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COMMITTEE MEETING

before

SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

SENATE BILL Nos. 3742, 2831, 2840, 2986, 3743, 2828, 2839,  
3744, 2837, 2856, 3745, 2838, 2858, 3746, 2841, 2857

(Legislation Dealing With Tax Sunsetting and Repeal)

and ASSEMBLY BILL No. 4974

(Appropriates \$100,832,000 from the "Jobs, Education and  
Competitiveness Bond Act of 1988" to the Department of  
Higher Education for Public and Private Institutions  
of Higher Education)

December 9, 1991  
10:00 a.m.  
Committee Room 9  
Legislative Office Building  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Laurence S. Weiss, Chairman  
Senator Gerald R. Stockman, Vice-Chairman  
Senator Wynona M. Lipman  
Senator Robert Menendez  
Senator Walter Rand  
Senator Ronald L. Rice

ALSO PRESENT:

David J. Rosen  
Office of Legislative Services  
Aide, Senate Revenue, Finance and  
Appropriations Committee

\* \* \* \* \*

Meeting Recorded and Transcribed by  
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CN 068  
Trenton, New Jersey 08625

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**C O M M I T T E E   M E E T I N G**

before

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LAURENCE S. WEISS  
CHAIRMAN  
GERALD R. STOCKMAN  
VICE-CHAIRMAN  
WYNONA M. LIPMAN  
ROBERT MENENDEZ  
WALTER RAND  
RONALD L. RICE  
JOHN H. EWING  
ROBERT E. LITTELL  
HENRY P. McNAMARA



New Jersey State Legislature  
SENATE REVENUE, FINANCE  
AND APPROPRIATIONS COMMITTEE  
STATE HOUSE ANNEX, CN 068  
TRENTON, NEW JERSEY 08625-0068  
TELEPHONE: (609) 984-6798

REVISED  
COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

FROM: SENATOR LAURENCE S. WEISS, CHAIRMAN

SUBJECT: COMMITTEE MEETING - December 9, 1991

*The public may address comments and questions to David J. Rosen,  
Committee Aide, or make bill status and scheduling inquiries to Sharon Birch,  
secretary, at (609) 984-6798.*

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The Senate Revenue, Finance and Appropriations Committee will meet on  
Monday, December 9, 1991 at 9:00 a.m. in Committee Room 9, Legislative  
Office Building, 135 West Hanover Street, Trenton to consider the following  
bills:

S-3742 Weiss (pending intro)	Sunsets the provisions of P.L.1990,, c.40, concerning the taxation of certain sales and uses.
S-2831 Laskin	Decreases sales and use tax rate from 7% to 6%, repeals certain impositions, restores certain exemptions.
S-2840 Zimmer	One year after corresponding increase, imposition or repeal thereof, returns sales and use tax rate to 6% from 7%, ends certain impositions, and restores certain exemptions.
S-2986 Littell	Decreases sales and use tax rate from 7% to 6%, repeals certain impositions, restores certain exemptions.

(OVER)

Issued 12/4/91  
\*Revised 12/5/91 (Bill # change)

Senate Revenue, Finance and Appropriations Committee

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December 9, 1991

S-3743 Weiss (pending intro)	Sunsets the "Petroleum Products Gross Receipts Tax Act."
S-2828 Bubba	Repeals the "Petroleum Products Gross Receipts Tax Act."
S-2839 Zimmer	Provides that the 2 3/4% tax on the gross receipts from the sale of certain petroleum products shall expire on June 30, 1991.
S-3744 Weiss (pending intro)	Sunsets tobacco wholesale sales and use tax imposition and cigarette excise tax increase, restores cigarette wholesale surtax.
S-2837 Zimmer	"Sunsets" after one year the provisions of P.L.1990, c.39, concerning the taxation of cigarettes and other tobacco products.
S-2856 Bassano	Repeals the wholesale sales and use tax on certain tobacco products, decreases the excise tax on cigarettes to a rate equivalent to \$0.19 per pack of 20, imposes a surtax on the wholesale price of cigarettes.
S-3745 Weiss (pending intro)	Sunsets gross income tax rate increase beginning July 1, 1992, and reduces personal deduction for dependents.
S-2838 Zimmer	Limits to one year gross income tax rate increases, dependent's exemption increase and revised homestead property tax rebates.
S-2858 Dorsey	Repeals increases in gross income tax rates, the "Homestead Property Tax Rebate Act of 1990," and provides certain property tax relief rebates, deductions and credits previously repealed.
S-3746 Weiss (pending intro)	Sunsets alcoholic beverage excise tax increases, restores alcoholic beverage wholesale sales tax rate and imposition.
S-2841 Zimmer	Decreases the excise tax on alcoholic beverages, increases the tax on wholesale sales of alcoholic beverages one year after corresponding increase and decrease thereof.
S-2857 L.Brown	Repeals increase in excise tax on alcoholic beverages, reimposes alcoholic beverage wholesale sales tax and reestablishes revenue allocation to Alcohol Education, Rehabilitation and Enforcement Fund.

*S-3747 Lynch (pending intro)	Provides that taxpayers may make voluntary contributions to support the Olympic Games Fund.
A-2878 (1R) McEnroe	Designated the "Organ Transplant Fund Act."
A-4974 Pascrell/Romano (pending referral)	Appropriates \$100,832,000 from the "Jobs, Education and Competitiveness Bond Act of 1988" to the Department of Higher Education for public and private institutions of higher education.

(NOTE: Copies of S-3742 through S-3746 may be obtained from the Office of Legislative Services' Bill Room in the basement of the State House.)

Individuals wishing to testify on any of these bills may contact David J. Rosen at (609) 984-6798.



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NOTE: Subject bills available through the  
Office of Legislative Services Bill Room.

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SENATOR LAURENCE S. WEISS (Chairman): Good morning.  
I'm sorry for the delay.

I must announce at the very beginning that Senate Bill No. 3747, with Senator Lynch as the sponsor, is not going to be heard today. Assembly Bill No. 2878, Assemblyman McEnroe-- That bill is not going to be heard today. Assembly Bill No. 4974 will be heard. That is by Assemblymen Pascrell and Romano, and appropriates \$100 million for the Jobs Education and Competitiveness Bond Act of 1988 to the Department of Education. Is there anyone here to speak for that bill? Bob Polakowski?

R O B E R T J. P O L A K O W S K I: Briefly today, Mr. Chairman, on behalf of the New Jersey Association of Colleges and Universities, I would like to thank you for posting the bill today. I think it is aptly titled.

This bill is about jobs in the construction industry. It is about education, and it is about keeping New Jersey competitive. The projects are listed in the bond issue -- in the bill before you. If you have any questions about any of them, I will be happy to answer to the best of my ability. There are others here from the public sector institutions who are available if needed.

SENATOR WEISS: Bob, this is all bond money. There is nothing else involved?

MR. POLAKOWSKI: That is correct.

SENATOR WEISS: Are there any questions for Mr. Polakowski from the Committee members? (no response) Is there anyone here to speak against the bill, if not on the bill? (no response)

UNIDENTIFIED MEMBER OF COMMITTEE: Move the bill.

SENATOR WEISS: Move the bill.

SENATOR STOCKMAN: Second.

SENATOR WEISS: Seconded by Senator Stockman. All in favor of the release?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) Bob, the bill is released.

MR. POLAKOWSKI: Thank you.

SENATOR RAND: Mr. Chairman, no Minority members here today?

SENATOR WEISS: No. I think, Senator Rand, that our Republican colleagues have decided not to attend this meeting. We do, however, have a quorum with Senator Menendez, Senator Rice, Senator Stockman, you, sir, and myself. Senator Lipman, I understand, will be down a little bit later. I have not been notified that they will not be here, but apparently they are not here at the moment.

We are electronically sophisticated, I think; otherwise, primitive.

Good morning. The Senate Finance Committee is convening today for an extraordinary public hearing on proposals to sunset the tax increases that were enacted last year; taxes that caused a tempest of ill will that erupted in voter anger in two consecutive elections. There is no doubt that the target of the overwhelming voter antipathy was the taxes. A clear and resounding message from the election results was the rejection of the Tax Package Reform Program.

It is time for the Legislature to stop working around the edges of the tax package and face up to the full scope of public resentment by pursuing the delayed repeal of all the tax increases. There are times when it is best to return to the starting point, in order to make a new beginning. The funding programs that were enacted shortly after Governor Florio took office in 1990 were aimed at the very real problems of: a gaping deficit left over from the previous Governor; a Supreme Court mandate for enhanced educational funding for poor schools; and burdensome property taxes that had increased by 108% during the 1980s.

These were very real problems, which grew worse from neglect. So the new Governor, along with the Legislature, took determined steps to enact remedies. I will not take time now to engage in a postmortem of our mistakes in putting the programs in place and failing to bring the public on board, despite the noble intentions of the tax reform package, and these were programs that were lauded by many public policy experts for their progressive reforms and real life solutions. The best intentions and the best policies cannot succeed in the face of public resentment and constant political attacks. Effective public policy must have the support and cooperation of the public, and of other State leaders.

Hopefully, the new legislators will learn from our mistakes. By sunsetting the new tax laws we will be clearing the way for the remanence of the beleaguered programs, so that the new Legislature has an opportunity to address the State's needs unencumbered by leftover hurdles. The time frame afforded by the sunset provisions of the bills will give the new Legislature an open field to develop a budget plan that meets the State's needs in a way that will conform to the political mandate that carried them into office.

Not only will they have the benefit of our experience to learn from, but they can keep or change the old programs as they choose. The new Legislature will have more than six months to develop alternatives, the same amount of time afforded Governor Florio when he took office. The Republican legislators have the added advantage of spending an additional 18 months prior to this, criticizing the old programs. So I assume they will spend some of the time studying the problems the programs were designed to address.

In fact, we have an extensive list of Republican bills on the Committee agenda that would repeal the same taxes. There are nine Republican Senators who have sponsored bills to repeal all of the taxes, and another five who have authored

legislation to rescind part of the tax programs. Of course, the candidates who found so much to criticize during the election campaigns will soon realize that the search for solutions is not nearly so easy. However, their efforts will be made easier if we attach sunset provisions to the taxes that they found so disdainful.

I know I am joined by my Democratic colleagues in pledging our help and assistance in this effort. Our defeat at the polls does not mean that we will walk away from the State's problems. In fact, the electoral defeat was an experience that gave us a strong dose of humility, and at the same time strengthened our resolve to do better.

The removal of the taxes will allow legislators, both Democrats and Republicans, to do it right this time around; to work together to keep the public well-informed; to reach a consensus; and to forge successful programs that are understood and supported by the public. Today is the start of that process. While I suspect that sunseting these taxes will not be a job as easy as it sounds, we have the opportunity, starting with these hearings, to work toward a new beginning.

Thank you very much for your patience.

We have a list of bills that we will get to. I will call off the numbers, and then we will go to witnesses. The numbers of the-- I am not sure that everybody has-- The Committee members do have the agenda. The list of bills sponsored--

Why don't we just skip that and go right to witnesses. The first one I would like to hear from this morning is Mr. John Budzash of the New Jersey Taxpayers Task Force. Mr. Budzash?

J O H N B U D Z A S H: Good morning. I would like to thank all of you for the opportunity to come here to speak today.

The organization I now represent did a telephone poll yesterday at random throughout the State. Unfortunately, it

was spur of the moment, and we were only able to poll 740 people. Five-hundred-and-ninety-two of the 740, or 80%, said, "Repeal the taxes." Sixty people, or 8%, said they did not know. Eighty-nine people, or 12%, said to keep the taxes intact the way they are.

A year-and-a-half ago, I, myself, acting independently, made a telephone call to a radio station down here in Trenton. I started the tax revolt that ultimately resulted in getting the sales tax on the trucks repealed; the toilet paper tax repealed; and had some impact on these last elections. In just a few short months -- three to be exact -- we raised over a million signatures on a petition to repeal this tax package. Although our State Constitution says the people of the State have the right to redress their grievances through petition, it is really not true in this State. That is why we pushed for initiative and referendum, another call that was defeated at the polls -- or, at the Committee hearings and at various other hearings here in Trenton.

We wanted repeal of the taxes, and that is what rallied the people together. Over a million people signed the petitions, and that was our ultimate goal. Now that the goal is within sight, a lot of the people who sat there and talked with us, especially within the Republican party, are balking at the repeal of these taxes. Well, the tax package may have done some good, but it did some harm also. The point is, the people in New Jersey have long been overburdened with taxes. We believed Governor Florio when he said that during his campaign. We felt it. We feel that with the poor economy, we are losing our homes; we can't feed our children; we can't afford to buy them clothing and options or take our families on vacations.

The people in the State were overburdened with taxes. We couldn't deal with more, but we had to. The tax package was passed. I am one of the people who benefited from the tax



package. My property taxes did go down; I did get the \$500 rebate. I am not concerned with myself. I am concerned with my friends and family who are fleeing the State because they can't afford to live here anymore. The taxes were insane. They were forcing people out before, and to enact the tax to lower taxes just doesn't work.

What we are looking for, as citizens of this State, is lower taxes. We are looking for accountable government. We are looking for accountable spending. We want to get a dollar in return for our tax dollar. We want to get a dollar's worth of services.

The Republicans did not win this past election; the Democrats lost. They lost because of the tax issue. They lost because of a lack of responsiveness. Many times there were opportunities for Democrats to come -- to show up at various debates and hearings we were having. I have to honor Gerald Stockman as being one of those people who was courageous enough to come out and be assaulted by a lot of people verbally, sometimes unjustly so. But Gerald Stockman had the nerve to show up and testify and speak in behalf of this tax package. I know he supported it, and I know he seriously and honestly believed in what he was doing. This was not just strictly party line with him, at least not to my belief.

The Republicans rode into office on the coattails of the tax revolt. They did nothing. They came forth with no solutions. They only promised a meager rollback of the sales tax from 7% to 6%. My attitude, and the attitude of most of the people I have spoken to during these surveys, is that Republican leaders are cowards for not showing up here today and addressing this issue of great importance to the people of New Jersey. They were elected to make decisions for us when we cannot be present to make them ourselves and when we can't show up to testify. When you have a hearing like this, most people in the State who are concerned with these issues can't show

up. Special interests can. They are on the payroll of someone, and they can show up here to testify for or against various legislation. Average people such as myself usually cannot get the day off from work to come down. I am just fortunate that I was able to get off today to come here.

We are looking for, as citizens, a rollback of these taxes, knowing that some programs may be affected. But, the end result is what we are really looking for, which is lower taxes and accountability in government. The first step toward that is to repeal this tax package, to put the cards on the table, cut them, and find out at the end of the game who is going to be the joker and who is going to be the king after the game is over; who is going to come out on top. The name of the game is, "Tax reform in the State and accountability in government."

This is the first step. The people seem to support it. One of the major things I would like to see -- and my organization would like to see -- is, instead of you taking it on the chin again for doing something that the Republicans are criticizing as being posturing, and some people pandering to the public, which is really what you are here for anyway-- Don't do that. Put this on the ballot. Let the people have this initiative that they sought in the very beginning. Put this on the ballot next November and, instead of your taking the blame for this -- and you will be blamed by the Republicans for the turmoil and chaos, as they keep saying -- let the people decide.

My poll, unfortunately, was only 740 people. It should be fairly accurate, even if you consider a large margin for error that could possibly be written into that poll. The point is: Let the people decide. They are the ones who are going to be affected by this. They are the ones who are going to be paying for this if it stays intact, or saving money if it fails, or losing their rebates, if that is one of the things

that goes by the wayside. The people are the ones, again, who should decide this matter; not just the people who came here to this hearing today; not myself; not the special interest groups, that are only worried about their particular programs being cut, but the people.

Thank you.

SENATOR WEISS: Thank you very much, Mr. Budzash. Don't leave yet, sir. Mr. Budzash, don't leave yet.

SENATOR STOCKMAN: Mr. Chairman?

SENATOR WEISS: Senator Stockman?

SENATOR STOCKMAN: Mr. Budzash has been kind enough to single me out in his remarks, and I appreciate that.

I don't know, Mr. Chairman, how you want to proceed. I have asked to speak to the Committee both as an individual citizen and as a member of this panel. I would like to reply because I think Mr. Budzash stands for the strongest argument, in some ways, that can be made for this repeal. I don't know whether it would be appropriate if you are going to call other witnesses. My name is on the list you have there, and I--

SENATOR WEISS: Your name is on the list, Senator. I have it right in front of me. I am having the process checked on how we can afford you that opportunity, if, in fact, we can.

SENATOR STOCKMAN: Okay, good. I think this would be a great time to afford it, but I will leave it up to you, Mr. Chairman.

SENATOR WEISS: Well, you'll have to leave it to me, Senator.

SENATOR RAND: Mr. Chairman, will you explain the sunset and the repeal again to me, please?

SENATOR WEISS: Will I explain? Absolutely, Senator Rand. I didn't think you would ever ask.

There seems to be a bit of confusion about repeal and sunset. I took the liberty, the other day when I appeared on a program, to differentiate between the two; to look them up in Webster's Dictionary. I have reduced it to what it really says.

"Repeal" says to revoke, annul, fine, gone. That's forever. "Sunset," however, means a legislative bill or provision requiring an automatic review by a certain date before new funds can be authorized. So, there is a difference between the two. If we repeal this as of June 30, there will be troubles beyond the imagination -- financial troubles beyond the imagination -- which this State would have. I ask you to accept that from me as one who has chaired this Committee for 11 years and is willing to own up to mistakes, as well as to take credit for that which I can take credit for.

So, we are not going to repeal. We are going to sunset. The repeal will come after the sunset, if the new Legislature so desires. But by repealing at the moment, we will tie everyone's hands completely, and put them in such a position that they will not be able to operate. I have never felt that we should do that all the time I chaired this Committee. I don't think it ought to be done in the future. I think everyone should be given equal opportunity to express their intermost feelings about how these things should work, while the State is still operating. That is the definition of, and my feeling of that very same thing, and I thank you for asking.

SENATOR RAND: Thank you very much.

SENATOR WEISS: Senator Rice?

SENATOR RICE: Yes, Mr. Chairman. I just want to make a comment, because I am going to listen for the rest of the afternoon, believe it or not. I just want to go on record to all who are here--

SENATOR WEISS: Senator, I think if you use that other microphone-- I can't hear you. It must be the smaller one, the lower one.

SENATOR RICE: I just want to go on record--

SENATOR WEISS: That's it.

SENATOR RICE: --and I will try to be silent for the rest of the hearing, because I am one of those individuals who all the special interest groups, regardless of what they call themselves, pay the least attention to. I don't know if it is because of where I am from. I don't know if it is because of who these special interest groups perceive I represent. Well, I don't even know if it is because of my ethnicity as it relates to the majority of the Senators.

I want it to be very clear that I did not benefit from the property tax increase. I represent people who did benefit; I represent wealthy folks who maybe did not benefit, and others, so I am kind of in that diverse scenario. But when these groups come in and talk about how we are being stretched -- which I agree, those of us who work to make the rich richer and to keep the poor poorer, and then say we don't want to help those who are less fortunate, even though we may not be doing that well ourselves--

I just want to remind folks that people in cities like Newark and townships like Irvington very seldom even get an opportunity to go to the beaches in the shore communities, or even to take vacations, or even have an opportunity to give somebody employment. We tried to address those situations. The same folks are telling us not to address those situations.

Now, either we are going to be about people in New Jersey and we are going to look at all of the issues that affect taxes, such as crime -- "Don't build no more prisons. It costs too much, and I am a taxpayer. Let folks kill each other, as long as it is not in my community" -- or we are going to look at things like spending \$100 million plus to clean up the ocean -- "We don't care where you get the money from, so if you stop dumping sludge," which is not scientifically proven to do any harm-- "We don't care if it costs the other poor municipalities \$17 million, or \$60 million, we are not going to help them anyway--"

I just think it is biased and, to be quite frank about it, to some degree it is semi David Duke's philosophy without all the ethnic, strong, southern connotations. I just want to be on record as saying that I am going to do what is necessary to help wake up the people in New Jersey. It is clear to me that the people in my district understand what we had to do, and they understand what we have to do. I would just hope that the Hands Across New Jersey and the environmentalists and all the other so-called folks, who never come into Newark, but know what is happening in Newark and Irvington -- and bring us information that we do not agree with -- will recognize that I represent Maplewood and South Orange also. I try to be fair, but when we balance, we are going to balance across the State. We are not going to balance because the special interests can mobilize people in a particular area and wear out some of their colleagues politically who try to help folks outside of their own districts.

If I didn't say that, I wouldn't be fair going through the rest of this hearing, or going into the next session in the Minority. I am going to continue to articulate that as groups come and argue the case for us not raising dollars to spend. There are only some places where you can get dollars. The dollars should benefit all of New Jersey. If there are folks who are abusing our dollars, these same groups should help us to weed them out -- if it is criminal, if it is corrupt, if it is mismanagement -- rather than saying that because people mismanage dollars, the folks that they represent have to suffer.

So, I wanted to say those things. I don't care who they offend. I don't care who disagrees with me. I can assure you that the majority of the 28th Legislative District do not disagree.

MR. BUDZASH: I would like to address some of those comments. I can quite assure the Senator that the vast majority of the people in the State of New Jersey who have



reacted against these tax increases, and against the programs that incorporated through them, were not sitting there and impacting their decisions on what happens in Newark, Kearny, Jersey City, Bayonne, or any other poor area of the State. I can assure you, I, personally, am very familiar with Newark. I go there quite often. I have friends who live there. I also have businesspeople that I deal with in Newark.

The people are concerned that when elderly people living on a fixed income have real estate taxes that surpass their Social Security income, and they lose their homes-- They are concerned.

The impact of the Quality Education Act-- It takes money from the so-called wealthy areas and gives it to the so-called poor areas, where wealthy people do live in Newark, and wealthy people do live in Maplewood, who have gotten tremendous amounts of money through these acts, and quite poor people live in the so-called wealthy towns of Rumson and Holmdel, which lose all school funding, and their taxes will go up astronomically.

These people are impacted: When elderly people find it difficult to make telephone calls to their grandchildren who live a long distance from them, and now those phone calls are even more expensive because of the new taxes on their telephone bills. The new taxes on gasoline help to prohibit the elderly from going to visit their families, help to prohibit the poor -- the working poor people -- from going to visit their families, help to prohibit them from going out for a day's ride. Remember when families used to go for a Sunday ride? The poor people can't afford to go for a drive. But that was their enjoyment. Get the family, put them in a car, go for a ride down to the ocean. Well, you can't do that anymore, because the gas prices are too expensive and the insurance is too expensive. The fees to get o the beaches are too expensive. We are taxed to death.

We have so many revenue generating sources here in New Jersey that other states do not have. We have a Parkway, a Turnpike, a Casino Commission, a Lottery. We have gambling in Atlantic City. We have a Sports Complex. Damn it, we don't need any more bureaucracy in this State. We need less. It is not paying for the people in New Jersey to live here anymore; it is costing us. And, who is it benefiting? Not the people of the State. It is benefiting the bureaucracy, and we are tired of it. The people of this State have had enough. It is not racism; it is survival.

I can't have a family, and I am acting responsibly because I can't afford it. I know a lot of other people who are in that position also. They want to provide for their families. They want to have a home for their children to live in. They work two and three jobs every week, and they still can't afford to have it. I worked with one guy who worked four jobs. To take money from him and give it to someone else is not right.

Everyone has a right to work. We have to help our handicapped. We have to help our elderly and the people who cannot work. But we don't have to foot the bill for those who do not choose to work. I am not speaking black here; I am speaking white, black, Oriental, anyone. This is a nonracial issue. This is survival. The people of New Jersey were backed up against a wall, which is why they responded so outrageously when I made the phone call that started the tax revolution in New Jersey. The people feel that way, and it is white people, black people, Oriental people, American Indians. Everyone is involved in the antitax movement -- everyone; some more so than others because they have more time on their hands, and some less so than others because they fear racism. But the whole point is: The people -- all of the people -- feel this way, which is why I recommend that you let this be a referendum. Let the people throughout the State decide. Let the blacks,

the whites, all, band together and make a decision. This is their purpose.

SENATOR RICE: Let me end my remarks by saying to you that that is my point. We do not totally disagree. That's my point. You look at me as an ethnic. I mentioned Newark. You tell me that it is not black and white. I prefaced my remarks by saying to you that I represent a very diverse community -- black, white, Hispanic, Ukrainian, Jewish, etc.; wealthy, middle class, and working poor. I am saying to you that we are proud, too. We can't move around communities. If your group is so concerned about other groups like I am concerned about saving dollars, you should penetrate some of the areas I try to penetrate locally to help institutions that we know are burning dollars, the insurance industry, the auto theft situation, mismanagement maybe in State government in some areas -- I don't know -- etc., because it is the white-collar crime that is killing us. You have to make the dollars up someplace.

Once again, the mere fact that I talked the way I did, brought out exactly what I was saying; that you had to go and identify that the issue raised wasn't black. I didn't say it was. I just happened to mention that those of us in Newark, and cities like it, cannot get to a beach in a shore community. Our senior citizens are no different than the senior citizens in your area. They are not wealthy people. There are not a lot of wealthy folks in Newark. I don't know of any in Newark, who live here and work here.

My point is: If we are going to share, then we must be cognizant of the fact that we don't want you strapped to the bones. We don't want the people I represent in Maplewood, South Orange, Newark, and Irvington strapped to the bones. It is true that we have to balance that; I agree with you. But we can't do it in a selfish vein, without looking at some of the other things and how this impacts on the State to cause us to raise taxes. We should be just as vigilant in our movement

collectively, to make sure that those things are dealt with fairly also.

That's all I am saying. I don't need a response. I knew when I spoke that someone would look at it-- Once again, I said, "Maybe it is because of where I come from. Maybe it is because of what I look like." I kind of have the feeling that it is a combination of both; that when Senator Rice speaks, you know, it is black and white. It is not black and white. I want to thank God for what I look like, and I even want to thank God for where I come from, because I represent, probably, some of the best and most concerned people in the State of New Jersey. Yes, we do have our problems. I am still going to do the kinds of things that are right, and I will fight legislators of both Houses, and I will fight special interests, on behalf of those people.

SENATOR WEISS: Thank you, Senator Rice. He will do exactly as he says.

I would ask the witnesses and members of the Committee not to editorialize that much. Make your speeches a little bit shorter. We do have a number of people here. I have to adjourn this -- or, rather recess this meeting at 12:00. I have no choice in that, so I want to hear as many as I can up to that time. I thank you very much.

The next one on will be Senator Menendez.

SENATOR MENENDEZ: Thank you, Mr. Chairman. I have less trouble -- from the list of witnesses I have seen -- understanding Mr. Budzash's position than I do some of the other witnesses, because at least he is consistently consistent. But I would like to get from him some of the parameters of what he thinks about.

Mr. Budzash, in your comments you talked about that we know some programs are going to have to be cut if we repeal all of this package. So I would like to get a feel from you as to what some of those parameters are. For example, do you believe

the Legislature should be responsive to the Supreme Court decision in Abbott v. Burke, and appropriately fund the moneys that the Supreme Court has told us we have to?

MR. BUDZASH: Well, you really have no choice. The Supreme Court makes a decision, and you are mandated to do it. I, personally, and most of the people I know of, have a big problem with that mandate. Equating dollars to education just doesn't work, and most people realize that. Unfortunately, the people who sit on the Supreme Court have been doing a lot of very strange things, in my opinion, and in the opinion of the other people in the State. A dollar doesn't get a dollar equally spent up in North Jersey as it gets down in Cape May County, where costs are so much lower. So, in essence, by making equal spending mandatory, you are taking away from the people in the northern section of the State. You are giving more to the people in the southern section.

What we would like to see is-- We have -- and I can get you a copy of it -- a Quality Education Act proposal that takes the emphasis off of the dollar, and puts it on the actual education, to make sure that the children are educated, because they are our most important resource.

SENATOR MENENDEZ: I understand your position, but what I am trying to grasp here is, the Supreme Court talked in terms of about \$400 million. Now, I would assume that in terms of being responsible, whether you disagree with the Court's decision or not -- and I understand that you do -- you would expect us to not violate the law and live with what the Court's decision is.

MR. BUDZASH: I would expect you to honor the Court's decision and do whatever possible to rectify that and bring it about so it is an effective manner of educating the children.

SENATOR MENENDEZ: My second question to you is: With reference to the people you have represented in your other organizations and in your present organization, is it fair to

say that one of the major taxes that they have complained about -- other than this entire package, which I understand your testimony is on -- is the local property tax?

MR. BUDZASH: That is correct.

SENATOR MENENDEZ: In doing so, is it fair to say that people would want to see their local property taxes reduced?

MR. BUDZASH: Most definitely.

SENATOR MENENDEZ: If that is the case, do you consider any of the items passed by the Legislature, in terms of attempting to reduce and/or stabilize property taxes, to be still desirable?

MR. BUDZASH: I will give you this: I benefited from the QEA proposal giving more money to my community. I benefited-- I got the \$500 rebate. But the point is, the people of the State, in general, all of the ones I have spoken to, are not happy with raising taxes to decrease taxes.

What we want to see across-the-board is good spending of our money -- accountable spending of our money. We are all willing to pay a reasonable tax and a fair tax. Most of our property taxes do not impact on what you people do here. It is our local government that impacts and makes our property taxes high, the board of education primarily. Okay? So, we are not holding the real estate taxes completely toward the politicians here in Trenton. It is well divided up. But again, what we are looking for is just lower taxes across-the-board. The property taxes in each community should reflect what the community is not only able to pay, but what they should pay.

SENATOR MENENDEZ: My last question to you is: Which services, which programs, which policy is it that you seek -- your organization, not you personally -- to have, understanding that even efficiencies will not produce the type of reduction that, in fact, is being called for? What is it?

I heard you talk about senior citizens passionately; I heard you talk about the disabled passionately, and I agree



with you. The question is, though, we must recognize that we produce funds for senior citizens for a whole array of programs. We produce funds for the disabled, a whole array of programs. I am trying to get from the people who come before us what their parameters are, to try to get a feel, to try to give you this opportunity for input, to understand where it is that, at least in your organization's opinion -- and there may be others which differ -- that, "Hey, our priorities are mixed." Would you give me some feel for that?

MR. BUDZASH: Well, I am not familiar with all of the basic offices and bureaucracies that exist here in Trenton. One of my friends, Tom Blomquist, is much more familiar, and he will be more qualified to speak about the duplication of services, the different agencies that he feels, and my group also concurs with, can be eliminated.

As I understand it, there are two Offices on Women here in Trenton. I don't see an Office on Men, and I do not particularly see a need for either. Funding of the arts-- Nobody funds it when I want to go see Jon Bon Jovi in concert, and I don't feel that I should have to fund it out of my tax dollars when someone goes to see a concert. I don't care if Felix Unger comes back here to Trenton and complains about it again. The tax dollars should be taken for necessities. They should be taken to help the disadvantaged; help the poor; help the elderly, but not be taken away to be given to a pompous -- well, excuse me, I shouldn't say "pompous" -- but the sometimes pompous attitude of some people, such as the gentleman who plays Felix Unger, coming here and telling me that although he is wealthy, I should subsidize his enjoyment and his recreational times.

The arts are important, but, like anything else, if left to stand on their own, the people who support it will find ways to do it. The people who go to these concerts and enjoy the opera and ballet, will find ways to support it. Everything

will find its own level. That is one of the big things we are concerned about.

Taking away from me to fund something I am totally not interested in does not help me. There are certain things-- I believe the Aquarium, just off the top of my head, is good. That will educate the children. Children can go there and learn. Things of that nature are fine. I am not particularly wild about the Sports Complex. It's here, and I understand that it generates revenues. What I would like to see is, the autonomous agencies-- Make them all directly accountable. Any money they generate should go directly into the State to be distributed by the State for State purposes, not to just constantly propel themselves to higher raises for the upper management people in those facilities and to perpetuate raises for whomever.

We would like to see total accountability and a complete audit of all the State agencies. We realize the Governor has extended that audit to all 19 agencies, but again, get into the Parkway, the Turnpike, the Lottery, the Meadowlands, and so forth. Let's find out where our money is going there and get that money into reducing taxes in New Jersey.

SENATOR MENENDEZ: Thank you, Mr. Budzash.

MR. BUDZASH: Thank you.

SENATOR MENENDEZ: And thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Menendez.

Apparently there are no further questions for you, Mr. Budzash. Thank you very much for your appearance here this morning.

The next witness this morning is Gary Frakes -- F-R-A-K-E-S. If I did not pronounce it correctly, I'm sorry. Sir?

G A R Y F R A K E S: (speaking from audience) Senator, I asked to speak, but I have determined that what I had to say

isn't quite proper at this type of a hearing, so I'd like to withdraw.

SENATOR WEISS: Okay. That's your privilege, sir.

Mr. Vincent McLaughlin? Mr. McLaughlin? Mr. McLaughlin? (no response) Apparently he's not in the room. How about Mr. Frank McKoskey? (no response) Apparently he's not in the room. How about Mr. Guy Gregg, New Jersey Restaurant Association? Mr. Gregg?

G U Y G R E G G: Good morning.

SENATOR WEISS: Good morning, sir.

MR. GREGG: My name is Guy Gregg. I represent the New Jersey Restaurant Association which represents 10,000 food service establishments in the State of New Jersey. I, personally, am a restaurateur, so I'm a nonpaid restaurant representative here today. I run a restaurant and inn in Chester, New Jersey, called the Public House. So I come as a true taxpayer, I guess one would say, and I'm one of those folks that did find time to come today.

Our position on the repeal or the sunseting of the taxes is: We're in favor of it, with some reservations, I might add. I am not so sure that the tax increases are the major problems that New Jersey faces today. I think it's the economy. The tax increases, a few years ago, exacerbated an existing recession and forced small businesses and large businesses into a deeper recession, which has caused most of the discontent, I think, in this State. If you're making money, doing well, if there's low unemployment, taxes can almost be acceptable; but when you're in an economy that is depressing, and your industries and businesses are not doing well, and unemployment is at a staggering high of 7.1% in the State, I think that is the issue that you're hoping to fix, whether it be with sunseting of taxes or looking at stimulating the economy in other ways.

Our industry is off anywhere from 10% to 50%, and answering one of the Senator's concerns, our industry represents 5% of the GNP of New Jersey. Our industry employs more women than supervisors than any other industry. Our industry employs more minorities than any other industry. So, when we are in peril, so are a vast majority of middle-class New Jersey individuals who use us as their first and second job to pay their mortgages. And many of those folks are being laid off due to the economic situation we're facing today.

Our industry is kind of special and I'll try to make this as brief as I can. I didn't write anything up, other than notes. We are a barometer of the economy. We're a barometer of what people feel. We're not a legal poll, but we get a pretty good handle on what people are feeling. We are where business is transacted; we are where people celebrate; we are where people are married; and if people are not coming to our establishments, the economic indicator, to us, is lack of consumer confidence. I think that consumer confidence has to be part of your concerns in what you're going to do with your tax package, because if people do not spend -- whether you have high taxes or low taxes -- you're not going to get revenue.

And that comes down to my concern: in whatever you do do this year and the ensuing years, that by sunseting the taxes and, say, even repealing the taxes, if the economy continues in this direction it won't be a \$500 million group of cuts you're going to look for, you may have to look for a \$700 million or \$900 million cut.

Our industry is very directed towards this State and to whatever state it's in. When New Jersey is doing well, the restaurant industry is doing well, and when we're doing well the 5% of the population that we employ are doing well.

I just hope whatever is done with the economy that we don't repeat the mistakes that I think Democrats and Republicans agree that were made. They acted too quickly; they

acted without foresight; and they acted without looking at the exact consequences of what they would do. I hope when you look at what you're going to do now and the ensuing year that you look with a little more prudence and with a little more vision on how you're going to find that \$500 million, or whatever you think that shortfall is going to be. I may sound like I'm talking like a politician, out of two sides of my mouth, but my biggest concern is--

SENATOR WEISS: Politicians don't always talk out of both sides of their mouths, if I may? (laughter) It's sometimes the people that elect them. Okay.

MR. GREGG: That just slipped out, Senator. But we are in favor of anything that will diminish taxes that will increase consumer capacity to go out and spend money any place.

With that, I thank you for your time. Any questions you might want to ask--

SENATOR WEISS: Thank you very much, Mr. Gregg. Are there any questions for Mr. Gregg? Senator Menendez?

SENATOR MENENDEZ: Thank you, Mr. Chairman. Is it-- Just so I understand, is your association in favor of sunseting the taxes that are before us, which are those taxes that were imposed as effective the end of June of this coming year?

MR. GREGG: Yes.

SENATOR MENENDEZ: Yes. Okay. And you do not, as businessmen, think that such a process is irresponsible or chaotic?

MR. GREGG: Well, by sunseting it in the way I see the bills, there will be some time for the Legislature next year to look at what they will be doing. And that is my concern, that if it was enacted immediately, I would have some concerns. I am concerned about where that money will come from. And I hope, reiterating some of the previous questions to the previous witness, that I think government can find that

cutting -- and I think it's going to come the same way we find it in business, if we need to find 10% cuts we just find 10% cuts and we cut it across the board. So if it's coming from Human Services on one side, fine. If it's coming from benefits to a more wealthy community, that's fine, too, as long as it's across the board. I think we, most of the time, are in favor of that.

SENATOR MENENDEZ: And just so I remember, again, you said you represent -- your organization represents -- 10,000 businessmen in New Jersey?

MR. GREGG: Ten thousand food service operators. We are obviously most concerned individually with the alcohol tax. As you well know, we did not get a 1% sales increase, we got a 7% sales increase. So, by repealing it down to 6% you're still leaving us with 6% more than we started with. And, I might add, that as an industry, when the Governor and administration were looking at revenues to help the State two years ago, that our industry was quite forward in saying, "We'll accept that 7% tax increase" because we felt that it would be supportive. And that leads to some of our concerns, because we gave probably more than any other industry and we still ended up with a deficit.

SENATOR MENENDEZ: And, my last question, Mr. Chairman. So the 1% that has been bandied about by some of my colleagues on the other side of the aisle is really not going to significantly reduce or impact your industry since you went from zero to 7, it's not the same as actually sunseting it and reviewing it all over again.

MR. GREGG: Exactly right.

SENATOR WEISS: Okay, thank you. Thank you very much. Are there any other questions for Mr. Gregg? If not, let's go on to the next witness. I have Mr. Bruce Coe. (Unidentified speaker informs Chairman that Mr. Coe has been delayed)



Okay, Mr. David Goldfarb? (no response) Mr. Charles Sapienza?

C H A R L E S   S A P I E N Z A: Good morning.

SENATOR WEISS: Good morning, sir.

MR. SAPIENZA: I'm Charles Sapienza and I represent the New Jersey Wine and Spirit Wholesale Association. We're opposed to that particular portion of the bills that are on your agenda today that would move the taxation of alcoholic beverages back to where it was before -- approximately a year-and-a-half ago.

When you sat down and viewed the budget the last go-around you determined that some things were overdue and one of them was to remove the exemption on alcoholic beverages that that product enjoyed from the retail sales tax and put the product back with every other product that's taxed in New Jersey. And we agreed with you that that was the intelligent thing to do, was the right thing to do, and it's still the right thing to do. You also determined that you should remove the tax that was levied on alcoholic beverages at the wholesale level. One good reason to do that was, it didn't produce enough money, and secondly, it artificially raised the prices of our products to retailers who, in turn, marked them up and sold them to consumers.

When we looked at your agenda for today, we decided that it was necessary to come down and share this one thought with you: If you decide to roll back taxes, that's fine with us, but please, the manner in which you have decided to tax alcoholic beverages, the structure that you've placed on it, is not a structure that should be tampered with at this time, or any other time. The structure is fine. The structure you imposed was the right structure.

So specifically, we're opposed to those bills that would roll back for alcoholic beverages the structure of the taxation that was imposed a year-and-a-half ago.

SENATOR WEISS: Mr. Sapienza, there is no intent, at this time, to do anything with these taxes, except to put a limitation on their existence. That limitation will be June 30. It will be the next Legislature that will have to wrestle with that. I am sure that in their infinite wisdom -- I am sure that in their infinite wisdom -- they will come up with the right answer. Hopefully, they will not tamper with it.

MR. SAPIENZA: I understand that, but I still want to make a point for our industry -- for wholesalers. We don't even want to risk the idea that your sunset provision will result in a new tax structure, the same as we labored under for all those years.

SENATOR WEISS: I understand, and I sympathize very greatly with your position. However, whether it is sunset or not, we can't impose our will on the next Legislature. After the sunset, they can do-- They can do anything after the 15th of January that they so desire. But, I understand your problem.

MR. SAPIENZA: Thanks for listening.

SENATOR WEISS: And I appreciate your cooperation in the past. I believe Senator Rand has a question for you.

SENATOR RAND: Mr. Sapienza, I understand what you said in your letter. You are satisfied with the present method of taxation on the liquor and wine industry. Is that correct?

MR. SAPIENZA: That's correct.

SENATOR RAND: Thank you very much. Thank you, Mr. Chairman.

SENATOR WEISS: Senator Rice?

SENATOR RICE: Yes. I guess I am going to be confused throughout the whole hearings, because-- I thought, Mr. Chairman, that you made it clear that the 1992 Fiscal Year budget is not being affected; that the sunset would only allow the new Legislature to move forward with some of the ideas; the substance of the ideas to be articulated throughout the last

couple of years that they thought would be better aligned with giving all who are here today what they want to address the problem.

But now I am getting confused, because it appears as though there may be some distrust here about the new Legislature. I don't understand how that is possible when the public, number one, elected them, and number two, the majority of them were here with us. I am hearing from you and others that you don't trust us as legislators -- and that includes myself in the new session -- to start from zero and do the right things. Or, is that a commitment, or an acknowledgement that the Legislature that is presently going out has done the right thing? I am just getting confused with the messages coming across, you know, and what happened in the elections.

I want to be fair -- and I am going to be here -- to argue and articulate again the concerns the people have that I represent, and the people who come down here. I just want to make sure that there is no lack of trust for those of us who will come into office in January, as the new session begins. That is not what I hear you saying.

MR. SAPIENZA: We have trust and confidence in you, Senator, and in the other persons who were elected to take office in January; nothing but confidence and trust that those people will attempt to do the correct thing.

But what we are here today to tell you is, as far as alcoholic beverages go, the correct thing was done when you imposed the present tax structure. It was correct to remove the exemption that alcoholic beverages had from the retail tax, and treat our products the same as all other products. It was correct to remove a wholesale sales tax that wasn't producing adequate funds, and artificially inflated our consumer prices.

Those things were correct to do, and we don't want to see them sunsetted or tampered with in any way. If you are

going to treat us as a product, treat us the same as all other products. That is essentially what I am saying.

But, as a matter of trust, we have great trust in you, and great trust in the other people on this Committee -- Senator Weiss and everyone else.

SENATOR RICE: Then, to put us back to where we started, we try to be all things to all people when we have to make decisions. We make decisions, but now we are saying, "Well, let's start over," because if we did the right thing with your industry -- and I have to call that a "special interest" -- then another group will come in and say, "We did the right thing. Don't do harm to us." Pretty soon we are going to be back where we started.

That is the concern I have, that if the message was loud and clear that maybe we should have done things differently, then we can't really pick and choose at this point with a new body coming in. I just want to go on record to try to get my own concerns--

SENATOR WEISS: Senator Menendez?

SENATOR MENENDEZ: Yes, thank you, Mr. Chairman. Mr. Sapienza, I heard your statement and I have your facts you sent earlier this week -- this past week. Let me ask you a question: First of all, is your Association here on any of the other taxes? Do they agree-- You are not here on any of those?

MR. SAPIENZA: We are only appearing to comment on the alcoholic beverage tax.

SENATOR MENENDEZ: Okay. Secondly, as I hear what you are saying, what you are saying is that you don't want the process by which you are taxed to be changed -- the manner in which you are taxed to be changed?

MR. SAPIENZA: That is correct.

SENATOR MENENDEZ: Now, if we sunset these provisions, then it will be up to the new Legislature to determine how, in fact, you, or anyone else, is taxed, and you would have an

opportunity to make your arguments then and convince the Legislature that, in fact, the manner in which you were previously taxed, is the manner in which you should be taxed. Is that a concern for you?

MR. SAPIENZA: It is a concern.

SENATOR MENENDEZ: Why so?

MR. SAPIENZA: We don't want to have to go through the process again of reeducating persons who do not understand our industry, reconvincing persons as to what is the correct way to approach alcoholic beverages from a tax or revenue standpoint. The system as it exists now is a good one, and we ask that it not be sunsetted; that it remain.

I understand Senator Rice's point when he says it is hard to pick and choose when you face either rolling back or staying with things. It is hard to pick and choose. I understand that.

SENATOR MENENDEZ: Well, first of all, you do have the opportunity to convince people that what was previously decided should be retained. But, let me ask you this: You certainly don't take the position that if we remove -- if we do sunset the sales tax, that you should be only left-- The wholesale tax would have to go on unless the new Legislature pursued your line of thinking as to the way you should be taxed. Otherwise, you would be taxed at less than you even presently are.

Let's assume this is sunsetted and there was no wholesale tax. Then you would be taxed at less. Wouldn't that be the case?

MR. SAPIENZA: No.

SENATOR MENENDEZ: How so?

MR. SAPIENZA: When the present taxes on alcoholic beverages were imposed, they were imposed and they produced quite a bit more money than the old structure was under the wholesale sales tax.

SENATOR MENENDEZ: But now that is sunsetted.

MR. SAPIENZA: Even if you were sunseting from 7% to 6%, going back to where the retail sales tax was, by maintaining that alcoholic beverages are not exempt, you would be guaranteeing revenue -- tax revenue -- far in excess of the tax revenue that was generated under the old system.

SENATOR MENENDEZ: Well, I understand that, except that what we are talking about here is sunseting, not reducing a percent. We are talking about sunseting the tax -- the sales tax, the retail sales tax.

MR. SAPIENZA: The retail sales tax.

SENATOR MENENDEZ: In doing so, therefore, you would be paying no tax.

MR. SAPIENZA: You're right.

SENATOR MENENDEZ: So either we have to go back to a wholesale tax -- which I understand you don't want; your industry doesn't want -- or we would have to go back to the sales tax as it exists now. But you can't be taking the position that you don't want either one, because you would be paying virtually nothing.

MR. SAPIENZA: You're correct. You said that well.

SENATOR MENENDEZ: Okay. I just wanted to mention it. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much. Mr. Jim Morford, New Jersey Chamber of Commerce?

J A M E S M O R F O R D: Good morning, Mr. Chairman and members of the Committee. I am Jim Morford, Vice President for Government Relations with the New Jersey State Chamber of Commerce.

We certainly want to express our profound respect for the distinguished Chairman of this Committee, its members, and the work which, Senator Weiss, you have done in fiscal matters over the years, which many of us have recognized. The next Legislature will miss both you and your Committee colleague, Senator Stockman.

I am tempted to recall the words of former Senator Walter Sheil when voting on the death penalty. He said that he regretted it because it didn't go far enough. It is possible that at least a few constituents of the State Chamber feel that the proposals before you today do not, in fact, go far enough, and if we are going to sunset taxes, why not sunset every tax? That is not the answer; it is not the solution. Whether the total \$2.8 billion package was well conceived or was ill-advised is not really the question before the Committee today, but rather the effect of the enactment of a massive sunset or repeal.

I am troubled, Senator, in the definitional structures that are being discussed today. If I understand the effect of sunset, it would be very little different than the effect of repeal. The next Legislature, on or before July 1, would have to take some action to continue these taxes in whatever form, or to enact other taxes in their place.

The New Jersey Chamber of Commerce is concerned with the impact on the business climate of New Jersey. In the package there certainly are elements that we did not embrace. Indeed, when the package was before the Legislature we recognized-- We had a number of meetings with Treasurer Berman, and we recognized that in structuring that package there was a very distinct need for additional revenues to meet the obligations that the State of New Jersey faced, and that Governor Florio faced, in putting together his first budget.

While there were elements of that package with which we did not agree, with which we were not enthusiastic -- examples, the truck tax, which the Legislature has now repealed; the telecommunications tax; and, indeed, the QEA, which we felt was at that time, and we expressed it at that time, a rush to judgment; the courts had given the Legislature considerably more time to carefully craft a QEA, with its companion income tax increases.

Perhaps what occurred in the November 5 election which appears to be being reacted to today was not so much a rejection of \$2.8 billion in taxes, which perhaps became the symbol like the tea in Boston Harbor, but a concern and an expression by the public about spending policies and about an understanding of spending policies whether they took place in a bipartisan atmosphere over the past decade or so. And it is of concern that the departing majority appears to be adopting a scorched earth philosophy.

We are concerned as the representatives of the business community with tax predictability and stability. Business decision-makers are very much concerned; and over the years you've heard the expression of "Jersey Lightning" which used to appear around this time of year to increase taxes rather than to talk in terms of decreasing them. The wholesale repeal or sunset of the package, we feel, will lead to increased uncertainty in the business community. Indeed, we've already heard the bond houses respond with caution. We are concerned with the instability that such action on the part of the Legislature would represent to the economy and to the State of New Jersey, so we would urge you to proceed with the greatest of caution.

Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Mr. Morford, and I assure you that we're going to proceed with the greatest of caution -- very cautious -- and that's the reason for these hearings, sir.

I do have Senator Rand that would like to ask you a question.

SENATOR RAND: Mr. Morford, we've known each other for 16 years.

MR. MORFORD: We have indeed.

SENATOR RAND: I would ask you a question not meant in any retribution, not meant in any "I told you so." If public



policy is good today, at this moment, why wasn't public policy good on June 30, 1990? And why weren't you, as a leader in this State, and your people in explaining public policy to the last multitude out there? You see, in my opinion Mr. Morford, you can't be half right and half wrong. You're either right or you're wrong. If it's bad then, it is bad today. And if it is good today -- then the opposite of the equation -- then it was good then. I would ask you, sir, to explain your stand on that.

MR. MORFORD: Through you, Mr. Chairman. The fact that a policy -- totally good or totally bad -- once set in place has accompanying it, policies and practices. And once set in place, society moves along with those policies. It doesn't mean that the policies were totally right or totally wrong. They were policies established by our representative Legislature at a point in history.

SENATOR RAND: Then it became right as we progressed.

MR. MORFORD: And it does not necessarily mean that it is less right or more wrong today just because there was a public reaction to those policies. Clearly, the next Legislature, Senator, will address the fiscal situation of the State of New Jersey. Had you been continued in the majority you would be wrestling with many of the same problems that the next Legislature will wrestle with. That doesn't mean that the policies that established \$2.8 billion or any part of the \$2.8 billion are necessarily right or wrong from 1990 to 1992.

SENATOR RAND: Let me see if I can frame it in a narrower vein. It seems difficult for me, as an objective legislator who came out to vote for that tax package under very trying circumstances -- and in my case it was an individual, personal, trying circumstance -- to hear what you've said then along with a lot of other groups, and then to hear the opposite of what you say today. And that, I have to tell you Mr. Morford, disturbs me no end.

MR. MORFORD: Senator--

SENATOR RAND: And we've spoken about it.

MR. MORFORD: Yes. This reflects the discussion that we had this morning, earlier. The State Chamber of Commerce, during the deliberations of the Legislature in 1990, expressed concern about the extent of the tax package. We expressed concerns, and I know I can document this in writing but I think the Chairman will remember this, and others. We expressed concerns about the economic impact over the impact on our State's economy, of the Telecommunications Tax. We expressed concern that the Legislature was rushing, in too great haste, to enact the QEA -- the Quality Education Act -- with its accompanying income tax increases, particularly when the Courts gave the Legislature a year-and-a-half to study and come up with recommendations. For whatever the reasons, political or otherwise, to move ahead when you have votes, that's not my job to question. The point was that there was much in the recognition of need for additional revenue that the New Jersey Chamber of Commerce shared with the Legislature, and shared with the Treasurer, and we certainly did not embrace every portion of the package; we certainly did not oppose much of the package.

SENATOR RAND: Well it seems strange to me, Mr. Morford, that you could be so determined at that point of June the 30th of 1990 and today you're accepting the total package, as today on December 9, 1991. I-- It's very difficult for me to understand.

MR. MORFORD: Senator--

SENATOR RAND: Because, you see, I have never run away from the package.

MR. MORFORD: Senator, we really--

SENATOR RAND: And what disturbs me is the vacillation today on certain groups that it was bad then; it's good now.

MR. MORFORD: But Senator, that may be fair to say to those who said it was bad then and are saying it's good now. We are not among those.

SENATOR RAND: Well, I-- You leave me--

MR. MORFORD: We are saying, we said then--

SENATOR RAND: You leave me with great pain and great questions in my mind, Mr. Morford, for what particular reason?

MR. MORFORD: Senator--

SENATOR RAND: You seem to tell me at one moment that it was a very bad impact on 1990. You don't blame the Federal government and you say that we created -- passed a package on economic times that were bad. Yet today, under more stringent economic times, you tell me that it's good. Very difficult for me to comprehend. I must tell you that, Jim.

MR. MORFORD: Well, Senator, I'm fully certain that you do understand -- and you understand very well -- that the situation and the position of the Chamber is no different today than it was when the tax package was offered.

SENATOR RAND: And I have great respect for the Chamber--

MR. MORFORD: Thank you.

SENATOR RAND: -- whether they agreed with me or disagreed, you know that.

MR. MORFORD: As we do for you, Senator.

SENATOR RAND: Okay. Thank you, Mr. Chairman.

Thank you, Mr. Morford.

MR. MORFORD: Thank you.

SENATOR WEISS: Thank you, Senator. Thank you very much, Senator.

Senator Rice?

SENATOR RICE: Mr. Chairman, I'm trying to be silent but it's very difficult. I see I'm having the same problem that Senator Rand had. I just want to keep the record straight because we happen to be at a hearing where apparently the whole nation is going to be looking at what we do and what we say. I want to continue to articulate that I am troubled also about decisions we made which were never 100%, we know that.

My concern is that I really hear people at this hearing saying, "Well, you really kind of did the right things, but nobody wanted to take the time to help you get the information out to let people know that you did the right things, and so whatever happened, politically, happened. Now leave everything the way it is, basically, or don't mess with my piece." I'm glad to hear the Chamber says to leave the whole thing alone, because traditionally they were not for the sales tax, etc.

I also want to be clear, because we are going to keep talking about what the bond rating people are saying-- I want to be clear that the Chamber of Commerce knows it to be a fact that even corporate America has problems, and has warnings (word indiscernible) from the bond rating firms and people when they have deficits, etc. The paper plays it up as though the whole world is going to collapse if we sunset and start over. That is not what I hear the bond people saying. As a local government person, that is not what they are saying. What they are saying is, "We have to do our common thing, and traditionally put you on notice that once you sunset -- and we know you are looking at your budget -- until we know what your budget is, we have to put you on notice that we are going to be paying attention."

So I would hope that the media would stop playing it up as though the courts will want to do any particular thing; that all of a sudden our rating is bad, it is going to be bad, it's not going to have a high approval. I just want to say that, because, once again, I'm watching the headlines, and the press is real good at distorting what is being said. That's what happened this election. We didn't get a chance to -- and we didn't get enough help from special interests -- to tell the people what these things meant. I know that someone who didn't like these kinds of things foresaw the possibility that the public would react, without full information one way, and they

should have helped us leverage the information, if it was to their good.

So, the Chamber, to me, is necessary; the corporations are necessary; but I'm going to help working people and poor people. We have to have boundaries, but I really think we are going to have to start over, and I think the impact of 1992 is not going to be great. I think the decision makers, and I'm going to be one of them, are going to have to be objective, and have to retain their integrity and a commitment to doing the right things, as we move into the next budget. I don't think my position will be a whole lot different than it was when we did this budget. I just hope that we manage to do the right things this time, that all of the special interests help us tell the public, not part of what's going on, but the whole story.

I also hope that if we do the wrong things, that the same folks go and tell the people about those things. That's why I'm totally opposed to I&R, because what happens is that special interests and money folks, traditionally, dupe poor people and nonspecial interests, and only part of the information gets out. This Legislature, we only get, roughly, 5000 stamps a year, but yet we have to represent 80,000 voters, in terms of communication, 200,000 people. Then the people say, "I don't hear from you." If we go to increase the stamp allocation to at least tell people what we are doing, the same special interests come in and say, "Why are you increasing your stamps? That's a perk." That's not a perk, to communicate.

So, we're kind of in a catch-22, Mr. Chairman. I just want to continue to articulate my dissatisfaction, not with people I represent in general, but with people throughout the State who allege to represent people whom we represent, with these special interests.

SENATOR WEISS: Thank you very much, Senator Rice. Senator Menendez, and then Senator Lipman.

SENATOR MENENDEZ: Thank you, Mr. Chairman.

Mr. Morford, I'm confused with the Chamber's position, as I am confused that my Republican colleagues are not here today on one of the most important issues that has been debated for the past two years in New Jersey, and their absence, for whatever their position might be-- But let me ask you: Is it fair to say that the Chamber was not in favor of the taxes that were passed back in 1990?

MR. MORFORD: That would not be correct in total, Senator.

SENATOR MENENDEZ: Could you then tell me, which taxes the Chamber was in favor of, and testified to at that time?

MR. MORFORD: The Chamber recognized and communicated to the Legislature its clear recognition that the State needed to meet its budget obligations -- additional revenues. We expressed concern about the impact of the telecommunications tax on one of the strongest areas of economic growth that the State had been experiencing in recent years -- the telecommunications industry. We felt that that increase might be ill-advised; it might have a negative impact effect on that segment of the economy.

We expressed concern about the haste with which the Legislature was moving to address the court decision on education with the accompanying higher income tax to fund the QEA. We expressed concerns about the Legislature moving that hastily. Indeed, our counsel was that the Legislature should take more time to more carefully plan the Quality Education Act.

Perhaps -- maybe not effectively, but perhaps -- by our not speaking in opposition to the other taxes, we assumed, with the expression that we recognized the need for other revenues, that we were not, in fact, opposing those other taxes.

SENATOR MENENDEZ: Is it fair to say-- Let me narrow the question: Is it fair to say that the Chamber did not come forward and support any specific tax program?

MR. MORFORD: It's relatively unusual for the business community to come forward and enthusiastically embrace increased taxes and increased government spending.

SENATOR MENENDEZ: But if you recognize the need for revenues, is it not intellectually dishonest to say that you are going to recognize the need for revenues but not, in fact, seek some form of funding that revenue?

MR. MORFORD: Senator, we said at that time that we recognized the need for increased funding to meet the budgetary obligations of the State.

SENATOR MENENDEZ: But you didn't support a specific revenue.

MR. MORFORD: We were concerned about the impact-- You know, as close as we went to opposition to the proposal was our concern about the telecommunications tax and the truck tax.

SENATOR MENENDEZ: Okay. You had concerns against a certain tax, and I understand that.

MR. MORFORD: We had concerns against certain taxes.

SENATOR MENENDEZ: Telecommunications and truck taxes. You also say you recognized that the State needed extra revenues, yet you did not -- meaning the Chamber -- you did not come forth and support any specific taxes, those which would be fair and equitable for meeting those resources that would be--

MR. MORFORD: But by not opposing them, Senator, it was a recognition that those taxes were needed.

SENATOR MENENDEZ: Let me ask you: You sent to all of us a business climate survey done in -- I guess done in '90, and sent to us in '91. Do you recall that?

MR. MORFORD: Yes, I do. I don't have a copy of it with me.

SENATOR MENENDEZ: Okay. This is a survey done, primarily, of your membership. Is that not so?

MR. MORFORD: Yes.

SENATOR MENENDEZ: And the positions the Chamber takes are basically, for the most part I would assume, the positions of its members?

MR. MORFORD: We try to reflect the philosophy and position of our members.

SENATOR MENENDEZ: Your introduction says that the survey was mailed to over 3000 people, and nearly 500 business leaders responded to it, and you talk about some of the issues. It says here -- and I'm going to quote directly-- I hope you trust me that I am reading it correctly. I'll be happy to show it to you.

MR. MORFORD: I certainly will.

SENATOR MENENDEZ: It says, "New Jersey State government has been receiving considerable attention for its approach to vital public policy issues, and it should come as no surprise that an overwhelming 74% of the respondents cited State and local taxation as the most significant issue facing Governor Florio." It goes on to say, "The survey disclosed that a close relationship exists between the policies' impact on New Jersey's economy and its citizens. Higher personal income taxes, increased sales taxes, and revisions in the school aid formula are seen as having a negative impact on both the individual and the State's overall economy."

Now, if that is a reflection of your membership, and seeing that you took no positive position on any of the other taxes, except you took a negative position on the telecommunications and the truck taxes, what, in God's name, were you in favor of?

MR. MORFORD: We recognized that the Legislature, the Joint Appropriations Committee, and the administration were faced with a very serious problem of meeting revenue obligations and its obligation to enact a balanced budget. Whether the membership specifically directed -- which it did not -- the Chamber, through its elected board which sets the



policy, to specifically support or oppose a given tax program -- which it did not -- is not necessarily reflected in a general survey of the membership, which expressed what I think anyone would expect a business community to express; that higher taxes on personal income affect business decision-makers; that increased taxes on sales affect the economic climate -- the retail climate -- of the State. I don't think there are any surprises or really even inconsistencies in those findings.

SENATOR MENENDEZ: No, I agree with you. My very point is the one you just made; that is, that really, I think that it is unfair to the Legislature and the general public to come here and say that you realize that there was a need for revenues, and yet have your membership espouse that which basically the Chamber espoused by not taking a position on any of the appropriate revenue sources; and that is that you say that you are against certain things, all right, and you fail to say what you are for. In failing to do so you're really, I believe -- and I don't mean this personally, you're here as a representative of your organization -- you're really not being forthright in terms of what the Chamber's position on what taxes-- Nobody wants to say, Mr. Morford, whether it be the Chamber, or the BIA, or anybody else-- No one wants to say what it is that, in fact, we are for as it relates to taxes -- revenue raisers -- however, you want to sugarcoat it -- and what it is that we are not; and what it is that we are willing to pay for, and what it is that we are not. That's why I have a little difficulty understanding the Chamber's position, which is basically, as I understand it to be, "Don't sunset these taxes."

MR. MORFORD: The Chamber's position--

SENATOR MENENDEZ: That's different than your original position.

MR. MORFORD: Senator, the Chamber's position on not sunseting the taxes, or the departing Majority adopting a scorched earth policy, is because to do that--

SENATOR WEISS: If I may interupt for a moment? You keep using, Mr. Morford, a term, "scorched earth policy." Now, having seen some of those, and having been through some of those, I would indicate to you that a softer term would be much better. There's a decision left in this thing. There is no scorched earth being left. The scorched earth may be already here in New Jersey, but we're not the ones that are doing it. We're just trying to do the best we can under very, very dire circumstances. So, don't make the allegation before it happens, sir.

MR. MORFORD: Thank you, Senator. That is truly what we would hope would not happen. We are asking the Legislature to act with all deliberate caution in considering sunseting -- not repeal, but sunseting -- but the effect is the same, undeniably, I think.

SENATOR WEISS: No, the effect is not the same.

MR. MORFORD: The effect is the same that the Legislature would have to take some positive action to continue, in effect, or to continue the taxes that are now in place, the specific ones being addressed by this hearing. Without that positive action, those taxes would cease to exist, if I read the sunset provision correctly.

SENATOR MENENDEZ: Mr. Chairman, through you--

SENATOR WEISS: Thank you.

SENATOR MENENDEZ: I just have two or three more questions, if I may?

SENATOR WEISS: You may, but would you be kind enough to speed it up?

SENATOR MENENDEZ: Sure, okay.

SENATOR WEISS: Thank you.

SENATOR MENENDEZ: One is, let me just get what the Chamber is saying. I just heard you say you want us to look with considerate deliberation. Are you -- the Chamber -- or are you not in favor of sunseting these taxes?

MR. MORFORD: We are not in favor of these taxes being sunsetted. Please do not confuse that with being an endorsement of any one or all of the particular taxes. Our specific concern addresses the effect the sunset has on the perception of New Jersey by the people who make the decisions whether or not to locate, or continue businesses in New Jersey, with respect to economic climate, fiscal stability, and tax reliability.

SENATOR MENENDEZ: All right. Now, having heard that, let me just ask you this: First of all, as I read your own membership, they would say that it would enhance business attractions in New Jersey. We might disagree with that, but as I read the climate and the survey, they believe that it would enhance it.

But, isn't it a fact that every new budget is an opportunity to consider what stays and what goes; what lives and what dies; what is sunset and what is repeal; that that is each and every opportunity? It is a new time for the Legislature to determine what its priorities are, what it will spend money on, how it will spend money on it, and where those resources will go. In doing so, I would assume that the Chamber is taking the position that the new Majority will not be responsible.

If you are concerned about tax stability, if you are concerned about predictability, then I would assume that what you are saying inherently is that the new Legislature convening on January 14 would not maybe be as responsible, because, in fact, there is no chaos if they go ahead and reintroduce all the taxes; reintroduce some of them and cut the appropriate amounts out of whatever it is they are going to cut in order to

seek the reductions. Isn't that what you are driving to a conclusion on before, in fact, it happens?

MR. MORFORD: Senator, precisely. Each budget process, each budget year, with the constitutional requirement for a balanced budget, offers the Legislature a new and unique and individual opportunity to address revenue and spending policies. The proposal before you today is remarkable in its uniqueness. Perhaps no Legislature since 1967 has been turned around in such a wholesale fashion, and maybe few members are in the Legislature today that were here in 1967 when it turned around, and therefore this becomes a very unique experience.

It does happen from time to time in politics; waves sweep. But it is a very unusual procedure for the Majority -- the departing Majority, as it were -- or an Appropriations Committee, to take the step of such a substantial sunset of revenue-producing legislation at this juncture, at this time. It is a very unusual step; it is a very dramatic step, and we think it will have negative impacts on our economy. Therefore, we urge you to use the greatest of caution.

SENATOR MENENDEZ: Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much. Senator Lipman?

SENATOR LIPMAN: Mr. Morford?

MR. MORFORD: Yes, Senator?

SENATOR LIPMAN: I just have a short question, because I was confused about your "scorched earth" expression. It sort of grated on my nerves a little bit. However, you make repealing and sunseting this revenue legislation synonymous. They are not synonymous. Repealing can take place right away. sunset is putting a date on it, in which the new Legislature will have the time to figure out what it is, what kind of budget they want, the revenues they want to put on the State.

You also indicated that you have been watching the business community and watching with some uncertainty the bond rating -- the bond companies -- and what they will think of

us. You are trying to give me the impression, perhaps, that our bond rating is going to fade overnight, Mr. Morford? This is a sunset, not a repeal, but you are saying that the bond rating is going to disappear overnight in this State. Is that what you're saying?

MR. MORFORD: Senator, no, that is not what I said; it is not what I suggested. I think it has been clearly evident in the press over the weekend -- the latter part of the week -- that the bond houses are concerned. They have been concerned about New Jersey's tax climate. We came through a very difficult budget period last year, with one house putting us on watch, and one downgrading to AA. We still have a very good bond rating in New Jersey. We would hope that that would continue.

It has been expressed by representatives of the bond houses that, in fact, if the State sunsets, which would require a specific action-- Senator, I'm sorry. I am very thick. I haven't been around here, I guess, long enough to understand all of the nuances of legislative language. You can repeal with a date certain, sometime in the future. Okay? Repeal does not have to be the instant that the legislation is signed. You can repeal these tax laws effective July 1, 1992.

SENATOR LIPMAN: Yes, but sunset is--

MR. MORFORD: You can also sunset the tax law effective June 30, 1992. The effect of the actions are identical, in that the next Legislature would have to take some action specific, to continue either in the same or some modified versions, this tax package, if it is addressed by a sunset or repeal. So the effect, Senator, in our view, is exactly the same.

SENATOR LIPMAN: Would be the same. I just said that. But we are explaining, in a better manner, to the public now, that we are not taking rapid action, which we are accused of having done with the \$2.8 billion tax package. We are

saying that we are putting a date in the future, so that the new Legislature will have time to consider what it is going to do. That is just not right with you?

MR. MORFORD: Oh, yes, and that clearly -- clearly -- is a step far more responsible than if you voted to repeal the taxes effective January 1, obviously. No one on this panel, I would suspect, would want to throw the State into that kind of chaos.

But, the effect of the date certain repeal, or the sunset with date certain repeal-- The effect is the same.

SENATOR LIPMAN: Yes.

SENATOR WEISS: Are you through, Senator?

SENATOR LIPMAN: Yes, I'm through.

SENATOR WEISS: Are there any further questions for Mr. Morford?

SENATOR MENENDEZ: I have one more, if I may, and I promise just one.

SENATOR WEISS: Yeah, you promise one, but make it a short one, please, Senator.

SENATOR MENENDEZ: I will. Are you afraid -- not you, Mr. Morford, but you, the Chamber -- what the next Legislature will do? Could it be worse, if we think it was-- Could it be worse?

SENATOR MENENDEZ: Who was it who said, "No man's life and property are safe when the Legislature, or Congress is in session"?

SENATOR MENENDEZ: So you do think it could be worse?

MR. MORFORD: I think we always have a healthy concern and caution, no matter what Legislature is meeting when. That is why we try to stay here and keep an eye on it.

SENATOR MENENDEZ: You might be concerned that they would do corporate taxes greater, versus personal taxes?

MR. MORFORD: The corporate taxes are really not so much the issue. As a matter of fact, the corporate tax

probably wouldn't serve the need of providing sufficient revenues fast enough. Possibly that was one of the reasons the corporate tax wasn't included in some of the last discussions.

What we have a healthy concern about what the next Legislature is going to do -- our concern as it relates to the issue before this panel at this moment -- is the perception of stability and the fiscal climate that is represented in the State of New Jersey.

SENATOR MENENDEZ: Thank you.

SENATOR WEISS: Thank you very much, Senator.

Mr. Morford, I was here when all the debate was going on at the inception of all of these taxes, and I received many calls from many people in the business community, and, as a matter of fact, from the Chamber about their vehement objection to these taxes. So the question I would have for you is, when is good good, and when is bad bad? Is it a matter of what side you are on? Is it a matter of the thought that is going through your head at the time? The debate leaves a lot to be desired, because I can't establish a date of when good is good and bad is bad.

I don't want to make it political, but I think good is good and bad is bad started sometime about midnight -- midnight, no, about 11:00 on November 5, and suddenly it flipped. However, I didn't want to say that because with me they would say it is "sour grapes." But believe me, it is not sour grapes. I can find bigger and better things to do. I just don't like fast switches. That I never approved of in the almost 12 years that I have chaired this Committee, and I am seeing a lot of fast switches these days.

MR. MORFORD: But, Senator, I think that's-- Excuse me?

SENATOR WEISS: Yes, sir?

MR. MORFORD: I think that is part of what maybe has caused some of the dilemma with some of your colleagues on the

panel with my testimony, because we have not been lockstepped for or against. We have tried to craft responsible positions on issues as they relate to the current fiscal climate of the State.

SENATOR WEISS: Right. I am not going to carry this too much further because there are a lot of others to go. I just thought I would lay that on the table, Mr. Morford, so you and I at least would understand one another.

MR. MORFORD: And I do. I appreciate your indulgence, Senator, and we thank you.

SENATOR WEISS: Thank you. Mr. Coe? Good morning, Mr. Coe.

B R U C E C O E: Senator Weiss, good morning to you.

SENATOR WEISS: This is the second call for you.

MR. COE: I apologize. My comments are really very brief. They really relate to information you may have read about, but it is kind of the state of the economy and the state of the psychology of the business community and, perhaps, consumers.

I was surprised by the results of our survey of our 13,000 members. This was done in October -- the middle of October. It was done prior to the elections. I was surprised at how dramatically improved their spirits were over the survey a year ago, particularly the fact that 19% planned to make new capital investments over the next six months, up from only 6% a year ago; and particularly the fact that 19% planned to add employees, and only 15% planned to decrease employment. These were dramatically better figures than October a year ago.

I think capitalism, which we all know is cyclical, and perhaps we all knew a few years ago that we couldn't afford to buy the house we lived in at what it was allegedly worth-- Maybe we knew it was too high, and maybe the reaction the economy had, to some extent, is the way things work.



The concern I have at this moment, as it relates to taxes, is, if there is one thing that typically concerns people, it is uncertainty; uncertainty. Will I have a job tomorrow? Will my spouse have a job tomorrow? Will my business expand over the next few months? Should I make a capital investment now, or should I wait to see what happens? Should I buy that automobile now, or should I wait for six more months, or 12 more months? I think tax policy has a significant impact on that, and I think that tax policy, at this moment in time, should not be changed. By "not changed" I mean, it is clear--

Senator Weiss, I think you have always had a fairly good crystal ball as to what the state of the State budget was over the next six months, and the next 12 months. I remember back on July 1 of '88, with a billion dollar surplus in the State account, we were still talking about the need for a meaningful rainy day fund to handle the downturns that periodically come. I think we all know that in the year beginning July 1, the State is going to have significant fiscal problems, and I don't know the answers right now. They have to be spelled out by you over the next six months.

But at this time, I would like to urge you not to change the tax program that was put into place, which is not to say that I don't understand your motivations and concerns about what the people said. I just think it would add a significant element of uncertainty to have every businessperson in the State, every school board, everybody wondering, "Well, what is going to happen with this, now, \$3.5 billion deficit?" I think the deficit will be big enough, without compounding it.

That concludes my testimony, Senator.

SENATOR WEISS: Thank you very much, Mr. Coe. I'm sure there must be some questions for you. Well, let me start with Senator Rand.

SENATOR RAND: Good morning, Mr. Coe.

MR. COE: Good morning, Senator Rand.

SENATOR RAND: I guess we have known each other for a lot of years.

MR. COE: A lot of years.

SENATOR RAND: I come from the business sector. I recognize it. I have worked with you. I am going to ask you the same question that I asked Mr. Morford: What makes it so right today and so wrong one year ago? What makes public policy at one point totally wrong? I spoke to the business community; oh, did I speak to them, one after the other. I have friends in the corporate sector. I have friends in business. One after the other, they really tore me -- and I won't use the expletive-- But I can assure you that they gave -- your members-- What makes it wrong -- that public policy was so wrong then, Mr. Coe, and it is so right now?

And, of course, let me say this: I hope you are correct with your optimism. I am not optimistic, very frankly, about the economy when I see this U.S. work force just bludgeoned by layoff notices. Maybe you know a little bit more of the secret than I do. I wish I were as optimistic as you. I am usually a pretty optimistic fellow, but I haven't been optimistic for a couple of years now.

Why tell me, all of a sudden-- I remember a cigarette ad, "I would rather switch--" (sic) I remember that. I don't recall exactly what brand it was. Why the switch now, sir, against the position taken 15 or 16 months ago?

MR. COE: Well, when you are looking at me, you are not looking at a big switch.

SENATOR RAND: No, no, I am talking about Business and Industry, Mr. Coe. I am not using "you" personally, in any way.

MR. COE: Richard Paletti (phonetic spelling) and I were speculating over why it was that certain wards in Trenton that were the biggest net winners of a tax reform package in the sense of higher Homestead Rebates, lower property taxes, not

paying an income tax-- Why do they vote the other way? Was it because they didn't want to be net winners on tax issues, or was it because they never understood the crisis, and maybe it gets into arrogant personalities; psychology? Maybe it wasn't as fundamentally taxes as it was other things.

In terms of the business community, this survey, again, was done in October, so it is not me speaking, it is 3000 business owners who responded. They listed their biggest concerns right now, and health care costs were their number one concern. Regulations were their number two concern. Taxes were their number three concern. It is that element of taxes which was of great concern, I think, a year-and-a-half ago, or a year ago. I think the concern about what will tax policy be adds a huge element of uncertainty to any business decision maker over the next six months, should you repeal the tax program.

SENATOR RAND: Mr. Coe, again, I am trying to fathom in my mind -- and it is very, very difficult, I have to tell you this-- I don't expect you to go out and push for Senator Rand, but what I do expect from the lobbying groups, or from any group -- from any group -- if public policy is good at a particular point, then shouldn't that public policy be defended, not for the people who have put that public policy in, but for the public policy itself? If it is wrong then, what makes it right today? I can't seem to get that through my head.

MR. COE: I am not here to advocate that all the programs that were once paid for by property taxes and were shifted over to the State should be shifted back to property taxes. It wasn't that long ago we had the SLERP study, which showed that New Jersey was the third highest State most dependent upon property taxes. I think that was a problem which the legislation that you did pass did address.

I don't think you should feel ashamed of that policy. I think you should feel good about it.

SENATOR RAND: Oh, I am not ashamed, I can guarantee you. I am not ashamed of anything I have done. I ran on that platform. I am not ashamed. What disturbs me is that people are asking me -- calls all weekend -- the same people who were against public policy last June, the same exact people, and I won't go through the list of what professions, what groups, and so forth and so on, what businesses-- They sang a different song to me over the last 72 hours. I can't for the life of me comprehend what made it so bad then and makes it so good today.

MR. COE: I am not an expert on public mass psychology.

SENATOR RAND: By the way, I have asked the newspapers, some of the same people you spoke to-- I have asked them this, so I am not asking a new question. I don't understand where Business and Industry looked at certain things disparagingly last year -- and they did -- and today you are representing to me that Business and Industry -- the vast majority of its members -- want us to hold the line right now as it is. That is very difficult for me to comprehend, Mr. Coe.

Thank you, Senator Weiss.

SENATOR WEISS: Thank you very much, Senator Rand. I guess, Bruce, there is just one thing: There is no intention in this Committee to repeal any law. The intention in this Committee is to sunset it. It will have the-- They are quite different. I explained it before. You probably didn't hear me because, of course, you weren't here, and I don't shout that loud. Nevertheless, the word is "sunset." It is not "repeal."

MR. COE: Well, whether it is sunset or repeal, I think it still raises a huge element of uncertainty, which will be reflected in the economy. I don't think it will be good for the economy.

SENATOR WEISS: Well, I agree that it may put up some uncertainty. It may raise the flag of uncertainty, but then "nothing in life is certain."

MR. COE: That's true.

SENATOR WEISS: There are no guarantees.

MR. COE: What is the rest of that phrase -- "except for death and taxes"?

SENATOR WEISS: I can't recall the rest of the quote. I wish I could. I would give a million dollars to be able to do it right now. I don't think we have a million left.

I have Senator Menendez and Senator Rice.

SENATOR RICE: I don't have anything.

SENATOR WEISS: Oh, you don't have anything?

SENATOR RICE: No, just correcting you on uncertainty. Death.

SENATOR WEISS: Oh, the only certain thing-- There is no uncertainty. Sooner or later it will happen. Okay.

Senator Menendez?

SENATOR MENENDEZ: Thank you, Mr. Chairman. Mr. Coe, the questions I am going to ask you -- just so I don't have to keep saying it -- are not to you personally. Obviously, they are to the organization that you are here representing today. I know the work you did with SLERP, so I assume you are in favor--

SENATOR LIPMAN: Yeah, he did.

SENATOR MENENDEZ: --of those things you voted on in the report.

SENATOR WEISS: Would you please be kind enough to use the microphone?

SENATOR MENENDEZ: Sure. I was saying that the questions I am going to be asking Mr. Coe are not to him, obviously, as a person, but to the organization he represents. I know the work he did in SLERP, and I assume he supports those things that the Commission voted out on.

But, as a representative of your organization -- just to refresh my recollection -- is it fair to say that the BIA

was not here in support of the tax package that was passed two years ago?

MR. COE: I spent a long time with Doug Berman in March of last year, and I told him what I thought were the good things about the package and what I thought were the shortfalls. But it is true that we were not here before the Legislature.

SENATOR MENENDEZ: Now, you say-- Your comment, if I have it correctly, was that you are concerned -- your organization is concerned -- about uncertainty with the tax structure, and that tax policy in this moment in time should not be reduced. So that is not to say, then, that it should not be changed. That is not to say that in another moment in time you wouldn't take the position that they should be changed?

MR. COE: True.

SENATOR MENENDEZ: Okay. Let me ask you this: With reference-- Does the Association take the same position as to that which has been espoused by my colleagues on the other side of the aisle, which is that the sales tax should be reduced by 1%?

MR. COE: I think it is absolutely certain that they plan to reduce the sales tax by 1%.

SENATOR MENENDEZ: That is not what I asked you.

MR. COE: Well, let me finish.

SENATOR MENENDEZ: Okay.

MR. COE: The question is, what does that mean for the State budget effective July 1 of next year? We would like to see the answer to that. We would like to see where the expenditure cuts are planned to occur, and we would like to see what other revenue sources are going to be there to balance it, before endorsing a reduction in the sales tax.

SENATOR MENENDEZ: But we are practically at the same moment in time. I mean, you know, the difference between a month more or less-- I have heard the new leadership of both

Houses of the Legislature say that the one thing for sure that they will do is reduce a penny on the sales tax.

Now, certainly one month is not a major change in a moment in time where the BIA would have a different position. If your concern is uncertainty in the taxing structure and the potential shortfalls to the State, isn't such a reduction equally an uncertain move?

MR. COE: I mentioned earlier the business expectations for the next six months. It is amazing how elastic our sales tax is, but it is also cyclical. In other words, in a down-cycle when people are not buying automobiles, homes, home furnishings, etc., that has an enormous impact on the sales tax receipts. If that psychology were to change, and I personally think it's likely to in 1992, that could have a magnificent impact on State tax revenues from existing tax levels, and possibly could lead to a balanced budget -- possibly -- in the year beginning July 1. That's not my current projection. My current projection is, if you don't change taxes at all we're already stuck with a \$500 million, \$600 million, \$700 million deficit in the year beginning July 1.

Obviously, a cut that might eliminate \$590 million, in the absence of no change in the economy, would generate a deficit in the year beginning July 1 of \$1.2 billion, \$1.3 billion, \$1.4 billion. In that kind of an environment, I don't think one could support a tax cut, if that were to be the case. But I don't know what December tax receipts were. I don't think they're going to be ahead of budget, and I don't know what's going to happen over the next three or four months, and I don't think the new budget is going to be put to bed until May, June of 1992. And I'd rather wait before making significant tax changes.

SENATOR WEISS: June 29.

MR. COE: June 29, right.

SENATOR MENENDEZ: Through you, Mr. Chairman. What I hear you saying is that maybe we will carve out an exception as to a reduction of the sales tax, maybe--

MR. COE: Maybe.

SENATOR MENENDEZ: --depending upon December. Could December's revenue be that great--

MR. COE: No.

SENATOR MENENDEZ: --that you can't now, with certainty, forecast that such a reduction would be equally something that shouldn't be changed? It would be such an uncertainty that it wouldn't--

MR. COE: No, December is not that critical. My forecast right now is that, if nothing changes from what I see happening -- that's me personally -- we are going to have the deficits I talked about. I think to come up with \$6 million, \$7 million, or \$8 million in cuts to have a balanced budget is going to be an exercise--

SENATOR WEISS: In futility.

MR. COE: --that will be very, very difficult for all of us, and I think to compound that with an additional sales tax cut would make it near mission impossible. We could do things like eliminate all Homestead Rebates, cut funding to education, cut a whole lot of programs, and those kinds of cuts -- in terms of the general budget, as you all know -- are going on right now.

SENATOR MENENDEZ: Mr. Chairman, through you. Listening to your testimony now, isn't it certain that we're going to have uncertainty in the next budgetary process even if we do not sunset these taxes?

MR. COE: Yes, but I think-- What I'm here to say is that when you're talking about the uncertainty associated with \$3.5 billion, you're talking about a lot of people that are going to make a lot of decisions whether to buy, whether to invest, or whether to move forward, that probably might say,



"Gee, with this much uncertainty maybe I should wait," and that's not healthy for the economy.

SENATOR MENENDEZ: Well, certainly, there are some difficult decisions to make, regardless of what this present Legislature does, for the next budget. It will be a lot of uncertainty. Whether it is further enhanced by the new majority reducing a penny on the sales tax, or whether it's somewhat enhanced in terms of a public debate, if this present Legislature sunsets these, at the end of June 30 there will be uncertainty. And my view of it is that the sunset doesn't jeopardize the state's fiscal condition. What it does is-- If you want certainty then what we are precipitating is knowing what the new majority stands for -- what will be the fiscal policy of the State, not only for this coming year but probably as the gateway to the next century -- and in doing so it would seem to me that you will have in a six-and-a-half-month period, an opportunity to know with certainty what is the taxing structure that the new majority stands for?

MR. COE: I agree.

SENATOR MENENDEZ: If we see changes along the way, little by little, you'll never have that degree of certainty. And it would seem to me that what we have here is an opportunity to go ahead and know with certainty -- within a time certain, less than six months, probably maybe even less -- what the new majority stands for, what will be the tax structure, what programs are we going to have, what programs are we not going to have, and how are we going to pay for them.

Maybe there's a better structure. Maybe they have a better way of taxing. Maybe they have some cuts we haven't thought about. Maybe their philosophy will be different.

SENATOR LIPMAN: No doubt about that.

SENATOR MENENDEZ: But by precipitating this, at the end of June 30 -- which we'd have to know, generally, even if we do nothing -- if there are greater revenue needs there

either has to be a greater revenue source or there has to be cuts. So, it seems to me that the uncertainty, which seems to be the cornerstone of your testimony, is going to be there to a great degree anyhow. And if anything, in a six month period, given this policy which I think is good public policy because we have one that the public hasn't accepted -- hasn't bought into -- and without a public policy that has virtually no public acceptance there is no foundation.

Without a foundation you can't build on future tax policy. So, in doing so we will have in six months certain, something that the business community and all citizens of New Jersey will know, good or bad, this is the way we're heading. I think that maybe you should rethink your position.

MR. COE: I agree with your summary that the issue is a good public policy and we might differ on that.

SENATOR MENENDEZ: Thank you, Mr. Chairman.

SENATOR WEISS: Senator Rice?

SENATOR RICE: Yes. Mr. Coe, how are you doing? I just want to ask a couple of questions because I'm a little confused and it really started the other day in Committee with other issues. I've been very fortunate, really, as destitute as I am. I've managed to travel, in the course of participation in activities, trying to help people, and I'm still trying to find a state that I've traveled to where New Jersey sales tax, even at 7%, was not better than all of those states I've gone to, whether it's Virginia, California, or New York. I was out in Texas, etc.

I'm not saying we should concentrate on increasing sales tax, but I think if there's a flexible and fair tax we won't tax everything with it. So, I would just like to know, do you travel much and have you made the same observations? That's one question. Because if, in fact, we have, do we know what government has to do?

I think that the more serious question is how much do New Jerseyans, particularly people in your position -- meaning those who you represent -- with the life experience, academic experience, and the intellectual abilities, really know about government at any level? And the question I'm going to raise is attached to that, is whether or not you know, for government to service the people, where do our dollars come from? Can you answer that?

MR. COE: They come from the people.

SENATOR RICE: In the form of taxes. Is that correct?

MR. COE: Correct.

SENATOR RICE: So, we have choices to make in government that are difficult. We've got to concentrate on a tax or a multitude of taxes in order to put the resources together to meet the public demand. Is that correct?

MR. COE: That's correct.

SENATOR RICE: Which means that, traditionally, we have to look at property taxes, sales tax, or income tax. Is that correct?

MR. COE: Absolutely.

SENATOR RICE: And try to strike a balance where we are not overburdened.

MR. COE: Absolutely.

SENATOR RICE: Then, it seems to me that the past Legislature looked at those things and we came up with a budget. It seems to me that the new Legislature will have to do the same things and look at those resources, those areas, and be responsible in terms of striking a budget. I guess the question is, and maybe it's something I did not read in the law, or maybe it's something about the Constitution -- through my quick review of the State Constitution -- that I missed, and I have to ask my Chairman because he's a very wise person-- Mr. Chairman, I just want to know that if, in fact, we sunset all of these present revenue generators, can the new

Legislature, without changing anything, put the same revenue sources back at the same level?

SENATOR WEISS: They could continue them. No problem at all.

SENATOR RICE: Then I'm still confused about the fears and uncertainties that exist in peoples' minds. We are decision makers and we have to make those decisions, and I just wanted to make sure that there was a source that industry may have been aware of that I wasn't aware. But we all agree that someplace across the board, whether it's the past Legislature, or this present one, or any future one, we're going to have to look at taxes.

So, actually, to say we're not going to raise taxes, when we have deficits, to offset budgets-- I would assume that those who said those things are really kidding themselves or "BS"-ing the public more or less. And if that's true then we need to start over, because once again the message is always distorted when it goes to the public. I think that by sunsetting we give the public, who understands a little bit better now what took place this year and how government operates, more of an opportunity to pay attention and to really learn this process of government and revenue generating sources.

Let me end by saying that there are some things that are certain, I don't like. One thing that's certain is, we get criticized in my district by special interest, and people throughout the State. And I heard the first speaker loud and clear, and I was right in terms of the perception of who I am, what I am, and who I represent. But it's certain that the corporate industry in the City of Newark, the majority of the corporate workers -- PSE&G, New Jersey Bell, Mutual Benefit, Blue Shield, Blue Cross -- do not live in that city, but they are the people who are paying the most in terms of trying to keep programs going. So, certainly they want tax relief, and they want property tax relief more than anything else.

It's also certain that those same industries that are housed in my city are paying 1% payroll taxes above all of the other taxes, and there are some who think we should do another payroll tax statewide, which means that my city winds up with 2% payroll tax which is going to have an impact on the same people we tried to balance through this budget in terms of providing and helping the poor, and that's certain.

It is also certain that the hotel industry in my city that provides jobs to most of the folks who don't live in my city, and those who come there don't live in my city, have a 6% room tax and a head tax. And there has been talk in the past about doing a 6% head tax statewide which would mean my city would have unfair competition because we have to compete at 12% when there are municipalities that don't. Those things are certain. So, when we have to go to taxes, I can't strike taxes in other areas when there is unfairness and we can measure certainty.

So, I just wanted to be sure that we were on the same wavelength, and I want the public to be clear that the only way this Legislative body can work, or the new Legislature, is increasing taxes someplace. Can we look at management and cutbacks? Yes. But I have yet to see corporate America, I've yet to see all these special interests -- Hands Across New Jersey, and the rest -- and I'm going to continue to say it -- to go into a UMDNJ, to go into a United Hospital, or any other institution, and help me purge the white-collar crime, if you know what I'm talking about.

I've yet to see them go into school boards like mine, when they read in the paper how we're fighting like hell to get things back on system, and help me purge the system of the misspending and all of the kinds of things that take place; some is white-collar crime in other locations throughout the State. So, I think if we're going to talk about saving moneys and identifying dollars to save the taxpayers money, then we

should be about the business of purging not just government of its representative body, when there are those who are trying to do the right things, but those individuals who are also appointed, those in corporate America, who are constantly in the same boat as some legislators when it comes to mismanagement, that we have to keep in.

I just want to say that we have to look at the thing objectively, not in a bias scenario where only legislators or government people who are trying to do a job, both with integrity, continuously get hurt. So, thank you Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Rice. Senator Lipman, a question?

SENATOR LIPMAN: Yes. Mr. Coe, I understand that most of the businesses in the State have felt the effects, somewhat, of this recession, yet you said in your presentation that you were surprised during your survey in October, about how optimistic some of the businesses had been. What percentage then of the businesses in this State, including the approximately 84 new businesses that have come to the State since we had the taxes, would you say was satisfied with the present tax structure?

MR. COE: What percentage are satisfied with the present tax structure was not, Senator, one of the questions we had on our survey. So, I don't try--

SENATOR LIPMAN: You're at liberty to answer it you know.

MR. COE: My surprise was, I wasn't nearly as optimistic about the future as the survey was. But when you think about corporate America and you think about the New Jersey business community, don't make the mistake of thinking of Prudential, AT&T, Merck, J&J -- perhaps wonderful, good, companies that they might be. The people that created all of the net gain and new jobs in the '80s -- remember we went from

3.1 million to 3.8 million -- were small and middle-size businesses.

If you took the 100 largest corporations in New Jersey and said, "How much did they, in the aggregate, increase their employment in the 1980s," the answer is zero. And if you want my predictions to what they're going to do in the 1990s the answer is zero, maybe fewer. How to do more with fewer people is the name of the game with large companies. So, 58% of our respondents employ 20 or fewer people, and that's the economy in the business community I think you should think of in addressing issues, and what impact psychologically will this have on them, and what's good public policy for the people and for small business. I'd approach it from that standpoint.

SENATOR LIPMAN: Yet, nevertheless, we had new businesses moving in, so there must have been some certainty.

MR. COE: New Jersey is a great State.

SENATOR LIPMAN: Right.

MR. COE: Let's hope more move in.

SENATOR LIPMAN: You said it.

SENATOR WEISS: Thank you, Senator Lipman. Thank you very much, Mr. Coe.

MR. COE: Thank you, Senator.

SENATOR WEISS: You should have been here earlier, it may have changed the tenure of some of the speeches before yours.

MR. COE: Okay. Thanks.

SENATOR WEISS: Mr. Marcianite?

C H A R L E S H. M A R C I A N T E: Mr. Chairman, and members of the Committee--

SENATOR WEISS: Charlie, if you use the center seat it might be better. I think the live mike is there.

MR. MARCIANTE: Okay. Larry, I come before the Committee today and it's almost like appearing before a surrealist setting. I've watched you and the Committee over

the years deal extensively with the very hard job of putting together a State budget, and I know what you went through last year and all of the years before, and I have to say that perceptionally what you're doing now is wrong, because it flies in the face of everything that's been done and everything that you stand for.

Young Steve Aduvato had a column, and I tell you-- I saw it on Sunday and I subscribed to it wholeheartedly. Perceptionally, what's being done wrong -- and it's been expressed by some of the members of the business community -- is that you're sending a signal out to the entire business community. The public is also reacting to the perceptions that you're enunciating here today.

I look around the room and it's hard for me to put together how you're even going to get a vote on this, because I'm looking at people like Senator Rand, Senator Menendez, Senator Rice, Senator Lipman, and know that they ran wholeheartedly on the entire package that you are now going to sunset.

SENATOR WEISS: So did I.

MR. MARCIANTE: Okay. I'm talking about those who are even going to be here in the future. They stood and they fought, and as you did, and the point is that while everyone was doing that, now we turn around and we say, "Look, we're not going to veto this, we're going to sunset it." Does that mean that the future of New Jersey -- and I'm purely speaking on the future of New Jersey, not politically-- Are we going to, every time we pass a tax in the future, at that point in time going to say, "Okay, whatever the new Legislature is they're going to have to do this again the following June." And if that be the case it's not stable government. It's not the kind of government that you can plan on. It's not the kind of government that you, members of the Committee, stood up and did the right thing back in June of 1990.



You know, our organization lauded the courageous stand taken by the legislators back in 1990. We still stand by it, and we also stand by the fact that we have any number of thousands of people who will be adversely affected by the perceptions that are being enunciated by the action of the Committee.

I listened to the measured talk that you made at the beginning of your presentation. I have to say to you, Mr. Chairman, that it did not ring of the sincerity for which I know you. You will hurt innocent workers. You will hurt New Jersey, and, frankly, you will be hurting your own political party. I know these are not nice things to say to such august bodies as this, but I've got to tell you how I feel in my guts and how I feel that what you're doing to this State is a wrong, wrong thing. Thank you.

SENATOR WEISS: Thank you very much, Charlie. Much of what you say is so. A lot of us -- many of us ran as Democrats. Many of us supported the tax package. I did. I'm not going to talk for anyone else. I think everyone in this room had. But I'm trying to separate that out from the current hearing. I heard what my constituents were saying. I heard, and, I think, I paid the maximum political penalty for it -- \$2.8 billion in taxes.

Now, I said, much of what you said is correct, and that's so. There were some people out there that obviously thought that part of it was right, but more thought that it was wrong. I think, and that's the reason for the sunset, that the people of the State of New Jersey have a right to ask that we revisit these taxes -- not repeal, sunset them -- so that the decisions made prior to this year -- 18 months ago -- can be reaffirmed, and that's important.

There are two sides to this issue: The ones who are vehemently against it; and the others who are vehemently for it. There doesn't seem to be a middle ground. I'd like to

see, Charlie, that middle ground established so that this State does know where it's going to go, so that we're more positive about our future financially and otherwise. That's probably the most important thing in this State now: dollars.

I know there's a deficit. You know there's a deficit. Bruce Coe, who preceded you, indicated that there is going to be a deficit. So we're all talking about the same thing. But I think that another look -- another visit -- to those taxes, or on those taxes, is very very important. As I said, I try to keep the political thing out of this, but it's very difficult, and I'm giving you this as someone who has operated in this area of the State for 12 years, and 11 years of that I was -- 14 years rather -- Chairman of this Committee.

I know what it is to put one of these budgets together. It's difficult. It's not easy. With your hands tied behind your back -- most of the time it was that way -- it's even more difficult. I want to untie those hands. I want to untie all of those things that we did. I don't want to hurt anyone. I don't think anyone could be more emotional about people being laid off in this State than I can -- anyone, even you.

That's not the purpose of this sunset. It's not to hurt anybody. It's to make it easier for those who already have 25 months of experience -- or will have it by June 30 -- to understand what really happened, not to just sit back there and say, "No, we can't have it this way and we can't have it the other way. We have to have it our way." Well, there is no our way. There is no our way for the Democrats, nor was there an our way for the Democrats, as is obvious now, and there is no our way for the Republicans. And there will be no our way for them.

The people of this State indicated loudly, and clearly. They sent the message. I heard the message. I don't know how hearing is measured in decimals. It's not in 20/20,

like eyesight, but if hearing were eyesight I heard them well. I heard them well, and I think they do want another look at them, Charlie, regardless of what you and I say to each other in this room or the members of this Committee. I think they're entitled to that. Let them get to their new legislators and ask them to take another look at it.

Every newspaper article I've read lately -- not every one, but most of them -- said that this is a bad thing to do. I don't think that it's a bad thing to do at all. I don't think it's a bad thing to do. I think another look at what was determined to be, a month ago, a month-and-a-half ago, for the last 17 months preceeding that -- a bad situation certainly does deserve another look. And for me, I'm going to afford them that other look. I think they should have it.

I think it would be unfair for me, as Chairman of this Committee now, and one who was instrumental in putting part of that package together, much of which I didn't like but had to do because of the \$600 million to \$800 million hole we had, to start with-- For me it's something that I think I have to do as a practical matter. I have to see it accomplished. I have to have those taxes looked at.

I don't know that they'll touch any one of them, but that's-- It's going to be in their infinite wisdom, not in mine. Mine, apparently, was not good enough, okay. I'm willing to concede that. I will lay it on the table. I will lay it on the table. I want everyone else to be able to look at those -- every other legislator -- taxes again and see if we did the right thing, and make the necessary adjustments, keep them intact, or to change.

Now, I won't be in an influential position in this one particular thing, after January 14 or 15 -- I don't know what date it is -- but, nevertheless, I want to give them an opportunity. I want to give them a chance that I did not have. I had to work under pressure with a group of others,

many members of this Committee, and it was really a lot of pressure.

I said I had spent sleepless nights on that thing, and that's absolutely true. And I had a tough time getting a budget out this last time, as you well know because you and I talked about it. Those are the things that should not accrue to a Chairman of this Committee, or the next Chairman. I want to make it easier for them. And it is a lot easier for them, because all they have to do is adjust, where we had to start from scratch, ground zero, as it were.

So, that's my feeling on it. What I did before with these bills, I didn't do out of spite. I'm not petulant about it. I never was. In the 12 years that I've chaired this Committee, I've never, never taken issue with anyone on their bills and held up their bills because they were not good. So, I don't have a personal reason for doing it. It's on the table. This is the way that I'd like to see it go.

As Chairman of this Committee those are the things that bother me -- the things I just expressed -- and they do bother me. I think that, again, those who follow us should be given the opportunity, should be given the opportunity, to readjust those mistakes they say we made, those mistakes that the people of the State of New Jersey also agree with or disagree with, however. But they have an open-- They have a level field, no hurdles, no encumbrances, nothing in their way. They have until June 30 to do it, and if we can do it in three months, they can do it in what can amount to 25 months. Senator Rand?

SENATOR STOCKMAN: Mr. Chairman, may I be heard?

SENATOR WEISS: May I put Gerry on next, please? He's been sitting here, and then Walter.

SENATOR STOCKMAN: I'll defer to Senator Rand, for a moment.

SENATOR RAND: Mine is a very short remark that I want to talk to Charlie personally. Charlie and I have a very personal relationship, and I owe him an explanation. I would just like to get it off my chest because I've agonized and traumatized over this, Senator Stockman.

Charlie, let me narrow it down. I happen to agree with everything Senator Weiss said, but I have a very selfish interest. I have a very personal interest. If you don't remember last June when I got up here to vote for that package-- You recall that don't you? I recall it very well, because I had no business being up here, not because I didn't want to vote for it, but healthwise I had no business being up here. But I happened to believe in it, as public policy, that it was the right public policy. Today it's the right public policy. I haven't vacillated through that.

I believed in it because it helped my district. It helped my communities for the first time in 43 years, since the founding of the Constitution of this State, and that's why I voted for two things. And if anybody thinks that I'm going to sit by while they redistribute the money, to take it away from my district who needed it for 43 years and finally got it, I'd be a madman, insane, to stand idly by and let them take that money away, in which they are going to redistribute that money. Now, if they don't, my vote will be up there. Democrat or Republican, it makes no difference to me, and I know you know one thing: You may disagree with me, but you'll never question my integrity.

My vote will be there; but I spoke to my people for the last 72 hours -- I made it my business, from Friday morning until late last night -- parades, meetings, school meetings, teachers -- yes, teachers also -- and they agreed with me 100%. If they take any of my money away it will not be because of my tax vote. It will be because of their vote, not of my vote. My vote is sacrosanct for that. And for me to surrender

that would be insane and a folly, for me to do that. That's how strongly I feel on that issue.

I'm not up here to be revengeful, or petulant, or angry, or upset. I won with the biggest majority that we've ever won with, but I'm not going to stand idly by and see my school people, and my municipalities, and my governments, Republican and Democratic, taking away money that rightfully belongs to them under QEA I and QEA II. And I gave my vote because of that. My vote is not for sale for any other reason, except to protect my 190,000 people back there.

I thought I owed you that, Charlie, and I wanted you to know that, right on the line openly. That's my position, not being angry, not being upset, not being mad, not being wanting to get even, none of those. I don't operate from wanting that. I operate what's good for public policy in this State, and I operate what's good for my constituents. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you, Senator Rand. Senator Stockman?

SENATOR STOCKMAN: Mr. Chairman, the speaker raised a question about the motives or sincerity of movement of this tax package. The longer I have been in politics, the more difficult it is to resist making judgments about people's sincerity. I don't really think trying to analyze motives in that sense, in the business of government, is very profitable. I have listened quietly and tried to gauge the sincerity of the number of speakers who have appeared before this panel today, but I put that out of my mind in terms of trying to reach good public policy.

I wanted to appear before this Committee this morning as a witness, and the Chairman -- and I do not criticize him for this -- questioned the propriety of my appearing as a witness in view of being a member. I think we have cleared

that up. We've got a ruling that I am entitled to do that, and I will appear before this Committee as a private citizen.

There have been a lot of expressions of opinion as to what this package is intended to do, or the wisdom of it. I just want to express my very real and very determined belief that this move is the wrong move at the wrong time and for the wrong reason. When I appear before the Committee, I will try to make that argument to them.

Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator.

Senators Rice, Lipman, and then Menendez. Senator Rice, just make it a little bit short.

SENATOR RICE: I am going to make it short, Mr. Chairman, as best I can, but I am like Senator Rand and I certainly concur with his remarks.

SENATOR WEISS: You go ahead. I just wanted to ask you to do that in the beginning. I can't ask you after it is over.

SENATOR RICE: Again, I really don't want anybody taking me for granted. It has been done too often. I have been a statesman-- Some folks think I can't be a politician, I guess. But let me just say, I don't know how Senator Lipman feels, or Senator Menendez--

SENATOR LIPMAN: We do.

SENATOR RICE: --but it is very easy for me to sunset this to give an opportunity to a new legislative body, which I am going to be a part of, and to continuously argue the case I have been arguing since day one as a legislator on behalf of my district, as well as the people in the State of New Jersey.

I think what offends me the most is that folks try to tell me -- with my background, my city, my current background -- that we are not pro working people, or that I am not pro working people. I think the record reflects that I am just that, but I am not a rubber stamp for any industry. Even

during this election, I can recall folks saying, "What Charlie wants, Charlie wants," and I kept saying, "Who's Charlie? You know, Charlie doesn't control Ron Rice."

The payroll tax-- I think it is unfair for people to say to do a payroll tax is in the best interest of workers, when the workers in my city happen to be working in some of those industries he brought in that already have a payroll tax. No one ever came to me and said, "Where's the balance?" So it is not difficult for me to deal with leadership which represents labor and brotherhood, and tell them that there are some instances where they have to be a little bit more considerate too. I interact with labor everyd ay in my community, my neighbors, etc., etc. So that bothers me.

The other thing is, I agree with Senator Rand. When I read the paper, before we even get the new Legislature in, and already people are talking about cutting a measly \$140 of welfare benefits, which are not enough in the first place-- Some of those welfare benefits, by the way, are going to people who used to be a part of labor, because some labor unions did not fight hard enough for them to keep their jobs. They are out there trying to survive and trying to find employment. To say that you are going to do away with that -- and we know people cannot exist off of it in the first place -- tells me that maybe we should go back to zero base. The programs that have been identified in The Newark Star-Ledger, which are up for cutting, are presently programs already affecting poor people; people who used to work who have been laid off, who we are trying to keep surviving until we can find them employment, people the unions represent. That is like saying, "If you can't make it now, we are going to throw a bone at you and give the perception that we care, when, in fact, we know you are going to die out there." My position is, you are not going to do it to the people I represent, in my district and in this State.



The other thing I want to say is, when we talk about hurting the party, or you talk about hurting the party, some labor unions and people who believe in our philosophy were never cognizant of the good things that this party and my colleagues have done over the years to help. But, I sat on the Appropriations Committee last year, and I heard some union reps come in there and scorn us about layoffs, regardless of what we tried to do to minimize those layoffs, and threaten to run someone out of office for trying to work with working people. I heard my colleagues on the Republican side saying, "I don't think they laid enough people off."

Now, understand the scenario. There were labor people there saying that regardless of how much we tried to keep the downsizing as limited as we could to keep people employed-- They were saying that they were going to run us out for trying to do that, while the new Majority party members were saying, "We don't think there are enough people going off." That was like implying, "When we get in, we will make sure we will take another hit."

So, I have some real problems with "special interests." I respect labor. I am going to work for labor. I am going to work for corporations, because without corporations to balance it, labor doesn't work.

The final thing I want to say -- because I know the Chairman told me to be short, and I have been long-winded -- is, I am tired of saving people's jobs in my city and throughout this State. The first question I ask is, "Aren't you a member of a union?" "Yes." "What has the union done?" "Well, they said they can't do anything." I am not talking about a telephone call that is political. I am talking about 20 jobs recently at UMDNJ, where legally the institution would have lost in court. How can someone tell me that labor went in and represented those folks, who happened to be 19 black

females and one black male, whose jobs, by the way, have been saved, not because of labor, but because of me?

I have a problem with where leadership comes from in some of these organizations. No disrespect to you and yours. I know there are a lot of different brotherhoods out there, and each one functions differently.

MR. MARCIANTE: That would be equal to, are you responsible for every other legislator in the State Legislature? I understand.

SENATOR RICE: Yes, that's my point. I just wanted to say that. I am going to continue to do the right thing. It is easy for Ron Rice to stay on this; to say that the 1992 budget, which is my budget-- I did my job. I'm saying in the 1993 budget -- and I will still be here -- I will continue to do my job. When the leadership sets the direction, we can debate that. Hopefully, when we start to debate it, we will have the support of labor, Hands Across New Jersey, the BIA, the Chamber of Commerce, and everybody, being objective about all the legislation we have that can save dollars, not just legislation that talks about taxes. Let's talk about auto theft, which is costing us a lot of money, and some of the other issues.

Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Rice.

We'll have Senator Lipman and Senator Menendez, and then we are going to recess until Wednesday morning, as opposed to Tuesday. I would ask you, please, to check with the Senate Office -- that number is 292-5215 -- or 984-6798, which is Legislative Services. We will know by the end of the day, but there is a session this afternoon, and we are pressed for time.

I would now like to continue with Senator Lipman.

SENATOR LIPMAN: Thank you, Mr. Chairman.

SENATOR WEISS: I'm sorry, Senator.

SENATOR LIPMAN: I think I owe you an explanation, too, Mr. Marciante, because I intend to vote for the sunset of this legislation. You can't hear me, can you?

MR. MARCIANTE: Yes, I can.

SENATOR LIPMAN: Oh, okay. I agree with Senator Rand. The district I represent is much like his. The unemployment is high; the education leaves much to be desired. For the first time, with this tax package, we had a chance to improve this. It is the announced intention of the new Majority taking over that they will repeal -- or anyway, do away with -- the taxes that I need for the school systems in my distressed cities, and so forth.

Am I on? (referring to microphone)

MR. MARCIANTE: Yes, she's on. She's okay.

SENATOR LIPMAN: Okay. Everybody, that was the end of my speech.

UNIDENTIFIED MEMBER OF COMMITTEE: You have such a nice sweet voice. Start all over again.

SENATOR LIPMAN: I said that I believe, like Senator Rand, that we owe a lot to labor. I agree that I don't like our high unemployment. I don't like the effects on our school systems. I don't like for my cities to have to be bailed out each time. But I am sure that the announced intentions of the Majority party which is now coming in will affect my constituents very badly. I intend to fight to the death for them. That is why I am going to vote for this repeal -- or, sunset.

MR. MARCIANTE: Senator, there is only one area that concerns me. If you vote for the sunset, where is your guarantee that the Majority that is taking over is going to restore to your district what you presently have? That concerns me.

SENATOR LIPMAN: I have no such assurance, certainly. I know that everyone in all of their speeches has said that the cities must be run -- I don't know how -- under-- Ever since I have been in the Legislature, there has been some sort of backup for cities which fall into terrible distress. I am not

even sure that that will be available in the future. However, as I said, I will be here, and I will fight to have those things restored.

MR. MARCIANTE: You may very well have to fight to the death.

SENATOR LIPMAN: With your help, Mr. Marciante.

SENATOR WEISS: Thank you very much, Senator Lipman. Now I will hear from Senator Menendez.

SENATOR MENENDEZ: Thank you, Mr. Chairman. Mr. Marciante, I want to tell you, I wish I could speak as eloquently as Senator Rand did as to why I am predisposed to repeal -- to sunset these taxes. Let me just say, the very things that you, as one of the State's largest labor leaders, are concerned about, is the very essence of why I think that the way to preserve this is to repeal.

I want to answer the question you posed to Senator Lipman. I have no guarantee right now that the new Majority won't go ahead and redivert the funds that we took the hard decisions on -- the ones that you applaud -- and redivert that money to some other purposes. So I am equally without an opportunity to say for sure that there is a guarantee. There are no guarantees. However, let me just say, there is a better guarantee in my mind if public policy is debated and the reality that some revenue -- as we have heard some of the businesspeople here finally admit to -- is actually needed, and that there must be a way to come up with that revenue. Then there will be an opportunity for negotiation and the preservation of some of the very essential public policy we voted for.

You know, I read the Public Employee Committee of the New Jersey State AFL-CIO State Workers' Coalition's "Do the Right Thing," when it appeared before the Legislature. I remember some of the wording. "Do the Right Thing" represents a comprehensive three-part program which would ensure that the

State maintain vital government services, the jobs of thousands of direct service providers, and its contractual commitments, as well as solve the vicious cycle of fiscal crisis and taxpayers' revolts.

Yet, when I look at what the new Majority proposed, which, to some extent, was supported by different parts of labor, I look at the "No New Tax Plan" submitted by the Senate Republican leadership, which is now the new Majority. Among the things in their bulletin, on the very front page, is: "Privatize Corrections, New Jersey Transit; consolidate State operations; combine the Education and Higher Education Departments; combine Labor and Commerce; merge Banking and Insurance; enclose proportional reductions for violators of the old cap; impose new constitutional cap on all State spending."

I look at it in my own terms of my local workers in my own community, as well as my community's needs in my other role as Mayor. Make distressed cities account for every dollar, as if we don't now. We go through one of the most stringent reviews that any level of state government has at the local level. We account for more than every dollar, and when we don't, DCA has all the powers in the world, and, in some cases, has invoked them.

So, everything that you are worried about, this new Republican Majority-- To quote the new -- the Speaker-Elect, "We don't support the \$2.8 billion in tax increases imposed by the Governor with the consent of Democratic legislators." They never have. "They were unnecessary. We can always make due with less, with less, and that is precisely the reasoning behind our plan to cut spending and put the State on a diet. We continue our call for the repeal of the entire tax package."

I believe, as I hear the new Majority talk about "bargain tougher," "cut more workers" -- not satisfied with the 5000 State employees who have been reduced-- I believe that the only way to rein in what I consider an unbridled public

policy on their part, is to bring back to the table some reality away from the election rhetoric that has been going on, and bring back to reality what it is that we in the State want to have as services. What is the role of government? How are we going to pay for it? Who is going to pay for it?

Unless we do that, your very sincere concerns are going to be withering with the dust.

MR. MARCIANTE: Senator, there is one point that has us greatly concerned: The projected deficit at this time is, like, \$900 million, approximate. You have the \$600 million that will be lost because of the sales tax. You have the sunset of the taxes of 2.8. Frankly, that spells up -- since I am not a rocket scientist -- \$4.4 billion. Four point four billion when you are downsizing government is placing any great numbers of innocent people in jeopardy. That is our concern. I hope you can share that concern as you go through your deliberations.

SENATOR MENENDEZ: Mr. Chairman, just one more thing. In recognition of your concern, let me just say that we need people to either buy into, or show what they really stand for in terms of the very thing you are worried about, if, in fact, the only way that can happen is that if an irresponsible Majority does not recognize what the State needs to have as programs, and is unwilling to fund them. Then we have an irresponsible Majority. The bottom line is, it is a question of whom we are shifting the focus on here. The focus is on both labor -- on every person in the State -- what the new Majority, which has absolute power, stands for and what they want to do and give us certainty in what they are going to do, so we can all attend ourselves to the consequences.

MR. MARCIANTE: Senator and Mr. Chairman, I guess I am saying, finally, don't do their job for them. Thank you.

SENATOR WEISS: Thank you, Charlie. We are not going to do the job for them, but we don't want a job done on our

people, either. That is very, very important to us. The expressions you heard here today from the members of this Committee are sincere, honest, straightforward. None of us are pulling any punches. There are two of us on this Committee who will not be back, but we agree with those who will. Someone is going to have to bite another hard bullet, and it is going to be on June 30 or some day before. Otherwise, your people are going to be in trouble also.

I thank everyone for participating this morning. May I indicate to you to check with 292-5215, and-- What is the other number?

MR. ROSEN (Committee Aide): It's (609) 984-6798.

SENATOR WEISS: Check for the time on Wednesday. Thank you very much.

(MEETING CONCLUDED)

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