just want to mention one thing. You are the first one to mention a political party at the table. And it is our intention really to gather information on a bi-partisan basis for dissemination among our colleagues in Trenton and for review by this Committee. Many of the comments you are making, although well prepared and well founded in your experience, come very close to being political statements that are enhancing the political party to which you belong and the candidacy for the office which you seek. So I really think I have to ask you, frankly, if you will sum up your impression of the impact of the budget proposal for '83 and your experience in fiscal '82, or any further knowledge of what has occurred. Will you please do that.

MR. BOWSER: The new federalism would cripple facilities and services on which all Americans depend and jeopardize the health and welfare of millions of

poor and indigent families.

It would shift the responsibility to the state for a host of federal programs established by Congress to meet recognized national needs. This proposal would transfer to the states and county governments 43 programs in education, community development, transportation, health and social services.

Until 1987, a trust fund made up of revenues from a number of federal excise taxes would partially finance these programs and even that fund would decline 25 percent each year and be phased out completely by 1991. Any subsequent financing of such programs would have to come solely from state funds. By October 1, 1982, the states would be free to cut and even eliminate altogether the programs transferred to them.

This proposal would transfer the tax burden from the federal government to the states and their taxpayers. Since the states have traditionally relied on regressive taxes for their revenues, the greatest burden would fall on low- and middle-income taxpayers.

This proposal also calls for a complicated swap involving assignment to the states of the two major welfare programs: aid to families of dependent children (AFDC) and food stamps, while the federal government would take over complete control of Medicaid, the medical assistance for the poor. Examination of this proposal reveals that it is inherently stacked against the best interest of the State of New Jersey and the County of Essex.

As I understand it, many federal protections for workers, such as prevailing wage loss, safety loss and minimum wage loss, would be eliminated for workers engaged in these defederalized activities as these federal laws do not apply to state and county employees. Then contrary to the insertion of an even swap between the federal government and the state, under reasonable consistent assumptions, every state, especially New Jersey, would be a financial loser if the programs are to be maintained at current levels. To minimize estimated state costs, the administration's figures do not factor in inflation but do factor in proposed cuts in the cost of 43 programs to be turned back to the states. Also to minimize the estimated cost to the states, the proposal assumes enactment of the proposed fiscal '83 budget cuts in the AFDC and food stamps, the programs to be taken over by the states in fiscal '84.

One of the major sources for the transition trust fund is the oil industry windfall profits tax. Once-trust-fund-payment and non-oil-producing states would have no access to oil revenues.

The proposal, in my opinion, is an ill-conceived scheme to reduce anticipated huge federal budget deficits while neglecting the nation's most fundamental needs. It would also shift huge costs to the state and local governments, ultimately increasing our sales, property, income and excise taxes. It does not address the real and most pressing problems the nation and the county face, massive unemployment, a huge tax give-away to the rich, runaway inflation rates, and a depressed, stagnant, inflation-prone economy. Interest rates, I might add, as you know, are killing us in the construction and housing industries.

I hope I have painted an appropriate background for your deliberations. It is easy, I know, to criticize. So, in conclusion, I will leave you with these thoughts and suggestions.

The New Jersey Legislature needs to propose its own, and demand from the federal Congress and the White House, effective job programs to revitalize the economy of Essex County and New Jersey. You must invest in public infrastructure,

including sewers, highways, bridges, mass transit, railroads and other needed facilities. The private sector in the Northeast has a limited role to play here. You must invest in human capital with effective training of the unemployed and provide public employment opportunities for those who still cannot find work after lengthy searches. And, lastly, you must encourage low- and moderate-cost housing and rehabilitation of existing units. This can immensely help the small or minority businesses which are precariously close to bankruptcy.

Where can you find money for these programs? You can start by looking at the federal budget and challenging the assumptions implicitly. You might consider establishing a state committee on the federal government since the programs of the administration in Washington now pose a serious threat to our economic security.

Our County of Essex must continue also with the management and budget initiatives proposed by Peter Shapiro, County Executive. The County Executive has reduced the size of county government, achieving substantial fiscal savings. County employment has been reduced from the 1979 level of 8300 to 6800 in 1982. This streamlining of the county work force must be maintained if the tax rates are to be maintained or not increased rapidly in the face of the federalism proposals.

We challenge you, our State legislators and particularly our representatives in Congress, to critically address the issues of economic development, job creation, social security and, perhaps more than ever before, the defense policy before it is too late.

Thank you very much.

ASSEMBLYMAN McENROE: Thank you.

Mr. Thompson has a question.

ASSEMBLYMAN THOMPSON: I have one question. Are you a product of the school system of East Orange and Newark?

MR. BOWSER: East Orange and Orange.

ASSEMBLYMAN THOMPSON: You are the third person that talked about job training. One of the problems I have is that if you finish a high school in this county, there is a presumption that you learn something. Of course, that is a rebuttal presumption. I will put the question to you that I put to Peter Shapiro. Would you be in favor of revamping the high schools to a regional type concept and combining the vocational high schools and the trade schools like they have in New York with the public school system? In other words, you would eliminate the process of someone just graduating with a diploma.

MR. BOWSER: I think that is a very positive suggestion. In the construction industry, we appreciate that type of creative thinking. As the federal government continues its budget cuts, especially as they affect elementary, secondary and vocational education, programs which pool resources on a regional basis I think are going to have to be the answer.

ASSEMBLYMAN THOMPSON: I think it is the only answer if you are going to come up with some kind of remedy by the year 2000. I am not really talking about social programs. I am talking about getting people prepared to do some type of work. Otherwise, we are going to have a permanent class of people that are perpetually underemployed or unemployed because the factories aren't here. They are in the Sunbelt.

There are thousands of people in this area unemployed and there is not adequate training. The type of training that I heard mentioned in earlier testimony is not the remedy. There has to be something else.

ASSEMBLYMAN McENROE: Any further questions? (No questions.)

Mr. Bowser, thank you very much. We appreciate your coming before the committee.

Next we have Mr. Frank Askin. Mr. Askin is the Coordinator, Essex County Coalition on Human Priorities.

Mr. Askin, I just want to introduce the members of our panel. I neglected to introduce Mr. Bowser to them. They are: Assemblyman Brown, Assemblywoman Maureen Ogden, Chuck Haytaian, myself, and Mr. Thompson.

The comments I made to Mr. Bowser relating to his political ambition also I must direct to you. You are a candidate for high political office, Congress; and I would hope that you will confine your remarks to your continuing interest, I know, in priorities established at the federal level for the people of our district, country, county and the state.

MR. ASKIN: I will do that, Mr. Chairman.

ASSEMBLYMAN McENROE: If you will, please.

F R A N K A S K I N: Mr. Chairman and members of the committee, I will not bother to read this whole statement. I know that time is pressing.

As a matter of fact, I do appear today on behalf of the Essex County Coalition for Human Priorities, which has been working for the past two years attempting to defend human-needs programs from what we view as the insatiable greed of the military-industrial complex.

Now, others today will be speaking on the specific programs and the damage that would be done by specific proposals of the 1982 federal budget. What I would really like to call to the Committee's attention, which I discuss in my statement, is the ideological excuse which is offered for this imbalance, the claim that our national security, that our very survival as a nation, requires some drastic shift in the primary function of government in the quest of something called nuclear superiority. And I think the Committee in trying to deal with the priorities of the federal budget and what it will do to New Jersey has to understand the fact that the ideological excuse for the shift in budget priorities, as I suggest, is unacceptable and based on mythology.

Really what I would most like to call to this Committee's attention is a new study called, "The Cost and Consequences of Reagan's Military Build-Up," a very comprehensive report issued in just the past couple of weeks by the Council on Economic Priorities, in behalf of the International Association of Machinists. In this report prepared by skilled economists, after comprehensive study, it denies in comprehensive and specific detail the Reagan administration's claim that this nation is militarily vulnerable.

I have tried to summarize the findings of this report in my statement. I would hope that the Committee would attempt to get for every member of the Legislature copies of this report. Unfortunately, I do not have other copies, but some are available from the Council on Economic Priorities, at 84 Fifth Avenue, in New York City.

ASSEMBLYMAN McENROE: Excuse me. That will become part of our testimony.

MR. ASKIN: Without going over in full detail my prepared statement which you all have copies of, I would like to point out that this study does conclude that, in fact, the notion that this country is militarily vulnerable, that we are militarily behind the Soviet Union and their allies, is based on myth and has no basis in reality. In fact, the final myth, most interestingly, which this invaluable report lays to rest, is that all this military spending somehow aids our economy by creating jobs.

The Council's study reports that almost any alternative use of the same federal dollars would create more jobs, that military spending, in fact, diverts federal funds from providing jobs in such socially useful fields as housing, education, civilian scientific research, energy development and consumer goods production. Although the Machinists' Union for which this report was prepared is the major union in the military production industry, it has concluded that military spending is only adding to unemployment, not reducing it.

So what becomes very clear from this important study, which I suggest should be read by every member of the Legislature as well as every concerned citizen, is that far from strengthening our nation, the administration's military priorities are debilitating it; and, of course, in ways which other witnesses have addressed here today.

That is all that I would care to say. My prepared statement is before the Committee. Unless you have any further questions, I will not take your time.

(Written statement submitted by Mr. Askin can be found in the appendix to this transcript.)

ASSEMBLYMAN McENROE: Thank you very much, Mr. Askin.

Any questions? Mr. Brown, do you have any questions?

ASSEMBLYMAN BROWN: No.

ASSEMBLYMAN McENROE: Mr. Thompson?

ASSEMBLYMAN THOMPSON: Admiral Rickenbacker, who was the father of the nuclear submarine --- I don't know whether it is in that report. Now, on Buckley's show when he had the Machinists' president, I watched the debate. Of course, I am partial when it comes to Buckley. But Admiral Rickenbacker, father of the nuclear submarine, stated that we have a large enough submarine arsenal to eliminate the Soviet threat. Of course, what you are talking about basically is Eisenhower's comment when he left the presidency of the United States, to beware of the military-industrial complex.

Historically, America - and this is just an opinion --- historically, America has been involved in wars one way or another to bail them out of economic crises. In my time, there was the Second World War, then the Korean War and Vietnam.

In view of the economic situation that exists in the world today and the fact that countries like Germany who fought us in the Second World War have captured what is left, or a great portion, of the market, what do you visualize this country can do to get that market back without going to war? Because everything that has been said here is superfluous if the economic market is not recaptured. It doesn't mean anything because it is all interrelated, as I see it.

MR. ASKIN: I think the reason we have fallen behind economically in the world is because we have devoted so much of our productive capacity to military goods. The great favor we did to the Japanese after World War II was tell them they couldn't have any military industry. Therefore, their domestic economy has flourished.

So we have a very narrow-based economy. We make the greatest missiles in the world, but we can't make automobiles to compete with the Japanese and the Germans. It seems to me it is because of the way in which this long military economy has debilitated our entire economy. That is largely what this report is about: the consequences which this constant emphasis of our whole industrial system on military production, what it has done to our entire economy. They suggest that the only way we can have a viable economic system is to begin cutting back on military production and find some way to stop the arms race in this world.

That is what this report is about. Assemblyman Thompson, I think you are absolutely right. Any one of our Poseidon submarines is equipped with enough missiles

to wipe out every large and medium-sized Soviet city with the touch of one button. Why we need any more of them is just beyond me. It seems to me it is all overkill.

ASSEMBLYMAN McENROE: Thank you very much, Mr. Askin.

MR. ASKIN: Thank you.

ASSEMBLYMAN McENROE: On our agenda, we have Mr. Victor DeLuca, Administrator, Ironbound Community Corporation, City of Newark.

Mr. DeLuca, I am sure you realize time is a problem.

May I introduce the members of the panel: Mr. Brown, Mrs. Ogden, Mr. Haytaian, Mr. Thompson, and I am Mr. McEnroe. Thank you for coming.

V I C T O R D E L U C A: I want to thank you for allowing me to testify. I will be short.

I thought that it was important that you heard from a representative of a non-profit organization because many of the programs that have been talked about here today filter down to the non-profit delivery sector. I think it is an important aspect that needs to be discussed and heard.

As was said, I am the Administrator of the Ironbound Community Corporation, a non-profit social service, community-based organization that was formed in 1969. About 60 percent or \$275,000 of our annual budget of \$460,000 comes from the federal, state, county and local governments. Those funds and the services that are made possible by that funding are clearly in jeopardy by some of these cuts.

Let me pick and choose things from my statement to be brief. I do want to say one thing that I think is important to put into perspective the reality of the federal budget. That is, that the overall federal level of spending is really not being reduced; it is being increased. There has been a redirection of our spending priorities. Forty billion dollars that was cut out of social services has been shifted to increase the defense budget. So I think we need to realize that we are talking about cutbacks that are only on the social service side.

Let me get to a few points that I want to make.

1. Title 20 - Social Services Block Grant. We currently have 62 children in our day care center and we are one of 19 funded day care centers in the City of Newark using Title 20. Seventy percent of our children come from two-parent families and the other 30 percent come from single-parent families. Eighty-three percent of all our families have the single parent or both parents employed. It is a very high proportion. So there is a clear ratio of the adequacy of day care and the ability of the parents to go out and work. The other 17 percent of our parents who don't work have infant children and can't go out to work. We have children there for protective services who are referred to us, and some others are just not able to hold down a job, etc., and we want to keep their children in the center.

The cost per child in our center, for which we are funded, is \$3,120 per year. We provide supervised care and educational programs for an 8-hour day for that \$3,120. To be frank, that doesn't include the State administrative overhead. That is the money we get to operate. What we see is that if we reduced those slots for those children and those parents had to leave their jobs, it would cost a lot more than \$3,000 in unemployment compensation paid to people who would have to leave their jobs and it would be the end of that person, once they leave their jobs, paying federal or state taxes. So we would lose money if people had to quit jobs because there was not adequate day care service.

In addition, the negative effects on the child are something that has to be looked at. We are now providing a well-rounded social and physical development program. We know kids in the neighborhood who aren't in our program - and we are

talking about three- and four-year-olds and some five-year-olds - are being left with neighbors. Some of these kids are being left with older kids. Some of these kids are being left alone. Clearly, that situation has to be dealt with.

2. Student Loans. We operate a neighborhood college program in cooperation with Essex County College. We have over 200 adults enrolled in a number of college courses, certified, accredited college courses, that are offered right in the neighborhood. Many of these people are Portugese. Many of them are there to get more education, better job skills and basic proficiency in the English language, which they see as important because they have decided to make this their home. So they need that kind of training. A lot of them are getting BEOG grants or PELL grants. That money is being cut off and these folks are going to be prevented from participating in what I would call the American dream that we all had - and that was to get an education. We are not talking about people who have a lot of money. We are talking about folks who work during the day, come in at 6:30 and stay until 10:00 o'clock to take courses. They do pay taxes and they are just looking for a little assistance so that they can make it here in this country.

3. School Food Programs. Again, in our day care center --- We also operate an elementary school which is also being affected by the school programs. But in our day care center, we are losing \$10,000 over the next year for our school food program. That is going to mean that we will have to lay off staff, which is going to swell the unemployment rolls. It is also going to mean that we are going to have to buy cheaper food. When you talk about buying cheaper food, you are talking about the effect it will have on the quality of that food. For example, hot dogs are cheaper than cheese and cheaper than peanut butter. But the nutritional value of hot dogs is not as high as the other two - the protein. So we are going to be faced with those kinds of effects. It is the level that we are going to have to deal with.

I heard this morning that the inflation rate is going down, according to the consumer price index. The thing that is not going down and remaining constant is the cost of groceries. While housing, automobiles and things like that are going down, the food that these families have to buy is rising in cost.

A couple of other quick things: The community development block grant now carries a restriction on the amount of federal funds that can be used for social services. It is 10 percent. This means that in Newark next year, \$3 million that is currently being spent for day care, health, senior citizens, and consumers' services, is not going to be permitted to be spent next year because of that 10 percent cap. You can imagine what position the City of Newark is going to be in to pick up that \$3 million. It is not going to be able to.

The other thing that the administration is proposing is the elimination of the Section 8 housing assistance which is essential in Newark because no one is building housing in Newark without Section 8. It is just not profitable. I think there are a lot of problems with Section 8 that need to be investigated both on a federal and state level because there are a lot of landlords and developers who are ripping the public and making big money. Over the weekend in Elizabeth, there was a good example with the Pierce Manor thing. It was in Jack Anderson's column yesterday. But I think without some kind of a subsidy, we are not going to have any housing.

In addition, the administration is proposing to basically eliminate public housing and I think that is a mistake. In Newark there is less than a 2 percent vacancy rate. We cannot just eliminate and expect people to find private housing in any way, shape or form.

The last thing I want to say is that there seems to be an attack on rent control. In Newark, if we didn't have rent control, people would not be able to afford to live anywhere. The Legislature has always taken a consistent stand on rent control and I think it needs to do so in the future.

Thank you.

(Mr. DeLuca's written statement can be found in the appendix)

ASSEMBLYMAN McENROE: Thank you very much, Mr. DeLuca.

Are there any questions? Mr. Thompson.

ASSEMBLYMAN THOMPSON: I agree basically with everything you said. You raised a question a few minutes ago about the elimination of public housing. I agree that we shouldn't eliminate public housing, but I would like to ask you something. In St. Louis, they dynamited the public housing they had because they found it was an impossible situation. We have some impossible situations in Newark: Stella Wright, Scudder Homes, Columbus Homes, Archbishop Walsh - we have squatters living there - Arlo Kretchner. It is an impossible situation for human beings to be living on top of one another like rats, with all the other conditions, such as elevators breaking every day.

Would you be in favor of rehabilitating those buildings, cutting them in half; what solution would you have? Or would you be in favor of just keeping the high-rise apartments as they are?

MR. DeLUCA: I would not be in favor of keeping the high-rises as they are because there is a lack of service delivery and there are maintenance problems. There are 31,000 families that live in public housing in Newark. There is no way you can start a program of demolishing those buildings and expect the private sector to pick them up. So we are stuck with them.

I think what we need to do is to work out a plan to rehabilitate those buildings, to do the best we can in providing services. I know the federal government is only providing less than 85 percent of the operating subsidies to the Newark Housing Authority. I think it is an issue that needs to be tackled because without decent housing ---- You know, it is all a cycle: decent housing, jobs and all those things. I don't see the private sector having the apartments.

ASSEMBLYMAN THOMPSON: I wasn't talking about the private sector.

MR. DeLUCA: And I don't think you can deal with public housing in Newark by eliminating or closing it or doing what they did to Pruett Homes in St. Louis. It is not going to work.

ASSEMBLYMAN THOMPSON: Let me just make this remark. A few years back, Federal Judge Lacey gave the Mayor and Gus Henneberg three options about Stella Wright: you can dynamite them, you can cut them in half, or you can rehab them. They decided to rehab them. The contractors made millions of dollars and the buildings are worse than they were before. In fact, the people are abandoning them again. I live around the corner from them. I know what I am talking about. The buildings were completely empty. The political argument was: Where are the people going to go? The people went somewhere. They went to Hillside. They went to Irvington. The buildings were empty. But in their wisdom they decided to rehab the buildings. Now you have a worse situation than you had before. I am not talking about just living in them. I am talking about things that happen to people that live there. Kids start carrying guns. You have armed robbery situations, mugging and things that didn't even happen before.

I just feel, on the record, it doesn't work and it has never worked.

ASSEMBLYMAN McENROE: Mr. Brown.

ASSEMBLYMAN BROWN: Through you, Mr. Chairman - Would you agree there should

be a more comprehensive plan with regard to housing in urban areas whereby you might provide incentives, perhaps in the tax structure, for the private sector, rather than rely upon the public sector to provide the housing? A subsidy could still be provided under the voucher system.

Also, if you got away from the high-rise concept and had individual kinds of housing, you might have individual ownership with the subsidies that are coming, or were coming, from the federal government. In that way, they would have a sense of pride of ownership.

I think one of the reasons that they cut out Section 8 funds, as my colleague mentioned, is because the developers were the ones that made money out of it. They built all these high-rise, substandard buildings. Now, we have the problem of rehabilitation, etc. Evidently, they weren't built according to the specifications that should have been required by the federal and local governments.

I think there is a definite need to reconsider the overall picture of housing. I agree we definitely need public housing. I think we have to take a look at what kind and consider the ownership concept, which has worked quite positively here in the City of Newark. I think Hyde Park Gardens and others are good examples of what can be done.

MR. DeLUCA: I agree. I think there are lots of vacant buildings - vacant apartment buildings - in Newark where you could go in and do rehab programs. There are buildings where tenants live and the city owns because the owners have walked away. You could have a receivership program where the tenants take over the building, fix it up, and then earn equity in it. It is called "sweat" equity. There are programs like that that could work. I don't think you can do one or another. I think they all have to work in tandem. We have to have public housing and we have to do some of the rehab and the cooperative and tenant-managed.

ASSEMBLYMAN THOMPSON: Don't you think that there is a reason why owners are walking away from their properties and we need to take a look at that and find out the solutions of those problems? Owners of multiple-dwellings are walking away. I think we need to take a look at why they are doing it.

ASSEMBLYMAN HAYTAIAN: Through you, Mr. Chairman, if I may, just for the record, as I remember Section 8, being a freeholder, it is a rental subsidy. It has nothing to do with building.

MR. DeLUCA: There are two parts to it.

ASSEMBLYMAN HAYTAIAN: The people that are talking about Section 8 for those landlords that would get into the program - that is for the rental subsidy part of it, I would assume.

What part of Section 8 has to do with the building of those apartments?

ASSEMBLYMAN BROWN: I will share my observation on that. I think if you look at a lot of the buildings that they have here in the City of Newark, the developments and buildings constructed recently were built through Section 8 where there was a guaranty to the developer that he would get X amount of dollars.

ASSEMBLYMAN HAYTAIAN: Guaranteed rent or guaranty to pay for the construction?

ASSEMBLYMAN BROWN: Well, through the rent that would pay for the construction.

ASSEMBLYMAN HAYTAIAN: Okay. The guaranteed return is on rent.

MR. DeLUCA: No. They are guaranteed a return on their investment in the development. Then they are guaranteed the rent. For example, the rent can be,

say, \$700. It is a market rent. So a landlord may be making \$700. The tenant is paying 25 percent of their income and the government subsidizes the difference. There is not even an incentive for the landlord --- The landlord can charge the maximum because it doesn't matter if the people can pay or not because the government is going to pay.

ASSEMBLYMAN HAYTAIAN: I think there is a maximum. If I remember correctly - again, correct me here if I am wrong - the maximum in Warren County was approximately \$415 for a rental - in that area.

MR. DeLUCA: That may be. It may be the standard for the metropolitan area or something.

ASSEMBLYMAN HAYTAIAN: Section 8 has worked very well in my county. And I want that as a matter of record.

MR. DeLUCA: I think it can work well. But I think there are people who have taken advantage of it on the developers' side and the landlords' side.

ASSEMBLYMAN BROWN: I think it should be pointed out that Section 8 covers more than one particular aspect. It is part of a large program.

ASSEMBLYMAN THOMPSON: Where are you located?

MR. DeLUCA: Ironbound.

ASSEMBLYMAN THOMPSON: Where.

MR. DeLUCA: Fleming Avenue.

ASSEMBLYMAN McENROE: Thank you very much, Mr. DeLuca.

We are now going to have Dr. Martin Bierbaum, representing Rutgers University. We are going to ask you to make your comments as clear and concise as possible. Then we will have one other presentation on behalf of Hudson County, Mr. Joseph McConnell speaking for County Executive Clark.

M A R T I N A. B I E R B A U M: I came today mainly to make my presence known. I am Director of the Urban Study Program at Rutgers University and I am working with the Ford Foundation and Woodrow Wilson School at Princeton University on a 30-city, 18-state study of the impact of the Reagan budget cuts.

For the last two months, I have gone around the City of Newark, doing research, interviewing administrators, local politicians, community group leaders, as well as doing a substantial amount of library research to try to evaluate what the impact of the Reagan budget cuts is at this point on the city. My work over the summer will involve doing a similar kind of assessment on a suburban-Essex community, as well as looking at the interaction effects between state and county and these local municipalities.

In some respects, the findings that I have put together so far and which I presented down at Princeton last week on Monday and Tuesday, are less bad than I anticipated and, in some respects, they are much worse.

I can prepare a memo for the Committee if you would like or I can just briefly run through them now, whatever your pleasure is.

ASSEMBLYMAN McENROE: If you had statistics, I think it would be better if we had them in a form that we could then make part of the testimony.

ASSEMBLYMAN HAYTAIAN: If I may suggest this, Mr. Chairman ---

ASSEMBLYMAN McENROE: Surely.

ASSEMBLYMAN HAYTAIAN: We have three other Committee meetings specifically on this topic. The next one is in Middlesex County. The third one is in Atlantic County. The fourth one is at the State House. So if you can prepare it and come to any one of those remaining three, it would have much more impact, especially

statistics, if it were in writing.

ASSEMBLYMAN McENROE: That is a good suggestion.

DR. BIERBAUM: All right. My focus has been on Essex County. In fact, I learned about this hearing in interviewing last week one of the county officials who told me that this hearing was going to take place.

ASSEMBLYMAN McENROE: Perhaps that would be the best thing to do. If you have statistics, all that information that is presented by you at any of those future meetings will be reviewed by the Committee.

Get in touch with our Committee Aide and she will advise you of the schedule of those meetings.

DR. BIERBAUM: Just one comment on the discussion that just took place on the Section 8 subsidies because I have written on that topic as well, most of the money that developers make on Section 8 does not come directly through the Section 8 program. On the rent role, the Section 8 commitment from the federal government is what allows them to arrange financing because a bank will finance them. The money that a developer makes through the Section 8 program is that in developing low- and moderate-income housing, he is then eligible under 167-K of the Internal Revenue Code for tax shelters. And the developer can sell off 95 percent of the building and through the depreciation allowances that are allowed private investors, he can then make a handsome profit. So it is not through the Section 8 subsidy that the profit is made.

ASSEMBLYMAN BROWN: But it is because Section 8 exists.

DR. BIERBAUM: It is the marriage, the coupling of the Section 8 program with the Internal Revenue Code that allows a developer to make money. But the return that the developer gets is limited by the State to 6 percent on Section 8 subsidies.

ASSEMBLYMAN McENROE: Where does he get that handsome profit?

DR. BIERBAUM: He sells off 95 percent of the building to people out there who are interested in tax shelters and they will pay him handsomely to buy into that building. They have no control in the management of the development, but they will pay the developer to become a partner in the building.

ASSEMBLYMAN THOMPSON: If it is non-profit, he is not supposed to.

DR. BIERBAUM: We are talking about limited partnership, not non-profit.

ASSEMBLYMAN McENROE: Thank you very much. We appreciate your coming before the Committee.

Now, may we hear from Hudson County. I invite you to join us. You are Joseph McConnell, Special Projects Advisor of the County of Hudson, and you are here on behalf of the County Executive, Mr. Edward Clark, and the members of the Board of Freeholders.

J O S E P H M C C O N N E L L: Thank you, Mr. Chairman.

I have a brief opening statement that I would like to make. On behalf of the Hudson County Executive, Mr. Edward F. Clark, and the Board of Freeholders, I would like to thank you for this opportunity to speak with you today regarding the impact of cuts in federal expenditures on the people of Hudson County.

What is at stake when one discusses this subject is not programs that are wasteful and bureaucratic with a minimal effect on society, but the actual quality of life in the county. The federal government is presently putting in jeopardy programs that, if enacted, will have an extremely negative impact on urban environments throughout the nation.

This Committee must realize and, in turn, make known to the federal officials the true role that urban areas play in our society. The centers for commerce, industry and conduits for interstate travel are just some of the roles that the urban areas play. One must also realize that throughout the centuries the cities were, and still are, the home for the country's economic and physical indigent. This is by no means a complaint being registered by Hudson County as to its place in the economic affairs of the State, but more of an impassioned appeal to recognize the services that are offered are ones that should be shared statewide; and in more general terms, the affairs of the cities should be the burden of all or further deterioration will be seen.

The Community Development Block Grant Program, which attempts with limited allocations to stem the tide of urban blight, has been cut by over 16 percent this year. Yet, housing stocks, the overwhelming majority of which date back to pre-World War II, are in many instances a threat to the life of its occupants. Falling paint and plaster falling into the cradles of our young, unheated and vermin-infested tenements are the bleak facts in describing the homes of some of our residents. This, however, did not further deter the formulators of our federal urban policy to end the Section 312 Rehabilitation Loan Program or the Section 8 Rental Subsidy Program. The quality of the housing units in the county is the direct means by which the municipalities and counties are funded and the loss of ratables simply means escalating tax rates. These tax rates at their present levels are forcing the middle class from our central cities and deterring new and continued investments in our commercial and industrial sectors.

As fiscally detrimental to a county as funding cuts are, however, mandated increases whether they be from the state or federal level are equally damaging. In our county, the prime example is, despite Medicaid reimbursement, the charges levied against the county for maintenance of patients in the State institutions as formulated by the Statehouse Committee. This, in 1982, reflects a 27 percent increase for Hudson and higher in other counties. This formula is both unrealistic and destructive in nature.

It is important for you as legislators to keep in mind that any reduction in federal revenue, as seen in this year's 13 percent shortfall, cannot be unilaterally passed off locally, as our ability to pay is at an end.

The infrastructure of Hudson County is presently in a state of collapse. Our major transportation arteries are a buckling, pitted, pot-holed nightmare. Yet, federal allocations for these repairs were slashed in half. The county is also presently under court order to supply secondary sewerage treatment, as mandated by EPA. The funds needed to accomplish this task are now in jeopardy and now pose a threat to the financial security of our county.

Federal mandates directed the problems of solid waste management to the counties for solution. Currently, there are no federal funds available to support the huge capital investment in the future estimated at nearly 160 million dollars. The State's 1980 Natural Resource Bonding Act of 50 million is not anywhere near the needs of the 21 counties.

The list of needs goes on and on, too many to mention, from crime in our streets where the elderly are afraid to leave their homes, to the lack of nourishment for our youth. It is important that local, state and federal representatives work together in a spirit of cooperation, rather than adversaries, so that an urban policy can be formulated to afford the people of our country basic human needs.

Gentlemen, if you have any questions, I will be glad to answer them.

ASSEMBLYMAN McENROE: Thank you, Mr. McConnell.

Are there any questions from members of the Committee? I don't believe there are. I think you made a very strong statement on behalf of your County Executive and Board of Freeholders.

Are there any other people who wish to appear? I don't believe there are. We appreciate very much your coming before the Committee and your testimony, I believe, has been distributed to members of the Committee.

Before I conclude our hearing, I want to thank the participants, my colleague on the Committee, Mr. Haytaian; and the interested members of the Legislature who are here, Mr. Brown, Mr. Thompson and Mrs. Ogden. We appreciate the assistance of our aide, Mrs. DiBianca. My own legislative aide is also in attendance, which I appreciate. The attendance of the press is certainly appreciated also.

The dates of future hearings will be announced and the locations are as stated earlier: Middlesex, Atlantic and in the State House, itself.

Again, our thanks to the County of Essex, the Board of Freeholders and to the County Executive for making these facilities available to us. I think it has been an informative and interesting morning.

If there are any comments or questions from the Committee, I will entertain them. If not, the hearing stands adjourned.

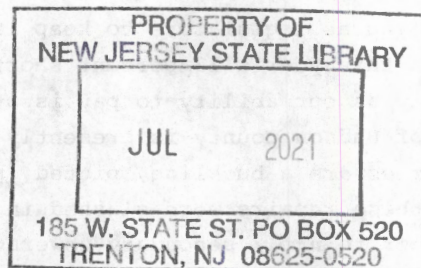


TABLE 2
 IMPACT ON MONIES ALLOCATED TO INDIVIDUAL COUNTIES
 THROUGH NJSDH BASED ON PRESIDENT REAGAN'S PROPOSED BUDGET

MAR 1981

ESSEX COUNTY

Health Services Block Grant	1981 Allocation	Proposed 1982 Federal Allocation	Dollar Value of Proposed 25% Reduction
Maternal and Child Health	1,694,000	1,270,500	423,500
Sickle Cell Anemia	*	*	*
Sphenophila	*	*	*
Sudden Infant Death Syndrome	*	*	*
Emergency Medical Services	*	*	*
Drug Abuse Project Grants and Contracts	2,800,000	2,100,000	700,000
Drug Abuse Grants to States			
Alcoholism Project Grants and Contracts	559,000	419,250	139,750
Alcoholism Grants to States			
Preventive Health Services Block Grant			
Hypertension	154,000	115,500	38,500
Mat. Incentive Grants	27,500	0	27,500
Smoking Reduction and Health Education	*	*	*
Venereal Disease	400,000	300,000	100,000
Immunization	*	*	*
Abortion	-	-	-
AIDS Control	265,000	198,750	66,250
Family Planning Services	**	**	**
Women, Infants, and Children Nutrition Program	4,800,000	3,600,000	1,200,000
Totals	10,699,500	8,004,000	2,695,500

*Monies spent either as a statewide project or funding of a center which serves all eligible patients regardless of residence, therefore they cannot be broken down by county.

**Appropriation Source: Department of Human Services - Title XX

STATEMENT OF VICTOR DE LUCA, ADMINISTRATOR OF IRONBOUND COMMUNITY CORPORATION

Thank you for the opportunity to testify at today's hearing. I am the Administrator of the Ironbound Community Corporation, a non-profit social service, community-based organization established in 1969. About 60% or \$275,000 of our annual budget of \$460,000 comes from the federal, state, county and local governments. Those funds and the services they make possible are clearly in jeopardy with the cutbacks in social service spending on the federal level.

There is no question in my mind, and many others, that working and poor people face severe and escalating challenges in their efforts to live a decent, healthy life. There are hundreds of cases in which lives are being negatively affected because of the discontinuance of necessary social services. I have limited my comments to a few issues of direct consequences to our organization and the neighborhood people we serve.

Before I do so though I want to put into perspective the reality of the federal budget. It must be made clear that the overall federal level of spending has not been reduced but increased. We have seen the re-directing of spending priorities from social programs to war and weapons. The same amount of funds cut from people programs - \$40 billion - has been shifted to the military. Until we deal with that basic issue we are not going to be able to rationally discuss the social service cutbacks.

Now let me get into the other points I want to make:

1) Title 20 - Social Services Block Grant - We currently have 62 children of working parents enrolled in our day care center. 70% of the children come from 2 parent families while the other 30% have single parents. 83% of all families have the single parent or both parents employed. The other 17% represent mothers with infant children and unable to work, protective service referrals and other cases where the parent could not work.

The cost per child for the year is \$3,120 which allows for supervised care and education for an 8 hour day. Reductions in child care could lead to parents leaving their jobs to care for the child which will swell the rolls of the unemployed. We would have to pay more than the \$3,000 in unemployment compensation and we would lose employee payments of federal and state income taxes. Clearly this does not pay.

In addition the child will be negatively affected because he/she will not be able to participate in a well-rounded social and physical development program. And in some cases the child will be left with unqualified baby sitters, neighbors, relatives or alone because of the need to work. Society in the long run will pay dearly for short-sightedness now.

2) Student Loans - We operate a neighborhood college program in a cooperative relationship with Essex County College. There are currently over 200 adults enrolled in a number of college courses being offered right in the Ironbound. These are working people who are trying to get more education, better job skills or proficiency in the English language. Many of the students are now finding out that their financial assistance is being terminated. This will prevent them from participating in the accepted American dream of educational advancement. We are not talking here about people who have money. We are talking about working folks who pay taxes and need some help to make their lives better.

3) School Food Programs - The reductions in breakfast and lunch programs for pre-school and school age children has meant a lessening in the quality of meals served and the laying-off of food service personnel. An example is in our day care center where we will lose \$10,000 over the next year. We will have to lay-off staff and will change our menu plans to buy food which is cheaper but in many cases has lower nutritional value. In fact while that overall inflation rate is lower the cost for grocery products has gone up. This puts us in a

terrible bind of not being able to provide adequate meals.

I want to mention a few other important points that affect us negatively in Newark. The Community Development Block Grant now carries a restriction on the amount of funds that can be used for social services - 10%. In Newark that means a reduction of \$3 million in the amount spent for day care, health care, senior citizen services, etc. This will only make life more intolerable for our residents. In addition the Reagan administration is proposing the elimination of housing assistance for low-income people and the eventual closing of public housing apartments. This is totally unacceptable in Newark where there is a vacancy rate of less than 2% and where people are in desperate need for safe and decent housing at an affordable rate. We must also defend rent control which is under attack at the federal level. Without rent control many of our people would be out on the streets because of skyrocketing rents.

Thank you for the time. I hope that I have contributed to this hearing with my comments.

STATEMENT OF FRANK ASKIN ON BEHALF OF ESSEX COUNTY COALITION FOR HUMAN PRIORITIES

I appear on behalf of the Essex County Coalition for Human Priorities, which has been working for the past two years attempting to defend human-needs programs from the insatiable greed of the military-industrial complex.

The proposed 1983 federal budget contemplates another vast transfer of national resources from vital protective and supportive functions directly to the armament industry.

Others will speak today to the damage that would be done to specific programs by the Reagan proposals: the devastating impact on environmental protections; the disastrous consequences for efforts to rejuvenate mass transit in New Jersey -- such as the new 25% fare hike proposed recently by Governor Kean; the misery it portends for senior citizens, including the Reagan plan to eliminate the Senior Citizens Employment program under the Older Americans Act, under which 54,000 older persons are now able to supplement meager incomes; the increase in street crime which is bound to result with the abolition of youth job-training programs at a time when teenage unemployment is already at record levels in our urban centers; the damage to students of all ages, from the educationally disadvantaged to those who will be forced to leave graduate school because to the sharp reduction in student loan funds; the added misery for all those living in substandard housing as runaway federal deficits and the elimination of housing subsidies keep decent housing beyond the reach of millions who will be forced to pay ever increasing portions of their incomes for inadequate shelter.

And at a time when the federal government offers less and less relief to the most vulnerable segments of our population, President Reagan and Budget Director Stockman are releasing millions more unemployed men and women from the Trojan Horse they smuggled behind our economic lines in the guise of tax relief and sound fiscal policy.

It must be obvious by now to all who can see that Reaganomics takes no care or notice of the cruelty of its fiscal priorities. What I would like to discuss

is the ideological excuse offered for this imbalance, the claim that our national security, our very survival as a free nation, requires this drastic shift in the primary function of government in the quest for something called "nuclear superiority". For if it be true that it is national survival at stake, than indeed we must tighten our belts and make all those terrible sacrifices.

If it is really true that an enemy of overwhelming strength is at our gate, than the Reagan administration may be right that we have to turn the federal government and federal treasury into a mechanism primarily dedicated to funneling our tax dollars into the hands of the Pentagon and the pockets of the arms industry. If it be true, than maybe we really do have to tax each family in the United States \$22,000 over the next five years to support the military establishment.

Happily, a most comprehensive report issued recently by the Council on Economic priorities on behalf of the International Association of Machinists denies in comprehensive and specific detail the Reagan administration's claim of military vulnerability.

First of all, the report categorically rejects the claim that the United States is on the short end of some new missile gap. While it is true that the Soviet Union does have more missile launchers than we do, it is missiles, not launchers, which kill and destroy; and in the number of warheads, the U.S. still holds a substantial lead--9,500 to 7,000. This lead results from the fact that we have pioneered in the placing of multiple warheads on single missiles.

For example, each of our Poseidon submarines carries some 200 nuclear missiles, enough to wipe out every large and medium - sized Soviet city with the touch of a single button. With this much overkill capacity already contained in our nuclear arsenal, it should be clear that the billions more proposed for nuclear weapons production is just more overkill.

Yet the cost of building just one more Trident submarine (\$1.3 billion) would restore the mass transit subsidies that Reagan wants to take away. The \$457 million allocated for 12 more F-15 fighter planes could restore the Guaranteed Student Loan Program. And the \$40 billion Reagan plans to spend for an outmoded B-1 bomber would pay the cost of a

comprehensive ten-year energy-efficiency effort to cut oil imports by 20 to 35 per cent and free us from dependence on Middle East oil.

The C.E.P. report also challenges the often repeated claim that we are being outspent militarily by the Soviet Union. According to its findings: "This comparison is not even an accurate accounting of military spending by western and eastern nations, much less an assessment of the true military balance."

Unlike the Soviet Union, the U.S. has wealthy allies who together contribute almost as much again as the U.S. to the common defense through the North Atlantic Treaty Organization. The Soviet Union, on the other hand, must shoulder more than three fourths of the Warsaw Pact costs. The C.E.P.'s startling conclusion: "Over the past ten years, the West has spent considerably more than Eastern nations even using Central Intelligence Agency figures which exaggerate Soviet spending."

The report goes on to say that in the area of total military personnel, total NATO troops outnumber all Warsaw Pact forces by 5.1 million to 4.8 million. Moreover the Soviets devote about one fourth of their ground forces to protect its long and hostile Chinese border. So the overall troop count in Europe actually favors NATO by about a million men. And while it is true that the Warsaw Pact has a substantial lead in tanks, NATO has a much larger number of anti-tank weapons and more advanced tactical aircraft.

In the Naval balance as well, the C.E.P. report to the Machinists union, demonstrated the superiority of NATO forces, a lead of some 400 to 235 in major surface combat ships. The advantage is even greater when comparing total tonnage, probably the best single measure of naval strength. The NATO lead there is almost 2 to 1.

Added to the fact that the Reagan administration proposes to allocate vast amounts for weapons systems we do not need is the vast waste and mismanagement within the Pentagon, waste which is inevitable because, as the report says, "the process of buying weapons is controlled by those who have the most to gain from higher spending."

The final myth which this invaluable report lays to rest is that all this military spending aids the economy by creating jobs. The Council reports that almost

any alternative use of the same federal dollars would create more jobs. That military spending diverts federal funds from providing jobs in such socially useful fields as housing, education, civilian scientific research, energy development, and consumer goods production. Although the Machinists union is the major union in the military production industry, it has concluded that military spending is only adding to unemployment, not reducing it.

What becomes very clear from this important study, which should be read by every concerned citizen, is that far from strengthening our nation, the administration's military priorities are debilitating it. It is time to use our national resources, our technology and our manpower in ways to make this nation strong where it especially needs to be; in meeting the unmet needs of people, in safeguarding our democratic rights and in creating a more abundant society in which everyone will benefit, not merely the Pentagon brass and the weapons manufacturers.

