

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

before

COMMISSION TO STUDY AND INVESTIGATE THE CAUSE
OF THE DISPARITY BETWEEN THE AMOUNT OF REVENUE
CONTRIBUTED BY THE TAXPAYERS OF THE STATE TO
FINANCE FEDERAL GRANTS-IN-AID PROGRAMS AND THE
AMOUNT RETURNED TO THE STATE. [Created under
Assembly Concurrent Resolution No. 39].

Held:
July 31, 1969
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMISSION PRESENT:

Assemblyman Robert K. Haelig [Chairman]

Assemblyman John J. Fay, Jr.

Assemblyman John J. Horn

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ASSEMBLYMAN ROBERT K. HAELIG, JR. (Chairman): This public hearing will please come to order. I am Robert Haelig, Jr., Chairman of the Commission established by Assembly Concurrent Resolution No. 39, which is a Concurrent Resolution creating a Commission to study and investigate the cause of the disparity between the amount of revenue contributed by taxpayers of the State of New Jersey to finance Federal Grants-in-Aid Programs and the amount returned to such State pursuant to said programs, and make recommendations designed to enable New Jersey to obtain a more equitable share of the benefits under such programs.

Seated to my left is Assemblyman John Fay, Jr., Middlesex County; and seated to my right is Assemblyman John Horn, representing Camden County.

If there is anybody who wants to testify at this hearing, who hasn't already indicated that he wishes to do so, will you please sign the roster giving your name, address and the organization you represent.

As each witness is called to testify, will he take Assemblyman Smith's usual seat, over here, give his name and address and position and the organization that he represents.

Our first witness will be Mr. Frank Haines, representing the New Jersey Taxpayers Association.

F R A N K H A I N E S: Good morning, gentlemen. My name is Frank Haines. I am presently serving as Executive Director of the New Jersey Taxpayers Association, and have

been a member of the Association's Research Staff since October of 1951.

The Association, as I think you know, is a non-profit, non-partisan governmental research organization devoted to improvement of the organization and administration of government at all levels.

Off the record, may I first apologize for not having at this point copies of my remarks to give to you. I won't attempt to make excuses but there have been some rather extenuating circumstances in our office that made it a little difficult. However, I will see that copies are reproduced just as soon as possible and put in your hands - I hope within 24 hours.

If I understand the language of A.C.R. No. 39, the main purpose of the Commission is to study and investigate the cause of the disparity between the amount of revenue contributed by taxpayers of the State of New Jersey to finance Federal grant-in-aid programs and the amount returned under various programs, and to make recommendations designed to enable New Jersey to obtain a more equitable share of the benefits under such programs.

In view of the fact that some of the reasons for the creation of the Commission which is conducting this hearing today may be indirectly, if not directly, attributable to the New Jersey Taxpayers Association, because data described as originating with us is mentioned in the introduction of the resolution, my principal role today is to provide historical background on development of the data, to explain

how the data are computed, and to comment on NJTA's interest in the subject of Federal grants-in-aid.

I think probably at this point I should make one point clear, that the Association does not maintain that the State should receive in aid an amount equivalent to its contribution in tax dollars. I think in our subsequent discussion possibly this will be clarified.

Now I would also like to clarify a further point. The figures which are frequently attributed to our Association for the ratio of taxes from a state to the Federal aid it receives are not the product of our research. They are the product of a statistical technique developed over a decade ago by Tax Foundation, Inc. of New York City and Washington, D. C. Tax Foundation is a non-profit organization engaged in research and citizen education in government spending and taxation. Its purpose is to aid in the development of more efficient government. It also serves as a national information agency for organized citizen-taxpayer research groups throughout the country including our own New Jersey Taxpayers Association.

In 1956, Tax Foundation published a rather complex formula which it developed for allocating the federal tax burden among the states. This was done primarily to provide a means of determining the geographic incidence of federal taxes which the Internal Revenue Service reporting system did not provide. I.R.S. reports showed tax data according to the State in which collected. For example, many New Jerseyans file their individual income tax returns in offices in New

Jersey, but have taxes withheld by employers in other states, and corporations which have home offices outside of New Jersey, but plants in New Jersey, file their returns in the state in which the major offices are located. Similar examples can be given for various excise taxes, such as tobacco.

The most recent Tax Foundation publication describing its allocation formula and explaining the uses and limitations of its estimates is "Allocating the Federal Tax Burden Among the States", Research Aid No. 3, published in 1964. It lists at least ten possible uses of tax allocation by state including comparison of the total tax burden by state, comparison of the tax cost of Federal programs and services by state with the possible benefit of Federal expenditures by state, comparison of the tax cost by state of specific Federal aid programs to state and local governments, and estimating state-by-state cost of Federal budget increases.

One of the limitations on use of the allocation estimates is that they are not designed to provide meaningful comparisons over a period of time. Since both refinement of the allocation formula and changes in data reporting by the Department of Treasury often occur, efforts to contrast data in any years between 1957 and 1967 are of questionable validity.

While I do not have an extra copy of the Tax Foundation allocation publication which I can leave with you, I have brought copies of the material released in April of

this year showing the 1968 estimated tax burden of Federal grants, the bases for allocating the Federal tax burden by state, and a list in some detail of various Federal funds paid to New Jersey in 1968 for Federal aid programs. (See p.79)

Not wishing to take your valuable time to attempt to explain in detail step by step how the formula calculation works, and frankly I have personal doubts whether I could do it if you wanted me to, I shall explain the source of the figures and how they are utilized. First, from work sheets prepared for the Annual Report of the Treasurer of the United States, Tax Foundation obtains data showing payments by department and some programs made to states and subdivisions for various grants-in-aid. And here I want to emphasize that all aid program payments made during the fiscal period are combined by Tax Foundation into one single figure. No special consideration is made of the numerous methods for determining the allocation or grant under Federal law or regulations. Furthermore, the figures do not include payments to individuals and private institutions under programs such as farm price support payments, research grants to individuals and universities, certain manpower development and training activities, and veterans' benefits, among a few, nor do they include certain shared taxes.

I have, as an example, with me - just so, if you wish to examine it or have your staff examine it, and I can loan it to you, the work sheets which include the data taken from the forthcoming publication of the Treasurer of the United States which includes these various aid program payments,

so you can see an example of some of these work sheets.

May I take just a few moments to describe this 1968 Estimated Tax Burden of Federal Grants from the table which I have presented to you. This you will see on the long statistical sheet which has the five numbered columns. (See p. 81 - 82.)

The grant figure for fiscal year 1968 totaled \$426.7 million for New Jersey - that's column 1 on the table and you can see New Jersey is underlined. That is the figure from the preliminary work sheets which show actual checks written by the Federal Government for a whole series of grant-in-aid programs to state and local governments in New Jersey. You will note at the top that the 50 state total was \$17,984.1 million. New Jersey's estimated percentage of the Federal tax burden as calculated by Tax Foundation is 4.24%, that is 4.24% of the total tax burden of all the states. That percentage is shown in column 2 of the table.

Now on the first sheet of the memorandum which I have given you is the description of the material which is distributed by Tax Foundation, pointing out some of the changes in the allocation formula and some of the warnings, let's say, in use of the data. On the reverse side of that sheet, in Schedule A, is the over-all basis for allocating the Federal tax burden by state. This lists the various Federal taxes or other income and the base by which the allocations are made, all of these specific taxes or income, among the states.

I do not have work sheets which break each one of these down state-by-state. I'm not sure if we could

obtain them from Tax Foundation or not. They have automated this calculation process now and I have never had occasion to see the extensive work which goes into these calculations to arrive at the rather simple percentage of 4.24.

I would point out that, as explained on the first page of this sheet, inasmuch as we now have a combined Federal budget contract, the merging of the - I guess it's called the unified budget in correct terms, the combining of both what were the administrative budget and trust fund into an over-all combined system approach, that we have this year, I think for the first time in this data, the inclusion of the unemployment insurance taxes in the allocation and the complete merging of the various trust funds in that statement. In years past they have made separate calculations for the administrative budget and for the trust funds, in some years, and reported those ratios separately.

I would also have you note that the assumption is made in this calculation that the total tax burden is assumed to be equal to total aid payments, for the purpose of calculation, so that the grand total in column 1 of this sheet is the equal of column 3 - seventeen, almost eighteen billion of payments and tax burden.

The next step is to divide the figures in column 3 by column 1 to obtain the tax amount paid for dollar of aid received. This calculation produces the ratio of \$1.79 of taxes for each dollar of aid for New Jersey. Then we add column 5 to Tax Foundation figures by simply ranking those ratios for payments to show just where each state

stands in its specific rank.

We also have appended and released as a part of our information the data extracted from those long work sheets, preliminary work sheets of the report of the Treasurer of the United States the various grants which are reported to have been made to New Jersey. Some of them are by agency, some are by programs; in many instances I am sure there is a combining of numerous programs into some general category. Those tables are a little over two pages and constitute a part of the data I have given you and we have listed figures for both years just so anyone may compare possible areas of increase or decrease in the programs. (See p. 83 - 85)

It is this type of information about the ratio and rank that NJTA and other state taxpayer organizations have obtained from Tax Foundation for over a decade and released to our members and the press, together with certain descriptive comments on its impact and criticism of the Federal aid system in general.

As federal budgeting and reporting techniques have changed, as I think I have already mentioned, so have the techniques in computing the formula. In summary, what I have tried to point out is that the figure which is bandied about each year might be described as a statistical oversimplification. In the case of New Jersey, the result is unchallengable, as I will demonstrate with some other data subsequently. But the Federal aid problem is much more complicated than the simple tax dollar to aid dollar relationship which the Legislature has created your Commission to examine.

May I mention briefly over-all the growth in Federal aid. Much has been written about the growth of Federal aid to states and local governmental units and its impact on services and finances. It is not my purpose to attempt to give you a history of Federal aid nor to discuss in depth the philosophy of Federal aid. Numerous documents and articles have been written and are available in research libraries to accomplish this purpose.

Dollar growth in Federal grants-in-aid went from \$1.8 billion in fiscal 1948 - we're talking about nationally - to \$8.2 billion in fiscal 1962, to an estimated \$20.8 billion in fiscal 1969 and an expected \$25 billion in fiscal 1970. Much of the growth is attributable to addition of new programs. It was not until about four years ago that certain Federal agencies and some Congressmen became so concerned about the rapid proliferation of aid programs that they began to prepare a listing which would be the basis for some county. The Office of Economic Opportunity among its first staff projects following its creation assembled, published and released probably for the first time a comprehensive summary of aid programs with one page devoted to each program. And it has published such a volume annually. Its 1969 edition of over 600 pages contains a comprehensive listing and description of 581 domestic assistance programs administered by 47 Federal departments and agencies. This was published in January of this year. Congressman William Roth of Delaware undertook his own study of Federal assistance programs. These are listed in a report reprinted from the Congressional Record

of June 25, 1968. There is little agreement among Washington officials on how to count Federal aid programs. The Roth report lists over 1,050 program titles.

Lest you conclude that the data in the Tax Foundation tax-aid formula are unreliable because of oversimplification, may I point out that data compiled by the United States Bureau of the Census will show a similar result to that of the Tax Foundation formula. For example, the proportion of Federal revenue to total general revenue of the State and local governments in New Jersey reported by the Bureau of the Census in its publication "Governmental Finances in 1966-67", shows a figure of 11.6%. This means that all New Jersey governments received only 11.6% of their total revenue from the Federal Government. Ranking this percentage for the 50 states from high to low places New Jersey in 50th place. We view this as another way of demonstrating that New Jersey is last in the line for Federal aid dollars. Translating the Federal revenue data to a per capita basis, and then ranking the per capita, shows New Jersey in exactly the same position, number 50, with a per capita amount of \$49.52. This is for Fiscal 1966-67 and these figures appear in Table 22 and Table 23 in this report which I have cited.

Another census report for state governments only shows New Jersey in 50th place in fiscal 1968 with Federal intergovernmental revenue of \$50.18 per capita. This appears in "State Government Finances in 1968," in Table 4.

May I present a final bit of evidence in support of the statistical tax allocation technique used by Tax

Foundation. Not that I think that this technique needs any, let's say, one to come to its defense but I just want to show by comparison that other researchers have arrived at very similar data or percentages.

In recent years the Legislative Reference Service of the Library of Congress has been making studies to show comparisons of Federal revenues originating in each state with Federal expenditures made in the same state. Now these studies are much more comprehensive than those done by Tax Foundation. They go into all aspects of revenues and expenditures beyond just the Federal grants-in-aid. But I think it's important to note that the estimated New Jersey percentage of total allocated revenues - again, these are primarily the tax revenues, essentially those which are used by Tax Foundation in its formula - this percentage in this study which I have here for New Jersey was 4.25% for the average of fiscal years 1965-67 - 4.25% using their technique and 4.24 was subsequent, which was about a year later in the data, which was the Tax Foundation figure. So I don't believe, again, that statistical techniques can come under challenge depending on the purposes, of course, for which it is used.

I would like to point out the Taxpayers Association concern with federal aid. We have been concerned with the growth of both Federal aid expenditures and programs for nearly two decades. In 1951, the Association issued a special publication titled "They're Your Tax Dollars" designed to encourage and support a comprehensive Federal study of Federal grants to state and local governments. In 1951 this problem

was beginning to develop.

Beginning in 1957 the Association utilized the Tax Foundation tax-aid data to demonstrate that:

Federal aid was really no bargain for taxpayers in New Jersey;

Only a small proportion of Federal aid, approximately 25% of the total, actually went for equalization of financial resources between states;

The cost of administering Federal aid programs was an unknown amount which is in addition to aid payments but not reported separately - this unknown figure of what does it cost, on top of the payments, to administer what will maybe next year be \$25 billion of programs;

Next, Federal aid often weakens the financing responsibility of state and local governments and reduces or causes loss of local control;

Expansion of Federal aid programs was in effect deficit financing whenever a federal budget was unbalanced.

In recent years we have attempted to call attention to the wide variation in programs and formulas, many with factors such as personal income and land area that tend to penalize a state like New Jersey while failing to consider its unique location and problems.

For the aforementioned reasons, the Association has and will continue to support action and legislation which attempts to bring some order out of the growing confusion caused by the multiplicity of Federal aid programs.

It took nearly a decade for Congress to enact

legislation to provide for periodic review of grants-in-aid programs which had no termination date in order to assure their being kept in line with changing conditions and circumstances, and to authorize modification of certain administrative procedures relating to aid programs. These provisions were included in the Intergovernmental Relations Act of 1968, P.L. 90-577 of the 90th Congress.

It is really too early to measure the potential effect of this legislation since at this point we have little evidence of Congress utilizing the review provisions of this bill and law.

The Association favors the principle of block grants as an approach to solving urban problems.

The Grant Consolidation Act now pending in Congress, reflected in S. 2035 and H.R. 10954, would give the President authority to submit plans for consolidation of Federal assistance programs which would become effective unless disapproved by action of either house of Congress. We think this measure deserves study and consideration.

It must be clear to your Committee that you should look first to Washington for any solutions to the problem under study, then to Trenton.

Congress enacts the aid formulas and programs and appropriates the funds. Federal officials allocate funds and administer certain aspects of the programs while other aspects are administered and usually financed in part by state and local units of government.

If your Commission decides to undertake an in-depth

study, we respectfully suggest that it might include seeking answers to the following questions:

In how many, and which, Federal aid programs does New Jersey participate?

What aid programs for which Federal funds are available are not participated in by this state and its local units?

What are the reasons for lack of participation?

What programs have formulas with factors that appear to discriminate against New Jersey?

Is there a central point for information about all Federal aid in the State Government?

What are the procedures and channels for applying for Federal aid? Are the procedures adequate or in need of improvement? Is there a central clearing office in State Government for all Federal aid applications? Do the procedures involve the Legislative Branch and to what extent?

How are priorities fixed for participation in Federally aided programs as contrasted with those which are wholly state-financed?

Do programs involving Federal aid receive priority because of the financing provisions?

What happens to Federal aid programs when Federal assistance is terminated or reduced?

Is there adequate legislative participation in decisions to utilize Federally aided programs?

What action, if any, is needed to improve relations between state and federal agencies in respect to federal aid

programs?

What methods are used for budgeting federal aid in state and local governments?

How are federal aid programs shown in the various budgets, that is, state, municipal, county, school, etc.?

What I mean here is, do you find in these budgets or where do you find information in terms of federal aid and matching local aid, if any is required? In other words, do our budgets reflect this type of information.

What effect does federal aid have on long-range fiscal planning, at all levels?

Is there adequate executive and legislative budget review of programs aided by federal funds?

What post audit or program evaluation is there to determine the effectiveness of federal aid programs?

These are just some suggestions, somewhat at random, in the event that you determine that you wish to embark on a broad comprehensive study of federal aid and its impact on state government and local units.

I want to thank you very much for the opportunity of appearing before you today and to say that if, with our limited staff, we can be of any assistance to you in your study, if there is anything we could contribute, please feel free to call on us. That concludes my statement.

ASSEMBLYMAN HAELIG: Thank you very much, Mr. Haines. That was an extremely impressive statement, in my opinion. We appreciate your testimony.

Are there any questions that the Assemblymen would

like to ask?

ASSEMBLYMAN FAY: No.

ASSEMBLYMAN HORN: No.

ASSEMBLYMAN HAELIG: I have just one question. I gather, although you acknowledge that one might question the method that the Tax Foundation uses to arrive at its figures, that you are totally convinced that the relationship that they describe among the fifty states is an accurate one.

MR. HAINES: It is certainly for New Jersey and a number of other states in that study. I couldn't guarantee it for all of those but certainly in terms of our position it is widely used.

I would also point out that the data is being used, I think, more widely recently by some of the governors of our states - I think you will find that recently Governor Rockefeller has had occasion to cite this relationship as it affects New York, to point out the need for some program review - and we hope that some means would be found for additional federal funds, regardless of the methods, to help many of our urban states to solve their problems.

I have another report which is one of the earlier studies of the Library of Congress Legislative Reference Service. This is one for 1966. It so happens that this includes a similar analysis of the early analysis of the over-all federal expenditure effect on states but it also includes a statement by Senator Javits of New York which goes into some detail on the subject called here, "Discrimination Against Highly Urbanized States under Federal Grants-in-

Aid Programs, and he cites certain formula factors in his testimony, just a few of which I touched on, as a means of demonstrating the need for a more comprehensive review on the devising of formulas which would go more to solving some of the specific problems that the urban states have.

ASSEMBLYMAN HAELIG: If I can address myself to this oversimplification that you talked about before, I notice on the table here, to choose one example, the State of Rhode Island only has to pay 85¢ for \$1.00 in federal aid and New Jersey apparently pays a little more than twice that much for a dollar in federal aid. Now Rhode Island is a relatively urbanized state and I've always been under the vague impression that the economic mix in Rhode Island, degree of urbanization, population density type of community development there was relatively similar to that in New Jersey and yet that State is treated, again oversimplifying almost everything, about twice as well as the State of New Jersey is.

Now, my question would be, how would we go about finding out why this is so. Would you care to address yourself to that?

MR. HAINES: I will try to, sir.

I think, first, probably we should look at a number of factors involving Rhode Island, since we're addressing ourselves to this specifically. I neglected to bring along current data on per capita income and figures on value added by manufacturing in terms of let's say the ranking of industrial states. But Rhode Island is not up in the top ten industrial states, according to my recollection. And the

extent of industrialization and the position of personal income is, I would say, a major factor in the formulas because of the fact that these are two of the major tax sources of the federal government. I'm talking now in terms of the tax allocation percentage. And you will notice this is borne out by the fact that Rhode Island's is .50 whereas New Jersey's is 4.24. So my reaction would be that probably a great deal of this is in the allocation factor due to the allocation of the taxes estimated to originate in Rhode Island rather than on the amounts of federal aid. You can see the relative proportions of federal aid received. It would be possible and I think probably a great deal of research would be required on a program-by-program basis to examine the statistics of the amount of money that comes to Rhode Island for certain programs vs. New Jersey. But I think there are a great many factors which would sort of militate against a comparison of these two states. I wouldn't even suggest what states would be more comparable to New Jersey, possibly Delaware or Connecticut, but every state has its unique factors in terms of its economy, its population, its size, its problems and in terms of its tax system and financing which, in some instances, probably many instances, may have some bearing on the amount of federal aid which comes into that state.

ASSEMBLYMAN HAELIG: Are there any questions?

ASSEMBLYMAN FAY: Just one question along those same lines that, again, I'm simplifying. From everything I've read on the matter I've come to the conclusion that the long history of rural domination in Washington would be the first

thing to strike at, as far as formula changes are concerned, the one man-one vote with Washington drifting across these lines. Senator Javits is making a point that the great spotlight on the urban areas, particularly in the last ten years at least, has not shown itself in Washington as far as formula is concerned and as far as the whole federal spectrum is concerned. And just studying this for the last two weeks or so, I found that states like Michigan or New York or Connecticut, comparing them with ourselves, all seem to be in trouble as opposed to the poorer, more rural states who seem to be acquiring that ratio that is so much in their favor.

MR. HAINES: I think probably there are people far more qualified who can comment on some of these specific formulas and their effect. You did mention some of the factors. When you get into personal income as being a factor in some of these formulas and there is a tendency in recent years, as I recall, to introduce personal income tax effort among the factors. And, as I recall, the tax effort for New Jersey, because of our, again, relative position in per capita taxes or in relation to personal income places us rather low on the statistical ladder. Again, this is one of the factors that may need - the opportunity to get more federal money. The recent programs, I think, directed to urban aid - as I say there are other people more qualified than I to comment on it - may be shifting the other way so that New Jersey is in a unique position of increasing its participation. But I would comment, the main thing that we should be concerned with, or one of the main things that we should be concerned with is

this proliferation and the fact that once a program starts very rarely does it ever stop and this gets back to the word which we use very frequently the necessity of not only Congress but all governmental units trying to make a very careful evaluation of it, that's priorities in all of these governmental spending areas.

ASSEMBLYMAN HAELIG: Thank you very much, Mr. Haines. We appreciate your cooperation.

MR. HAINES: Thank you, gentlemen.

ASSEMBLYMAN HAELIG: The next witness is Commissioner Ylvisaker.

May I say that we appreciate your willingness to appear before the Commission and we will hear your statement at this time, sir.

P A U L N. Y L V I S A K E R: And may I thank you, Mr. Chairman, and your colleagues for your willingness to let us testify to tell you some of the observations that we've made during the last two-and-a-half years working as a department on this subject. I feel at the same time I am offering thanks that I should offer my apologies to Assemblyman Horn. I'm from Middlesex County, Assemblyman. It appears that we're ganging up on you in this hearing, three out of four now in this exchange.

ASSEMBLYMAN HORN: We're used to great odds.

MR. YLVISAKE: All right. But I would like, as I read this statement, also to assure my representatives from Middlesex that I have very much in mind the attitudes of some of our people in Middlesex. I come from Cranbury which

is a community very much like the community which you come from where they are still debating this subject. They look back to the period of the depression and sometimes they wonder why they didn't take federal aid for public works which would have given them a sewage system, particulatly when they look at the cost that they have to pay right now. And the attitude, I notice, is beginning to change from resistance to joining the federal aid program to if you can't lick them, join them. It's gotten so big that whether it's good or bad you're getting an attitude there, I think, of struggling to get your share of this money that's presumably flowing into the states. And I find more and more, as I talk to Mayors, that they're underneath those contrary pressures. Partly they're trying to struggle along on home rule and trying not to join dependency trains in Washington, as they say; at the same time it's probably the easiest criticism to throw up against the local official that he hasn't done his part, or a state official, in getting our proper share.

Well, given that kind of background and also the legislative mandate that we have to help other agencies, both local and state, in winding their way through this federal maze, we early went to work in the Department to see what the facts really were and what the reasons were for some of the facts as they began to emerge.

Today I have with me John Kolesar, whom you've known in another capacity, I think, - he was taken out of Journalism to become Deputy Commissioner in my Department.

John, with David Gladfelter, has been working to put together some of these facts, but the real yeoman in our shop who has been working at it for two and a half years is Elmer Reinthaler, who is also here, a C.P.A., an Engineer, a man of many skills, who I think has a personal commitment to finding out the sort of things you are looking for. And we would offer these gentlemen as resources to you at any point at which you would like to go back and doublecheck their work tables or get interpretations of figures. As I think Mr. Haines has told you very well and they are to be complimented for their long work in this field, the figures are complicated, sometimes you have to use rough approximations. And I will delay until the last part of my statement something that's not included in the statement because there's sort of an O. Henry twist on this whole thing because basically what Mr. Haines is saying by different calculations than we have made is true, that in the Federal grant business New Jersey is coming out rather badly.

So I thank you for this opportunity and we have given you the reasons why we're so anxious to talk with you and present our facts.

Our Department is nearing completion of an in-depth analysis of the entire federal grant system which touches directly on the question posed in Assembly Concurrent Resolution 39: Why the disparity between New Jersey's federal tax contribution and the amount it receives in federal grants? And what should be done about it?

First, let us take some of the facts and figures. We are all familiar with the annual reports that Mr. Haines and his group have made over a period of years which are based, as he said, on calculations made by the Tax Foundation Inc. They show that our state ranks at the bottom of the list when its federal grants are compared with its estimated federal tax contribution. Because of the Department of Community Affairs' statutory responsibility to provide technical assistance to other agencies in obtaining federal aid, we began last year to analyze the federal grant programs to find out why New Jersey ranks so far down the list. The work was done, as I mentioned, under the direction of Mr. Elmer Reinthaler.

Our first obstacle was obtaining a hard list of federal grant programs. The number of programs has mushroomed in recent years and there is not even general agreement on the definition of a grant program. In June 1967, the U. S. Office of Economic Opportunity began issuing a catalog, now known as the Catalog of Federal Domestic Assistance. The current addition, which you've seen displayed by Mr. Haines, lists 531 programs. That office also established the Federal Information Exchange System, which you will notice by the initials has a dubious acronym of "the FIXS system" - some of us on the opposite end of this feel sometimes that this system has been rigged. This system is an attempt to keep a current tabulation of federal grants on a geographic basis, but it has some statistical oddities that limit its usefulness for the states. Our State Budget Bureau is now trying to have the system revised to make it live up to its

potential usefulness. Another catalog of federal aid programs was prepared last year by Congressman William V. Roth, Jr. of Delaware. His catalog lists more than 1,000 programs; however, it includes technical assistance and information programs as well as grant programs.

Our own study centered on the 1967 fiscal year, because that was the most recent year for which comprehensive, hard figures are available. It used the U. S. Office of Economic Opportunity Catalog, the Roth study, material published by Congressional Quarterly, information gathered by Vice President Agnew's office, and information obtained directly by questionnaire and telephone calls to program administrators. . . . Actually Mr. Reinthaler got to the point of scratching his head and said there's no answer except the guy who is running it, and he picked up the telephone and got the answers as well as he could. The study produced information on 1,332 federal aid programs which totaled \$21,864,478,000 nationally; \$417,158,000 of that amount came to New Jersey. In the course of making the study, we found ourselves also supplying information, by the way, to Congressman Roth and the Vice President's office.

We used two methods of comparing New Jersey's receipts with those of the other 49 states and the District of Columbia. The first was to calculate the per capita amount of grants received. The second was to compare federal grants as a percentage return on total federal taxes collected within the states. The study did not use the method of calculating the amount of federal aid received for each dollar

of taxes allocated to grants, which is the method used by the Tax Foundation. We didn't do it for two reasons. First, we did not want to convey the impression that there are many states which get more in grants than they pay in federal taxes. By the use of that formula that kind of thing emerges, somebody is getting more than they actually paid. And, second, we wanted to avoid some of the calculation required to produce a tax burden estimate for each individual program. I think you can rest assured, however, that the general conclusion conveyed by all the statistical methods is approximately the same: New Jersey is very near the bottom of any comparative list in the amount of grants received. And with a Commission like yours that is some satisfaction to begin with, at least you're not going to have wide argument on the figures with that initial statement.

On a per capita basis, New Jersey received \$59.60 in aid for every resident of the State, compared with a national average of \$105.81. We ranked behind all the other 49 states and the District of Columbia.

In the 1967 fiscal year, U. S. Internal Revenue collections totaled \$5,098,452,000 in New Jersey. The \$417 million we got back from federal aid represented 8.18 per cent of the Internal Revenue collections in the State. Nationally, the average state got back 14.74 per cent of its revenue collections in the form of federal aid. On this basis of comparison New Jersey ranked 46th out of the 50 states - the District of Columbia is combined with Maryland by the Internal Revenue Service. The only states behind us

in this list are Illinois, Michigan, New York and Delaware, all of which, like New Jersey, have relatively high per capita personal income.

Our study used 14 major program groupings to make it correspond with some useful work done by Congressional Quarterly. It made per capita comparisons with the other states within these 14 groupings. The table is attached to this statement that lists these comparisons. (See p. 86) In general, they show New Jersey among the bottom 10 states in per capita receipts for public assistance, highways, agriculture, education, public health, food distribution, veterans' benefits, conservation practices, vocational rehabilitation and child care. We fall in the bottom half in aid to our National Guard. We do better than average in anti-poverty aid and unemployment insurance. And we are in the top 10 in urban development and public works aid, which is consistent with the off-hand remarks Mr. Haines made in reply to your question, Assemblyman.

When you check behind these statistics, you find the following reasons for the variations in standing:

First, the effect of federal aid distribution formulas. Federal aid is seldom granted on a strictly per capita basis. A number of program grants, such as those of the Administration on Aging, provide flat, equal percentage grants to every state regardless of population, thereby giving the heavily populated states less money per capita than the rural states. Other program funds are distributed according to formulas that weigh against the urban states; a key example is the 50-50 highway aid program, which

provides matching funds to states on the basis of area, mail routes, and population but ignores the much higher construction costs of building roads through densely populated regions. And I know Assemblyman Horn knows what those costs are in Camden. Commissioner Goldberg of the State Department of Transportation, in a speech two years ago to the New Jersey Highway Transportation Congress, pointed out the unfairness of the highway aid distribution formula to New Jersey in this way - I want to say it's unfair to Commissioner Goldberg to merely read his prose; when he says these things he says them much more dramatically than I am going to read them:

"The federal road programs were created in 1916 at a time when highways were a responsibility of the Department of Agriculture. To some extent, the formulas for distributing federal aid have never forsaken their agricultural heritage to the very great detriment of the cities and urban areas which have been crying for help for many years."

Then he went on:

"You would assume that New Jersey, with the highest traffic density volume in the nation, with the second highest construction cost per mile of interstate highway in the continental United States, with 3.4 per cent of the nation's population, with 3.3 per cent of the motor vehicles, would be receiving a substantial sum from the existing non-interstate programs. By any combination of population, traffic density, construction costs and motor vehicle factors, New Jersey would warrant more than \$35 million in federal aid from the federal funds now allocated to this purpose. We received, in fact, less than one-half that amount because of the great weight that the present formulas give the rural factors."

And on another occasion Commissioner Goldberg said:

"I do not think that we should attempt to justify an interstate program which fails to provide one mile of road along our entire Atlantic Ocean coastline ...

I do not think we should attempt to justify federal formulas which can allocate to New Jersey no more than \$17 million out of a billion dollar program. These formulas demand readjustment and if existing programs cannot be modified to our own just benefit, then most assuredly we owe it to ourselves to demand that any new federal program should more realistically reflect the costs and needs in urban areas such as New Jersey and the northeast."

A second factor in New Jersey's standing in receipt of federal aid is the effect of national priorities. At present, the amount of federal aid funds a State can receive depends largely upon the programs for which it can qualify. These programs historically have been drawn to benefit rural rather than urban states. Agricultural programs, for example, now constitute the third largest of the 14 federal aid program categories we have studied. New Jersey ranks 47th in federal aid per capita for agriculture, and cannot hope to improve this ranking greatly because its potential for agriculture production is limited by its small geographic size and its heavy population density.

I think you know that currently we only have one-half of one percent of our population living on farms.

Similarly, New Jersey does not qualify for certain regional aid programs such as those for Appalachia, the Great Lakes, and aid to Indian reservations. It has practically no mining industry and, therefore, misses out on this category of aid. It had no existing national forests, parks or grasslands, so it cannot qualify for aid under these programs. Tocks Island will make a difference. New Jersey has done well, however, in two fairly recent categories of federal aid - antipoverty and urban development. This is important to note,

just as Mr. Haines did, because these are new and growing fields for federal aid - fields in which New Jersey, the most urban state in the Union, can compete strongly.

A third factor is the effect of New Jersey's relatively high per capita income. New Jersey's \$3,624 per capita income in 1967 was exceeded in only seven other states and the District of Columbia. A number of federal aid programs have equalization formulas which take per capita income into account, and distribute a proportionately greater amount of money to states where income levels are lower. Other aid programs, such as those of the Elementary and Secondary Education Act, distribute funds on the basis of the number of families in poverty. I think we all recognize that directing the most aid to the neediest states is a legitimate objective of these national programs. The public assistance program category is the largest of all, and it is based on the caseload within each state. Although New Jersey has a numerically large public assistance caseload, it is a smaller caseload in relation to its total population than those of other states with lower per capita personal incomes. New Jersey's welfare caseload represents 2.60 per cent of its population compared with 4.27 per cent nationally. Therefore, the per capita aid for public assistance programs, including old-age assistance, is lower in New Jersey than in most other states.

Another factor is the effect of lack of matching funds. Most federal aid programs require the recipient - whether a state agency, a municipality or county, or an

institution - to provide matching funds, which too often have not been available in a state such as ours which has a low per capita tax base. For example, the New Jersey Legislature did not approve matching funds to permit the state to participate in the federal Medicaid program until this last year, and the program will not go into effect now until January 1, 1970. Our late entry into the Medicaid program has cost us more in federal aid than any other single item. Similarly, our refusal until recently to provide coverage of unemployed fathers under the federal welfare program cost us millions in federal aid. At the local level, some counties have been reluctant to take advantage of available federal aid under the food stamp program, which requires local matching funds for administrative costs.

The fifth factor is the effect of our lack of education and health facilities. Some of the big grant-in-aid programs support construction and research activities of educational and health institutions. New Jersey has only two relatively small new schools conferring doctors' degrees in the basic medical sciences; therefore, it cannot hope to compete strongly for funds for health research and services until it develops its medical education programs further. The State's share of other critical higher educational and research facilities is similarly limited; many of our college-age students have to seek admission to schools outside the State because New Jersey does not have the space at its own schools to admit every student who has the desire and ability to go to college. The federal funds,

like the college students, go to other states.

Now what can New Jersey do to overcome these limiting factors? As we see it, the following six steps would offer us the best hope of improving our share of federal grant funds substantially:

1. A shift in the priorities of our national programs to allocate more federal tax revenues for urban needs.

2. Changes in some of the unrealistic formulas which are used to allocate aid. The example I cited from Commissioner Goldberg's remarks is what I have in mind.

3. Build the educational and health facilities, including graduate schools, medical schools and teaching hospitals, that would help fill our own needs and at the same time qualify us for the aid we are now unable to obtain.

4. Support the many efforts now going on to simplify and consolidate federal aid programs in order to make them less difficult to untangle and flexible enough to use where they are needed most. And I would certainly support Mr. Haines, in turn supporting the Committee on Intergovernmental Relations which wants the President to have the power to reorganize the grant structures if the Congress does not object to it in a period of, I think, 30 to 45 days.

Beyond that, however, I think we're looking toward even larger changes at the federal level. The present Administration is currently studying and will shortly report on the attempt to go into tax sharing with the States and the criteria to be used and, by every account that I have heard, would begin to move us out of the 19th century into the 20th

century where New Jersey would begin qualifying much more than it has in the past and have a much more favorable formula distribution.

Now one thing that I do want to add, too, you get caught up in this federal game sometimes of chasing after these monies and somehow Vietnams continue year after year and we file all of the applications, with thousands of dollars of staff time and we find at the other end of it that suddenly they're out of funds or they didn't appropriate, and we haven't really gotten down to the nitty-gritty of all of those problems on the federal grant structure.

5. Move quickly to provide the matching funds and legislation needed to qualify for the federal grant programs. And here admitting the very substantive issues and debates that have to be gone through to decide do you want these things that the Federal government holds aids out for.

6. Provide at the state level the financial and technical help required by our local governments and institutions to obtain the maximum federal grant assistance possible.

Some of these recommendations can be provided only through action by the national administration and Congress. Others require cooperative efforts by the states and the federal government. Some are tasks that we can probably undertake ourselves.

On its own, New Jersey's government has done much to improve its share of federal aid funds, particularly from programs where aggressive "grantsmanship" is not foreclosed

by the restriction of formulas or geography. The examples I cite lean heavily on our experience in our Department. They are the ones that I am familiar with and I don't want to indicate that we're the only department doing this kind of aggressive grantsmanship; as a matter of fact, I am impressed with the amount of time and energy that more and more is going in on the part of other commissioners, staff people, and the State Government to achieve these aids.

Here is an example:

Local governments have obtained more than \$38 million in aid with the help of the Office of Community Services, which is the new agency mandated inside of our shop to give one-stop service to mayors, municipalities, city groups and the rest, and also to help other state agencies. Now we are not going to claim that these funds were obtained only because we were in the picture. Obviously you've had good mayors, good congressional relationships, all the rest of the staff activity has to go on, but I think we do know by this kind of grantsmanship which we have undertaken in partnership with others that \$38 million, which we can show you the figures on, has come during this period of time.

Second, New Jersey's State Model Cities program, initiated by Governor Hughes promptly after enactment of the federal program by Congress, has helped nine New Jersey cities qualify for the federal program, which is a record surpassed only by California. These cities have received more than \$1.1 million in federal planning grants; the first three cities to be selected, Trenton, Hoboken and Newark,

have been allocated an additional \$16 million in federal funds to begin carrying out their programs. Over the next five years, New Jersey's nine Model Cities can expect to receive more than \$260 million in additional federal aid funds as a direct result of the Model Cities program.

I just want to put in a footnote here that Model Cities is kind of the device by which the "Feds", as we call them familiarly here, are beginning to put the money into cities; they're kind of tired dealing with every agency separately and they're asking for the cities to get into shape so that they can present them a package, particularly in the poverty areas that they've selected. And more and more there was a time when the new Administration wondered whether it would pick up this program from the old Administration but Governor Romney and Secretary Hyde have now decided this is to be the prime instrument and the Council of Urban Affairs says also that they want to use this instrumentality to get the federal aids into the cities. And what we've done is working with these cities to put them in position now, much better than any other state beside California, so that they can get in the competition and do the job. The monies are already starting to roll.

New Jersey received the first grant in the country under the federal Urban Information and Technical Assistance Program, for a variety of urban activities. Our Debt Management Team, funded with \$28,000 of that grant, helped New Jersey municipalities and school districts save more than \$2 million in long-term interest costs on bond issues within

a year. In other words, \$28,000 which got to be the extra money by which I could hire some people from Wall Street to work with out Local Finance Division. We began going around to our small municipalities and townships who didn't have a bond rating or a low bond rating and began introducing them to the street, the bond houses, and showed them what really good credit ratings we should have over here, as a result of which credit ratings were upgraded or held and new credit ratings established which produced this kind of saving.

The first federal grant establishing a Community Development Training program for municipal and other officials went to New Jersey. The program, which was supported by matching state funds, has provided training that otherwise would not have been available to more than 4,000 local officials. Of course, there's one at Rutgers and other places.

New Jersey was one of four pilot states selected to receive an annual award for all of its planning assistance programs. This means that from now on, the state's needs for planning funds will be considered in their entirety instead of piecemeal. Those are long words for a very simple thing. I think all of you are familiar with 701 planning funds which get to municipalities through the state. Up till now we had to go through the rigmarole of getting individual municipalities, running down to regional offices, to Washington, to us, to get all this clearance. As a result of this operation the Feds have now given us a package amount which we then can simplify the allocations of throughout the state.

New Jersey received approval last year for a federal grant of \$2,825,104 for demonstration programs to improve sanitation and to control rats and insects in older urban neighborhoods, familiarly known as The Rat Program. This grant was one of the first and largest under a new federal program. Actually I can tell you about that. It got to be quite a controversial episode in Congress, they kind of laughed at it, and so forth. Finally the pressure was so great that Congress had to quit smiling and give some money. Since we were in there first, we got the most of this. I think we put nearly half of the whole grant, the whole amount from the United States, came into these three cities in New Jersey.

The State has received \$185,000 from the U. S. Department of Housing and Urban Development (HUD) under a special innovative planning program to conduct a demonstration of a Planning-Programming-Budgeting system which we hope in five state departments, Mercer County and Woodbridge Township, will clarify the budgeting process and produce reforms which we are all agreed are long overdue,

New Jersey was one of the first states to create a Housing Finance Agency to make mortgage loans for development of moderate and low-income housing. This agency, which, by the way, works on revenue bonds and not legislative appropriations - so that this is not a tab on the taxpayer -- this agency, which has already made commitments to finance more than \$50 million worth of housing, was the first such state agency to utilize federal rent supplement and interest-rate

subsidies under provision of the Housing Act of 1968. Under terms of an agreement just negotiated with HUD, - and one of our young people, Tom Seessel, who heads the shop really ought to be complimented - for which contracts are expected to be signed shortly, the New Jersey Housing Finance Agency will become the first state housing agency to utilize earmarked federal housing subsidy money. HUD has reserved for NJHFA use interest subsidy funds for 1,129 units of housing and rent supplement funds for an additional 198 units. The value of these subsidies in the first year is estimated at just over \$1 million. The subsidies will continue during the 50 year life of the NJHFA mortgages; thus, the state stands to gain \$50 million in federal aid under the earmarking agreement and we propose to add to this each year so that we're beginning to pyramid those commitments by the Feds. In down to earth terms it means that the housing project which we opened yesterday with Prudential in Newark has written into it these kinds of subsidies so that we can be honest with the people who are being relocated on the medical site, and with 1 percent money in effect we can reduce rents on a three bedroom unit from market rents of \$180 down to as low as \$117. So that this is critical money which again we have been able to get out of the Feds.

New Jersey was allocated \$35,702,000 from the U. S. Department of Health, Education and Welfare, just this last year after discussions we had with Secretary Finch, for construction of the New Jersey College of Medicine and Dentistry in Newark -- a facility that will not only significantly

bolster the state's medical education resources, but will also provide construction and medical service jobs to Newark's working population, will strengthen the city's economy and most importantly will provide vital community health services to a city right now that has in about four counts the worst health record in the nation. This massive construction effort, toward which the state is contributing about \$30 million through appropriations and from proceeds of the bond issues approved last fall, would not have been possible without the months of difficult negotiations among state, city, federal and college officials and community representatives, one of the most dramatic things that I've been a part of in this state. The resulting federal grant is the largest of its type ever given to a medical school by the federal government. And let me say, by the way, having been personally involved for a long period of time in these negotiations, the state would not have gotten that large a grant and may not have gotten much of a grant at all if we hadn't gone into Newark because medicine now recognizes it has to crack the problem of delivery of health care in the lower income areas. And Secretary Finch, when he understood that this school was not going to be just another medical school but one that was really going to take on community problems as well, immediately moved with his people and this large allocation, beyond anything they have done, came into New Jersey for that reason.

In creating the Hackensack Meadowlands Development Commission, which you will remember I imagine with some agonies, it was a legislative matter this last year, the

Legislature and the Governor have opened the way for a vast potential influx of federal aid for reclamation and development of the land. The reclamation project would be the largest such project undertaken east of the Mississippi River by the Army Corps of Engineers. If and, I would say, when approved it could attract up to \$300 million to New Jersey in federal reclamation funds alone. And, by the way, the eye of Commissioner Roe is also on the Passaic which is another Army Corps of Engineers' project which could be equally beneficial in this state.

In addition, many steps have been taken to create administrative machinery that would bolster the individual efforts of the grantsmen, our Congressional delegation and U. S. Senators. The creation of the Urban Affairs Council by the Governor just a few months ago, again the first such action in the nation which has been quickly followed by Pennsylvania, by Washington, by Wisconsin, is designed to parallel the President's Urban Affairs Council and will help various state executive departments unify their efforts in obtaining federal aid and administering programs. We are hopeful that some of the mystery about the entire federal grant system will be dispelled by such things as our own studies, your studies, an improved Federal Information Exchange System, the proposed legislation to simplify and consolidate federal grant programs, and the Intergovernmental Cooperation Act of 1968, which will provide state governments with comprehensive information on federal programs and funds. We believe it would be helpful to New Jersey to have an office in Washington, as

many other states do.

All of these steps, both proposed and implemented, would help us improve our statistical standing. I want to make two things clear, one in this paragraph and one has kind of an O. Henry twist, as I promised you. I would like to add one final caution, however. We should not expect, nor should we desire first place in the statistical standings in receiving federal grants, whether the computation is based on per capita figures or a hypothetical dollar received for each dollar paid. And improved, rational federal grant system would channel funds to the areas that need help the most, and New Jersey has such areas. But we should not expect to replace the Mississippis of this nation in the standings.

Now, the last twist. We're talking now about grant monies coming into New Jersey. This is only a part of the federal budget. We ought also to add, the taxpayers of the nation are taxed by the Feds and the total federal budget is then spent around the nation, some of it, and the minor proportion of it, in grants, actually, a lot of it in payments to individuals, in such things as federal defense contracts, in interest payments to individuals, and the rest. I asked our fellows to go beyond this dismal picture that we have here and to ask what would happen if you divided all of the federal budget and its allocations to the states, and these are the figures - I don't have copies but they will be available to you but I think they're not so long or many that you can't follow them out.

The source of these funds - by the way, we've taken

these from a variety of reports and I don't want to swear about accuracy except within the engineer's normal plus or minus on this one, but roughly you get these figures.

The Department of Defense spends in the State, on prime contracts primarily, we were not able to get sub-contracts - I imagine which this state does pretty well in too - about, nearly \$2 billion. We rank 12th among the states in defense contracts or defense spending in this state. The Treasury Department - \$1.5 billion - we rank second in the United States, which indicates, as I say, interest payments on bonds and all that kind of thing. HEW spends - by the way, these also include the grant figures, I should say, - it's the total spending of the federal government -- HEW spends \$1.1 billion and we rank 11th in receipts. HUD \$425 million - we rank 8th. VA, \$370 million - we rank 10th. Post Office, \$214 million - we rank 9th. Transportation expenditures, \$135 - we rank 14th. Agriculture, \$119 million - we rank 34th.

Now there are a whole lot of other sources but our rough calculations then show that for fiscal '68 New Jersey ranks 8th in population and it ranks 8th in receipt of total funds, grants and expenditures. Now this indicates that a large part of what you are looking at has to be, I think, looked at also in context. The grant part of the federal government really treats us bad. The payments part, all told, puts us about in position where we deserve, depending upon our population and our income.

Thank you very much.

ASSEMBLYMAN HAELIG: Any questions?

ASSEMBLYMAN FAY: I have two.

Commissioner, first of all I found this report very, very interesting and comprehensive and learned something from it and it certainly raised other questions in my mind. And one thing that's bothering me, from your report and what I've read in the newspapers, I think an awful lot of state officials and citizens are tingling with anticipation about the block grants that are going to be coming back to us soon and I'm apprehensive that the same type of formulas and the same type of criteria are going to hurt us again, that if it's ever geared in such a way that we don't fit into that category we could be hurt seriously and find ourselves in the situation of being put into a corner.

I was hoping that if sizeable block grants would come back to the State so that we could use some of these for matching funds, particularly in the area of, say, health, mental health and many of the other programs that are so low and so badly needed, - does your Department have any studies pending or are you aware of the formulas yet and how we will fit into them?

MR. YLVISAKER: Not in specific terms. There is still a good deal of debate going on but there seems to be general agreement in the recommendations to the White House along roughly these lines. The two most important criteria, as I recall, are going to be populations and tax efforts; then there are going to be other indices, as well, the net of which does improve the standing of states like New Jersey.

because they are modern formulas. There's also to be a pass-through, because, as you know, there is a tremendous fight - the mayors aren't too happy about the states getting in the way of all of this, and with the states becoming more powerful under the present administration and so many of the governors, ex-governors now in the Cabinet, we've kind of balanced the fight now that's going on. The compromise, therefore, reached appears to be that some proportion - I'm not sure which, but some formula - I'm not sure which - will be passed directly to the cities, that is, with the highest need.

Now I hope none of us hold our breath for the arrival of this great day. First, the debate over this in Congress is going to be just as complicated as tax reform. I'm sure you gentlemen know, in your position, when we argue the formula by which we distribute funds you are in the middle of a 360 degree fight, they're coming at you from every direction. That will go on in this Congress, I'm sure, for a long time.

The second thing is, how much money is going to be coming down that pipeline. And there was once a day when the national dividend, before the Vietnam War, was moving up to \$8 - 9 billions a year. Currently there is a federal surplus of \$3 billion but I don't think that's going to be immediately available. If we withdraw from Vietnam, by the estimates that I've come across, within, let's say, the next year, the national dividend in the third and fourth year of the Nixon administration could

rise as high, cumulatively, as \$40 billion a year. Now by that time, of course, federal employees will be demanding their cut, and so forth, but I would guess if we get out of Vietnam, and if we can get a piece of legislation out of the Congress then maybe three years from now we will begin getting the benefits of this proposal.

ASSEMBLYMAN FAY: The next question I have is, I know I find it hard to find exactly where we're losing out the most. If we come up with another tax, if we do acquire more state monies, are there definite recommendations where matching funds would have top priority or would we get the most for our money?

MR. YLVISAKER: I really ought to accept that wonderful opening to talk about all of the things that I want out of you people but I will desist and say simply, there is going to be a problem of priority determination in our individual shops, at the Governor's level, and within the Legislature, and you will hear from me, as you have in the past about all those things that we think should get to the top of the list. I would certainly say, obviously, that they have to be related to the characteristics of our present populations, which are heavily urbanized, which means suburban as well as central city; it means water and sewage, the inter-structure to need to get the stuff. Housing - I've indicated we've got 600,000 units which are substandard by location, or whatever, and the crunch is no longer a black problem, it's a housing problem, it's a problem my kids in Cranbury - I don't frankly think my kids will be

able to afford living there after the zoning ordinance we passed the other night. So we have got to get into the housing field as well.

ASSEMBLYMAN HAELIG: One question occurs to me and if I can just play the devil's advocate for a moment. The statistics that you talked about that were not a part of your prepared statement - post office facilities - obviously it would cost twice as much to provide adequate postal service for 8 million people as it does to provide it for 4 million people. The money that comes into the state in government contracts does so, at least in part, because the industry is already located here and, of course, one of the difficulties that we have in the State of New Jersey to provide services is because we are so industrialized and such an urbanized state so that do you think it's really fair to take a common attitude toward programs which really don't militate toward the solutions that government is looking for which are the kind of programs that you talked about after your prepared statement and the kind of programs which supposedly, at least, have as their philosophy the provision to assistance to state and local governments by the federal government in order to cure some of these difficulties that the state obviously has because of its urbanization and industrialization and population density and so on down the line. Would you care to comment on that?

MR. YLVISAKER: Yes. I, too, would like to spend as much time as you in really discriminating between these two sets of figures but I would try to go back again to John

Q. Taxpayer whom we are really talking to in this case. Are you being had by the system? is the question. And, you know, we all have to face that. If you talk to him as a guy who is living in New Jersey and isn't paying much mind to the difference between what's coming to government and what's coming to the private sector through these other payments, then I think it's fair to tell him that money that's been going down to Washington is coming back, coming back in payrolls, in plant construction, in transportation access - for example, the subsidies that go into air carriers and things like that. So that you're living in New Jersey, thanks to the fact that New Jersey is drawing down this much. That's fair.

Now it's interesting also to notice that the private sector really is doing better by the federal budget than the public sector is and this is where our concern comes in. You and I are working in the public sector and trying desperately to get our institutions of government as well set up as some of our private establishments are. Therefore, I think it's fair to keep going after our lowest standing in the graph pattern. I think we ought to work that up as far as possible. We are in a competitive world, a competitive situation and there is no reason, even by our comparative wealth and standing not to move that up by every means that we possibly can. You will get into some subtle things, though, once in a while. But some of the reasons we get defense contracts or governmental spending in the private sector is because we have not done governmental spending in the public sector and if we ask for more grants to work on certain public

things, like, oh, the question of how you use your land in this state, whether you're going to allow any industry to pollute the waters, - so we then get a grant for air pollution control. This may make some of the industries begin thinking, my God, you know, is this the place to locate and then they may try to go to another place to get lesser control. We get into some far-reaching implications but I think it's best understood when we take the grant thing, even though separately, in the context of the first as well.

ASSEMBLYMAN HAELIG: Well, what I was getting at specifically is, if I can kind of hypothesize for a moment, suppose you have a big industry that's located - thinking specifically of Middlesex County where we have a significant problem with improving sewage treatment facilities and the federal government comes in and gives a big private contract to an industry forcing them to expand their facilities in Middlesex County which in turn worsens the problem that I just described, which is sewage treatment, so, consequently, we have to spend more money on sewage treatment because of this expansion. That's the relationship I was getting it. There's a difference, a significant difference in spending in the private sector, in post office facilities and so on, than there is spending money for curing some of these problems.

MR. YLVISAKER: The ironic part is, the more income you get the more your expenses go up, as you and I find in our personal budgets. So there's a good claim to be made by a state as industrialized as this one on precisely the

grounds you are making. By the way, I would indicate too that the very thing you pointed to, the need to get water, sewage, solid waste disposal systems in New Jersey can't be described academically anymore, it is already so immediately upon us that some of our communities are, you know, knee deep in sewage and about hip deep in solid waste. So we do need help in these terms. I think at the same time I would be very interested in this Committee's findings on how these federal aids and state aids ought to be used in these situations. Sometimes I think it's a bargaining process, a horse trade, the guy that's got the money has the right to exact certain conditions and I think perhaps as we begin putting our water and sewage facilities into certain communities that it is fair to bargain with them about what they ought to be doing in return for that kind of money. I don't think, sometimes, the use of these grants has been as explicit as that but it probably should be. Let me give you an example. We have an industry not only moving into Middlesex County but let's go down to your district, Assemblyman, where the industrial highways at a point in your direction, going south, there are a lot of industries moving across the river and these industries, whom I have talked to, the South Jersey Gas has great concern about this, are recognizing that under our property tax system these industries make nice ratables but the industries aren't going to come unless they get housing supplied for their workers. Townships are reluctant to let housing come in for workers because this means more sewage and all the rest of it. I think in cases like this

we really ought to do more package bargaining with the assistance programs available from the Feds and from the State. Talk to some of these municipalities and say, look, we understand that you just can't take the sewage costs, you can't take the educational costs of sudden mass invasion as you had around Brunswick and in certain areas that you and I know. If we've got federal and state aids we ought to consolidate them for some of these municipalities and say, all right, let's go into kind of a horse trade of intelligent planning for the industrial employment and housing needs in these particular areas. One of the worst things I find about the federal grant and state grant programs is that they dribble a lot of money around to a lot of places but it doesn't add up to a solution to the problems that you and I, in my department, really have to deal with.

ASSEMBLYMAN HAELIG: I don't want to drag this on too long but this concept is fascinating. Is there any effort being made now within the State Government or would you make any recommendations where perhaps a portion of the administrative structure of the state government ought to be altered somewhat or new responsibilities assigned so that you could promote this kind of multi-level governmental cooperation in developing this type of program?

MR. YLVISAKER: Yes. First, let's take within the state government the things that are already beginning. Mr. Wechsler and certainly Mr. Kervick have been moving with us and Jim Alloway, in the Local Finance Division, and Mr. Reinthaler, to perfect an information system which I

think ought to be attached to the Governor's office or the Budget office where the Legislators and the Governor can get immediate retrieval of all the information that we're talking about on a consistent basis. This means improving the FIX system and working with the computer craftsman here, the data processing and recording, so that you can get at any time when you or one of your Committee said, I really want to know what proportion do we get out of our federal aids? Is that Commissioner on the job? You know, what are the reasons. You could practically punch a button in whatever office, and the machine types it out for you, you get a print-off immediately of the kind of information you need. That is going forward. It is hellishly difficult because of accounting, the diverse accounting systems. You know the business, you know, how elusive they are.

The second thing , the Urban Affairs Council is beginning something which I think we have to come to in this State which is the capacity of the Governor to get his hands on this flow of federal aid that is going from departments to individual departments in this state. They become line items in your budget which get terribly hard to shake after a while. And there are now 200 state plans that have to be advanced to the federal government for funding. Some of these are little tiny things, some of them are very big things, like a health services plan. Now those plans largely get worked up between bureaucrat to bureaucrat. The local health officer, if he's in it, deals with our health officer,

maybe our department, and then HEW. In housing, our rent supplement goes from our fellows to HUD. Now, luckily we've got good communications with the Governor but I have often felt that the Governor really is not in position, he doesn't have the assistance he needs and a lot of this stuff just goes flying on past him and then flying on back. We've tried to get the Feds - I've been working on several task forces down there and I think we are coming close now with the Governor's Committee to get the idea across that the Governor really ought to put his imprint on all of these plans or be in a position to comment about them and probably to get extra federal funds to help him in that job. But it is fantastic how scattered that whole system really is.

Third, I would certainly urge that we do get better grantsman facilities in those areas where we can get into the competition. The Legislature and we had a little bit back and forth about a year and a half ago by a Washington office. I really am sad that that degenerated into a kind of personal thing. It should have been thought of in the context you're thinking about. I don't care who runs that office. I think it has to be an executive function largely but I'm not making a pitch for our department; it may well be the Governor who ought to establish that office. It can be worked out with Congressional liaison too so that the members of Congress who have a rightful interest in that don't get bypassed as well, particularly in the announcement of these grants at a particular time. But I think we ought to have a Washington Office and to do it on a professional basis.

I don't mean the five percent type of racket which often goes on down there, you know, with a political appointment trying to get an easy job. I really do mean somebody who can monitor the grants making and can begin helping the Legislature and the Governor to realize what's going on and going after it where we agree we ought to go after it.

Then, finally, of course, the efforts are above us in the rationalizing of our grant, of our whole fiscal structure. I'll make two comments. One, we've got to be ready for the Feds when they move toward this larger formula. This means the Legislature can't get bogged down simply in what it's debating each summer about police salaries and twelve against seventeen million. The Legislature is really embarked now with the Governor on a very long and necessary voyage which is, what position do we get in when the Feds do begin giving block grants? then, what kind of formula distributions do we want to put on our grants within the state? There is a tremendous fight between suburbs and central cities right now and it's stacked against the central cities. A lot of us are going to have to go upstream politically to get a fairer distribution. For the same reason New Jersey is complaining about it is being discriminated against, some of our urbanized areas, like Camden, New Brunswick, have really got a fair argument that we're not giving them what they need to do their job.

So I would hope that the Legislature and we on the Executive side, even though we've got to fight our normal battles, whatever, can take a common look at the five

year period of development that we're in right now, rising to the level of speaking through an intelligent system, and I don't mean necessarily the one that I propose but one that at least gets debated in these terms.

ASSEMBLYMAN HAELIG: Okeh, are there any further questions of Commissioner Ylvisaker?

Thank you very much.

MR. YLVISAKER: Thank you.

ASSEMBLYMAN HAEHBIG: I think we have time for one more witness this morning, then we will adjourn for an hour for lunch and then hear Mr. Wechsler.

The third witness is Mr. Michael Stoddard, a reporter for the Passaic Herald News.

Before you begin Mr. Stoddard, I would like to recognize the fact that you promoted or provided a good deal of the prodding in order to get this legislation passed in the first place. For that I thank you, and now we will hear your statement.

M I C H A E L S T O D D A R D: Thank you. Do I have to identify myself? I am Mike Stoddard from the Herald News. I would like to thank you for inviting me. I have no prepared statement. I envision myself as perhaps explaining some of the articles I have written and which you have.

Initially the problem of federal grants became a matter of policy on the part of my paper because many of the Mayors with whom I came in contact had been annoyed and aggravated when they had been told there was a federal program they had gone after and found that there was no money. Additionally they were incensed almost when they did go after a program, were granted the money, and found out that ultimately it cost them more than they received from the federal government.

I think initially I ought to caution you not to believe any of the numbers which you have heard. I don't believe any of them and I have quoted them liberally. On the State, if we can refer to the first of the articles which I have, it was pointed out quite clearly that the New Jersey system of priority

was so skewed that they bore very little relationship to the national priorities and, as a result, we eliminated any possibility of getting money anywhere.

I checked and I am very grateful to Mr. Reinthaler and to Mr. Kervick. Both the State departments have been very concerned and attempted to give me statistics that were meaningful. Unfortunately, the discrepancies between the two were on the order of perhaps \$100 million a year and to this day I am not certain and I would doubt anyone if they were to try to give me a number.- since the thing that is missing is a tremendous interspace of information. No one talks to anyone and in not talking we lose a complete picture of where the money is. I am even inclined to believe that we don't know where the State money goes and, without the information - and I am very happy that the Commissioner pointed out that they are well aware of it and are trying to get a more cohesive service which will provide all the links. But, again, I am suspect invariably in the course of the investigation of this, and I might say it took six months. I find that in the bureaucracy there is a tendency to make numbers fit. Each one has his own domain to protect and there will be this conflict which they can only resolve by one guy saying to the other one, "You know, I don't like your number. Are you sure it's right?" and the other fellow says. "No, I'm not sure it's right." "Well, let's split it down the middle."

In splitting it down the middle, I might just point out just as an example that the first numbers we came up with gave me something like \$450 million in the State of New Jersey.

According to the State Treasury, \$307,183,083 in federal funds were given to New Jersey , for which we paid \$112,744,696, running into this discrepancy which took the Department of the Treasury two months to compile, because they are the pass-through agency for the federal funds and I would be inclined to wonder again if they get all the information, because we know that there are other grants that go to the schools, grants that go to municipalities, and grants that go to counties. These bothered me - they still do bother me. As I say, the initial number that we came up with was \$416,105,000. Again I believe that there was much of this attempting to make the figures work.

I was upset by the figures presented by the State Tax-payers Association where they came up with this number of \$1.70 for every dollar. According to my look-at-it - and this is in terms of grants - it costs us \$12 for every dollar we get back. And I am by-passing all the other federal contributions because I would like to quote one or two little things which I feel are important. And I will read: "The federal government with a broad brush includes the money spent on defense programs, including one at Picatinny Arsenal, where its payroll is one of its major expenditures in Morris County.

"That the federal government is not above coloring its largesse is indicated by the inclusion of \$218,920 from Coast Guard, marine, harbor and shore services and \$49,608 as the county's share of participating in the Tennessee Valley Authority.

"Morris County also gets \$39,114 for feed grain direct payments to the owners of its nonexistent farms and received

\$1,536 in wheat direct payments for those same farms.

"The Department of State, the report indicates, spent \$51,316 in Morris County for salaries and expenses of what must be assumed are foreign service officers, while the U.S. Information Agency put another \$18,988 in the local economy possibly for broadcasts behind the Iron Curtain."

These figures were taken from the federal register and again I begin to doubt these numbers because I know of nothing to warrant these payments. I know of no state department operation in that part of New Jersey.

So we go to some other figures where the State has a per capita return of \$59.60 against the national average of \$105.81. The numbers again which keep bothering me - we know how much money the federal government takes out of New Jersey because the federal government has no reluctance in giving you the total that it collected from the State. However, you don't know and cannot find out how much it takes out of each county. However, the more prosperous counties, and even our densely populated urban counties get hit pretty badly and so little of it comes back, and I quoted Morris County because this was the focus of this particular series where they paid more than \$12 per capita and got nothing, because the total number of federal aid programs are limited to Title I programs - well, not only Title I but all the education programs in the planning grants.

I might add that the planning grants in New Jersey are in danger right now, and we pointed this out, with one of the numerous acts that were passed. They said that every county

will have to have a master plan in order to qualify for further federal assistance. The cut-off date was last year. They extended it to this year and many of the counties have started on planning programs which, if it is not extended, will find all federal funds in New Jersey cut off.

Again, this has been difficult to understand since we keep thinking that the federal programs such as they are will continue. I will venture to say that the bureaucracy is too difficult to move and that for the next two years the same programs will continue - the same view of the programs will continue. I have found that grantsmanship has become indeed a fine art where, if you want to go after the money, you set your mind on certain programs, and they have come up with money. Many of the counties, I think, have proven this. Your county perhaps is a star. Middlesex County has gone after money and has obtained it, where other counties, Morris as an example, feel it is not worth the trouble. As a result, Middlesex County, for one sewage program, I think, obtained \$14 million in a short space of time, and Morris County, which has more severe sewage problems, received nothing.

We touched briefly on the role of the Congressman as our Grantsmen in Washington and their offices. Now, we have over 200 representatives in Washington on the staffs of the Congressman who should be concerned with these programs, and we get very little feedback and very little interest. Each time we go to Washington and talk with our Congressmen it is a personal visit for a specific problem. The only change since

we have written this series was on the part of Congressman Frelinghuysen of the 5th Congressional District who appointed his aide a coordinator for federal aid programs. And, again, here it is tilted in favor of the county where he will only act if a municipality within his district asks him for assistance. He does not actively go out and search out new programs which are forming and may stand the best chance of getting money. This has been amply demonstrated every time a new program starts up. If you are there first, the chances of getting money are much better, and New Haven is probably the best example where they obtain more money than they put out in tax dollars. So I don't subscribe to the theory that we shouldn't try to get it - simply that others do get it and our not getting it indicates that we are not trying hard enough.

The structure, and I think here the Legislature, can have a large part in it - it could be changed to perhaps regional offices of grantsmen who would in turn be funneled into the Washington Office, but certainly being close to the money seems to be the key to getting it. The States which it appears get large amounts of money, the agricultural States, invariably have their own lobbyists there, and I think that maintaining a lobby would be of some importance - or is that a bad word to use?

I would like to go on to something that you asked before on the possibility of the block grants being kept in much the same format as they have now. And I'm afraid you're right, because in the olio catalog - and we point this out - the olio catalog which listed the four hundred and some odd programs is now up to five hundred programs and, according to Roth, it is

1200 programs - no one knows that either. There is another catalog, 300 pages, explaining the programs that are listed in the first catalog, and they point out very specifically that they have a formula where a poverty index, your economic level and your need are involved in determining the grant. Now, of course, this is designed for the Appalachias and perhaps for center cities, but the sewage system which we need, it is very hard to convince them that we cannot afford to do it. The feedback that we get from the taxpayers, certainly the newspapers indicate that another thing we will have to be concerned with, we pointed out here - and I would like to read this: "There is a growing suspicion among government experts that the federal grant-in-aid programs have been distorting the face of America by fostering an unnatural relationship between the federal establishment and municipalities which completely bypasses the State."

This again, since the State to this date has not taken any forceful action, has led to this skewed view again where the feds will listen to the municipalities and give them money for their programs and again the programs bear no relation to the needs of the State. I believe that there is a change coming but the change is not on the local level. It will have to be on the State level. I think the Department of Community Affairs has become much more aware, but, even so, I think the direction would have to be pointed out by you gentlemen. There is no question but that priorities in the State have to be established by the lawmakers of the State and in turn be fed back to the local government for their

consideration and their concurrence. This would make departmentship a little more complete if the block grants are effectuated. Again I think there will be this difficulty because of the lack of communication on all levels of government. The local governments and the impotent county setups we have prevent them from getting the information all the way down, and we keep running into this block and if they do get a grant to erect a sewer plant, a sewage treatment plant on one river, every one is very happy in that particular vicinity but the guy down the river who has to get that effluence and repurify it to drink it, which shows there has to be a greater regional consideration. I think the federal government is more aware of regional consideration and regional needs and is more willing to give from it.

I have tried to cover these. There are some other points that I think should be noted, and this is the lack of good communication between the government and the educational establishment. The universities we have in the State - I think we have some forty now - have lived all their lives by the skill of grantsmanship. They make their money by asking other people to give them money and proving their need for it. I have rarely seen any instances where the universities of New Jersey have become involved in local government to the extent where they will provide some of their brains to help plan some of the more obvious needs and provide some of the more obvious solutions. They know the mechanics of getting from here to where the money is and coming back with some of it.

Instead, we have gotten to the point where we have this tremendous reliance upon planning consultants and planning establishments and unfortunately many of them will give you any answers you are willing to pay for. The amount of money that is expended by the State and the municipalities for obtaining information should readily be available.

Here's another point. If the moneys were put into a - I would say if they were funneled back to the educational system perhaps to utilize the brightest men we have in the State, we would benefit in some direction just from that simple course of action.

The other thing that I think has not been explored is the relationship of the foundation to the State. We are aware that the State does receive some money from the Ford Foundation for specific grants. They have a hang-up on providing specific money to a specific municipality for specific problems. If you want to build a recreation building, they are not interested. However, if several municipalities want to explore some new approach to what a recreational program may be, they are not averse. As they have indicated and they have said, "A new handle to an old intractable problem will always be the thing that will get a grant."

The cooperation between the municipalities and the industries and the organizations that do business have certainly been nonexistent. I think what I am trying to say really is that there are many avenues other than the conventional avenues which we think of in going to the federal government for funds. My only purpose here is to answer what questions I

could and to urge that there be some view of utilizing other resources than the established means we have had. There has to be some sort of uncertainty principle devised where we can begin to view the total amount of intelligence we have in the State that we can focus on the State problems, which has not been done simply because of the fragmentation. I would hope that the information lead-out which we are getting would be useful, in addition to giving us information when we push the button and jarring a few minds to look into these problems.

If there are questions, I would be happy to answer them.

ASSEMBLYMAN HAEHBIG: Are there any questions?

ASSEMBLYMAN FAY: Yes. Commissioner Ylvisaker's recommendation of making a department to do this on a state-wide and a regional-wide basis and possibly utilizing your recommendation of bringing in university staffs - do you find this feasible?

MR. STODDARD: It appears to be feasible.

ASSEMBLYMAN FAY: I, for one, have always felt it was completely destroyed with 15 Congressmen possibly going in 15 directions and the two Senators watching them, and for three years I was a freeholder - fortunately my Congressman did have a good staff there and he worked very closely with us and when I went down there. I have also seen other freeholders and other local officials in Washington just bumping into each other and it's a very frustrating and sad situation and I think this point alone is enough to call for some kind of a change, not specifically his verbatim recommendation but a recommendation along those lines, for a State of eight million people with these variety of

statistics. Your report was very profound and very well done and the statistics of the Taxpayers Association and their comprehensive report most certainly is painting a very clear even though a frightening picture. I hope I am not simplifying again by just falling back on this, but I think an office like this is absolutely necessary whether it is with the Governor's Office, a separate department, or what. I think we have to have a beginning before we can even start trying the foundations and trying to attract private industry, philanthropists, and the others in this whole spectrum.

MR. STODDARD: The point is well taken. The difficulty now is that I feel that what we are doing here is performing a post mortem really. We are looking at the cadaver of what used to be when the winds of change are blowing already. Whether the changes will still allow us to get in and participate on a meaningful basis is difficult to assess. Certainly if we are in a position of just receiving second-hand information again as we have been doing, we will not be able to know if block grants are going to become a way of life in the new federal grants. Then I would say we should be in there tomorrow. If they are discussing it in Congress today, we should be in there today, because the first man in is the first man who is going to come out with the money. I think there is a lot of salesmanship involved and the needs certainly in our cities are greater than any others and I don't feel that I am exaggerating when I say our needs are greater. We have Newark, we have Camden, we have building bans on our suburbs now because of inadequate sewage; we are almost insuring this housing crunch which has

developed and it will get worse and worse and worse. If there is going to be money, we should be in there right now helping to shape the policy, because this is what they have done before, this is what New Haven did, and this is what everyone who has taken large amounts of money out of the federal government has done. They have helped shape the policy, because once the law is passed it has no structure, it has no bone, but if you are there advising them on your needs, this helps to fix programs for the future. And this has been reflected in every one of the applications for federal funds that you encounter. Someone came in there initially and said this is what we need, and the rule seems to be if it is not written into the law that doesn't mean it is not allowed. As long as there is a way to do it, do it. It is only by getting in there fast enough. I would say the situation is one that doesn't even allow time for the Governor to sit down and decide about putting together a Commission or allow time for the Urban Affairs Council to get its computer going. I think it's an emergency, because the shift is now, and if the federal government is going to change its direction the formulas which have been applied and have not been said to be invalid are the ones that will probably keep on applying and, again, while the shift takes place I think it will take two years.

The war in Vietnam we find out has substantially reduced the funds that are available, but even so, in spite of everything they say is not available, the Federal Times has a weekly account of grants which were given and the purposes for which they were given and received. So again I don't think that the formula is that important. There has to be a little something extra, and

I think the something extra is the ordering of priorities on our part and directing whoever is working for us that this is what you go after because here is where our needs are the greatest. It seems logical.

ASSEMBLYMAN FAY: Mr. Stoddard, we sat here today and we heard Mr. Haines, and we heard the Commissioner explain to us the different schedules that they had and the amounts of the grants to the States and the cost to the States in dollars, and I am now curious and a little bit muddled in my own thinking after hearing them and seeing their statistics and then reading your statement here and I wish you would explain it for me where you say that New Jersey spends \$12 for every dollar that they receive, so I can be clear in my own mind. Would you be in a position to clarify that for me?

MR. STODDARD: Yes. I think what we did in talking about the federal grant was to simply divide the number of dollars the State received in grants into the number of dollars that the federal government received in direct taxes. In assessing the problem, the numbers and the tax foundation assessment and the federal register, after reading them we decided it introduced too many extraneous factors. To simplify it, the thing was to see how much money they took out and how much money they put back in federal grants, and in those terms we are buying one dollar for every twelve dollars.

If you started considering every dollar that the federal government has in the State of New Jersey, then I would defer certainly to the Taxpayers Foundation or to the New Jersey Taxpayers Association and utilize their number. I think it is

what you want to show with the figures, which is why I cautioned you that none of the figures really reflect a true picture of the dollars taken out of the State and the dollars given back to the State. We come up with this empirical number of \$12 per dollar. Does that clarify it, sir?

ASSEMBLYMAN FAY: That \$12 has no relationship directly to grants-in-aid programs. That's the total number of tax dollars -

MR. STODDARD: Dollars out and dollars back.

ASSEMBLYMAN FAY: This includes the money they spend for the national defense and the money for interest payments, and so on.

MR. STODDARD: No, again in talking about federal grants the number of dollars that the State of New Jersey received against the number of dollars that the federal government received, if we start including all the extraneous figures to look away from grants and view the broad spectrum of dollars given to the State for all purposes - federal payrolls, retirement of employees who worked for the federal government at one time - there are countless pages in the book which show what New Jersey received from the federal government. But again these are not the grants we are talking about. These are not the dollar funds that are available in the grant program and by viewing the grant program as the final proof of what we are getting back for our dollar. I think the same situation applies to taxes across the board. What do you get for the money you give to the county? Reducing it to that level on your federal property tax, how many services do you receive back? Trying to assess that has always been extremely difficult for me, and I think here it was

an attempt to simplify it.

ASSEMBLYMAN FAY: Does your \$12 figure also take into consideration the amount of moneys in grants to local municipal governments, local school districts, and the like?

MR. STODDARD: The one dollar does because the one dollar figure was derived from the amount of money that was given to the State in all grant programs, and the grant programs are in these fourteen categories. These are the way all the federal grant programs are used, and we listed them, so the \$12 again can be as true or as fictitious, I think, as you care to make it. It is the amount that they take out of the State on income tax; we do not consider the excise taxes or the peripheral taxes - simply income, - income that went into the federal treasury and then the amount of money that came out of the federal treasury specifically allocated for the grant programs which cover these 14 categories, and all the federal programs are in the 14 categories.

ASSEMBLYMAN FAY: Do I take it also from your testimony and your conversation - first let me ask you a question: Does New Haven have a lobbyist in Washington that you know of?

MR. STODDARD: To my knowledge, they had 15 lobbyists. The staff in New Haven, and I wish I had more documentation - but New Haven had probably the best program on obtaining money from the federal government when the large urban aid and development programs were first envisioned on the scale on which they developed. They helped draft much of the rulings, many of the forms and some of the legislation, and it has been sort of a failure in the views of some and it is another

interesting view of federal grants - whether they hadn't overdone it by utilizing the money to rebuild the city without considering all the factors that went into it, which again brings me back -

ASSEMBLYMAN FAY: I take it then from the statements you have made that you would be in favor of a lobbyist in Washington to represent this State in trying to get some correlation between the 15 Congressmen and the amount of money this State could receive in federal grants, which would enhance our chances?

MR. STODDARD: Yes. However the office would be set up, I would be very much in favor of it because I think again that the closer you are to the money, the closer you are to the programs as they are being drafted, the better your opportunity for getting the money is.

ASSEMBLYMAN HAELIG: I have no further questions.

We certainly appreciate your appearance here today, Mr. Stoddard. Thank you very much.

We will recess now until one-thirty. We have one additional witness to hear.

[R E C E S S]

Afternoon session

ASSEMBLYMAN HAELIG: I would like to reconvene the hearing at this time. Our fourth and last witness is Mr. Walter Wechsler.

Mr. Wechsler, do you care to offer your comments on the mandates of the legislation?

W A L T E R W E C H S L E R: First, sir, I would like to introduce Mr. Fred Schenck whom I asked to accompany me at this hearing in the event there were questions that might pertain in some depth to some of the programs that the State is operating, notably the Department of Community Affairs. Mr. Schenck is the Chief Fiscal Officer and I have him here on the stand by me.

I am assuming, sir, you are referring to ACR 39, and, frankly, not having received any specific request as to what it was you would like to ask me, I am completely open to questions without necessarily having been prepared for it.

ASSEMBLYMAN HAELIG: All right, fine. The Commission was established to investigate the causes of the disparity or apparent disparity between what the taxpayers of the State of New Jersey pay in federal taxes to provide for federal grants-in-aid programs and the actual receipts the State of New Jersey derives from those same programs. The Taxpayers Association, based on statistics that were originally provided by the Tax Foundation, has indicated to us that, although the figures may be somewhat oversimplified, they certainly provide a realistic appraisal of the relative position of the State of New Jersey

to the other 49 States and the District of Columbia, so we would like your comments on the causes of this disparity if you care to make any, and what the Legislature and the State government of New Jersey might do in order to bring about a more equitable distribution and benefit from these federal grants-in-aid programs.

MR. WECHSLER: First, it would be my view that the so-called disparity is perhaps more apparent than real. I don't think it's a bona fide way of presenting the situation as it relates to the amount of federal grants-in-aid. To be philosophic for a moment, we are in a democracy and, under our theory of government, the "haves" usually give to the "have-nots." I don't think we will ever get away from this and I don't think we would want to, and since we are somewhere between sixth and eighth in per capita income, it would probably follow that we would not necessarily be getting back what we give to the feds in terms of taxes. At the same time, however, I am not implying that there are not ways by which we could secure more federal moneys even though that may be at the expense of some other States in the sense that if there is an appropriation by the Congress, maybe we can get more of it than we would otherwise get while, at the same time, other States might get less. At the same time, I would not want to urge that the federal government necessarily appropriate more money than it would otherwise appropriate merely to give more money to the "haves." There is another way, however, of looking at it. If we talk about our welfare programs for a moment, I am convinced, along with hundreds of thousands of others perhaps,

that the problem of welfare in New Jersey today is something that New Jersey did not bring on, and we are the recipient State of poor people from other States where they can't exist, using general terms. In that respect, therefore, or for that reason, it would seem to me that notwithstanding our so-called ability to pay here in New Jersey the feds should pick up these costs to a far greater extent than they would otherwise, if not all of it.

I would venture also to say, however, if you are looking for what may well be considered to be a cure in part for any apparent, if not real, loss of federal funds or funds that we could otherwise get, that we probably need to have a focal point through which or by which or with which federal funds can be identified and perhaps latched on to in a more rational way than may be the case today.

What I'm saying is that even our own departments of State tend to compete with each other in Washington for the same federal dollar, or potentially do in the same department for the federal establishment. If there is to be any benefit that could derive from an ability to assess and evaluate what federal dollars ought to be devoted to what purpose in New Jersey, whether it be at the State or local level, then there ought to be somewhere in the executive branch at least an office that is charged with the responsibility of identifying these funds and in fact establishing a priority for their use, whether it be within one department altogether, as an example, or spread among all departments.

This may sound self-serving but there is a bill in the legislature called the "grantsmanship bill" or one which would establish an office of grantsmanship, which is now in the State Government Committee of the Assembly, which perhaps needs some clarification in order to be workable. That would do what I am talking about if it is passed in both the Senate and the House.

ASSEMBLYMAN HAELIG: We heard a good deal of testimony this morning and some of the things that were mentioned or somebody talked about 581 programs in 47 federal departments and somebody else talked about 1,050 programs and didn't refer to any specific number of departments, and somebody else talked about 1332 different federal programs. There is apparently a misunderstanding as to precisely and exactly how many separate programs there are sponsored by the federal government for grants-in-aid to States and localities. Would you suggest we urge the major consolidation of some of these programs to make it easier to find them and get the funds we are entitled to?

MR. WECHSLER: Well, I have before me something which I want to give to the Committee which I had prepared for me - a schedule which lists 285 programs, or shall I say requests for funds from various State agencies for federal establishment, aggregating, including the State funds required to match them, some 81.4 million, of which 61.4 million is federal funds. Grant funds are 4.9 and State funds 15.2 million. These do not include, however, the so-called categorical funds which we get from the feds for various welfare programs for one thing, and do not include Title I moneys or Title II or that group. It does not include

Federal Bureau of Roads allocations of some hundred plus millions, so all together, and I am only talking now of the State - I can't speak for the municipalities - I would say that for the fiscal year 1969, there were requested and/or allotted federal funds to the tune of probably some \$275 to \$300 million. I can't tell you as of this moment how much of what was requested in this total, in this schedule, we have actually received or been authorized to spend, as the case may be.

Now it is my understanding also that if there be a revenue-sharing program offered by the feds and if what I understand a compromise to be with respect to how the fund shall be received and disbursed, namely, on a so-called "pass through" basis for other than State government, it could very well be that your State will be in a better position even then, and especially then, to pass upon the need for and the effectiveness of federal funds that would be received, whether we use them here at the State level or whether they pass through us for the local. I would say that if that kind of a revenue sharing program goes through, with the concept of "pass through," rather than direct from the feds to the locals, it, together with the money which we now get for the programs that are on this list, both categorical and those that are not, we would be in a position to look at the whole federal grant-in-aid program with far better perspective than we have been able to do so far,- and assuming that you have a central focal point where all of this can be viewed or through which all of this can be viewed.

ASSEMBLYMAN FAY: I just wanted to enlarge on the point

of the whole purpose of this Committee meeting. It has been so broad although I think it is very important to examine these figures to appraise them and the testimony and most certainly the point you made about the federal government take-over of the welfare that is so long overdue, and Governor Rockefeller for one has made this a major project in the last year alone. We all realize the ludicrousness of people streaming out of South Carolina and Mississippi into a State like our own and Pennsylvania, Michigan and New York, for example. The people of the federal government keep making this an academic point and we are trying to make it a very, very real point. I think so much of what we are doing here in regard to the mechanics of the figures, no matter where they are coming from - the Commissioner or the New Jersey Taxpayers Association - so much rests upon State study, but it is so frustrating also to realize that all of us can come to hard conclusions from proven facts and yet be completely stymied by the federal government refusing to accept the very same reasons, and with these block grants that come up in everyone's testimony - where the pressure started from - I think from the taxpayers up, from the local communities that are being strangled with the school budgets and their local budgets where the State should take over more projects - one area I am advocating they take over would be the court system and the probation system that I feel should be on the State level - again we are frustrated because we just run out of money at a point and you know what you should do, you know exactly how you should move but you know that the money isn't there.

So I think the information given the Committee and the

testimony given us today at least presents the cold facts again and then the public, the elected officials and the appointed officials on all levels are going to have to either rise to the occasion or again either choke up or back away.

MR. WECHSLER: I'm going to make a point about someone putting up. Without taking any more time than I have to, I would like to emphasize that while we have a budget of some 1.350, call it, billion now, our budgets past and future traditionally don't contain that much additional revenue to support programs which tend to increase to a greater extent, or proportionately greater, than our revenues, and if we, in the act of getting federal money, have to put up some state money to get it, then we must zero in more effectively than we have in the past, and where are we going to put our priorities. We have State programs that need support and we would like to get the federal money, but where are we going to put it? We may put it between them but how much is there to put between them without "losing" federal money that we would otherwise get if we had more State money.

ASSEMBLYMAN HAELIG: Hypothetically, if the Legislature were to give the executive branch a blank check to mandate the State Government to go out and get all the federal funds that it is entitled to in connection with the legislation that is on the books federally, Number 1 do you have any idea how much a blank check would have to be written out for, and Number 2, how much additional revenue would we get from the federal government under those circumstances?

MR. WECHSLER: No, I don't know and I don't believe that we can find out quickly, quite frankly, without a bit of a

study. I'm not sure that the study would help us, because the ability of the State to get what is in Washington probably depends upon the knowledge and experience of those who would get it for us and if we are going to build that knowledge and experience it may take a little while. If we are going to build it, we ought to start now in the establishment of some kind of an office such as that of Grantsman, by which we can determine what is there.

ASSEMBLYMAN HAELIG: Do you have any idea or would you care to conjecture on the kind of money the Legislature would have to appropriate in order to establish an office and staff so that it would be effective and return significant dividends to the State of New Jersey?

MR. WECHSLER: The office of grantsmanship, for example -

ASSEMBLYMAN HAELIG: Well, whatever you want to call it - wherever it is -

MR. WECHSLER: Probably \$100,000.

ASSEMBLYMAN HAELIG: Do you think an annual appropriation of \$100,000 would bring in significant dividends?

MR. WECHSLER: I think so. I think it would certainly, if nothing else, clarify the picture of federal funds so we would know what is there, how we can get it, and to whom it should be given, because there could be choices here.

ASSEMBLYMAN HAELIG: We heard testimony this morning elaborating on the opinion that the whole philosophy of the federal government historically with respect to grants-in-aid

programs favored in many areas the rural states and discriminated to a significant degree against the highly industrialized urban states particularly in the northeast. Do you share that opinion?

MR. WECHSLER: There's no question about it. That's the start and, as long as the United States Senate is as a practical matter dominated by the States that are getting this kind of money, I don't think we are going to fare much better than we have in the past unless some new kind of thinking comes along the way or unless we can assure those who have been able to get what they did that any new revenues devoted to additional federal aid might conceivably be allocated to the States that haven't been getting it in the past without disturbing what they have been getting.

ASSEMBLYMAN HAEELIG: Are there any further questions?
[No questions].

I think on that note we will conclude the hearing this afternoon. We appreciate your coming down and we thank you for your testimony. At this point, I don't think any of us would be in a position to draw any final conclusions from anything we have heard. We have had a great deal of very significant testimony in my opinion which will no doubt lead us toward certain conclusions once we've had time to think about it. So at this point, with your approval, I will adjourn the hearing. Thank you.

[A D J O U R N E D]

MEMORANDUM ON
ALLOCATION OF THE FEDERAL TAX BURDEN
AND FEDERAL GRANTS-IN-AID BY STATE

Since Federal tax collections data (published by the Treasury Department) do not accurately reflect the tax burden by State, Tax Foundation, in cooperation with other organizations, has developed a special allocation formula to distribute the Federal tax burden by state. This distribution of the total Federal budget tax burden (including trust fund taxes), as estimated for fiscal 1969 are set forth on the attached table in column 2. (This table is consistent with the new unified official budget concept introduced with the 1969 Budget presentation.)

The bases used for estimating tax burdens appear in Schedule A on the reverse side of this sheet. Essentially the same method and bases have been used for the derivation of these estimates for the past six years. However, in 1966 a change was made in one base for allocating the corporation income tax burden; it was a statistical revision which limits the comparability of current estimates and those for prior years. Previously, one half of the corporation tax burden was allocated in proportion to the distribution of dividends by state. Since 1966, total "property income" (See Survey of Current Business, August 1968 pp.16-19) has been substituted for dividends in this portion of the allocation.

Another change has been made in the 1969 estimates, when for the first time state unemployment insurance taxes are included in the total tax burden. This change was made to conform with the new unified budget concept in which deposits of state unemployment insurance taxes in the unemployment trust fund are classified as part of total budget receipts.

One purpose for which the Federal tax burden estimates can be used is demonstrated in accompanying table which shows the tax cost of all Federal grants-in-aid to state and local governments, including payments financed through trust funds.

It must be borne in mind that these comparisons of Federal assistance per \$1.00 of its estimated Federal tax burden for aid payments do not actually indicate the entire cost which the states incur for obtaining Federal grants. The comparisons, with a few exceptions, do not take into account the costs to the states of administering the programs for which the aid is granted, nor the amounts of matching funds which the states must make available out of their own revenues in order to qualify as recipients of these grants.

Further explanation of the formulas--their derivations, uses, and limitations,--is contained in Tax Foundation's Research Aid No. 3 (Revised), Allocating the Federal Tax Burden by State, December 1963.

Tax Foundation, Inc.
April, 1969
Reproduced by New Jersey Taxpayers
Association, Inc.
May, 1969
69-36

(SEE OTHER SIDE)

SCHEDULE A

BASES FOR ALLOCATING THE FEDERAL TAX BURDEN BY STATE
1969

Tax	Base
Federal Funds Taxes:	
Individual Income	Individual Income Tax Liability (1966) adjusted by 1967 changes over 1966 in Personal Income by state
Corporation Income	1/2 Personal Income (1967) 1/2 Property Income (Dept. of Commerce) (1967)
Alcoholic Beverages	1/2 Personal Income (1967) 1/2 Consumption Data (1967)
Tobacco	Total Population, July 1, 1968
Estate and Gift	Six-year total of Estate and Gift tax collections (1963-1968)
Auto Excise	New Car Registrations (1967)
Other Excises and Customs	Personal Income (1967)
Trust Fund Taxes:	
Old-Age Survivors & Disability Insurance, Railroad Retirement, and Federal Unemployment Insurance Taxes	1/2 Personal Income (1967) 1/2 Personal Contributions for Social Insurance (1967)
State Unemployment Insurance Taxes*	Unemployment Tax Collections (1967)
Highway Trust Fund Gasoline, Diesel, Special Fuels, Tires, Tubes and Tread Rubber	Motor Fuel Excise Data (1967) (Bureau of Public Roads)
Trucks and Buses and Heavy- Vehicle Use	Truck and Bus Excise Data (1967) (Bureau of Public Roads)

*New item in 1969 allocation

(SEE OTHER SIDE)

Tax Foundation, Inc.
January 1969
Reproduced by New Jersey Taxpayers
Association, Inc.

TOTAL FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS
AND ESTIMATED TAX BURDEN OF FEDERAL GRANTS
(Includes Both Administrative Budget and Trust Funds-Unified Budget Concept)

Fiscal Year 1968

State & D.C.	(1)	(2)	(3)	(4) ¹	(5)
	Federal Grants-in-Aid				
	Grant Payments ^a (millions)	Estimated Tax Burden Percentage Distribution ^b	Amount for Grants (millions)	Tax Amount Paid Per Dollar of Aid Received	Rank of Column 4 (High to Low)
TOTAL	\$17,984.1	100.00%	\$17,984.1	\$1.00	
Alabama	365.0	1.12	201.4	.55	37
Alaska	101.2	.14	25.2	.25	51
Arizona	200.2	.66	118.7	.59	36
Arkansas	248.0	.57	102.5	.41	47
California	2,057.4	11.31	2,034.0	.99	19
Colorado	224.7	.93	167.3	.74	29
Connecticut	236.8	2.09	375.9	1.59	2
Delaware	52.5	.38	68.3	1.30	8
Florida	397.3	2.74	492.8	1.24	10
Georgia	438.7	1.70	305.7	.70	32
Hawaii	87.3	.38	68.3	.78	28
Idaho	77.7	.26	46.8	.60	34
Illinois	780.4	6.82	1,226.5	1.57	4
Indiana	282.2	2.47	444.2	1.57	3
Iowa	221.2	1.25	224.8	1.02	16
Kansas	168.1	1.02	183.4	1.09	14
Kentucky	412.0	1.12	201.4	.49	42
Louisiana	411.9	1.37	246.4	.60	35
Maine	86.3	.39	70.1	.81	26
Maryland	282.8	2.20	395.7	1.40	7
Massachusetts	506.4	3.15	566.5	1.12	13
Michigan	590.8	4.80	863.2	1.46	5
Minnesota	361.7	1.66	298.5	.83	25
Mississippi	282.4	.59	106.1	.38	50
Missouri	401.5	2.18	392.1	.98	21
Montana	97.5	.28	50.4	.52	40
Nebraska	123.0	.67	120.5	.98	20
Nevada	68.1	.27	48.6	.71	31
New Hampshire	62.7	.35	62.9	1.00	18
New Jersey	426.7	4.24	762.5	1.79	1
New Mexico	164.9	.36	64.7	.39	49
New York	1,828.1	11.75	2,113.1	1.16	12
North Carolina	396.0	1.77	318.3	.80	27
North Dakota	81.1	.22	39.6	.49	43
Ohio	697.8	5.51	990.9	1.42	6
Oklahoma	332.3	.97	174.4	.52	39
Oregon	195.3	.94	169.1	.87	23
Pennsylvania	884.0	6.08	1,093.4	1.24	11
Rhode Island	106.3	.50	89.9	.85	24
South Carolina	202.5	.82	147.5	.73	30
South Dakota	95.4	.23	41.4	.43	45
Tennessee	369.7	1.43	257.2	.70	33
Texas	908.9	4.70	845.3	.93	22
Utah	128.9	.38	68.3	.53	38
Vermont	73.4	.18	32.4	.44	44
Virginia	336.9	1.98	356.1	1.06	15
Washington	299.1	1.69	303.9	1.02	17
West Virginia	230.6	.64	115.1	.50	41
Wisconsin	293.9	2.04	366.9	1.25	9
Wyoming	63.8	.15	27.0	.42	46
District of Columbia	242.3	.55	98.9	.41	48

(PLEASE SEE REVERSE SIDE FOR EXPLANATORY NOTES)

EXPLANATORY NOTES

- a. Excludes shared revenues; includes highway aids and unemployment compensation and employment service administration aids.
- b. The total tax burden for aid payments is assumed to be equal to aid payments. The burden of aid payments financed through Federal funds is distributed by state on the basis of an estimated distribution of the burden of general taxes; the burden of highway aid payments is distributed by state on the basis of a Bureau of Public Roads estimate of the state distribution of taxes going to the highway trust fund; the burden of Federal unemployment insurance aids is distributed on the basis of social insurance contributions by state and state unemployment insurance taxes deposited with the Federal government by state.

NJTA Note: Because the tax distribution percentage in Column 2 is the result of applying the several formula percentages mentioned in footnote b, multiplication of each state's percentage distribution of burden in Column 2 by the total tax burden in Column 3 will not result in each state's tax burden in Column 3.

Source: Treasury Department and Tax Foundation, Inc. (April 1969)
Column 5 added by NJTA

May 1969
69-35
New Jersey Taxpayers Association, Inc.
104 N. Broad St.
Trenton, N.J. 08608

FEDERAL GRANTS TO NEW JERSEY, BY FUNCTION AND PROGRAM
 (Administrative Budget and Trust Funds)
 Fiscal Years 1967 and 1968

<u>Function and Program</u>	<u>Amount</u> <u>(Thousands)</u>	
	<u>1967</u>	<u>1968</u>
<u>Total Grants to New Jersey</u>	\$350,561	\$426,728
<u>Agriculture and Agricultural Resources</u>	\$ 4,798	\$ 7,459
Basic scientific research grants	61	146
Commodity Credit - price support donations	1,748	3,140
Cooperative agricultural extension work	622	619
Cooperative projects in marketing	74	82
Cooperative State research service	763	854
Value of surplus agricultural commodities distributed	1,510	2,180
Rural water and waste disposal grants	20	438
<u>Natural Resources</u>	\$ 3,748	7,253
Forest protection, utilization & restoration	230	247
Watershed protection, flood prevention, and resource conservation and development	323	212
Fish & wildlife restoration and management	148	287
Commercial fisheries research and development	102	113
Waste treatment works construction	2,222	2,618
Water resources research	123	175
Water supply and pollution control	294	714
Land and water conservation fund	248	2,818
Water Resources Council	38	43
National wildlife refuge fund	20	26
<u>Commerce and Transportation</u>	\$107,037	\$116,528
Bureau of Public Roads - Highway Trust Fund	103,728*	115,238*
F.A.A. - Federal airport program	491	93
Highway safety	0	28
Beautification & control of outdoor advertising	0	13
Accelerated public works program	2,790	510
State technical service	0	17
Landscaping and scenic enhancement	28	41
Development facilities grants	-	492+
Planning and research	-	26+
Technical and community assistance	-	70+
<u>Housing and Urban Development</u>	\$ 37,796	\$48,780
Low income housing demonstration program	24	15
Open space land grants	1,379	2,540
Urban planning assistance	432	688
Urban renewal	19,958	26,061
Urban mass transportation funds	0	1,944
Low-rent public housing program	16,003	17,532
<u>Health, Labor, and Welfare</u>	\$145,562	\$174,470
Agriculture:		
Food stamp program	612	2,735
School lunch program	2,634	2,956
Special milk program	3,515	4,047
Funds appropriated to the President:		
Disaster relief and State and local preparedness	80	-66

	1967	1968
O.E.O.		
Adult basic education	812	0
Community action programs	\$ 22,805	\$ 23,814
Neighborhood Youth Corps	8,106	8,007
Work experience and training programs	3,065	2,855
Adult work training and development	0	3,183
H.E.W.		
Air pollution	201	381
Administration of Aging	66	160
Chronic diseases and health of the aged	332	161
Communicable disease activities	88	119
Community health services	428	504+
Comprehensive health planning and services	-	1,105
Construction:		
Hospital and health research facilities	3,731	4,207+
Tuberculosis control	251	128
Venereal disease control	228	49
Dental services and resources	8	71+
Mental health research and services	187	2,674+
Urban, industrial and radiological health	48	108
Health manpower education and utilization	0	360+
Regional medical services	0	122
Vocational Rehabilitation Administration	4,350	7,674
Welfare Administration:		
Aid to dependent children	68,006	84,899
Aid to the blind		
Aid to permanently and totally disabled		
Medical assistance for the aged		
Old age assistance	2,709	2,927
Child welfare services		
Maternal and child health services		
Services for crippled children		
Miscellaneous H.E.W. programs	46	90+
Labor Department:		
Manpower development and training	981	1,983
Unemployment compensation and employment service administration - trust fund	22,273*	19,217*
<u>Education</u>	\$ 50,585	\$ 71,148
H.E.W.		
American Printing House for the Blind	38	47
Colleges of agriculture and mechanical arts	344	50
Construction:		
Public Schools	151	319
Higher educational facilities	4,324	7,349
Cooperative vocational education	5,374	7,432
Schools in federally affected areas	-	10,265+
Maintenance and operation of schools	8,621	- +
Educational improvement for handicapped	548	459
Elementary and secondary educational activities	28,620	40,798
Equal educational opportunities program	10	9
Higher educational activities	538	431
Libraries and community services	1,882	3,893
Arts and humanities educational activities	8	15
National Foundation on the Arts and the Humanities	127	36
Teacher Corps	0	45

	<u>1967</u>	<u>1968</u>
<u>Other</u>	\$ <u>1,035</u>	\$ <u>1,090</u>
Civil defense	517	609
Veterans Administration	335	366
Law enforcement assistance	183	115

* Trust funds.

+ Reflects changes in reporting of data.

Detail may not add to total due to rounding.

SOURCE: Annual Reports of the Secretary of the Treasury, Fiscal
Years 1967 & 1968

NEW JERSEY TAXPAYERS ASSOCIATION, INC.
May 1969
69-37

PER CAPITA STANDING OF NEW JERSEY IN 14 FEDERAL GRANT-IN-AID CATEGORIES
FISCAL YEAR 1967

All figures in 1,000's

PROGRAM CATEGORY	Category Total, All States and D.C.	Average per capita, All States and D.C.	Amount to N.J.	Per Capita to N.J.	Standing o N.J.per cap
Public Assistance	\$4,201,019	\$21.23	\$ 70,169	\$ 10.02	#47
Highways	4,021,980	20.80	103,756	15.00	42
Agriculture	3,501,239	18.00	6,278	0.90	47
Education	3,086,528	15.60	72,845	10.40	50
Public Health	1,406,221	7.11	20,165	2.88	51
Antipoverty	1,377,264	6.97	51,808	7.40	21
National Guard	842,802	2.43	14,860	2.12	38
Food Distribution	686,554	3.31	10,020	1.43	50
Unemployment Insurance	614,797	3.03	24,884	3.55	17
Urban Development and Public Works	538,077	2.71	25,049	3.58	10
Veterans' Benefits	306,916	1.55	7,141	1.02	41
Conservation Practices	289,223	1.40	1,239	0.18	50
Vocational Rehabilitation	266,821	1.35	4,578	0.65	46
Child Care	<u>233,172</u>	<u>1.12</u>	<u>3,313</u>	<u>0.47</u>	<u>51</u>
Sub-Total	\$21,372,613	\$105.81	\$ 416,105	\$59.60	#51
Miscellaneous Programs*	<u>\$ 491,865</u>	<u>--</u>	<u>\$ 1,053</u>	<u>--</u>	<u>--</u>
TOTAL PROGRAMS	\$21,864,478	--	\$417,158	--	--

Source: Congressional Quarterly, August 16, 1968.

*Includes business programs totaling \$20,226,000 and other programs providing reimbursements to states and territories totaling \$471,639,000 not included in the 14 categories.

**Includes the 50 states and the District of Columbia.

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JUN 20 1985



