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PUBLIC HEARING

on

ASSEMBLY BILL NO. 194, entitled "An Act
concerning taxation and supplementing
Title 54 of the Revised Statutes."

before

ASSEMBLY COMMITTEE ON COUNTY AND MUNICIPAL
GOVERNMENT

Held:
Assembly Chamber
State House
Trenton, New Jersey
April 27, 1966

MEMBERS OF COMMITTEE PRESENT:

Assemblyman S. Howard Woodson [Chairman]

Assemblyman Vito A. Albanese

Assemblyman Robert E. Henderson

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ASSEMBLYMAN S. HOWARD WOODSON: [CHAIRMAN] - Ladies and gentlemen: We are now ready to open the hearing on A-194 and I would simply like to make a short statement with regard to it prior to our hearing of testimony from those of you who gather here today.

A-194 would provide, starting in 1967, that public utilities franchise tax and the public utilities gross receipts tax would be included in the county equalization tables for purposes of determining the share of each municipality in the support of county government as provided in R.S. 54:4-49. I would also like to point out that there are certain technical defects in the bill as it is presently drawn and the prime sponsor of the bill is in agreement that these defects should be corrected by amendment, and that in Section 1, after "water," should be inserted "telephone, telegraph, and communications systems."

Let the record show that Assemblyman Henderson is present and Assemblyman Albanese, and the Chairman, Assemblyman Woodson. Mr. Henderson is to my left and Mr. Albanese to my right. Mr. Albanese is the prime sponsor of A-194 and, since he is, I would like to call on him at this point to explain to you his reasons for having introduced A-194.

Mr. Albanese.

V I T O A. A L B A N E S E: There are a few ladies in the house, so I will say "Ladies" first, and Gentlemen: Of course, in my home county of Bergen the question of apportionment of gross receipts tax has been a major issue with the people there. When you examine the amount of money

involved, you will find that in 1965 \$58,281,665 was the total amount of money apportioned from the gross receipt tax in the State of New Jersey. That is a lot of money. It is the kind of money that no one realized would accrue when the Gross Receipts Tax Law went into effect originally.

The purpose of this bill, A-194, is to put into effect recommendations made in the Tenth Report of the Tax Policy Commission of the State of New Jersey. In that report they recommended that to give effect to the recommendation of the Commission: "Capitalize the amount of the gross receipts tax received by the district on the basis of the general property tax rate of the district for the preceding tax year; and equalizing such capitalized value at the average assessment ratio of the district as determined by the Director of Taxation on the preceding October 1 for school aid purposes.

"This procedure will result in a wider and fairer distribution of the effect of the gross receipts tax among the municipalities. The results of the application of such procedure, on the basis of 1962 figures shown.... indicate the amount by which each district's share of the cost of county government would have been increased or decreased if the procedure has been in operation."

Now all of us know that county government, if it is to be effective, has to raise the necessary moneys for the programs that the people of today want in the form of hospitals and county colleges, or two-year colleges, and the nice services - road services, etc. In order to make

these programs effective the money must be raised and it must be raised on a basis that is more equally distributed among the people than it is now.

The amount of money that certain municipalities receive from the gross receipts tax far outweighs the value that they give back to the county. When the law originally was enacted, I assume that it was hoped that the idea of allocating these extra funds to the municipalities where the gross receipts or where the utility would be established would make it advantageous for them to have it and thereby, of course, would be an inducement. Many municipalities have argued that they take the brunt of the air pollution that comes from the utility being situated there. However, if there is an argument along those lines, I think it should be directed to the control of air pollution rather than to the distribution of the tax. We have arrived at a stage in our general life where we would insist that clean air be also a part of the manufacturing and utility generating plants, so I don't believe that that is the real thing that we are concerned with. I think we are concerned with taking this money and allocating it in such a manner that the county would receive a greater portion of it, and by the county receiving a greater portion of it thereby reducing the county tax rate so that all municipalities would be affected.

Now the amount of the tax rate reduction is not going to be great and the amount of increase in the costs of county government to the municipalities having the utility is not going to be staggering as has been suggested.

The idea that a municipality should receive two, three, four or five million dollars, as the case is in many areas, to the exclusion of the other municipalities that share with them the generated powers or the utilities, seems absolutely outlandish. It doesn't seem fair.

I suggest that unless we do something now, unless we change the law to make this more equable, unless we give all the other municipalities a share of this money through the inclusion of it in the county taxes there will be more likelihood to exist that the entire amount will be taken away by some legislature with a lot of courage one of these days.

When you are talking about \$58,000,000, and this is the figure today, you are talking about the kind of money that the State could very well collect, and I respectfully suggest that - while I'm not so well acquainted with all the figures involved here and I'm not a mathematician - we analyze the figures as to the effect of this tax before we rip it apart as to the original purpose.

I think that the Tax Policy Commission, and I'm sure that all of you have had an opportunity to study their report on the Public Utility Gross Receipts Tax, after having made careful study, didn't do it lightly, and as a legislator I merely hope to make that study become part of law and part of our pattern of government in this State.

Thank you.

[The following was submitted by Mr. Albanese and asked to be made a part of the record].

Excerpt - Tenth Report of the Commission on
State Tax Policy - 1963

PUBLIC UTILITY GROSS RECEIPTS TAX

For a long time there has been complaint by many municipalities of the manner in which the public utility gross receipts tax is apportioned among the taxing districts. This tax is in lieu of the tangible personal property tax and is imposed under Chapter 5, Laws of 1940, as amended (N. J. S. A. 54:30A-49 *et seq.*) at the rate of 7½ percent of the gross receipts of street railway, sewer, water, traction, gas and electric light, heat and power companies, from their business over, on, in, through or from their lines, mains, etc., in this State. The only public utilities not now covered by Chapter 5 are the telephone and telegraph companies, whose tangible personal property continues to be taxable locally.

The gross receipts tax is State-assessed and apportioned back to the taxing districts according to the proportion which the scheduled value of property of the taxpayer located in each taxing district bears to the total scheduled value of property of the taxpayer in the State. The value of scheduled property is itemized in the statute for each type of utility property and the aggregate gross receipts tax, less State administrative costs, is apportioned back to the respective taxing districts of the State in which such property is located on the basis of these scheduled property values.

The annual yield of this tax is substantial and has been increasing at a surprising rate, as shown below:

Year	Gross Receipts Tax (in millions)
1940	\$ 6.4
1950	14.4
1955	26.3
1956	28.3
1957	31.3
1958	33.8
1959	36.3
1960	39.2
1961	42.0
1962	48.4

These increases are primarily attributable to three factors:

- (1) The tremendous growth in population and public utility services during this 22-year period.
- (2) Increases in the rate of the tax over the years, until the rate was stabilized at 7.5% in 1958.
- (3) The addition in 1961 of water companies to the group of utilities covered by the act caused the above-average increase in 1962 over 1961.

Like the utility franchise tax, the utility gross receipts tax, which is assessed at the rate of 5 percent of allocated gross receipts of all public utilities operating in the State, is for local use. Both taxes are State-assessed, but no part of either tax is retained by the State, except a relatively nominal sum to reimburse the State for administrative costs. Both taxes appear to be acceptable to the taxpayers and to the municipalities, but it has been strongly urged that the method of sharing the proceeds of the gross receipts tax by the municipalities works inequitably among the districts.

It is a fact that a relatively small number of municipalities receive a large proportion of the total gross receipts tax; some in amounts which are wholly disproportionate to their total general property tax levies. The following list covers a few of these municipalities and relates their share of the 1962 gross receipts tax to their local property taxes in 1962.

<i>Municipality</i>	<i>Gross Receipts Tax</i>	<i>Property Tax</i>	<i>Gross Receipts as a % of Property Tax</i>
1. Holland Twp. (Hunterdon)	\$465,699	\$96,309	483.5%
2. Ridgefield Boro. (Bergen)	1,999,428	738,188	271.0
3. Burlington City (Burlington)	1,685,045	654,189	257.6
4. Upper Twp. (Cape May)	284,588	271,925	104.6
5. East Hanover Twp. (Morris)	430,485	692,735	62.1
6. South Amboy (Middlesex)	375,083	693,937	54.1
7. Harrison (Hudson)	1,142,418	2,484,408	46.0
8. Lower Penns Neck Twp. (Salem) ..	857,295	2,145,757	40.0
9. Sayreville (Middlesex)	1,114,457	2,866,157	38.9
10. Kearney (Hudson)	2,110,196	5,917,163	35.7
11. Hamilton Twp. (Mercer)	2,583,895	7,697,723	33.6
12. Linden (Union)	1,810,085	8,152,056	22.2
13. Edison (Middlesex)	1,113,866	6,379,988	17.5
14. Woodbridge (Middlesex)	1,960,463	11,240,833	17.4

Heavy gross receipts tax collections occur in these municipalities because large public utility installations are located there, principally electric generating stations and other large units in the distribution system. Since the apportionment of gross receipts taxes is on the basis of unit values of scheduled property on private property as well as on public rights of way, and since the unit values of these large generating and substation installations are high in proportion to the unit values of other scheduled property, mostly on public rights of way, it necessarily follows that those districts with generating and substation units receive a high percentage of the total gross receipts tax.

It is claimed that the tax has always been considered as a tax in lieu of the local property tax on the tangible personal property of those utilities included within the gross receipts tax act, and for that reason the formula for the apportionment of these taxes was intended, at the time of its adoption and ever since, to be a reimbursement to the municipalities for the

loss of property taxes on this class of public utility company personal property. This argument fails to recognize, however, that State law now feeds the utility tax revenue into the municipal coffers regardless of the local tax rate whereas any local taxation of any other property would be limited to the general property tax rate.

There is considerable support for the claim that utility gross receipts are derived from the sale of services throughout the State—that the utility customer provides the utility income—and, therefore, that this tax should be distributed among the municipalities in a way which provides a more even sharing. This means, in substance, that the base of the tax is the utility revenue derived from customers, not the generating station and distribution equipment, and, therefore, that the distribution should be on the basis of people rather than property.

These are the two opposing schools of thought. They have been urged ever since the adoption of the present apportionment formula more than twenty years ago. Without attempting to decide which one carries more weight, it is quite clear that there is a factor in the present apportionment procedure which is inequitable and which should be revised. So long as the tangible personal property of these utilities remained subject to local property taxation, the assessed value of such property was part of a district's ratables and entered into the valuations upon which county taxes were apportioned. Upon the adoption of the gross receipts tax these ratables went off the local tax rolls and no longer formed a part of the net valuation taxable for county tax apportionment purposes. As a result those districts with large utility installations not only received a large share of the gross receipts tax but also were freed of sizable payments to the county in support of the cost of county government. The gross receipts tax in lieu of a property tax is part of the wealth of a district, as much as real and personal property tax ratables, and there is no apparent reason why they should not provide a basis for the assumption of county costs.

To overcome the effect of this double benefit—a major share of the gross receipts tax and avoidance of a fair share of the county tax—the Commission recommends that an imputed ratable value be placed upon each district's share of the gross receipts tax and that such imputed value be included in the district's net valuation taxable upon which county taxes are apportioned.

To give effect to this recommendation the Commission further recommends that such imputed value be determined:

(1) By capitalizing the amount of the gross receipts tax received by the district on the basis of the general property tax rate of the district for the preceding tax year; and

(2) By equalizing such capitalized value at the average assessment ratio of the district as determined by the Director of Taxation on the preceding October 1 for school aid purposes.

This procedure will result in a wider and fairer distribution of the effect of the gross receipts tax among the municipalities. The results of the application of such a procedure, on the basis of 1962 figures, are shown in the Compendium Table, column 8. The reported figures indicate the amount by which each district's share of the cost of county government would have been increased or decreased if the procedure had been in operation.

CONCLUSION

These special problems of property taxation suggest the pervasive influence of the property tax in State and local finance. Other matters of equally broad implication, such as questions in the administration of the property tax, have been reserved for future reports.

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COUNTY	GROSS RECEIPTS TAX
Atlantic	\$1,558,238.88
Bergen	6,345,879.15
Burlington	2,762,092.48
Camden	1,854,481.96
Cape May	1,296,382.01
Cumberland	503,136.41
Essex	4,816,094.50
Gloucester	856,346.51
Hudson	8,272,357.53
Hunterdon	888,828.67
Mercer	3,828,334.18
Middlesex	7,880,977.80
Monmouth	2,850,883.63
Morris	1,887,113.53
Ocean	1,037,373.76
Salem	2,090,869.76
Somerset	971,920.32
Sussex	338,274.85
Union	5,374,693.98
Warren	<u>425,814.29</u>
TOTAL	\$57,281,665.18

Under the formula, Bergen County's ratables would increase by approximately \$778,000,000, thereby reducing the county tax rate by almost two points, according to the figures available.

MR. WOODSON: Thank you, Mr. Albanese. There are one or two questions I would like to ask at this point:

Mr. Albanese, does this bill take into account the fact that certain utilities service only the residents of the municipality and not the residents of the entire county?

MR. ALBANESE: I think if you examine the bill you will find that there are hardly any exclusions in it, for this reason, that there are all of the public utilities concerned, and it seems to me that almost every municipality has some form of public utility. Now, of course, it's true that the large-revenue-producing utilities may not necessarily service all of the municipalities in a particular county. On the other hand, it is also true that the municipality does share in the county services of that county and, therefore, if it shares the county service it should want to pay its proportionate share of taxes and help those municipalities that don't have it. That is to say, if there is a hospital in that particular county and the county is paying for the cost of that hospital, the fact that a utility plant is not servicing the entire county should not exclude it from wanting to share in the burden of taxation and help relieve the rest of the county in that burden.

MR. WOODSON: The second question I would like to ask is: Does this bill take into account the fact that there may be some utilities which service across county lines rather than within the framework of the county; in other words, they do not stop at the political boundary?

MR. ALBANESE: I think it does. We are talking about the gross receipts law under Chapter 5, Laws of 1940 as amended, and that law did not differentiate in the negative; that is to say, it didn't turn around and say that there were any exclusions where the money had to be paid, so I don't think we should be concerned with exclusions where the money has to be assessed for the purpose of collecting taxes.

MR. WOODSON: Mr. Henderson, do you have any questions?

MR. HENDERSON: No, sir, not at this stage.

MR. WOODSON: I would like to ask all persons who are going to be heard today to speak from the microphone to our left at the first table here and, if you will, give your name and the municipality you represent. In addition to that, if you do happen to have a written statement, would you kindly submit that following your verbal statement before us today.

Are there any Assemblymen or Senators present today who wish to be heard in addition to Assemblyman Henry Gavan? [No response].

I would like then to call on Assemblyman Gavan to speak at this point. Is he present? [Not present]. He will be heard later.

At this point, I would like to call on the tax attorney from Linden, Milford Levenson.

M I L F O R D L E V E N S O N: Assemblymen, ladies and gentlemen: I think first we should go into the history of the present law which is up for consideration. In 1940 legislation was passed creating the gross receipts tax. This was to raise revenue in lieu of personal property tax on certain specific utilities. At that date a rate was determined from the gross receipts which would be ample to compensate for the local district's loss of money by discontinuing of the personal property tax on those specified utilities.

This situation, wherein the tax district was compensated for its loss, existed for approximately the past 26 years. Now we have reached a point where some assume that it is beyond the memory of man as to just how the gross receipts tax rate was arrived at and what it was to do. But let us not forget that at that date the moneys that the individual taxing districts, the municipalities, were to receive were to compensate them for the moneys that they lost by not levying the personal property tax, and at that time, I feel certain that the legislature knew that a county existed and that a county got part of a personal property tax, and they chose at that time to only compensate the community for what it lost.

Now, at this late date, after you are only compensating the community for what it lost for 26 years, to come in and say that now part of this money will go to the county, you are now deciding, 26 years later, because it might be beyond the memory of man, that now the taxing

districts will receive something less than reimbursement for what it has lost on personal property tax. This should not be approached from the basis of now take away from the county, but if there is more money needed - and there isn't a community or a county or a state that doesn't need more money - this problem is not unique to this particular tax. We are in a state of tax chaos where everybody needs money, and this is the last time to single out communities to reduce it, and especially this will primarily affect your industrial communities because they are the communities that have in the main generating stations and utilities. These are people who had their governing bodies make laws that these industries could come in; these people were willing to live with the odor and the smell because on the other side of the coin was the fact that there was some tax relief for their homes. They were working people. And, let's face it, New Jersey is an industrial state, and if you have communities that do not have utilities or industrial plants, it is for one reason: those towns have outlawed industry or they would have it. If these towns need money, let them change their zoning ordinances and make room for some industry; don't go after towns that are industrial towns and have lived with this tax for 26 years and upset their status quo.

I don't have to tell you gentlemen as Assemblymen that, in the face of our present chaotic condition as far as taxes go, you don't upset the entire apple cart. I'm not saying that this tax is right, but even if it were right this is not the time to start imposing this upon all your

other problems. It's the old story: if the roof leaked for 26 years, you don't go up to fix the roof in the middle of a rain storm and, believe me, taxwise you have more than a rain storm going on right now. I don't have to remind you about that. And besides that, and I am talking for an industrial town, we have lived with these problems. There are odors and, sure, in a modern way you can alleviate some of the smell, but let the other residential towns alleviate their problem first by bringing in a couple of industries; let them cooperate with the problem. [Applause]

Before concluding, and to bring it into a lighter vein, I would like to relate a story to you gentlemen. If you are familiar with Greek mythology, you remember the story of Achilles whose mother took him by the heel and dipped him in the Passaic River to immunize him from all foul smells. Well, we in the industrial communities have not been dipped in the river and we are suffering from the foul smells and we greatly need the tax relief which this bill meant to do in all justice at the time, but somehow the evils seem to be forgotten after a short period of time and only at this late date now does somebody else say, "Look, there's money; we like it; let's see what we can do to get some of it." And that is not the just thing and, besides this, this is absolutely the wrong time to upset any branch of your tax status quo, because enough of it is being pushed around right now. And wait, see where the tax burden is going to fall under some of the new taxes that you gentlemen are in the process of bringing into being. Then there's

a chance to open the door for this. But this is not the right time now to go right down to the roots of things that you've had for the lifetime of a good many of the people in this room and start looking for new problems.

And with that, I ask that at this time consideration be given - this is not just, it is not fair, and there is no reason to pass this law other than that a few of the "have nots" who want to live in nice residential areas figure that they want a little money.

Thank you. [Applause]

MR. WOODSON: It sounds more like City Hall than in the august chambers of the General Assembly of the State.

We have in addition Jerome Krueger who is city attorney from Linden. Mr. Krueger.

J E R O M E K R U E G E R: Mr. Chairman, ladies and gentlemen, I appear on behalf of the City of Linden as the city attorney. For the benefit of the Chairman, I was also a former Assemblyman and had the privilege of sitting in these chambers when the Tenth Report of the Tax Policy Commission was introduced, and at that time the Tenth Tax Policy Report was not accepted in its entirety and to my knowledge very, very little of this has been adopted at the present time. And it seems in every Assembly, year after year, this type of bill rears its ugly head, and it would amaze me if this were ever adopted by the Assembly, because this bill, as I have seen over the past few years, is actually aimed at penalizing municipalities which have welcomed utilities such as the Public Service Electric

Generating Station plants. This is a penalizing bill.

The City of Linden was selected by Public Service for its generating station because we were the City of Linden. We were a very, very important industrial city - we are an important industrial city - and for its size and population, we are the most important in the United States. Public Service selected Linden because of its proximity to what is the present Humble Oil Refinery. They have a very unique setup there which has helped the taxpayers not only of the City of Linden but of the State of New Jersey.

Most of the other 20 municipalities in Union County would never have even opened their doors to an industrial giant such as Public Service. Most municipalities, although they talk about welcoming industry, they do their utmost, unfortunately, to keep them out by putting in fancy zoning laws, and all that they want are little white laboratories with a lot of green grass in front of them where they don't pollute the air and where they minimize the use of industry. This is not what the City of Linden has done nor is this what the many, many other towns that have welcomed generating plants have done over the years.

Since 1940 we have operated under a very fair law which gives the municipality its share of personal property taxes via gross receipts. This has worked very, very well for 26 years and municipalities have based their budgets and their entire economy on this arrangement. There's nothing wrong with this, nothing whatsoever. If you play Russian

roulette with the economy of these cities now in 1966, when you add the amount to the county tax rolls that this bill calls for and you spread this around to the municipalities in a particular county, it amounts to very, very little. In the case of Linden we stand to lose approximately \$400,000 from this. You spread this around to the other municipalities and it means nothing, but you take away \$400,000 from our city and you try and raise this another way, you've got trouble.

Under the laws of the legislature recently, the municipalities have had to go through a revaluation program and as such, and this has happened in every municipality in the State, there has been a shift in taxes in many areas from industrial to residential, and what do you do now? You're telling the people in cities such as Linden and the other industrial municipalities, "Folks, we're going to take more money away from you and you're going to have to tax your taxpayers a lot higher than they are being taxed now." I'm sure that this is not what the legislature has in mind.

Your entire tax picture at this very date, at this very hour, is most chaotic. Perhaps before the day is out the State of New Jersey may have a sales tax, depending what your sister house or brother house does next door. But this is the kind of moment in the State's history where you do not fool around with these taxes. We have enough problems now without stirring up something else now that will disturb a situation which can only hurt; this can help no one; there's too little in here to help the vast communities in a

particular county. But to take it away from the individual municipalities that have based their taxes, that have based their entire economy on this, creates havoc. These industrial communities have welcomed the industries and they have furnished service for industries that many, many other areas do not do, such as, in the City of Linden because we do have these industrial giants and we're very proud that these giants have selected our city in which to locate - we must give them the proper police protection, fire protection, heavy duty roads. We have been happy to do this for them and I know the other municipalities are too, because in exchange for the polluted air and the other problems that an industry may give us, they still give us the benefit of a low tax and we welcome them, we want to keep them there, and we do not want to be penalized because we have an industry or because they have selected us.

Now my last remark, gentlemen, I am sure you will hear a repetition of these comments right through: Do not touch a situation that is going to hurt communities that have based their budgets, their planning and their economy on something that has worked well for 26 years. Let us not cause any harm or any trouble. I'm sure this is not the intention of the Assembly.

Thank you very much for the privilege of addressing you. [Applause]

MR. WOODSON: Ladies and gentlemen, in the interest of time I would hope that you would not applaud today. We are taking down all of the notes that are being given to us and certainly we will note the fact that most of you here

today are in opposition to A-194 [applause]. But kindly refrain, if you will, from applauding in the future.

Are there any questions?

MR. ALBANESE: Yes, I would like to ask something and rather than do it a dozen times I'll do it this once and try to get a pattern established, as I am sure we are all looking for the same thing and that is, keep the facts out in the open.

Now, according to my records, Linden has an electric generating station and it has tax receipts of \$1,933,573.21 in 1965. That was gross receipts.

MR. KRUEGER: That sounds correct.

MR. ALBANESE: The whole of Union County has \$5,375,000, approximately. Have you determined by the process of figuring exactly what the amount of tax reduction is that you will get in the county tax rate?

MR. KRUEGER: The figure I mentioned - approximately \$400,000 - is what we would lose, what the City of Linden would lose.

MR. ALBANESE: Wait a minute. We are trying to establish here too, you know - you pay county taxes and so does every other municipality in Union County or in all the other counties. The money for county purposes must be raised; that is to say that whether the rate is two or three cents it has to be raised; it's got to come out of Union County; it can't come out of Bergen County for Union County; it has to come out of Union County. So that we are trying to establish here that we are going to do no more

or less than raise the same amount of money that had to be raised originally for county purposes excepting that we are asking that some of the towns like Elizabeth City, \$1,173,000, and Linden City \$1,933,000, help to pay just a little more of the cost of county government. This we are trying to establish in this bill. We don't want to take anything away from Linden. We are trying to have Linden pay a fair share. [Boos]

MR. KRUEGER: Assemblyman, you will find -

MR. WOODSON: Ladies and gentlemen, I will be forced to have to clear the auditorium if we continue with this kind of demonstration. I don't think that it is necessary. I recognize that your emotions may be involved in it but I would hope that you would hold back the tide of your emotion at this point so that we may proceed with the hearing.

MR. KRUEGER: I think I can answer that. If you were able to check the figures of what we pay the county government, you would find--

MR. ALBANESE: What I am trying to find out is, have you determined how much the county tax rate would go down? You say it means peanuts or a pittance to everybody else.

MR. KRUEGER: I think you will find this answer in figures from the other speakers from Union County but what I want to tell you is this: If you check what Linden pays to the county you will find that the City of Linden pays the second highest amount to the county. We pay much

more than we think we should, so we are well aware of what we have to pay for county government. We are only a city of 40,000 and we pay the second highest in the county.

MR. ALBANESE: You must have some legislative -

MR. KRUEGER: Yes, we do.

MR. ALBANESE: What is your tax rate in Linden?

MR. KRUEGER: Do not penalize us -

MR. ALBANESE: What's your tax rate in Linden?

MR. KRUEGER: Under the new revaluation program, we're 50 per cent of true value with 3.39 per hundred.

MR. ALBANESE: 3.39? Just off the top of the head, do you think you have the tax rate of Clark Township, for instance?

MR. KRUEGER: No.

MR. ALBANESE: You don't have any of the townships-

MR. KRUEGER: We are the lowest in the county.

MR. ALBANESE: You are the lowest in the county. You've established that. That was the point I was trying to get. O.K. That's all.

MR. WOODSON: Any further questions?

MR. ALBANESE: No.

MR. WOODSON: We will now hear from Mayor Wrigley of Linden, Union County.

A L E X A N D E R G. W R I G L E Y: I am Mayor Alexander G. Wrigley of the City of Linden, speaking specifically for the City of Linden. I think we could check with our tax attorney and find our tax is a little higher than 339 per thousand. There has been an increase in it.

However, this loss of approximately \$400,000 to the city is a disaster, considering that Chapter 51 has been in effect also.

In reference to A-194, it is grossly unfair and basically wrong to the community which houses the utilities covered by this bill. In the main this will affect industrial communities over the strictly residential communities who do not house any of the utilities. Besides utilities being present in the community, they also receive all the services that the town has to offer, including fire protection, police protection, garbage collection, and what other services may be necessary. To take away money from the community after 26 years and arbitrarily give it to the county so that communities that do not want any part of a utility itself can share in the moneys is a gross injustice to those communities which house and put up with all the disadvantages. . We say odors. Odors or air pollution, you say we may remedy that, but it's not only the odors from these utilities. It's the transportation problem, the traffic problem; it's a problem of breaking down the streets. Have you noticed the City of Linden - what we've got from the State Highway? We've got Route 1, the most highly-traveled road in the world, and we don't receive I don't think a penny for its maintenance the way it's been run down lately. And we have other traffic problems coming in interstate highways. You take Route 1, the way the road is broken up - all these utilities realize that; they use it;

we have to bear with it. We have a typical problem there. Yet from the State we don't get a thing on it. We've been asking and pleading; we have dangerous conditions. This goes with having industries in the town. We've got heavy trucks, tankers, all kind of traffic coming into Linden.

This present status quo has existed since 1940. Now, as Mr. Krueger said, we are the second highest taxpayer to the county, yet we are not the most largely-populated city in the county. I think we are approximately fourth. You will have to go to Linden to see what the conditions are. People bear these conditions so they get something in return in the way of a lower rate. They stand these conditions, but they are conditions that other communities won't have. Now you have, if I recall, a refinery tried to come into the City of Carteret. I think they had much difficulty and plenty of court cases, and yet Carteret being an industrial community didn't want to rezone. These are problems we can't even see or put down on paper. Yet the people of Linden have borne these problems and whatever advantages there are in the way of income should be theirs.

Now suddenly to burden a community by arbitrarily taking away these moneys and giving them to other communities would create an undue hardship at a time when we already have tax chaos in the State, and it is my opinion that the Assembly should give more consideration of the problem you have on the budget of the State and in regard to taxes before they go ahead and take the taxes away from

these cities.

If I recall there was a bill for seven and a half million dollars in taxes and that was voted down a few years back and nothing has been done to settle that. They are in a chaotic condition and they should take first things first and leave this alone. Adding to the present frustrating tax situation, this is the most inappropriate time for the Legislature to possibly choose to go looking for additional tax problems to add to these present complications.

At this time we should try to hold as much of the other problems in status quo until our major tax problems are worked out; namely, our sales or income tax. As a result of new taxes, whatever the case may be, we should first see where the burden will fall so that we can then, if we so desire, start to consider other taxes, providing they are in themselves fair and equitable, but, however, any tampering with the present gross receipts tax would be a decided hardship to the communities which are housing these utilities and supplying all the community services and can least afford the hardships which A 194 will bring into being.

MR. WOODSON: Thank you, sir. Are there any questions?

MR. ALBANESE: I have one. Mr. Mayor, you, of course, are aware that there is some discussion at the present time regarding Title 51 and the changes recommended thereof, and in most instances great concern is being given to render the municipalities harmless so far as any losses

due to the change in Title 51. You say, and I have heard this now twice, leave things alone; this is not the time to do it; we are now in the process of changing our tax structure in the State of New Jersey with a sales tax, and we are talking about changing Title 51 to make this a more equitable situation. Yet in the same breath that we apparently are willing to accept these changes, I hear two gentlemen here today say, "Leave this one alone. Absolutely not." Now it seems to me that this gross receipts tax is supposed to be in lieu of personal property tax. Is that correct?

MAYOR WRIGLEY: Correct.

MR. ALBANESE: Now if we are to change Title 51, which has to do with the same subject matter - personal property taxes - why wouldn't it be conceivable for the legislature to do the job properly and tackle this too and correct this inequity which is so very apparent? Could you answer me that one?

MAYOR WRIGLEY: Well, I think you should do first things first in my opinion with your budget and sales or income or whatever tax you may have. Now these things have been going since 1940. This thing has been set up as a special law in the legislature and since it's a special law with different overtures than a personal property tax with conditions involved for the tax to the municipality, the personal property tax itself is different from having a utility with all the disadvantageous that the city houses and the zoning that it has to make in order

to welcome these industries, where with a personal property tax there is no zoning involved. The silk stocking communities say, "Well, we don't want this industry but we want to have a low rate." Now, if they have a lesser rate they should certainly put up with whatever disadvantage may accompany that in order to have this rate established.

MR. WOODSON: Any questions? Thank you, sir.

The Honorable Henry F. Gavan, Assemblyman from Union County.

H E N R Y F. G A V A N: Assemblyman Woodson and my colleagues Vito Albanese and Bob Henderson who also serves as Mayor of the City of Rahway: This bill which is introduced by our good friend here this morning, Vito Albanese, is quite a bill and, of course, as a representative of Union County and also a resident of the City of Linden, I would like to say that I am opposed to this bill, as Mr. Albanese knows already.

Now, gentlemen, you have already heard our distinguished attorney from the City of Linden, Jerome Krueger, and Milford Levenson, discuss the problems in the City of Linden today. They said to you this morning that our finances are geared to this program. This is true. Now, many years ago when these industries were starting out, they struggled. We all know there was air pollution at that time. We haven't reached any panacea or Utopia as far as clearing the air by any means, but we struggled with these industries. They have installed many new mechanical devices in these areas to help alleviate these particular things. Now that we are

reaching a stage and moving along, we find Assembly Bill 194 is introduced. What are you going to do? Take away this money that the City of Linden and these other municipalities are deriving? They are rendering services to the people of the City of Linden. It's true, many of you may say, "Why have you geared your services to this money?" Well, good planning and good business - you'll always gear your money to some resource, and I would say to you this morning that you should consider this not only from the standpoint of Linden but from every municipality that does have one of these generating plants. Just think, when these people were starting out, many of the municipalities didn't want these plants. These people had to scurry around. Then they finally located, then there was the problem of building the plants, then when the plants get erected this bill is introduced.

What would you do with the gas lines going through your community - Transco Gas or other natural gas lines? Are you going to start with this and then right on down the line? I say, no, this is wrong. You've discussed Chapter 51. You also left an impression here that Chapter 51 is going to be worked on. We all hope that Chapter 51 does get worked on, but when? This is the important thing. When is Chapter 51 going to be worked on? There are many people who will be hurt. We have heard about the "save harmless" laws. These things are all good. But, gentlemen, I can't do anything further but to just reiterate and re-emphasize to you what these gentlemen who have already preceded me have

said. I urge you, do not do anything with this as it stands now. Let it stay the way it is for the good and for the common good. Thank you. [Applause]

MR. WOODSON: We have the City Treasurer of Linden, Charles DelVano.

I would ask, if your statements are repetitive, if you will simply make a shorter statement - if your statements are similar to those that have already been made.

C H A R L E S D E L V A N O: Thank you very much.

Mr. Chairman, ladies and gentlemen, and members of the Assembly: I unanimously endorse everything that has been said by the group from Linden. As you know, I have been City Treasurer since 1944 and I have seen the City of Linden grow. I have been a member of the City Council for 11 years, and the City of Linden is one of the most industrial communities in Union County. Our industrial group pays approximately 70 per cent of our taxes. A population of 40,000 people have to put up with all sorts of odors, smells, and other bad things that industries have to carry on their business. For the information of the Assembly today, we have one of the largest police departments and fire departments of any community of a population of 40,000 people. The reason for that is because of our good industrial companies that we have that do a fine job for us and continue.

Now, for your information, Linden now pays approximately two million dollars to the County Board of Freeholders and, with this increase of \$400,000, we will

be one of the largest taxpayers paying the County of Union.

There are other communities in Union County that would never accept industries or Public Service because of the fact that they enjoy better health conditions, such as Summit, Plainfield, Westfield, Cranford and other communities that do not have to put up with all of that. By us paying that \$400,000 more, it would be very much unfair to the poor people that pay and sacrifice and live the type of life that they have to in Linden. I know that all of us are here for one purpose, and I am not going to continue and repeat what has already been said. But Assembly Bill 194 is very, very unfair to put it on a tax problem. It is actually a gross receipts bill and it is a bill that I think is very, very unfair to not only the City of Linden but the other communities in the State of New Jersey that are recognized as industrial, and for that reason I would appreciate very much anything that you people can do to kill the bill which is very unfair for the people of Linden and other communities. Thank you very much. [Applause]

MR. WOODSON: We have the Honorable Donald Bennett, Councilman, City of Trenton.

D O N A L D B E N N E T T: Thank you, Mr. Chairman and members of the Committee: I am Donald Bennett, Councilman here in the City of Trenton, and here today, of course, to urge passage of Assembly Bill 194. [Boos]

I think it is understandable, considering the make-up of the audience.

I also want to present to you a resolution, gentlemen, of the City Council of Trenton which was adopted

unanimously, urging passage of this bill. The bill itself is endorsed strongly by the City Council of Trenton and also the people of Trenton because it provides, in our estimation, a fair and an equable computation of the tax base in the county. It equalizes and this only to some extent the unfair advantage enjoyed by certain municipalities with regard to gross receipts and franchise taxes, and it certainly recognizes the unmistakable fact that utility company revenues are produced or provided by the residents of a wide region and certainly not only by the residents of a single municipality.

Mr. Chairman, with your permission, I would like to give you the following City Council Resolution;

[Reading] "WHEREAS, Assembly Bill No. 194 seeks to evaluate equitably the tax base of the county and to include therein such real and personal property which is utilized by utilities servicing broad areas extending beyond boundaries of individual municipalities; and

"WHEREAS, it is deemed to be in the best interest of communities throughout the State that such fair and equitable assessments be made, including such facilities; therefore, be it

"RESOLVED, by the City Council of the City of Trenton that it hereby endorses and urges passage of said Assembly Bill No. 194, and that a copy of this resolution be forwarded by the City Clerk to the Governor of the State of New Jersey, members of the Senate and Assembly, and to the local press."

Gentlemen, we, as I say, are heartily in favor of this bill and we urge its passage. Thank you.

MR. WOODSON: Are there any questions?

I will call Mr. Thomas Mitchell, City Comptroller of the City of Trenton.

T H O M A S M I T C H E L L: Mr. Chairman and members of the Committee, I will accept my boos and hisses now rather than afterward if you so wish.

MR. WOODSON: Sir, if you would just testify, we would appreciate it.

MR. MITCHELL: First off, I would like to give a background of the situation as it exists in Mercer County in relation to the taxing district of Hamilton Township which is one of the benefactors of the gross receipts and franchise taxes.

In Mercer County, the total revenue from these two sources, franchise and gross receipts tax, in 1965 amounted to \$5,861,000. Of this total, the Township of Hamilton received \$3,128,000 or, roughly, 53 per cent of the total revenue from this source in the County of Mercer. It has been estimated by the people from Hamilton Township that their additional contribution to the County of Mercer would approximate \$430,000. My calculations indicate a lesser amount than this but we won't quibble about that.

Assuming that the \$430,000 additional tax is paid to the County of Mercer, Hamilton Township would still receive 46 per cent of the benefit of franchise and gross receipts taxes in Mercer County.

I might add that the Hamilton Township burden of the present tax burden of the County of Mercer approximates 25 per cent. Now inasmuch as the opponents from Hamilton Township have not spoken, I have here articles that have appeared in the local Trenton papers and I will comment on them. First off, a statement has been made by a Hamilton Township official and other gentlemen from Linden have expressed the same possibilities in Linden, and I might add that my comments here probably would apply to most of the other municipalities in the State. Hamilton claims that their tax rate will go up 30 points if this legislation is passed. This again is a Hamilton Township figure.

In this light, I have here the published 1966 budget of Hamilton Township. It's very interesting when you are aware of finances and study this particular budget.

The local taxes levied for Hamilton Township for 1966 total \$684,000. Looking further on through the budget of Hamilton Township, you will note under the Capital Section of the Budget they have appropriated for capital purposes \$775,000. You could say at this point that the local levy of taxes in Hamilton Township is raised for the purposes of financing their capital improvements. This is a luxury that many municipalities cannot afford. Even if Hamilton would have to reduce these capital appropriations by this \$400,000, they still in 1966 would have been able to appropriate \$375,000 for capital improvements,- still a luxury that other municipalities cannot afford.

This \$400,000 additional county tax that they would have to pay is roughly 14 per cent of the total revenue received from this source. There would be no increase in taxes in Hamilton Township. Well, perhaps I shouldn't say that. It is possible that there would not have to be. They would merely reduce the pay-as-you-go program they have established for capital improvements.

The City of Trenton certainly cannot afford this luxury. The City of Trenton has not appropriated for capital purposes from its operating budget one red cent in the last three years that I have been associated with the City of Trenton, and we are larger than Hamilton Township.

So much for the increase in tax rate.

Another remark that was made this morning by a gentleman from Linden, and there is another newspaper article regarding Hamilton Township. "Such a distribution (meaning distributing a little more of this franchise and gross receipts tax) would not greatly benefit the other municipalities because the money would be spread too thinly, but it's effect on Hamilton could be severe." I pointed out that it would not be severe.

"This lack of benefit that the City of Trenton would receive approximates 9 tax points," probably closer to 10. This is not a light benefit. The City of Trenton would very gladly like to receive the benefit of 9 fewer tax points. The benefit is not light.

I would like to express this franchise and gross receipt taxes as a ratable of the Township as provided in Assembly Bill 194. It says that you will divide the

receipts from these sources by the general tax rate of that municipality to arrive at an assumed assessed value. By doing this to arrive at this assumed assessed value, it approximates \$57,000,000 in assessments on this Public Service generating plant. Relating this to all the other valuations in Hamilton Township, it approximates 34 per cent; it would constitute 34 per cent of all the valuations in Hamilton Township, one of the largest in the state and one of the most thriving. This is quite an assessment.

I would like to make a comment also on statements made by the gentleman from Linden and articles in the Trenton papers. It is the problem of fly ash and air pollution. The particular Public Service plant in Hamilton Township is located on the fringes of the township. It is on the Delaware River which separates Pennsylvania and New Jersey. They would receive this fly ash and air pollution if they had a strictly southerly wind. Any wind from the east blowing west blows right into the center of the City of Trenton. The City of Trenton will get just as much fly ash and air pollution as does Hamilton Township or more if the wind is blowing in that direction.

I am not here to say which way the wind is going to blow but it is very pertinent. If it blows in other directions, it blows across the river and into Pennsylvania. If it blows in another direction, it blows on Bordentown which is not in Hamilton Township. So I don't see where this applies. I think it is ridiculous to say that any

air pollution starts at any city limit. They are not the only ones who suffer from air pollution.

There is another pertinent article on air pollution in the editorial of the Trenton Evening Times.

One of Hamilton's pleas in opposition to the bill is that it puts up with air pollution from the plant and, therefore, should reap the benefit. This is an interesting argument. We dare say Bucks County gets a share of the pollution when the wind is from the east but it is irrelevant. The township would still receive the full gross receipts tax from the plant but it would henceforth have to count the plant among its official assets, just as any community containing chemical plants, fertilizer factories and other air polluters must do.

There has also been mention that the franchise and gross receipts tax has been levied in lieu of a property tax. This is true. Really what is the fundamental basis for distributing county taxes? It's based on the ability of a municipality within the county to pay. This ability is measured through equalized valuations of property. Now to say that this tremendous asset of a utilities plant is not one of the abilities of a municipality to pay county taxes is ridiculous. It certainly is in my estimation.

Another formula devised by the State of New Jersey in distributing school aid, which is a form of benefit to municipalities, takes into consideration these shared taxes - these shared taxes being franchise and gross

receipts and others. It considers these and in apportioning the school taxes to the various municipalities, state school aid. Now why is it considered fair in a formula that disburses school aid to municipalities? and why is it not fair to consider such valuations in determining the county tax that these people must pay? I would say if it's fair to consider it in school aid, it's fair to consider it in proportion to what these people must pay in county taxes.

This concludes my remarks.

MR. WOODSON: Thank you very much, Mr. Mitchell.

Are there any questions? [No questions].

MR. ALBANESE: Thank you very much for your very concise report.

MR. WOODSON: Mr. Lindabury, of the Linden Industrial Association.

J O S E P H L I N D A B U R Y: May I thank you first for the opportunity of appearing before you gentlemen. I think it's very nice of you to grant the Industrial Association of the City of Linden this courtesy.

I am the Secretary and counsel of the Linden Industrial Association, which association represents all of the industries of the City of Linden. As prior speakers have told you, we pay 70 per cent of all of the taxes paid into the treasury of the City of Linden. We very much oppose the passage of this bill, primarily not because there are not some equities in it but primarily because it is untimely. We feel that not only the citizens of Linden but also the citizens of the State of New Jersey

are confronted with a somewhat chaotic tax situation at this time.

Referring particularly to the tax affairs of the City of Linden, all of them have had to have an increase in their taxes. In the last year, due to the revision and the revaluation program conducted under the provisions of chapter 51 of the laws of 1960. It is true perhaps that the tax rate did not go up, but as a result of this revision the average taxpayer in the City of Linden on his home paid at least \$100 more a year. This same citizen or workingman or industry, whoever he may be, is now confronted with the payment of sales taxes. No objection is being made at this hearing to that particular subject. However, it's been passed and is likely to be the law.

The passage and adoption of this present bill in addition thereto would mean to each taxpayer of the City of Linden an additional payment of 30 points in the tax rate. Now you shake your head, Mr. Albanese - that's not true. This will cause an increase of 40 points in the tax rate and each \$12,500 is equivalent to 1 point. Now you are trying to say that there may be a reduction to some extent in the county rate. I agree to that. But there will be, no matter how you figure it and no matter how you sharpen your pencil, there will be a considerable increase in tax payments to the residents of the City of Linden and you can't escape it.

Now our reason also - and I again say there are many equities to be argued in this bill. If I were

a member of the House I could perhaps stand and argue it on either side of the floor. However, the thing I want to bring out to you is the statement by Mr. Bennett from Trenton which interested me very much, and I copied it. Mr. Bennett from Trenton stated that the utility company revenues are derived from all municipalities in the county. Let me conclude by saying to the members of the House and also to Mr. Bennett that this is true, but these surrounding municipalities in the county do not accept the many detriments that arise from power stations and plants within their confines. They escape them by proper zoning and they have no right, in my opinion, to participate in the benefits.

Thank you very much. [Applause]

MR. WOODSON: Mr. Albanese, have you a question?

MR. ALBANESE: Mr. Lindabury, you are aware, of course, that the gross receipts taxes have been excluded from the formula to determine aid for education?

MR. LINDABURY: Yes.

MR. ALBANESE: You are aware of that?

MR. LINDABURY: Yes.

MR. ALBANESE: In your talk here you seem so concerned with the people of the City of Linden and that the cost of government will go up by an increased tax rate, yet I don't hear you, nor have I heard anybody from Linden City, raise one voice in concern for the failure of school aid coming into Linden City as a result of the fact that this money is not considered a

ratable, and is not considered part of the taxing of a school district of which Linden City is a part.

MR. LINDABURY: I agree there are many equities.

MR. ALBANESE: Don't you think that that is important too? You are talking about 30 points going up in Linden City. How many points is going to go up in Linden City as a result of this money not being imputed and used for that purpose, for school aid.

MR. LINDABURY: Again I say, Mr. Albanese, your bill is most untimely but has equities. Do I make myself clear?

MR. ALBANESE: Do you object to the change-over of Title 51?

MR. LINDABURY: Do I what?

MR. ALBANESE: Do you object to the change-over in the formula in Title 51?

MR. LINDABURY: No.

MR. ALBANESE: You don't object to that?

MR. LINDABURY: No.

MR. ALBANESE: You don't consider that untimely?

MR. LINDABURY: No.

MR. ALBANESE: You only consider this bill untimely when you try to revise the tax structure?

MR. LINDABURY: That's right. My opinion is the same as the Chamber of Commerce. I am not alone in my opinion, Mr. Albanese.

MR. ALBANESE: I just want it established for

the record that you have no qualms about changing Title 51 which will apparently benefit industry - industry's tax rate as an industry - while you object to a change-over in a tax program which will benefit the whole town. That's what I'm trying to get into the record.

MR. LINDABURY: I have been trying to get into the record that these surrounding municipalities will not accept the detriments; therefore, they are not entitled to the benefits by all equity.

MR. ALBANESE: You don't think Linden City should get more school aid - 40, 000 people and I don't know how many children there are.

MR. LINDABURY: Of course, I do. I think that the City of Linden should get all that it is entitled to. It should get all the benefits it can. It has industry all through the city but I don't think that other municipalities that are completely zoned for residential should share in these benefits to the detriment of the City of Linden.

MR. ALBANESE: Have you determined the imputed ratable value as a result of the discussion you have had here today?

MR. LINDABURY: Have I what?

MR. ALBANESE: What is the imputed ratable value for Linden City?

MR. LINDABURY: I don't know.

MR. ALBANESE: Well, then, how do you know what the tax rate increase is going to be?

MR. LINDABURY: Because we figured it out. We have the figures. We figured it out under the formula.

MR. ALBANESE: Would you give us the imputed tax, the imputed ratable value, so that we can put that in the record?

MR. LINDABURY: Yes, I'll be glad to work it out for you.

MR. ALBANESE: Oh, you haven't worked it out yet?

MR. LINDABURY: I have it in the back.

MR. ALBANESE: In other words, your 30 point assumption is merely an assumption and not a factual figure?

MR. LINDABURY: No, it's a factual figure.

MR. ALBANESE: Well, how did you get that if you haven't figured -

MR. LINDABURY: I have the figures back there. I'll be glad to present them.

MR. ALBANESE: I think you should put them into the record. If you make a claim for the record that there is going to be a 30 point increase which, of course, I dispute, and I have made very visible evidence of dispute of it, I think you should back it up with some figures. Now you haven't done that.

MR. LINDABURY: Well, Mr. Albanese, everyone who has preceded me you haven't challenged and they have said it would be at least \$400,000. Now the Treasurer

of the City of Linden is here and he will tell you that \$12,500 in tax ratables is equivalent to 1 point, so if you divide that it comes out between 30 and 40 points.

MR. ALBANESE: I have the figures for Ridgefield Township in Bergen County where they received \$2,018,508.48 in 1965 as their gross receipts tax. The figures show that this would equal or would increase their assumed assessed valuation twenty-million dollars and some odd change and still only increase their total contribution to county government by \$75,000. Now, I didn't evaluate these figures; I am only giving figures which were given to me by those actuaries who did the job. But if this is true here, I find it hard to believe that less than two million dollars in Linden City is going to equate the amount of money you say it is.

MR. LINDABURY: Well, I think the City Treasurer can prove those figures. Somebody else says you're wrong, too. [Applause]

MR. ALBANESE: Quite a few people say I'm wrong.

MR. WOODSON: We are going to give everyone an opportunity to speak here today and I would hope that you would hold your comments until that time. Any rebuttal that you may have, at the time you are called upon you will have an opportunity to give that rebuttal.

MR. LINDABURY: Mr. Chairman, I think that we can very readily get up these figures to substantiate my statement. Can't we, Mr. Krueger?

MR. KRUEGER: Very readily.

MR. LINDABURY: If you will permit them to be

introduced in the record. Will you take care of that, Mr. Krueger?

MR. KRUEGER: We will send it in for the record.

MR. ALBANESE: Thank you, Mr. Lindabury.

MR. WOODSON, Thank you very much, sir.

I would like to now call on a number of people who have different points of view with regard to A-194 and the first person would be Margaret Jeffers, Supervisor of Assessments and Tax Collections, from the City of Jersey City, who will discuss formula fallacies regarding value.

M A R G A R E T J E F F E R S: In Jersey City we seriously question the inequities involved in the formula as outlined in Assembly Bill 194.

Dividing the amount of money received by each taxing district from gross receipts and franchise taxes during the preceding tax year by the general tax rate of the district for that tax year to obtain an assumed assessed valuation raises the following questions:

Reference to the general property tax rate in the Tenth Report of the Commission on State Tax Policy was made in the year 1963, a time when all municipalities had one general rate for real and personal property.

Since the advent of Chapter 51, 464 taxing districts of the 568 in the State had three tax rates published on the county abstract; a general tax rate , an adjuted personalty tax rate, and an

adjusted general tax rate applicable only to real estate. The general tax rate in the 464 districts mentioned has little or no meaning, since this rate would not apply to any class of property but merely is an arithmetical means of determining whether or not the municipalities require a dual rate for personal property under the formula set down in Chapter 51. The statement has been made in A 194 that the purpose is to include in the county equalization table the value of the personal property of the various corporations paying gross receipts and franchise taxes. If this method is a proper way to capitalize this form of revenue at all, this should give credence to the use of the adjusted personalty tax rate.

The use of any tax rate as a means of obtaining an assumed valuation is inequitable. The lower the tax rate the higher the assumed valuation. Due to the anticipated revenue from this source, many municipalities have a lower tax rate than their surrounding neighbors. It would create a grave injustice to utilize this means of capitalization, since the tax rates in these municipalities would be much higher if this source of revenue were in their tax base.

Assembly Bill A 194 requires that the assumed assessed valuation be divided by the fraction produced by dividing the aggregate assessed value by the aggregate

true value of real property in the taxing district; in other words, the ratio used for equalization, exclusive, of course, of Class II railroad property, to obtain a true value for inclusion in the net valuation on which county taxes are apportioned.

When this recommendation was made in the Tenth Report, personal property was included in the county abstract for county tax purposes at its assessed valuation and not at any equalized valuation.

Since the implementation of Chapter 51, personal property is included for county tax purposes at 65% of net book value on machinery and equipment while the formula in A-194 calls for the inclusion of gross receipts restored to 100% on the basis of a factor applied solely to real estate. Upon this basis gross receipts and franchise taxes would be equalized at a higher standard than personal property values.

At this time we would like to review the basis for the payment of gross receipts and franchise taxes. Valuations are arrived at by unit prices as set down in Chapters 4 and 5. These unit prices are not flexible but are standardized. The application of these unit prices does not of itself indicate the amount of money to be paid by the corporations but rather to ascertain the percentage of the total each municipality shares as its portion of gross receipts received on a state-wide basis. This, of course, is subject to fluctuation. It

is quite possible that a municipality will receive less money than in a previous year, as happened in Jersey City about two years ago, when its percentage of gross receipts dropped as a result of the addition of a major installation in another municipality. What possible reason could there be for equalizing revenue obtained from such a formula by the use of a ratio obtained solely through the use of a market data approach?

Jersey City strenuously objects to including gross receipts and franchise taxes in the base for county taxes for the inequities explained, and also for the fact that the method of personal property taxation in the State of New Jersey is in doubt at this time. The Report of the Governor's Committee suggests that the assessment of personal property be completely changed and levied and collected on a state level with adequate in-lieu payments returned to the various municipalities. At the conclusion of their report they state that if revenues which are not derived from local property tax are removed from the local tax structures and are replaced in the manner discussed in their report, consideration must be given to the effect of this change on present methods of computing county tax apportionments. But they made no recommendation. The passage of A-194 at this time, together with implementation of the Governor's Report, would leave the determination of valuations for county tax purposes in a chaotic condition. We respectfully request that Assembly Bill 194 be disapproved by this Committee.

I thank you.

MR. WOODSON: Any questions? [No questions].

Thank you very much, Mrs. Jeffers.

The Honorable Robert J. McCurrie, Counsel, Town of Kearny.

R O B E R T J. M c C U R R I E: Reverend Woodson, members of the Assembly Committee: My remarks will be devoted solely to the legal aspects of the bill.

The legislation that is proposed directs each county board of taxation to include in its County Equalization Table the value of the personal property of public utilities which are subject to taxation according to their gross receipts. So the question to be resolved is whether or not the county boards can be compelled legally to do this. It is my contention that they cannot.

I must go back a little bit to build this argument. We are concerned here with Chapters 4 and 5 of the Laws of 1940 as amended and supplemented. They provide for a complete scheme and a method of taxing the specific public utilities named for the privilege of exercising their franchises and of using the public streets and public places, and of apportioning the taxes received from gross receipts to the municipalities entitled thereto. The 1940 acts superseded Chapters 7 and 8 of the Laws of 1938 only because those laws or the distribution provisions of them were declared unconstitutional, because there was no standard of valuation for the apportionment of the taxes. That was declared unconstitutional by the Court of Errors and Appeals.

Now the 1940 laws supplied that standard but basically the law of today is the law that was passed in 1938. Prior to 1938 a gross receipts tax was levied by the State and is apportioned among the municipalities according to the values certified by the local tax assessors in each local taxing district. This method created great difficulties which intensified over the years and finally culminated in the passage of the laws of 1938, chapters 7 and 8. The preamble to those laws showed that dissatisfaction. I will just quote the first part of it. It said,

"Whereas, There is great dissatisfaction among the several taxing districts of this State with respect to the apportionment of the franchise taxes assessed against the several utility corporations because of the great difference in the basis upon which the tax revenues are apportioned to the several taxing districts..."

Now, the legislative design was very clear. It was to exempt - and I emphasize the word "exempt" - the property of the public utilities other than real property from taxation and substitute this gross receipts tax in place thereof. The intent was clearly expressed and is still expressed in the present law, section 49, wherein the legislature said that one purpose of the act was "to exempt from taxation, other than imposed by this act, the franchises, stock and certain property of such corporations."

Now, it is to be noted also that the legislature designated the tax as an "excise" tax and not a personal property tax. This facet of the law was also construed by the Court of Errors and Appeals, and in 1941 the Court said:

"The impositions laid upon the utilities by the statutes under review are not 'property' taxes*** but rather excises or license fees levied on gross receipts for the exercise of corporate franchises and the privilege of using public streets and highways."

To the same effect was another decision of the Court of Errors and Appeals later on in 1942, where Justice Heher said in effect that it was a license rather than a property tax, and it was imposed by the State as a condition precedent to the exercise of special privileges in the street.

Now, the court's interpretation of the gross receipts tax act is amply justified by the statutory words used throughout the legislative history of this legislation. The present law was certainly not just derived from 1938. It goes back to 1900. In 1900 when it was passed, it was a 5 per cent gross receipts tax on public utility corporations except street railroad corporations and they called it a franchise tax, which of course is an excise tax. Then later on, in 1906, another law was passed providing for a gross receipts tax on street railroad corporations - 5 per cent on their gross receipts and they called it a franchise tax, which is an excise tax. Later on in 1919 another act was passed and the legislature said that this was a gross receipts tax "in addition to the franchise taxes" imposed by chapter 195, laws of 1900. Now these taxes were apportioned also among the municipalities entitled thereto in the same manner as above stated and they were based upon the values certified to by the local assessors. And in addition to the foregoing - that is, the gross receipts taxes - the local

assessors also levied a tax assessment on the property. That's what brought about the present existing law. So actually they exempt all personal property of these utilities so they cannot be assessed locally.

Now, the preamble to what is the present law which was originally adopted in 1938 said: "The franchise taxes assessed against such corporations are, in fact, excise taxes.."

Section 18 of the present law provides that the taxpayer shall "pay for the use of the roads," an excise tax. Section 54 says the same. And then it's universally accepted that an excise tax is such a tax. It's not a direct tax on property. It's a tax for the privilege of running a business or an occupation; in other words, it's a form of tax not directly against a person or property.

The equalization table referred to in this bill, A-194, reflects the value of taxable property in the county. It cannot include exempt property such as the franchises, stock and certain property of these utilities which have been exempted by the legislature. In this respect, Section 13 is significant; that is, 54:3-13 of the Statutes, which has to do with the powers of the county board of taxation. It provides "Each county board of taxation shall secure the taxation of all property in the county at its true value, in order that all property, except such as shall be exempt by law, shall bear its full, equal and just share of taxes."

Additionally, it is obvious that the taxes collected

by the Director of Taxation are determined by the business receipts of these utility companies, not by their personal property values. The unit values in the schedule have nothing to do with the gross receipts but are merely for the purpose of equitably apportioning the taxes among the municipalities entitled thereto.

Now, it would seem, therefore, from all of the foregoing that Assembly Bill 194 cannot legally compel the county boards of taxation to include the value of the personal property of said utility companies in the county equalization table when, in fact, a personal property tax assessment has not and cannot be levied against the companies by a local taxing district.

Those are my views. Thank you.

MR. WOODSON: Are there any questions?

MR. ALBANESE: I want to say first of all that you did a very admirable job. I enjoyed listening to you. But I am a little confused by the statement you made and this statement, which, of course, comes from the Public Utility Commission, which says: "With the exception of the tax exempt personal property of electric, gas, heating, lighting and street railway companies, the real and personal property of utilities subject to the franchise taxes taxed at local rates and the taxing districts where it is located and is assessed for taxation by local assessors." This seems to directly contradict the last statement you made suggesting that the local assessors have nothing to do with the manner

in which this tax is levied.

MR. McCURRIE: They only tax real estate. There is a schedule of property in the bill that, of course, is not subject to taxation by the local taxing district.

MR. ALBANESE: Are you suggesting then that only that portion of it is not properly applied in the bill, that portion which the local tax assessor may not assess?

MR. McCURRIE: The local property tax assessor does not assess a tax on any of the personal property of these utilities. That is exempt from taxation in this law. Now I don't know what it is you read there. It doesn't seem to apply, because they do not assess locally against any of the personal property of the public utilities. Real property, yes, but not personal property. That was exempted by this particular bill in 1938 and that's why this legislation -

MR. ALBANESE: Here's what it says here: "The statute provides the following distribution mechanics." I don't understand it, so you'll forgive me if I just read it and you can probably explain it to me better than I understand it. "The statute provides that each utility company subject to the act is required annually to file a sworn inventory of its property, according to the classification set forth in the statute, and its physical location by municipalities. The state department then multiplies the inventory quantity figures by the applicable statutory valuation unit. The results thus obtained for each municipality represent the value for distribution

purposes of the utility company's property in that municipality."

MR. McCURRIE: That's for distribution purposes. That's the unit value that I referred to.

MR. ALBANESE: In other words, when you talked about unit value that is what you were talking about?

MR. McCURRIE: That's right. You see, a unit value is set up in the statute merely for the apportionment of the gross receipts collected. It has nothing whatever to do with taxation. It could be any figure. So long as it is uniformly applied, gross receipts taxes will be uniformly divided among those municipalities that are entitled to it.

MR. ALBANESE: You've answered my question.

MR. WOODSON: Am I correct in the statement that it is your opinion that in order for the provisions of this bill to be absolutely legal, there would have to be a restructuring of the law in total law?

MR. McCURRIE: That's my opinion. I don't believe that you can put into an equalization table personal property values which cannot be assessed locally by the local assessor, and that's what they are doing with a theoretical formula, which I don't understand - maybe somebody does.

MR. WOODSON: Thank you very much, Mr. McCurrie.

[Applause]

We will hear from the Honorable James Ayres from Burlington City.

J A M E S A Y R E S: I am James Ayres, City Treasurer, Burlington.

Honorable Chairman, members of this committee, ladies and gentlemen: Just a brief comment for the people of the City of Trenton: In Burlington we know which way the wind blows. It blows from the west; we have prevailing westerly winds and the Public Service plant, of course, is in the west end of town so it manages to cover us pretty well. I am sure that in the City of Trenton you will find the breeze also is prevailing westerly.

I am here today to urge the defeat of the proposed bill known as A-194, as I am sure you already know.

I am sure that all of us here today realize the approximate amounts in which many municipalities will be affected and the benefit which will accrue to the county governments. I'm not so sure, from hearing one or two comments, that we are aware of the benefits to the county governments, because many of us seem to think that it is going to benefit municipalities outside of our drastically affected districts. I cannot say that any municipality will benefit more than a modest amount because it has been the history of government, and mostly this is individuals, that a revenue bonanza will find a way to be spent by the recipient all for good and worthwhile purposes. However, the distress that will be occasioned if this bill becomes law is out of all proportion to any benefits.

I'm speaking now for the people of the City of

Burlington, the home owners, and this is opposed to so many who have spoken in the past that are speaking for an artificial being, a municipality. This does affect municipalities; in fact, it may kill them but primarily what we are going to do is affect the individual first before the municipalities are killed.

Let me give you a brief outline of the financial position of the City of Burlington. We are a municipality of 3.06 square miles, founded nearly 300 years ago, and with a present population of about 13,000. Our industrial area consists of a Public service plant, an ordnance plant which is idle except during such emergencies as the Korean and Viet Nam conflicts, and the U.S. Pipe and Foundry plant. Most of our homes are over 75 years old and most of these are well over 100 years old, and very few are maintained in such a way that they would be considered historically attractive. Nearly half of our town is concentrated in an area of less than 20 per cent of the town. The governing body for the past several years has been engaged in purchasing homes in this particular area strictly from local financing in order to provide recreation areas and a little sunlight and to relieve some of the other problems that go with congested areas.

I have inferred from a reading of this bill and its attached statement that the method of determining the assumed valuation was an attempt to take from each municipality in accordance with its ability to pay. We must look past the mere name of a town and its tax rate to truly measure its ability to pay. A community is made up of

human beings, and most of us can hardly afford a severe capital loss as individuals, especially in Burlington.

The per capita income for Burlington City is at the bottom of the scale for Burlington County. In 1960, 26 per cent of the families in Burlington had less than \$4,000 annual income. Of the total number of welfare cases in Burlington County, our city had 25 per cent with a population of less than one-sixth of the county. Twenty-five per cent of our buildings are deteriorating or dilapidated. Forty per cent of our population is in less than 20 per cent of the area, and a predicted change in population distribution indicates an increased burden upon welfare, education and recreational facilities according to a recent study by Stonorov and Haws. Clearly we need help. Our population isn't going to increase - merely the population that needs help. In other words, people who will be a tax burden on the municipality.

So what would the implementation of this bill do to the average family in Burlington? Let's take a home which now sells for \$10,000, which is near what our average home is. The 1965 tax rate was \$1.55. Of course, we are going up because we're building new schools in the hope we can raise the per capita income of our citizens. Our best hope is that they be patient, of course.

Our percentage of collections in 1965 was 90 per cent. We have a complete tax sale each year so the lack of enforcement cannot be blamed as the cause for delinquencies. The problem is that many of our people are barely subsisting.

We are hopeful that better education will provide the means to remedy this condition.

So much for background. Now we add nearly \$100 to the tax bill on this \$10,000 home. Our percentage of collections will certainly decrease further for many reasons, two of which are, these people with minimum income may not be able to raise that extra \$100 a year and, second, the sophisticated people who own several of these \$10,000 homes also will sell before they are affected, and we will have people in the area who are not sophisticated enough to know what this bill will do. This also leads to further problems in the provision for uncollected taxes, but the worst injustice of all is that each and every homeowner in Burlington will suffer an excessive capital loss in the biggest investment most of us will ever make.

Capitalizing a \$100 annual loss over a period of 20 years would mean a loss in value from \$10,000 to \$8,000. Since most of our homes qualify for mortgage terms for a period of only 12 to 15 years or less, this capital loss estimate is probably on the conservative side.

I ask you to walk in this man's shoes - walk in the low-income man's shoes and you may find this to be a crushing blow. I cannot believe that many of us would change the rules of any game to take \$2,000 from those who can least afford it.

Our people have already paid a premium price for their homes because of the favorable tax rate in Burlington.

In sports, we have referees and umpires to see that the rules of the game are enforced at the end of the game as they were in the beginning. Our homeowners have paid for the tax benefit in their purchase price. And I must add, we are also paying with our lives if air pollution has the effect on our health that our experts tell us.

Thank you. [Applause]

MR. WOODSON: Thank you very much. Any questions?

We have the Honorable Joseph Dugan, Finance Chairman of Burlington.

J O S E P H D U G A N: Mr. Chairman, Assemblymen, ladies and gentlemen: According to many of the surrounding communities in our area, a generating station is not always the most sought-after ratable. However, we have one in Burlington and we are very happy to have it. The citizens in our area have learned to live with it. There are unpleasant things but we understand these things. We also would like to attract light industry and shopping centers. Unfortunately, for our city, other municipalities have more spacious sites and cleaner air to offer.

In justice, if this bill should pass, our next step should be to determine how much each area benefits in its tax rate by having larger than a fair share of really desirable ratables and then add a proportionate amount to its assessment for apportionment of county taxes. Why should one town have attractive shopping centers, clean industry and tax benefits while others have the aggravation and air pollution as well as much higher costs for law

enforcement, fire protection and health services?

Gentlemen, I would like to give you just a word picture of the City of Burlington. We in the City of Burlington have only two industries of any account; one is the Public Service and the other is U.S. Pipe and Foundry. If this ratable is taken away from us, it will severely damage our city. Most of the people in our city cannot afford a higher tax rate. We do not have a high income bracket. In 1960 we had a neighborhood analysis made showing that approximately 26 per cent of our people made approximately \$4,000. This is not much money today to live on. If this were to go through, it would be automatically - we are at 100 per cent assessment - almost \$80 increase on a \$10,000 home right now. I don't think, and I feel that I know the people well enough, that they can stand this increase especially in our area.

In 1965 the citizens of Burlington City thought hard and put in a referendum for a new school. This will be an added burden with approximately 30¢ also on our tax rate. The citizens knew it when they voted it and they wanted it. However, none of us realized that we would have this. We have been trying for the past 5 years to get a renewal program moving without any federal help and so far it has been doing well. We hope it will continue.

Gentlemen, we in Burlington City and the City Council urge you to defeat A-194. Thank you.

[Applause]

MR. WOODSON: Thank you very much, Any questions?

MR. HENDERSON: Yes, sir. I would like to ask a question. Do you have the tax delinquent payment problem in Burlington now?

MR. DUGAN: Oh, approximately we had 9 or 10 per cent.

MR. HENDERSON: You are having difficulty collecting your taxes?

MR. DUGAN: Yes, sir, at times.

MR. HENDERSON: Thank you.

MR. WOODSON: Any further questions?

Thank you very much.

We will now call on the Honorable John Bell, Mayor of Ridgefield, and following Mayor Bell we will have the Honorable Mayor William Dorgan, Mayor of the Borough of Palisades Park.

J O H N B E L L: Thank you, Reverend.

First of all, to the Committee I wish to express my appreciation for your kind invitation to be heard today as a witness in the matter of proposed Assembly Bill 194.

As the Mayor of Ridgefield, New Jersey, and as a member of its governing body since 1950, I am representing our suburban community of approximately 12,000 people together with its various industries and business firms which constitute an important aspect of the economy of East Bergen County.

I might say as I begin that the Honorable Vito Albanese is from Bergen County; he is one of our Assemblymen and I might say that one of the first aspects of his inquiry into this bill concerned Ridgefield, my community, because of

our close relationship. I will say further that when it first was proposed, I felt it was a bit strange that the Assemblyman from my own county, knowing the relationship of gross receipts tax to Ridgefield, did not discuss this matter with me in general. I would have appreciated it a good deal.

I would like to say also that prior to this meeting when I asked to be heard, which permission you so kindly granted me, I did ask if your committee had obtained or made a survey of all the 21 counties and the municipalities for the purpose of determining what effect it would have in dollars and cents, and I understood that this was not available and that some of the counties were preparing such figures. I understand there are certain figures available today which, of course, would mean that we would have to check our figures, and it would have been most appropriate, I believe, if we had been able to refer to our figures. For instance, I heard a figure quoted here before concerning Ridgefield which raised a question. I believe it was \$75,000. This figure, I would like to state here, is in error. I believe this figure was obtained from calculations made in the county of Bergen, and I know from checking with them that there has been a slight error in the figure. It should have totaled \$284,000,000; instead, the figure of \$28,000,000 was used in the figures you are quoted. So, therefore, this figure of \$75,000 of increase is completely in error.

I would like to go on with my statement.

I will be perfectly frank and precise at the

beginning of this statement when with all sincerity I say to you that this bill, if passed, would create a chaotic financial condition in my community of Ridgefield in the County of Bergen. I do not know how deep you gentlemen have delved into this bill at the present time. I know your efforts are limited due to the great demands made upon you by the various important problems you must solve in this current session of the legislature. However, it is imperative that you realize the significant ramifications involved in this bill and the effect it would have on the various municipalities of this State.

My community, gentlemen, would in proportion probably be affected and harmed to a greater degree than any other municipality within the State. In 1965 we paid taxes to the County of Bergen in the amount of \$343,111. Under this bill our estimated county taxes, based on the proposed formula, would increase to approximately - I don't have the exact figures, but I will estimate it will increase approximately to \$1,000,000. In other words, within one year we would be faced with an increase of approximately \$650,000 in taxes or 200 per cent over the previous year. I submit to your opinion the dire effect this would have on our community with a population of 12,000 people.

In recent years we have established and developed one of the finest education systems within the State for the children of our taxpayers and residents. A high school has been built, together with two elementary schools and

additions to our older school buildings. We have constructed a modern free public library, developed our street and road program and solved drainage problems. An expansion of our parks and recreation programs is being processed and various phases of municipal services leading to a better community. Based on good planning we have floated bond issues and obligations based on the revenues accruing to our municipality under the present laws of the State of New Jersey. All would be placed in jeopardy by the enactment of Assembly Bill 194 as proposed.

I question the constitutionality of this bill, for in effect what it actually would do would be to decrease the gross receipts taxes being received in accordance with the present state law. It violates a fundamental law that municipalities should rightfully receive taxes due from the properties located within their confines.

My community of Ridgelyfield receives no personal property taxes from the generating station of the Public Service located within its limits. The value of this plant's equipment and machinery is over \$100,000,000. The gross receipts taxes received compensate us for the loss of those personal property taxes. It is an in-lieu tax. In addition, and I think this is most important, an area of 194 acres of desirable meadowlands valued at a minimum of \$25,000 to \$50,000 an acre is owned by the Public Service Electric and Gas Company purely to insure the proper operation of this facility. The facility thus prevents a large valuable tract in our metropolitan area

from being developed for industrial purposes. Ratables are lost by Ridgefield, together with real estate taxes, in the millions of dollars which would otherwise accrue to our municipality. The proposed bill does not appear to take this important factor into consideration.

Now, I have here, gentlemen, a large area of valuable land. The generating station occupies a very small area of this vast tract adjoining the New Jersey Turnpike right close to the metropolitan area. Property values are selling between \$25,000 and \$50,000 an acre out of this area. This vast tract of land, if it was not owned by the Public Service, would be developed for industrial purposes. If it were developed for industrial purposes, we would have buildings on it with values of millions of dollars and if you take, for instance, into consideration one acre of land and put a building on it, a building costing four or five hundred thousand dollars - and we have 195,000 acres involved in this area, actually we are losing revenue which is compensated for by the gross receipts tax .

The bill proposes that property valuations for public utility corporations be determined by a formula based on taxes received from gross receipts as provided in Chapters 4 and 5 of the laws of 1940. Such valuations would not be equitable as this basis is inconsistent and not in accord with present laws which determine the method of assessed valuations for tax purposes.

We are putting a valuation on properties which is totally different from any other formula that you have at the present time. There's a question of whether it's constitutional as my friend Mr. McCurrie has brought out.

Bill A-194 as proposed would result in exorbitant and detrimental increases in county taxes for those municipalities primarily affected. The possible benefit derived by other municipalities would be entirely out of proportion to the harm done to those concerned. And I think you understand what I mean by that - that those of us who are affected are going to be hurt very much. Those who are going to be benefited are going to be benefited in such a small degree that in a good number of cases it would not even be obvious.

Our ability to float bond issues, as well as the other municipalities, for necessary municipal services would be vitally affected by this tremendous increase in county taxes. Values of present outstanding obligations in bonds would decrease, thus harming the interests of present holders who purchased these investments based on the financial stability of the community. Our credit rating would be lowered, very definitely.

Our program of attracting outstanding firms employing thousands of employees could possibly come to a halt with an increase in county taxes like this. Values would be affected by the large increase of county taxes and firms would desire to locate in other areas - possibly in our case - because we are close to New York - possibly

out of the State of New Jersey. I am sure we all want more industry in the State of New Jersey and not less.

While I have been speaking on behalf of my own community, I know that a great deal of what I have said also pertains to other communities within the State. We know that what affects us also has an effect on the State at large.

In closing allow me to state this bill adheres to the concept of aiding some municipalities to the detriment to others. A law based on such a concept can only be a detriment to the State as it would only act as a precedent for similar actions in other avenues.

I am sure that this hearing, together with a full and complete survey of the vast ramifications involved, will indicate to you that this bill is not in the best interests of the State at large.

Thank you. If you desire to ask questions, I will be pleased to answer them to the best of my ability. [Applause]

MR. ALBANESE: Mayor Bell, you made a good point. Let me, for the record, remind you that the figures as computed were not made by me. I am sure you realize that. I didn't go to the trouble of computing the figures. And if there is an error, and I assume there is, based on looking at it with comparison with some of the municipalities involved - we probably have an error-

MAYOR BELL: Well, I would say there was an error -

MR. ALBANESE: There is probably an error of something like \$255,000,000. But you are aware, Mayor Bell, that in Bergen County, for instance, the county ratables would be increased by something like \$703,000,000. That would be the total increase in county ratables of Bergen County. Now, if that is true it would mean a reduction in the county tax rate of about two points. At least these are the figures that have been handed to me. Now if the county tax rate is reduced by two points, your \$650,000 figure must also be reduced for the obvious reason that that two-point decrease in the county tax rate will affect the two-point decrease in all the ratables that Ridgefield will have to pay. You understand that. Just so we try to rationalize our figures here and don't go off on a wild -

MAYOR BELL: I understand it but I don't agree.

MR. ALBANESE: - that we don't go off on a wild tangent here, suggesting that Ridgefield is going to go broke. And I don't think it will go broke. What is the tax rate in Ridgefield, Mayor Bell?

MAYOR BELL: The tax rate at the present time is .75.

MR. ALBANESE: And what is the bonded indebtedness of Ridgefield?

MAYOR BELL: The bonded indebtedness is primarily with our schools -

MR. ALBANESE: Outside of your schools?

MAYOR BELL: Well, in Ridgefield our primary thing has been in our school bond issues.

MR. ALBANESE: You have no bonded indebtedness -

MAYOR BELL: We do have a bonded indebtedness of a small amount but the bulk of it is in our school facilities which you know we have built up.

MR. ALBANESE: Now if this plant that you are talking about in Ridgefield were merely another factory - Ridgefield has quite a few industrial plants -

MAYOR BELL: That's right.

MR. ALBANESE: Ridgefield would be including this particular plant as part of the county ratables for computation, would it not?

MAYOR BELL: Yes.

MR. ALBANESE: Why then would you object to this figure being -

MAYOR BELL: I would object on the basis that the formula on which it is being obtained is faulty.

MR. ALBANESE: That's what I'm trying to find out. In other words, your objection is not to paying tax on this utility or on the value of it but rather on the formula. Is that what you are saying for the record?

MAYOR BELL: Will you say that again?

MR. ALBANESE: Are you objecting merely to the formula and not to the idea of paying additional county taxes based upon its value?

MAYOR BELL: I would pay a fair additional amount

of county taxes.

MR. ALBANESE: You are willing to pay a fair additional amount of county taxes. In other words, then your mere objection here today is that the formula does not suit you and you feel there should be a different formula in arriving at the figures for apportioning the county taxes. Is that what you are saying?

MAYOR BELL: I would say this - of course, this gets a little involved on the thing. All communities, I think, throughout the entire length and breadth of this State want to pay their fair share of the county taxes, Ridgely and all the rest. On the other hand, they are also entitled, each and every one, including Ridgely, to the revenues that they should receive, and what I am saying here: for instance, you mentioned originally that the tax ratables would go up by seven hundred and some million in the County of Bergen.

MR. ALBANESE: The amount of ratables.

MAYOR BELL: That's right. Now you realize, of this amount, with the proper calculation that our assessed valuation will go up of that amount \$285,000,000 of the \$700,000,000 which, together added with our present valuations of roughly ninety-four million, would bring our ratables up from ninety-four million to three hundred and seventy-eight million. I feel with the factors involved that we are paying a fair share because our county taxes are high for the types of communities, sizeable

communities such as ourselves, and we are paying more because we have our industrial ratables which we contribute to, which a lot of communities of our size do not have and we have this industrial area contributing together with our own, so that the \$343,000 that we paid last year - which no doubt will increase this year again - will definitely be more than others of the higher type. In addition, I might say that I understand what you say that increased moneys to the county could affect the tax rate but I'm sure you will agree with me that in this present day and age with programs having to be developed, you are not going to see any reduction in county taxes in any one of the 21 counties of this State.

MR. ALBANESE: You're wrong; we saw a reduction this year in the county tax. But don't you agree that Ridgefield is worth \$288,000,000 more as a result of having this particular utility there?

MAYOR BELL: No.

MR. ALBANESE: You don't agree that it's worth \$288,000,000 more?

MAYOR BELL: Absolutely not.

MR. ALBANESE: Every argument here today has indicated that the municipalities that have these utilities within their borders consider that this is a very high-class ratable that they want to keep and they consider that the fact it is there increases property values because it reduces the taxes. In Ridgefield, as you and I know, property values are very high, so if

Ridgefield, as a result of having a ratable there - having high property valuations as a result of having that ratable there and a low tax rate - certainly should be considered to have a high valuation all the way around. Now why would you say that Ridgefield is not worth much more as a result of having this ratable there?

MAYOR BELL: No, I do not agree because the fact we should pay a fair share and just to say -

MR. ALBANESE: That's what we are asking you to do. On the values -

MAYOR BELL: I disagree - What you are asking -

MR. ALBANESE: On account of this ratable being there. That is what I am trying to point out. The value of Ridgefield has increased as a result of this ratable being there.

MAYOR BELL: What you are asking is not the fair share. You are asking for a share based on a faulty formula.

MR. ALBANESE: You are merely arguing about the formula, not paying the fair share to the county.

MAYOR BELL: We say we are paying a fair share for proportionate services that we are receiving from the county. We contribute a good deal to the county at the present time and we are penalized, as I say, by this very plan here with this valuable tract of acreage - if you would multiply 194 acres by an average of twenty-five to fifty thousand dollars an acre and develop those in ratables, we could obtain those ratables and pay additional

county taxes and therefore take into consideration this increase, and so forth, and we would be more penalized under your way than we would under a proper formula where the plant wasn't there and we just had industry. We wouldn't be paying the same amount to the county if we had the ability to develop that for industrial purposes and if the Public Service wasn't there.

MR. ALBANESE: Are you aware that the League of Municipalities approves the formula?

MAYOR BELL: I believe the bill A-194 is not a fair bill and it is not a bill that should be passed by the legislature.

MR. ALBANESE: That didn't answer my question. I asked, do you know that the League of Municipalities has over the year approved a formula to reapportion gross receipts taxes as against the present formula which was adopted in 1940 or 1938, whenever it was?

MAYOR BELL: The League, I don't think, has approved any of that.

MR. WOODSON: I have one question. You indicate that the League of Municipalities has approved it. Have they approved the specific formula as set forth in A-194?

MR. ALBANESE: No. For the record, they really have taken no position on it, for the record here. But in previous years they have taken a stand on reapportionment.

MR. WOODSON: Well, that answers my question.

MAYOR BELL: I might say I was at the Convention, and the League, because the majority did not approve of this formula, took no action and that was the consensus of

the committee.

MR. WOODSON: Thank you very much, sir.

[Applause]

Next, we will call the Honorable William J. Dorgan, Mayor of the Borough of Palisades Park.

Ladies and gentlemen, the time is growing late and we will have to recess at one o'clock. There may be some who will not be called. However, those persons whom I have on the list at the present time - Hon. Herbert B. Bierman, Hon. Harry Amsterdam, Hon. John D'Allessandro, Mayor Healey, Hon. Maurice Brady and Mayor Dwier of Hamilton Township - will be speaking in that order.

Other persons who are present, I am very sorry - we did not intend to have you come down and not have you testify today. Other persons who wish to be heard at a later date, if you will before you leave, kindly check your name on the list that you have already signed and I will be very happy to notify you of the next session of this public hearing.

JAMES A. TUMULTY, JR.: On behalf of Mayor Thomas J. Whelan of Jersey City who was to appear but who was unavoidably detained, we shall be happy to yield our time and reserve it for another day. He is in opposition to the bill as drawn, but we will be happy to yield any time we have to those who are here, so long as we will be heard at another date.

MR. WOODSON: Thank you.

ARCHIE ROTH: Mr. Chairman, will these proceedings be available to those who are not going to be heard?

MR. WOODSON: We are going to attempt to get copies for everyone.

W I L L I A M J. D O R G A N: Mr. Chairman, I will attempt to be very brief for that reason. I think that 99 per cent of the testimony this morning has been by people who are opposed to A-194, basically the largest cities in the State, and when we talk about the State we are talking about roughly 570 municipalities total, and we have been listening this morning to 99 per cent of the discussion by about 8 of those municipalities. About four points were raised all morning long. I don't think we will miss Mayor Whelan's testimony because, when it comes, it will be exactly like the testimony of Linden, Kearny and the other cities - Jersey City, etc. And we will hear four points and these are the four points that I have listened to this morning:

This situation has existed for 26 years so, therefore, it should be left alone; the inequity has existed so let's leave it exist.

No. 2 - These 560 other municipalities are the "have-nots" who are trying to take something from the "haves."

The third point is that the municipalities are putting up with certain discomforts from having the plants within their boundaries.

The fourth one is that financial havoc will be raised within the municipality.

Last summer I became interested in this subject, not in the past week. I am the Mayor of a small municipality in Bergen County of approximately 13,000 people and we are the neighbor of the Borough of Ridgefield, whose man testified just ahead of me. I would like to say there have been many figures given out this morning, and you become confused when you listen to figures after a while and you don't know what you are listening to. But I would, for example, just show you what my town, of the 560 municipalities in the State, has to face compared with one of these 8 municipalities who testified, Ridgefield. They were right. They said their tax rate was around 77¢. My tax rate is \$2.70. They have 12,000 people; we have 12,500 people. Over the past 5 years they have been given \$11,000,000 from this tax. Last year \$2,000,000 again. This is when we were so shocked in Bergen County and that's why I'm glad to back Assemblyman Albanese's bill this morning, A-194. We were shocked into the reality that one in our midst, not that they had a little more revenue than we did, but they had \$2,000,000 which would be given to them by this tax in lieu of a tax. I understand the principle; I agree with the basic principle of a tax in lieu of a tax, because it is a difficult tax to administer and certainly a municipality that has a generating station within its confines should receive the bulk of the income, but certainly not all of the income. And this bill that Mr. Albanese is proposing only takes a percentage, a relative percentage, a small percentage of that income and let's these people pay their fair share toward the support of our county.

I would remind the Committee that last summer we did get

together. Nine other towns in Bergen County - East Bergen - the following towns: Teaneck, Ridgefield Park, Little Ferry, Palisades Park, Leonia, Cliffside Park, Edgewater, Fairview and Fort Lee - we meet in a group; we discussed this problem; we saw the inequity of the tax; we decided we would like to do something about it. Our resolution was phrased in the Borough of Palisades Park - going much further, by the way, than Assemblyman Albanese's bill. We did delve into all of the utility taxes, in lieu of taxes, and said that they should be distributed on a per capita basis back to the municipalities, and there must be some strength behind that because one of the leading papers, probably the leading paper in our county, the Bergen Record, backed our resolution which was submitted almost unqualifiedly, and I would like to read just briefly, if I may, from that excerpt. This is from the Record of September 26, the largest local newspaper in Bergen County:

"Sooner or later we will all be involved in this quarrel among the towns over lucky Ridgefield's two million dollar tax windfall from the Public Service Electric and Gas Generating Plant.

"Ridgefield has been the sole tax beneficiary of the firm's operation. Mayor William J. Dorgun of Palisades Park thinks this should be changed, perceiving an injustice in Ridgefield's getting all the tax benefits from a stroke of fortune it did nothing to deserve. At first he suggested the East Bergen municipalities share in the receipts. He has since broadened this proposal. To the State Senate and Assembly, it has been proposed in a Council resolution that such receipts collected by individual communities be shared by all municipalities throughout the State.

"Ridgefield's reaction has been a sharp no. Mayor Dorgun is on the right track. There is a good and sensible case to be made for regional taxation. Why, for example, should Paramus give up a hundred acres

of farm land for a county college? Why should it bear the brunt of the exemptions of the Bergen Pines Hospital and the County Nursing Home? The general welfare isn't just Paramus' problem. Doesn't Ridgefield have a responsibility in this? Don't we all?

"The attitude of most municipal officials is to be parochial competitive, and the councilmen of Palisades Park who are abstaining from this resolution illustrate the point. Because the Borough has a small population, they don't know whether Palisades Park would benefit from the proposal.

"The point is that individual communities should not necessarily benefit but rather that all the people in a region should benefit."

This is the point summed up far better than I am able to sum it up. I am not an editor, but the point is very clear that thirty some towns have also responded in favor of my resolution which was originally drawn in our town, and many of those towns have adopted that resolution. Other towns I have heard from favorably or who have adopted the resolution are as follows: River Edge, Midland Park, East Brunswick, Waretown, Eatontown, South Bound Brook, Avalon, Bayonne, Hasbrouck Heights, Union City, Clark Township, Waldwick, Willingboro, Ramsey, Union Township. Now some of these have been in greater proportion than others and some of them, as I said, have adopted a similar resolution.

I just want to sum up this morning and say that there is no jealousy in any of these motives. Originally we were shocked into the reality by hearing of the tremendous amount that was given to one municipality. The rest of us, the 560 towns that have four parts to our tax rate - we have the veterans part, we have the county part, we have the school part, and we have our municipal part. In Ridgefield there are only three parts; there are only three sections to the

tax bill; that is, to raise some money for the school, to raise some money for the county, and to raise some money for veterans exemption. The rest of the tax is a free ride. There is no municipal tax rate in the Borough of Ridgefield. Everyone does not pay the gross receipts tax which - these electric bills are paid for by the people from all of these towns that I have mentioned, and this is the basis of this revenue. This is where it comes from. The result of this tax is what is paying the fourth part of that tax bill and that is why they are .77 points and we are 2.70 points per hundred dollars.

Thank you.

MR. WOODSON: We will hear from the Honorable Herbert B. Bierman of Sayreville.

H E R B E R T B . B I E R M A N : Chairman Woodson and members of the Committee: I appear this morning before your Committee representing the Borough of Sayreville. Present with me are Councilman Walter Kross, Borough Treasurer Joseph J. Weber, and Borough Attorney John R. Everitt. These gentlemen have authorized me to make the following statement in support of the position of the Borough of Sayreville against the adoption of Assembly Bill No. 194. The entire governing body of the Borough concurs in this position and urges your committee to recommend the defeat of this bill rather than permit the financial havoc and unjust result that would occur if this bill were to become the law of the State of New Jersey.

First, let me say that the Borough of Sayreville heartily and enthusiastically concurs with the remarks of the previous

speakers this morning against the adoption of Assembly Bill No. 194. The previous speakers have commented upon the legal and financial problems inherent in the bill. The legal argument against the inherently unjust features of the bill were cogently made by Mr. McCurrie. The financial "block-busters" which would drop on many municipalities throughout the State were effectively described by Miss Jeffers and Mr. Ayers, and Mayor Bell.

At this point, I want to emphasize that the Borough of Sayreville concurs and repeats and endorses the legal and financial arguments against this bill. However, in the interest of saving the Committee's time, I will address myself to another area of concern, not only to the Borough of Sayreville but of every municipality containing a large generating station or other such facility within its borders.

I am glad to follow Mayor Durgon because I will attempt to show the effect of the presence of a large generating station within a community. I believe I can best put this argument in its proper frame of reference if I take a few moments to describe the Borough of Sayreville and its various problems arising from the presence of a large generating station.

Sayreville is a community of approximately 25,000 people, located on the southerly bank of the Raritan River. It contains approximately 18 square miles of area and was largely rural in character up to the early 1950's. Since that time, there has been considerable residential and industrial growth in Sayreville. Our residential development

is generally of a character known as tract homes, most of the homes being built on 75' x 100' or 100' x 100' lots. The industrial growth is typical of large heavy manufacturing facilities operated by some of the industrial giants of America.

The generating station which causes our presence here today is located on a tract of approximately 40 acres in the northwesterly corner of the Borough and abuts the south bank of the Raritan River. The station is typical of an electric generating station operated by the larger public utilities in the State. The utility operating the station provides service primarily to the south and east of Sayreville and, in particular, services the rapidly growing areas of southern Middlesex County and Monmouth County. To provide service to these areas, the utility over the years has obtained innumerable easements running in width from 100 to 200 feet. These easements crisscross the Borough of Sayreville and end in a spider web of confusion at or near the electric generating station. On each of these easements the utility has constructed power lines carrying 6, 8, 10 or more high-tension wires transmitting electric service away from the generating station. Parenthetically, I might add that this complex of overhead aerial wires has become so vast that the public utility recently has found it necessary to patrol and maintain the wires by means of a helicopter rather than depending upon ground transportation.

At this point, you might ask yourself why the Borough of Sayreville has taken your time to describe the physical development of a utility company when we are arguing against

a bill to reapportion the distribution of a gross receipts tax. We have taken the time and trouble, gentlemen, so that you are thoroughly familiar with the effect of this utility upon a community such as the Borough of Sayreville and so that you can place in its proper context the argument that the proponents of this bill - and incidentally mentioned by Mr. Albanese earlier this morning - constantly repeat to the effect that a municipality containing a large installation has no more right or suffers no more burden than all the other municipalities in the county. We contend, gentlemen, that this is simply not so and that your knowledge of the physical factors can lead you to only one conclusion - the defeat of Assembly Bill 194.

Briefly, gentlemen, I would like to describe to you the effect of the generating station on land immediately adjacent to the plant. On the theory that one picture speaks more than a thousand words, and in an effort to save many thousands of words, I would like at this time to place before the Committee several pictures of the generating station located within the Borough of Sayreville. These pictures, I believe, speak eloquently of the depressing effect the presence of this land has on property immediately adjacent to the plant. Great amounts of smoke, soot and noise emanate from the plant in spite of the best efforts of the utility company to control these problems. The pictures indicate the limited potential this land adjacent to the plant has for any kind of development. You will also note in the pictures the many aerial easements emanating from the plant. These easements have the effect of cutting into little pie-shaped pieces the adjacent land and preventing the development

of this land in the normal and usual manner.

After reviewing these photographs, I am sure the Committee will agree that development possibilities are extremely limited, and then only for certain specific types of industrial construction, many of which are not desirable in an area as heavily populated as Central New Jersey has become.

I would now like to comment briefly upon the effect of the many high-tension wires which are found throughout the Borough. Of course, it will be argued that such lines are found in every community. However, I have attempted to point out that there is an extremely high concentration of the overhead transmission lines because of the presence of the plant. This results in a great depreciation in value of any otherwise highly desirable tracts. I submit to the Committee various photographs indicating the effect of these transmission lines on tracts throughout the Borough of Sayreville.

It is beyond argument that the development potential, primarily for residential use, is adversely affected when a home must be constructed with a high-tension transmission line crisscrossing the particular lot or tract on which it is built. This same effect occurs in industrial land when the placement of buildings becomes critical because of the presence of overhead lines.

I might note, gentlemen, that I have not mentioned the aesthetic problems which arise in all of this. I do not believe it is necessary for me to dwell on this particular problem. Aesthetically the community, its people and its

development suffers in a fashion, which, while difficult to demonstrate, is clearly evident to every civic-minded, right-thinking citizen.

Another whole area of concern to the Borough of Sayreville and municipalities containing a generating station which is not faced by those municipalities not having a large installation concerns the effect of utilities and services required. First, I think it is self-evident that the presence of a large installation of this kind requires increased fire and police protection. The fire protection required is obvious and the police protection should be equally obvious when you consider the additional manpower requirements to protect supplies and material of such a station and the manpower operating the station while at work and while going and coming to their place of employment.

While the increased police and fire protection required are obvious results, the presence of a generating station operates in many subtle ways. I would like to mention just one: Several years ago, the Borough of Sayreville embarked on a major development of water treatment facilities. The consulting engineers designed a plant suitable for the needs of the Borough. However, it became apparent that one of the principal users would be the public utility. In discussions with the engineers for the utility, it was learned that their requirements would mean special treatment equipment would be required in the Borough treatment plant. Engineering studies determined that a considerable amount of money would be

added to the cost of the construction of the water treatment plant to meet the specific needs of the generating station. We submit, gentlemen, that most municipalities do not and are not required to make provision for a contingency of this nature in the design of a water treatment plant. This example is cited only to emphasize the myriad effects the presence of the generating station might have upon its home community.

This entire story, gentlemen, is submitted to you to emphasize the position of over 100 municipalities in the State of New Jersey that they are not getting something for nothing. Rather, they are returning value for the value they receive in the area of gross receipts taxation. There are many and complex problems faced by these municipalities which could be related here this morning. However, we do not desire to belabor the Committee with the many problems in this area of taxation. We will rest on the argument presented here along with the other municipalities and public officials who have spoken before me. We will conclude, gentlemen, by again reminding the Committee of the considerable additional burden placed upon a municipality containing an electric generating station, such as the Borough of Sayreville.

We emphasize that this burden is not shared by municipalities without the presence of a generating station. We respectfully remind the Committee that gross receipts taxation was originally designed to reimburse the municipality for its losses in property taxation, because the problem is unique. We ask you to ask yourselves why the unique treatment.

We submit that the losses referred to in the enabling act do not refer only to direct reduction in taxation but rather to the general effect on all property within the municipality and the depressed values which result.

The Borough of Sayreville respectfully submits to this Committee that to change the present method of distribution of gross receipts taxation would pervert the original purpose of this act. It would result in harsh inequities and tremendously increase the burden of municipalities already burdened with coping with the problems resulting from the presence of a large generating station.

The Mayor and governing body, speaking for the people of Sayreville and for the many municipalities affected by the proposed legislation, urge that Assembly Bill 194 be rejected at this time.

Thank you. [Applause]

MR. WOODSON: I wish to introduce into the record a statement by George J. Baumann, Esq., Vice President and Counsel of the Jersey City Chamber of Commerce.

[The statement follows:]

I appear today on behalf of the Jersey City Chamber of Commerce, an organization consisting of business, industrial and professional members numbering 800. Our members give employment to over 30,000 people in Jersey City and contribute about 50 % towards Jersey City taxes.

We vigorously oppose Assembly Bill 194. The statement

attached to the bill, among other things, states that it would implement the 1963 recommendation of the Commission on State Tax Policy in its Tenth Report. The formula as recommended in 1963 and incorporated in Assembly Bill 194 is out of date. The personal property law of our State has been changed by Chapter 51 and the various amendments thereto. We respectfully submit that the proposed legislation will create confusion.

The technical difficulties in the proposed formula have already been explained or will be explained to you by Jersey City's Chief Assessor, Miss Margaret Jeffers. Technicalities aside, may we point out that Jersey City has long been the largest supporter of the county government. At times, as high as 50 per cent of Hudson County's costs were paid by Jersey City. The figure is now about 40 per cent. Most of the county's buildings are located in Jersey City - the courts, administration buildings, county jail, the Pollak Chest and Lung Hospital, the Margaret Hague Maternity Hospital, the county police headquarters - all occupying large areas of valuable Jersey City property on a tax exempt basis.

It is our contention that public utility firms, through their long-range planning, buy up, set aside, and thus preempt considerable areas of land upon which additional ratables could be constructed. Such procedure precludes the construction of new ratables by regular taxpaying and thus deprives the city of this revenue potential.

Our city contains one-half of the county's population

and its largest industries. Our people are the largest consumers and customers of the Public Utility and the base of the tax; that is, the utility revenue is derived to a great degree by customers located in Jersey City. The generating station and distribution equipment are located in Jersey City and it is our position that all revenues derived from the operation of the utility plant in our city should be retained by our city.

The principle of distributing tax revenue to the situs of the customer as is attempted in this bill is difficult to justify. Jersey City has many industries whose customers are distributed throughout the nation. These industries are taxed in Jersey City and the revenues are distributed in Jersey City. It would appear that the same principle would apply to all businesses in Jersey City and not to only a part.

For many years our organization has advocated that all the municipalities of Hudson County be consolidated into one city. We understand that there is before or has been adopted by this legislature a measure which would provide for a study commission dealing with the subject of consolidation of municipalities and elimination of county governments.

Through a long chain of circumstances which appear to be culminating in 1966, Jersey City finds itself in the unfortunate position of having to reduce its assessment for second-class railroad property. The net result of this appears now to be an additional \$7.00 on the city's tax rate. Any State action along the lines suggested in Assembly Bill 194 will tend to increase the impact of this blow and work an unusual hardship

on the citizens and businesses of Jersey City.

In view of the imminent adoption of a sales tax in New Jersey and the promised reforms in the personal property tax law, this is certainly no time to enact Assembly Bill 194. We respectfully urge you to recommend disapproval of this bill.

MR. WOODSON: We will hear from Mayor Dwier at this time. We are going a little out of order because there are certain persons who have come here today who probably have taken off from work, and Mayor Dwier is speaking in behalf of those persons. We are going to call on him at this time, from Hamilton Township.

Ladies and gentlemen, I'm fearful that we will have to even cut back on a number of names that I already read. It appears that we are nearly ready for the assembling of our General Assembly meeting here and, therefore, those persons who are not called, I ask again, if you will, to come forward and sign your names to the sheet, indicating that you wish to be called at a later date, at which time we will continue this hearing. Would you kindly put down your mailing address so that we may contact you.

Mayor Dwier.

MAYOR RAYMOND DWIER: Mayor Raymond Dwier, Hamilton Township. Reverend Woodson and members of the County and Municipal Government Committee:

On behalf of the governing body and the people of Hamilton Township, Mercer County, I wish to make known to you our opposition to Assembly Bill 194. Hamilton, as you

are aware, is located outside of the City of Trenton and is a municipality containing some 75,000 people.

Hamilton joins wholeheartedly in the statements made here today by representatives of Linden, Jersey City, Kearny, Burlington City, Ridgefield, Sayreville and, yet to be heard from, I believe, Orange. We point particularly to the arguments concerning the physical effect upon a municipality of the presence of a generating station. The loss in value of surrounding areas is in most cases an intangible, but certainly a municipality is entitled to be compensated for such damage. The possible benefit to some municipalities as a result of this bill will be far outweighed by the serious harm done financially to those municipalities listed on the second page of the bill and to those of similar circumstances. In Hamilton's case, the loss of approximately \$400,000 will hardly be felt by most of the municipalities in the county. The burden to the individual taxpayer of Hamilton, however, will be substantial.

The statements made by the speakers mentioned above will not be repeated, but let there be no question among the members of this Committee that the Township of Hamilton agrees with and supports those statements without hesitation.

Hamilton also sympathizes greatly with certain other municipalities in the State such as Burlington City, Ridgefield and others where the effect of this change would be very likely to place these municipalities on the brink of bankruptcy.

The people of Hamilton Township are strongly opposed

to this measure and I wish to present to this Committee a petition signed by approximately 5,000 residents of the Township expressing that opposition. In addition, I wish to point out to the Committee, the numerous residents who are here and who have been here present today to let you know their opposition to this measure.

Will the Hamilton Township residents please stand?

[A large number of the spectators in the gallery arose.]

MAYOR DWIER: Thank you very much.

Gentlemen, again I urge you to do whatever you can to prevent this measure from becoming law. If I may suggest a review and updating of the Report of the Tax Policy Study Commission may be a better change. If there are to be any changes made in the present tax structure, then let's adopt this revised report as a whole.

Piecemeal efforts to change the taxation framework are highly unsatisfactory and often have a disastrous effect and side effects.

To the City of Trenton, if they feel that they will get a substantial reduction in taxes from this bill, I think they are dreaming. Representative Albanese already stated that the purpose of this bill was to increase moneys available to the county. If this is passed, Hamilton will be hurt greatly and Trenton will be helped very little.

I would also like to point out that I did not know that we were here today to discuss the whys and wherefores of capital improvements in Trenton versus Hamilton Township.

A representative of the City admits being in the city three years. If he were to take the time to investigate the make-up of Hamilton Township, he would find that today we are approximately one-third developed. We are a growing community, where many capital improvements are a must. They are necessities. We have just adopted a three and a half million dollar bond issue for sewer improvements; we have just adopted a five million dollar bond issue for schools, and I would hesitate to classify these as luxuries.

Thank you very much. [Applause]

MR. WOODSON: I wish to have placed in the record a statement from John Howley, Chairman of Taxes in the City of South Amboy.

I want to note for the record also that Mayor Healey from Kearny is here in opposition to A-194 but will not be speaking at this time.

All other persons who are present who desire to be heard and have not been heard, if you will, as I indicated before, sign your name and your mailing address, we will contact you at a later time.

Thank you very much for your patience and thank you very much for the information you have brought to the Committee.

[HEARING ADJOURNED]

[Over]

Statement by John Howley, Chairman of Taxes in the City of South Amboy.

The City of South Amboy wishes to go on record with your respective Committee; namely: the General Assembly Committee on County and Municipal Government, as being opposed to any change in the laws governing the disbursements and/or distribution of gross receipt taxes and franchise taxes derived from privately-owned utilities with respect to municipalities that currently have such installations located within their taxing districts.

A great deal of consideration and study should be made of the municipalities that would be affected before any changes are made. The City of South Amboy for one, and I am sure there are many more in the same category, has its economic stability centered about this source of revenue, and any major change could possibly spell financial chaos, and in some instances even mean the complete dissolution of some taxing districts.

The income of the real property taxpayers in our community, which is about 75 per cent factory and production plant workers with an average income of \$5,000, and the balance of real property owners are retired people, hence a loss of any great amount of revenue would prove a great hardship to all concerned.

The City of South Amboy is bounded on three sides by the Borough of Sayreville, and the eastern section by the Raritan Bay, thus we have no room for expansion or attracting any revenue-producing ratables.

Recently the State Board of Education, after a survey of our public school system, made a recommendation that if we are to comply with, would cost the taxpayers approximately 1.5 million dollars; thus a loss of revenue would certainly set back our education standards to a point from which we would probably never be able to recover.

Under the proposals of A-194, the ratio of imbalance for the municipalities in regards to payment of county taxes would be so great that it would fall into a category of being discriminatory, and it is questionable whether or not such a law would be upheld by the courts of this State.

In conclusion, we are appealing to your honorable body to take a good hard look at the inequities that would be created, and to look possibly for another approach to this problems.

Respectfully submitted,
/s/ John J. Howley, Chairman of Taxes
City of South Amboy, New Jersey

Submitted by Harry Amsterdam
Attorney for the Township of East Hanover

STATEMENT IN OPPOSITION TO ASSEMBLY
A-194 SUBMITTED ON BEHALF OF THE
TOWNSHIP OF EAST HANOVER.

To: General Assembly Committee on County and Municipal Government.

The adoption into law of Assembly A-194 would place an unjustifiable and unwarranted financial burden on municipalities in this state which have located in their communities personal property of public utilities companies.

The Township of East Hanover, Morris County, New Jersey, most strenuously opposes the Bill for the following reasons:

1. Reading the statement on the Bill would indicate that it corrects inequities between municipalities within a county and, therefore, appears to be a good Bill. However, no consideration is given to the fact that municipalities are required under R.S. 18:10-29, 33 (the "fair share" provision) to contribute toward the foundation program for school purposes (a) a sum equal to five mills per dollar upon the equalized value of the Taxing District; (b) plus 25% of shared taxes (gross receipts and franchise taxes being shared taxes). This contribution immediately reduces by one-quarter the revenues derived from gross receipts and franchise taxes. The 25% contribution inures to the benefit of all municipalities. In the case of the Township of East Hanover, \$112,000.00 was contributed on account of shared taxes. Before any attempts are made to further deprive a municipality of any other part of the gross receipts and franchise taxes, either the provision for contribution to "Fair share" as relates to shared taxes should be repealed, or other replacement revenues should be made available to municipalities that make the contributions.

2. The municipalities that are recipients of shared taxes were short changed when the "Fair share" provision incorporated into the law the

25% contribution. The reason given at that time for providing the contribution was to make up for any inequities that might exist. Under the Bill being considered, a further bite is being taken under the guise of correcting inequalities.

3. Passage of this Bill would subject municipalities to the hardship of having to maintain within their communities unsightly installations of poles, wires, generating plants and other utility installations which affect the valuation of adjoining property without being adequately compensated for the potential nuisance that they create.

4. Legislation of this type will have a detrimental effect on the financial stability of municipalities which have built and geared their capital programs to the revenues anticipated to be received from utility companies.

5. The benefits to be derived from this Bill to some municipalities would be infinitesimal when compared to the damage that it would do to other municipalities.

6. The manner of determining values for the purpose of apportioning county taxes as set forth in the Bill is unrealistic, when applied to utility ratables. Under the present status of the law, the Director of Division of Taxation determines the values of utility personal property in accordance with unit prices and standards fixed by the legislature. No further equalization is necessary or required. The values determined by the Director do not fluctuate as a result of sales ratio studies or other factors affecting valuation. It is, therefore, my opinion that there is no need to equalize utility values as is required with real property to effect equality. To illustrate the inequity that the formula in the Bill produces, let us analyze the figures for East Hanover:

Valuation determined by Director	\$ 7,862,220.52
Assumed value set by pending Bill	\$10,441,000.00
Value set by formula in Bill of which county taxes are to be apportioned	\$28,085,110.00

Should this Bill become law, East Hanover would pay approximately \$100,000.00 in additional county taxes, and this amount is in addition to the contribution for "Fair share". We should not correct one alleged inequality and thereby create a greater one.

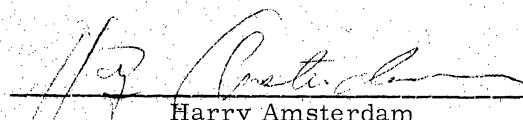
7. The estimated population of the Township of East Hanover is 6,200. In 1965 the Township paid \$254,469.05 to Morris County as its share of supporting the county government. Dividing the population into the amount paid results in a per capita tax of \$41.00, whereas the average per capita tax paid by the rest of Morris County is \$24.00. It is apparent that the residents of the Township of East Hanover are more than paying their share of the cost of county government. Passage of this Bill would further aggravate the tax burden to the citizens of East Hanover.

8. The integrity of the State's fiscal laws as they affect municipalities is an important element when it comes to financing municipal improvements. Bond holders who have, in good faith over the past twenty-five years, purchased municipal bonds, placing reliance on the gross receipts revenues as a source of security to insure the payment of principal and interest on the bonds, will have their faith shaken in New Jersey municipalities. Should this Bill become law, it will have a serious effect on the future marketing of all municipal bonds. Bond buyers will look with great caution at expected municipal revenues, always fearing that the legislature might change the method of reapportioning the source of anticipated revenues of a municipality every time there is a cry of inequity. Bond holders will no longer rely on the implied contractual relationship between the State and

municipalities, that the expected revenues as existed at the time bonds were issued will continue as a source of security for payment of principal and interest of municipal obligations.

9. Gross receipts and franchise taxes are imposed in lieu of all other taxes required to be paid by utility companies. The tax is an excise tax and not an ad valorem tax, it is imposed as a license fee for the right of the utility to maintain installations in the municipality and has so been held by the courts in various decisions. If we were to follow the rational of the Bill, every license fee should be evaluated under the same formula as in the Bill, and county taxes paid thereon. For example, liquor license fees, etc. The absurdity of such a contention speaks for itself.

For the reasons presented, on behalf of the Township of East Hanover, I respectfully urge your Committee to disapprove the Bill under consideration.


Harry Amsterdam
Attorney for the Township of
East Hanover

Re: ASSEMBLY BILL 194

My statement will deal with the impact of the "Local Fair Share Provision of the School Foundation Program" as it relates to the Bill under consideration.

The adoption into law of Assembly A-194 would place an unjustifiable and unwarranted financial burden on municipalities in this state which have located in their communities personal property of public utilities companies.

Before we jump to the conclusion that inequities exist, we must take into consideration all other existing statutes that have a bearing on any proposed new legislation. We cannot honestly and fairly judge the merits of the Bill under consideration in a vacuum.

One of the statutes that has a substantial bearing on the distribution of gross receipts and franchise taxes, is the School Foundation Program, which, among other things, provides for state aid to municipalities of \$200.00 per pupil in average daily attendance. The present formula of state aid for education has not been revised in the past decade, during which period pupil enrollment has risen by over fifty per cent. Average school operating and building costs have risen from \$350.00 to \$580.00 per pupil. During the same period, municipal contributions to the School Foundation Program have substantially increased and no new source of revenue has been made available to municipalities, to compensate for said increased contributions.

Reading the statement on the Bill would indicate that it corrects inequities between municipalities within a county, and, therefore, appears to be a good Bill. However, no consideration is given to the fact that municipalities are required under R. S. 18:10-29.33, the Local Fair Share Provision of the School Foundation Program, to contribute toward the foundation program for school purposes

(a) a sum equal to five mills per dollar upon the equalized value of the Taxing District;

(b) plus 25% of shared taxes
(gross receipts and franchise taxes being shared taxes.)

This contribution immediately reduces by one-quarter the revenues derived from gross receipts and franchise taxes. Before any attempts are made to further deprive a municipality of any other part of the gross receipts and franchise taxes, either the provision for contribution to "Fair Share" as relates to shared taxes should be repealed, or other replacement revenues should be made available to municipalities that make the contributions.

The municipalities that are recipients of shared taxes were short changed when the "Fair Share" provision incorporated into the law the 25% contribution. The reason given at that time for providing the contribution was to make up for any inequities that might exist. Under the Bill being considered, a further bite is being taken under the guise of correcting inequalities.

Municipalities that are recipients of gross receipts and franchise taxes, are under present law, adequately and equitably sharing this source of revenue, by being required to contribute to the School Foundation Program to a greater extent than those municipalities which have little or no utility personal properties in their communities. Any new legislation requiring those municipalities that receive gross receipts and franchise taxes to pay additional taxes for support of other governmental functions would be inequitable.

For the reasons I have presented, and adopting the reasons presented by the others in opposition to the proposed legislation, I urge this Committee to disapprove the Bill under consideration.

Since preparing my statement for this hearing on A-194, I read in the public press, that on Monday, the Assembly passed A-701, increasing from \$200 to \$400 the "foundation" state aid, subject to equalization downward to \$75 instead of \$50 on the basis of a community's ratable wealth for local taxation. Notwithstanding the proposed increase in the "foundation" program,

participation in the

community. The first step is to identify the needs of the community and then to develop a plan to address those needs. This process should involve the participation of all members of the community, including the most vulnerable and marginalized groups. Once a plan has been developed, it is important to implement it and to monitor its progress. This will ensure that the community is able to meet its needs and that the plan is effective.

The second step is to build the capacity of the community. This involves providing training and support to the community members so that they are able to take ownership of the plan and to implement it effectively. This can be done through a variety of methods, including workshops, seminars, and on-the-job training.

The third step is to create a supportive environment for the community. This involves providing the community with the resources and support that they need to be able to implement the plan. This can be done through a variety of methods, including providing financial support, technical assistance, and access to information.

The fourth step is to evaluate the progress of the plan. This involves monitoring the progress of the plan and assessing its impact on the community. This can be done through a variety of methods, including surveys, interviews, and focus groups.

The fifth step is to share the results of the plan. This involves sharing the results of the plan with the community and with other stakeholders. This can be done through a variety of methods, including reports, presentations, and media coverage.

The sixth step is to sustain the plan. This involves ensuring that the plan is able to continue to be implemented over the long term. This can be done through a variety of methods, including creating a sustainable funding source, building a strong leadership team, and creating a supportive environment for the plan.

The seventh step is to celebrate the success of the plan. This involves recognizing the achievements of the community and the individuals who have contributed to the success of the plan. This can be done through a variety of methods, including awards, ceremonies, and public recognition.

The eighth step is to learn from the experience. This involves reflecting on the experience and identifying the lessons learned. This can be done through a variety of methods, including debriefing sessions, reflection papers, and focus groups.

The ninth step is to disseminate the findings. This involves sharing the findings of the experience with other stakeholders. This can be done through a variety of methods, including reports, presentations, and media coverage.

The tenth step is to evaluate the overall impact of the plan. This involves assessing the overall impact of the plan on the community and on the individuals who have contributed to the success of the plan. This can be done through a variety of methods, including surveys, interviews, and focus groups.

The eleventh step is to create a legacy. This involves ensuring that the plan is able to continue to be implemented over the long term and that the community is able to sustain the plan. This can be done through a variety of methods, including creating a sustainable funding source, building a strong leadership team, and creating a supportive environment for the plan.

The twelfth step is to share the legacy. This involves sharing the legacy of the plan with the community and with other stakeholders. This can be done through a variety of methods, including reports, presentations, and media coverage.

The thirteenth step is to learn from the legacy. This involves reflecting on the legacy and identifying the lessons learned. This can be done through a variety of methods, including debriefing sessions, reflection papers, and focus groups.

The fourteenth step is to disseminate the findings of the legacy. This involves sharing the findings of the legacy with other stakeholders. This can be done through a variety of methods, including reports, presentations, and media coverage.

The fifteenth step is to evaluate the overall impact of the legacy. This involves assessing the overall impact of the legacy on the community and on the individuals who have contributed to the success of the legacy. This can be done through a variety of methods, including surveys, interviews, and focus groups.

