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Final Report

of the
New Jersey
TASK FORCE ON URBAN PROGRAMS

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INTRODUCTION

Chapter 325 of the Laws of 1970, entitled "An Act concerning certain programs and facilities for disadvantaged persons; providing for creation of a special commission, and making an appropriation," was enacted to relieve the City of Newark of a financial burden imposed by an agreement between the City and the College of Medicine and Dentistry of New Jersey, a State government facility. The act cancelled the agreement and, in addition, provided for reimbursement to the city of \$18,500,000 over a two-year period. While the agreement provided the occasion and justification for this special grant of funds, the Legislature undoubtedly was motivated also by a concern for assisting the state's largest city through a period of financial crisis brought on by a combination of low resources, high costs, and questionable fiscal practices in the immediate past.

As indicated in the title of the act, a special commission was established, called the Task Force on Urban Programs, consisting of four members appointed by the President of the State Senate and four appointed by the Speaker of the General Assembly. The Task Force was directed:

- (1) to oversee the expenditures made by the City from the State appropriation;
- (2) to report to the Legislature on these expenditures and on other matters deemed relevant to the fiscal situation and municipal administration of the city;
- (3) to make such other reports and recommendations to the Legislature

as it wished; and
(4) to render such advice and assistance to the City of Newark as the Task Force deemed advisable.

The Task Force first met on February 10, 1971. Since that time it has provided a number of reports to the State Legislature on its activities and on the expenditure of State funds by the City of Newark. On November 9, 1971, an Interim Report summarizing findings of the Task Force during the first nine months of its operations was submitted to Governor William T. Cahill and the Legislature. This Final Report concludes the statutory term of the Task Force.

While Chapter 325 was enacted to meet a specific problem facing Newark, the Task Force soon became acutely aware that Newark's situation was but symptomatic of other densely populated urban areas in New Jersey. The Interim Report, therefore, and this Final Report even more, direct their attention not only to the specific problems of financial administration in Newark, but to more general aspects of municipal finance in New Jersey.

NEWARK'S EXPENDITURE OF STATE FUNDS

The most immediate assignment of the Task Force on Urban Programs was to oversee the expenditure of \$18,500,000 of State funds by the City of Newark, half to be available in 1971 and half in 1972. The administrative device to permit such control, as provided in Chapter 325, was the requirement for the City to submit for Task Force approval a detailed spending plan. Approval of the director of the State Division of Budget and Accounting and of the Legislative Budget and Finance Director also was required before implementation of such a plan, as was the approval of the State Commissioner of Education if any of the funds were to be used for education or libraries.

Task Force members met frequently with City representatives during the Spring of 1971 as they prepared an expenditure plan. The plan approved by the City of Newark, the Task Force, and the State budget officers for 1971 called for expenditure of the full \$9,250,000 available in that year. The funds were to be used in five city agencies, as shown in Table 1. At the request of the Task Force, the plan included provisions for separate accountability for these funds, with specific line item identifications. The City of Newark agreed in connection with the expenditure of grant funds to maintain daily attendance records for all employees, daily records of the allocation of time worked, and daily records of equipment and facilities utilized, and to submit monthly reports of units of work completed, goals to be sought, and an evaluation of progress toward such goals. Where appropriated funds were unexpended, specific Task Force approval was required for transfers. As a result of these controls, \$738,130 of the \$9,250,000 appropriation was available

for reappropriation as of December 31, 1971 (See Table 1).

Table 1. Report of Expenditures and Encumbrances Under Chapter 325, Laws of 1970, for the Period January 1 - December 31, 1971

| | 1971 Budget <u>Appropriation</u> | Cash Expenditures <u>1/1/71-12/31/71</u> | Open Encumbrances <u>as of 12/31/71</u> | Available Balance <u>as of 12/31/71</u> |
|--------------------------------|----------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Division of Health | \$ 2,616,065 | \$ 2,374,305 | \$ 18,546 | \$ 223,214 |
| Division of Inspections | 971,054 | 914,311 | 476 | 56,267 |
| Bureau of Baths and Pools | 1,245,011 | 1,177,973 | 14,488 | 52,550 |
| Bureau of Parks and Grounds | 549,184 | 498,222 | 213 | 50,749 |
| Division of Sanitation | 3,868,686 | 3,513,336 | --- | 355,350 |
| Total | \$ 9,250,000 | \$ 8,478,147 | \$ 33,723 | \$ 738,130 |

A similar process of consultation between city representatives and the Task Force led to the adoption of a new expenditure plan for 1972, the second year of the State authorization. This plan included both the \$9,250,000 available for 1972 under Chapter 325 and the \$738,130 balance carried over from the 1971 plan. As shown in Table 2, additional city agencies were selected for the 1972 plan, in the hope that expenditure controls which appeared to have some effectiveness in 1971 could be extended.

The Task Force has authorized the City to include in its 1973 surplus available for reappropriation the balance of 1971 and 1972 funds unused as of December 31, 1972.

Table 2. Report of Expenditures and Encumbrances Under Chapter 325, Laws of 1970, for the Period January 1 - November 30, 1972

| | 1972 Budget Appropriation | Cash Expenditures 1/1/72-11/30/72 | Open Encumbrances as of 11/30/72 | Available Balance as of 11/30/72 |
|-------------------------------------------|---------------------------------|-----------------------------------------|----------------------------------------|----------------------------------------|
| <u>1971 Unspent Funds Reappropriated:</u> | | | | |
| Division of Inspections | \$ 533,190 | \$ 441,781 | \$ --- | \$ 91,409 |
| Police Department | 118,177 | 99,936 | --- | 18,241 |
| Municipal Courts | 48,763 | 48,094 | --- | 669 |
| Division of Sanitation | 25,000 | 9,600 | --- | 15,400 |
| Division of Motors | 13,000 | --- | --- | 13,000 |
| <u>Total - 1971 Funds</u> | <u>\$ 738,130</u> | <u>\$ 599,411</u> | <u>\$ ---</u> | <u>\$ 138,719</u> |
| <u>1972 Funds:</u> | | | | |
| Bureau of Baths and Pools | \$ 1,021,937 | \$ 777,545 | \$ 2,696 | \$ 241,696 |
| Division of Health | 2,022,005 | 1,671,619 | 5,930 | 344,456 |
| Division of Sanitation | 1,358,661 | 1,090,815 | 810 | 267,036 |
| Bureau of Traffic and Signals | 1,819,105 | 1,547,753 | 2,342 | 269,010 |
| Bureau of Streets and Sidewalks | 507,996 | 376,828 | 989 | 130,179 |
| Department of Fire | 1,915,320 | 1,374,371 | 54,285 | 486,664 |
| Bureau of Sewers | 604,976 | 461,468 | 4,985 | 138,523 |
| <u>Total - 1972 Funds</u> | <u>\$ 9,250,000</u> | <u>\$ 7,300,399</u> | <u>\$ 72,037</u> | <u>\$ 1,877,564</u> |
| <u>Grand Total</u> | <u>\$ 9,988,130</u> | <u>\$ 7,899,810</u> | <u>\$ 72,037</u> | <u>\$ 2,016,283</u> |

A brief supplement to this Final Report will be issued when final figures for 1972 are available.

FINANCIAL PROBLEMS IN NEWARK

During the latter part of 1971, the reports submitted by the City to the Task Force, earlier reports on City operations completed by other study groups, and the limited use of consultants made possible by very modest funds available through the Governor's office, enabled the Task Force to make some evaluation of the effectiveness of governmental administration in Newark. As a result, a number of conclusions and recommendations were made in the Task Force's Interim Report, and they are reprinted in Appendix A of this Summary Report.

The City has made considerable progress in renovating its fiscal and staff operations during the past year. As a result of improvements in computer operations, tax collection procedures, and cash management, some savings were realized in 1972. The City also created an internal audit unit in 1972 and commenced work on a new accounting system which, when completed, will provide centralized reporting of information on all public funds (federal, state, and local) within the City of Newark. If similar efforts can be implemented in the future to improve the actual delivery of services, Newark's government will have been up-graded significantly.

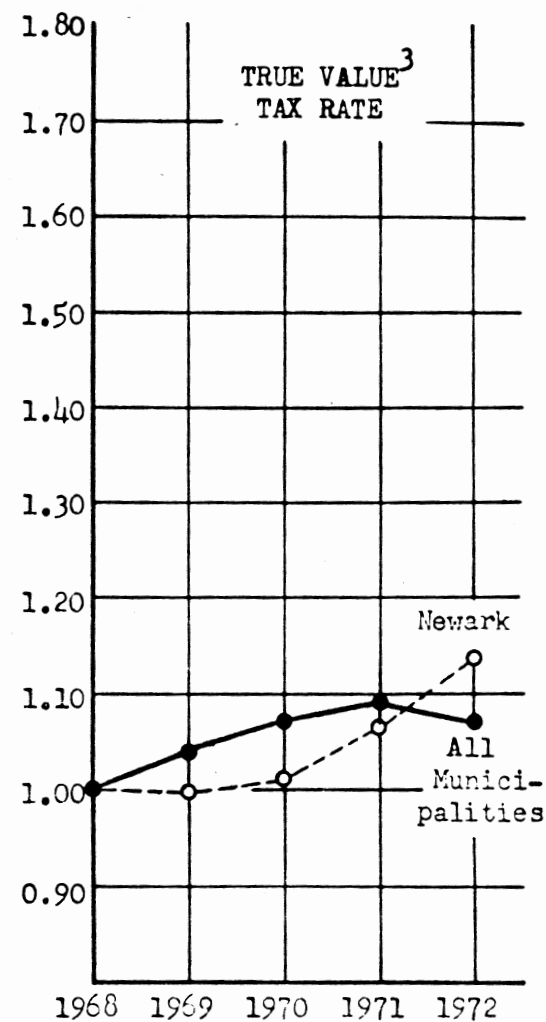
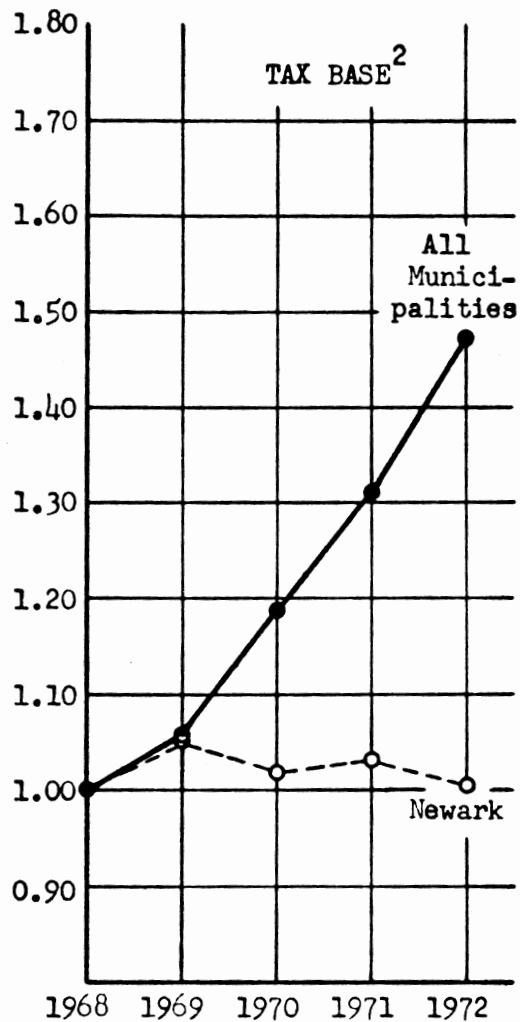
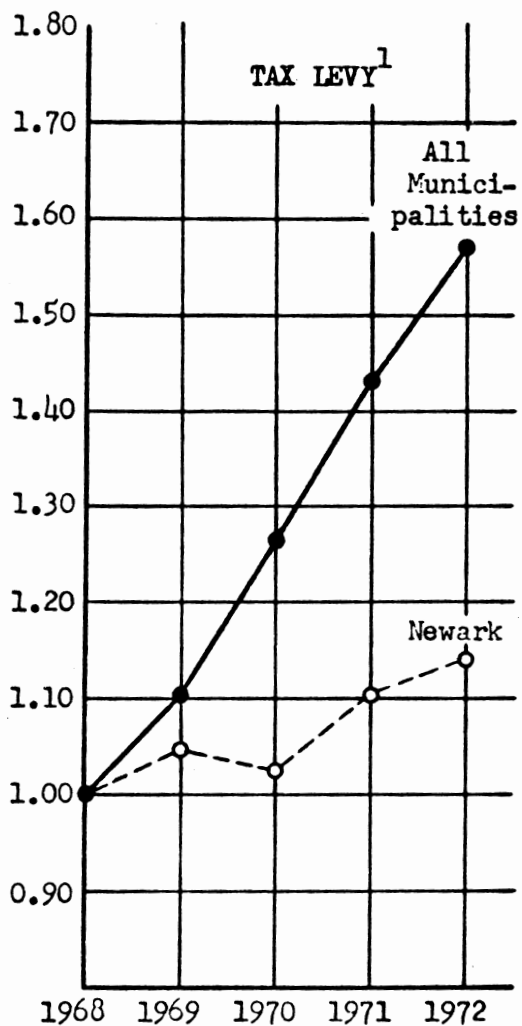
During 1972 the Task Force has placed less emphasis on monitoring administrative activities, but has devoted considerable time to relating the financial condition of Newark to general problems in the area of municipal financial administration in New Jersey. In many cases, the City of Newark appears to typify the problems of the older urban areas; in other instances, Newark is the advanced example of a situation which is becoming increasingly serious.

Throughout New Jersey, the amount of property taxes levied has been rising rapidly each year. At the same time, the true value of taxable property also has been rising, so that the tax burden, as expressed in a tax rate, has increased less drastically. In fact, the tax base expanded so spectacularly in 1972 on a state-wide basis that the tax rate actually dropped for the first time in many years (the fact that property value increased more rapidly than the tax bill is of little comfort to a property-owner, of course, unless the property is about to be sold).

In some places, however, the situation appears far more critical. Newark's tax data illustrates this (See Chart 1). While the total amount of property taxes levied in Newark grew between 1968 and 1972 at a pace far less than in the rest of the state, the tax base over which these taxes could be spread hardly grew at all in that period, and there is good evidence to indicate that the amount of taxable property in Newark has really been declining since at least 1969.

The rate of property abandonments has risen as the tax burden has increased. Even where property has not been abandoned, numerous owners have found it to their advantage to delay tax payments. Maximum interest rates of 8% on the first \$1,000 of delinquency and 12% on sums over \$1,000 apparently have not been sufficient to stimulate timely payments. The result is that Newark's true value tax rate has increased in recent years much faster than the tax rate in the rest of the state. (It should be noted that this discussion deals only with the growth of the tax rate in recent years. In absolute terms, Newark's tax rate was more than double the state-wide average both in 1968 and in 1972.)

CHART 1. Change in Property Tax Levy, Property Tax Base, and True Value Property Tax Rate, 1968-1972.
 (Shown as index numbers, where 1968 = 1.00.)



¹"Tax Levy" is Total Tax Levy on Which Rate is Computed, taken from county abstracts of ratables.

²"Tax Base" is Net Valuation Taxable, taken from county abstracts of ratables, divided by Average Ratio of Assessed to True Value, taken from Table of Equalized Valuations.

³"True Value Tax Rate" is "Tax Levy" divided by "Tax Base".

The above description of Newark's financial situation tells only part of the story, for Newark's relatively modest property tax levy increases in 1971 and 1972 were achieved only by the infusion of new short-term revenues, which may not be available in the future:

In 1971, the State Legislature provided a two-year authorization to Newark to levy several additional local non-property taxes. Two were implemented, a payroll tax and a parking tax, from which a total of \$11,600,000 was anticipated in the city budget. In addition, the Legislature, in Chapter 325 of the Laws of 1970, granted Newark \$9,250,000 per year for two years to cover reimbursement of expenditures made by the city for services by the State-operated Martland Medical Center.

In 1972, both of these revenue sources continued into their last authorized year, with the special local tax revenue now being anticipated at \$11,938,000, and the "Martland Aid" again at \$9,250,000. In addition, \$8,513,000 of Federal funds were received under the Emergency Employment Program.

If these special short-term revenues had not been received, Newark's true value tax rate in 1971 would have been \$8.53 per hundred instead of \$7.19, and in 1972 it would have been \$9.60 instead of \$7.65.

In addition, property taxes in Newark and other communities may well have been kept down by other Federal and State programs which provide quasi-municipal services, but which are difficult to identify

True value tax rate is tax levy divided by "tax base".

and evaluate financially since they operate outside of the city budget.

In 1973, Newark again faces the problem of balancing its budget. The special local taxes have been extended by the Legislature for a third year and \$5,500,000 is still available under the EEP, but the justification for the "Martland Aid" has ended. However, again a "windfall" of new short-term money has appeared through the Federal revenue-sharing legislation, particularly with its first-year retro-active feature which will make seven quarters of the normal annual allotment available for use in the 1973 city budget. It now appears that Newark's 1973 budget can be balanced with a \$1.5 million increase in property taxes, but only --

if all of Newark's revenue-sharing funds are used for tax reduction, and

if all of Essex County's revenue-sharing funds are used for tax reduction, and

if increases in expenditures, including particularly school cost increases due to a new teacher contract, are kept to very modest levels, and

if tax collections are anticipated at the maximum permitted under the law, and

if all surplus funds are reappropriated, with nothing being left for emergencies during 1973.

Even this "moderate" increase in property taxes -- far less than was originally anticipated -- will push Newark's 1973 true value tax rate close to \$8.00 per hundred unless the steady decline in the tax base is reversed.

Projections of the financial situation in Newark for 1974 are worse. The year-to-year process which Newark has had to follow, patching together a budget from odds and ends, has served only to obscure the seriousness of the city's financial situation. In 1974:

- (1) the authorization for the payroll and parking taxes will again expire, reducing available revenue by \$13,000,000,
- (2) the Emergency Employment Program, now providing \$5,500,000 annually, will expire,
- (3) the Federal revenue-sharing program will drop to only four quarters of funding, rather than seven quarters, decreasing the city's financial resources by \$6,300,000.

The loss of these revenues will result in a budget gap of about \$25,000,000 for 1974.

Budget projections made by the Task Force during the Fall of 1972 show no improvement, but only a steady worsening of Newark's situation through the decade of the 1970's:

1

Numerous assumptions must be made, of course, in such a projection, in addition to simply extending observed trends. Among the most important assumptions on which this projection by the Task Force is based are:

- (a) State Urbanaid funds will continue at the current level.
- (b) "Martland Aid" will be terminated in 1972.
- (c) The special local taxes will continue to be authorized on a year-to-year basis.
- (d) The Emergency Employment Program will not be re-authorized after 1973.
- (e) Federal revenue-sharing will fall back to normal funding levels in 1974, and will continue indefinitely at that level.
- (f) School operating expenses will continue to increase, but at somewhat less than the rate observed in the late 1960's.
- (g) State aid for schools will continue to increase until 1975-76 when "full funding" of the "Bateman" formula will be reached, and then will begin to decline as a percentage of total school costs.
- (h) Property values will continue to decline by 1% per year.

| <u>Year</u> | <u>Estimated Tax Levy</u> | <u>Estimated True Value Tax Base</u> | <u>Estimated True Value Tax Rate</u> |
|-------------|---------------------------|--------------------------------------|--------------------------------------|
| 1974 | \$ 130,857,000 | \$ 1,496,760,000 | \$ 8.74 |
| 1975 | 135,038,000 | 1,481,792,000 | 9.11 |
| 1976 | 143,306,000 | 1,466,974,000 | 9.77 |
| 1977 | 153,878,000 | 1,452,304,000 | 10.60 |
| 1978 | 165,474,000 | 1,437,781,000 | 11.51 |
| 1979 | 177,172,000 | 1,423,403,000 | 12.45 |
| 1980 | 189,933,000 | 1,409,169,000 | 13.48 |

There is a tendency to place the blame for rising tax rates on the city governments which act as tax collectors for the school districts and the county, as well as for themselves. In growing suburban communities, where school activities dwarf those of the general municipal and county governments, it has been well recognized that school costs weigh far more heavily on the property tax than do the expenditures for general governmental services. Until recently, this was not the case in the more urbanized centers of the State. Now, however, somewhat the same situation prevails in Newark as in fringe communities. New State aid programs for municipal governments and newly-authorized local non-property taxes in recent years have reduced the Newark municipal government's reliance on the property tax. The municipal purposes true

¹
The Urbanaid program, providing \$7 to \$9 million dollars per year to Newark, was initiated in 1969; other new aid programs and local non-property tax revenues provided to Newark are described above on page 9.

value tax rate declined from \$3.01 in 1968 to \$1.91 in 1972.² However,
this reduction in municipal property taxes resulting from other
revenue sources was more than balanced by the increasing demands of
the schools and the county governments. During this same 1968-1972
period, the school tax rate rose from \$2.47 to \$4.16 and the county
tax rate from \$1.21 to \$1.55, as shown in Table 3 on page 14 and in
Chart 2.

Improvement of the efficiency and economy of the city government,
desirable as it is, will do little to change the pattern of property tax
increases. This can only come in New Jersey through a fundamental change
in the method of financing public education and, to a lesser extent, the
cost of county government. If this is not done, additional aid programs
to municipal governments, in a city such as Newark, would simply
constitute hidden aid programs to education. This is what will happen
to Federal revenue-sharing in 1973 if it is used for tax reduction.
This is what has happened to other aid programs, both Federal and
State, in the past. The demands of the educational system on the local
tax dollar have been so great that they have eaten up funds ostensibly
provided for other purposes.

If the trends noted in the past are correct, county property taxes
in Newark will soon surpass the property tax levied for municipal
purposes, as they have already in many suburban communities. Aid
programs for municipal governments, then, will become indirect subsidies

2
Note that the years 1966 and 1967 in Newark are inadequate as a
base for measuring growth because budget manipulations in the election
year 1966 had to be made up in 1967.

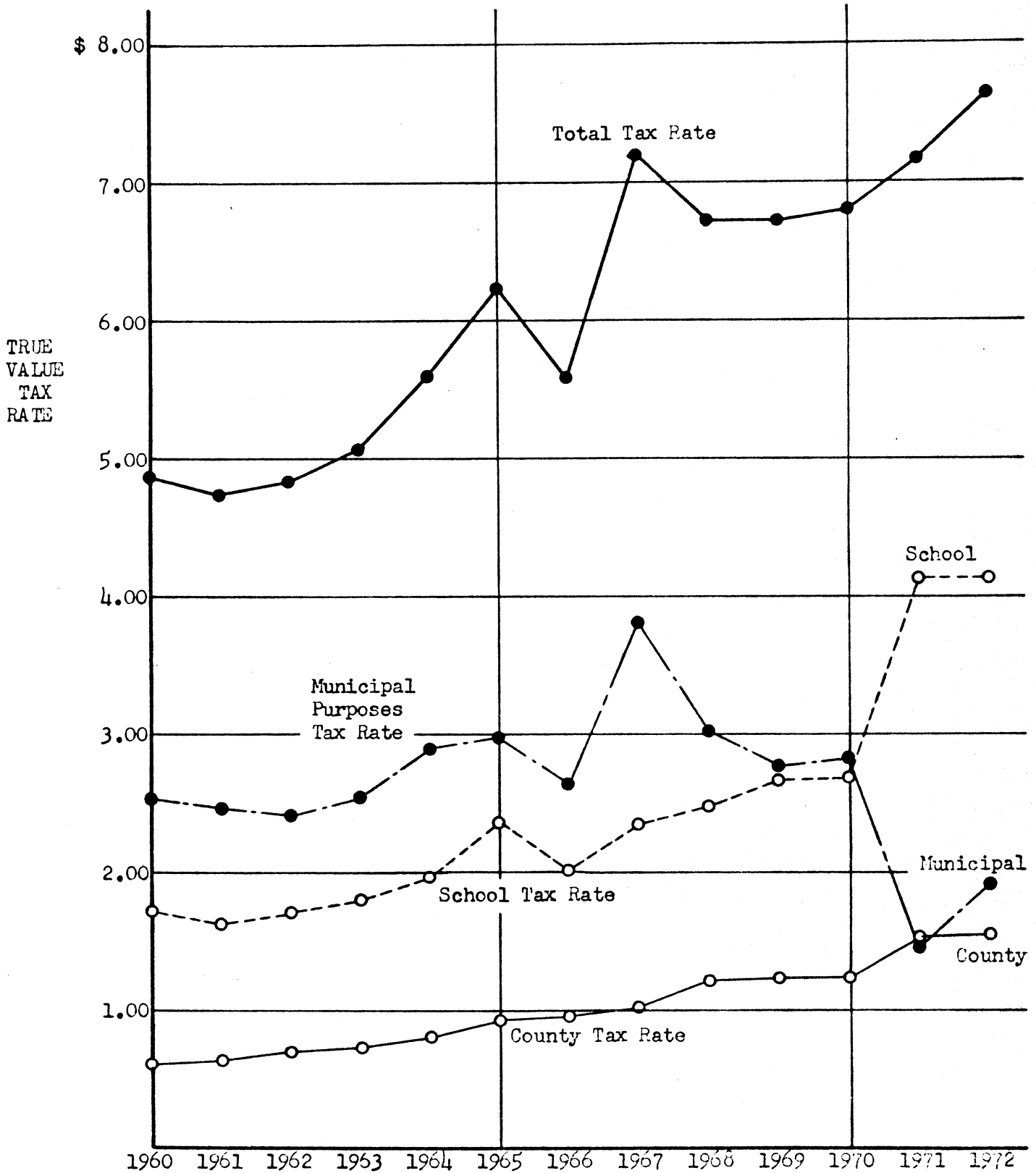
for the county as they are now for the school district. (see Chart 3).

Table 3. Newark True Value Tax Rate, 1960-1972, By Purpose.¹

| <u>Year</u> | <u>County Purposes</u> | <u>School Purposes</u> | <u>Municipal Purposes</u> | <u>Senior Citizens and Veterans</u> | <u>Total</u> |
|-------------|------------------------|------------------------|---------------------------|-------------------------------------|--------------|
| 1960 | .62 (13%) | 1.72 (35%) | 2.54 (52%) | - | 4.88 |
| 1961 | .65 | 1.67 | 2.41 | - | 4.74 |
| 1962 | .71 | 1.71 | 2.40 | - | 4.83 |
| 1963 | .73 (14%) | 1.80 (35%) | 2.56 (50%) | - | 5.08 |
| 1964 | .79 | 1.94 | 2.86 | .04 | 5.63 |
| 1965 | .87 | 2.36 | 2.96 | .05 | 6.24 |
| 1966 | .92 (16%) | 2.00 (35%) | 2.67 (47%) | .05 (1%) | 5.64 |
| 1967 | 1.02 | 2.36 | 3.78 | .05 | 7.21 |
| 1968 | 1.21 | 2.47 | 3.01 | .05 | 6.73 |
| 1969 | 1.23 (18%) | 2.69 (40%) | 2.75 (41%) | .04 (1%) | 6.72 |
| 1970 | 1.24 | 2.69 | 2.81 | .04 | 6.79 |
| 1971 | 1.51 | 4.16 | 1.48 | .04 | 7.19 |
| 1972 | 1.55 (20%) | 4.16 (54%) | 1.91 (25%) | .04 (1%) | 7.65 |

¹ Detail may not add to totals due to rounding.

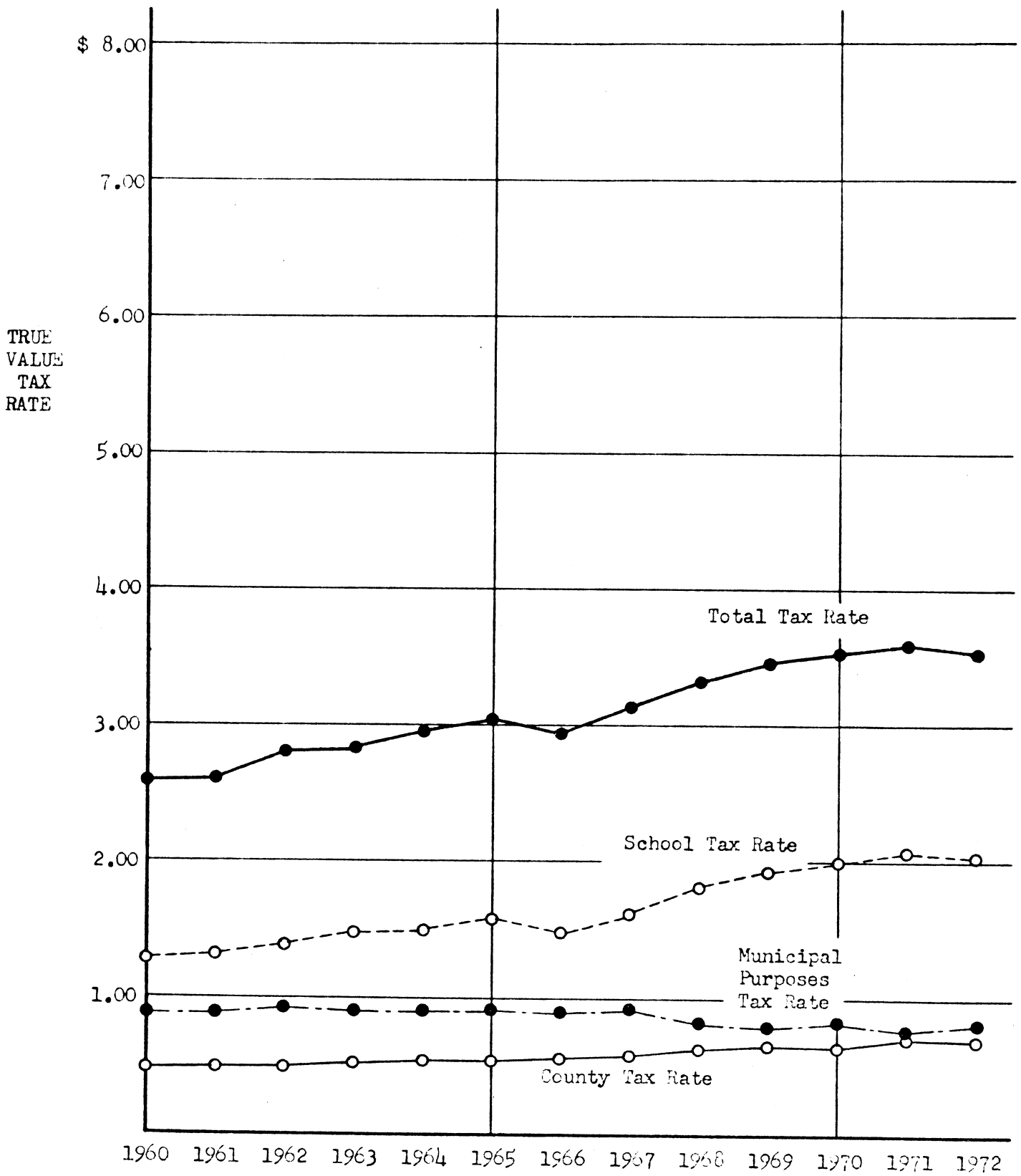
CHART 2. Newark True Value Tax Rate, 1960-72, by Level of Government



"True Value" found by dividing Net Valuation Taxable, taken from county abstracts of ratables, by Average Ratio of Assessed to True Value, taken from Table of Equalized Valuations.

"True Value Tax Rates" found by dividing taxes levied for specified purposes by "True Value".

CHART 3. State-wide True Value Tax Rate, 1960-1972, by Level of Government



"True Value" found by dividing Net Valuation Taxable, taken from county abstracts of ratables, by Average Ratio of Assessed to True Value, taken from Table of Equalized Valuations.

"True Value Tax Rates" found by dividing taxes levied for specified purposes by "True Value".

THE SHORT TERM SOLUTION -- 1973

Several steps already have been taken to reduce drastically the size of Newark's property tax increase in 1973 -- originally reported as high as \$64,900,000. With the impact shown in round figures, these steps were:

- (1) The projected city operating budget was cut by \$3,000,000.
- (2) Errors found in the original budget figures for school and municipal debt service and deferred charges were corrected and new estimates made, reducing the anticipated appropriation by \$5,000,000.
- (3) An expanded program of State aid for schools was enacted by the Legislature, reducing Newark's anticipated increase in school appropriations by \$8,500,000.
- (4) Congress enacted the Federal revenue-sharing program, and made it retroactive, enabling Newark to anticipate \$14,700,000 of new money in 1973. Similar funds due to Essex County, if used entirely for tax reduction, could benefit Newark. This approach, together with revisions in Newark's estimate of its 1973 county tax bill, reduced the projected property tax increase by almost \$4,000,000.
- (5) New estimates placed the surplus funds which could be reappropriated for 1973 \$6,000,000 higher than the city's earlier projection.
- (6) The State's Urbanaid program was reauthorized for another year at its current level, or about \$7,400,000 for Newark.
- (7) The Legislature extended Newark's authority to levy special local taxes for one more year, permitting the City to continue collecting about \$13,000,000 from this source.
- (8) All of the above changes permitted a reduction in the anticipated

tax levy and, therefore, a reduction in the anticipated reserve for uncollected taxes of \$5,000,000.

- (9) These gains were balanced to some extent by reduced revenues resulting from such causes as the projected closing of Ivy Haven and the end of the Federal Emergency Employment Program, amounting in total to about \$-3,200,000.

The net effect of these changes still leaves Newark with an approximate \$1,500,000 increase in tax levy. The Task Force believes that this is a valid presentation of Newark's fiscal situation in 1973.

The short-range question is whether anything further can or should be done to ameliorate this situation. City financial officers have suggested that a unique feature of Newark's fiscal position is its declining tax base in recent years. They argue that this fact indicates that Newark is merely in a more advanced state of deterioration than other New Jersey communities, and that the State has an interest in and should have an obligation to halt such declines by providing additional State aid support. In a period when most property values throughout the state are rising rapidly, this argument carries additional weight. The Task Force agrees with this approach, but only on an interim basis, and suggests that a one-year program be initiated to provide additional State financial support to communities in which the tax base is declining. While no specific formula is recommended, the Task Force suggests that the following guidelines be used:

- (1) The State grant should guarantee the municipality a stable tax base, with the size of the grant being determined by multiplying the stabilized tax base by a tax rate. In order to prevent manipulation

of the data, the tax rate should either be set at the actual rate applied locally at some time in the past, or it should be determined by non-local factors. For example, the average state true value tax rate might be used.

- (2) the base period for establishing a decline in the tax base should extend for more than a single year, probably being fixed at a three-year average of equalized valuations, set at some time in the recent past.
- (3) if possible, the base period figures should be related to population served, to reduce the effect of radical population changes on the size of the State grants.
- (4) the program should be generally applicable to any community which demonstrates a declining tax base, not to Newark alone.

A demonstration of how this approach might be implemented is presented in Appendix B.

THE LONGER RANGE SOLUTION

Members of the Task Force are convinced that the urban centers of New Jersey, such as Newark, must have assistance in order to survive. Over the years, the boundaries of such places have been so constricted that now, when they house the bulk of the state's low income population, their resources are not sufficient to provide the public services required. There are two ways in which such assistance could be rendered. In the first approach, the State could provide financial aid to supplement the resources of the cities in meeting their current and future obligations. This is the approach now being used in New Jersey through a variety of programs. In the second approach, certain fiscal responsibilities which now constitute a drain on the limited resources of the cities could be assigned to other levels of government having broader resources. This is the approach which the courts have been hinting at in recent decisions concerning public education.

The Task Force believes that both of these approaches are valid and that both should be pursued. It recommends, therefore:

- (1) that the State of New Jersey should assume the responsibility for financing the public school system of the state.
- (2) that other local public expenditure programs should be examined to determine whether the need for the function and the financial resources to provide it are so uncorrelated that these programs also should be taken over by a different level of government. Public welfare and the court system are logical programs for such an examination.
- (3) that the present patchwork of fiscal aid to local government should

be consolidated into a single program recognizing local needs and local resources, and established at such a level that individual communities are not penalized, either through high taxes or low services, by their lack of resources.

- (4) that optional local taxing powers should be abolished. Such powers, while expedient over the short term, are undesirable in New Jersey, since the limited geographic size of each municipality fosters inter-municipal competition, and permits citizens and businesses to avoid taxation by simply moving to the community which does not impose the taxes.
- (5) the State should consider providing incentives to encourage industrial and other business enterprises to locate, expand and improve facilities in economically underprivileged urban areas in order to provide job opportunities for residents of such areas.

The reduction in property taxes which might result if the State were to assume responsibility for financing the public school system and various county services would not in itself assure the rebirth of manufacturing or other business activity in Newark. For example, the recent State Tax Policy Committee report estimated that if its proposals for reducing property taxes had been in effect in 1971, the true value tax rate in Newark would have been reduced from over \$7.00 to \$4.24. We believe it would be unrealistic to expect that such a reduction alone would attract new business to the City or encourage businesses that are presently located there to remain, since the tax rates of most other municipalities would still be substantially lower than Newark's.

Accordingly, we urge that the Legislature consider a comprehensive

program of positive economic incentives for economic development. These could take the form of State business franchise tax credits (or deferments) such as were recently adopted in New York State, special amortization for urban investments, training and/or employment subsidies, and such other meaningful inducements as the Legislature's ingenuity might develop.

In addition to these basic changes in the system of financing New Jersey local government, there are other changes of an administrative or management nature which are essential if competent performance is to be encouraged:

- (6) a consolidated program budget and accounting system should be established by the State for use in every municipality, accounting for all funds expended in the community by any federal, State, county, or municipal agency. If this were done and the information made public, citizens would be informed as to the expenditures in specific functional areas and programs (e.g. education, welfare, health, etc.), and might be in a better position to judge the performance of elected and appointed officials.
- (7) a system of performance standards for municipal services should be developed by a State agency as a means to measure efficiency and to compare performance. Such measurement would be an incentive to improve local government services, as well as a means for evaluating the use of assistance funds. Performance standards also could be used to demonstrate the economies which might be possible through joint operation of some municipal services.
- (8) more demanding standards for municipal audits should be established by the State, and they should deal with evaluation of performance

measured by objective standards, as well as testing the legality of expenditures.

- (9) in addition, State agencies should become more involved in the conduct of independent financial and performance audits where State funds or standards are involved, and the reports should be given more publicity.
- (10) a permanent State review commission should be established to oversee and evaluate State aid programs for municipal governments.
The commission should be staffed adequately to investigate the use of State funds and to conduct periodic reviews of the effectiveness of State aid programs.
- (11) legislation should be enacted requiring that the reserve for uncollected taxes be based on something less -- perhaps a two percent margin -- than the previous years' collection percentage.
This would provide some safety margin for communities where tax collection trends are downward.
- (12) maximum interest rates chargeable by law against delinquent tax bills should be substantially increased for non-residential properties.


While most of these management recommendations have been aimed specifically at municipal governments, in the opinion of the Task Force they are equally applicable to the counties and school districts. All local units of government in New Jersey have been created by the State; it is the State's responsibility to insure that they are capable and, in fact, do provide effective, efficient, and economical government to the citizens of New Jersey.

CONCLUSION


The Task Force on Urban Programs was established because of a financial crisis in the City of Newark, and it was charged with overseeing various aspects of the financial administration of that city. In the course of its work, the members of the Task Force, at times, observed discouraging evidence of Newark's situation and, particularly in its Interim Report, criticisms were directed at city personnel, both past and present. While many of these criticisms may still stand, it is apparent that there has been some progress. Nevertheless, the one point on which there can be little doubt is that the solution to Newark's problems cannot be achieved by Newark alone. The city's resources are too limited and the task is too great. It is the hope of the Task Force members that the recommendations in this report, if implemented, will at least provide Newark -- and all other communities in New Jersey -- with a chance to solve its own problems in the future.



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APPENDIX A

SUMMARY OF RECOMMENDATIONS MADE IN TASK FORCE INTERIM REPORT
OF NOVEMBER 9, 1971

As to the State of New Jersey

1. The State of New Jersey should participate in a review and reorganization of the Newark Division of Health.
2. The State of New Jersey should require the City of Newark to take steps to coordinate recreation activities, whether run by the city government or by the board of education, before granting any further state funds or approving the grant of federal funds for recreation purposes.
3. The State of New Jersey should institute review and control procedures over capital expenditures for all municipalities receiving Urban Aid.
4. The State of New Jersey should consider requiring a fiscal note to be attached to all local bonding ordinances.
5. The State Administration, in consultation with the Judiciary, should immediately take whatever steps are possible to expedite court action on code enforcement proceedings, and should provide additional state inspection manpower where necessary.
6. The State of New Jersey should give consideration to whether improved procedures for local code enforcement can be devised, including the possible substitution of administrative hearings for judicial proceedings.

As to the City of Newark

1. The City of Newark should consider requesting permission to use an anticipated surplus from the first year's allocation of state funds under Chapter 325, Laws of 1970 for the purpose of cleaning up rubble and debris throughout the city.
2. The City of Newark should recruit fully qualified employees wherever possible; it should institute and require participation in training programs for its own personnel; and it should make maximum use of existing training facilities and of state and federal personnel loan programs.

3. The Mayor and Council of the City of Newark should take steps jointly to review the present administrative structure of the city government under the existing charter, and should make any necessary changes to clarify responsibilities.
4. The City of Newark should prepare an operational plan, including a staffing plan so that a coherent approach related to the current needs of the city can be taken to reducing or increasing personnel when vacancies occur.
5. The City of Newark should investigate all alternatives available for retiring older employees on an equitable basis.

Overview

In view of the slow pace being set in Newark, a substantial question arises as to whether the city can resolve its problems. Accordingly, an approach might be for the State to consider the exercise of fiscal and legislative powers at the state level in order to entice or mandate change. Areas where this type of action might be feasible would include:

1. More sophisticated financial planning and coordinating systems at the state level which would provide officials responsible for policy and planning with information to assist in the allocation of state and federal funds among municipalities in general, and among competing programs and services within a municipality.
2. Revision of the municipal financial reporting practices which would require accounting for all funds, federal, state and local, expended within the municipality in a manner which would identify the total amount spent on various services and programs.
3. Study and experimentation of various types of services and methods of revenue supplementing which the State can provide to municipalities.
4. Study and experimentation with various indicators to determine a method for evaluating social performances, quality of services and program effectiveness.

APPENDIX B

POSSIBLE FORMULA FOR TAX BASE STABILIZATION GRANT

Stabilization Grant - Multiply the Base Period Tax Base Per Capita by the most recent population estimate for the municipality to find the Stabilized tax base. Subtract from this the Equalized Valuation for the most recent year to find any decline in the tax base since the Base Period. Multiply the result by the Base Year Tax Rate, to find the amount of the Stabilization Grant.

Base Period - Suggest using 3-year period beginning when present assessment procedures were first implemented by statute: Years 1968-69-70.

Base Period Tax Base Per Capita - Divide the Total Equalized Valuation for the 3-year period by the estimated population for the three years. Round off to nearest whole dollar.

Base Year Tax Rate - Divide the Total Tax Levy on Which the Tax Rate is Computed for the 3-year period by the total Equalized Valuation for the 3-year period. Round off to the nearest penny per hundred dollars of Equalized Valuation.

Demonstration: Newark for 1973 Budget

| | <u>Equalized Valuation</u> | <u>Total Tax Levy on Which the Tax Rate is Computed</u> | <u>Census Population</u> | <u>Estimated Population</u> |
|------|----------------------------|---------------------------------------------------------|---------------------------|-----------------------------|
| 1968 | \$ 1,535,065,966 | \$ 102,229,396 | 1960-405,220 | 1969-384,259 |
| 1969 | 1,601,500,279 | 197,231,809 | 1970-381,930 | 1968-386,588 |
| 1970 | 1,546,489,712 | 104,759,546 | 10/23,290 | |
| | <u>\$ 4,683,055,957</u> | <u>\$ 314,220,751</u> | -2,329 | |
| | | | estimated change per year | |

Base Period Tax Base Per Capita.....\$ $\frac{4,683,055,957}{386,588 + 384,259 + 381,930}$ = \$ 4,062

Base Period Tax Rate.....\$ $\frac{314,220,751}{4,683,055,957}$ = \$ 6.71/hundred dollars

1972 Equalized Valuation: \$ 1,526,892,708
 1972 Estimated Population: 385,200

Stabilization Grant... $\left[(\$4,062)(385,200) - \$1,526,892,708 \right] \left[\frac{\$6.71}{\$100} \right] = \$ 2,535,688$