

REPORT CONCERNING GENERAL PUBLIC ASSIST-
ANCE IN NEW JERSEY DURING 1938 AND
THE PROBABILITIES FOR 1939

N. J. Financial assistance commission.
1939

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STATE OF NEW JERSEY
FINANCIAL ASSISTANCE COMMISSION
150 EAST STATE STREET
TRENTON, N. J.



ARTHUR MUDD
DIRECTOR

January 10, 1939

TO THE HONORABLE A. HARRY MOORE, GOVERNOR,
AND TO THE SENATE AND GENERAL ASSEMBLY
OF THE STATE OF NEW JERSEY:

I am pleased to submit for your consideration this report of the Financial Assistance Commission concerning general public assistance (relief) in New Jersey during 1938 and the probabilities for 1939.

Unlike the 1937 (Chapter 43) Relief Act, 1938 relief legislation recited no estimated annual cost or stipulated a specific sum as the municipalities' collective share or contribution. The Commission learned through two of its members, also members of the State Legislature, that the Legislature in their discussions estimated the cost of 1938 relief at \$19,000,000 and from that sum deducted \$5,000,000 for anticipated reductions because of the secondary roads program, thus leaving \$14,000,000 to be provided jointly by State and municipalities.

The Legislature authorized the State Treasurer to transfer to the credit of the Financial Assistance Commission certain sums aggregating slightly over \$10,000,000, indicating a municipal share of at least \$4,000,000.

Transfers authorized under various Chapters were:

Chap. 89, P.L. 1938 - Motor Fuels	\$ 3,000,000
Chap. 90, P.L. 1938 - Grade Crossing	1,130,000
Chap. 91, P.L. 1938 - General	1,000,000
Chap. 94, P.L. 1938 - Teachers Pension <i>General</i>	4,890,398
Total	
\$10,020,398	

The Commission decided that collectively municipalities should pay at least 25% of the annual cost but in any event not less than \$4,000,000. This decision emphasized in a number of bulletins and press releases, unquestionably had some effect in holding down relief costs.

Funds transferred to the Commission for 1938 relief came from the following sources:

Chap. 90, P.L. 1938 - Grade Crossing	1,130,000
Chap. 91, P.L. 1938 - General	1,000,000
Chap. 94, P.L. 1938 - Teachers Pension <i>General</i>	4,000,000
Chap. 60, P.L. 1935 - Transferred by Governor	
July - Motor Fuel	2,000,000
Aug. - Motor Fuel	1,000,000
Oct. - Motor Fuel	1,000,000

Total \$10,130,000

Of the total receipts \$365,090 was allocated for administrative expenses, sponsor share for surplus commodities project and a small amount of ERA obligations, CCC, etc.

We now have reports from 468 municipalities representing 98% of the State's population for the eleven months of the current calendar year. They indicate relief obligations incurred by the municipalities for the period January 1 - November 30, 1938 of \$20,936,328. Estimating the relief cost for the month of December at \$2,063,672 and adding this amount to the reported commitments for the eleven prior months, our latest estimated cost for the year is \$23,000,000.

On the basis that municipalities shall pay 25% of the annual cost, exclusive of the cost of administration, their share or contribution would be approximately \$5,750,000 requiring \$17,250,000 from the State if it is to assume 75% of the annual cost. There has been transferred to the credit of the Commission \$10,000,000, indicating a further requirement of \$7,250,000. In addition to their share of relief costs, municipalities have paid for local administration \$1,800,000.

Relief for the first six months of the calendar year 1938, costing \$12,000,000, has been liquidated through payment by the State of \$10,000,000 to the municipalities plus a collective contribution from them of \$2,000,000.

To date no payments on account of the second half of the calendar year 1938 have been made by the State and unless funds for the purpose are provided, the municipalities stand to assume and pay the entire burden of \$11,000,000. This amount plus their contribution of \$2,000,000 for account of the first half of the year and plus administrative costs of \$1,800,000, aggregates a total of \$14,800,000, which sum represents approximately 2.6 mills on \$5,597,120,301 net valuation taxable of reporting municipalities.

Due to unequal distribution of relief load among the several municipalities, the cost to the taxpayer in some localities and represented in mills or points in his tax rate will range anywhere from two to five times as great as the State average just cited.

A calculation on municipalities likely to be most adversely affected through failure of the State to provide additional funds for 1938, indicates that the cost of carrying the entire burden for the last six months plus contribution towards the first half year's cost, based on their 1938 net valuation taxable, will amount to anywhere from two mills (20 points) through thirteen mills (130 points) in their respective tax rates.

That a most intolerable financial condition exists is substantiated by the fact that at December 31, municipalities have actually paid out for relief for which they have not been reimbursed four and one-half million dollars (\$4,500,000). In addition, they are indebted to local vendors for relief given to the extent of six and one-half million dollars (\$6,500,000). For the last two or three months not only municipal officials but representatives of vendors have importuned this office for funds to liquidate these outstanding obligations.

A further condition arising out of the present situation is that municipalities incurring relief obligations beyond their appropriation are guilty of an over-expenditure which must be reported to the Prosecutor by the Commissioner of Local Government. On the other hand, if municipalities stop giving relief, they are refusing to comply with the provisions of Chapter 83, P.L. 1936 and therefore their officials are guilty of a misdemeanor.

* * * * *

Administrative expenses for the calendar year 1938 totaled \$249,298.93 analyzed as follows:

FAC Office-Salaries	\$104,898.46	
Other	<u>25,379.73</u>	\$130,278.19
Comptroller-Salaries	\$ 91,214.14	
Other	<u>13,536.27</u>	104,750.41
Treasurer-Salaries	\$ 12,946.66	
Other	<u>1,323.67</u>	<u>14,270.33</u>
		\$249,298.93

In addition the Commission paid on account of its 1938 sponsorship of the Federal Surplus Commodities Project, the following:

Salaries	\$ 31,231.69	
Trucking	67,018.51	
Warehousing	13,116.10	
Other	<u>43,184.68</u>	\$154,550.98

This cost is properly chargeable to relief as for each dollar expended \$12.00 of surplus commodities was made available to the needy in our state.

In addition, during 1938 the Commission transferred to the Department of Institutions and Agencies the sum of \$23,500.00 to cover the cost of selecting and placing enrollees in CCC Camps.

* * * * *

For a twelve months period ending November 30th, 1938, the Federal Surplus Commodities Project sponsored by the Financial Assistance Commission distributed 32,579,235 pounds, the value of which is estimated at \$1,854,374.

Distribution was made to relief recipients, WPA workers and other needy persons. (Border line cases kept off relief through their receipt).

The administrative cost for the Federal Surplus Commodities Project was \$154,551., which compared with the estimated value of commodities distributed shows that the state received approximately \$12. for every dollar spent.

AMOUNT OF POUNDS DISTRIBUTED AND ESTIMATED VALUE

		<u>Pounds</u>	<u>Estimated Value</u>
TOTAL.		32,579,235	\$1,854,374.
Apples	(Fresh)	1,855,383	79,905.
Apples	(Dried)	375,756	30,393.
Beans	(Dried)	943,805	75,504.
Beans	(Fresh)	149,256	11,940.
Beans	(String)	212,401	16,992.
Beets	(Fresh)	554,137	16,624.
Butter		683,354	218,673.
Cabbage		6,390,487	142,550.
Carrots	(Fresh)	342,892	10,287.
Celery		554,773	27,739.
Cereal	(Wheat)	138,500	6,972.
Eggs		563,501	108,056.
Fish	(Frozen)	262,451	26,245.
Flour	(Graham)	628,781	31,439.
Flour	(Wheat)	4,896,134	244,807.
Grapefruit Juice		396,724	31,738.
Milk	(Dry Skimmed)	222,634	20,037.
Milk	(Evaporated)	75,828	10,237.
Milk	(Skimmed)	65,213	5,358.
Oranges		4,124,174	164,967.
Peaches	(Fresh)	61,965	3,098.
Pears		1,143,214	57,161.
Peas	(Canned)	544,375	43,550.
Peas	(Dried)	187,843	16,906.
Potatoes		2,996,656	119,658.
Potatoes	(Sweet)	862,590	25,878.
Prunes	(Dried)	1,013,495	97,623.
Raisins		578,779	69,454.
Rice		1,066,517	63,441.
Shortening		365,333	54,800.
Tomatoes		297,241	17,834.
Cotton	(Garnetted)	25,043	4,508.

* * * * *

Relief for 1937 was estimated by the Commission's Director at about \$15,000,000. The actual cost \$16,000,000. The following year also was too conservatively estimated at \$20,000,000; actually, the cost approximates \$23,000,000.

Anticipating that in general business conditions will improve and private reemployment more than offset any layoffs by WPA, your Director hopefully estimated 1939 relief at \$22,000,000. ^{1/} It is pointed out this is purely an estimate and that any slight change in economic conditions for an extended period for better or worse is liable to throw it out 10 to 15% either way.

We recently asked each municipality individually to estimate their 1939 relief. These estimates total approximately \$22,500,000,

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The most urgent need is for enactment into law of a definite plan for relief financing which will:

- (1) Enable municipalities to know how much to include in their local budgets for relief.
- (2) Determine and fix the amount of the State's financial responsibility.
- (3) Provide adequate funds currently so that allocation to the municipalities through reimbursement may be promptly made by the Financial Assistance Commission

In preparing legislation, first consideration should be given as to how much of the relief cost can reasonably be borne by the real property taxpayer to whom must be passed the municipality's share or contribution plus the cost of local administration paid for by the municipality out of tax money.

The collective municipal share of \$3,000,000 in 1937 represented a maximum of 7 points and an average of $5\frac{1}{2}$ points in tax rates. The collective municipal share of 25% of the cost in 1938 (\$5,750,000) represented a maximum of 13 points and an average of 11 points in tax rates. Variations in the number of points both in 1937 and 1938 came about through allowance to individual municipalities because of less ability to collect their levy.

Some advocate a uniform flat number of points for all municipalities eliminating any allowance on account of lower tax collections.

^{1/} The Director's estimate was made before estimates from municipalities were received.

There are some who advocate municipalities paying a flat percentage of the cost of their relief or a percentage in terms of steps or grades. The percentage plan individually applied to municipalities would work a distinct hardship on taxpayers in those which through no fault of their own have disproportionately heavy relief loads. Proponents of the percentage-of-cost plan aver that relief rolls will be reduced because for every dollar spent, the municipality must pay a definite percentage. Any such plan will either result in an undue burden on real estate or a drastic reduction in the amount of relief granted individual cases which, under present standards, is far from adequate.

It is believed that under the plan following, incentive is provided for the municipality to do a reasonably economical relief job, that the municipality will know how much to include in their budget for relief and that the State's share or contribution will be pegged. For lack of a better name, this plan may be referred to as "the 10 point--25%--20 point plan".

Under this plan:

- (a) No municipality would receive State aid if their relief cost for 1939 amounted to 10 points (1 mill) or less on their current net valuation taxable.
- (b) The normal municipal share would be 25% of their 1939 relief cost but not in excess of (a ceiling or top of) 20 points.
- (c) No municipality would be obliged to include in their tax rate more than 20 points for relief. Cost of local administration additional.
- (d) Any savings non-participating municipalities make would as at present accrue entirely to their benefit.
- (e) Of any savings participating municipalities make, 25% would accrue to their benefit with 75% to the State (except those in two mill class where all savings accrue to the State).
- (f) Participating municipalities where 25% of their relief exceeds 20 points in the tax rate to be intensively supervised by the Financial Assistance Commission.

Having determined that municipalities can reasonably pay from 10 to 20 points for relief and estimated the collective municipal share or contribution on that basis, then the State share would be the difference between the municipal share calculated as before and the estimated cost of relief for the entire State during that calendar year.

The Legislature then to appropriate the full amount of the State share and definitely state in the bill that the State's obligation is strictly limited to that amount and that if the cost of relief for the calendar year when finally determined exceeds the sum of the State and municipal shares any such excess shall be charged back to the municipalities at the end of the year ratably on the basis of their respective relief costs. Municipalities would have ample notice to make emergency appropriations for the amount of the charge back.

Retaining the same basic principles, the plan outlined just above may be converted into a "15 point--30%--25 point" plan. The only differences being that no municipality would receive State aid if their relief cost amounted to 15 points or less and that the normal municipal share would be 30% of their relief cost but not in excess of 25 points. Obviously, the collective municipal share under a "15 point--30%--25 point" plan would be greater than under a "10 point--25%--20 point" plan.

While both the foregoing plans provide "incentives" for lower relief costs, they are hardly as "equitable" as the plan now in use which makes due allowance for unequal distribution of relief load and inability of the municipality to collect its entire tax levy. It is doubtful if a plan can be devised that will embody both a large amount of "incentive" and a similar amount of "equitability".

Submitted now is one additional plan embodying some of the features of our present formula but which fixes the municipal share at a maximum of 15 points ($1\frac{1}{2}$ mills) and modifies the allowance for inability to collect the tax levy at 50% of the present allowance.

Under this plan, municipalities would continue to be reimbursed for their relief expenditures in excess of their municipal share or contribution up to the amount of the State's share which would be pegged in the appropriation bill similarly as stated under the "10 point--25%--20 point" plan. Any excess above the combined State and municipal shares would be charged back to the municipalities ratably according to their relief expenditures.

The individual share for each participating municipality to be calculated in accordance with the following:

- (1) The sum of the amount of the 1937 taxes collected in 1938 added to the amount of the 1938 taxes collected in 1938 to be applied to the 1938 levy and a percentage determined. 1/

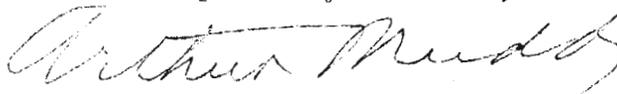
1/ Same as 1937-1938 formulas.

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- (2) One-half ^{2/} of the difference between the percentage figure as determined under paragraph (1) and 100% to be allowed as a reduction of the municipal share as calculated in the following paragraph (3) except that should the collection percentage as figured in paragraph (1) be 90% or more no allowance will be made.
- (3) The municipal share shall be $1\frac{1}{2}$ mills of the 1939 ratables for each participating municipality less the amount of allowance as calculated under paragraphs (1) and (2).

The aggregate municipal share calculated under the plan immediately foregoing will be more than under the "10 point--25%--20 point" plan but less than that under the "15 point--30%--25 point" plan.

Respectfully submitted,



ARTHUR MUDD, Director
State Financial Assistance Commission

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2/ 1937-1938 formulas allows 100% of difference