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PUBLIC HEARING

before

COMMISSION TO STUDY THE LAWS OF NEW JERSEY  
EXEMPTING REAL PROPERTY HELD BY RELIGIOUS,  
EDUCATIONAL, CHARITABLE, AND PHILANTHROPIC  
ORGANIZATIONS AND CEMETERIES FROM TAXATION  
[created under Assembly Concurrent Resolution  
No. 42].

Held:  
January 22, 1969  
Assembly Chamber  
State House  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Chester Apy, Chairman  
Senator Wayne Dumont, Jr.  
Senator Alfred N. Beadleston  
Senator Norman Tanzman  
Assemblyman Webster B. Todd, Jr.  
Russel T. Wilson  
William H. McLean  
Canon Stuart F. Gaust  
Paxson Keats  
Roy Cotton

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ASSEMBLYMAN CHESTER APY, Chairman: Good morning. I would like to proceed with our first hearing and at the outset introduce to those of you here the members of the Commission who are present. Beginning at my far right and at your left we have, first, Paxson Keats of Atlantic City, then Dr. William McLean of Hoboken, Father Gaust of Belmar or Ocean Grove or wherever he happens to be assigned at the moment; on my immediate right, Russel Wilson of Hackensack; on my left, Roy Cotton of Little Silver; on his left, Senator Wayne Dumont; and seated to Senator Dumont's left in the front, Senator Alfred Beadleston. I am Assemblyman Chester Apy from Little Silver.

I think what I would like to do first is to read to you the applicable portions of Assembly Concurrent Resolution No. 42, which constituted this Commission and which is the basis for our hearings.

The Resolution reads in part:

"WHEREAS, It is essential that the costs of government and governmental services be equitably distributed and shared to the greatest degree possible;

WHEREAS, Any real property tax exemptions granted to religious, educational, charitable and philanthropic organizations and cemeteries place an additional burden on all other real property owners;

WHEREAS, In recent years an ever increasing amount of real property has been granted tax exemption; and

WHEREAS, There is a possibility that our present statute and practices regarding these exemptions have permitted

an imbalance to be created, which imbalance should be re-evaluated; now, therefore,

Be it Resolved by the General Assembly of the State of New Jersey (the Senate concurring):"

The Resolution goes on then to establish our 12 member bipartisan commission. And later on in the Resolution, after setting up the formalities it states in paragraph 3:

"It shall be the duty of said commission to review and study the New Jersey laws exempting certain religious, educational, charitable and philanthropic organizations and cemeteries from the payment of real property taxes, the nature and extent of such exemptions and the impact of such tax exemptions on the fiscal capabilities of local governmental units and on other owners of real property."

And we have been directed to carry this out and to report to the Legislature with our findings and recommendations on or before June 30, 1969, accompanying our report with any bills which this commission may desire to recommend for adoption.

Now procedurewise, I would like to indicate that this is the first of three scheduled hearings. We will be convening in Newark, actually East Orange, on February 19th and then, a month later, on March 19th in Camden.

The hearings, each one of them, will cover the general subject matter of our Commission. No particular hearing has been limited to any one area. So that the testimony which we receive today will be to some extent duplicated but by other organizations and other witnesses at the other two hearings.

We will sit probably until around noon time today, 12:30 or somewhere in there when an appropriate time comes for a break, and reconvene after approximately an hour for lunch.

We have, I hope, the names of all those who would like to testify and we will try to work out an agenda that's acceptable to all. And if at all possible, and it should be possible, I would say, everyone who is here today who wishes to testify today will be able to do so, so that no one will have to come back at a later date if they did not wish to do so.

Prior to the taking of testimony, I thought it might be helpful to delineate in more detail the scope of this Commission's jurisdiction, and to indicate our approach to our task.

First, we are concerned only with exemptions from New Jersey real property taxes. We are not convened to consider sales, income or other tax exemptions, state or Federal.

A further limitation is imposed by the fact that we are to consider only religious, educational, charitable, philanthropic and cemetery organizations. Another commission is presently studying the ramifications of the tax exempt status enjoyed by lands owned by the State, counties, municipalities, various authorities, and other governmental agencies. It will in due course make its report, and although the consequences of other exemptions may be no different as far as the taxpayer is concerned, their extent and the reasons for them probably are. In any event, our hearings will not consider them.

Finally, a few words about our approach. Not since 1938, when the State Tax Commissioner reported to Governor Moore, has the question of tax exemptions in this State been subjected to close scrutiny. In the intervening three decades the cost of government - and consequently the tax burden - has increased many fold. Our first responsibility, therefore, will be to determine the exact type and extent of the exemptions granted religious, educational, charitable, philanthropic and cemetery organizations, and to try to put a dollar value on them. To this end the Division of Taxation, under Acting Director William Kingsley, has already undertaken at our request a detailed analysis of these organizations' holdings, and we hope to have their report by April 1st. In the meantime, we will review the philosophy behind these exemptions, so that ultimately that philosophy, or philosophies, can be weighed against the demands of today and the needs of tomorrow.

It cannot be stated too clearly, or too often, that we undertake our task and assume our responsibilities without any preconceived notions about where we will end. We can all perceive the problems, but the search for their solutions will take us into uncharted territory. In undertaking that search we intend to be guided by the facts, and unswayed by emotions, recognizing full well that the subject matter of our inquiry arouses strong feelings. As we delve into this - one of the most sensitive areas of our society's life - we ask not only those of you who testify, but all of the people of New Jersey, to proceed on the same basis. If we do, the end result will

be more meaningful and fair, and New Jersey will be a better place for all of us to live.

And if any other members of the Commission wish to make any statements at this time, by way of general background or elucidation or add to what I have said, I invite them to do so.

I note, incidentally, that Senator Tanzman has joined us, seated over with Senator Beadleston. I welcome him. And on the other end, Assemblyman Todd - Good morning.

If not, I will ask the witnesses, as we call them, to come up to the desk here with the lowered microphone and if any of you have a prepared statement to submit it to us. If there are enough copies for the members of the Commission, we would like to distribute it; if not, if you will hand it to the Chairman, we will then have it available for those who are transcribing the hearing.

I would like to call first on Jack W. Owen, representing the New Jersey Hospital Association, to testify.

J A C K     W.     O W E N: Thank you, Mr. Chairman. I would like to read from a prepared statement which I think you have in front of you, dealing with the concepts of hospital exemption, and then answer any specific questions that you might have following this presentation.

My name is Jack W. Owen and I am the Executive Vice President and Director of the New Jersey Hospital Association. The New Jersey Hospital Association serves as a representative for the 140 hospitals in New Jersey. Of this number, 100 are voluntary, not for profit, hospitals who are tax exempt under the existing statutes and regulations.

I am pleased to have the opportunity to justify the exemption of voluntary, nonprofit hospitals from real property tax. In accordance with your charge, I shall approach this vital question both as a sound philosophical concept and as an economic fact of Twentieth Century life with far-reaching consequences.

When our legal structure began to take shape in feudal times, the Church constituted the sole existing organized charity, operating and maintaining institutions of learning, hospitals and asylums. While this system was highly decentralized and disjointed, it was deemed adequate for feudal society.

During the Fourteenth Century, however, with the advent of the commercial system supplanting the economically self-sufficient manor, the rural peasant became the poverty-stricken inhabitant of the city. Contemporaneously, the Reformation curtailed Church participation in organized charity and the subsequent outgrowth of secular charities was woefully inadequate to meet the needs of a changing society.

During the reign of Elizabeth I, the first Poor Laws were passed, marking entry of the Crown into organized charity. Subsequently, the Statute of Charitable Uses authorized the Chancellor to oversee charitable funds and uses. This marked the first active participation by society through government in organized charity which, along with a common concern for charitable uses and purposes, has continued to this day.

Thus the concept of organized charity as we know it today, and more specifically the care of the sick and needy, has existed as an integral part of society for nearly a thousand years.

While the growth of the voluntary community hospital system has been phenomenal, the beginnings were as humble as they were highly motivated. One hundred years ago there were virtually no institutions in New Jersey providing care for the sick and injured. Throughout the State, groups of concerned and responsible citizens established the voluntary hospital, designed for and dedicated to the care of the sick and injured without regard for race, creed,

color, or ability to pay. This concept, conceived by public spirited citizens at the community level, has grown to a system of more than 100 voluntary, nonprofit hospitals. Today these hospitals perform a community service for all people, regardless of their ability to pay.

Both our Federal and State Governments have since the earliest times favored, fostered, and encouraged the classic charitable uses and purposes to which I have referred. The justification for this was not only the highly motivated and necessary character of the services rendered but also that organized charity benefits society as a whole.

A classic legal definition of "charity" is a gift to be applied consistently with existing laws for the benefit of an indefinite number of persons, either by bringing their hearts under the influence of education and religion, by relieving their bodies from disease, suffering, or constraint, by assisting them to establish themselves for life, or by erecting and maintaining public buildings or works, or otherwise lessening the burdens of government. The reason for hospital exemptions is that care of the sick and needy is essential to public welfare and this need cannot be fully met by reliance solely on private hospitals operating from a profit motivation. The fact that some patients pay more than actual cost is immaterial if this income is used for care of the sick and disabled since this is a logical extension of the charitable purpose. Tax exemption for charitable hospitals encourages and facilitates their performance of a government duty which would otherwise have to be performed by the State.

While our New Jersey Courts have followed the general principle that the burden of taxation should fall equally upon all, they have long recognized the need for certain exemptions deriving from favored legislation. The well established theory for this "concession" is that it is due as quid pro quo for the performance of a service essentially public and which the State is thereby relieved pro tanto from the necessity of performing, that is works of charity and education freely and charitably bestowed. Under New Jersey Law, exemption or freedom from the burden of enforced contribution to expenses and maintenance of government must of necessity clearly serve a public purpose contemplated by the Statute.

Historically, our communities have relied upon hospitals to meet their obligation to care for the sick and needy. This is still the case. The voluntary, nonprofit hospital in New Jersey has assumed a burden of local government in that it has never received full reimbursement for care of patients who are the responsibility of the community. As recently as November 1968 this Association retained the services of Arthur Andersen & Co, a firm of public accountants to determine the losses which our voluntary hospitals suffered because of the insufficient funding by local governmental units. This amounted to \$12,508,000 in 1967 for identifiable indigents. While it is true the recently approved Medicaid Act will appropriate some of these funds, the legislature did not approve a bill which would provide for care of all known indigents and those who are medically indigent. The cost of such a program for hospital care alone has been estimated by a committee of this legislature to be \$24,700,000. This category, numbering in the thousands, has been and will continue to be the responsibility of our hospitals. In 1961 the State Board of Control adopted regulations requiring all hospitals to provide accident and emergency services at all times and to accept, when medically indicated, patients seeking such services without regard for their ability to pay.

Hospitals perform an additional service which is often overlooked. Traditionally they have offered education and training to the youth of the community. This is not on-the-job training but an education leading towards professional recognition and licensure throughout the United States. Indeed, hospitals are an integral part of the community service concept. Like the fire and police, they function for the benefit of the community.

We feel strongly that the widespread practice of exempting educational, philanthropic and religious organizations from taxation is more than justified from a philosophical, legal and historical viewpoint. If tax exemptions were repealed, the services and benefactions offered by hospitals will be correspondingly reduced. If government were to assume these responsibilities, what net gain would there be to the community? It would be to put money in one pocket and take it from another!

No tax can be raised except for a public purpose or use. Since we now have voluntary hospitals, should the State duplicate these established institutions or assist and further their work with public funds? The answer to this question seems to be obvious. Since we already have direct government subsidies on an increasing scale, why is it necessary or prudent to eliminate the indirect subsidy of real property tax exemption? We ask: To what higher use could this tax money be diverted?

In conclusion I would like to quote Mr. John Gardner, former secretary of Health, Education and Welfare, and one of the leading figures in the field of health and medical care.

"Since our beginnings as a Nation, both the Federal Government and State Legislatures, have acted to preserve and encourage private initiative in good works. We have always believed that this was worth doing, and tax exemption has been the chief instrument for accomplishing it. Such exemption is not a negative act and certainly not a piece of legislative negligence. It is a positive measure designed to insure that in scientific, educational, religious, and charitable activities there will be multiple sources of initiative and creative diversity. Modern thinking about the value of pluralism in preserving freedom has only served to strengthen our convictions on this point."

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ASSEMBLYMAN APY: Thank you, Mr. Owen.

You indicate that your Association represents 140 of which approximately a hundred are voluntary. The other 40 hospitals then, that you represent, are profit-making institutions.

MR. OWEN: No. Governmental institutions.

ASSEMBLYMAN APY: They are governmental.

MR. OWEN: Yes. We have about three hospitals for profit, in the State.

ASSEMBLYMAN APY: And those three pay taxes?

MR. OWEN: Yes.

ASSEMBLYMAN APY: Now, do you have available any indication of the value of the various hospitals in the State of New Jersey, the private, non-profit hospitals?

MR. OWEN: I could not give you the total amount of value. It's extremely difficult. Each local government unit has different evaluations. But we have looked at what the possibility of the cost of this might be and there have been some very extensive studies done in New York City, and it appears to be about 5 percent of hospital costs. In other words, about 5 percent of the cost per day would be in real estate taxes.

ASSEMBLYMAN APY: All right. I asked the question then unclearly. Do you know what the capital value is of your hospitals? In other words, how many million dollars worth of hospitals are there in the State?

MR. OWEN: I couldn't answer that right now. I could tell you. I could get the --

ASSEMBLYMAN APY: Perhaps you could get whatever valuation the hospitals put on themselves.

MR. OWEN: No, the book value.

ASSEMBLYMAN APY: Of course. And in so doing, do you think you could obtain an indication as to the method they use to put the valuation on. In other words, is it a replacement cost, is there a depreciation factor, is it market value, or whatever system they use, could you indicate that to us, do you think?

MR. OWEN: Yes.

ASSEMBLYMAN APY: Well perhaps we could ask you then over the next couple of months to see what you have available in that regard so that we can get a better indication of the hospitals' own valuation of themselves.

SENATOR TANZMAN: May I just interrupt for a second?

ASSEMBLYMAN APY: Yes, sir.

SENATOR TANZMAN: Rather than get their book value, they probably have a replacement cost value based upon - for their fire insurance purposes.

ASSEMBLYMAN APY: That's correct.

SENATOR TANZMAN: If you could get that value rather than their depreciated value we would have a more meaningful figure.

ASSEMBLYMAN APY: I certainly agree with the Senator. I did not mention that specifically but that would be another basis, you know, what you've got for your insurance.

MR. OWEN: Yes.

ASSEMBLYMAN APY: But whatever basis you do use, we

would like to have it indicated, if you could.

In reference to the patients served by hospitals, directing your attention specifically to a geographic area, - let me take as an example an institution that I happen to be familiar with, any one of the three major hospitals in Monmouth County, for example, each one located in a particular municipality but serving a large number of people outside that municipality - now, what I'm wondering is whether or not there is any information available, statewide, as to the extent that the various hospitals serve people outside their communities. For example, in Newark, I assume that most of the people that go to the Newark hospital are from within the City of Newark, as opposed to suburban hospitals where - the one in Red Bank, for example, has a large number of patients from outside the Borough of Red Bank. Now is there any information available, that you know of, that the hospitals have gotten together that indicates where their patients come from?

MR. OWEN: Yes. We have patient origin studies which would tell exactly where patients come from. We do it on an every-two-year basis for hospital planning purposes.

ASSEMBLYMAN APY: Could you make that available to us?

MR. OWEN: Yes.

ASSEMBLYMAN APY: Now, in your remarks here you indicated on page 5 that the hospitals are receiving indirect subsidy by real property tax exemption and raise the question as to what better use could the money be diverted. Let me ask you this. Hospitals recognize, however, that in so far as real

property is concerned, the indirect subsidy is coming from the individual municipality in which the hospital happens to be located. Would that not be correct?

MR. OWEN: Yes, that would be correct.

ASSEMBLYMAN APY: Now, to the extent that the hospital serves an area outside that particular municipality, then it would be picking up - that municipality would be picking up some of the burden from outside the surrounding areas.

MR. OWEN: By raising the cost to that particular area. However, it's not quite as black and white as it may sound because the area outside - let's take Monmouth Medical Center as an example. I am positive that in a community outside of Long Branch, where they are taking indigent patients from that community and not receiving their full cost, - in other words, they are not paying for their present cost without the taxation, so, in effect, they are benefitting by this, the other communities, because it is not forced to pay those taxes. If you follow me. So it's not clear. If everyone were paying full, then I would agree with you, but I think there are some shades here in which a community benefits - another community benefits by having it in another community because they are not participating in those costs, if you follow me.

ASSEMBLYMAN APY: All right. Let me jump ahead. I think that I do but let me jump one step further. Let us assume, for the moment, that we were to conclude that perhaps the hospitals should pay some sort of a local real property tax. Now if we were to reach this conclusion, we

would then necessarily have to come to the next step of arriving at a formula, some sort of formula for the payment of taxes. Now, would the Association have any suggestions to us, if and when we get there, concerning the type of formula that might be used, what would be an equitable way to approach the problem.

Now, if I'm hitting you too cold with this and you want to go back and take into account the other information you're going to get for us and come up with a suggestion later on, I don't want to push you today because we do have time.

MR. OWEN: Well I couldn't answer you today. I would say this, if you ask us to come up with some alternatives provided this happened, then we would be most happy to work with you and develop some of these.

ASSEMBLYMAN APY: All right. I have no other questions of Mr. Owen.

Mr. Todd?

ASSEMBLYMAN TODD: Jack, could you define for me a little more clearly just exactly the differences between a profit and a voluntary non-profit hospital and just how these operationally differ and how they differ in bookkeeping -

MR. OWEN: Well, basically the not-for-profit hospital is organized as a community institution that's going to provide care for the sick and needy in which no profit will inure to any stockholder or any individual. In other words, all the funds that go into that hospital, should there be a surplus, will remain in the community and be used by the hospital. Generally they don't end up with a surplus but

they need a fund drive to make it up.

A profit-making hospital, however, is usually set up as a corporation for profit with either owners, a partnership or stock, and if there are profits then they are distributed to these owners.

From the mechanics of operating the institutions, there probably wouldn't be too much difference.

ASSEMBLYMAN TODD: You indicate that there are three or four profit hospital corporations in the State. To your knowledge, are they in fact making a profit?

MR. OWEN: I couldn't really answer that because - for instance, there is one down in Willingboro-Rancocas which is a stock-owned hospital, and I really don't know, you would have to get the perspectus and look at it.

ASSEMBLYMAN TODD: My reason for asking that question, Mr. Chairman, is to determine what, if any, operating methods differ. In other words, does a profit-making hospital refuse services to people that need them?

MR. OWEN: Well, if you're going to make money in hospitals, the only way you can make money is to limit your services. In other words, you don't provide emergency care, you don't provide obstetrical services, you don't provide pediatrics, and you concentrate on medicine and surgery, do a very good job at it, but those are the --

ASSEMBLYMAN TODD: So then they would have no emergency facilities really.

MR. OWEN: They may have token emergency facilities.

ASSEMBLYMAN TODD: Just a couple more, Mr. Chairman.

By way of clarification, I would conclude from your statement that the tax exemptions as they exist would in fact be a lesser amount than if the hospitals were taxed and some other form of payment for indigent patients was worked out between the municipality and the hospital - I mean, this is my conclusion that this sort of backhand subsidy in the form of tax exemption is a lesser cost on the community than if we taxed you like we tax the drug store or the service station and then said, okeh, you know, we'll pay you for our indigent patients. Am I correct in that conclusion?

MR. OWEN: Well, I think we probably would have a different attitude, let's put it that way, if we had no community responsibility for indigents, outpatients and people who don't pay. I think we would probably take a different look at it. We don't have that. We've never had that.

MR. KEATS: I would like to ask one question. I know many hospitals ask many communities in the surrounding area that the hospital serves to give in-lieu payment of the indigent care that the hospital performs for these particular communities. Now there is no set formula that the hospital would have to require these communities to pay for these indigent cases. Is this true? I know in my own community, as I say, these smaller communities of - I live on an island, Atlantic City, Ventnor, Margate and Longport give an in-lieu payment to the hospital, a contribution toward their welfare patients and so does the City of Atlantic City, so that you are reimbursed to a point.

MR. OWEN: That's correct. )

MR. KEATS: But would the hospital be more able to, let's say, pay taxes, if this were the case, if there was a formula worked out whereby these indigent cases were more equitably paid for by these communities rather than just an in-lieu payment? You seem to bring up that the welfare cost of indigents or the cost of caring for indigents is one of the things that, you know, make the hospital lose money.

MR. OWEN: Well, it's what we're doing. That's our charitable reason for exemption. But I think you would have to seriously consider that if you go the route of hospitals being taxed that with Medicare running 35 percent of their patients and Medicaid, we don't know what it will be yet but we have reason to believe that probably our public patients are going to be close to 50 percent, you're going to be paying for these taxes. In other words, you're adding to the cost of hospital care in which the government has 50 percent responsibility.

Now it's a redistribution of tax funds. The local communities may come out better but the State as a whole may not, if you follow me. In other words, you're passing this back on; it's not a question that we're producing something in which we can absorb a tax in a price and that it isn't passed on but the government is actually purchasing health care from the hospitals so that in effect we say, it costs \$5.00 now and it's going to cost \$5.50 because we're paying a tax and the government is paying fifty cents in taxes.

ASSEMBLYMAN APY: Mr. Tanzman?

SENATOR TANZMAN: I just wanted to say that I think

Jack has hit the crux of the thing in his last reply. I've been on the Board of Governors of a major hospital for some 15 years or more, and this is a regional hospital just as Monmouth Memorial is. Most of the patients come from without the City of Perth Amboy. Perth Amboy absorbs the entire tax burden and perhaps our thinking ought to be along the lines of redistribution rather than taxing directly. I assume there might be some way that other communities might share along with the city in which the hospital itself is located. At least that's an avenue I think we might explore.

The difficulty that every non-profit hospital has is the emergency care services, the outpatient clinic, as well as the indigent. It becomes increasingly difficult to service your emergency units in every hospital. Most hospitals today have had to go out and hire separate doctors to man the emergency unit because you cannot today depend upon your staff no matter how your hospital - I'm talking about a hospital with more than 500 beds and you still cannot man your emergency setup and you still cannot man your outpatient clinic without hiring special people. How are you going to be able to break this cost down and distribute it like this, I don't know and I would think that maybe we're off on a tangent with that anyway but I think if we look along the line of redistribution we might be getting closer to something that we ought to be concerned about.

ASSEMBLYMAN TODD: Mr. Chairman, along the same lines, I have a request I would like to make of Mr. Owen, through you, and that is, I think, at least I for one as a member of this

Commission, - although we are very concerned with the whole spectrum of tax exemption, I want to say that I don't think any of us look at it from the point of view that this is something, you know, that we're going after and we're going to try and get some of this back; rather more from the point of view of making it meaningful and clarifying the situation within which we can all live. And I know from discussions with you that the Hospital Association has spent a lot of time and looked into this problem and I wonder if you might be able to present to us, either now or at some future time, with your thoughts and recommendations as to how the tax exemption structure could be reworked to the benefit of the hospitals because even with this, I never see a hospital that doesn't have a fund drive every year, I never see a hospital that doesn't have terrific financial problems either along the lines of the Senator's redistribution thinking or an additional change in your exempt structure, and I wonder if you might be able to do that for us?

SENATOR BEADLESTON: On that point, if I may, Mr. Chairman, I think that Mr. Owen should do that based on a better value than the present exemptions show. We all know that the present exemption granted to most of the tax exempt property is ridiculous. They'll put down such an institution nominally \$50,000 and grant it a \$50,000 exemption because it doesn't make any difference; but if you put it down at true value it might be \$500,000. How you establish what a hospital is worth in the open market is quite a problem. I don't know many people who would buy the hospital;

they might buy the land, they might buy the hospital as an apartment house but they certainly can't buy it for a gas station. I think you have to try to get a truer value here before you give us any figures on the exemption and the redistribution of it, certainly much truer than the present exemption that's granted because that's -- that's what Mr. Kingsley is trying to do for us and I think you could help him.

MR. McLEAN: Along the same lines, on page 4 of your statement you say "The State Board of Control adopted regulations requiring all hospitals to provide accident and emergency services." Is that all hospitals including profit or all non-profit?

MR. OWEN: Well, it's primarily non-profit because there have been some exemptions granted. I mean, it's one thing to say you've got it and it's another thing to take them in, if you follow me.

MR. McLEAN: I was wondering if there was a distinction here of services.

MR. OWEN: There's not supposed to be a distinction but in practice there is.

ASSEMBLYMAN APY: Well Let me suggest, if I speak correctly for the Commission, I think what we would like you to do, in addition to the two items that we've indicated pertaining to value and pertaining to the persons that you serve, is to try to then work it into some sort of a suggested formula for us so that we could know where we are going.

Does anyone have anything else?

MR. WILSON: I have one question of Mr. Owen, if I may.

Mr. Owen, do you - and maybe I should give you the privilege of the 5th Amendment here if you want to take it - do you know of any of the non-voluntary hospitals that are receiving tax exemptions in the State of New Jersey?

MR. OWEN: No, I don't.

MR. WILSON: So far as you know they all --

MR. OWEN: So far as I know they're all paying taxes

MR. WILSON: Thank you.

SENATOR BEADLESTON: Mr. Owen, your statement I think indicates that a hospital - I'm talking now in every case of a not-for-profit hospital - serves an area but then I note on page three that you say "the performance of a service essentially public," and then, further down, "freely and charitably bestowed," which seems to be somewhat of a contradiction, for this reason. My question is, when you say that a non-profit hospital in a certain area is essentially public, do you mean by that that it's open to everyone in that area, not just part of the people in that area? I'm thinking now that it might be limited to patients of the doctors that are on that board. In other words, I'm talking about a closed --

MR. OWEN: Staff.

SENATOR BEADLESTON: Not only a closed board hospital, a closed staff hospital. So that you could have a hospital in an area that would appear to serve the area but in fact has a limitation. I think it would be a little

unfair to try to arrive at a formula for distribution of taxes on a basis that it is serving everybody in the area if in fact it's limited.

MR. OWEN: Well, I think we're getting into a whole other area here, but the Supreme Court in the Christ Hospital vs. Greisman Case ruled that a hospital was a public - our New Jersey Supreme Court ruled this - that hospitals were in effect public and must offer to any physician an application to be on that staff. Now recognizing that the Board of Trustees has the responsibility for the physician that practices in that institution and cannot allow someone who is unqualified or questionable as to ability, for the protection of the public I think he must of necessity not be allowed to practice. However, that does not mean that any person in that community can not go into that hospital at any time. Now, if he is in an automobile accident, it doesn't matter whether he be from Maine or California or from next door, he is hurt on the highway or a traumatic experience happens, he comes in regardless of his race, creed, religion or ability to pay, he is taken care of. And that's what we're talking about now, an elective kind of case where a physician does not have privileges on a staff and the patient then decides that he wants to go with that doctor and that doctor says, well, okeh, I can only take care of you in X hospital, even though you may want to go to Y, but if you go to Y you are going to have to get a physician who is on that staff.

SENATOR BEADLESTON: Well that's why I presumed you said "essentially public."

MR. OWEN: That's correct.

SENATOR BEADLESTON: Then it isn't really "freely bestowed," is it?

MR. OWEN: Yes, it is.

SENATOR BEADLESTON: It's only mostly freely bestowed.

MR. OWEN: It's freely bestowed to the patient, so far as the hospital is concerned. However, if he makes a decision he wants a different doctor then --

SENATOR BEADLESTON: Yes. I understand the problem but my question is that the use of your terminology would be that by and large, while there may be some exceptions that I mentioned, they are not of paramount importance.

MR. OWEN: That's correct.

SENATOR BEADLESTON: Not enough to disturb the exemption or the redistribution of the cost.

MR. OWEN: We don't have in this State really closed staffs, as such.

SENATOR BEADLESTON: One last question that I have.

You stated that part of a hospital's costs - I'm talking now not about any research that you may do which certainly we have to consider, but part of the cost of the hospital that puts them in the position that they're in financially is that local governments don't pick up the cost of their indigent patients in full or at all. Now am I incorrect in stating that the present law requires them to do so? Isn't there a law on the books that compels a municipality to pay?

MR. OWEN: No. It is permissive legislation.

SENATOR BEADLESTON: Well we may have a problem here then. I would think that if part of the reason that the taxpayers of any given town are picking up the tab, so to speak, - town A picking up the tab for town B - aren't we under compulsion to see that town B pays its full share and is required to pay it, not asked to pay it?

MR. OWEN: Well we would like to see legislation like that.

SENATOR BEADLESTON: Thank you.

SENATOR DUMONT: Mr. Owen, you identified one of these hospitals operating for profit as Rancocas. Would you mind identifying the others that you know of?

MR. OWEN: As far as I know, there are three. Let's put it that way. Doctors Hospital, I think, in Newark is organized and chartered as for-profit; and Fair Oaks Hospital up in Bergen County, somewhere up in there, is a for-profit hospital.

SENATOR DUMONT: Then, so far as you know, every other hospital is either municipally owned or operated as a voluntary non-profit hospital.

MR. OWEN: Yes. Now there are one or two osteopathic hospitals and I'm not really sure - some of them have switched. The thing of it is they started out for profit and found out they couldn't make a profit and then they've gone to the non-profit status because the stockholders were just not making money on it. If you do the things you're supposed to do, it's very difficult running a hospital.

SENATOR DUMONT: You would rather see mandatory legislation in regard to indigent patient care than the present permissive legislation.

MR. OWEN: I think that's the only way we're ever going to get people to pay their fair share.

SENATOR DUMONT: Would you base it then upon so many dollars per patient from each municipality?

MR. OWEN: Well I think it depends on the cost of the care rendered. A formula such as Medicare or Medicaide is going to use, it seems to me, the State has recognized its responsibility for those patients which it now is going to assume responsibility for it would seem that they've set an example that every community ought to follow.

SENATOR DUMONT: Well, will you also want mandatory legislation in regard to the contributions to building funds? As you know, the permissive legislation today allows boards of freeholders to contribute so much toward building funds.

MR. OWEN: That's right.

SENATOR DUMONT: Do you want that to?

MR. OWEN: Well, from the standpoint that every county should? I would think that we might be better off to look at capital funds in a different light than we're looking at operating funds. Capital funds I think ought to be a state responsibility rather than a county. And I am giving you this off the top of my head. The reason for it is because a facility is probably going to serve more than just the county and, as a state, we ought to be concerned about the welfare of all the citizens in the state and raising funds on

a state level for capital purposes through either a bond issue or the state Hill-Burton program makes more sense to me than saying it's mandatory that each county give a certain amount of money to the hospital.

SENATOR DUMONT: Well, do you disapprove of the present legislation that permits a board of freeholders to make contributions?

MR. OWEN: No, of course not. I do not. I think it's fine and I applaud the boards of freeholders who do it.

ASSEMBLYMAN TODD: Chet, I was just going to refine Senator Beadleston's thoughts a little further and almost - say that we are asked the question why shouldn't a municipality that doesn't have a hospital have any different relationship to a municipality that does, than a municipality that doesn't have a high school and serves as a sending district to a regional school or a school in another district, somewhat along those lines. As far as the indigents are concerned, you can never work out a basis for what an indigent is worth.

ASSEMBLYMAN APY: Let me ask, if I can, one final question. The various hospitals in the State, their financial statements and financial records, cost, income and so forth, are all available as a matter of public record and are reviewed by the State. Is that not correct?

MR. OWEN: Yes. We would be happy to give you - I'm speaking on behalf of the hospitals - any financial statements from any one of our member institutions, other than the proprietary and they have a right not to if they don't want to.

ASSEMBLYMAN APY: And, finally, the 40 or so that you've described, I think, as municipally operated hospitals.

MR. OWEN: State, county and municipal.

ASSEMBLYMAN APY: They would draw from -- their patients would come also from a broad area, not just the town in which the particular hospital is located.

MR. OWEN: That's right. Trenton State, for instance; Marlboro, Greystone, Camden County.

ASSEMBLYMAN APY: You are including those within your --

MR. OWEN: 140, yes.

ASSEMBLYMAN APY: All right, fine. I have no other questions. Does anybody else have anything further? If not, we thank you very much, sir, and you have your home work.

MR. OWEN: Thank you.

ASSEMBLYMAN APY: Let me just ask here. Is there anyone else here - I do not see from the list -- anyone else listed to testify in reference specifically to hospitals other than as perhaps part of the testimony from one of the Diceses, but are there any individual hospitals or other representatives of a hospital association or associations that would like to be heard today so that we could perhaps take them at this time while we are on this subject matter?

ASSEMBLYMAN TODD: Mr. Chairman, could I call Mr. Owen back and ask him just one more question?

ASSEMBLYMAN APY: Sure.

ASSEMBLYMAN TODD: Are there any of your members that, to your knowledge, are close to or in danger of ceasing operations because of financial problems?

MR. OWEN: Well, the most pressing problem we have right now is in the Paterson area, Paterson and Passaic, and that has reached a proportion that is out of line with the whole rest of the State as regards payment for indigents. St. Joseph's Hospital, up there, was over a million dollars in the red last year because of lack of payment for indigent care. Paterson General Hospital. There is a definite problem in that particular area. That is the most serious. We have problems in the rest of the State but that is potentially dangerous.

ASSEMBLYMAN TODD: What happens when a hospital ceases operation?

MR. OWEN: The building sits there empty. It really doesn't belong to anyone. It reverts back to the community. The court has to decide where it's going to place the assets of this and I think that most of the charters of not-for-profit hospitals require that they, the court, put the assets or whatever is left of it in the hands of another not-for-profit operation. We haven't, fortunately, had this experience in New Jersey yet but speaking from my experience in other states, usually the hospital sits there for a great number of years, it's finally razed and something else takes its place. In the meantime the community suffers because the people who need that hospital are not the people who are in other towns but those who live right by that institution and

usually they are a center-city kind of situation. I can give you an example for instance in Chicago when St. Lukes closed down and they combined with the Presbyterian Hospital. Here was a hospital left right in South Chicago where they need a hospital and there was none around.

SENATOR DUMONT: Mr. Owen, just as a follow up to that question that Mr. Todd asked you, didn't the Mayor of Paterson just recently take credit for the fact that his legal staff uncovered a statute in New Jersey whereby they got a considerable amount of State aid that's available to almost any hospital?

MR. OWEN: Well that, unfortunately, was a bad report that came out and I talked to the Mayor of Paterson and he said it was unfortunate that that got in the papers because it didn't really mean what he had said. Now there has been no new statute.

SENATOR DUMONT: Well what did he mean then?

MR. OWEN: He meant that if the City had been willing to pay up to \$10.00 a day, which they had not been paying, the State would have participated in a 40-60 reimbursement for general assistance. The City would put in 60 percent and the State puts in 40 percent. In other words, for every \$10.00 the city would pay \$6.00 and the State would pay \$4.00, where they've been paying \$2.00. Now technically they could have been collecting from the State a percentage of that too, the \$2.00 a day they were paying for in-patient services. But the other thing that he quoted was a statute that we have,

and have had for some time, for non-residents. And he said if the hospitals had been keeping track of their patients they would have been able to get reimbursement from the State on an 80 percent basis. This only refers to non-residents. And I think you know, Senator Dumont, the problem that we have had with migratory workers down in South Jersey and we've never been able to get the 80 percent because we have never been able to get any of the municipalities to pay the 20 percent. So that there wasn't the money there and he admitted it but, unfortunately, it was already in the papers. It just wasn't there. The city had to come up with it first.

SENATOR BEADLESTON: Well actually, Mr. Owen, when you say reimbursement by the State, that amounts to a fishing license. They would get it if the State appropriated it and I don't read anywhere in the statute that anybody in the State of New Jersey, in or out of the Legislature, is going to go to jail if they refuse to appropriate the money to match it. So that what you are talking about here is a fishing license if the State gives you the money.

MR. OWEN: That's right.

SENATOR BEADLESTON: So it's a hypothetical case. The town may come up with 80 percent or 60 percent and they might not get a dime from the State, particularly if the State doesn't have any money to appropriate even if it wanted to.

MR. OWEN: There is a court case, the East Orange vs. Department of Institutions and Agencies, which specifically

spells this out. They pointed out that unless the money is there they can't pay it.

SENATOR TANZMAN: East Orange didn't get their money, did they.

MR. OWEN: No, they didn't get the money. They got the satisfaction of winning the court case.

SENATOR TANZMAN: But they didn't get their money. I'm following up on Senator Beadleston's point.

SENATOR DUMONT: Well then are the Paterson hospitals not going to get anything along the lines that he mentioned, nothing at all?

MR. OWEN: No. If Paterson goes along and will raise what they're paying to the hospitals, up to \$10.00, they can expect participation by the State, Department of Institutions and Agencies, which they have not done in the past. But they made the statement there was something like \$16 million that was lost by the hospitals and this was just not true. There was no legislation that would allow that. It was lost because the legislation is permissive and Paterson could have been paying the full cost but they didn't appropriate it.

SENATOR DUMONT: Thank you.

ASSEMBLYMAN APY: Thank you again, Mr. Owen.

Mr. Paul VanWegen, President of the Stony Brook-Millstone Watersheds Association.

P A U L V A N W E G E N: Mr. Apy and gentlemen of the Commission, I am Paul VanWegen, President of the Stony Brook-Millstone Watersheds Association. I appreciate this opportunity to appear before you and wish to stress especially

the functions performed by Open Space and how our citizens are better served by such lands.

In 1961 the voters of this State recognized the necessity for setting aside Open Space by overwhelming approval of the Green Acres Referendum. Implementation of this law has resulted in many acres being reserved as permanent Open Space in New Jersey. As fine a start as this may have been, it is only a start in supplying the Open Space needs of our present and future population. For this reason our Association has been involved in and has been recommending a broad variety of flexible techniques to encourage private philanthropic contributions to Open Space preservation. Through this means alone over 600 acres representing nearly three-quarters of a million dollars in value is now protected for public use in our watershed area.

As a state we are at a disadvantage in not granting tax exemption to lands privately held by non-profit corporations. Neighboring states have used this as a tool for setting aside many thousands of acres of Open Space. I was among a Committee of four who asked Governor Hughes to exert executive leadership in this cause four years ago which was the last of many attempts in this direction. It is impossible to say how much land would be set aside in this manner through tax exemption but experience indicates it could be substantial. In the past, several different foundations and National Conservation groups have expressed an interest in acquiring and preserving lands in New Jersey but

our tax structure discouraged them and they diverted their investments to other states which had a more favorable tax exemption climate. New Jersey and its citizens are indeed the poorer because of this.

Many knowledgeable people are now saying it is impossible to have too much Open Space for the density of population which this world seems to be facing. It will require public programs, such as Green Acres, and all of the private lands which can be induced to go into Open Space through tax exemption to even remotely meet our requirements.

If this is a fair statement of conditions why has tax exemptions for land held as Open Space by non-profit corporations been so long in coming? In my judgment it is, for the most part, due to an uneconomical overemphasis upon the real estate tax as a basis for local revenue. This overemphasis has caused all manner of distortions and unwholesome decisions in regard to land use.

The public, public officials, and courts have been equally guilty in not understanding the natural functions performed for all people by various kinds of Open Space.

When Green Acres was passed we were acutely aware that most people had no conception of the kinds of areas which should be acquired and preserved. In an attempt to inform municipal, county and state officials, we got out a paper called "Criteria For the Selection of Open Spaces." The following is an excerpt from that paper:

"A study of the natural functions performed by land, the loss of which does irreparable damage, would lead

to the following significant types which should be acquired and preserved by our governing bodies as well as private groups interested in man's wellbeing: surface waters, marshes, flood plains, aquifers, aquifer recharge areas, steep lands, forest and woodlands, and prime agriculture land."

Not only have we as a people failed to understand and preserve these natural functions but our unreasonable emphasis upon the real estate tax has operated to force such lands into private economic endeavors at the expense of society and the destruction of irreplaceable natural assets.

Tax exemption for lands held by non-profit organizations and a complete overhaul of our tax structure would do much to overcome these past serious deficiencies in our permitted land uses.

A good example of natural functions and public purpose which land does perform can be illustrated by the New Land Research Reserve owned and operated by our Association. This project represents the acquisition by the Association of approximately three hundred contiguous acres by gifts of land and money starting in 1965. Now this philanthropy has resulted in the preservation of a beautiful landscape, a place for rainfall to infiltrate into the ground water storage areas free of pollution in an area where water supply is entirely dependent on wells, Flood Plain protection, an area of microclimate amelioration, a clean airshed for surrounding areas, wildlife protection, an area that results in little if any erosion to pollute our streams, and many other natural resource functions which Open Space provides.

Certainly if we let it remain idle all of these natural functions would be performed at no cost to the surrounding area. However, we felt a moral obligation to make the property meaningful to our constituents in the Stony Brook and the Millstone Watersheds. Our chartered pupose stipulates our interests are in the field of Research and Education about Natural Resources. Combining lack of finances, which is always the case with groups such as ours, with meaningful use within our chartered pupose gave birth to the concept of the Research Reserve.

Institutions and Natural Resource oriented agencies were invited to use the property for investigations in Ecological, Environmental and other Natural Resource programs. To our surprise many institutions and agencies have accepted our offer and established studies on the Reserve and these include two universities and several colleges and many public resource agencies. One Ph.D. has been awarded from a study conducted on the property and other studies have covered the resource spectrum. These include the effects of pesticides on natural systems one of the most spohisticated ground water studies ever conducted in the east, population dynamics, and the effect of fire on nature. The information derived from these studies has added to man's knowledge.

The installed facilities and the studies have made the area meaningful for interpretive purposes. We conduct frequent tours of the area, teacher workshops have been so encouraging that several school systems now utilize the premises on a serve-yourself basis. Four major universities

conduct workshops under our direction for graduate students in Resource Management, Planning and Landscape Architecture. We have not charged anyone for these uses.

Enough interest has now developed from the citizens of the area that we are presently considering the establishment and construction of an Environmental Education Center on this property. This would service schools and colleges as well as the citizens in the area on vital environmental subjects that are not normally part of the educational process. We must provide this service on a financial shoestring. If we are compelled to pay land taxes it is doubtful if we can continue the programs we have under way.

I would, therefore, suggest tax exemption for lands held by non-profit corporations but in addition I would recommend a restructuring of our tax laws to avoid the distortions and bad decisions our overemphasis upon real estate taxes is forcing upon us. Tax laws in New Jersey are forcing more farmers out of business than bad farming practices. People retiring on social security and modest savings are forced to dispose of homes and lands they have loved for half a lifetime because they can no longer afford to pay the real estate tax.

One can readily see many benefits would flow from a real overhaul of our tax structure. Inasmuch as this would be a lengthy procedure, it is important to start immediately upon the correction of the evils of the tax imbalance we have suffered too long. This start could profitably be made if municipalities of the State would cut by 50 percent their real estate taxes for 1970. In place of these tax revenues the Legislature should pass

enabling legislation permitting the municipalities to levy a surcharge upon currently levied federal income taxes. Such a tax would have the merit of simplicity of application and inexpensive administration. A start of this kind will not only permit looking at tax free Open Space with an unjaundiced eye, it will also bring various segments of the economic community into a much more productive relationship.

We thank you for this opportunity to present our views.

ASSEMBLYMAN APY: Mr. VanWegen, the Association that you have used as an example, your own, is a non-profit corporation?

MR. VAN WEGEN: That is correct.

ASSEMBLYMAN APY: Now, are you presently paying taxes then on this land?

MR. VAN WEGEN: No, we are not.

ASSEMBLYMAN APY: And what you're saying in effect is, you want this to continue as far as you are concerned and you would like it delineated more clearly as far as similar non-profit groups are concerned.

MR. VAN WEGEN: Right.

ASSEMBLYMAN APY: Now, are you facilities, your land, open and available to any citizen of the State of New Jersey that wishes to use them?

MR. VAN WEGEN: Yes, but with a proviso. We would not want people going in there unsupervised because they could destroy the research that is going on. We would not deny anyone permission to go in and use it if they would go when we said so. But as for just plain opening it and saying "go at will," the

answer would have to be no.

ASSEMBLYMAN APY: Now the people that you have been able to have in, have you been able to do it without charging a fee for it or have you had to charge a fee when you've had groups in.

MR. VAN WEGEN: We have never made a charge of any kind. The universities that have visited have made contributions at times, not always.

ASSEMBLYMAN APY: Senator Tanzman?

SENATOR TANZMAN: Mr. Van Wegen, is there any provision in your charter that the lands remain for conservation purposes in perpetuity?

MR. VAN WEGEN: Yes, Senator. The lands given to us have incorporated in the deed our corporate purposes and it stipulates that if we should go out of existence it would go to some other foundation or some other similar purpose.

SENATOR TANZMAN: What concerns me is the possibility that - I'm not intimating that your group is such -- the possibility that groups might use this as a vehicle to get tax exemption and also build up capital appreciation, and then wind up selling the property at a later date for a substantial increase in value and having had the shelter of tax exemption. I just wanted to make certain that there is, in your group at least, this sort of a provision that this could not happen.

MR. VAN WEGEN: This could not happen. It was put in the deed at our suggestion so that there could be no even intimation that 20 years hence our Association might profit from the sale of this land. We couldn't sell it. We can use

it only for our corporate purposes.

SENATOR TANZMAN: That answers that question. Did you want to pursue that, Al?

SENATOR BEADLESTON: Mr. Van Wegen, when you say non-profit corporations, I would have to gather from that that you mean all non-profit corporations in the State. For instance, we now exempt hospitals, YMCAs because they deal with youth, but we do not now exempt such things as agricultural cooperatives, service clubs, and the like, on the basis that they are limited in their use. The YMCA is open to all but there are many service clubs that are not granted tax exemptions because they are limited to a membership. So I would assume you would mean something along the lines that Mr. Owen meant, something that was essentially public but not necessarily all non-profit organizations.

MR. VAN WEGEN: That's correct.

SENATOR BEADLESTON: You mean all non-profit organizations that are essentially public, in other words.

MR. VAN WEGEN: Yes. And non-profit organizations that are aimed in the direction that we are.

SENATOR BEADLESTON: How would you then determine a formula by which the legislation would set forth what constitutes essentially public non-profit organizations? Those are nice words but some tax assessor somewhere is going to have to make a determination. For instance, the hospitals allow in mostly everybody, 99 percent. I presume yours allows in 98 3/4 percent because sometimes they would be working on a research project or the like, or they might have

some destructive tendencies such as not knowing how to light a bonfire or burning down the woods or something. How could you put into legislation what is defined, because I gather you mean to open the door to the limitations now there. How would you define "essentially public" so that there would be no question in the minds of the tax assessors? We've had this in the past, you know. Some assessors granted exemptions to non-profit organizations that are essentially clubs, contrary to the law, and the organizations were quite shocked when the Director of the Division of Taxation issued orders to assess them.

MR. VAN WEGEN: Senator, I don't have any formula upon which to do this. I'm glad I'm not a Legislator because I've listened and I think it's a tremendously complicated job. But I am directing your attention and our attention primarily to lands that have a public function and a public purpose. And I think it should be said that even though we may have 300 acres that's in open space, and a lot of people can use it, yet we would limit it if anyone came in there and tried to do damage or anything of this kind. However, there is wide ranging benefit from that 300 acres beyond the 300 acres. For instance, it encompasses a water-recharge area. People in Princeton or down along the Millstone may have a better supply of water because of the 300 acres that we have in open space in the Stony Brook. I'm not contending this, I'm merely using this as a possible illustration. I think when a municipality sets aside a flood plain or we acquire a flood plain and give it to a municipality, the whole

community benefits from that flood plain not going into development.

So that this idea of serving the public in the case that we're talking about here is a pretty wide open thing. And if we have lands of this kind sprinkled over the State, even though it didn't make up any large proportion of the acreage of the State, all of the people of the State would be served by that land.

That's the reason I emphasized here the natural functions performed by land. This goes beyond the land which you are talking about, the dimensions.

ASSEMBLYMAN APY: Senator Dumont.

SENATOR DUMONT: Mr. Van Wegen, you have made one specific recommendation here about restructuring the tax laws. Do you have any others?

MR. VAN WEGEN: No. I just feel that this distortion and overemphasis upon real estate has prevailed so long, and it's getting worse because of what's happening to the value of our money, that the whole idea of a tax base should be re-studied.

The specific recommendation that I have made here is merely an emergency thing. I don't think that is the ultimate end, although that could be involved in the complete study and revision of the real estate taxes.

SENATOR DUMONT: Now you mention the Green Acres program. I'm sure that you are aware that one of the serious deficiencies of that program is the fact that there

is no formula for tax reimbursement to municipalities for the loss of that land. So if you advocate then the continuing tax exemptions for things akin to Green Acres without any reimbursement, or do you advocate that there be reimbursement?

MR. VAN WEGEN: I didn't specifically recommend that. I'm not opposed to it. However, by reducing the real estate tax and giving the municipality another source of revenue, you reduce the pressure to put every acre under a certain amount of tax. I think this is the thing that has brought about the distortions in the use of swamps, let's say, and the use of flood plains. The size of the real estate tax that has pushed the owner in the direction of development that is not compatible with the kind of acreage that you're talking about.

So I'm not suggesting for a moment that real estate should not pay a tax. I'm merely saying a study perhaps would indicate a level of taxation that wouldn't make every municipal official of the State so ratable conscious that it creates an imbalance.

SENATOR DUMONT: Don't you create an even greater imbalance by extending this exempt status without also providing at the same time for tax reimbursement.

MR. VAN WEGEN: Not if your real estate tax is low enough.

SENATOR DUMONT: Do you think it's ever going to get that low in New Jersey?

MR. VAN WEGEN: Well, we can hope. I doubt it. But if we took away 50 percent of the real estate tax and if we made that up in some other method of taxation - I just

suggested one possibility here - would we have that pressure on ratables that we now have? And I am suggesting and I have said that I don't think we would because the municipal officials would be looking to other sources for their revenue. When there is a piece of land in a municipality that should be preserved they would have less reluctance to acquire and salvage or to have a private individual acquire and give it to the municipality. I mean, we have done this. We have had land given to us that should be preserved that we have turned around and given to the municipality. Thus far the municipality has not looked unkindly on it because of lost ratables but I can see where it would become a burden and a problem. And that is the reason I'm suggesting this de-emphasis of real estate tax.

SENATOR DUMONT: Well I'm well aware of what your organization has accomplished, and I certainly commend you highly for it. But at the same time, I think that you've got to provide for tax reimbursement at the same time you're extending it, if it were extended - the tax exempt status.

ASSEMBLYMAN APY: I think perhaps what the Senator is saying, or my own reaction would be this: from the point of view of the municipality in which your land is located, is it fair to the other taxpayers of that municipality that their taxes be increased because your organization happens to own land in that municipality? You would have no objection, I'm sure, to paying taxes to that municipality provided somebody, in turn, reimbursed you in order to pay the money back to the municipality.

MR. VAN WEGEN: This is the problem.

SENATOR TANZMAN: Mr. Chairman?

ASSEMBLYMAN APY: Yes.

SENATOR TANZMAN: I think all of us agree that there is a great need for open space and the public agreed when they passed the Green Acres referendum. All of us agree that Mr. Van Wegen and his group are doing a great job and that more work along this line ought to be done. Yet, Senator Dumont is right. And if we are going to encourage this the State has to assume the responsibility of making revenue available to the municipalities, and this, hopefully, out of this Study Commission. I would hope that we would come up with some sort of recommendation like that, that the State will assume at least some of the responsibility for providing the money. Certainly this is an easier way to acquire property for open spaces than going out and buying it as we did under Green Acres. If we can get it contributed, it is cheaper in the longrun for everybody to have the State assume a part of the responsibility at least for maintaining it and for providing revenues to the municipalities so that the other taxpayers are not hurt.

The only one part that was bothering me, and I did ask Mr. VanWegen, was that there might be an attempt to use this as a vehicle for personal enrichment. And the question, of course, is how far you go when you get into other areas that are used for recreation. Perhaps you might have a yacht club that is open to the public and yet, in a sense, it isn't available to everybody; or a swim club or some other public use, and we would have to be careful when we got to that phase of this. But basically, we ought to certainly encourage

the setting aside of open land and, basically, the State has a responsibility to pick up some share of that load so that the municipality and the citizens in that municipality are not carrying the burden themselves.

CANON GAUST: Mr. Chairman. May I ask if Mr. VanWegen would care to suggest some names of some other organizations, non-profit organizations, - could you be specific, or some group or corporation that you think should be exempt on this same basis.

MR. VAN WEGEN: One comes to mind that is domiciled in New Jersey that is paying taxes currently and that's Wildlife Preserve in North Jersey. It has acquired hundreds of acres of land and it has been a real handicap to that organization in that it has had to pay real estate taxes on all of the property which it has acquired.

CANON GAUST: Do you know how much they have, approximately?

MR. VAN WEGEN: I couldn't tell you but I could find out easily enough. As a matter of fact, you will have an opportunity - I'm sure that Bob Perkins, the President of Wildlife Preserve, is going to appear at your East Orange meeting and make a statement, and you will have a chance to ask him directly how many acres Wildlife Preserve has and how much has gone through their hands that they have given to other agencies.

CANON GAUST: You have no approximate idea.

MR. VAN WEGEN: No, I haven't, no idea.

MR. WILSON: Would the Allison Land in Bergen County

fall into this same category?

MR. VAN WEGEN: I'm sorry, I'm not familiar with that.

MR. WILSON: The Allison Estate which is dedicated to the preservation of land for the glory of God and mankind which has been held, I might add, taxable by the courts and yet it is dedicated and can never be used for any other purpose. It constitutes several hundred acres along the Palisades in Bergen County. I think it would fall into the same category.

MR. VAN WEGEN: Perhaps so.

ASSEMBLYMAN APY: Assemblyman Todd has a question.

ASSEMBLYMAN TODD: Mr. Van Wegen, I would like to pursue for just a minute Mr. Tanzman's thoughts. From reading your statement and from my personal knowledge of the neighborhood, I wonder if you might be able to distinguish the basis for tax exemption - distinguish between performance of a public function, the availability for public use - which although when you're asked directly you indicate that your properties are available for public use, I would think it would be very difficult to go in there on a Saturday afternoon and have a picnic - and the third category of non-profitability or non-profit operation. It seems to me that you are performing a very valuable public function but your properties are not available for general public use, as a park would be, as an example. How do you distinguish this and on what basis would you see this distinction being made; because if you don't make a distinction there you come down to non-profitability as a basis for tax exemption and an awful lot of people would qualify for that.

Secondly, along this same line, do you have any thoughts or feeling as to what a minimum size should be? For example, for a watershed protection, how big - I mean, is 20 acres a watershed protection, is 100 acres a watershed protection? What qualifications should be put on your type of operation to insure tax exemption, and not disregarding Senator Dumont's philosophy but just as ground rules for establishing this.

MR. VAN WEGEN: Well, Assemblyman Todd, as a very minimum a watershed certainly should have its entire flood plain protected from encroachment. We have a state encroachment law which is indicative of the need for this, although it does not go far enough. Our own watershed, the Stony Brook and the Millstone, of course, which flow into the Raritan, is 285 square miles. I think there's a very minimum. The flood plain of these streams should be in open space, protected from non-compatible encroachments, protected from uses that would destroy the natural functioning of the flood plain.

Now, over and apart from that, I would say that any areas that you can determine geographically, geologically, through hydrology, that, let's say, provide recharge to the ground water volume and supply. Areas of this kind should certainly be protected and in open space. And you can't just say it should be X acres because it should be equated to what you can determine about the actual land of this kind. Certainly in New Jersey, where we are so heavily dependent upon ground water, all areas that in any way serve, especially in the piedmont, - not so much down in the coastal

plain, but in the piedmont all areas which in any way contribute to our water supply should be in open space and protected.

Certainly, just for the amenities, there should be a certain amount of woodland that is in open space because, as I indicated in my paper, there is amelioration both in summer and winter in climate, there is the purification that goes on because of the green, and so on.

I don't know of any formula, Assemblyman Todd, that would say we will set aside X acres of ground as open space in a watershed. I think it would have to be determined on the basis of an actual study of that watershed and what natural functions are there. And I think, in answer to the first part of your question, without doubt you make the distinction between natural functions and public use and that the public generally does benefit from natural functions even though the public is not in there on the basis of a hurdy-gurdy or a playground or something of this kind. I think both are important but I don't think we should confuse the two and say that they are both in the same category.

ASSEMBLYMAN TODD: Can you think of any ground rules - I hate to keep trying to reduce this to its simplest form of black and white but can you suggest any ground rules or limitations that should be put on the public function or what constitutes a general benefit without public use, such as you have done in making not only your properties available but have worked very hard to see that that availability is put to use by educational and research institutions. Is this something that

in your mind should be included in an open space program or could somebody just take a farm and say, well I'm not going to farm it any more and I'm not going to develop it and nobody can come in and look at it but it's going to recharge the watershed and the fact that I live in a tent there, you know, that shouldn't bother you.

MR. VAN WEGEN: No. I would think the Legislature should have some sort of criteria for saying whether this meets the standards of natural functions or public use. I don't think it would be reasonable just to permit a man to set aside, as you indicate, a hundred acres and say well this is contributing so I should have tax exemption or it should remain this way. No, I think there should be some criteria and I think this criteria could be found and pretty well delineated.

ASSEMBLYMAN TODD: Would you be willing, over the next month or so, to give us your suggestions along this line?

MR. VAN WEGEN: I would be very happy to.

SENATOR BEADLESTON: Would you say, Mr. Van Wegen, then that we ought to define "non-profit," first of all, as something that would be essentially public and, secondly, that under those categories you would have to define "open space," something that would be forever dedicated to that purpose; and then state that in it someone in the State Government would have to establish the criteria for taxing authorities so that there would be a uniformity.

MR. VAN WEGEN: Yes.

SENATOR BEADLESTON: In other words, if a non-profit organization is one that's essentially public, one of those

being for open space which is again essentially usable to the public but for the preservation of watersheds, wild life, whatever it may be, permanently dedicated subject again to somebody assuring the tax assessor that is a fact and that it meets the criteria established by XYZ agency of the State. Would that do it?

MR. VAN WEGEN: I think it has to be something like this.

ASSEMBLYMAN APY: Does anyone on the Commission have any further questions of Mr. Van Wegen?

Mr. Keats?

MR. KEATS: I know that tidelands come up as a problem. Of course, this doesn't come into it but it does in the way of state conservation, who owns them, - I know that this hasn't been decided as yet, has it, in the court as to whether it's owned by the State or whether it's owned by private individuals and, of course, this would come into conservation.

MR. VAN WEGEN: Very definitely. As a matter of fact, the --

MR. KEATS: There is no definite idea, I don't believe, in the State as to a public park system or how much is needed for tidelands or for the conservation of shell and marine life.

MR. VAN WEGEN: I think you're perfectly right in drawing attention to the wetlands and tidelands. This is a problem that has to be resolved. And there is a great deal, I think, to be gained through resolving it along the lines of

the standards that I have tried to set up here.

MR. KEATS: But there is no group within the State that could say how much needs to be set aside for conservation purposes. There is no real state entity that would decide how much land should be dedicated to public use.

MR. VAN WEGEN: I don't know that we should direct our attention too much to saying how much. I think the --

MR. KEATS: Well as a tax structure, you would have to have some ideas. You know, you just can't all of a sudden have a very large idea of what it would be because this is taking it out of the tax ratable picture. So I mean, I guess the State should have an idea how much of this --

SENATOR BEADLESTON: Don't we have limitations now that cemeteries can only occupy X percent of the town and beyond that they're taxable. You could conceivably have, as you did have in Island Beach, a whole municipality given over to the purpose but it doesn't leave much taxes to run the government.

SENATOR TANZMAN: You overcome that by having the State compensate for the land, then I take it you wouldn't have that problem. I don't think we are in a position now to try to determine formulas or what percentage, we have to get some broad basic principles first.

ASSEMBLYMAN APY: Let me suggest then that again, as with our prior witness, perhaps you will be back to us with some specific suggestions both as to definition and as to, if you feel it appropriate, formula, if you feel it can be worked up. If you feel that you can say something

on an acreage basis or on a percentage basis, fine. But if we could have the benefit of your thinking, we would appreciate it.

MR. VAN WEGEN: We'll give some thought to it and submit something to you in writing.

ASSEMBLYMAN APY: Fine. Thank you.

ASSEMBLYMAN TODD: Mr. Chairman, one last question. I philosophically agree with Senator Tanzman that a tax incentive basis is a lot cheaper and a more efficient way of acquiring open spaces, "Green Acres", than the bonding process that has gone on.

Do you feel that if a suitable incentive could be worked out or was established and the ground rules were clear that there would be any dirth in applicants for this or any lack of availability of land? What is your opinion on this? I mean, you've participated both in land grants and dollar grants to acquire land.

MR. VAN WEGEN: We have been told by different national agencies that they would acquire lands in New Jersey if - and this means outright purchase, this doesn't mean by gift, -- provided the tax climate were such that they could afford to hold it after they once bought it. And the thing that has deterred them in the past has been the fact that there was no tax inducement for them to acquire lands.

ASSEMBLYMAN TODD: Could you identify some of these people for us so that we might get in touch with them and see what their thoughts are. We would be interested to know why they wouldn't come in or what to them would be an acceptable

incentive.

MR. VAN WEGEN: National Audubon Society, for one, several years ago tried very hard to get something that would give them tax exemption in this State and they did not succeed. Nature Conservancy that acquires land and helps others acquire land I'm sure would have been in the State had the tax climate been such that they could afford to buy. This is two. There are others that I could give you if you wanted to know a long list.

ASSEMBLYMAN APY: If you could, we could contact them. We would appreciate it. Mr. Bryan, Secretary to our Commission, seated at the front desk over here, would be the recipient of that information if you could get it to him.

MR. VAN WEGEN: Right. I'd be glad to.

MR. WILSON: Do you feel that the recently enacted farmland assessment act has been ineffective in keeping farmers on their lands in New Jersey?

MR. VAN WEGEN: I have not followed that statistically. In principle, I think it has been a step in the right direction.

MR. WILSON: Not going far enough in New Jersey.

MR. VAN WEGEN: Perhaps so.

ASSEMBLYMAN APY: Thank you, Mr. Van Wegen.

MR. VAN WEGEN: Thank you, gentlemen.

ASSEMBLYMAN APY: I would like to ask Mr. Leadem if he is ready.

E D W A R D     J.     L E A D E M: Mr. Chairman and members of the Tax Exempt Property Study Commission, my name is Edward J. Leadem. I reside at 106 Bull Run Road, Ewing Township, Mercer County, New Jersey, and I practice law here in Trenton.

I appear before you as a representative of the Most Reverend George W. Ahr, Catholic Bishop of Trenton, in response to your kind invitation of December 30, 1968.

Your invitation indicated that this Commission was created to study the tax-exempt status of religious, educational, charitable and philanthropic organizations, cemeteries, and other real property tax exemptions. Your invitation further urged that we come prepared to justify the tax-exempt status of "your organization both philosophically and economically."

As you are well aware, the foundation for tax exemption for real and personal property of religious, educational, charitable or cemetery purposes is constitutional rather than statutory.

I refer to Article 8, Section 1, Paragraph 2, which states, "Exemption from taxation may be granted only by general laws. Until otherwise provided by law all exemptions from taxation validly granted and now in existence shall be continued. Exemption from taxation may be altered or repealed, except those exempting real and personal property used exclusively for religious, educational, charitable or cemetery purposes, as defined by law, and owned by any corporation or association organized and conducted exclusively for one or more of such purposes and not operating for profit."

It is to be noted that the exemption for those four purposes is by the Constitution, protected from alteration, or repeal, by the Legislature.

Why?

A review of the history behind this particular section of the constitution, I submit, clearly demonstrates the "philosophy" to which Mr. Chairman, you referred in your letter of invitation.

Prior to the present Constitution, it appears that all exemptions were statutory, subject, if you will, to the whim of a given Legislature.

In the 1947 Constitutional Convention at New Brunswick much concern was expressed regarding the tax exemptions which had been so traditional with Government. The quid pro quo theory had been universally accepted, but only in statutory form in New Jersey. Our Constitutional fathers, I submit, adopted the position that now appears as Article 8, Section 1, Paragraph 2, espousing the philosophy that a right so long and so universally recognized, properly should be expressed in the basic law - the Constitution; that those non-profit corporations are entitled, if they are entitled to the exemptions at all, to be secure in their right and should not be required to be continually alert to oppose legislative action which might take away or imperil that right, whether designedly or by legislative inadvertence.

The case law in our State prior to the constitutional enactment referred to above was quite clear on the quid pro quo theory. In Dwight School of Englewood v. State Board

of Tax Appeals, decided in 1935 and reported in 114 N.J.L. 594, 177 A. 875, affirmed in 117 N.J.L. 113, 187 A. 36, Justice Heher struck down an exemption sought by the school under the statute in that case by failing to find any quid pro quo. The Court states, in addressing itself to the tax exemption sought, "Exemption therefrom can be justly sustained only upon the principle that the concession is due as a quid pro quo for the performance of a service essentially public, and where the State thereby is relieved pro tanto from the necessity of performing, such as works of charity, and education free and charitably bestowed."

Thus, the cases applied the test under the statute then being construed as whether school - or other property - religious, educational, charitable or cemetery - seeking exemption were purposes fundamentally charitable or philanthropic.

What is the philosophy or etiology for such an exemption as contained in the Constitution?

To the extent that the Catholic Diocese of Trenton engages in the operation of cemeteries, it is essentially a religious function. No one here, I dare say, denies the dignity of a human body and its care after death.

The works of charity and in the field of education, as well as in the Diocesan hospitals, will be referred to by eminently qualified speakers with whom I have the honor of appearing today.

Gentlemen, when you concern yourselves with the Constitution, the basic law of our State Government, and the

statutory enactments thereunder, you undertake a grave responsibility and one that I know you will address yourselves to with much zeal and caution.

Our Constitution, as you will agree, is but an instrument of men which was formed by our founding fathers from the Natural Law. I know you will agree with me when I state that the integrity of man is God-given; that your deliberations for the common good; for the enactment of good laws; all flow from God-given virtue.

One need only read the Preamble to the very Constitution which you are studying now, to see again, the recognition of an Almighty Being:

"We the people of the State of New Jersey, grateful to Almighty God for the civil and religious liberty which He hath so long permitted us to enjoy, and looking to Him for a blessing upon our endeavors to secure and transmit the same unimpaired to succeeding generations, do ordain and establish this Constitution."

This was in 1947.

On July 13, 1787, the famous Northwest Ordinance was adopted. In its preamble are these words: "And, for extending the fundamental principles of civil and religious liberty, which form the basis whereon these republics, their laws and constitutions are erected ..." and it goes on and adopts Article III: "Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools, and the means of education shall forever be encouraged."

Also woven into the fabric of our government are the thoughts of our first President: "Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism, who should labor to subvert these great pillars of human happiness, the firmest props of the duties of men and citizens. The mere politician, equally the pious man, ought to respect and cherish them..." Then he continues: "It is substantially true that virtue and morality are a necessary spring of popular government . . . Promote, then, as an object of primary importance, institutions for the general diffusion of knowledge. In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened." These are words from the Farewell Address of George Washington on September 29, 1796.

One must ask what are the foundations of human society if not mutual faith, reverence for law, love of justice in the rulers, respect for authority in the government, and in all, love of country and fellow man. This is the philosophy that underlies the American Constitution and that of our wonderful State.

Gentlemen, these words and many more could be recited to show the close involvement of government and the tax-exempt organizations who appear here before you. Are not the contributions of those tax-exempt organizations worthy of your continued support?

May I respectfully request that you listen to Fr. John E. Morris on the contribution of Catholic Education to our community; to Monsignor Theodore Opdenaker, on the contribution of our Catholic Charities to our community; and to Monsignor Joseph O'Connor on the contribution of our Hospitals to our community.

I am confident that this Committee will see very clearly that the contributions made by these tax-exempt organizations are contributions that have been made for a long time; are continuing; are contributions that have been encouraged by government via the tax-exempt status accorded them; that these organizations have relied on the continuance of these exemptions and have expanded their facilities upon such reliance, and should, therefore, be given the same recognition by way of tax exemption as public schools, State, County and Mynicipal buildings, and the like.

Thank you very much.

ASSEMBLYMAN APY: Mr. Leadem, before we call on the gentlemen who are with you, perhaps there are two or three things we can explore with you directly as, I guess, the general spokesman, which is what you are.

Let me refer specifically to page 3, the one area that the other gentlemen will not cover that we are charged with reviewing and that is the cemeteries. You indicate that the operation of cemeteries is essentially a religious function, indicating to my mind that - you haven't said it is categorically a religious function. What caused you to modify your statement in that regard?

MR. LEADEM: I made that statement, sir, because of the other speakers who are with me, none will be addressing themselves particularly to the cemeteries.

It is my understanding that as a part of our religious operation of the Catholic organization, the Catholic Diocese of Trenton and those of the other dioceses - I am only speaking now for the Catholic Diocese of Trenton - that to the extent that they operate a cemetery, it is a necessary adjunct of their religious function, just as is their church or any other buildings. They are not in the business, an unrelated church business, shall we say, of operating a cemetery. It certainly is operated at no profit to them. It is, as I stated, a part and forms a part of their over-all church organization.

ASSEMBLYMAN APY: Now you've indicated that it is operated at no profit to them. Do you have or is there a breakdown, for example, within the records of the Diocese, a cost of operation of cemeteries, and on the other side of the ledger whatever income there may be to offset this particular segment or this particular area of the operation of the church?

MR. LEADEM: Mr. Chairman, if there is, I don't know it, and I could try to find it for you.

ASSEMBLYMAN APY: All right. Do you think that perhaps you could come back with some sort of a reply as to that area?

MR. LEADEM: I will make every attempt to do so.

ASSEMBLYMAN APY: Now, in your presentation,

generally you have covered very completely, of course, the history of the situation up until now and why perhaps the exemptions have been granted. What I'm wondering is, do you have available for us, the same as we asked the other gentlemen, dollars and cents figures indicating the scope of the exempt property owned by the Diocese? And before you answer that, may I ask another question, from ignorance. Do the individual parishes own the real estate or is it owned by the Diocese at large or both?

MR. LEADEM: It is my understanding that they are religious corporations composed of the Diocese with a member of a given parish with that diocesan corporation. I am not further informed than that, sir, and I would not want to venture any further answer to you because I am not that well informed.

ASSEMBLYMAN APY: I'm still a little unclear then as to whether or not there are individual corporations established for each one of the churches or whether title runs from the Diocese.

MR. LEADEM: I believe, and again I'm subject to qualification, that each parish is a religious corporation but with the Bishop as one of its --

ASSEMBLYMAN APY: Incorporators.

MR. LEADEM: Yes.

ASSEMBLYMAN APY: All right. Would each one then have available in its own records, one way or the other, -- and when I say each one, I mean each individual parish or church -- have available then the value that they have ascribed

to the real estate and the buildings which they own?

MR. LEADEM: Whether they would, I don't know at this time. I can certainly find out.

ASSEMBLYMAN APY: I don't know whether you were here earlier when we asked Mr. Owen - we suggested that if you could get that information and get it along the lines of either replacement value or what's used for insurance purposes. Whatever formula you use, if you would let us know what it is, it would be helpful.

Now, again within the general structure and organization, can you tell us whether or not each parish - I'll continue to describe it that way, I don't know how technically correct, - operates as a separate entity financially or whether or not there is support either from the Diocese or beyond the Diocese, the State at-large or nationally, for its various operations.

MR. LEADEM: I would rather not hazard an answer because I'm not completely informed, Mr. Chairman, but I do know from some personal experience that no parish can operate in and of itself completely, or the majority of them cannot, that they do gain support from the over-all diocese to which they belong. That I do know.

ASSEMBLYMAN APY: Now, again, along the same line, because there is available in written material and elsewhere - there has been made available a variety of statements concerning various denominations owning various businesses or what-have-you. Now do you, of your knowledge, know within the diocese that we're concerned with at the moment, of anything that we would describe as a business that is owned

and operated by the diocese?

MR. LEADEM: To my knowledge, no, sir. To the extent, it's my information, that the diocese might have acquired a parcel of property and not readily using it for a religious function they pay taxes on it, they don't claim an exemption on that. I was told, for example, that they may buy a parcel of land for future church use. Until such time as it becomes actually used for that purpose, they do not seek an exemption and accordingly pay taxes as does any other person.

ASSEMBLYMAN APY: Perhaps you could then, for us, come up with this information telling us on both hands what properties, if any, are exempt that are used in the nature of a business and, on the other hand, any properties that are not exempt. We would be interested to know of any lands that are owned by the diocese or individual parishes on which they pay taxes, and why it is. You know, what's the reasoning behind it. Why have they seen fit in this particular case to pay the taxes? I think you've given us an indication.

MR. LEADEM: Well I think, from my limited information, the reason that they seek to pay taxes is that they are not using it for the purpose for which an exemption would be granted. It's privately used, as if they were running a business, and therefore they don't feel that their exemption runs that far. That has been my understanding.

ASSEMBLYMAN APY: And assuming for the moment that there are some such pieces of property, the diocese would not then be suggesting to us that we expand the scope of the

exemption to include this.

MR. LEADEM: Not at all, sir.

ASSEMBLYMAN APY: They are satisfied with carrying the load, so to speak, as part of the community in such an enterprise.

MR. LEADEM: That's right. I can tell you from speaking to our bishop that his orders have been that where we have property, if we have, - and it's just in a very few instances from what I'm told - where we have property that is not being used as a religious function or any other function under the church, we ask and we do pay taxes.

ASSEMBLYMAN APY: Now you've used the term "religious function" once or twice. Could you perhaps provide us with your guidelines or your thinking as to what does constitute a religious function.

MR. LEADEM: Oh, that's difficult. I think that becomes more - I would answer that question more what would appear to me in my own philosophical way. I look back, if I may, to what the background of the law seems to be, this theory of quid pro quo, what is the contribution? I can think of certainly education. There is a definite contribution by our organization to the field of education. And now I may be intruding on what the next speakers are going to say. In our hospitals we provide a facility for physicians to render their service to the public, regardless of who they are. This is within this spirit and I think it's contained in what I've read in the background of the history that we seem to find both in Washington's words and in the Northwest Ordinance of

the inter-relationship between the church and the state. And I think that we have maybe branched out, gone a little bit secular, but I don't think we've gone so secular that the two don't have to work in this field together in the service to the community.

ASSEMBLYMAN APY: Now in order for this Commission perhaps to perform its function, the day will come when we will have to sit down and evaluate some of these things in dollars and cents terms, and in that regard you've indicated that you will apparently be able to make available to us the valuations of the properties, whatever they're worth.

MR. LEADEM: I shall try.

ASSEMBLYMAN APY: By the same token, do you know if there would be available a broad indication - again I would say within the limits of the diocese we are concerned with -- a broad indication of the financial structure, as to how the end result is accomplished and how the various operations -- I know we are going to hear from three specific areas so maybe it will come through that means, but do you know if this would be available to us?

MR. LEADEM: I will try to make it available the best I can.

ASSEMBLYMAN APY: And, finally, - again jumping ahead, perhaps, but we've asked the others and we would ask you - in the event that any thought were given to any change in the tax structure, would you, - and I say "you" as spokesman for the diocese - or would the diocese have any suggestions as to a formula or particular areas where we

should perhaps first look? By way of illustration, I have read and it's been said, for example, that under no circumstances should a sanctuary itself ever be taxed; and on the other extreme, if a church has a business pure and simple, then it's a different matter. Now somewhere perhaps in between there's a gray area. Could you either now or in due course submit to us your thinking on that portion of the problem.

MR. LEADEM: I think the answer there, sir, goes back to one of the other questions which you asked me and that is, what do I define as a religious operation.

ASSEMBLYMAN APY: You're right, it does.

MR. LEADEM: I think that's something that I would have to take up with my immediate superior. I feel that we are here, and my purpose today here speaking to you, to ask that the exemption be preserved as it is now set forth in our Constitution. I think that what you are addressing yourself to - when I heard formula mentioned here earlier this morning, as well as your question to me now - is how can the Legislature perhaps refine the area of the exemption which is already granted. And a conclusion that I would take is that you are not out to destroy the exemption but perhaps refine it in one way or another. And yet I come back to your opening remarks where you stated that under your Resolution our exemptions place an added burden and create an imbalance.

So I wonder if we are talking about the same thing. I want it clear that my purpose in appearing before you is to ask for the continuance and preservation of the exemption.

Now if there is available to us, to my group, - and I'm quite sure there may well be, and it's something I would be only too pleased to take up with them, - a way by which we could come back to you and state, well, all right, a sanctuary should or should not, or where do we draw the line. I'm not equipped today to tell you that but I think that, for the record, we are asking, as I know a lot of our brother organizations are, that the exemption be continued.

ASSEMBLYMAN APY: Yes. Assemblyman Todd.

ASSEMBLYMAN TODD: Mr. Chairman, I would just like to clarify something and say that certainly we, speaking for myself, appreciate the fact that exemptions exist and that there is a great deal of philosophical and traditional background that surround them.

I think what Assemblyman Apy is trying to clarify, and certainly what I am most interested in, is just the exact nature and extent of the exemptions as they exist today. And whether that nature or extent gets changed or is proposed for change, I think will be a conclusion that we can only draw after we've determined exactly what these exemptions are.

Senator Beadleston earlier referred to the fact that in almost every municipality the properties listed for tax exemption are listed at a completely erroneous value, not with any attempt at deceit but just because that's the way it's always been and that's the way it's always gone. And I think one of the things that we are interested in is just exactly the extent and the nature of these exemptions and not certainly with any overriding desire to throw them all out

the window.

MR. LEADEM: Well, Mr. Todd, if I may, I don't wish to engage in argument but it was not my understanding that our appearance here today was to take the role of an assessor or to question our assessments. It strikes me, if you are asking, as has been asked perhaps rightfully so, what is the extent of the holdings and what is their assessed valuation, I submit that that's something that the local assessor would put on. We've been operating under an exemption all the time, to my knowledge. So that that is not my understanding of the function of this hearing this morning.

If I may, Mr. Chairman. I have tried to meet the text of your letter as far as what I consider to be the philosophical background of the exemption. We have three speakers who will get specific as to three separate areas within our organization. But, again, to answer your inquiry, if I understand it correctly that is what are the total values of our property, we did not come here with those figures today. I didn't, because that was not my understanding of what the function was of this Commission hearing, to be very frank and honest.

ASSEMBLYMAN APY: Well your impression is correct. In other words, I did not mean to imply that you should have this at your fingertips. However, as I indicated in the opening statement - perhaps you just missed our opening statement - Mr. Kingsley is trying to put this together for us. What we are doing is, we are trying to use several different means of arriving at a valuation figure. What is the

real market value of exempt properties owned by these organizations that we're concerned with. In order to do this, obviously one way is to ask the people that own the property what do you fellows say it's worth. This is the question. At the same time we're asking Mr. Kingsley to go out and use the experts, the assessors, such as Mr. Wilson, and see what they come up with. And then ultimately we will have a total picture.

Senator Beadleston?

SENATOR BEADLESTON: Mr. Chairman, I have - I hope it's not a dangerous question but it's one I would like to get answered. Leaving aside the Constitution for a moment, and I know that we can't but leaving it aside for a moment, one of the tests that we have been considering is the fact that the exemptions are based on essentially public value. Now I don't think anybody would dispute the fact that churches are essentially a public value. The problem we are faced with is, is that an extremely limited essential value. I presume that the churches put all together are available to everyone but each individual one may not be. We could find areas in the State where churches of certain denominations are totally lacking.

The dangerous question I'm asking is, should the non-believer be compelled to contribute through his taxes for an essentially public service that he would never avail himself of. As I say, leaving aside the Constitution for a moment.

MR. LEADEM: That is a tough, for want of another word,

theological question which I'm not prepared, Senator, to answer. I think the benefits - well, I think right off of an old one that we heard a long time ago, there are no atheists in foxholes. And let an atheist or non-believer, to whom you address yourself, be hit by a car and he will come to a hospital for help. And I don't choose that as an argument or in any way disrespectful. I think that the over-all good that comes from this essential service that you're talking about, which seems to be a definition of this quid pro quo, would more than adequately compensate, shall we say, this non-believer for many other arguments that you might have.

SENATOR BEADLESTON: Well legally now, would you think that since the churches and the facilities in a conglomerate are available to the public, generally, their choice not to use them because of a belief that is strictly his responsibility and that is an added penalty to him as a taxpayer. I think that's my question.

MR. LEADEM: Well, is it any more the added penalty to him than, for example, I as a taxpayer choose to send my kids to a Catholic school while paying my share for those who go to a public school. I don't think there's any difference.

SENATOR BEADLESTON: So that taken in a conglomerate that view would have no value even despite the Constitution.

MR. LEADEM: I submit it would not, sir.

ASSEMBLYMAN TODD: Mr. Chairman?

ASSEMBLYMAN APY: Yes.

ASSEMBLYMAN TODD: I would like to ask a question I asked of Mr. Owen, if I may, and I fully recognize that you may not

be prepared to answer it. That is, if, again putting background aside, putting present status aside and looking at a problem, - if some modifications were made in the tax exempt structure - let's say, for the sake of argument, along the lines of exempting all buildings but taxing the land - in other words, if some tax contribution were required of religious institutions, in this case the Trenton Diocese, - what would be, in your estimation, the financial impact of that? Would it seriously hamper the operations of the Diocese in their schools, in their hospitals and in their other strictly non-religious functions?

MR. LEADEM: I could not, Mr. Todd, answer that at this time. I shall try to get that answer for you, sir.

ASSEMBLYMAN APY: Let me pursue another line that I don't think we've gone into. Directing your attention to the individual church or parish - let me say the individual church building that is exempt and our mobile society, do you not have situations where a church exists in a particular municipality yet many of its members come from outside that municipality's geographical limits and, therefore, the question follows. If this is so, is it fair to the people of that particular municipality to have within it a totally exempt church serving people perhaps the bulk of whose membership comes from outside the municipality?

MR. LEADEM: Mr. Chairman, without the benefit of any statistics, I couldn't give an accurate answer but I can give you an answer from my practical experience and that is, the church to which I belong is within a certain territory in our Township and its main congregation, I should say, would be

coming from that particular geographical distribution. That is not to say that there is going to be someone at the door to say, "Are you from Ewing Township?" or "You can't come into this church." or "You belong to St. James's Parish." or "You belong over in Holy Cross Parish."

To my knowledge, sir, as limited as it is, our parishes are set up on a geographical distribution or a regional distribution to service those people within those particular confines, however, just as if I were passing through Rhode Island I would be free to walk into a church up there, I know, and so would a Rhode Island resident be free to walk into my church. So that I don't think we have that characterization which I think you are referring to, which you applied to the other hospitals where they may go to one hospital as against another hospital.

ASSEMBLYMAN APY: Let me ask another question.

Property is owned, we sort of assume, by individual parishes. Now, in addition, is there property that is owned generally by the diocese? For example, a residence for the Bishop or some such facility that would be tax exempt? For example, this might be within your Township. I know, for example, the Methodist Church or all the churches, the various parsonages that are used by the Bishop or whoever it might be, the head of the church, not used in connection with the local church, are exempt.

Now, as to those particular pieces of property, what is the value to the particular municipality that has that parsonage or whatever it may be within it? What benefit do

the citizens of that municipality derive so that they should then in turn bear part of the cost of maintaining it?

MR. LEADEM: Well what you're saying is, should there be a tax exemption for the house in which the man sleeps, and that's the only function to which that house is put. I think it goes beyond that when you get into the field of religious endeavor.

I feel, again speaking personally from my own observations and experience, that the Bishop's residence, be it tax free, should be tax free. And I don't even know right now if it is exempt.

SENATOR BEADLESTON: I think the question Mr. Apy is asking is, should the total exemption fall upon the municipality or be distributed among the other towns that are served or the balance of the county. At the moment the entire burden falls on the City of Trenton and yet the benefit flows to Ewing Township, Hamilton Township, and the like, and they pay none of that burden. That's the question.

MR. LEADEM: I can see that and that, again, I don't think goes within the realm of exemption per se but how to define it and define it by way of distribution, sir.

SENATOR TANZMAN: On that distribution too, Mr. Chairman, following up your original question, you might not be able to pinpoint the membership but in many instances, in the case of a cemetery which is an integral part, the cemetery might be located 20 miles away from where the church is or ten miles away or in some entirely different municipality, so there's your point of distribution rather than in the case

of a hospital where they all come to the hospital, here you have it different but you have the same problem involved.

ASSEMBLYMAN APY: That's right.

I have nothing further for Mr. Leadem. Perhaps, sir, you could introduce, in whatever order you wish, the three gentlemen who are with you.

Incidentally, it's twenty-after. Hopefully we can move along and we will count on taking a break at about one o'clock unless the Commission feels it would rather take a break now and start again after lunch with the three gentlemen. One covers schools; one covers charities, generally; and one, hospitals.

I think we will pursue it until around one o'clock in the hope that we can get through with these gentlemen by then.

MR. LEADEM: Mr. Chairman, with your permission, and members of the Commission, I would like to introduce Father Morris.

R E V E R E N D     J O H N     E.     M O R R I S: My name is John E. Morris. I reside at 70 Day Street in Paterson.

I welcome this opportunity to present the views of the Superintendents of Schools of the four Roman Catholic Dioceses of New Jersey. I am Superintendent of Schools for the Diocese of Paterson, and I am also president of the New Jersey Conference of Catholic School Superintendents. I speak as the representative of these superintendents and the schools that come within their jurisdiction. I will address myself to the question of the tax-exempt status of the Catholic elementary and secondary schools of New Jersey.

The four dioceses of New Jersey operate either directly or through affiliated parishes 71 high schools and 497 elementary schools. These schools enroll some 294,000 students. In addition, there are 49 private schools and academies operated under Church auspices by various religious communities. These schools enroll another 16,519 students, for a total enrollment in Catholic elementary and secondary schools in New Jersey of over 310,000.

The tax-exempt status of these schools and of other church-related schools like them would seem to be amply justified by the important public services they perform. A democracy like our own requires above all for its success an educated and virtuous people. It has been pointed out that free government is not inevitable, only possible, and that its possibilities can be realized only when the people as a whole are inwardly governed by the recognized imperatives of the universal moral law. Hence the emphasis that was given to moral education in the earliest

American schools; hence the emphasis that is still placed today on the development of patriotism and other civic virtues in our public and nonpublic schools alike. It is a major purpose of the Catholic schools in New Jersey to provide an education both secular and religious that will prepare students to function effectively as citizens of a democracy, with all that that implies.

The church-related school, no latecomer to America, has been contributing to the development of an educated citizenry since the very foundation of this nation. Teaching largely the same curriculum as the public school for the general education of the citizen, it represents the original source of popular education in the United States and stands at the center of the American educational tradition as a force which emphasizes certain moral and spiritual values with which that tradition is identified.

It should be noted that the religious aspect in the church-related school is an addition to, not a subtraction from, the basic requirements of citizen education. The child in the church-related school learns essentially the same subjects that are taught in the public schools, but he also learns about God and religion and the religious dimensions of secular knowledge. This in no way diminishes but in fact enhances the contribution that the church-related school makes to the nation and its citizenry. "We are a religious people," the United States Supreme Court wrote in Zorach v. Clauson, "whose institutions presuppose a Supreme Being. . . . When the state encourages religious instruction or cooperates with religious authorities by

adjusting the schedule of public events to sectarian needs, it follows the best of our tradition."

The graduates of Catholic and other church-related schools are found in all areas of American life and have contributed commonly with all other citizens to the genius and development of American society. From these schools have come men and women who have distinguished themselves in the service of their country and their fellow Americans, both in times of peace and in times of war.

Church-related schools are true partners with the public schools in American education. At no cost to the communities they serve, they have in these terms provided a public service unmatched in importance by the contribution of any other nonpublic agency. They have made it possible, by preserving a true choice in American education, for substantial numbers of parents to comply with state compulsory education laws and yet provide a religiously-oriented education for their children. This in itself is no small civic contribution.

The public welfare contribution of Catholic and other church-related schools must also be seen in at least one other important aspect. I refer to the vast dollar savings that accrue to state and local governments and to taxpayers generally through the existence of these schools.

In New Jersey, basing our estimate on average per pupil costs in the State's public schools, it would have cost taxpayers last year more than \$175,000,000 in operational costs alone to provide for the 310,813 students attending Catholic schools. This says nothing of the capital expenditures that would be necessary to

provide classrooms and other educational facilities for that number of students. One hesitates even to estimate the costs, and one must conclude that if these church-related schools did not exist and did not make these educational savings possible, many communities already hard pressed to meet the rising costs of elementary and secondary education would find it virtually impossible to continue to provide quality education in their schools. This would be especially true of the cities, where enrollments in Catholic elementary and secondary schools are generally high.

It should be clear enough that no financial profit accrues to the Catholic dioceses of the state or to individual parishes from the operation of their elementary and secondary schools. On the contrary, most of these schools must be subsidized from general funds of the dioceses and parishes. Income from tuition, especially in the elementary schools where it is often nominal or non-existent, does not cover operational costs in most schools and contributes little or nothing to costs of construction and other capital outlay. Most of the schools could not exist at all if it were not for the contributed services of the priests and religious who serve on their faculties. The school buildings, although their replacement costs would be literally prohibitive, have little real value except as schools and could not easily be converted into assets of other kinds.

Even to think of taxing institutions that provide public services of the kind described seems strange indeed to anyone in the least acquainted with what these schools are doing and have been doing over the years. It would be short-sighted in the extreme - and an inequity of the first order - to abolish or

seriously modify the tax-exempt status of these schools. Parents who send their children to nonpublic schools are already paying their fair share of public school taxes; in addition they must also contribute toward the support of the nonpublic schools their children attend. To ask them now to pay what would in effect be a third school tax would be a gross injustice.

It takes no prophet to foresee that a property tax or any other tax levied on already financially-burdened nonpublic schools might well be the last straw for many of them, with effects on the state's economy that you can easily imagine. Some states, in their own best financial interest, are finding constitutional ways of providing needed educational services and aid for children attending nonpublic schools. They are being very realistic. At relatively small cost to themselves now, they may well be saving themselves from the far greater costs of providing for the total education of nonpublic school students whose schools may soon find it impossible to continue without such help.

It would be incongruous to find the State of New Jersey where church-related schools have always played such a significant role, moving in an entirely opposite direction. We urge this committee, therefore, to reject any attempt to tax the property of the state's nonpublic schools. Thank you.

ASSEMBLYMAN APY: Thank you very much, Reverend Morris. Let me say, prior to addressing a couple of questions to you, as perhaps will be more apparent to you than to me, the questions stem from ignorance and a lack of knowledge concerning the operations of the schools.

Somewhere in here you refer to the fact that it seems strange

to anybody that is familiar with the way the schools work to even question it, so to speak. Being one of those who is not familiar with the way the schools operate, I am going to pursue it a little bit further so that it is a matter of education for me and perhaps for others.

You make the basic distinction here - and perhaps it is a good starting place - between your parochial schools generally and what you refer to as 49 private schools and academies. Now directing our attention first to the parochial schools, is it true or consistent throughout these schools that some tuition is paid by everyone who attends those or are some of them provided without fee whatsoever to those who attend?

REV. MORRIS: The elementary schools are generally conducted by the parishes which they serve and the practice varies now on the matter of tuition. Many schools still charge no tuition, but because of the tremendous increase in costs, many schools do have tuition. Generally they are rather nominal, but they do have some fees which families are expected to pay if they are able.

ASSEMBLYMAN APY: All right. Now for those where no fee is paid, I would assume therefore that eligibility for enrollment would be predicated upon being a member of that parish.

REV. MORRIS: Not necessarily. It is true that the schools primarily serve their own constituents in the parish, but there is no policy which excludes people from outside of the parish or even people who are non-Catholics.

ASSEMBLYMAN APY: However, it is safe to say as a rule there are not too many of them in the schools.

REV. MORRIS: That is true.

ASSEMBLYMAN APY: Now in so far as those institutions - again dealing within the general area of parochial schools - where there is some sort of a tuition paid, again is there a limitation on it being available to members of the particular parish that the school serves or would you have tuition pupils coming from outside the parish?

REV. MORRIS: There would be some perhaps coming from outside the parish, but by far the greater proportion would come from within the parish itself.

ASSEMBLYMAN APY: And would there be any differentiation in the tuition fees charged between those who are members of the parish and those who are not?

REV. MORRIS: Sometimes that would be true, yes.

ASSEMBLYMAN APY: Now let's go one step further beyond the schools that cover a particular geographical or parish area to the 49 private schools and academies that you have referred to. Would it be fair to characterize their student bodies as coming from a larger geographical area?

REV. MORRIS: That would generally be true, yes.

ASSEMBLYMAN APY: And as to these 49 private schools and academies, are there funds provided to meet their operating costs or deficits from the diocese or the various dioceses of New Jersey or are they able to exist just entirely from their own resources?

REV. MORRIS: These schools are generally operated by religious communities. For example, the Sisters of Charity at Convent Station operate St. Elizabeth's Academy. It is part of

their over-all operation and it is funded by the Sisters of Charity.

ASSEMBLYMAN APY: The school is only a portion then of the total operation so to speak. There might be a retreat house there or some other ---

REV. MORRIS: They operate a college and an academy, yes.

ASSEMBLYMAN APY: Taking that perhaps as an example, looking at the annual operating budget of the school, would that show a contribution from the diocese to help meet these operating costs or contributions from charity - you know, contributions given generally by the church members at large - or do you have an operating statement that would reflect a self-sustaining operation?

REV. MORRIS: I am not really intimately acquainted with the financial operations of the private schools. My concern is more directly with the schools operated by our parishes and by the diocese itself.

ASSEMBLYMAN APY: Would you say that the general situation - perhaps this is outside your area and if you can't answer it, of course, I don't want to push you - but would you say that the situation as far as the 49 private schools and academies operated under the church auspices - would you say that situation is too different from the other private schools in the State of New Jersey, secondary or college? In other words, whether it is a Catholic, Protestant, Baptist, Episcopalian, whatever it may be, or non-sectarian, although perhaps originally oriented along one line, is there any essential difference because of the fact it is a Catholic institution?

REV. MORRIS: I don't think it is essentially different from

any other church-related private academy.

ASSEMBLYMAN APY: But there would be some distinction, however, between these 49 that you mentioned and your general educational facilities that you provide, secondary and elementary?

REV. MORRIS: Yes.

ASSEMBLYMAN APY: Now we had indicated before an interest in the value of these properties because of the fact that we are trying to find out just how much exempt property there is in the State of New Jersey and you have given us information concerning educational costs. I wonder if it would be possible to provide the other figures along the same lines that we discussed with Mr. Leadem?

REV. MORRIS: On the elementary schools, it would be a very difficult thing to separate in many cases the value of the school properties from the value of the church properties because the school and the church are part of the one parish operation and it is one piece of land and sometimes the church and school share common facilities. It could be done, I guess on some kind of a ---

ASSEMBLYMAN APY: You would not have it perhaps though readily available. I am thinking of Mr. Wilson sitting here next to me picturing a five-acre tract with six buildings on it and he as assessor would go out and he would put a value on each one of the buildings. Now perhaps you would not have that sort of a breakdown.

REV. MORRIS: No, I would not.

ASSEMBLYMAN APY: I think you have also indicated here a situation concerning the fact that many of your schools are

already financially burdened, your parochial schools, indicating that there is considerable financial hardship. Can you give us any indication -- I can recall reading a magazine article on this line -- of the number of parochial schools that have been closed down, say, in the last decade for financial reasons?

REV. MORRIS: I couldn't give you any specific figures on that. In our own diocese we have not closed any school yet, although I know there are some schools that are kind of in the balance. When you read some of the statistics on school closing, very often it is not so much a school closing as schools merging. For example, I have seen notice of schools in mid-western dioceses; perhaps 40 or 50 schools would cease to exist, but what really occurred was that several very small schools were districted and instead of having as was common even with the public schools in these western and mid-western areas, parts of our own State even - instead of having two- or three-room schools, they would bus the children to a central district and instead of having 100 students or 50 students, they would have 500 or 700 or 1,000 students.

ASSEMBLYMAN APY: What about the other side of the coin? What about new schools, both merger and in new areas. I am from Monmouth County and as our population expanded tremendously, there has been I know new Catholic schools established down there as the population has warranted it. Could you give us an indication, if not now, eventually, as to what has happened in this direction over the past few years?

REV. MORRIS: I could tell you right now, for example, in our own diocese which includes the counties of Morris, Passaic and

Sussex, that we are not building any new schools at the present time.

ASSEMBLYMAN APY: When you do go in to build a new school, what capital resources do you have available? How do you go about raising the money?

REV. MORRIS: Again it would depend. If it is an elementary school, it would be the parish that is responsible for the capital funds necessary, and usually these are derived from a fund drive of one kind or another among the parishioners and if it is a diocesan school, then very often there will be some kind of a diocesanwide drive to raise the funds or the diocese will borrow the money and amortize it over the years.

ASSEMBLYMAN APY: Do you have available, as I know other denominations do, a source from which funds can be borrowed for this purpose? In other words, does, for example, the diocese have available investments of one sort or another that provide a fund that could either be borrowed against from a commercial institution or used in some other way to help then the local parish when it needs financing? In other words, if a parish needs some mortgage money, it turns around somewhere to look for it. Are you in a position to help do this?

REV. MORRIS: Again I don't know for every individual parish. There has been some kind of inter-lending occasionally, but more often and in the case of the diocese, itself, this borrowing is usually done commercially from banks.

ASSEMBLYMAN APY: Mr. McLean.

MR. MC LEAN: I know that it is common for institutions of higher education, college and university level, to make payments

to municipalities in lieu of taxes, recognizing the services they receive from the municipality in the form of the fire department and sometimes garbage collection and so forth. At the elementary school level, such as these parochial schools, do you happen to know whether they also make contributions in lieu of taxes to their municipalities because of the protection of the fire department, perhaps garbage collection and other services where it would not show in the tax rolls as a tax contribution, but in fact is a contribution toward the expense of operating the municipality?

REV. MORRIS: No, I don't know of any instance of that kind. But the schools are making an equivalent contribution by providing the education for the children in the school and in that sense are saving the community a great deal more than they could possibly realize from any kind of tax assessment.

ASSEMBLYMAN APY: Do I get the impression that your answer then is not really based on any dollars and cents evaluation, but really a general reaction. In other words, you haven't sat down and worked up a ledger sheet on both sides. You don't have the figures together really to do it with, do you? In other words, you couldn't tell how much taxes you would pay if you were assessed 100 per cent and paid at the regular rate. So it is not an exact formula, but sort of a conclusion you come to.

REV. MORRIS: But we do know, for example, in each community what the per pupil costs are in the public school. If the community had to provide the same education for the 100 or 200 or 500 children who are in the Catholic school, it would be not difficult

to arrive at sort of a gross figure in additional educational costs the community would have to bear. That's what I mean when I say that it is this kind of contribution that the people who are maintaining the nonpublic school are making.

ASSEMBLYMAN APY: Senator Dumont.

SENATOR DUMONT: Father Morris, did I understand you to say that the 71 high schools and 497 elementary schools don't charge any tuition at all? Is that correct?

REV. MORRIS: No. They do charge tuition. The tuition is fairly common now, less common in the elementary schools; tuition is rather generally charged in the high schools.

SENATOR DUMONT: Have you any range as to the amount of that tuition?

REV. MORRIS: In the elementary schools, again it depends upon the particular circumstances of the parish which operates the school. I would say that perhaps \$40 a year, something like that, and maybe for a second child \$30 would be charged. I don't know of any case where it would go higher than \$70 or \$80 for a child.

SENATOR DUMONT: That is in the elementary school?

REV. MORRIS: That is in the elementary.

SENATOR DUMONT: How about in high schools?

REV. MORRIS: In our diocesan high schools - I am speaking now just of the Diocese of Paterson - the tuition is \$225 a year per student plus some fees which vary again from school to school. It might be in the neighborhood of some \$50.

SENATOR DUMONT: In these 49 private schools and academies, would one of those, for example, be Del Barton School in Morristown?

REV. MORRIS: Del Barton would be one, yes.

SENATOR DUMONT: Do you know whether or not the tuition charged there is comparable to, let's say, a school like Blair Academy?

REV. MORRIS: I really don't know. It is a rather high tuition school, I believe.

SENATOR DUMONT: Can you give us the range or the maximum tuition that would be charged at Del Barton?

REV. MORRIS: No, I can't. I don't have any figures on that.

SENATOR DUMONT: Do you have any summer camps and playgrounds that you operate in connection with the schools or with the diocese which are not on church-owned property - I should say it this way - that are not on property that is contiguous to the school? In other words, do you have any summer camps in various counties that you operate for the purpose of your youth?

REV. MORRIS: The only camp that I know of in our own diocese is operated by the CYO, the Catholic Youth Organization.

SENATOR DUMONT: Is that tax exempt land in that particular area where it is located?

REV. MORRIS: I really don't know.

SENATOR DUMONT: Has any test been applied uniformly by municipalities or even without any regularity as to the amount of land that is tax exempt? I mean, have you been confined, for example, to five acres of exempt property and anything over and above that is taxable or are you getting exemption no matter how much land you own?

REV. MORRIS: I really don't have that kind of knowledge. I believe from my general knowledge that there are certain

limitations in certain areas, but just the exact acreage, I am not certain of.

SENATOR DUMONT: But there has been no uniformity as to how that is operated?

REV. MORRIS: Not that I know of.

SENATOR DUMONT: Thank you.

ASSEMBLYMAN APY: You wouldn't know offhand then whether actually, following the Senator's line -- Well, let me put it this way: If no taxes are actually being paid to your knowledge by any of the diocesan schools, then it would appear there has never been an assessment for any of them by any of the assessors.

REV. MORRIS: I don't know of any.

ASSEMBLYMAN APY: You don't know of any taxes being paid. Could you provide for us so that we are clear - not now - the list of the 49 private schools and academies which you have described in a slightly different category from your general parochial schools?

REV. MORRIS: Yes, I am sure we could give you a list.

ASSEMBLYMAN APY: Anybody down at this end have a question?

ASSEMBLYMAN TODD: Father Morris, who does operate the CYO? Is this completely separate, a separate organization, or is this under the diocese?

REV. MORRIS: This is operated by the diocese itself. The Bishop will designate someone who will be the Director of CYO activities. What he does in most cases is simply coordinate various youth activities that are carried on in the individual parishes.

ASSEMBLYMAN TODD: Is this coordinated with the educational effort?

REV. MORRIS: No, it is not part of the school effort.

ASSEMBLYMAN TODD: Just my compliments- I think you are doing a very fine job.

ASSEMBLYMAN APY: Any further questions? (No response.)  
Fine. Thank you very much, Rev. Morris.

It is now ten of one and rather than try and go over too much longer into our lunch hour, why don't we take a break now and come back at 1:45. We can have a quicker lunch and keep moving.

[Recess for Lunch]

[Afternoon Session]

ASSEMBLYMAN APY: If everybody will be seated, I think we are ready to continue.

Mr. Leadem, we are ready for you and whomever you are going to have next.

MR. LEADEM: Mr. Chairman and members of the Commission, I should like now to introduce Monsignor Theodore Opdenaker, who will testify on Catholic charities.

ASSEMBLYMAN APY: You aren't going to tell us you had the answers to all the questions - that you got it together over lunch time?

MR. LEADEM: Because of my frail being, I had to charge up that battery.

ASSEMBLYMAN APY: O.K.

M O N S I G N O R   T H E O D O R E   A .   O P D E N A K E R :

I wish to introduce myself. I am Monsignor Theodore A. Opdenaker. I am a resident of Mercer County. I am Diocesan Director of Catholic Institutions and Agencies in the Diocese of Trenton. I am responsible for five institutions in the Diocese of Trenton, which are legally incorporated in the State of New Jersey and they go back to 1898 in terms of incorporation. I am responsible for four agencies and two out-patient psychiatric clinics. I hold a Masters Degree in Specialized Education and I hold a Masters Degree in Psychiatric Social Work and I have been active in welfare work since 1952 professionally in our 3,777.1 square-mile area of the Diocese of Trenton, serving Burlington, Hunterdon, Mercer, Middlesex, Monmouth, Ocean, Somerset and Warren Counties.

I would like to preface this prepared paper by saying when we talk about Catholic charities, please underline Catholic in its universal sense. Catholic charities addresses itself to the total community. It serves the total community. It recruits its staff from the total community.

Now the philosophical justification of the tax-exempt status of Catholic institutions and agencies must begin with a firm statement of what Catholic social services entails. The essential place of social services in the programs of Catholic charities becomes clear as one delineates the basic relationship between the service process and a bona-fide value system of a church-related body. The public concept of charity has changed through the years so that it is important to establish at the outset a proper notion of this term. Charity in its official sense is a synonym for social service in the literature of religion. The creed and practice of religion and the exercise of charity are not merely compatible concepts. Religious practice is an externalizing of creed to the public benefit and the public utility. Charity, or, if one prefers, social service is an implementation of one's basic beliefs emanating from one's value system. Religion is understood in its simplest definition as a love of a Supreme Being by a creature, embellished by an active and universal love of neighbor regardless of his status in creed or national origin. As the affluence of our neighbor is diminished, the obligation to love is increased. It follows that Catholic Charity exemplified by Social Service is an essential part of a helping process that is of inestimable value to the total community.

Catholic social service is understood as an extension of a divine command to love one's neighbor as one's self. This command is detailed for those in organized religion by the corporal and spiritual works of mercy applied to all, using need of neighbor as the only qualification for those requiring the services of Catholic charities. Thus, its extension is to the entire community. And its expansion is the repertory of kindly services executed in a professional way as a demonstration of one's love for his neighbor regardless of creed, color or national origin. The genesis of the program of Catholic social service universally as well as in our State of New Jersey pre-dates the origin of professional social work by many centuries. The history of existing Catholic institutions and agencies in the State bears witness to this frequently overlooked fact. Catholic charities are here serving people because they were the pioneers and remain the innovators in many areas of social service programs and techniques. The profession of social service is understood in terms of the formulation of techniques -- in service, in diagnosis and treatment of social ills. The formalizing of this profession follows by many centuries the religious command incumbent upon each creature to lighten the burden of his fellow man. This is an absolute command which from time immemorial has gained the respect of citizens everywhere. Contrasted to this absolute is the concept of social service which is a relative science. Social work practice fitted into the total context of life has an appropriate and significant place and through it the matter of religious living gains stability, purpose and higher motivation than it might otherwise possess. It is a

fortunate partnership which results from the union of basic religious and scientific techniques of professional social service. It duplicates nothing provided by public welfare but implements it and supports its goals and aims for the public good, bringing with it its depth of experience and its historical proven worth. It furnishes a basic guideline not sufficiently explored or even understood by many public officials. The operational principle covering service plans of Catholic charities is based on the principle of Subsidiarity which is expressed in the Social Encyclicals of Pope Pius XI and Pope John XXIII, that is, the larger and higher organization must leave to individuals or smaller and lower organizations those functions which they are able and willing to perform. Thus the service principle of Catholic charities: The closer the relationship, the closer the responsibility. As Pope John put it in Part II of Mater and Magistra, and I quote: "Just as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and industry can accomplish, so too it is an injustice, a grave evil and a disturbance of right order for a larger and higher organization to arrogate to itself functions which can be performed efficiently by smaller and lower bodies. Of its very nature, the true aim of all social activity should be to help the individual members of a social body, but never destroy or absorb them." Catholic charities aims at helping the individual person constructively help himself.

Catholic social work in its theory and practice is not unlike that under other auspices. In training its workers, it utilizes the general research in the field and employs many

common techniques with other professional approaches. In addition to the accepted inventory of knowledge and technique, the Catholic social worker believes that he experiences an advantage in having the stabilizing influence of a value system as a tool in his helping process.

Typical areas of Catholic social service are those concerned with the welfare of children, family welfare, the aging, restorative services, health services and other programs geared to meet certain specialized needs, especially in the State of New Jersey where these needs are not being met and up to now have not been able to be met because of the lack of State funding for programs, and I call your attention to the serious gap in the State of New Jersey in State institutional care or to the salary demands for specialized professionals and so forth.

It is the belief of the leaders of Catholic social welfare practice that our nation is blessed with a variety of social welfare programs under voluntary and religious sponsorship and that the maintenance of this citizen organization interest gives strength and inspiration to those public welfare programs which are deemed necessary to cover the broad base of certain social needs. It is the belief of Catholic leaders that government should make every possible practical use of the facilities and services of religious and voluntary welfare groups because of the very pronounced economical operating costs in relation to the operating costs of public agencies. We draw your attention to the 1968 per diem rates in Catholic institutions and agencies of the Diocese of Trenton: Custodial care for children who need group living situations - this care is delivered at the

cost of \$4.50. It includes total care - housing, clothing, medical, ocular, dental expenses as well as education. Foster home costs, \$3.70. Institutional care of emotionally disturbed children in residential treatment facilities, \$5.11 per day. Care of the aged, \$4.19 a day. Care of the chronically ill, \$8.93 a day. Care for the unmarried mothers, \$4.62. Counselling by professionally-qualified counsellors (family counselling), \$3.38 per hour. Marital counselling, \$4.76 per hour, and psychiatric counselling, \$8.97. Despite the rigid demands of State standards and rules and regulations and qualifying procedures and licensing - despite the professional standards and because of the dedicated service of professionally-trained religious men and women and volunteers, Catholic charities is able to deliver a bonus amount of service to all citizens in need at the lowest possible cost.

For every dollar received in 1968 from Diocesan funds, which is a tax on parishes, from United Funds, from clients, from public monies, 98 cents went directly into the professional services to the people requesting the services of Catholic charities. 48 cents was spent for services to children in our institutional care; 38 cents into family and child welfare services; 16.4 cents into out-patient psychiatric services and 1.6 cents into administrative costs including planning and coordinating programs.

Catholic charities in the Diocese of Trenton in a five-year period from 1964 to 1968 in its service audit for this period indicates that, one, on a non-sectarian basis, with need as the only qualification, 184,098 families were served; 471,155 individuals served; 4,732,717 days of institutional care rendered;

414,517 professional in-patient interview hours. The cost of these services to the Diocese was \$13,868,917.71 for all professional services. The diocesan donation that came from a tax on the parishes was \$4,969,379.55.

I respectfully request that a comparative study be made of costs with public institutions and agencies based on the same quality of service. Now I draw your attention to what took place in New York. The Morland Commission Study that was published January 15, 1963, of public welfare in the State of New York, ordered by the Legislature of New York, revealed that the total State of New York at the time, including the great City of New York, had less than 100 social workers in public agencies with Master's Degrees - I am requesting a comparative study - which means problems because of lack of training in a highly complex problem-ridden society and is productive of serious costs as far as the state is concerned. I respectfully request that the Legislature evaluate the inadequacy of permissive welfare legislation which continues to burden the private and voluntary agency with demands for new resources and services.

I request that you consider the lack of State institutions to meet present needs of public welfare problems, and I draw your attention to the serious need in the State of New Jersey at the present moment for the mentally retarded infants - and I am speaking specifically of Totowa where it takes years before a child can get into the institution. I call your attention to the problem of children with psychiatric problems. I would have you make a comparative study of the out-patient clinics under non-profit auspices throughout the State. I am sure the findings

would reveal that the State, county or municipal total support or possible take-over of all welfare and charitable services in the face of continuing financial burdens, including serious deficit financing, would be more costly to the general public than any tax loss.

Penetrated with the belief that each human being reflects something rare and unique, Catholic charities strives to foster among its workers, volunteers and professionals a motivation and inspiration and a thoughtful discriminating utilization of modern as well as traditional ways of exemplifying empathy and concern for all men in need. Can public officials do less?

To further place an additional financial burden upon an over-taxed network of institutions and agencies would not be a realistic approach in these days of mounting social ills and would depart from the historic positions and traditions of the past. Thank you.

ASSEMBLYMAN APY: Thank you, Monsignor. I have one question for purposes of clarification for the record. Referring to page 4 of your statement, if you have the same page numbering, where you give your breakdown on the costs, in the beginning of your parentheses there, it refers to per diem rates at Catholic institutions.

MSGR. OPDENAKER: Yes.

ASSEMBLYMAN APY: In your testimony as you were reading, however, a couple of times - I especially noted when you got down to marital and psychiatric - you used the figures and you said per hour, if I am not mistaken.

MSGR. OPDENAKER: Per diem is leveled against institutions and the family, marital and psychiatric are on an hourly cost.

ASSEMBLYMAN APY: I just wanted to make sure that there wasn't a slip of the tongue and I didn't want any inconsistencies.

Also as a matter of curiosity coming from your comments on the same page, you do refer to certain public moneys that you do receive. Could you tell us the source of those funds?

MSGR. OPDENAKER: In one instance, for example, in out-patient psychiatric clinics - if a clinic qualifies -- We have two clinics. We have one in East Brunswick; we have one here in Mercer County. We operate under the laws of the State of New Jersey - the Community Mental Health Laws. This is where we get into inadequacy in the law. According to the law as it is on the books, there should be matching dollars, but according to the way the law is interpreted or implemented, it is on the basis of 25 cents per capita, according to the number of people in population. Then it further gets involved because if a clinic is started and it takes all the money - new clinic starting doesn't get any money - this means that many out-patient psychiatric clinics must find funding from other sources. So we get involved in community funds, Community Chests or United Funds.

ASSEMBLYMAN APY: The public funds though that you refer to there, are funds from the State as opposed to the county or local?

MSGR. OPDENAKER: We get money from the county for indigent patients. Now again because of permissive legislation, the questions that you are asking this morning, we are already doing. We are going into municipalities. We are going into the county governments. We are going into the various public agencies and

we are saying, "We are delivering this amount of service at this dollar cost." You see?

ASSEMBLYMAN APY: Right.

MSGR. OPDENAKER: In our operation, our books are audited by the Federal government and by the State government. Every one of our financial records is a matter of public scrutiny. For example, you could get an evaluation in our out-patient psychiatric clinics in any way you wanted, according to sex, religion, nationality, the cost per hour or what have you. You were speaking of formulating a plan because maybe someone would come into our institution from another part of the State. We have already formulated this and we are now trying to excite public interest because we feel there must be a partnership between a public agency and a voluntary or a religious agency. We are merely asking for public moneys for deficit financing, for those people who are unable to pay their own way in our institutions.

ASSEMBLYMAN APY: You are still working on a formula then. You have your own ideas as to how ---

MSGR. OPDENAKER: We have been doing this for five years. For example, in the City of Trenton for psychiatric services, they are putting certain moneys aside for this. In certain other localities, they are not putting moneys aside. For instance, in one area - and let's get back to the question of tax exemption - I have two institutions in Mercer County where we pay taxes.

ASSEMBLYMAN APY: How does that happen?

MSGR. OPDENAKER: We have institutions and we are permitted to have five acres of ground surrounding the institutions. Now where we have had farms where the farm has been productive to

actually underwrite the expense of the institution, we have paid taxes. In St. Michael's Orphan Asylum in Hopewell and in Morris Hall, which is a Catholic home for the aging in Lawrenceville, we are paying taxes in both of those instances and have been paying taxes since the inception of the institutions.

ASSEMBLYMAN APY: You pay the taxes at whatever the rate happens to be.

MSGR. OPDENAKER: Whatever the rate is in that area.

ASSEMBLYMAN APY: Now do you feel that you should continue to pay taxes, say, on those particular institutions?

MSGR. OPDENAKER: My own personal feeling is: If this property is being used - the moneys from this property are being used to run the institution, yes, that we should not be taxed. As it is now, and I think it is a public record, we have been paying taxes. The property at the present moment is not being used for this specific purpose, so we have no desire that we should not be taxed in these two areas.

ASSEMBLYMAN APY: Well, maybe I misunderstood. The orphanage, you say, in Hopewell ---

MSGR. OPDENAKER: Yes. We no longer have a farm that we run. Therefore, we pay taxes.

ASSEMBLYMAN APY: It is leased out on a private basis or some such thing.

MSGR. OPDENAKER: It is leased out on a private basis.

ASSEMBLYMAN APY: But the orphanage, itself, the principal facility, so to speak, on those buildings you do not pay taxes.

MSGR. OPDENAKER: The buildings and five acres of ground,

we are not taxed on those, which I understand is the law in the State of New Jersey. Now one of the things that you run into consistently is that the people who are responsible for tax exemption are not close enough to these things to know what goes on.

ASSEMBLYMAN APY: Well, what you are saying then I guess is - you were here this morning - that the farm is an example of a "business enterprise" in the sense that you have it out for lease, producing income, where you feel that because it is producing income, ultimately going back into the organization, that the payment of the taxes is proper and consistent. This is one of the examples that was alluded to this morning.

Now you have also indicated that under your responsibility you have five institutions which you refer to, each one apparently separately incorporated here in the State; each is a separate corporation.

MSGR. OPDENAKER: Each is a separate incorporation in the State of New Jersey.

ASSEMBLYMAN APY: -- and the agencies and the two out-patient clinics. Now does each one of these corporations and agencies own real estate here in the State?

MSGR. OPDENAKER: Yes.

ASSEMBLYMAN APY: What about your out-patient clinics? Are they operated in leased facilities?

MSGR. OPDENAKER: They are owned by the Diocese of Trenton.

ASSEMBLYMAN APY: And on all of those, there is no tax presently being paid.

MSGR. OPDENAKER: In our East Brunswick clinic, the Diocese

owns 20 acres of ground. We pay taxes on 15 acres; again it goes back to the laws of the State and again, as was said this morning, we feel that this is equitable. In any area that we serve, if we have a property that is doing a job as far as religious purposes or welfare purposes, we think we should claim tax exemption. If ground that we own is not being used, we pay taxes. I think this is the history of our Diocese.

ASSEMBLYMAN APY: You have indicated that you feel that the payment of taxes on the balance beyond the five acres is not inequitable. Five acres obviously is an arbitrary figure that somebody hit once upon a time in the past. Would you feel that there should be considered a change in that particular formula?

MSGR. OPDENAKER: I would question a change in that formula - and maybe there should be - but at the present moment we are involved in Morris Hall, which is a Home for the Aged, with construction of an extended care facility. It is going to relieve situations in hospitals in the community.

When you start talking about five acres, you have to look at an organization and its possible expansion because in the health-care field, for example, most hospitals are locked in. So I think you have to leave enough latitude. Now I am not an expert on taxes or real estate or anything of that particular nature. But I know what our difficulty is, that when we go out to purchase the land, we have to pay as much as anybody else to do this particular job and one of the things that is not included in these costs is the tremendous tax burden on our diocesan people who are using this on a "pay as you go" basis along with the other members of the community and we are putting up the capital investment.

Now this morning I gathered that somewhere along the line the Diocese has, you know, a tremendous treasury. I know one thing, that I am responsible for St. Lawrence Extended Care Facility, \$4,500,000, and I know that I must come up with a mortgage of one million and a half. So I think in the public eye - yes, we own assets of four and one-half million dollars, - but we are paying for the mortgage at the going rate. I think these are some of the things that people sometimes question, you know, that we have unlimited sources. Our funds come directly from a taxation on a parish and in areas where we sustained a deficit in the past five years, our people's retax on the parishes was almost five million dollars.

ASSEMBLYMAN APY: And as far as the capital needs are concerned, these are also met within the areas served. Now in your case, the diocese --

MSGR. OPDENAKER: The diocese - for example, we are getting \$1,1250,000 for St. Lawrence, again through Hill-Burton Funds. We have to qualify according to the terms of the law.

ASSEMBLYMAN APY: And the balance of the funds that you would need would be raised from within the diocese.

MSGR. OPDENAKER: Or mortgages.

ASSEMBLYMAN APY: Or mortgages. This is one of the areas where clarification would be helpful, the extent that you rely on your own facilities and the support that you receive from within the diocese. In other words, the support that you get from within your own membership, your own parishes, to the extent that 5 per cent of the people that you would serve are not members of your parish or diocese either by virtue of the fact that they live

outside it or because of the fact they are of other denominations, then you are to that extent underwriting their care.

MSGR. OPDENAKER: The interesting thing is that in every area where we are in the United Fund - we are in six United Funds - we have to go before budget committees and the breakdown on percentage - and I think this should be made very clear - we are operating in our diocesan institutions and agencies approximately within a 50 per cent area, 50 per cent Catholic, 50 per cent non-Catholic. I think if you relate this to the total Catholic population, we are serving more than our share of the people in the community and that they are not paying for this - they are not coming up -- and that's why I say a comparative study should be made. When you talk tax dollars, then look at the tremendous donated services of people who are qualified, -- For example, in the mental health field, in order to do my job in the out-patient psychiatric clinic, I must present my vita to the State of New Jersey. They look at the institutions that I have gone to, the educational institutions. They look at my degree of experience and what have you. And I can assure you that I get about one-tenth of what a person running these institutions would get.

So again, I think, when you look at the Catholic Charities, you are looking at a picture of tremendous donated services by people who are not "do gooders," but professionally qualified to do the job because we can't function according to the laws of the State or the Federal government unless we have the qualifications.

ASSEMBLYMAN APY: So am I correct then in concluding that you really are not asking for any change as far as real estate

property taxation is concerned. You have pointed out certain other areas which are not directly connected with real estate perhaps, but essentially the present system you feel is satisfactory, so to speak, from your point of view.

MSGR. OPDENAHER: Yes, to a certain degree. In the City of Trenton we purchased a building. We renovated a building and we had to pay taxes until we could get in and use it for a religious purpose. Now my feeling at that particular time was that we took money that really should have been used to meet the needs of the community on the way to establish this for a welfare purpose and we got caught in this particular situation two or three times at a serious detriment financially to our organization.

ASSEMBLYMAN APY: October 1st came at the wrong time.

MSGR. OPDENAHER: Yes.

MR. MC LEAN: I am sure you are aware there is a feeling on the part of some people at least that some of the private nursing homes or private homes for the aged should definitely pay property taxes. If I understood you correctly, your home for the aged does not and you feel that it should not. Is that correct?

MSGR. OPDENAHER: I think what you must do ---

MR. MC LEAN: If I am correct in what I understood, would you explain the difference as to why the one you operate should not if private ones do. Is it because of the ownership or the function or a combination? In other words, how would you differentiate your home for the aged from the XYZ home five miles down the road?

MSGR. OPDENAKER: I think the distinction is between a non-profit and a profit organization. And a non-profit organization again - that's why I am asking you to compare the costs. In other words, we are in operation in Catholic Charities not to duplicate services. If a person has the ability to go to a private nursing home that charges X number of dollars, we are not in competition with them. We are here to serve the people who are indigent. So in answer to your question, I think the distinction should be made whether the nursing home is in the business for profit or is it in business for non-profit to meet the needs of the individual?

ASSEMBLYMAN APY: What about if it is a break-even operation and is so structured? In other words, there are certain institutions, be they nursing homes or retirement centers, that are structured so that they operate break even. This is the intent. They are not underwritten by individual groups, denominations or the public at large. They charge fees that result in their becoming a break-even operation. So they are not profit in the sense we usually think of. No benefit insures to the directors or anybody else. There is no money made on it. What about those sorts of operations?

MSGR. OPDENAKER: Well, you know, I am not speaking for those.

MSGR. OPDENAKER: You don't have one of those operations. Yours are all deficit in the usual sense.

MSGR. OPDENAKER: Again, you know this is public record. I have a breakdown county by county, case by case, of what our deficits are and they are startling. This year we are closing out

our books and our operations costs are almost three and one-half million dollars and our deficit is close to a million and a half. Now where do we get the money?

ASSEMBLYMAN APY: That was the next question.

MSGR. OPDENAKER: Where do we get the money? By a retax on the parish and this is what the people in our diocese are concerned about. They are paying public taxes. They are paying for the church establishment. And then they come along and they are paying again a retax on a service that is being offered to the total community and this is the point that I want to stress. That is why I think you must, for example, look at the job requirements in public welfare in the City of Trenton and look at the job requirements for the county and look at the job requirements for social workers in the State of New Jersey. We are dealing - I compare this to brain surgery. When you have people who are not qualified to do the job, then this is where welfare costs are mounting because people who are not really qualified to do the job or where there is a quick turnover -- One of the things in welfare is in the casework procedures - the turnover of people because of poor salary scales and sometimes by the time they get around to the case, it is six months or nine months or what have you. People are being hurt and this is what my concern is, that we are not meeting the needs of the people and, therefore, there should be a partnership between the public agency and the private voluntary agency.

SENATOR DUMONT: Monsignor, I don't want to appear like a mathematic major or something here. I certainly am not. But I don't get the same result at the bottom of page 4, if these

figures are supposed to add up to \$1. I got \$1.04 out of it: 48, 38, 16.4 and 1.6, which I presume is meant to add to \$1. Is that correct?

MSGR. OPDENAKER: Yes.

SENATOR DUMONT: Apparently, there is an error.

MSGR. OPDENAKER: There could be a typographical error.

SENATOR DUMONT: Somewhere it should be cut to make them add up to a dollar.

MSGR. OPDENAKER: The point there, which is very accurate and I draw your attention to it because knowing United Funds, United Funds think that 10 per cent administrative costs are rather good. What I am pointing out is that our costs are --

SENATOR DUMONT: 1.6.

MSGR. OPDENAKER: -- 1.6.

SENATOR DUMONT: That is good.

MSGR. OPDENAKER: Now if there is a variation in the other thing, I won't argue with you, but it could be a typographical error.

SENATOR DUMONT: Now does the CYO come under your jurisdiction?

MSGR. OPDENAKER: No, it does not.

SENATOR DUMONT: You mentioned the going rate on your borrowing. I take it you mean 7 or 7 1/2 per cent.

MSGR. OPDENAKER: Well, I will have to borrow in '70 and I can't get any good-natured banker or financial institution to tell me what, you see.

SENATOR DUMONT: I see.

MSGR. OPDENAKER: Again, this goes back to the fact that we

are delivering a service in the area which is much needed. We have to go through all the planning boards - the State planning board and the local planning boards. We have to meet the requirements of the State of New Jersey, the requirements of the Hill-Burton. One of the things, being a novice in some phases, I find while Hill-Burton funds are going to give us \$1,125,000 I am going to have to borrow far more money because they don't pay until we have delivered so much money. Again these are the things you get caught in. Now with the permissive legislation, we are being overloaded in our institutions because there are no institutions in the State of New Jersey for certain types of institutional care. Now what happens is that the State comes along and puts standards up for your buildings, your fire laws, your State Fire Marshal, your county Fire Marshal, your local Fire Marshal. We have to meet all these standards to do a job. So it is a rather burdensome thing to finance what is going on to meet the standards and yet to operate under severe deficit financing.

SENATOR DUMONT: I take it you have a Class A priority with Hill-Burton.

MSGR. OPDENAKER: Yes. Now in the State of New Jersey, for example, everybody is excited now that there is agitation for 50 cents per capita. So we are going to get more money. But the State comes along and says, "All right. We are going to give you 25 cents for on-going programs," and we have deficit financing. "This extra 25 cents is to expand programs. We will not pay anything unless you expand programs." So what we have to do if we want to get a share of this is compound the deficit of the

on-going program plus the new programs that we would establish. It is very unrealistic.

SENATOR DUMONT: Now you mention here on page 5 that the Legislature ought to evaluate the inadequacy of permissive welfare legislation. What specifically have you got in mind?

MSGR. OPDENAKER: With respect to that, I draw your attention to R.S. 40:5-2.9, which was passed in 1952 and amended in 1957 and became effective June 5, 1957. It states that "The Board of Chosen Freeholders of any county or governing body of any municipality may establish and maintain a mental health program for the operation or the support of centers for the diagnosis and treatment of mental disorders," etc. It says that the Freeholders can do this. We have three counties in eight counties that will come up and help us with deficit financing.

In other words, in New Jersey welfare laws, the payment and purchase of care and what have you are permissive. You can't operate an organization that is trying to meet the needs of people on a permissive basis. It depends on the people who sit before you whether they are going to do this or not. It depends on tax rates and what have you. We have the law, but there is no way of causing the law to be put into effect.

SENATOR DUMONT: Do you favor any residency requirement with regard to the administration of public assistance?

MSGR. OPDENAKER: You are never going to solve that particular problem until there is a universal welfare law.

SENATOR DUMONT: In other words, you mean a take-over by the national government?

MSGR. OPDENAKER: Yes. There was a march on Washington and

there was a certain Rev. Abernethy who made a statement when he was being taken away to prison and this particular man wanted to know why in a particular state - I think it was in Mississippi - the Federal government paid some of the United States Senators who had very large cotton farms in that area almost \$4 million and why the same group paid \$9 per child on welfare. Now as long as you have a situation where people are being paid an inhuman amount of money to exist, you are going to have mobility and they are going to move to areas where they are going to have welfare. So the professional groups of this country, the National Association of Social Workers and all the professional groups, are pleading with legislators to establish a Federal amount of money for the payment of people who are on welfare. If you don't have this, you can talk about residency requirements - I laugh because you know where there are residency requirements, who gets the burden? The private voluntary agency. We are not going to permit somebody to starve to death or to be in need without meeting the needs.

So again I would say that you are not going to solve that particular problem until there is a Federal standard established where there will be an equitable payment of money that is universal.

SENATOR DUMONT: Thank you.

ASSEMBLYMAN APY: Assemblyman Todd.

ASSEMBLYMAN TODD: Monsignor, in your opening statement, I note that you serve five institutions, four agencies and two out-patient clinics. Are all of these in the area of mental health?

MSGR. OPDENAKER: No. We have St. Michael's Children's Home

in Hopewell, which is an institution for children who need group living. What do we mean by group living? Well, we have one case where a man works on the railroad and his take-home pay is \$78 a week. He has six children. He has one child where in his spinal column, the nervous system is outside and not inside. His wife needs hospitalization badly. Now this man can't go under public welfare because he doesn't qualify; he is making \$78. He doesn't want to resign to go on welfare because he has certain welfare benefits coming and pension benefits coming. So there is nowhere where he can go for aid. He comes to us and we put his wife into a Catholic hospital as an indigent person. We have prevailed upon service clubs to take care of the youngster and we put the children of these people into St. Michael's for a period of time until we can rehabilitate the family. So St. Michael's is a child-caring institution for neglected or dependent or children who need temporary group living.

Morris Hall is a home for the aging, the indigent aging. Eighty per cent of the people in Morris Hall are on public welfare or they are on Old Age Assistance.

MR. MC LEAN: Where is it geographically?

MSGR. OPDENAKER: Morris Hall is in Lawrenceville.

Then we have St. Dorothy's, which is in Wickatunk, New Jersey, and it is a residential treatment center for delinquent girls.

We have St. Elizabeth's Home for Unmarried Mothers, which is in Yardville, New Jersey.

Our guidance clinic is in East Brunswick and our other psychiatric clinic is here in Trenton.

ASSEMBLYMAN TODD: Monsignor, at Morris Hall you mentioned that 80 per cent of the patients were indigent or welfare recipients. Is this characteristic of all aged homes. Is this an inordinately high ratio or is this another one of the examples that would serve to show that perhaps some of the private institutions might suffer a little bit from some of the public assistance?

MSGR. OPDENAKER: I can't speak for them, but I can say to my knowledge in the State of New Jersey in Catholic homes for the aging it runs this high. Now again when you talk about Old Age Assistance moneys, sometimes people think that somebody is just writing out a check. We have to qualify for these moneys and it is a very difficult thing to administrate these institutions because the law is a very complex law. We have to pay a minimum wage and for every nickel that we pay over the minimum wage, we get an increase in the cost of taking care of these people. But basically when you deal with this type of thing, you are always in deficit financing because then we run into the staffing patterns. We have the State Institutions and Agencies come along. You have to have so many R.N.'s; you have to have so many doctors; you have to have so many licensed practical nurses. We have to pay the going rates. Now the going rates do not coordinate themselves with what you get from public moneys. So we always operate on a deficit.

Now I don't want to be in the mental health field. I don't want to run two clinics. People will say to me, "Why does the Catholic Church want to run these clinics?" For the simple reason that I am concerned about people in our community who

have to wait nine months or a year before they can be put on waiting lists. You know, this is a serious problem. Unless you comprehend what is going on in welfare - and I have said this around the State of New Jersey - we have already lost the rehabilitative phases of welfare. For example, drug addiction in the City of New York - it was published the other day that the addicts spend \$10 million on their habit. Where do they get the money? This is directly related to crime. Now unless we begin to do something in our psychiatric clinics, in our children's institutions, in our institutions for delinquent children, we are going to be in serious trouble.

What happens if a child appears before a Juvenile Court Judge? Where do these children go? Did you ever ask yourself this question? A boy who steals, a boy who is truant - where do these children go? There are not institutions under public auspices that can handle this. Take the mentally retarded in the State of New Jersey. It is way, way behind in what it should be doing. This was what the bond issue was all about. When you start talking about public moneys and tax dollars - we have played around with some of the figures and we estimate if we pay taxes, what we are delivering in deficit financing is about ten times the amount we would pay in taxes.

ASSEMBLYMAN TODD: So, if I may digress for a minute, Mr. Chairman - if you were taxed and reimbursed -- In other words, right now the rest of the community is getting the greatest economic benefit on a dollar ratio.

One point I would like to have clarified, if I may, Mr. Chairman, you mentioned when you run into a deficit situation, you

go back to the diocese and tax the parishioners, I assume.

MSG. OPDENAKER: In direct collections in the churches.

ASSEMBLYMAN TODD: I gather you start out with a budget and you run a year and if you don't meet it, you go back with an additional charge.

MSGR. OPDENAKER: And this is growing because of a very interesting factor and I think you can relate this to every religion - I can't speak for every religion, but I don't think people would pull me down on this - and that is that we are almost getting the same nickel that we got, you know, fifty years ago. People are not keeping pace in their donations to the church in collections according to the particular need of the church.

ASSEMBLYMAN TODD: You mentioned that one possible, if not solution, at least area for improvement, is a partnership, which is the word I think you used, between the private and public facilities. Could you delineate that a little further?

MSG. OPDENAKER: Well, one of the things we are doing now with the State people, we will not build an institution anywhere where there is a public institution that could meet the needs of the people. In other words, we are not duplicating services. We are now involved with the State of New Jersey - they will purchase care in our institutions. Again we come up, you see, with a complete audit of what it costs us. We give them our complete audit of the institution's income and the expenses of the institution. And they come back - again in a permissive way - they will not meet the per diem rate. They will not pay us what it actually cost to take care of a child. So I am saying there

should be a partnership. If they want to utilize our institutions, then they should pay us. This is what it costs us to run our institutions. There is no hanky-panky. For example, everything that we do, the State Department of Institutions and Agencies gets a record of, it gets a registered case number, it gets the unit cost. We have broken it down in every possible way. Then we go before them and they say, "Look, there is not enough money." So there should be a greater working partnership. When you start about duplication of services, it is a laugh because no private agency that I know of can take care of all the people that come before it and certainly the public agencies can't. It is a matter of public record. For example, in Totowa - it was in the Trenton papers - there was an article - I don't know whether it was the Sunday Times Advertiser - 80 children suffocated to death last year in Totowa because the building was put up without air conditioning. There is a tremendous nursery with all glass around it. The heat was so tremendous that I think there were about 80 children that suffocated to death.

When a child is born to an unmarried mother and it is defective - it is a mentally retarded child - it has taken us seven years to get a child into Totowa.

These are problems, you see. Where do these children go? Who takes care of these children? Well, most of them are found in our institutions.

ASSEMBLYMAN APY: Anyone have any further questions further?  
[No response.] Thank you very much, Monsignor.

MSG. OPDENAKER: Thank you.

MR. LEADEM: Mr. Chairman and members of the Board, I should like now to present Monsignor Joseph O'Connor who will testify as to the Diocesan hospitals.

ASSEMBLYMAN APY: Thank you.

MONSIGNOR JOSEPH A. O'CONNOR:  
Mr. Chairman, I have a prepared statement. However, I am sorry I don't have many copies of it. However, my prepared statement I will give to the Secretary after I am finished.

ASSEMBLYMAN APY: Thank you.

MSGR. O'CONNOR: Mr. Chairman and members of the Commission, my name is Monsignor Joseph A. O'Connor and I am the Director of Catholic Hospitals for the Diocese of Trenton. I am here to add to and to supplement what Monsignor Opdenaker has just testified to concerning the deliverance of services to the people of the community by the Catholic Church here in the Diocese.

I represent two Catholic hospitals - St. Peter's General Hospital in New Brunswick, New Jersey, and St. Francis Hospital in the City of Trenton, New Jersey. Both hospitals are voluntary, non-profit hospitals, with a combined bed capacity of approximately 840 beds for the acutely ill. Both hospitals are under the direction of the Catholic Sisterhoods, dedicated to the care of the sick.

For many centuries, as you know, gentlemen, and as was so very well pointed out by Mr. Owen this morning, for many centuries our Catholic Church has had its hospital system specifically designated for the care of the sick and the afflicted and for the purpose of serving all men in charity, regardless of race,

creed or financial status. The Catholic Hospital is an integral part of the work of the Church and is considered an extension of Christ's mission of mercy. The primary objective of our Catholic hospitals is to maintain and to restore health. The Catholic hospital, like every other hospital dedicated to the care of the acutely ill, holds to the concept of total care and, therefore, embraces the physical, emotional and spiritual needs of each patient.

The concept of total care can be attained only through a formal organization which utilizes principles of management which are generally accepted by private institutions and for this reason our Catholic hospitals, like all other hospitals, have become the large, complex and complicated institutions which we see in existence today. Since our dedicated Sisters have committed themselves to this Apostolate, then we have an obligation to provide those it serves with the best possible care through the best available resources.

That St. Francis Hospital and St. Peter's Hospital have met this commitment, I submit briefly for your consideration the following figures for the year 1967:

St. Francis Hospital had 18,238 in-patients, St. Peter's reported 14,843 in-patients, for a total of 33,081 patients.

In their out-patients departments, St. Francis reported 15,931, St. Peter's 28,779, for a total of 44,710.

St. Francis has recorded in its emergency room visits 24,044 patients, while St. Peter's has 20,278, for a total of 44,322.

The total patient days for St. Francis Hospital for the year 1967 was 153,799; for St. Peter's Hospital it was 122,279; for a grand total of 276,078 patient days.

This, gentlemen, very briefly is the story of our Catholic hospitals here in the Diocese of Trenton. It is a story of people who are serving people in order to meet the needs of the sick and the injured and to raise the health level of the community.

However, in speaking for our Catholic hospitals, I do not mean to infer in any way that our non-sectarian hospitals do not have the same dedication, zeal and charity for the sick, or they are not doing their part in regard to the sick and the injured of the community, because they too are to be commended for their work. Yet there are other factors, I feel, that are most important and must be mentioned if the whole story is to be told. I refer specifically to the tremendous burden that the voluntary, non-profit hospitals in New Jersey have assumed in reference to the care of the indigent. While I will not bore you with facts and figures, I do think that the following figures are significant:

St. Francis Hospital in Trenton for the years 1964 through 1968 cared for 8,082 in-patients at a net loss of \$1,271,957.87. For the same period of time, the care of the indigent in the out-patient department shows 123,424 visits at a net loss of \$1,046,443.78. St. Peter's Hospital in New Brunswick, for the five-year period from 1963 to 1967, the figures are as follows: inpatient net loss was \$1,349,674 and in the out-patient department, a net loss of \$800,254. I have attached to my report

copies of these figures, giving you the number of patient days and the total cost. I have also indicated the allotment of the community and municipality appropriations so I could show you a net loss in this area. I have done this for both of our hospitals. I make it as a matter of record.

[Figures just mentioned can be found on page 122 A and 123A of this transcript.]

However, gentlemen, in spite of the rising cost of health care, the continuing demands of new services and facilities, the increase in emergency services which hospitals must provide, we have continued to fulfil our obligation and commitment regardless of a person's ability to pay. If the burden of taxes were now imposed upon the hospitals at this time, I am sure that we would have to question our ability to continue to assume some of these burdens and responsibilities.

The care of the indigent is but one contribution of our voluntary hospitals to the health of the community. There are other intangibles which I feel are of the utmost importance and which cannot be measured in dollars and cents. I refer to the role of the hospital in the field of education where all members of the hospital family from the specialists in the field of medicine and surgery to the workers in the kitchen and the laundry must advance in learning or undergo schooling or special training so that the patients and the community may enjoy the best possible care through the best available resources.

The Catholic hospitals of the Diocese of Trenton strongly oppose any legislation that would impose a further financial burden in the deliverance of health care in the communities which we serve. To abolish the principle of the "quid pro quo"

which has existed for so many years in our State and which has been instrumental in helping our hospitals to render the best care possible to all our people would accomplish nothing.

In conclusion, may I suggest that rather than to impose added burdens on each other, which the imposing of taxes on our hospitals would do, let us cooperate with each other as men of good will, and in charity maintain and restore health, as far as we are able, to all men regardless of race, creed or financial status. Such prudent cooperation between the State and our voluntary hospitals can promote not only the health of our citizens, but contribute to the peace and unity of the human family. Thank you, gentlemen.

ASSEMBLYMAN APY: Thank you, Monsignor.

Along the line that we have pursued with some of the others, I am wondering - your figures there may not have this - if you could provide for us an indication of the valuation that you would place on the two hospitals, again using whatever means that you use to arrive at a value on the properties. This is part of our total program, if you will, of trying to get a picture of what the actual value of all these properties is.

MSGR. O'CONNOR: Yes, I think as far as our Catholic hospitals, they are both members of the New Jersey Hospital Association and I would certainly like to suggest to the Commission in these areas there, we would be a part of the Association, rather than to fragmentate this.

ASSEMBLYMAN APY: All right. Two other questions that we have asked before, but I would appreciate your reaction:

First, your deficit - I assume that this is made up for the hospitals the same as it is for the other Catholic charities.

MSGR. O'CONNOR: The diocese does participate in deficits. However, in regard to our hospitals, I think I should point out to you, like all voluntary hospitals, that these deficits for the care of the indigent primarily are reflected in the paying patient's bill. I think this is one thing that we should point out. Every voluntary hospital here in New Jersey admits this, that it is passed on.

However, there are other factors here that I think you should be aware of. As regards our Sisters and their donated services - you know Sisters in the hospitals do not work on an eight-hour, five-day week or forty-hour week. Our Sisters work many hours in the hospital. As far as their services go to the hospital, they work many, many hours.

I think another thing too that in the hospitals, people have the idea that there are a lot of contributions being made to hospitals these days. Well these voluntary contributions - I am sure the Senator will agree with me on this - they are really decreasing very quickly. But you know, there is an injustice here I always feel. When someone makes a contribution to a hospital like this where I know the Sisters always have some particular project that they would like to do, they never get done because these contributions are always turned over into operating expense.

ASSEMBLYMAN APY: Two other things - they are related though. Your hospitals, as the other hospitals, I assume, draw from outside the two particular cities in which they are located.

Would you have any kind of a breakdown indicating, for example, the number of your total patient days that were rendered to the residents of the City of Trenton and New Brunswick and how many were from outside?

MSGR. O'CONNOR: I am sure we could provide those figures for you very readily.

ASSEMBLYMAN APY: Let's just assume for the moment that it would indicate that half of the people - take an arbitrary figure - were from outside of the two cities themselves yet within your diocese. In so far as the taxpayers of these two cities are concerned, do you recognize any inequity to them in that they are totally supporting as far as taxes are concerned, because of their tax exempt status, the institution which is serving people outside their own city limits?

MSGR. O'CONNOR: I think, Mr. Chairman, I would have to disagree with your primary premise from my facts and figures of the hospitals. I think the number of people coming from outside of the City of Trenton or its immediate or approximate environment would be very small. I think accidents and things like this would account for most of the people. Where you find people coming into a medical center from outside, it generally is a big medical center. It is not the general hospital for the acutely ill. And I really don't look upon this as a factor when we start talking about reimbursement or something like that.

ASSEMBLYMAN APY: I was using that as an illustration perhaps to paint it a bit clearer. But the principle remains the same. If you have one patient that the hospital in Trenton

is serving who comes from Ewing Township, then to some extent the people in Trenton are helping to underwrite the cost of that patient from Ewing Township and I am wondering if there is any inequity in that.

MSGR. O'CONNOR: Well, I suppose on the basis of principle, there would be an inequity. But I think that you do have to look at the over-all contribution of the hospital and all the services given by it and I don't think you can really make an exception under that case because it is such a small exception.

ASSEMBLYMAN APY: I am sort of being the devil's advocate here, if you recognize it, as far as the taxpayer from within the municipality is concerned as we have raised the question before.

I have no other questions. Senator?

SENATOR DUMONT: I would just like to point out, Mr. Chairman, that Monsignor O'Connor has served for a number of years as a trustee of the Health Facilities Planning Council for New Jersey and, therefore, has been involved in regional planning, among other things, in connection with hospitals.

ASSEMBLYMAN APY: We are happy to have a man with his qualifications here.

MR. KEATS: I was going to ask a question in relation to the breakdown of services and how you handle outside specialists who come in. Of course, again the question came up in the public hospitals, how public they were due to the fact that they limited their services as far as physicians were concerned, those who could recommend. How does this work in a Catholic

hospital?

MSGR. O'CONNOR: Well, it would work the same as in any voluntary hospital. The administration of a hospital would depend upon the medical staff, I mean, for relating patients. We would have nothing to do as regards the members of our staff who put patients in our hospital.

MR. KEATS: It is open, but it is closed.

MSGR. O'CONNOR: It is open to anybody. As Mr. Owen testified this morning, anybody who presents themselves at the doors of St. Francis Hospital will be admitted to that hospital whether their doctor is on the staff or not. If a person elects to have a doctor who is not on the staff of St. Francis Hospital but is on the staff of Mercer Hospital, they would have to solve that problem amongst themselves.

ASSEMBLYMAN APY: Anyone further? If not, I would like to thank Mr. Leadem and you three gentlemen for coming this afternoon and this morning and we would appreciate whatever additional information you get back to us along the lines that we have indicated.

MSGR. O'CONNOR: You have been very kind.

ASSEMBLYMAN APY: Thank you very much, gentlemen.

I would like to call on Rev. Hall and the representatives of the New Jersey Diocese of the Episcopal Church.

C A N O N     J O S E P H     H.     H A L L, III: Mr. Chairman and gentlemen of the Legislative Committee and friends: I am the Rev. Canon Hall, the Executive Director of the Department of Christian Social Relations of the Episcopal Diocese of

New Jersey and I am the Chairman of the special committee which the Rt. Rev. Alfred L. Banyard, the Bishop of New Jersey, appointed for the purpose of making this statement.

To my right is Canon Daley, a member of the Committee. He is the Director of our Evergreens Diocesan Home for the Aged in Moorestown. And also as resource men there are present today Mr. Albert L. Hancock, Sr., Treasurer of the Diocese of New Jersey, and Mr. William O. Bachman of the Committee on Church Property of the Diocese of New Jersey.

Our founding fathers thought it wise to exempt churches and other charitable organizations from taxation because of the services they rendered to the people and the society of these United States.

This philosophy did not begin with the authors of our Constitution but went back many centuries to the leading European nations from which we derived our heritage.

Bringing this philosophy up to our present era, these non-profit, charitable organizations continue to work for the cultural enrichment and general benefit of our society. If it were not for these organizations our great nation would be devoid of anything that could be considered morally, spiritually and culturally uplifting.

The vast majority of such organizations are religious or religiously oriented institutions, and if these are eliminated from the tax exempt classification, a great number would be forced to close their doors, which in turn would have a deteriorating effect upon our society.

## HOMES FOR THE AGED

The Evergreens Diocesan Home for the Aged, now located in Moorestown, resulted from an outright gift from the La Monte family who gave the Diocese a property in Bound Brook for this purpose in the 1920's. The original structure was condemned in 1948, and the Bishop of New Jersey and the Board of Trustees purchased property in Moorestown in 1949. This building had the capacity of 18 beds. Between 1949 and 1969, this Home has grown to a capacity of 121 beds, 56 of these being devoted to nursing services, and 65 to the aged who are able to maintain themselves. This expansion program which was developed in various stages by the Diocese of New Jersey was supported and paid for completely by free will contributions, gifts and legacies. At no time in the development of this Home did the Bishop or Board of Trustees feel compelled to call upon the State or National government for funds to carry on this vital work.

If this Home were burdened with a cumbersome tax, it would as a result have to curtail its program and would find it necessary to eliminate from its number the 1/3 of its 120 residents who are subsidized by the Church because they are recipients of welfare.

In our Ambulatory Section, we receive only \$130 per month for a welfare resident, but the actual cost to maintain each one is \$220.

In the Nursing Care Unit, we receive only \$335 per month for the maintenance and care of a welfare patient while the actual cost to the Home is over \$450 per month.

As a matter of fact, it must be stated that no one living at the Evergreens pays the full cost of maintenance and care. Therefore, if the Home were to be taxed, we would be forced to eliminate all welfare people and these would become the charges of the State. Further, we would of necessity have to raise the rates on the rest of the patients and residents in order to meet the taxes, with the resulting added burden on the people least able to afford it in their declining years.

#### CHURCHES

Now as to our church as a whole - if we were to review our financial situation, it could readily be shown that most of our churches operate on a very limited and restricted budget with very little balances at the end of each fiscal year. Most of our clergy receive far less compensation for the services they perform than they would receive in industry or other comparable professions. Therefore, if the tax exempt status of our local parishes is lost, the burden of taxation would overwhelm the church and, as stated above, many of the small but effective congregations would be forced to close their doors, with the resulting detriment to society and the loss of spiritual force and influence in each community.

It should be further emphasized and noted by the Committee that within the framework of the Church organization, or congregations, no one receives compensation or remuneration for the services which they perform. This applies to Vestries, Mission Committees and Boards of Trustees. All funds received are used either for operating expenses or for the expenses and development of the programs which benefit and enhance the moral,

spiritual and cultural fiber of our society.

Submitted by the Special Committee, appointed by the Rt. Rev. Alfred L. Banyard, Bishop of New Jersey.

ASSEMBLYMAN APY: Thank you, Canon Hall.

Is Canon Daley going to have a separate statement or is he sort of working along with you?

CANON HALL: No.

ASSEMBLYMAN APY: May I suggest then if you feel any questions should be addressed to him, you refer them to him.

CANON HALL: Yes. Canon Daley is liable to know some things I am not familiar with.

ASSEMBLYMAN APY: The first specific question I have before asking a couple of general ones is: Who makes up the deficit on the Evergreens Home?

CANON HALL: The Diocese of New Jersey gives \$17,000 a year for this work and in addition to this we have what is known throughout the Diocese as the Cooperative Society composed of women interested in this work. They are constantly raising money and sending it to the Evergreens for this purpose. We look upon this as something of a missionary endeavor.

ASSEMBLYMAN APY: Did you want to add something, Canon?

CANON DALEY: Plus the fact our investments yield about \$60,000 a year.

ASSEMBLYMAN APY: By way of --

CANON DALEY: Our investments.

ASSEMBLYMAN APY: -- your investments themselves that have been given --

CANON DALEY: -- by the people of our Diocese to our home.

The yield is about \$60,000.

ASSEMBLYMAN APY: This then bring us perhaps logically into the area that has been opened to some extent already, which is that invested funds that you have are used to help meet your operating deficit. And apparently in this particular case there are such funds available.

CANON HALL: Right.

ASSEMBLYMAN APY: And would this be true, Canon, on the larger basis of the Diocese as a whole?

CANON HALL: The Diocese as a whole does not have very many invested funds of its own. I am not sure of the amount, but I could get those figures for you if necessary.

ASSEMBLYMAN APY: It would be, I assume, in your annual statements that are available.

CANON HALL: That is true.

ASSEMBLYMAN APY: Going more particularly to the question of real estate that we are concerned with, do you have available or could you make available to us your own figures as to the value of the real estate owned by the various congregations and by the Diocese?

CANON HALL: Yes, I can. This appended sheet on the back is a representative list of 20 parishes gathered from the areas of our Diocese.

[Appended sheet referred to can be found on page 124 A of this transcript.]

I might say incidentally that the Diocese of New Jersey comprises the 14 southern counties of the State of New Jersey. The upper 7 counties are in a different diocese known as the Diocese of Newark.

ASSEMBLYMAN APY: I am glad you mentioned that.

CANON HALL: Now if you want some further figures on this, I have them jotted down here and I can have them available for you. I have figures taken from our latest journal on the total value of the property in the Diocese of New Jersey.

ASSEMBLYMAN APY: Well, I would suggest perhaps submitting it at a later date. These that you have attached to your statement here are intended to be representative to give us an indication as to the manner in which the local congregations are self-supporting and also as to valuation.

CANON HALL: Right.

ASSEMBLYMAN APY: In this valuation table which you have here - and I assume it would be true of your totals - the figures are as provided by the Local Property Committee of the congregation?

CANON HALL: Yes, that is true. Each year a parish record has to be sent by each and every parish to the Diocese, known as the annual report.

ASSEMBLYMAN APY: And are they provided with instructions as to how to arrive at that value so that you are assured of a uniform basis or is it pretty much a matter of discretion as to each congregation?

CANON HALL: Well, I believe they all follow the proper procedures in this. I don't quite know what you mean by the valuation or how they arrive at it.

ASSEMBLYMAN APY: What I am thinking of - perhaps in one congregation they bought a parsonage for \$20,000 fifteen years ago and they have continued to carry it at \$20,000 ever since.

Another one may have depreciated it. Another one may have appreciated it. And there still may be a different value for insurance purposes.

CANON HALL: No. What we attempt to do in this is to keep our properties updated and we have our insurance carried on all of our church properties 90 per cent of its present value.

ASSEMBLYMAN APY: So this would then be your figure that you have here --

CANON HALL: Yes.

ASSEMBLYMAN APY:--essentially what you have used for insurance purposes.

CANON HALL: This is not outdated values. In other words, this is as near as we can arrive at it by living figures, what replacements would cost and that sort of thing.

ASSEMBLYMAN APY: Now are you aware within your Diocese of any properties owned by the Diocese or by any of the local congregations which pay any real estate taxes?

CANON HALL: The Evergreens, just a case in point, does. You see, the Evergreens is comprised of some 32 acres. We pay local property and real estate taxes on that portion that is not being specifically used for the Home itself, that is, where the buildings are.

ASSEMBLYMAN APY: Is the balance land that is income-producing as a farm or is it merely the fact that your buildings plus five acres exemption is used up before you get to the 32 acres? So you might have ten or twenty acres that ---

CANON HALL: We have no income-producing factors there

at all.

ASSEMBLYMAN APY: Do you in any other places in the State have any income-producing facilities owned by any of the churches or the denomination on which you pay taxes?

CANON HALL: No. We very meticulously avoid any "church in business" situation. We do not have that.

ASSEMBLYMAN APY: The question was asked this morning as to whether or not a person who is an agnostic or an atheist should be asked to pay more in his taxes because religious groups are tax-exempt. What would your answer be to that question?

CANON HALL: I would think that a question like that would have in mind perhaps all the benefits which are enjoyed by the unbeliever which have been provided by the church. People who say, "Yes, I would be glad to live in a community with no churches," still somehow seem to presuppose the same type of ethical considerations and laws which have been inspired over the years by the church. I believe it is what the historian, Arnold Tonybee, calls living on borrowed spiritual capital. We somehow go along on the zip we have from the past and think that if we put on our brakes and eliminate really the factors that inspired what make our civilization great, we can keep the cake and have the penny too.

ASSEMBLYMAN APY: Can you see any inequity or a problem created by the fact that in many of our cities and older areas we find a cluster of churches which today have a membership made up from outlying communities. With the car, you don't have to draw your parishioners from within the surrounding three

or four blocks or within the city limits. They may come from ten miles away and in some congregations they perhaps make up a sizable proportion of the membership. Now in so far again as the local municipality wherein the church is located is concerned, is there a problem do you think created by this fact as far as the equities are concerned?

CANON HALL: Yes, a very definite problem. But I would also say that in the Diocese of New Jersey, we have made it a point of order and a rule of our religion to have and encourage neighborhood churches. We do not have the policy as in some areas you may have been able to observe - when a church somehow doesn't pay anymore or if the people have moved away, the church either tries to hang on to these people out in the suburbs - they have to pass two or three churches to reach the original church - or else they close it up and the church follows them out. In every instance - as a matter of fact, the Bishop has set up a new division in the Diocese called the Division of Urban Concerns with just the specific purpose of helping every one of these churches that would be in trouble in an urban situation to minister to the community where it is, to the neighborhood where it is. And in many cases these churches are subsidized in order to help them do this.

ASSEMBLYMAN APY: The problem, of course, is that created by the artificiality of geographical lines that don't mean anything any more.

CANON HALL: Yes, that is true.

ASSEMBLYMAN APY: Now let me go to the other side of the coin and ask you for your reaction to a specific situation

because I have in my mind that when the Arch Deacon, for example, moved out to the Arch Deaconry, which is located down near Burlington in Edgewater Park, the local tax man said, "No," after the overtures were made to him. This varies though, I imagine, from community to community, wouldn't it?

MR. WILSON: I am afraid it depends to some degree on the temperment of the local assessor. May I suggest that you discuss your problem with the very eminent assessor sitting behind you. He might be able to give you some advice on this.

CANON HALL: I will take a leaf out of his book if he has anything to say.

MR. COTTON: Do you know of any parishes that are making voluntary contributions because of local municipal services which they enjoy?

CANON HALL: I can't think of any parishes right off the bat. There may be some.

CANON DALEY: Evergreens does, but not to a large extent.

ASSEMBLYMAN APY: In reference to Evergreens, do you have a fixed formula or is it a question of each year you sit down with the town or come to your own conclusion?

CANON DALEY: Whatever the Board decides to give and this is given for the ambulance services and so on.

ASSEMBLYMAN APY: It is not related in other words in any way to the tax rate or what you would pay otherwise or anything such as that?

CANON DALEY: No.

ASSEMBLYMAN APY: Do any of the Commission members down at the other end of the table care to ask any questions?

ASSEMBLYMAN TODD: Mr. Chairman, unfortunately I was missing for some of this so I will ask a question that has perhaps been already covered and of which I am unaware. Does Evergreens make any contribution at all to the community?

CANON HALL: Yes. Canon Daley just answered that in the affirmative.

ASSEMBLYMAN TODD: I missed that.

ASSEMBLYMAN APY: Senator Dumont?

SENATOR DUMONT: Canon, do you operate any private schools or summer camps or anything of that kind?

CANON HALL: No.

SENATOR DUMONT: You say here on page 2 of your statement that you receive so much money per month. Does that come from governmental sources?

CANON HALL: Yes. When we are speaking of the welfare residents, that is what the county pays.

SENATOR DUMONT: The county only in this situation?

CANON HALL: Yes.

SENATOR DUMONT: Then the difference you make up by taxing your own people?

CANON HALL: Yes.

SENATOR DUMONT: Over here on the last page where you show the cost of operations - "received from local support" - does that mean from the members of the parish?

CANON HALL: This means what they actually give and pledge and put on the plate and so on out of their own pockets, yes.

SENATOR DUMONT: And the difference between the cost of operations and the local receipts is provided by the Diocese,

is it?

CANON HALL: Not in the case of the parishes. Our parishes, you see, are not owned by the Diocese. Each one is an individual entity of its own and, therefore, it is up to each parish to sink or swim according to the way it can make up the deficit, either by legacies, endowments, fairs, suppers, whatever it can do. But the local support means what the people actually give.

ASSEMBLYMAN APY: Some of these figures here would indicate that some of them are on their way out.

CANON HALL: Yes, that is very true.

ASSEMBLYMAN APY: Some of these will be in trouble if they don't get some help.

SENATOR DUMONT: How about Millville?

ASSEMBLYMAN APY: Take Keansburg - there's a pretty big gap in there.

ASSEMBLYMAN TODD: Is that a typographical error on Millville or is it really that bad?

CANON DALEY: I think that includes some building program. Isn't that right?

CANON HALL: Mr. Hancock is the Treasurer of the Diocese.

ASSEMBLYMAN APY: Mr. Hancock, would you like to come up here and join the gentlemen, please.

MR. HANCOCK: Mr. Chairman, that was due to a building program and we had to borrow money - the local church borrowed money to do that and that is what we call "non-income receipts." It does not reflect in the "received from local support."

ASSEMBLYMAN APY: Yet the money you expend is reflected in your cost of operations figure?

MR. HANCOCK: That's right, sir. That is interest payable and the amortization of the borrowing. That is reflected in the \$65,000 cost of operations.

SENATOR DUMONT: You borrowed that at the going rate of interest?

MR. HANCOCK: Yes, sir. I borrowed some \$29,000 day before yesterday for a church in Madison Township at 6 per cent, sir, for the purpose of adding to the parish house.

ASSEMBLYMAN APY: Well, my question is: You have the term "cost of operations" in there. I could understand your carrying charges on your mortgage. You don't also have in there some of the capital funds --

MR. HANCOCK: No, sir.

ASSEMBLYMAN APY: -- because in the case of Millville, it is still a pretty big figure.

MR. HANCOCK: It does look out of place, sir, - I appreciate that - but that is what the journal reflects. We have a journal printed each year of the operations and that is what they report.

ASSEMBLYMAN APY: So you are not actually personally familiar with what went into these?

MR. HANCOCK: Not to that extent, sir, no. But I might say in passing that each church is required to present a parochial report for the year in which they state these figures and they are taken from there and inserted in the journal, which is sent to each parish mission throughout the Diocese

of New Jersey and others which require it.

ASSEMBLYMAN APY: Anyone else have any questions?

[No response.]

Thank you very much, Canon. We appreciate your being here.

CANON HALL: Thank you very much, gentlemen.

ASSEMBLYMAN APY: For a change of pace, is Mr. Naples here now? Yes, there he is. Mr. Naples.

G E R A R D   N A P L E S:     For the record, my name is Gerard Naples, City Councilman, City of Trenton, my own home town. I don't know that I am any more comfortable playing in my own home town, my own ball park, and talking about an issue of this type. It is something that has to be faced for a good many years and you will probably have to render a decision on it before I will in the city government. But let me say this; let me preface my remarks by saying I agree totally with Msgr. Opdenaker's statement that you've got to have a national guideline for welfare. It's a little bit off the beaten track and, therefore, I want to go on record as agreeing with him very strongly, because at the Congress of Cities Convention in New Orleans, there was a City Manager from down South who talked to me and another councilman and we discussed the subject very frankly and he said, "Boy, as long as you keep taking them, we'll keep sending them up." I would like to see that situation end.

Now getting back to the subject at hand, in local government we need money rather desperately. I don't think that any local official you come in contact with will deny that or will refrain from stating it very, very forcefully. The main source of income is the real property tax. We face the prospect in Trenton, and I can speak with authority, of increasing the burden on those who are already heavily taxed. Officials talk of sources of income to supplement the real property tax. However, I say something cannot be supplemented until it is first complemented. It is not so much a question of revenue outside the property tax

right now as it is a question of finding sources of revenue within the property tax base itself. The source of income I refer to is "in lieu" tax payments on properties which are now tax exempt. Any property which is tax exempt receives that status because it provides service which government would have provided for itself were that service not in existence. Service notwithstanding, I recognize that all religious and all charitable properties do, but I submit that in an economy based on property taxes, no entity can be totally relieved of financial responsibility to the community. I feel that some payment must be made, a fair payment, not a payment to put good work out of business.

I hear it quite often, and I was the one who was publicized as making a statement, and it was reported correctly in the Trenton papers, that I would like to get a little more property on the rolls and I would not hesitate, if a fair formula could be worked out, to put church and charitable property on the rolls. I get the statement from everybody: What would you do if all the religious type institutions closed down the schools? Well, the answer is obvious. It would be a financial catastrophe. It doesn't mean that because there would be a financial catastrophe if they did close down or they will close down if a fair "in lieu" tax payment is imposed. It doesn't mean that they cannot pay a fair "in lieu" tax payment, - two entirely different issues. Don't ask a question which has an obvious answer in an attempt to further evade the question which should have been faced many years ago.

The property tax, in my opinion, has regressed so that right now it is to the point where it is victorian, and we compound it by allowing huge amounts of property to remain non-ratable.

In Trenton we have some fifty-two million dollars of true value State property. We have the county seat and huge amounts of county property, and with the number of churches we have - and God bless them - per capita, we have a great deal of property which is tax exempt. What the total amount is, I couldn't tell you, because I walked into the Assessor's Office in Trenton - well, I called them up and said I would like to have some figures by four o'clock. That was last week. He said would you come on down here, and he showed me a book and he said it would take one of the secretaries working for a month to determine what the total is. That book was pretty thick. So I will just use the word "substantial," and it is substantial. We have a pretty high tax rate and we have a good city and we have cut our municipal employees to the bone. So something must be exempt.

While I'm at it, I think the State should look to its own house and get some legislation passed which I am sure will be going into the hopper with regard to state tax exempt property.

I made a statement that churches and hospitals and any of their property should be taxed in lieu of taxes. What would be a fair "in lieu" payment has yet to be determined but there had better be a payment. As far as I am concerned, we've got to get that property on the rolls for two reasons.

It will help us in our operating budget and, something few people realize, it would get more equalized valuation on the tax rolls to help us finance capital improvements and rely less on autonomous authorities and cut that fragmentation down in cities dealing with tremendous problems. It would be a big aid there in addition.

I think if we look at our present system, we have three alternatives, in my opinion, to continuing it. Allow cities to place more property on to the rolls. Or this Committee could recommend to the Legislature to grant cities complete fiscal home rule to enable cities to raise revenue the way they want, and I am looking one day toward the elimination of property tax. The third alternative would be disaster sociologically, economically, any way you want to look at it.

That's about as simple as I can make it. I don't think that I have said anything that anybody didn't realize I was going to say or something which any other official wouldn't say.

Are there any questions?

ASSEMBLYMAN APY: I would just like to get your reaction and thinking: Let's assume that we arrived at a value that is realistic, a fair market value for all of the exempt properties, and I am talking now about those within the jurisdiction of the Commission, and your Assessor provided them, then what formula would you suggest be used to arrive at the amount to be paid by the organization?

MR. NAPLES: I would say a percentage of what these properties would pay if they were completely privately owned.

ASSEMBLYMAN APY: What percentage?

MR. NAPLES: I couldn't answer that right now.

MR. WILSON: The municipal portion of the tax rate as an example?

MR. NAPLES: Yes.

MR. WILSON: Eliminating the school and county portions.

I realize, and I am not trying to put words in your mouth, Mr. Naples, that that would have to be qualified by depending on what we are talking about, whether it's a hospital or whether it's a church, or whether it's some other presently exempted property, as to what should be eliminated.

MR. NAPLES: The percentage would have to be left up to the governing body of a particular municipality to work out. I would say it might have to vary because if a church reached the point where - let's take a church, for example, where it would strictly go out of business if it had to pay anything in lieu of taxes. Then you might be running the risk of financial catastrophe. If the church could render a fair amount to a municipality in the amount of, let's say, one quarter, by all means if they could afford that, do it. If they could only render one-eighth - I might say, "Render unto Caesar," but I won't. That would vary, I would say, Russ. You are the fifth or sixth person who has asked me that and I wracked my head and finally I decided to go to bed and sleep on it until I finally got the answer.

ASSEMBLYMAN TODD: In effect, though, what you are saying is that you would leave the ultimate decision to the local governing body.

MR. NAPLES: I would.

CANON GAUST: Wouldn't that make for confusion more confounded? Just the percentage if you go into this at all?

MR. NAPLES: If it is going to be municipally administered, I think that the percentages must be set by the municipality, because you can't have the State set - formerly you could set a limitation up to which a municipality might go, but, let's face it, you just may have some charitable property in some jurisdiction and some place that just may not be able to come up with the money, and some can and may want to. Some may be more than willing to help out but they may not have it.

ASSEMBLYMAN APY: Would you make any distinction between any one of the various general categories that we are concerning ourselves with - religious as opposed, say, to hospital, as opposed to private school, or would you try to devise a formula which would come up with the same rate for each of these categories?

MR. NAPLES: That's the subject of three or four bills, one of which was written by myself. I won't talk about that now. I could write a book on that. But I would say it would have to be a separate formula for each one, because each one would render different services - the degree of service, the degree of exemption. I am still saying you should maintain a partial exemption here because of the percentage, and you have to determine degrees within

various categories. It's a difficult decision. I wish I knew all the answers.

MR. WILSON: Mr. Naples, you suggest that perhaps if the local government should be given total jurisdiction here - let's assume

MR. NAPLES: I'm saying that's an alternative suggestion.

MR. WILSON: Yes, but do you think it's a practical solution? Suppose all municipalities were authorized to tax or not to tax this type of property, do you think that there is enough internal fortitude in the bodies of our local governing bodies to exact it? For example, in Trenton, if it weren't done in Ewing and Hamilton at the same time, wouldn't it put you in an awful spot?

MR. NAPLES: I can only speak for myself. I would say this: A practical politician today in the age of enlightenment, in the age of, let's say, better educated electorate, if he tried to pull the wool over the people's eyes, would get caught. A practical politician today is one who can impress the people and prove that he's doing the right thing. I think in the long run, truth, if given the opportunity and if you start long enough before the election, will defeat error.

MR. WILSON: They will have forgotten about it by the time the general election rolls around.

ASSEMBLYMAN APY: In other words, immediately after the last one.

MR. NAPLES: You said that, not I.

ASSEMBLYMAN APY: Does anybody have any other questions of Mr. Naples?

ASSEMBLYMAN TODD: I have a question, Mr. Chairman.

Mr. Naples, I am not quite sure whether you are speaking here as an individual or representing the Mayor and his official family in the City of Trenton.

MR. NAPLES: Me represent the Mayor? God, no. He wouldn't permit that, I don't think. I am here as an individual member of the governing body and I told my colleagues that I would be coming down here today, and they said, "Don't do anything to embarrass us or put us on the spot." And I promised that I wouldn't. And here I am, embarrassing only myself, if I have done that. No, I am here as a citizen basically.

ASSEMBLYMAN TODD: May I ask you along these lines - I gather that you have discussed this with your colleagues. I am not putting words in your mouth but what is the general reaction in the official family on this?

MR. NAPLES: Well, some of them said I was committing political suicide with a smile. Some of them agree with me in principle. One of them, a member of the Council, was particularly concerned with the question - I won't mention any names - of hospitals. He just feels that the cost of hospitals be automatically tacked on to the bill. This may well be. If a man's tax bill gets lowered five bucks and his hospital bill goes up five bucks, he is breaking even, but you are getting more property on to the rolls, which is very, very important.

ASSEMBLYMAN TODD: I get the feeling that if someone other than the three Councilmen and the Mayor of Trenton decided that this were a good thing and struck the formula, there would be no objection on anybody's part to accepting the money.

MR. NAPLES: Any what?

ASSEMBLYMAN TODD: There would be no objection to accepting the revenue raised.

MR. NAPLES: There is never any objection to accepting revenue in local government, believe me. It's difficult to tell what will happen when you get down there as a body and face this question. You're going to have differences of opinion as to a percentage. You are going to have differences of opinion as to whether or not you might want - well, let's take churches - you might want to tax everything except the schools and the houses of worship. Some Councilmen may want to exempt just the houses of worship. It is difficult to say. When we get it all set up and the money starts to come in, we'll be glad to take it.

MR. KEATS: As a Commission, we are attempting to try a generalized rule-of-thumb for taxes and more or less making a broader base for taxes, and that's what we are trying to agree upon. And yet what you are suggesting is to just throw so many things to all these very small communities, giving them the right to tax, their proportion to tax, and what to tax, and you see there are no guidelines. Yet we are attempting to establish guidelines, so it is not too helpful just to say that there are none, because we would

like to establish some guidelines which would effect a broader base than just to throw out the ball to the different communities. I can imagine that the Italian-American Club which is strong in one community would work for one exemption and if it happened to be a Polish community, we would probably have more favoritism in that respect. This would lead to a lot of inequity, I think.

MR. NAPLES: I think a guideline would be a specification of what would lie outside the area of exemption, possibly a limitation on how high a governing body can go. I don't see how a Legislature of 120 men can be expert in each community's affairs. It would be almost impossible. It would be very difficult for a governing body to do this. I dare say if you were to set these guidelines and specify the areas which would lie outside the tax exempt status and put a limitation on the percentage which we can tax in-lieu-of, and we drew up an ordinance, it would take a year or so before it is argued out and enacted into law. We would probably have to have hearings right in the City of Trenton just like this, I dare say. I think this is a tremendously big issue and it is going to be something each governing body may have to face, and I hope that every official in the State realizes this.

MR. KEATS: Wouldn't it be a lot easier, after you set, for example, this particular idea of just the municipal tax as a rate to assess these particular tax-exempt properties rather than just, as you say, having so many properties in each community which isn't healthy anyway, especially the public officials?

MR. NAPLES: It may be easier. It may expedite a process, but will the process which is expedited bring about that which this Committee, and which most governing bodies want brought about, or will it possibly bring about, if you go too high in tax, the appropriation of some of these properties? It causes a catastrophe within the community. There is a danger here. You've got to be careful how you go about it.

The headlines in the Trenton Times said, "Naples says 'Tax churches and hospitals.'" And when you read the article, it is completely different.

ASSEMBLYMAN APY: Senator Dumont, have you any questions?

SENATOR DUMONT: Councilman, you mentioned as one of your alternatives complete home rule as to tax exemption. Are you advocating that New Jersey do the same thing that Pennsylvania did in 1947 and say that anything the commonwealth does not tax, the municipalities may tax?

MR. NAPLES: Perhaps I should have used different terminology when I said "complete home rule," Senator. I'll say this as bluntly as I can: I think, with the property tax as aggressive as it is today and with the number of exemptions involved, I sincerely believe that one day this State will have to move toward the elimination of the property tax unless all these exemptions are plugged up. Let's assume that that does take place: each municipality should have the right then to raise its revenue for its operating budget the way it sees fit. That may have to come and may have to come sooner than we think, because I'm looking at the people on fixed income in your cities,

thinking of them mostly, and unless we alter the present system we are going to have a problem. One of the top fiscal men in the country told me that, and at first I summarily dismissed it, not to abolish property taxes would be ridiculous. I had lunch with him one day. You can't continue to work; we are on a collision course right now and we have got to either improve the system as we have it, or eliminate it, is what I am saying, Senator.

SENATOR DUMONT: Well, suppose you have the option, for example, to levy head tax, garbage collection tax, school tax, taxes on transfer of real property, and all the other kinds of taxes that Pennsylvania municipalities levy, and they do it, as a matter of fact.

MR. NAPLES: I am not too familiar with that.

SENATOR DUMONT: Do you think that would be an efficient and economical system?

MR. NAPLES: No. Let's assume the cities were able to raise money for their operating budget any way they wanted. My personal opinion would be a city income tax, where you pay according to your earnings.

SENATOR DUMONT: You realize that any municipality that wants to levy that kind of tax can come to the Legislature for that authorization, as, for example, Atlantic City where they have had this local use and this sales tax on about eight items for many years.

MR. NAPLES: Yes.

ASSEMBLY APY: If there is nothing further, thank you. very much for coming down, Mr. Naples.

I might indicate that according to my witness list as I have it here, we have three or four more. I am going to ask Mr. Salmon to come forward next, and then I thought that we would ask Mr. Coates, and that would leave, according to my records, Mr. Roe and Mr. Willard speaking both together or separately, or whoever else is going to be here representing the New Jersey Association of Homes for the Aged.

W A L T E R W. S A L M O N: Mr. Chairman, we have heard possibly three or possibly four categories of exemption discussed here this afternoon, and there are, according to my count in the Manual, over a hundred.

I think what I should do at this point and since the hour is late - I would like to pass on my time to the next speaker, and I will see you in either Camden or Cherry Hill when I will have more time to discuss what I have to present.

ASSEMBLYMAN APY: Well, I hope we haven't foreclosed anything you want to give us that might help us in our thinking from here on as we prepare for the next hearing.

If there is anything you want to touch on other than the fact we know there are a lot of them and we have quite a road ahead of us. But I leave that entirely to your discretion. I wouldn't want to cut you off though.

MR. SALMON: Well, I will say this just for a point of information: There were a number of questions - I think the question was asked a number of times as to the values of properties in the various churches.

ASSEMBLYMAN APY: Let me interrupt you for just a second if I may. You may have stated, but if you did, I'm sorry if I missed it. What is your own official capacity

so that we can have that for the record.

MR. SALMON: Well, first I'm a taxpayer and, second, I'm the underdog assessor in the township - Moorestown Township.

I thoroughly agree with what Canon Hall said. I have a son who is a priest and his salary is half of what the contribution is to the diocese.

Just for a point of information, I have made quite a survey of exemptions in Burlington County which, exclusive of public schools, amount to \$205,210,000 and some odd dollars, and the question was asked as to the value of the churches and what not. Well, churches and charities are broken down to \$38,000,000 and a little bit more in the county. I went further to break that down into relationship between land and buildings if, for any reason, you may want to use the figure.

I found, in picking out 108 line items, that lands are valued at \$1,200,000; buildings at \$13,700,000, with the resultant ratio of 11 to 1 on land and buildings.

I don't know if that will do anything for your thinking or not. However, in Burlington County too, which is another category, I might say that we have - which I will go into at my next opportunity. Excuse me just one moment. Next time I would like to talk about veterans and senior citizens, the Railroad Act, under which Burlington County does not collect one dollar of tax money on Class II railroads, and one municipality has Class II railroads valued at \$47,000, which I think is highly improper. Our veterans, senior citizens, and disabled veterans total values are in excess of \$45,000,000; United States

government property is in excess of \$53,000,000; the State of New Jersey is in excess of \$19,000,000. I would like to talk on these at greater length next time, so I will forego my time now.

ASSEMBLYMAN APY: We appreciate very much your being here and the fact that you will be back with us. I assume that Camden would be the better location for you, or wherever we will be in South Jersey.

MR. SALMON: That will be March 19th, I believe.

ASSEMBLYMAN APY: March 19th is correct.

There is one thing you might come across that we might be interested or that I personally would be interested in knowing. If you do run across or know of any example of properties or businesses which are owned by any exempt organization, whether they pay taxes or not, in either category - and there is a good deal of literature about businesses operated by different exempt organizations - so if, between now and then you come across any and you could have it for us, we would be interested in it.

MR. SALMON: All right. I am the President of the County Assessors Association. I plan, between now and March 19th, to send out a questionnaire to really pinpoint some of these exceptions. Burlington County may not be the exemplary county in the State but it is representative of the different types of communities.

To answer your question, I know of three properties in Burlington County which are exempt in some municipalities but in other municipalities they are not, because they are income-producing properties. Going back to - I don't know

whether it was Monsignor or not - I forget - but I do have properties that belong to the diocese of Trenton which are taxed because they are farmlands and they lease them as farms and they pay on the Farmland Assessment Act, although we in Moorestown carry one-tenth of the total county's exemptions, so I think they are pretty rigid there.

ASSEMBLYMAN APY: Thank you very much, Mr. Salmon.

Mr. Coates?

I might indicate for the record that, knowing Mr. Coates and the school on whose behalf he will speak primarily, I guess, the Peddie School, I think that you gentlemen here with me should know that I happen to be an alumnus of that school, so to the extent that that colors my questions, you can be on your guard and I won't ask any.

H E N R Y C O A T E S: Mr. Chairman, I shall not hold that against you,

I was apprised of this hearing late yesterday afternoon, and this morning came with an informal report here. I am just going to speak off-the-cuff. Perhaps you may have some questions.

Peddie was founded in 1864. It's a non-profit school, open to all members of society and primarily interested in preparing them for college work. The tuition is \$3100 a year at the present time for a full-time student. The school population is about 412; there are 50 to 60 day students who pay now \$1550 a year, and that price is going up to \$1700. The school does pay taxes. It is one of the largest taxpayers in Hightstown in the volume of money paid. It pays taxes on perhaps some properties which it might not have to pay if the

decisional law were strictly followed. It recognizes, I think, and has for years, that the community provides certain services such as fire and police protection. We have our own garbage and waste disposal, but there are community services provided and we like to feel we are a part of the community. Therefore, the Board has gone along with paying taxes on certain properties. I don't want you to feel that this is all gratuitous, because there is one particular stretch of land, maybe thirty acres, which is not presently being used for an athletic field and we have always felt that taxes should be paid upon that.

There are 280 acres all together on the Peddie campus, including a golf course, of which 80 acres is located in East Windsor Township; in other words, there are about 200 acres of good land in the Borough of Hightstown which is the Peddie School campus.

Now, you might think, with those fees coming in and with a population of 410 or 412, that everything was rosy. Last year actually we operated at a deficit, not a large deficit but a deficit nevertheless, which caused us concern. So the School has taken measures to try to improve its endowment income and to be more aggressive in that area. We have an outlay projected for 1968-69 of \$1,014,000, in contrast to the year of 1967-68 when it was \$1,297,000, and in 1966-67 it was \$1,132,000.

Now, some of this is because of inflation, Some of it is because of the need to keep teachers' salaries competitive. A prep school today has to compete with community colleges as well as the public school systems which have increasingly

higher salaries for their teachers; it has to compete in some instances with college salaries - not so much there, however. These things are all important.

Now if the school were to be taxed on 200 acres in the Borough of Hightstown and on 80 acres in the Township of East Windsor, it would be a very disastrous thing unless that tax were somehow adjusted dollarwise to about what we are paying now. And you say, "Where does the rest of this money come from?" A lot of it comes from outside the State of New Jersey from alumni and friends. I do not have the statistics with me as to the number of students who come from New Jersey, but most of the school population is from New Jersey. There are, however, students from Pennsylvania, from New England, from other States and from some foreign countries. So if a real estate tax were to be imposed, I am assuming that you would impose that along the lines that you do now on my home or anybody else's home, and this would be a very disastrous thing and I don't know where we would come out.

We do give scholarship aid. Eighty-five per cent of the endowment fund income is devoted to scholarship aid. I'm sorry I do not have the figures on the number of students who are being aided, but they are aided in various degrees and these people are good students who have the potential and want the advantage of a private preparatory school with small classes and teachers on the other side of the desk who can justify the tuition that their parents are paying. So that, if it were not for the support of the alumni and friends in

annual giving and capital drives, we would just not be able to exist.

I would say further that it is not a one-way street, because in that 200 acres in Hightstown there are athletic fields which are made constantly available to the community where various meets and games, etc., are played and conducted and, except for the use of the present gymnasium, these things are without fee. With respect to the gymnasium, it has been thrown open to civic organizations - YMCA programs, for example - for a very modest fee to take care of lights and things of that nature and janitorial service. This has always been so.

Peddle School has a planetarium which is one of the finest of its kind anywhere, I think, at this level. There may be one or two others in Mercer County. This is thrown open every year to various groups of school children, civic clubs and other organizations who come in, and we have the Peddle Science teachers who conduct that, to explain it and give an exhibition of the uses of a planetarium. We think this is a considerable asset to our communities. There are other facilities there also which I will not mention but which are available to the community. So it is not just a one-way street.

In the past the school has contributed at various times, not periodically but at various times when there were needs in Hightstown, not substantially perhaps in terms of dollars, but the attempt to be a good neighbor has been there - such things as a few years ago the Hightstown Fire Department, for example, got a very long extension ladder. We realized that this could

be helpful to our school dormitories and we made a contribution. There may have been other instances in which this was done, nothing in a formal program way, however.

I do want to stress that of the endowment income which we have, only 15 per cent is unrestricted, so that with the mounting cost due to inflation and other factors, the care of our buildings, many of which are old and many of which, although new, require considerable care - the cost of these things, the cost of our food, the cost of construction, the cost of everything we have to do constantly goes up. For example, the percentage of increase in the 1968-69 budget for administrative - there is an increase of 4.5 per cent; for constructional 10.4 per cent; for library 8.3 per cent; student services 3.2 per cent; athletics 8.5 per cent; alumni and public relations 11.3 per cent. I would stress that here is sort of a power house where we go out and try to bend your Chairman's pocketbook and other people's.

ASSEMBLYMAN APY: Quite successfully.

MR. COATES: Admissions 9.5 per cent; buildings and grounds 12.3; housekeeping 15.4; and food service 3.4. So there's not a category here - and these are the main categories - which has gone down. On the contrary, they have all gone up.

We anticipate in our finance committee meetings as we gather together that this is the picture for years to come. If the State of New Jersey were to take the attitude that private schools such as this, and I speak only for Peddie but we belong to an association of private schools, which includes schools in New Jersey and also in the northeast and

middle Atlantic states, I can assure you that the picture would be the same in any of these. I think they are representative. In fact, with respect to all these categories, we are about in the middle, and I am sure that inflation hits New Jersey as well as it does New England, New York, or any other State.

I, therefore, want to place this school on record as urging you to maintain a status quo in these matters.

ASSEMBLYMAN APY: Could I first ask, I don't know if you indicated your official capacity with the school or your connection with the school.

DR. COATES: I am President of the Board of Corporators of Peddie School and have been a member since 1953.

ASSEMBLYMAN APY: You have indicated also a certain number of day students, of which a portion I know come from the Town of Hightstown and East Windsor, and others from the outlying areas where they can come in on a daily basis. You could make available to us, could you not, a breakdown as to how many you have right from within the municipality that the school covers.

DR. COATES: We could provide this. My understanding is that there are about 50 to 60 and they come within a range of 7 miles.

ASSEMBLYMAN APY: Now, I'm a little unclear here. The 280 acres, starting with it. Is any portion of it presently on the tax rolls of either municipality?

DR. COATES: Yes, there are portions of this - I'm sorry I didn't get that information for you, but we can provide it.

ASSEMBLYMAN APY: And you sort of implied that if the school were to take the position of filing a tax appeal under the statute, technically you felt that the entire amount of acreage could be exempt.

DR. COATES: Well, I do not want to take an absolute position on that because I haven't looked into the matter for quite a long time. My understanding is that there is a substantial portion of the tax money we are now paying that we are providing out of a sense of wanting to contribute to our community.

ASSEMBLYMAN APY: So that in effect you have struck what you feel is a rough justice balance and in your own mind you are making an "in lieu" payment to the municipality by the technique of leaving on the tax rolls lands that perhaps technically and legally would not have to be on the tax rolls.

DR. COATES: Well, to say that we are taking the position of making an "in lieu" payment may not be strictly accurate. We have discussed this matter even at times when we have had deficits, and we have felt that because we do get certain benefits we wanted to do this. I don't like to take the position of saying it is an "in lieu" matter, because we don't feel that we have to do it.

ASSEMBLYMAN APY: Well, I was using the term "in lieu" in any case as always being a voluntary contribution.

Now do you have, or could you make available to us, as we have asked the other witnesses, the figures that the school uses as the value of its properties. In other words, what value do you ascribe or would you ascribe to the land and buildings,

and indicate in so doing the basis of your valuation, whether you've got a depreciated value or replacement for insurance purposes or what it may be on the lands and buildings.

Now, going one step further, and I might say that perhaps what this particular school does may be fair and may be a model. However, it may not be the same for comparable schools throughout the State. Each school may have its own. What do you think the school's position would be insofar as its being an effort to be fair if some formula were devised so that Peddie, Lawrenceville, Blair, Pennington, Del Barton, and all these other schools of similar category, in relationship each to its own municipality, were asked to pay the same amount?

DR. COATES: Well, I think, when you attempt to place every school in the same position, it is somewhat unfair because I think that every school is somewhat different. Now, Peddie School was founded by the Baptists.

ASSEMBLYMAN APY: Is that good or bad?

DR. COATES: Well, at that time they thought it was good. I'm a Baptist; I don't think it's bad. The school does get money from the denomination and there is a requirement that a certain number be on the Board of Trustees. However, to give you an absolute answer one way or the other, I think it is impossible, because I don't believe that the problems that we have, although generally the same, would warrant a yes or no answer to that.

ASSEMBLYMAN APY: Would it be fair to say, though, that the school recognizes that, insofar as the taxpayers of the municipalities involved are concerned, because of the fact

that the student body comes from all over the State and all over the country, that the exemption which the school enjoys is at their expense for people outside the area and, therefore, perhaps inherent in it there is an inequity?

DR. COATES: Well, I think that would be a poor position for them to take. There are always problems with town and gown. On the other hand, a few years ago Peddie distributed its allowance money to the students in the form of these big silver dollars, and the merchants were astonished at how much money the Peddie boys were spending downtown. I think if any gimmick like that were used again, it would be an astonishing amount of money. So it's just not the fact that Peddie takes out of the community and doesn't contribute anything to it. There are thousands of dollars spent there in Hightstown and in the surrounding areas every year that contribute to the welfare of everyone.

As I mentioned before, a great proportion of our funds which come from alumni in gifts come from out of the State.

ASSEMBLYMAN APY: Do you think, in providing the figures for us, you could do this: Take what you would ascribe the total valuation of the land and buildings to be and just compute for us then what, at the going tax rate, taxes would be if you were paying the same as any other taxpayer and then set that off against what is actually being paid so that we could then get an indication in effect of what the school's feeling of what is fair between this particular school and this particular municipality is. We could then come up with some sort of a percentage basis. Could you do that for us?

DR. COATES: Yes.

CANON GAUST: May I ask approximately how many schools in New Jersey are more or less of the same category as Peddie?

DR. COATES: I'm sorry that I can't give you an accurate figure. I know some of the names; there must be half a dozen - Blair, Lawrenceville, Admiral Farragut, Bordentown Military, Del Barton, Wharton Law School.

CANON GAUST: Pennington, Hun.

ASSEMBLYMAN APY: We are going to have a representative of the Association at one of the other hearings.

Mr. McLean?

MR. McLEAN: Do you happen to know, as a matter of information as to the record keeping in the Town of Hightstown, if we were to be asking the Assessor of the town, would he say that you paid the taxes; in other words, would your payments show as tax payments or as some other category or miscellaneous income? In other words, do they officially consider you as taxpayer or is this something as payment for services rather than payment of taxes?

DR. COATES: Yes, the Assessor has assessed certain properties there, and the Business Manager pays the taxes to the Tax Collector, so those records would be available and they would show as taxes.

MR. WILSON: You are not making a separate payment in lieu, beyond the tax assessed?

DR. COATES: No.

ASSEMBLYMAN APY: As a matter of curiosity, would the properties which are on the rolls consist, for example, of

several of the Masters' houses over on Etra Road or places such as that, or the golf course? Is the gold course on it?

DR. COATES: I think the golf course is taxed by East Windsor Township. I don't want to say absolutely, but -

ASSEMBLYMAN APY: You have a breakdown you can get for us.

DR. COATES: Yes.

MR. WILSON: Is the golf course restricted to use by students?

DR. COATES: No, it isn't altogether restricted to use by students. Members of the public come there.

MR. WILSON: For a fee, of course.

DR. COATES: For a fee. We maintain that course. It's an 18-hole course. We have a golf team, and there are a good many of the students who use this for recreation as well as a varsity sport.

ASSEMBLY APY: Assemblyman Todd?

ASSEMBLYMAN TODD: Through you, Mr. Chairman; On your scholarship students, with that percentage of your endowment income allocated to scholarships- do you know offhand what percentage of your scholarship students are residents of the State of New Jersey? Does this make any difference in the scholarship applications, and do you try to use your scholarships to draw out-of-state students, or to make your facilities available to in-state students?

DR. COATES: No, I don't have any breakdown on those figures. I can tell you that special consideration, and I'm reading from the latest catalog, is given to scholarship candidates whose parents are members of the clergy or teaching profession.

I don't think geography has so much to do with it. We are interested in this school, as all private independent schools are interested in quality education, to give the students who come there a chance to go as far as they can at the higher levels of education. If a boy comes in here from Puerto, for example, or comes from Arizona, or whether he comes from New Jersey or wherever he comes from, if he has the need and can meet the Peddie standards of testing, etc., so that when he comes he'll not be frustrated but will be able to do the work that is assigned to him - if the need is demonstrated, he will receive aid. He may only receive two hundred dollars.

On the other hand, we have some other boys there who have come from special situations where they are getting full aid, even some spending money. We think we are justified in this because of special situations which have arisen.

ASSEMBLYMAN TODD: Again, I was missing in the beginning. What is the tuition?

DR. COATES: Thirty-one hundred for a full-term student; fifteen fifty presently for day students, and that's going to advance to seventeen hundred this coming September.

ASSEMBLYMAN APY: I think you indicated that there is some support from the denomination; is that correct?

DR. COATES: In terms of this budget, it would be minimal, maybe twenty-five or fifty-thousand, something like that.

ASSEMBLYMAN APY: But it would come from the denomination at the State level. Is that right? Not nationally.

DR. COATES: I believe it comes through the State, then they have some connection with the national, but I am not familiar with those details.

ASSEMBLYMAN APY: But it is not a significant amount.

DR. COATES: It is not significant in terms of our over-all problems, financial problems.

ASSEMBLYMAN APY: Senator Dumont, do you have a question?

SENATOR DUMONT: What is your name?

DR. COATES: Henry Coates.

SENATOR DUMONT: Are you familiar. Mr. Coates, with the problem that Blair Academy has been having with Blairstown Township?

DR. COATES: Well, I am familiar with it to the extent that I talked to your counsel up there at one time about this or some related problem, but I am not intimately acquainted with their problems.

SENATOR DUMONT: You pay taxes instead of in-lieu payment, which I think is what their situation has been in the past but the Township prefers that they pay taxes, I think. You pay taxes instead.

DR. COATES: Yes. We think there is more to it than getting into a row with people who are our neighbors and many of them have attended the Peddie School. This school was founded in one of the churches in town and there are a lot of roots there. We have taken what we felt was a justifiable, realistic position. Maybe we are wrong on this but this was explained to the Board, and they felt this was a

correct decision.

ASSEMBLYMAN APY: You might be interested to know that in developing this particular area, I have a letter which at the end of the hearing - incidentally, the various correspondence that we have, it is my thinking to wait until the end of our last hearing to read into the record, rather than take time at the earlier hearings - but one of the items of correspondence which I have does deal with another one of the similar schools in the State, and it comes from a former official and taxpayer in that town who has been upset because of the amount that the school has that it has not been paying. This is one of the reasons why we would like to be able to stack up all the ones in the State and see what they are doing, and we might find a very wide range. Maybe we will come up with a formula and maybe your amount will go down. Who knows? It may go up, too. I don't know.

This is why I asked you whether or not you thought it might be fairer for all similarly-situated institutions to do the same thing.

DR. COATES: Well, I would add this: I think this Commission, which will undoubtedly study all the matters that have come before it and will come before it, should eternally bear in mind that there are some things which are more important than others, and once we come to the position in this State or in this nation that we are going to treat churches and hospitals and schools of this nature as if they were commercial institutions, I think we are going to regret it. I think we have to believe still that there are a great many

intangible values which flow from these institutions which benefit the entire community much more than the few dollars which might be extracted in the way of taxes.

I realize that with respect to the hospitals you have the indigent care problem, and possibly that is a special problem which could be treated and would not come in the general classification of what I am trying to say. But I do believe that if we are going to continue strong as a nation, we should not do anything that is going to impair the ability of these churches and these schools, and hospitals too, to serve the public in the way in which they should. I also believe that this is good thinking and it is also good thinking on the other hand that the public has a right to expect the highest in the way of service and professional aptitudes from these institutions.

ASSEMBLYMAN APY: Has anybody anything further?

If not, thank you very much, Dr. Coates. We appreciate your coming and are sorry you had to wait.

I will call Mr. Roe or Mr. Willard together or separately as you see fit.

E L M E R M A T T H E W S: Gentleman, my name is Elmer Matthews and I appear before you this afternoon as Attorney for the Presbyterian Homes of the Synod of New Jersey, Incorporated, a non-profit corporation in the State of New Jersey organized under Title 15 of the Revised Statutes, and a direct subsidiary of the Presbyterian Synod of New Jersey. At the outset, may I express my gratitude to you on behalf of the Synod, not only for the opportunity

of appearing before you today and presenting our views on this matter of pressing concern, but also to express our appreciation to you for the time and effort you as individuals are putting into this pressing problem that concerns not only all the religious, charitable and hospital organizations of this state, but also, directly or indirectly, every one of our citizens.

It would seem that no legislative committee has faced a problem of such grave concern in the tax field since the Joint Committee on Assessment Reform in the latter 1950's came face to face with the problems created by the decision in the case of *Switz v. The Township of Middletown*. The similarity of the problems facing this committee not only extends to the public concern but also to the fact that our New Jersey Constitution, by Article 8, Section 1, Paragraph 1, requires the assessment of all property for taxation under general laws and by uniform rules. Your problem, I need not tell you, of course, is complicated by Paragraph 2 of Section 1, Article 8, which not only applies the same stricture to exemptions, but further provides that although exemptions from taxation may be altered or repealed, this does not include those affecting real and personal property used exclusively for religious, educational, charitable or cemetery purposes, as defined by law, and owned by any corporation organized and conducted exclusively for one or more of such purposes and not operating for profit.

We recognize that the problem of tax exemption is a serious one in many quarters; for all too long we have witnessed the constant erosion of the municipal tax base by simple obsolescence, by the operation of legislative programs and by the expansions of exempt facilities that are directly related to the increase in our population. It is also a fact of governmental life that much of this erosion is not within the control or responsibility of the municipality, who usually suffers by the fact of exemption the most.

It has been traditional, however, in this state, to exempt from property taxes religious, charitable and hospital facilities because of the service that they perform for citizens that truly represents an exercise of responsibility in the public domain, obviating the necessity of expenditure by our local county and state governments. It is in only one of these frames that we are prepared to deal today and that is the activity of private religious and charitable corporations in the field of geriatric care.

Presbyterian Homes of the Synod of New Jersey operates three facilities in this state that care for the aging. Facilities are located in Belvidere in Warren County, Haddonfield in Camden County and Hightstown-East Windsor in Mercer County. All of these facilities in the minds and hearts of the members of the Synod represent an effective exercise of the ministry of the Presbyterian Church. I would suppose that we are all in agreement that the day of defining the ministry of churches as only a vehicle for the worship of God is far behind us. To be effective, the ministry of any religious organization must reach out beyond its edifices of worship and assist people

in their daily lives, especially in those areas where people are incapable of helping themselves.

Over the years the attitude of municipalities toward geriatric care facilities maintained by religious, hospital and charitable organizations has been to grant them exemption from taxation. Whether this is by custom, tradition, usage or law is problematical and I say this advisedly because of the pending litigation surrounding the taxation of some five homes in the state that are in various stages of litigation. It is interesting to note that a recent responsible survey has shown that there exist in the State of New Jersey 104 homes for the aged of the non-profit variety. Of these 104, two have voluntarily waived their exemption from taxation to the municipalities in which they are located and of these two, one is a New York corporation. Ninety-five of the homes are held to be absolutely exempt from taxation by the municipalities in which they are located and no assessment has been levied upon them. Of the remaining nine, three in Cape May County were assessed by the local assessor, but his action was reversed by the Cape May County Tax Board. One in Warren County was assessed by the local assessor, but the County Tax Board has placed a moratorium on the assessment for one year, pending the activities of this committee. The remaining three are in various stages of litigation, one of these has apparently resolved its difficulties, that being Heath Village in Hackettstown in Warren County. There remains in litigation, the Daughters of Miriam Home for the Aged in Clifton in Passaic County (in this case the assessor was reversed by the Passaic County Tax Board but the municipality has appealed to the Division of Tax Appeals), and Meadow Lakes, the Presbyterian home in Mercer County.

The Meadow Lakes case has been decided adversely to the home by the Appellate Division and a petition for certification by the Supreme Court

is presently pending.

The experience of Meadow Lakes may well be a good example of the problems that can and will arise in these changing times which make it difficult for homes for the aging to operate because of the doubt surrounding the laws with respect to facilities of this type. We like to feel that Meadow Lakes is the type of facility that homes for the aging should be. In it there has been a radical departure from the brass-bed, white-curtain type of operation toward a facility where the aging can live out their twilight years in dignity, peace and comfort. Meadow Lakes is not the trail-blazer in this field; there are a number of other homes that operate with comparable facilities and in a similar pattern of operation. Briefly, that pattern of operation is providing everything for geriatric care in the one facility, from shelter and sustenance to limited diversion, and in addition providing an up-to-date extended-care facility to handle sickness and illness including terminal care. Meadow Lakes operates as part of its complex a ninety-bed medical facility that is staffed by three full-time physicians, with the latest equipment not only for patient treatment but for physical and emotional therapy.

As a matter of interest to the committee, on a given day last week only ten per cent of the patients in the extended-care facility were Meadow Lakes residents. The remaining beds were occupied by patients from the surrounding communities.

The Meadow Lakes facility is not operated on the basis on which the Haddonfield and Belvidere homes are operated. In the Meadow Lakes facility patients are accepted who can contribute all or part of the cost of their care. Meadow Lakes is not the only facility in New Jersey operated in this manner, but is the only one that is operated in this manner that is presently under assessment by a local municipality.

It is the task of this committee to ascertain and to determine what should be the tax status of homes for the aged run by non-profit religious, charitable and hospital corporations. It would seem, from conversations with the trustees and directors of the overwhelming majority of homes in the State of New Jersey, that the prevalent attitude seems to be that they should continue to be exempt. The reasoning behind such a position, as indicated, is that the homes perform a non-profit service for the people of the state and their exemption from taxation is a recognition of that service by the municipalities in which they are located. The position is a difficult one with which to argue because there is no question that these homes represent an exercise of activity that if not taken would have to be faced by county or state governments in the exercise of its governmental functions. However, we must recognize that there is some validity to the argument that it is often unfair to compel a specific municipality to bear the burden of furnishing some municipal services to facilities within its geographical boundaries that serve not only that municipality but others as well. It would appear that in such cases a municipality should have some option or right to either prevent the construction of such facilities or to provide for some reimbursement to it for municipal services.

We would suggest that this committee consider legislation that would give a municipality the right to contract with non-profit corporations for payments in lieu of taxes that would recompense them for the services they are prepared to furnish to the facilities. Municipalities, through their legislative right to zone and plan their communities, are pretty well the masters of whether or not a home for the aging can be constructed within its confines. The advancement of a right to contract in lieu of taxes to municipalities would, to be forthright, give the municipality a bargaining position before a home is constructed. If the home does not wish to make payments in lieu of taxes or

to meet the terms of the municipal contract, it could be prevented from locating in the municipality involved. This right to contract in lieu would also allow the present exempt homes to make contributions to a municipality, which some of them have indicated they are willing and want to do. It also would stabilize and confirm the position of those homes that are considered exempt by the municipality and are intended to remain so. In passing, I might note that Meadow Lakes, through all its problems with East Windsor and Hightstown, have been prevented to some degree from resolving their problems with the municipalities because the municipalities do not have the legal right to make such a contract with the facility.

After considerable thought, it is our opinion that it is exceedingly difficult for the Legislature to effect any other practical solution to this problem. We do not think that it is the intent of this committee to treat facilities of this type as fully taxable entities because as such they would be dealt a staggering financial blow that could well cause over eighty per cent of them to become defunct within three or four years. We also do not think that it is practical for the Legislature to come up with a formula calling for specified in-lieu payments, since there is little upon which such a formula could be based. The formula, for example, for public housing is based upon a percentage of shelter rents. Shelter rents could not be used in creation of such a formula, since no payments are made by the residents of many homes and any payments made by residents of other homes cover food, medical services, personal services and the like. In those cases where residents make payment to the homes to help defray the capital cost of the facility, it is usually in the form of a founder's gift before occupancy is commenced. Nor can the formula be applied to the income of the facility because the income invariably comes from variant sources and need not necessarily be a true measure of the extent of the service

of the facility.

We have explored many alternatives to the above; for example, a fee paid to each municipality on the basis of the number of residents in each facility, but here, again, we are taking an approach that is artificial at best and probably would be considered as taxing each aging member for the privilege of residing in a geriatric facility. Another alternative that has been explored is that these facilities be taxed on the value of their realty without improvements. Here the municipality is being held harmless for the loss of taxes on land, but there is no reasonable relationship between the value of the realty and the services that the municipality may well have to perform to the home locating on such land.

It would appear to us that the most logical approach would be a confirmation of the exemption which homes for the aging feel now exist, with a power given to municipalities to contract with the facility for payment in lieu of taxes. By this vehicle, any proposed legislation would not come face to face with the strictures of the taxation article of our Constitution and allow a voluntary approach to the problem on behalf of both the municipality and the facility.

May I say that we appreciate your kindness in allowing us an opportunity to appear before you today. May our appreciation be accepted in the spirit in which it is offered, that is to say, in gratitude for your assistance in effecting a resolution of this problem. May we extend to you that feeling of gratitude and, also, our assurance of our cooperation and assistance, in any way that this committee would request our cooperation. We join with you in your resolve to effect a just and lasting solution for all the people so that all of us may continue to serve all our fellowmen in accordance with God's law.

Thank you very much.

ASSEMBLYMAN APY: Mr. Matthews, you are speaking essentially on behalf of the New Jersey Association or essentially on behalf of Meadowlakes.

MR. MATTHEWS: As stated at the beginning of my remarks, I appear as attorney for the Presbyterian Homes of the Synod of New Jersey.

ASSEMBLYMAN APY: That's right, Presbyterian Homes. Mr. Roe will cover the Association at large. Let me say this at the outset, again on any questioning here, so that the other members of the Commission are aware of it, I do have a particular interest in this area, in that I am the attorney for a facility very comparable to Meadowlakes, a retirement facility operated by the Baptists in Red Bank. I have been their attorney since the beginning and I have lived with it and am familiar with their problems, and perhaps it may have influenced my thinking, so I want everyone to know what my background is in the event they feel there is any possible conflict. But nonetheless I will press on.

MR. MATTHEWS: You have Russ Wilson on your right.

ASSEMBLYMAN APY: Yes. I have good support all around me. We'll press on, and ask this: Insofar as your three homes are concerned, do any of them and is it to a varying degree receive financial support from the community at large; in other words, by way of fund drives within the community in which they are located or by way of community appeal, or anything such as that?

MR. MATTHEWS: No, I don't believe so.

ASSEMBLYMAN APY: Now, going one step further, what about as far as underwriting or financial support is concerned from the denomination, the sponsoring denomination?

MR. MATTHEWS: Well, as I indicated, the Presbyterian Homes of the Synod of New Jersey, Inc., is a direct subsidiary of the Presbyterian Synod, but the corporation is set up as a non-profit, break-even facility. In some cases there are contributions from the Synod. Well, maybe Mr. Willard had better answer this because he is the Executive Director of Presbyterian Homes and probably could give you the first-hand answer rather than the second-hand.

E L L I S G. W I L L A R D: \$170,000 for our operation comes from the churches each year.

ASSEMBLYMAN APY: And that's \$170,000 out of a total budget for the three institutions of what?

MR. WILLARD: About \$3,600,000.

ASSEMBLYMAN APY: And apart from that, then, the break-even, so to speak, aspect of it and the funds that come into it come into it by way of fees and other income that you may have, and of which I assume the largest proportion are the fees paid by the individuals.

MR. WILLARD: That is correct. We also collect welfare, Mr. Chairman, at our Belvidere and Haddonfield Homes.

ASSEMBLYMAN APY: Welfare from whom?

MR. WILLARD: For some of our residents.

ASSEMBLYMAN APY: From the State, the municipality, or the county?

MR. WILLARD: The county.

ASSEMBLYMAN APY: You do receive county welfare payments there.

Now going on to an area that you devoted some time to, Mr. Matthews, and that was a consideration of possible alternative formulas, and, incidentally, yours is the most complete consideration I think we've really had today. In your area you have ruled out several ones and recommended a contractual basis between the particular institution and the municipality. What would you propose as the leverage? What is going to be the basis of negotiating this other than hopefully the parties being able to determine what the municipal services will be?

MR. MATTHEWS: Well, it's very difficult to apply a generalization to each one of the 104 facilities. I'm quite sure you're aware of that. Many homes have indicated an inclination to make a contribution. There are many areas to which you could apply it, but it might not fit all homes. For example, there is a possibility of using evaluation in applying it to the municipal share of the local budget. There is a possibility of using a formula by which the land used by the facility would produce the revenue that would be produced for the municipality if it were devoted to normal residential purposes. There are many ways it can be approached, but I don't think you can set up any hard and fast rule, because you are dealing with facilities, for example, like the one at Meadowlakes, which abuts Peddie School, I might add, or is close to Peddie School in a relatively rural section of the State if I might characterize it as such, and compare it to

a facility like, for example, the Daughters of Mirium Home in Clifton which is hard by the Garden State Parkway and on relatively residential and commercial streets in the City of Clifton.

ASSEMBLYMAN APY: Let's suppose that we were to arrive at whatever the market value is of a particular institution that we are concerned with. Now we know that the municipal tax rate varies from town to town, and one might be 20 per cent, another 25, another 30, but somewhere in that ball park, and the legislature would say that you would compute your tax rate and then, because of the particular category of institution, it would pay 10 per cent or 15 per cent. Now wouldn't that be roughly fair to the municipalities and institutions involved in that the relationship between each institution in a municipality is not that different; in other words, each is contributing by having a certain number of employees, people that are put on the payroll, and each is putting, according to its size, a certain amount of money back into the municipality, and each will be utilizing essentially the same fire and police protection, or whatever it may be - so why would not that be fair?

MR. MATTHEW: The reason I would have to disagree with you, and I am speaking personally now and giving my opinion. At best, when you begin to value improvements in one of these facilities, you are dealing with an artificial base because, as Msgr. Opdenaker indicated earlier this afternoon, when you construct a facility of this type, you are faced with an entirely different type of building code.

For example, the Home for the Aged not only has to apply the strictures of the local and county fire requirements but we have to also apply the requirements of the State government for the Homes for the Aged; for example, when you are putting a roof on a facility, you are putting it on with poured concrete because of the fire problem. The average age of people, for example, living in Meadowlakes, I believe, is close to 80 years of age, so you have to be especially careful, and your cost of construction will go up. So you are using an artificial base to begin with. Of course, when you try to create a formula on an artificial base, the formula must of necessity fall.

ASSEMBLYMAN APY: Well, let me suggest this, though. Would it not be true that an Assessor in any situation where he has to assess a building that is unique, many of which are taxpaying facilities, is faced with the same problem; in other words, a private company could put up a million dollar building which would suit its particular purposes yet have a market value the day after it was built of \$500,000 and, therefore, the Assessor has to make this allowance in arriving at a valuation of his buildings. Now why would it be any different for hospitals or homes for the aged or schools or any other similar facility? Is it not really an Assessor's problem in arriving at a true market value or whatever the standard is under our law.

MR. MATTHEWS: I don't think it is basically an Assessor's problem and I think Mr. Wilson might agree with me. The Assessor's function initially is to determine what the fair

market value is for a piece of property; that is, land and improvements, and for a facility of this type, whether it be a Home for the Aged, a hospital or a school, there is no such thing as a market value. You could not put a home for the aged on the market and expect to sell it to anyone except someone who is going to operate a home for the aged. So your idea of a market value immediately deteriorates. You approach it from the standpoint of cost of construction. Already I have told you that this is artificial because of the requirements poured into it by state, county and local governments. You can't tax it as a commercial facility because the income is not an effective admeasurement of the value of the building as an economic unit, so every approach that has received the approbation of our Assessor's Handbook or the Supreme Court in their assessment cases must of necessity fall because of the specific type of construction we have involved.

Believe me, Assemblyman, we have looked into this thing quite thoroughly and tried to take what we feel is a reasonable approach to this.

ASSEMBLYMAN APY: Have you asked the Assessors Association to assist you in this problem by asking them if they felt, if they were asked to do so, whether or not they could put a value on your property within the guidelines that they have?

MR. MATTHEWS: There is no organization that I respect more than the Municipal Assessors of New Jersey. They are a wonderful organization, but I'm afraid it's common to the ways of all men that if it's a job of assessment,

they'll tell me they can do it, but the practical approach to this matter is that we are not dealing with one set of dogs and one set of cats; we're dealing with different breeds here. It's really difficult. Some of these homes, for example, have an age of 50, 60, 70 years. Here's a varied approach.

ASSEMBLYMAN APY: It's the same as a factory - they depreciate in arriving at -

MR. MATTHEWS: There is obsolescence, but the obsolescence is geared toward one function.

ASSEMBLYMAN APY: That's right. There's a functional obsolescence the day they build the building.

MR. MATTHEWS: Well, I'm talking about a building that's 50, 60 or 70 years old. It could not be initially occupied today as a home for the aged if it were sold and then sold again, because it would not meet the requirements of our State building code. So the assessors could probably assess the bricks and mortar and probably do an effective job, but they couldn't take a subjective position no matter how they tried ideologically and come up with a fair and justiciable assessment. I think the field of assessment has come a long way in the last ten years. The assessors are a lot more trained than they were ten years ago.

MR. WILSON: We would have to find another criteria than market value, no question about it.

MR. MATTHEWS: This is why it's so difficult to come up with a formula as such.

ASSEMBLYMAN APY: And you don't think that by developing any one of the other formulas that Assessors use, for example, switching over to an income basis, this could be worked into a formula that would be consistent and applicable to all of the -

MR. MATTHEWS: Let's take the income basis I indicated in my presentation. Income is never - taking a broad cross-section of homes in New Jersey - an indication of value or worth. Some of these homes are homes for the indigent aged. Now whether you would even attempt to go into this from the standpoint of taxation, I don't know, because this is pure and true welfare. There's no question about it. There is no income except income (a) furnished by the county welfare, or income furnished by a diocese or by a synod or something else, so you measure the amount of charity and tax that. It's a difficult approach. For those homes where there's a partial payment by the resident, you have this same problem. And then, even in those homes where there are complete payments, the payments are not for shelter rent or a roof over a person's head, but usually they are for food, medical services, personal services, or what have you, so you have a problem. As I indicated, this area is perhaps one of the most difficult problems that a legislative committee has faced for a long time, since the latter '50's when Wayne Dumont chaired a committee.

MR. WILSON: Perhaps, if I might suggest, Elmer, maybe in preference to using a reproduction cost or a so-called market value approach for the purpose of arriving at an in-lieu payment,

should such be arrived at, that maybe a head or a per capita basis for an in-lieu would certainly be far easier to administer.

MR. MATTHEWS: I'll say this, Mr. Wilson: I approached this idea in working up this presentation - first I approached it as a proprietor of a geriatric home, and I thought well this is a feasible and plausible way; then I approached it from the standpoint of a municipal official, an assessor and thought well this is a measurement of sorts, not an admeasurement; and then I approached it from the standpoint of a politician, and I say that in the true sense - a statesman, shall we say, or a legislator - and I came up with the realization that you are taxing people for the privilege of living in a home for the aged, and I don't think there is one Senator or one Assemblyman in the State House who wants to put his name on that kind of a bill.

MR. WILSON: I'm sure that all the legislators here do not necessarily relish this particular assignment.

MR. MATTHEW: No, but I mean this one formula is a difficult one.

MR. KEATS: I have a question. There are some homes in which you pay, like a retirement home in which you buy like a condominium. This is not that type of home, but doesn't the Presbyterian Church operate homes where as a couple you come in and put a certain amount of money down?

MR. MATTHEWS: In the Meadowlakes facility, a person moving into the home makes what is a founder's gift to the home. In effect, it is a condominium approach but it differs from a

condominium in the fact that from this founder's gift you get no equity at all in what you purchase. The donation or the founder's gift is truly that. When you die and when your wife dies, that money reverts to the Presbyterian Homes of the Synod of New Jersey as a contribution to that corporation.

MR. KEATS: It looks to me as if some people could use that as a kind of - I don't want to say gimmick in regard to a church - but as an escape from real estate taxes or from federal taxes. In wishing to retire, it would be very easy to come into a Presbyterian Home and place a down payment and be taken care of and under the tax shelter of the Presbyterian Home which would not be able to afford this or the couple couldn't possibly afford it in any other way. They couldn't buy retirement for the amount of money they are willing to give you for this privilege of being sheltered by the nature of the institution.

MR. MATTHEWS: I talked to Reverend Roe about this and I know he is going to cover this in his remarks and I realize the hour is getting late. But one of the most difficult things that faces religious and charitable corporations in this area is accumulating the capital to create a facility of this type. It's a monumental job and this idea of a founder's gift is not new in the State of New Jersey. There are about, I think, 16 or 17 states in the United States that have facilities exactly like this, upon which this specific home was patterned, and have been recognized as exempt from taxation because of the founder's gift approach. But the beauty of the founder's gift approach is this: After you get enough founder's gifts,

although this may sound a little bit crass, because of the age of the people coming into the home who are not going to live too long, you have a paid-off facility, and then it can revert to a truly charitable facility from the standpoint of being able to care for the indigent, because your tremendous interest and amortization costs are not there.

MR. KEATS: Of course, if I were a taxpayer I would feel there are some inequities here, because I am not given the same privilege as a retired couple; in other words, I must pay taxes if I retire, whereas someone else may sell their home and go into the Presbyterian Home and escape those taxes.

MR. MATTHEWS: By going into the Presbyterian Home, they are escaping what kind of taxes?

MR. KEATS: Well, they are escaping paying property taxes, certainly.

MR. MATTHEWS: Well, wouldn't they be able to effect the same thing by selling their home and moving into an apartment?

MR. RUSSEL WILSON. Twenty per cent of that would go into taxes.

MR. MATTHEWS: Well, I mean it's a comparable idea. They are avoiding the real property tax as such.

MR. WILSON: Directly, of course.

MR. MATTHEWS: And, of course, the aging person who sells his home is waiving his rights under the old age exemption, the constitutional amendment which this legislature passed, of \$80.

ASSEMBLYMAN TODD: As the Meadowlakes situation illustrates though, if you've got to pay taxes you've got to

add it to the bill; therefore, those taxes that those people thought they were leaving behind them have now caught up with them again.

MR. MATTHEWS: Oh, no question about it. Statistically if, for example, Meadowlakes were held to be fully taxable, it is our estimate, based upon the assessment rendered by the Boroughs of Hightstown and East Windsor, that the annual charges to each resident - this is cutting apart the extended care facility and common facilities - would be in the neighborhood of nine hundred dollars a year more in taxes, just identified as such to the municipalities, so it's a substantial load.

ASSEMBLYMAN TODD: Assembly Matthews, as one who is not only very familiar with the general problem but with this specific problem that exists at Meadowlakes, there are a couple of questions I would like to ask. On this contractual suggestion, I can see where this would be of great benefit to a home that is now in the planning stage and looking for a location. I can see where, if you go back to the historical associations that surrounded Meadowlakes initially, if you had been able to put those in a binding form, probably some of the problems that exist today wouldn't exist. How would you see this contractual ability affecting existing homes; in other words, using again Meadowlakes as an example, supposing we now have legislation that said these homes could go in and enter a binding contract on an in-lieu basis, a negotiated settlement type thing with the municipality, do you think that this would help you over there? Would you still be where you are now in proceedings through the courts?

MR. MATTHEWS: Is the question directed to me?

ASSEMBLYMAN TODD: Yes.

MR. MATTHEWS: I think it would be a distinct help not only to our facility but also to the municipality. We have over the years tried to work out this problem as you indicated, and only twenty days ago we met with the governing bodies of all the municipalities and made what we thought was a generous attempt to compromise on this, but the sticking point was that it was the thinking of the town attorney - and I don't think I am telling tales out of school - that they did not think they could legally bind the municipality to make an in-lieu contract or make a contract of any nature. We were in the position, and the litigation is still on, that the municipality could recognize our tax exempt status.

ASSEMBLYMAN TODD: In other words then, if you made a settlement with them of any figure that has been discussed, it was the attorney's feeling at this point that you would still be held liable for the sum of almost nine hundred thousand dollars, I guess, in back taxes that they have chosen to assess against Meadowlakes, even if you reached an agreement and they dropped this particular suit that they might be subject to a taxpayer's suit or might institute a suit next year.

MR. MATTHEWS: Well, this was discussed at that meeting, but there are arguments on both sides as to whether an effective compromise by a recognition of our status could be effected. The sticking point was the fact that even if

a compromise of the litigation were effected and a settlement were made on the back taxes, the amount of the assessment is still open for all those years and that has to be relitigated, so the Meadowlakes case, no matter what the Supreme Court does, will have to be relitigated. But the sticking point was the fact that the municipality agreed that there was no way that they could bind themselves or bind us, and I think this goes back - I don't know whether you are familiar with it - to the Ocean Township case in the early 60's where it was the requirement of the municipal officials of that town to have developers contribute a certain amount of money for schools, and somebody contributed an amount of money and they built the development and the day they turned the last key in the door they brought suit to recover their money. The Supreme Court said that this fellow had no legal right and made them pay it back with interest.

ASSEMBLYMAN TODD: I have a couple of other questions and I think they probably would be better addressed to you, Jess. Your books are open, I mean that anybody can -

MR. ELLIS WILLARD: Oh, yes.

ASSEMBLYMAN TODD: Are your total operations - I know your construction is heavily regulated - are your total operations regulated by the State?

MR. WILLARD: Yes, they are.

ASSEMBLYMAN TODD: Is there any set amount attached to this founder's gift, or does this vary with --

MR. WILLARD: It varies with the size of the living quarters.

ASSEMBLYMAN TODD: What range might this fall into?

MR. WILLARD: It runs from \$12,000 for a small studio apartment, which is approximately 385 square feet, up to approximately \$39,000 for a two-bedroom living unit, approximately 800 square feet.

ASSEMBLYMAN TODD: And once an inmate - I hate to use that term but I can't come up with anything better.

ASSEMBLYMAN APY: "Resident" is the word that is more commonly used.

ASSEMBLYMAN TODD: Once a person is in residence, then they have a monthly payment that covers operating costs or services that they have made use of, such as special medical care - everything.

MR. WILLARD: Yes, including their medical care and food, three meals a day.

ASSEMBLYMAN TODD: Is this fixed or is this - I mean, do you have a specific fee you would like to see everybody pay? I don't see how everybody can.

MR. WILLARD: Well, there's just a slight variation, depending on the size of the apartment, for heat and light. The meal charges are the same, the medical charges are the same, for nursing care or anything, this is all part of the fee, but they are all the same; they are all standard. There is just a slight variation because of heat and light and the size of the unit.

ASSEMBLYMAN TODD: What percentage of your residents are welfare recipients?

MR. WILLARD: Now are you talking about Meadowlakes specifically?

ASSEMBLYMAN TODD: Well, I would like that to the extent that you can do it, probably for each one, because I gather there is a discrepancy amongst them.

MR. WILLARD: We have approximately, I would say, 30 per cent in our Belvidere-Haddonfield operations combined who are receiving some form of welfare and medical assistance.

ASSEMBLYMAN TODD: How about Meadowlakes?

MR. WILLARD: At Meadowlakes there are no welfare patients. In the Meadowlakes Hospital we have had some welfare patients. I think there are three or four in there now who are drawing welfare and we are subsidizing the remainder of the cost.

ASSEMBLYMAN TODD: You mentioned that in your medical facilities there at Meadowlakes a large number of your occupants were not at any given time likely to be Meadowlakes residents.

MR. WILLARD: That is correct.

ASSEMBLYMAN TODD: Do they pay for their services in the form of a regular fee schedule?

MR. WILLARD: Yes, we have a daily rate. Meadowlakes is an extended care facility. It was built with the idea in mind it would be really a community facility and that it would just serve the retirement community people who needed it. Of about 1100 people who have been through there, approximately 900 have been non-resident from around the community over the three and a half years of operation.

ASSEMBLYMAN TODD: This contract idea I think is a very good one. I don't know how anybody else reacts to it, but it

makes an awful lot of sense to me.

ASSEMBLYMAN APY: My initial reaction is that it might be unconstitutional, but apart from that I don't really know.

ASSEMBLYMAN TODD: Well everything in this area is going to wind up as a constitutional question, no matter how you treat it.

SENATOR DUMONT: It depends on how the judge feels when he gets up in the morning, so I wouldn't worry too much about it.

MR. MATTHEWS: I don't want to argue as to the constitutionality, because of the lateness of the hour, but there is a declaration of exemption and we have an exempt facility there. I think there are ways that the Legislature can, in much the way they legalized the in-lieu payment. I don't think the restrictions of the Constitution are as strong as they are on us today.

ASSEMBLYMAN APY: Let me suggest at this point that, unless there are some specific other questions of Mr. Matthews, we hear from Mr. Roe, and then if there are any other questions, you will still be here and we can pick up as we go along.

MR. MATTHEWS: Thank you very much.

ASSEMBLYMAN APY: Thank you. I will call Mr. Roe.

I'm sorry, Mr. Roe, to have kept you waiting.

C L A U D E L. R O E; I have some prepared material and with your and the Commission's permission, I will not read all this but I will leave this with you and will just give you the high points.

ASSEMBLYMAN APY: You have our permission.

MR. ROE: I won't say that is why I brought all this material on this.

I am Claude L. Roe. I am the President of the New Jersey Association of Homes for the Aging, which is the official spokesman basically for both private and public non-profit homes for the aging in the State. I think our membership in the Association amounts to 65 of the 104 private non-profit homes.

The New Jersey Association itself is a non-profit corporation as such to service these various non-profit homes in a general fashion throughout the State.

I might indicate my own qualifications. I am a clergyman, have my degrees from Baldwin-Wallace College and two of them from Oberlin. I have served in parish ministry and I have served since 1947 on the Board of the Ohio Presbyterian Home until 1955, and from 1956 on the Board of the Presbyterian Homes in New Jersey until 1962, and from 1962 to the present I have been the Assistant Executive Director of the Presbyterian Homes of the Synod of New Jersey. I am on the Board of the American Association of Homes for the Aging which is the national body comparable to our State body. Our State Association is the oldest in the nation, having been formed in 1931. We have homes in our Association which date back to 1830, so this is really pretty much the backbone of this kind of service across more than a century in the State of New Jersey.

Don't hold me to this exact count, but I think it's awfully close. I believe that 66 of the 104 homes are sponsored by church bodies of one religion or another, depending on the type of church government the church has.

I would like first of all to thank the Commission for the privilege of appearing here and for your graciousness in inviting me, and I hope that what I have to say will be constructive for the benefit of all.

The main dedication of such associations as the New Jersey Association is that we maintain good standards of care; we seek to raise standards as time goes on and indicates what is better care; we keep the costs at a reasonable level consistent with appropriate staffing and with adequate pay levels for the staff, and we contribute to the body of knowledge in the field, acquainting the public with appropriate aspects of this kind of social service.

I might indicate also that the matter of real property tax exemption goes to the very heart of the future of private non-profit efforts in this particular field. This is extremely important because the people with whom we are dealing are precisely the people in our whole society whose incomes are pegged and who are on social security and pensions if there are such, perhaps having a home that they can dispose of which represents their lifetime savings, and perhaps some savings account or securities. This often is missing. These are the people who are taken care of at these homes. I might say that the overwhelming majority of these 104 private non-profit homes are simply unable to pay what might be levied as the full real

property tax upon them and survive. They might survive for the period of time that it would take to liquidate any bequests or endowment they have in their possession at the present time.

I might also say that most of the homes in this category serve largely on a statewide basis rather than on a community or municipal type of community basis. That is certainly true of the religious homes which serve on a diocese or presbytery or synod basis, which is either a state or half a state or some such measurement. This generally tends to be true even in the other homes, such as the lodge homes and the like.

Historically I would just briefly indicate that in New Jersey the non-profit homes for the aging have in fact been exempt from real property taxation on the buildings and five acres throughout the history of the State until the first assessment in 1963.

Now I think we need to get into the question of who are the aging and what we're dealing with. At the turn of the century, four per cent of the population was above 65. At the present time, ten per cent of persons 65 and older constitute the present population, which amounts to somewhere near 21 million persons.

Since World War I, the number of people who are beyond the age of 85 has increased 1000 per cent. The projections of the U. S. Census Bureau, of the Department of Commerce, indicate that, besides the 21 million present population of 65 and over, in 1980 we might expect it to be 25 million, and in the year 2,000 we might expect it to be 34 million.

New Jersey has a higher percentage average of people over this age than does the nation, slightly higher. In the cities in New Jersey, it is much higher than the average. Trenton, for instance, has 16 per cent rather than 10, or 11 as the State has. In the shore areas, the percentage also is twice as high. Wildwood, New Jersey, has a higher per cent of people above 65 than does St. Petersburg, Florida.

Now these are important things for us to know. Another matter that is important for us to know is that we are in this great megalopolitan corridor of the northeast coast wherein 25 per cent of the entire nation lives at the present time. We are in the center, you might say, of that corridor which extends from Boston to Washington, so we have a responsibility to these people which we cannot escape simply by reason of our geography.

What are the needs of the aging? The average age in most of the homes in our Association is upward from 80 years. In the homes that I know specifically about, it is 84, 87 and 80. When I talk with other members of the Association, I find similar figures, so we are not really talking about the younger elderly but the older elderly, if you want to put it that way. Gentlemen, I'm not very far from this category myself, so I think it's important that we look at it. I think there is one fact that is often missed because of the public relations aspect of these homes. Four tenths of one per cent of the nation are at any one time in a general hospital receiving care. That is the current census of hospitals. Four point four per cent of persons 65 and older are receiving institutional care due to their aging. This is, in fact, numerically greater than all

the people in all the hospitals in the country. The people of 65 or older who are receiving institutional care by reason of their aging is of greater number than the people in all the hospitals in the country on any one day. This is a major national as well as State problem. It is a different thing because we don't deal so much or at least so vividly with surgical emergencies as a hospital does. But it's a very real thing for the people who have to go through this experience, and all of us will sooner or later if medical care continues at its present rate.

There is one great difference. There is not the huge waiting list equal to or greater than the current census of the hospitals waiting at the door to get in, but this is true of the people who are 65 and older. The waiting list for these homes representative of the American Association of Homes for the Aging, for instance, is greater than the present census of the homes across the nation.

So this, I think, is important for us to know - what we are dealing with. What I am saying really is that the enormity of the sheer need for supervised care of these aging persons is probably the single most important reason for its being listed as a service vital to the good of the public.

Now, aside from that, I am referring to the financial situation of people 65 and older, and those finances are rather dim. Taken on a nationwide basis, they are better for New Jersey than most of the rest of the country. I am sure you can find any single individual who will be an exception to whatever I say, but in general there is a financial inability

for them to purchase the needs they must have. Now the average for the nation of income for persons 65 and older in the 1960 census was \$1,055 a year. For New Jersey it was slightly higher. And yet the incidents that are common to the life of the aging are more expensive - life is more expensive for those people than it is for us who are receiving incomes on a regular basis and trying to keep up with inflation; that is, they have more doctor bills; their maintenance in general costs them more, and this also is a figure that might be substantiated from studies that have been made on a nationwide basis. But getting down to the need itself, we find that there is an increase in chronic brain syndrome, which means there is a decrease in circulation or at least a decrease in the amount of oxygen that reaches the brain for its functioning. There is an increase in physical frailty; there is an onslaught of chronic diseases - most of us have maybe some symptoms of a few of them; there is financial embarrassment, and there is social isolation, and there are all forms of dependency. This is on a graduating scale so that at one time or another, it increases to the point where it becomes almost total.

Now there is a study in your packet made by a person who earned her doctor's degree by doing this at Columbia, so you will have some of that information. Dr. Dorothy Larson is her name.

Now there have been various attempts, strategic attempts, to meet these problems in our nation. There have been discussions of homemakers, of visiting nurses, of physicians visiting at the house, of property maintainers and carers coming out to the house, of financial advisers coming, etc., etc. I only want to indicate

that strategically the manpower simply does not exist on a one-to-one basis to send six or seven different service specialists to each and every aged person who needs one. It does not exist, nor is it likely to exist in the future.

The second thing is that if you do this on a fee-for-services basis for each one of these persons, you have an enormously expensive proposition. For instance, take one example that will point it up quite vividly: The highest paid nurses in the nursing profession are the visiting nurses, and I am not saying that they don't deserve it. But did you ever wonder how much of their skill is spent behind a steering wheel? That time is paid at the rate of nursing skill rather than at the rate of a chauffeur or a driver. Now what I am saying is that their nursing service is terribly expensive. I'm not saying who pays it. I'm saying it's terribly expensive, and this is the most expensive way on a strategic basis to supply and provide these needs. The most inexpensive way is, if you can succeed in taking care of the socio- and psychological practice, the most inexpensive way to do it is on a congregate basis where the person's skill is used to its optimum at any rate.

The other thing I would say about that strategic approach to serving the aging is that most of it is intermittent and the needs are not on an intermittent basis but on a continuing basis.

Now what New Jersey institutions serve the aging? There are a number of public institutions that serve the aging. They are at the present time scrambling to move them out, and I mean scrambling, because I have direct contact with these people. But at any rate, these public institutions are the state hospitals and the county homes and the like. The others are the homes for

the aging and the non-profit nursing facilities and extended care facilities. These are the ones that I represent.

The physical facilities that are provided in most of these Homes are one, sometimes two, and very rarely three, residential rooms - usually one. They also include an infirmary which inevitably is a licensed nursing care facility of the highest quality in the State; a library, barber and beautician services either brought in or in an area in the Home; a chapel more often than not; recreation space, cultural opportunity space, dietary space, housekeeping space, maintenance and repair space, and administrative space. This is what you find physically in these Homes.

I want also now to point to a little something that your study will have a direct effect upon. The cost of serving these people on a congregate basis is the least expensive in a strategic way of supplying the necessary services. And even in doing it on a congregate basis, the least expensive happens to be the newest and largest; and the most expensive happens to be the smallest and the oldest.

Very specifically I took one or two examples just to compare: A 65-capacity Home extending total care at a cost of \$13.50 per day - and when I say "cost," I am talking about cost disregarding income; in other words, I am talking about what it costs to do it in every aspect on a good accounting basis - \$13.50 a day for residential and personal supervisory care, and this same Home pro-rates or pre-pays, in a sense, across the years and the lifetime of the person for nursing care, and it comes out to \$3.40 a day. It means that that Home, without any

hospital care provision - it costs them, and they don't get it from the residents entirely, or even a major part of it - even a majority of it - it costs them \$16.90 a day to provide that care for 65 persons.

A new facility, which has a capacity of 500, produces the same care, plus hospital and physician's care, for \$14.70 a day.

Now, obviously, the only direction any of these Homes can go, if they intend to serve more people or even intend to keep their costs down, is to become larger - play the numbers game if you want to use it in the right sense. However, the tendency of local assessors is to ignore the small Home for the Aging serving 15 or 20 people, or 60 or 100, and go after the new large facilities because they represent a fairly sizeable capital investment. And I might just simply point out that this is the way to cut off the future for all this kind of service for these people. This is the way to eliminate it entirely because they cannot keep up at their present escalation of costs, and if they are cut off from expanding by this reason it is just the end of it for these people.

I also might point out certain inequities that exist by reason of some of our present laws, and I think it's worth looking at because it might provide some guide lines. We have now on our statutes the Senior Citizens Housing Act and we also have the Limited Dividend Housing Corporation Law. The Limited Dividend Housing Corporation Law allows such a corporation to make 8 per cent net profit per year, and they have a tax abatement and I know this is a very rough way of figuring it out and it

can be challenged - but I would say that the 15 per cent of annual gross rentals, in rough figures, amounts to a 40 per cent tax abatement. Now this is based upon 1 per cent of the capital invested being a fair monthly rental estimate; 12 per cent of the capital invested being an annual rental for the facility. And if 15 per cent of the 12 per cent comes out to be 1.8 per cent of the capital, or, in other words, instead of the 3 per cent, which is running across our State on a marketable level, for property, for tax - so it is a balance, 40 per cent abatement. Anyone can challenge it, but it is somewhere in that vicinity.

However, that is for nothing but housing and not even just for the aging - the Limited Dividend can do it for people who are not aged and can make a profit on it of 8 per cent.

Now here we have these facilities which do not make a profit, cannot legally do so and remain in this status, for whom we do not have an answer yet. A lot of them have been exempt pretty much by omission, or pretty much by forbearance rather than anything else at this point, because I think it's becoming clear that there seems to be no real basis for it at this point, at least not one on which everyone is agreed. I would simply say that it is inequitable to have something this high when it is not simply shelter - it's total care; it's looking after everything that happens to that person, on an optimal basis to be sure, because it harms a person to make a dependent out of him. But at the same time, if you're not there to provide for him when he really in fact is dependent, then it's too bad. So I think on this basis, some kind of

comparison there might be worth your while, whatever formula might be arrived at.

I briefly have mentioned in my remarks here that the general attitude of the United States or the Federal Government has been one in which this kind of service has been recognized as a strategic social service to our nation and, therefore, if you look through you will find, for instance, that Congressional policy has at no time confined tax exemption to only those elderly who were impoverished. Rather, they have extended tax exemption to those serving the needs of the aging on a non-profit basis solely because of their advanced age and the frailties that accompany it, not because of the financial position of these people.

I am saying this from a background of those who are dealing quite amply within what facilities they have with those who are financially embarrassed. This is not intended to be any kind of crutch for serving a lot of wealthy people.

Now my recommendation is one really with six or seven provisions regarding the kind of organization or the nature of the organization that might be sponsoring the facility. My position and the position of the Association is one of saying we think that the tax exemption which has been granted, however it has been granted, ought to be continued. We think, however, that there are possible loopholes in this unless they are plugged, as was suggested by one gentleman on your Commission, and therefore we say that the sponsoring corporation ought to be organized under Title 15 of the Revised Statutes as a non-profit corporation; we think that that should spell out that none of its members may receive any financial benefit

SUBMITTED BY REV. CANON JOSEPH H. HALL, III

DIOCESE OF NEW JERSEY  
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Trenton, New Jersey 08618

Pertinent Data from  
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	<u>Communicants</u>	<u>Worth of Church Property</u>	<u>Cost of Operations</u>	<u>Rec'd. from Local Support</u>
Trenton, St. Andrew's	258	\$113,125.00	\$16,134.87	\$15,909.08
Trenton, St. Luke's	247	119,062.00	18,614.69	15,792.74
Trenton, Christ Church	203	377,787.00	16,092.12	16,450.80
Trenton, Grace-St. Paul's	469	369,000.00	37,882.12	38,356.74
Atlantic City, Ascension	188	140,000.00	19,928.91	17,336.43
Atlantic City, St. James'	403	489,985.00	30,082.80	18,066.63
Elizabeth, All Saints'	187	147,395.00	14,833.38	11,916.08
Elizabeth, Grace Church	80	164,394.00	8,428.15	8,222.15
Keansburg, St. Mark's	170	65,000.00	25,518.58	10,535.52
Highlands, St. Andrew's	125	84,000.00	7,352.60	4,960.62
Magnolia, Christ Church	145	37,000.00	13,282.82	11,895.02
Mantua, St. Barnabas'	71	41,000.00	8,111.46	4,625.41
Medord, St. Peter's	394	126,300.00	26,250.01	23,424.81
Millville, Christ Church'	95	42,600.00	65,386.13	7,128.99
Shrewsbury, Christ Church	273	181,963.00	44,979.33	31,068.85
Stone Harbor, St. Mary's	227	110,000.00	23,463.95	17,999.67
Union, St. Luke's	165	219,500.00	19,904.25	17,071.24
Woodbridge, Trinity	619	345,000.00	40,012.30	23,270.74
Woodbury Hts., St. Peter's	174	46,240.00	13,530.40	9,819.68
Woodstown, St. Luke's	166	96,554.00	20,151.25	18,317.25



