



STATE OF NEW JERSEY



REPORT OF THE GOVERNOR'S COMMITTEE

ON

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EFFICIENCY AND ECONOMY

IN STATE GOVERNMENT

JANUARY 1963

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January 15, 1963

HON. RICHARD J. HUGHES
Governor, State of New Jersey
State House
Trenton, New Jersey

DEAR GOVERNOR HUGHES:

In accordance with your request, we have reviewed the present programs and operations of the New Jersey State Government. In the text presented herewith we have outlined our findings and made recommendations which we believe could increase the efficiency or economical operation in many areas.

As far as the Committee is aware, this is the first over-all look at the State Government since the year 1954. The Committee's report, as well as recommending a number of specific actions which could be initiated at once, lists a considerable number of areas where in our opinion further study can be gainfully pursued.

The Committee reviewed all the agencies of the Executive branch of State Government with the exception of the New Jersey State Police, the State Colleges, and the State University. It was felt that the limited time available to the Committee did not enable it to do justice to these very important agencies.

Since this Committee was organized at the direction of the Chief Executive and instructed to concern itself with the efficiency and economy of the Executive branch of State Government in particular, no attempt was made to analyze in any detail the operations of the Legislative branch. However, some suggestions are offered as to legislative procedures which impinge directly upon the operations of the Executive and Judicial branches.

From the vast quantity of material submitted and reviewed it is obvious to the Committee that considerable progress has been made since the Constitution revision of 1947. The State Government is beyond any question the largest enterprise in New Jersey. In order to be a successful operation and provide the proper return to the taxpayers it must remain a dynamic and productive organization. This requires intensive leadership at all levels. Furthermore, it bears repeating that the State Government was created by the people of New Jersey to serve them and will always be dependent upon the support of the people for its continued progress.

The Committee wishes to acknowledge the value of services rendered by the members' respective staffs and the staff of the Division of Budget and Accounting in the Department of the Treasury. These staff services provided the Committee with a considerable amount of significant factual detail which was used in developing many of the observations and recommendations contained in this report.

(Signed) DONALD G. BORG,
*President, The Bergen Evening
Record Corporation*

DONALD C. LUCE,
*President, Public Service Electric
and Gas Company*

LOUIS STEIN,
President, Food Fair Stores, Inc.

JOHN A. KERVICK, *State Treasurer*

DWIGHT R. G. PALMER,
*Commissioner, State Highway
Department*

JOHN W. TRAMBURG, (Deceased)
*Commissioner, State Department
of Institutions and Agencies*

The members of this Committee, after close association with the late Commissioner John W. Tramburg in the preparation of this report, are well aware of the loss to the State of New Jersey occasioned by his death. His participation in this committee's task was marked by the same exceptional ability he exhibited in his many years of service to the State. It was a privilege to serve with him.

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I. THE BACKGROUND

New Jersey is the fifth smallest State in area and eighth largest in population. It is one of the most highly urbanized States in the nation. These circumstances, developing over the years, have required the State Government to focus a great degree of attention upon social and civic problems.

As a corollary to this situation, New Jersey historically has held fast to the concept of home rule to the fullest degree possible. As a result, it would be a mistake for any observer to consider the activities of the State Government wholly as those of a separate entity. Instead, these activities must be scrutinized in their relationship to local governments and to the tightly interwoven fabric of the Statewide community.

Viewed in this light, the over-all characteristics of the State's expenditures and programs indicate that the New Jersey State Government is actually the foundation of governmental service providing the leadership, administrative programs and policies, and channels of communication through which many State-financed programs are carried out at the local level. This being the case, it follows that the foundation must necessarily be sound and conducive to progressive change.

The following factors are significant in developing this over-all picture :

1. Direct general expenditure of New Jersey's State Government as an entity is proportionately less than that of any other State Government. Data for the fiscal year 1961 show that the State spent 17% of the total State and local governmental expenditures in New Jersey. The same data for the nation show that the fifty State Governments spent 29% of total State and local expenditures. (Appendix, Table A)

Thus, in New Jersey, this unique pattern of State and local expenditure has the effect of requiring most of the spending to be accomplished and controlled at the local level of government—the home rule concept. (Appendix, Table B)

This New Jersey State-local expenditure mix is significant. It explains why, in 1961, the New Jersey **State** Government had the lowest per capita operations expenditure, the lowest per capita capital expenditure, and the rank of 46th among the States in State-aid expenditure. (Appendix, Table C)

2. In conjunction with the situation described above, New Jersey is found to have the lowest State Government employment and payroll in the country. In 1961, it numbered 54 State employees per 10,000 population, while all States averaged 79 employees. The New Jersey State payroll per capita amounted to \$2.29, compared to the all-States' average of \$3.22. (Appendix, Table D)

Nevertheless, New Jersey salary levels in State institutions of higher learning are among the highest in the nation. Other salary levels are found to be higher than the all-States' averages and compare favorably with salaries paid in surrounding States. (Appendix, Table E)

These findings are significant, since they indicate that New Jersey has successfully striven in most areas to retain competitive capability to attract and retain staffs. Furthermore, it was also found that the present public employee pension plans in New Jersey are among the most generous of all the States'.

3. The Committee also noted these features of New Jersey State Government which demonstrate what the State is accomplishing :

- a. In recent years, New Jersey placed great emphasis upon traffic safety programs with the result that fatalities were reduced from 3.8 for every 100 million miles of travel in 1954 to 3.0 in 1961, the last year for which figures are complete. This advanced New Jersey to the forefront of the national traffic safety movement. The Committee notes, however, that the experience of recent months demonstrates beyond doubt that relentless effort is required in this field and that the safety programs of the State Highway Department and the Department of Law and Public Safety must be constantly extended. (Appendix, Table F)
- b. In 1960 New Jersey was the first recipient of the National Green Cross award of the National Safety Council, which judged the State to have the most outstanding program and record in all fields of accident prevention. This is interpreted as a testimonial to the programs cited in (a) above and also to the safety inspection and regulatory programs in the Departments of Public Utilities, Conservation and Economic Development, and Labor and Industry.
- c. In the field of mental health, State hospitals are presently staffed by attendants at levels generally higher than are specified by the standards of the American Psychiatric Association. All five State hospitals are fully accredited by the Joint Commission on Accreditation of Hospitals. Furthermore, all four mental hospitals and the Neuro-Psychiatric Institute are approved for three-year psychiatric residencies by the Council on Medical Education and Hospitals of the American Medical Association.

Total spending per capita for community mental health programs placed New Jersey eighth in the nation in 1960. Every county in the State has now established a County Mental Health Board under the State aid section of this program. Forty-six community mental health facilities are being allocated State assistance this fiscal year.

- d. All six State Colleges are fully accredited by the Middle States Association of Colleges and Secondary Schools.

- e. A comparison of State and local highway operating expenditures with total vehicle miles traveled in 1960 shows that New Jersey highway activity is heavier than the national average, yet New Jersey derives 14% more yield from its highway expenditure dollar than the national average. (Appendix, Table G)
- f. A particularly noteworthy feature of the State's fiscal operations is its very successful policy of investing State funds. A total of about \$1¼ billions in State funds is yielding the State an income of about \$40 million annually.
- g. Another favorable aspect of New Jersey's State finances is its low debt. In the last reported year, 1961, the New Jersey State Government per-capita debt, which amounted to \$29.17, was about half of the national average. (Appendix, Table H)
- h. Unlike most other States, the New Jersey State Constitution established a strong Chief Executive, given complete supervision over the entire Executive branch. Under the Governor, over-all fiscal responsibility is exercised by the State Treasurer through his Division of Budget and Accounting which is both the budget and the comptroller agency.

II. ADMINISTRATIVE MANAGEMENT

The Committee noted the growing use of staffing and performance standards for planning and managing State programs. Examples of use of these important control tools were found in the Departments of Education, Institutions and Agencies, Law and Public Safety, and Labor and Industry;

Patient-to-staff ratios in State Hospitals

Inmate-to-staff ratios in correctional institutions

Man-hour-per-machine-hour ratios in data processing installations

Handling-per-lane-hour ratios in the Division of Motor Vehicles

Number of claims per staff ratios in the Division of Employment Security

Student-to-faculty ratio in State Colleges

Caseload ratios in the Board of Child Welfare

The Committee also noted that considerable progress in administrative improvement of the various departments had already been made, most of it through the administrative analysis group in the Department of the Treasury since its inception in July 1958. Some of the major projects accomplished since that time were:

Installation of centralized State payroll computer system in the Division of Budget and Accounting.

Real Estate Commission reorganization and installation of modern licensing and operating procedures.

Survey of State College faculty salaries, programs, and faculty utilization in 30 States.

Improved statistics and auditing of Corporation Tax Returns through use of the Division of Budget and Accounting Computer.

Improved construction contract processing procedures.

Procedure for central review of acquisition and use of data processing equipment.

Reorganization of the Administrative Division in the Department of Law and Public Safety.

Preparation of State salary data for agency budget requests via State payroll computer system.

Development of standards for food and other supplies at institutions.

Substitution of concession operation, with resultant savings and improved food service, for State-operated cafeterias at State Colleges.

Adoption of concurrent audit of Federal Aid highway projects.

The following is a list of representative projects recently undertaken by the administrative analysis unit:

Survey of fees charged by State agencies

Survey of State mental hospital staffing standards

Development of proposed building maintenance standards for staff and materials for maintenance of State Colleges.

Feasibility survey of consolidating copying equipment facilities at Newark Center Building.

Development of procedures to implement recently enacted "Fiscal Note" legislation.

Obtaining conformity of Rutgers University budget material with State procedures and requirements, as well as proper sharing of State costs at the University by Federal or private grantors.

Administrative survey of the Division of Taxation.

A. Continuous Review

FINDING: While there is evidence of considerable progress, much more remains to be done. In order that the work of this Committee may induce further constructive changes in the operation of the State Government, it will be necessary that many of its findings and recommendations be followed up by additional studies and eventual determinations.

The present authority of the Governor to institute administrative improvements through the State Treasurer is now embodied in the following statutes:

(R.S. 52: 27B-18)

" . . . shall examine . . . requests and determine the necessity and advisability thereof, and for that purpose may hold hearings thereon which shall be open to the public, and may summon and examine the request officers and any witness and order the production of any State record for his examination, and make any investigation which he deems necessary or advisable for the purpose of making such determination."

(R.S. 52: 27B-30)

"In order effectually to discharge and execute his duties in relation to the quarterly allotment system, the State Treasurer shall make continuous studies of all departmental requirements, including personnel. All requests for additional personnel made by request officers to the civil service agency in the State government shall first be approved by the State Treasurer."

It is interesting and instructive to note that the principles by which the United States Bureau of the Budget operates in the area of administrative improvement are:

1. Administrative improvement is primarily the responsibility of the individual agencies. The U. S. Budget Bureau's objective is to strengthen the initiative and authority of those who are accountable.
2. The President sets the tone and pace of administrative improvement. The Bureau's role as the President's staff agency is to maintain the desired pace of improvement.
3. The Bureau acts as a catalyst for administrative improvement through prodding and making available ideas, information, and its experience in solving problems.

RECOMMENDATION: This statute should be strengthened and the authority of the State Treasurer through the Division of Budget and Accounting for continuous studies should be extended to enable him to take action after such studies are made. In this connection, there appears below a quotation from the statutes of the State of Hawaii (35-3), which operates under the most recently adopted legislation on the subject:

“. . . shall investigate continuously the administration of the various departments and establishments for the purpose of advising the Governor and recommending to the Governor and Committees of the legislature concerning the duties of the various positions in such departments, the methods of such departments, the standards of efficiency therein, and such changes as in his judgment will produce greater economy and effectiveness in the conduct of the government . . .”

This slight change in present legislation will empower the Treasury Staff agency to conduct such studies not only as an aid to budget making and allotment control but as a year-round function related to the administration and execution of each existing budget. This recommendation will enable New Jersey State Government to act more effectively in advancing administrative improvement in its several departments.

In carrying out these responsibilities, the Division should use whatever resources may be available within State Government and should solicit advice and assistance from competent industrial, business, and other sources outside State Government whenever necessary.

B. Departmental Responsibility

FINDING: There is insufficient departmental activity in conducting administrative management and program studies, and in the installation of improvements.

RECOMMENDATION: There should be a continuing study of programs, organization, performance, and procedures by all departments of State Government. Administrative improvement staffs and programs should be developed to cover all departments. The wider use of independent and qualified consultants should be encouraged for such studies.

These efforts should be coordinated through the central administrative improvement staff in the Division of Budget and Accounting. Also, for most effective utilization and maximal application, all reports of management studies should be made available for the files of the State Treasurer.

Although New Jersey ranks about the lowest among the States in operating cost per capita, this cannot be taken as a final measure of efficiency. This is a result of various factors such as geography and size. Employing over 30,000 people and spending \$222 millions in operations alone mean that the search for greater efficiency and economy throughout the 14 departments should be continuous. A saving of as little as 1% per year, or \$2.2 millions, would justify a larger staff than that now available for this important work.

C. Performance and Productivity

FINDING: As noted earlier in this report, a number of State agencies presently use work-load and staffing standards for budgeting and management purposes. Many such measurements now existing are in need of refinement and updating. For the large majority of the State Government's operations the present level of productivity is an unknown quantity.

RECOMMENDATION: That the State extend the measurement and improvement of productivity in all areas and programs of State Government.

D. Electronic Data Processing

FINDING: For the effective operation and management of many of its programs, State Government requires a tremendous amount of data and information. For maximum efficiency and economy in handling this information, an important tool is available through electronic data processing. Throughout State Government a beginning has been made to utilize and to apply automation to paper work. There are now twenty-seven punch-card data processing units in operation.

RECOMMENDATION: The advantages of electronic data processing should be extended to all agencies of State Government wherever practicable, on a planned and well controlled basis, and with a determined effort to share the use of these facilities wherever possible. The following specific areas and operations are suggested for feasibility studies:

1. Consolidation of existing data processing units into fewer, more centralized, and more efficient installations. An example of this would be the proposed consolidation of its six existing units now being considered by the Department of the Treasury.

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2. In the Division of Budget and Accounting, to convert the present mechanical system for appropriation accounting to an electronic data processing system. There may be a substantial opportunity for elimination of effort through centralization of clerical activities with appropriate reporting to the operating units. The Division has indicated that such a conversion may also promote beneficial changes in presentation and control of the annual budget.
3. In the Department of Law and Public Safety, to departmentalize the present installation in the Division of Motor Vehicles for handling all licensing in the Division of Professional Boards and all data processing for the Division of State Police.
4. In the Department of Civil Service, the local government payroll certification should be considered for conversion to electronic data processing.
5. In the Department of Labor and Industry,
 - (a) development of an integrated data-processed operation for the four social insurance programs — workmen's compensation, unemployment compensation, Social Security, and temporary sickness and disability insurance.
 - (b) All departmental licensing on data processing.
 - (c) Evaluate the potential of converting the present substantial punch-card installation in the Division of Employment Security to electronic data processing.
6. Audits by electronic data processing in the Departments of Banking and Insurance and Public Utilities.

E. Administrative Activities

FINDING: The expansion of existing State services and the addition of new ones have resulted in administrative spread in many departments, so that top-heavy administrative staffs are working in fragmented fashion upon identical or similar functions such as budgeting, accounting, revenue collection, purchasing, personnel, and legal services.

RECOMMENDATION: That these activities on the part of all departments and agencies be reviewed for possible duplication and opportunities for savings.

F. Supporting Functions

FINDING: Throughout State agencies there are found support activities such as print shops, building maintenance operations and shops, garages, warehouses, depots, communications systems, mail rooms, file rooms, microfilming, storage centers, etc. The efficiency of these units, the extent of their utilization, and their location for maximum convenience and economy are not presently known.

RECOMMENDATION: That studies be made to identify these supporting activities, to evaluate their present effectiveness, and to eliminate, consolidate, and improve their operation. Alternatively, the purchase of private industry services should be considered.

G. Legal Counsel

FINDING: A number of departments have indicated a need for lawyers as a permanent part of the personnel complement of their organizations to aid administrators in the interpretation of law involving many day-to-day problems. Normally high turnover of deputy attorneys-general assigned to the respective departments impedes the legal assistance they require in the settlement of everyday problems.

RECOMMENDATION: That authorization be given for the establishment of career legal analyst positions in the several departments where needed for the purposes mentioned above.

III. PERSONNEL AND PENSION PRACTICES

The effectiveness of any organization, large or small, governmental or private, depends to a very large extent upon the individuals who compose it. The regulations, pay scales, pensions, and other benefits afforded civil servants are of paramount interest in any effort to improve efficiency and effect economies. Many intangibles, such as employee morale and good will, enter the picture. Productivity cannot be increased by executive dictates alone—the individual workers must be aware of the importance of the effort and willing to contribute their best toward its accomplishment. Enlightened and effective personnel and pension practices are needed in every area of the State Government's operations.

A. The Civil Service

FINDING: This Committee endorses the principle of Civil Service. State Government personnel practices and policies are all-pervasive, strongly affecting not only payroll and productivity throughout State government but also in 20 of the 21 counties and in 214 municipalities and other governmental entities in New Jersey—some 106,000 employees in all. No industrial personnel department could meet these tremendous demands if hampered by the same arbitrary and sometimes conflicting statutes, regulations, and rulings. It has been found that over the years there has been a growing proliferation of titles, classifications, and pay grades.

RECOMMENDATION: That a thorough overhaul be made of personnel practices and policies under the direction of a competent personnel consultant, perhaps one with Federal Civil Service background, who could modernize State operation. Pending definitive reorganization as recommended, however, prompt adoption of the following reforms is urged:

1. For cumulative sick leave, substitute a progressive annual sick leave allowance based on years of service.
2. To encourage competent nonveterans to apply for Civil Service positions, eliminate absolute preference for disabled veterans who pass examinations. This absolute preference practice prevails only in New Jersey. Instead allow them an additional 5 points on their final average score. Allow nondisabled veterans 3 points. Eliminate "V" and "DV" designations on lists of eligibles. Require pre-examination medical certification of a disabled veteran's physical capability for the job he seeks.
3. Eliminate competitive examinations for certain entrance-level positions, such as clerical; also nursing and professional, substituting individual verification of qualifications.
4. Permit discharge for cause without mandatory hearing except on the initiative of the Civil Service Commission, but enable any one aggrieved to appeal from the decision of his department head and request formal or de-novo hearing.

5. Extend the use of guides which are both practical and drawn from experience rather than solely oral or written tests in appropriate job classifications such as carpenter, concrete finisher, etc., in which experience equivalency outweighs formal education.
6. Restore confidence in the merit rating program so that salary increments will be based on performance rather than seniority. Eliminate the present numerical grades and reduce the number of adjective groups in the present rating system.
7. Qualification for promotion examinations should be based on capability rather than length of service.
8. State, county, local, and agency job classifications and salary ranges should be correlated, reconciled, related, and consistent.
9. Civil Service should establish realistic rental charges for State facilities and other services subject to approval by the State House Commission.
10. Establish a uniform policy for credit of unused prior sick leave for re-employed personnel.
11. Establish a uniform policy for emergency duty requirements.
12. Annual leave allowances for unclassified or so-called administrative and executive employees in all State departments and agencies should be made consistent with the allowances prevailing for the classified service.

B. Pension Funds

FINDING: At the present time all pension funds in the custody of the Division of Pensions (Department of the Treasury) have separate boards. These boards have veto power over investment decisions made by the State Investment Council charged with responsibility for determining investment practices.

RECOMMENDATION: That the veto power of each board over the Investment Council's decisions be removed, in view of the Council's qualifications, experience, and excellent record in the investment of State funds.

C. Retirement Allowance

FINDING: Disparities exist among the various pension funds as to salary basis for retirement allowance. These range from the final year's salary to the average for the final five years.

RECOMMENDATION: All retirement allowances should be based on average salary in the last five years of employment.

D. Consolidation of Pension Funds.

FINDING: A number of pension funds exist for different groups of public employees. All of the funds appear to have a common purpose—that of providing retirement benefits to public employees.

RECOMMENDATION: That a study be made of the feasibility of consolidating the State's pension funds.

E. Reimbursement for Personal Car Use

FINDING: State employees who use personal cars on official business are reimbursed at the rate of 7 cents per mile traveled. A single rate, regardless of the amount of usage of the vehicle, benefits disproportionately the employee who uses his car regularly on State business, and penalizes the employee who uses his car only on a casual basis.

RECOMMENDATION: That consideration be given to a split rate allowing 9c per mile for the first 600 miles each month and 6c per mile for all mileage in excess of 600 in that month.

F. Institutional Living Quarters

FINDING: Isolated State institutions have difficulty with medical staffing.

RECOMMENDATION: That adequate living quarters be provided to facilitate medical staffing.

IV. FINANCIAL MANAGEMENT

Under the New Jersey State Constitution, it is necessary to maintain precise and proper balances and controls upon income and outgo. New Jersey's present procedures, as noted in the first Chapter of this report, are very effective, but the search for further improvement must be unremitting. In general, the Committee's recommendations should be implemented with special emphasis whenever and wherever fiscal management is involved.

A. Fiscal Note Procedure

FINDING: A recently enacted statute provides for fiscal evaluation of pending legislation.

RECOMMENDATION: That this statute be implemented by an operating procedure as quickly as possible, and that the initial operation be closely watched and weaknesses be corrected. The fiscal note requirement should be adhered to without exception and should apply to **all** proposed bills and amendments. This is essential if sound fiscal planning is to be accomplished.

B. Federal Reimbursement

FINDING: While agreement has been reached with the Federal Government for its reimbursement in whole or in part of pension contributions and other fringe benefits advanced by the State, there are significant instances where no Federal reimbursement is being made for costs of general administration.

RECOMMENDATION: That efforts to be made to recover the proper share of all administrative costs and staff services provided to agencies financed all or in part from Federal funds.

V. CAPITAL PROGRAMS

Capital improvement programs, due to their size and long-range impact, require integrated physical and fiscal planning. A periodic review of the existing plant and its current and estimated yields should be one of the controlling elements. This function of establishing interdepartmental priorities, which includes the evaluation of many factors, requires close contact between the department heads and the Chief Executive.

A. Capital Planning

FINDING: There is need for closer collaboration on all aspects of long-range plans for capital improvements. An existing statute (R.S. 52:14-5 and 6, Laws of 1915) requires monthly meetings of certain department heads for better cooperation and coordination in the engineering work of the State.

RECOMMENDATION: The existing obsolete statute should be repealed. In its place, an Executive Order should be issued setting up a Cabinet subcommittee consisting of the Governor and the heads of those departments principally concerned with major capital improvements. This committee should periodically review and evaluate the State's non-transport needs so that long-range physical and fiscal programs could be developed without competition among various State services and the last-minute "crisis" atmosphere which has often characterized similar plans in the past. The advice of interested citizens' groups should, of course, be available.

B. Public Works

FINDING: At the present time, activities involving land appraisal and acquisition, engineering, design, and construction are located in a number of departments.

RECOMMENDATION: A study be made of the possibility of creating a Division of Public Works for nontransportation programs covering the needs of all departments.

C. Construction Contract Practices

1. **FINDING:** There are many State-built structures which are often repeated: College dormitories, State Police barracks, vehicle inspection stations, armories, classroom buildings, gymnasiums, highway maintenance garages. By adopting a standard design for these structures a sizable reduction in fees for architectural design would result.

RECOMMENDATION: That the State use standard designs for such construction and, to follow the practice of the Federal Government, purchase architects' plans outright with the provision that those plans may be reused at no additional cost.

2. **FINDING:** At the present time there are no standardized specifications for construction jobs which are highly repetitive in character such as roof replacement, painting, floor covering installation, interior partitions, pointing masonry, and fencing.

RECOMMENDATION: That standardized specifications for such work be developed, so that the cost of jobs of this nature could be reduced by at least the amount of architect and engineer fees.

3. **FINDING:** A large percentage of construction, reconstruction, and repair projects are less than \$5,000 each.

RECOMMENDATION: In order to expedite handling of small projects, the qualified personnel of individual State agencies should be authorized to contract for construction up to \$5,000 subject to regulations of the Department of Treasury and utilizing in so far as possible the standard designs and specifications.

4. **FINDING:** Present practice is to receive individual trade bids on a single construction project, which could involve the participation of as many as ten contractors on a single job. This generates paper work, impedes efficient coordination of job performance and otherwise adds to construction costs.

RECOMMENDATION: That present laws requiring individual trade bids for construction should be changed to permit single consolidated bids, such as are used extensively in industry and by the Federal Government.

D. Drainage Valleys

FINDING: The population and industrial growth in many areas of the State requires engineering and planning of surface water runoff, sewerage, and industrial waste disposal. This is a factor in the planning and operation of programs now in existence in the Departments of Health, Public Utilities, Agriculture, State Highways, and Conservation and Economic Development.

RECOMMENDATION: That there be made a study of drainage valleys for better planning and coordination of departmental programs. This matter could be an appropriate subject for the Cabinet Capital Planning Committee.

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VI. PROPERTY MANAGEMENT

Much of the State's annual expenditure goes into physical assets of varying durability, ranging from the comparatively short life of a motor vehicle to the decades of service expected of a permanent improvement. Over the years the State has accumulated a property investment which can now be estimated only in billions of dollars. The efficient management of this investment can produce savings which, although they may not be large, combine to produce significant effects upon future needs and expenditures.

A. Maintenance Operations

FINDING: The State has a huge investment in structures, machinery, and automotive equipment. The large bulk of these assets appear to be well maintained.

RECOMMENDATION: That the State preventive maintenance program be implemented further by all Departments looking toward:

1. Establishment of a complete property inventory.
2. Establishment of property condition standards.
3. Regularly scheduled inspections of State property.
4. Performance standards on maintenance work.
5. Establishment of job order accounting.
6. A utility conservation program.
7. Criteria for "force account" work.
8. More use of vendor in lieu of State maintenance.

B. Rented Space

FINDING: The State continues to occupy widely dispersed rented quarters at high cost despite an Attorney-General's opinion which permits the State to enter into leases with option to purchase.

RECOMMENDATION: That the State obtain more economical space by setting up a State building authority with power to borrow and build, with or without pledging the responsibility of State Government; alternatively, to enter into leases with options to buy.

C. Procurement Practices

FINDING: Open-end contracts for purchases of supplies are now being used to a considerable extent.

RECOMMENDATION: That greater use be made of open-end contracts—especially for canned goods and auto parts—to reduce paper work and institutional inventories.

VII. STATE SERVICES

The wide variety of services which the State Government affords the citizens of New Jersey is a source of constant surprise to casual observers. Some of these services are widespread, affecting nearly every resident of the State. Other services were conceived and are administered primarily to benefit selected groups. From the standpoint of administrative efficiency and economy, however, one philosophy can be applied to all such services however varied in nature — they should be prevented from spreading out into scattered islands of government.

Since State services are created in the first instance pursuant to legislative directives, it is vital that statutory review be expanded and accelerated to eliminate unnecessary programs and obsolete administrative burdens. The Committee wishes to make a general recommendation that all departments undertake a continuing careful scrutiny of the laws affecting their operations and report thereon to the Governor as to those that should be revised or repealed.

A. Workmen's Compensation Benefits

FINDING: The following abuses were found in the operations of this program :

1. Payments are being made on worthless claims. A recent study in Bergen County of 1,344 permanent partial disability cases for awards totaling \$866,932 showed that a major portion of these were nuisance or consolation awards for minor cuts or bruises causing no loss of time or pay.
2. The first hearing level has developed a cut-and-dried process based on the question of how much, not whether, a claimant should collect.
3. This adversary proceeding has resulted not only in unnecessary delays and inequities but also in overspecialized and overconventionalized doctors and lawyers who practice almost exclusively in the field of workmen's compensation.
4. Payments are being made for nonindustrial ailments or death. Elimination of such awards would reduce the cost of compensation insurance and enable higher payments to truly deserving claimants who have suffered injury on the job.

RECOMMENDATION: The Committee is aware that this program is now being studied by a Legislative Commission, and also believes that the entire concept and practice of workmen's compensation should be restudied. Following and improving upon the example of Oregon and Washington, awards could be originally assessed on the basis of medical testimony alone, according to a fixed schedule of amounts for specific injuries and disabilities, with appeal through the regular courts as at present.

This method would presuppose legislative definition of covered and uncovered occupations. In place of the hearing examiners, one of a panel of eminent physicians and surgeons competent in the specialty connoted by the injury would make the initial appraisal and award. These panels, which might be named with the collaboration of the State Medical Society, would eliminate the quasi-judicial function of hearing examiners.

In accord with this change in approach, injuries or disabilities causing no lost time or pay should not be compensable. To curb improper payments for nonindustrial ailments or death, the law should be corrected to define the term "accident" in such a manner as to rule out workmen's compensation claims arising from conditions which are degenerative in nature and which bear no relationship to the employment environment. Also, the law should be corrected to define "employee" as opposed to an "independent agent" or "contractor."

B. Unemployment Compensation

1. **FINDING:** An appearance of laxness and abuse of unemployment benefits in certain areas may be attributable to statute rather than to operational inefficiency.

RECOMMENDATION: The appropriate statutes should be re-examined and perhaps amended to eliminate duplicate payments and unmerited benefits.

2. **FINDING:** The difficulty of closely supervising approximately 3,000 employees scattered throughout the State has led to loose practices in certain local offices.

RECOMMENDATION: That operating rules be tightened to increase service and efficiency. Greater productivity should enable personnel reduction.

* * *

Loose policies and administrative practices in both compensation programs are intrinsically wasteful — and more. These conditions impair efficiency and economy in that, by driving employer rates to excessively high levels, they actually contradict and contravene other State government programs which are aimed toward attracting and retaining business and industry in this State.

* * *

C. Transportation

FINDING: The Legislature has recognized the necessity for a unified approach to transportation problems by placing railroad subsidization and extension in the State Highway Department. Related to over-all transportation problems are grade crossing elimination, airport supervision, and bus transportation.

RECOMMENDATION: That a study be made of the need for a State Department of Transportation to give unified direction to transportation programs now located in the several departments.

D. Traffic Engineering

FINDING: At the present time, programs for traffic engineering are found to be operating in the State Highway Department and in the Department of Law and Public Safety (Division of Motor Vehicles).

RECOMMENDATION: That this function be centered within the State Highway Department. The Committee notes that this recommendation was made in a report (dated April 1960) by the Automotive Safety Foundation.

E. Publications

FINDING: Departments issue many publications and reports that appear to be aimed in great part at promoting their own importance without regard to educational or informational merit.

RECOMMENDATION: That all departments review the necessity for their publications and the organization and functioning of their public information units.

F. Rehabilitation Programs

FINDING: At the present time, programs for the rehabilitation of crippled children are carried on by the Crippled Children's Commission in the Department of Health; programs for rehabilitating other categories of eligible handicapped are carried on by the Rehabilitation Commission in the Department of Labor and Industry; and programs for rehabilitation of the blind are carried on by the Commission for the Amelioration of the Condition of the Blind in the Department of Institutions and Agencies.

RECOMMENDATION: That these programs be unified within a single agency.

G. Case-Work

FINDING: At the present time there are a number of programs for medical, social, and welfare services and for occupational training, involving case-work concepts and systems, which are now operating in the Departments of Institutions and Agencies, Labor and Industry, Health, and Education.

RECOMMENDATION: That future fragmentation of case-work programs be halted and that existing programs be studied for maximum consolidation and efficient service.

H. Licenses, Fees, and Charges

FINDING: At the present time there are at least 200 different licenses, permits, and other regulatory documents being issued by more than 40 separate agencies of State Government. Many fees and charges were established years ago.

RECOMMENDATION: That all licenses, license fees, and other charges be re-examined for current validity in the light of present-day costs of services rendered by the State, and be modernized and centralized for efficiency. License renewals should be handled by mail and electronic data processing.

I. Programs for TB, VD, Alcoholism, Radiation, Narcotic Addiction

FINDING: Increasing incidence of syphilis has been reported since discontinuance of the Federal program by the United States Surgeon-General's Office. As to tuberculosis there is now serious concern with the problem of maintaining adequate hospitalization as well as clinic control services. Kindred problems are posed by alcoholism, radiation control, and narcotic addiction. All of these conditions represent trends which, unless checked, threaten heavy future State expenditure.

RECOMMENDATION: A concerted effort could in all probability virtually eradicate tuberculosis and venereal disease in the foreseeable future. There is need for staff and equipment to further the Health Department programs now under way.

J. Local Health Services

FINDING: There are inadequate local health services in many areas of the State.

RECOMMENDATION: That consideration be given to legislation (such as the proposed State Aid Health Act) which would enable State aid payments to local health agencies.

K. Judiciary—Court-Ordered Payments

FINDING: There is frequent duplication of court-ordered payments and welfare payments in domestic-relations and other cases.

RECOMMENDATION: These should be integrated, and the court orders should be enforced by the courts.

L. Judiciary-Probation Program

FINDING: Many problems exist in this program. There are Civil Service practices resulting in difficulty of qualifying personnel. There is county resistance to supplying office space and probation manpower. Essex County, the best staffed, has a probationary case load of more than 100 per man. Adequate supervision of an individual on probation may cost \$125 to \$200 a year; a prisoner at Annandale costs \$2,300. A man on probation supports his own dependents; a prisoner's dependents are likely to become public charges. An adequate probation program would obviate the need of large future capital expenditures for additional penal institutions.

RECOMMENDATION: The administration of justice could be improved by expanding and intensifying the functions and practices of probation.

M. Child Labor Laws

FINDING: Over the years, efforts to protect children and juveniles from hazards and exploitation, even from desired gainful employment, have resulted in enforced idleness, frustration, and consequent apathy or delinquency.

RECOMMENDATION: Complete review and reform of the Child Labor laws are imperative.

N. Working Papers, Payments By Check, Legal Notices

FINDING: The Department of Labor and Industry processes 85,000 working papers for schoolchildren annually, approvals for whom are issued in the first instance by local school authorities who are competent to approve them. It also processes over 2,000 permits authorizing wage payments by check. In addition, certain legal notices are served personally rather than by mail.

RECOMMENDATION: That the applicable statutes be amended to reflect present-day conditions.

O. Divisions of Aging and Youth

FINDING: At the present time, the programs of social planning for youth and for the aged of this State are housed in the Department of the Secretary of State, which has been made a catchall for a variety of unrelated activities.

RECOMMENDATION: That the activities relating to the aging and to youth might well be transferred to a more appropriate existing department or to a Department of Community Services if one is established.

P. Veteran Programs

FINDING: The Division of Veterans' Services, housed in the Department of Conservation and Economic Development, assists veterans and their dependents to obtain State and Federal service and benefits. The two soldiers' homes are in the Department of Institutions and Agencies and serve the needs of necessitous veterans. In addition, there are many veteran organizations and public agencies throughout the State which are engaged in providing similar service and help to veterans.

RECOMMENDATION: That a study be undertaken to integrate all of the State services, eliminate existing duplication, and coordinate all services to the end that veterans in New Jersey get the best service possible from the resulting integration.

Q. Beauty Culture and Barbers

FINDING: At the present time the Board of Beauty Culture (housed in the Department of Law and Public Safety) and the Board of Barber Examiners (housed in

the Department of Health) are separate agencies which regulate the cosmetological occupations in this State.

RECOMMENDATION: That, in line with the practice in other States, a study be made looking toward consolidating these boards into a single agency.

R. Annual Corporation Reports

FINDING: At the present time the Secretary of State lacks the means of determining which corporations are not filing annual reports, at a considerable loss of revenue to the State.

RECOMMENDATION: That this program be coupled or coordinated with the corporation tax procedures now operating in the Department of the Treasury to eliminate this revenue loss and to ensure reporting compliance.

S. Bank Examinations

FINDING: The Department of Banking and Insurance conducts annual bank examinations.

RECOMMENDATION: That a study be made of the feasibility of replacing these examinations with alternate-year Federal or State examinations.

T. State-County Payments

FINDING: Currently the State pays \$6 a week for county indigents and \$12 for State indigents in county tuberculosis institutions; the counties pay \$6 for their patients in Glen Gardner. These payments are unrelated to the fact that the State's cost to maintain such a patient is \$120 per week.

RECOMMENDATION: That the State House Commission review all State-county payments for both TB and mentally ill patients and restore the reciprocal 50-50 State-county payment parity implied by statute.

U. County Adjuster Practices

FINDING: Present determination, by County Adjusters, of responsible relatives' ability to pay for the care of patients in the State institutions is largely arbitrary. There is lax enforcement of court orders for payment of institutional care and support of children. Adjusters' recoveries are not divided equally with the State.

RECOMMENDATION: That there be a review and reform of these practices.

V. Psychiatric Examinations

FINDING: At the present time examinations of emotionally disturbed children are conducted by Department of Education county teams. Also, testings of accident repeater drivers are being made by nonprofessional staff in the Division of Motor Vehicles.

RECOMMENDATION: That a study be made to determine whether these examinations can be assigned to the community mental health clinics.

W. State-Park Concessions

FINDING: The Department of Conservation and Economic Development operates trading posts at 10 recreation areas which, in the 1962 season, yielded about \$15,000 net income. The Department also leases concessions in 9 other areas to private management which, in the same season, yielded a net income of over \$30,000.

RECOMMENDATION: That State operation of and investment in these trading posts be studied for termination in favor of leasing to private enterprise.

X. Regulation of Seeds, Feeds, Pesticides, and Fertilizers

FINDING: At the present time the State University has the responsibility for law enforcement as to the quality of these products.

RECOMMENDATION: That this regulatory function be transferred from the University to the Department of Agriculture, which has the responsibility in other areas of law enforcement pertaining to agricultural products.

Y. Inmate Employment

FINDING: There are inadequate programs and facilities for useful inmate employment of maximum security prisoners at both the Prison and adult reformatory.

RECOMMENDATION: There should be an extension of program and facilities resulting from an increased volume in sales to units of government.

Z. Business and Industry

FINDING: State programs for regulation and promotion of business and industry (commerce, trade, finance, insurance, manufacturing, nontransportation utilities) are located in the Departments of Public Utilities, Banking and Insurance, and Secretary of State, and in units in the departments of Labor and Industry, Law and Public Safety, and Conservation and Economic Development.

RECOMMENDATION: That a study be made of the feasibility of unified direction and consolidation of all these programs.

VIII. SUMMARY

The recommendations submitted in this report cover problems revealed at the time of Committee review. Because State Government is dynamic, not static, other conditions can be expected to develop which will require further study and review.

Therefore, there is a strict and constant responsibility upon State Government officials to mount a sustained effort — on the widest scale and of the deepest penetration — to search for and promote efficiency and economy. In the broad view there are four major fronts on which this effort should be made:

1. Program evaluation

- a. The yields, as well as the costs, of all State activities and services must be known. Criteria, such as work load data, must be improved to appraise yields in relation to costs. Techniques must be developed by which the performance of New Jersey's State Government can be compared with that of other governments and of private industry.
- b. There is need for more consideration of alternatives, substitutions, and priorities. The right to choose between programs and to establish priorities in the continuing development of programs is implicit in the executive budget authority. Any restriction upon this authority, such as a dedication of funds, however small, is an obstacle to efficiency and economy.
- c. There must be continual review of established programs within the State Government, to prevent duplication or conflict of philosophies, policies, purposes, or jurisdictions. Agency tug-of-wars are costly and must be avoided, whether they be over strategy, tactics, or who gets the client.
- d. Particularly in the case of research programs and demonstration and experimental projects — where the pilot operation of today could become the program of tomorrow — there must be hardheaded evaluation at all stages.
- e. The organizational apparatus supporting these programs must be watched with a zealous eye. Excessive levels of authority, diffusion of responsibility, maldistribution of functions, inadequate delegation — all of these conditions create wasteful and inefficient expenditure.

The ambiguity created by making officials responsible to councils, commissions, or boards as well as to their department heads and the Chief Executive — in effect two masters — is always a potential trouble spot.

2. Productivity.

One of the most apt comments on the subject of productivity in government appears in the following remark of Robert C. Turner, Assistant Director, U. S. Bureau of the Budget:

"It is possible to conceal low productivity and get away with it for long periods of time. This, as a matter of simple ethics, imposes an additional responsibility on us in Government to raise our productivity sights and demonstrate our competence. And let me interject here a word of admonishment. There is a tendency in many lines of activity — including education and government — to say that we are a service industry and therefore there isn't much that can be done to raise productivity. This simply is not so. This is an alibi. Banking, insurance, medicine, retail sales, restauranting, and many other service industries have made major productivity gains. Even if we can't always prove it, major increases in productivity have been made in most — though not all — Government agencies. We are discovering, even in teaching college students, that a little ingenuity can yield major productivity increases. It takes some radical thinking sometimes, a willingness to break with bureaucratic traditions, but it can be done."*

3. Plant and Property Management.

This is nothing less than the assurance that every item of supply and equipment and every square foot of occupied space is being used to its utmost. This assurance can come only after inventory levels and consumption rates have been rationalized, procurement procedures streamlined, maintenance and replacement policies established, and standards set for space and equipment acquisition and utilization.

4. Administrative Innovation.

Development of new concepts and technology in such fields as automation, data processing and transmission, and management planning and control systems, is paving the way to wide-scope changes in future governmental operations.

State Government officials and staffs must be equipped with the capability to understand these developments, to study their applicability in their operations, and to introduce them for most effective service and economy.

* * *

The unchanging recipe for efficiency and economy is for the people to be alert to the products as well as to the expenditures of their Government, and for them to insist upon high standards of prudence and competence in the spending of their money.

This report indicates specific as well as general courses of action for New Jersey State officials and employees. While theirs is the direct responsibility for efficiency and economy in the State Government, in the final analysis it is the people who bear the ultimate burden.

*U.S. Bureau of the Budget, Management Bulletin "Progress in Measuring Work" (August 1962)
Page 7.

The late Chief Justice Charles Evans Hughes, in a Yale University lecture on the responsibilities of citizenship, once stated the case for governmental efficiency and economy:

“If there were no other reason for insisting upon efficiency, it should be sufficient to point out that the cost of government is increasing at a tremendous rate. Inefficiency is simply waste of public money; taxation to supply waste is nothing but extortion. This not only causes loss with respect to particular outlays; it prevents progress.”

Those words, written in 1910, are just as true today.

APPENDIX
Table A
State & Local Governments
Direct General Expenditures (Noncapital)
(In Millions of Dollars)
Fiscal Year 1961

State	State Expenditure	Local Expenditure	Total Expenditure	% State To Total
Connecticut	\$ 231.5	\$ 372.4	\$ 603.9	38.3%
Maryland	184.4	492.7	677.1	27.2
Massachusetts	331.5	1,025.7	1,357.2	24.4
New Jersey	261.1	1,241.2	1,502.3	17.4
New York	858.6	4,016.7	4,875.3	17.6
Pennsylvania	775.4	1,511.8	2,287.2	33.9
50 States	\$12,139.6	\$29,630.4	\$41,770.0	29.1%

Source: U. S. Census Report "Governmental Finances in 1961", (10/26/62) Pages 30 through 36.

Table B
State & Local Governments
Direct General Expenditure (Noncapital) By Function
Percentage of State to Total State-Local
Fiscal Year 1961

State	Educa- tion	High- ways	Health & Hospitals	Public Wel- fare	Po- lice	Finan- cial Admin.	All Other Functions
Connecticut	13 %	53 %	83 %	87 %	17 %	47 %	32 %
Maryland	15	31	71	1	13	58	28
Massachusetts	8	44	59	84	9	46	33
New Jersey	9	31	36	10	10	36	19
New York	7	16	43	1	4	55	30
Pennsylvania	11	53	80	83	17	43	25
50 States	18 %	35 %	50 %	49 %	13 %	46 %	28 %

Source: Same as for Table A. Percentages are calculated.

Table C

**State Governments Expenditure - Per Capita
Fiscal Year 1961**

State	Direct Expenditure		Intergovernmental (State Aid)
	Current Operation	Capital Outlay	
Connecticut	\$65.14	\$44.44	\$25.70
Maryland	51.83	28.07	62.95
Massachusetts	54.25	29.06	60.38
New Jersey	36.66	17.90	29.46
New York	43.71	42.34	79.83
Pennsylvania	63.66	26.00	39.53
50 States	\$56.99	\$37.68	\$55.51

Source: U. S. Census Report, "Compendium of State Government Finances in 1961"
(undated) Page 50.

Table D

**State & Local Governments
Employment and Payrolls
Fiscal Year 1961**

State	Per 10,000 Population			Per Capita		
	State Em- ployees	Local Em- ployees	Total Em- ployees	State Payroll	Local Payroll	Total Payrolls
Connecticut	94	198	292	\$4.04	\$ 9.52	\$13.56
Maryland	82	226	308	3.38	9.78	13.16
Massachusetts	77	258	335	3.13	10.72	13.85
New Jersey	54	232	286	2.29	11.06	13.35
New York	70	298	368	3.12	14.31	17.44
Pennsylvania	75	180	255	2.80	7.24	10.04
50 States	79	240	319	\$3.22	\$10.05	\$13.27

Source: U. S. Census Report "State Distribution of Public Employment in 1961"
(4/27/62) Pages 9, 11, 12. Payrolls per capita are calculated.

Table E
State Governments Pay-Rates, By Function
Fiscal Year 1961

State	All Functions	Institutions of Higher Education	Highway	Health and Hospitals	Welfare	Financial Administration
Connecticut	\$431.18	\$492.76	\$435.30	\$379.61	\$385.43	\$428.42
Maryland	410.23	525.48	414.41	338.22	540.98	343.84
Massachusetts	408.79	485.16	450.85	349.60	378.97	438.83
New Jersey	424.58	569.45	431.34	335.09	389.12	395.11
New York	447.45	567.93	453.05	392.77	482.32	411.83
Pennsylvania	374.66	440.16	378.18	322.00	398.66	328.03
50 States	\$408.52	\$486.79	\$390.92	\$332.32	\$368.06	\$402.64

Source: U. S. Census Report "State Distribution of Public Employment in 1961" (4/27/62) Pages 14 through 21. Average pay rates are calculated.

Table F
Motor Vehicle Traffic Deaths
and Mileage Death Rates*
1959 - 1960 - 1961

State	1959		1960		1961	
	Deaths	Rate	Deaths	Rate	Deaths	Rate
Connecticut	249	2.6	274	2.8	278	2.8
Maryland	524	4.8	511	4.5	458	3.9
Massachusetts	557	3.2	578	2.8	575	3.0
New Jersey	762	3.1	741	2.9	779	3.0
New York	2,222	4.8	2,046	4.4	2,167	4.5
Pennsylvania	1,685	4.3	1,609	4.0	1,486	3.7
TOTAL U. S.	37,800	5.4	38,200	5.3	38,000	5.2

* No. of Deaths per 100,000,000 vehicle miles.

In 1959 New Jersey's rate was 3rd smallest among 48 States.

In 1960 New Jersey's rate was 4th smallest among 48 States.

In 1961 New Jersey's rate was 3rd smallest among 49 States.

New Jersey rates for prior years were:

1958	3.2
1957	3.5
1956	3.3
1955	3.4
1954	3.8

Source: National Safety Council Publication "Accident Facts".

Table G
State & Local Highway Expenditures
(Noncapital, including Toll Highways)
In Relation to Vehicle Miles
Fiscal Year 1960

State	Miles Millions	Miles Per-Capita	Highway Expenditure Dollars Per-Capita	Miles Per Dollars Expended
Connecticut	9,810	3,870	\$22.80	169.7
Maryland	11,321	3,651	13.58	270.2
Massachusetts	17,864	3,470	19.72	176.0
New Jersey	25,230	4,159	15.63	266.1
New York	47,328	2,820	17.59	160.3
Pennsylvania	40,225	3,554	15.56	228.4
50 States	716,276	4,011	\$17.15	233.9

Source: (a) U. S. Bureau of Public Roads Report "Highway Statistics 1960" (undated). Data on Pages 6 and 80 used to calculate miles traveled.
 (b) U. S. Census Report "Final Population Counts". (11/15/60)
 (c) U. S. Census Report "Governmental Finances in 1960" (9/19/61) Page 30.

Table H
State Governments Long-Term Debt
(Per Capita - Less Exclusions*)
Fiscal Year 1961

State	Per-Capita Amount
Connecticut	\$100.80
Maryland	151.79
Massachusetts	159.41
New Jersey	29.17
New York	36.20
Pennsylvania	64.16
50 States	\$ 56.90

*Toll facilities and other designated self-financing debt.

Source: U. S. Census Report "Compendium of State Government Finances in 1961" (undated). Debt data p. 39, population data p. 56.