

PUBLIC HEARING

BEFORE

JOINT COMMITTEE ON STATE TAX POLICY

(PURSUANT TO SCR-64)

HELD:

NOVEMBER 9, 1978  
ASSEMBLY CHAMBER  
STATE HOUSE  
TRENTON, NEW JERSEY

MEMBERS PRESENT: SENATOR STEVEN P. PERSKIE  
ASSEMBLYMAN RICHARD VAN WAGNER  
SENATOR WALTER E. FORAN  
SENATOR CHARLES B. YATES  
ASSEMBLYWOMAN BARBARA W. McCONNELL  
ASSEMBLYMAN DONALD J. ALBANESE

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SENATOR STEVEN P. PERSKIE.

Good morning ladies and gentlemen. As Chairman of the Joint Committee on State Tax Policy let me introduce Senator Walter Foran who is seated to my left, and on my right is Gil Deardorff, Staff Aide to the Joint Committee.

We have scheduled a hearing this morning to take input from a variety of different organizations with respect to the subject matter under the jurisdiction of the Committee. We have conducted ten other public hearings throughout the State in the course of the past six months.

For the record, let it be noted that Treasurer Goldman and Director Glaser were scheduled to be present but due to a conflict they are unable to be here, however, they will appear before the Committee at some future date. Our first speaker this morning is Mr. John Laezza, Director of the Division of Local Government Services in the Department of Community Affairs. He was invited to appear before the Committee to present his comments on some of the areas that are under critical consideration, with specific reference to the "CAPS", aid aprograms, and other areas of particular interest to this Joint Committee and the Legislature. Thank you for coming.

MR. JOHN LAEZZA. Thank you, Mr. Chairman. I have a prepared statement (see Appendix) to answer those broad concerns but I will be happy to answer any questions which I'm sure you will have. I have several copies of my statement for the members of the Committee. I will get into it quickly so that we can get to the questions. Thank you for inviting me.

The State CAP law is working well, I think. The outcome is, frankly, better than I had anticipated. That's not to say there are no problems with the legislation. In fact this morning I will discuss some of the problems.

The CAP law as written is short in terms of length and, therefore, requires a great deal of administrative interpretation. In particular, there has been a great deal of criticism from legislators and staff and even some local officials about the interpretations. It's our feeling that our interpretations represent what the law actually intended. Maybe the Legislature should relook at the law if they think it's been misinterpreted and rewrite it in an understandable, workable manner.

I don't think I should go into what the CAP law says. We're all very well aware of what it says, however we did have a great number of areas of flexibility, we have accepted certain areas and did allow for certain additions because of the revenues.

Contrary to public opinion, I think it is a Home Rule law in that it does allow a municipality the option to increase the budget beyond the cap, if they sought additional services by referendum. That referendum could be to any amount, contrary to what the newspapers say. It's not a referendum to exceed the CAP by 3% but a referendum to whatever degree the citizens will allow their officials to raise their budget. It's interesting to note that in the first two years of the CAP law, there were three referendums in 1977 and fourteen in 1978. Which brings one or two points up. Either the CAP law is not unrealistic or that the local elected officials can feel the pulse of voter sentiment to be anti-government spending.

In 1977 the three communities that went to referendum did, in fact, allow the governing bodies to seek the CAP. In 1978 four out of fourteen said "yes", to ten local governments who said "no, do not exceed the CAP".

The problem that was very evident in 1978 related to the excessive snow storms we had and the massive road damage that was sustained by local governments. This problem caused a great deal of concern and if 1979 winter is the same we're going to have a two-fold problem.

The other specific areas of concern that I'd like to talk about today are the emergency appropriations process, PERC and binding arbitration rulings. And then I would discuss problems of pensions, insurance and utility costs.

The 3% emergency appropriation by ordinance, which allows a municipality to meet emergency demands outside the CAP has several flaws:

1. The law as it is written indicates emergency ordinance can only take effect after the budget is finally adopted. Thus, municipalities working within the budget making process the first three months of the year, if emergencies occur during that process those emergencies must be included in the budget at that time. Those emergencies then are, in fact, part of the CPA. So that it's conceivable that during the first three months of the year, and it was evident in 1978 during the snow storm that they had to pass an emergency resolution to the appropriations to meet those snow needs and then have to cut back on services. If it is the intent of the Legislature to grant CAP waivers and not emergencies as the law is written, then fine, and I think it should be reviewed. I would further recommend a less bureaucratic process to get that thing going.

2. The definition of emergency as spelled out in the Budget Law is being misinterpreted by many communities. It's being misinterpreted to mean "we really have an emergency", "we have established another budget priority" or "we are going to under-budget to live within the CAP and now we want the Local Finance Board permission for an emergency ordinance to exceed the CAP." It's the responsibility of the Division of Local Government to assure that all budgets are true, correct and in recognition of the laws of this State. Rather than the foregoing, it should be the responsibility of the officials to indicate that an emergency has, in fact, come up after we adopted the budget. We used the funds in our budget to meet that emergency and now we need permission to supplement that budget by emergency appropriations.

The CAP law only refers to emergency pursuant to R.S. 40A:4-46. There are a number of other emergency procedures in the budget law. Emergency procedures that could pare down for the year, special purposes. They are noted in my statement (see Appendix) in response to tax title liens, revaluation programs, master plan, modification of ordinances, engineering and preliminary studies for sewer systems. There are special emergencies for those damages caused by hurricanes and floods and ice and snow. These are real emergencies. Now, in the case of emergencies the budget law allows the municipality to raise the funds over a period of anywhere from three to five years. However, under the CAP law as it's interpreted, these emergencies are not outside the CAP, and they can place a terrible burden on municipalities.



3. The emergency procedures were instituted to allow the public the right to voice their opinion at public hearings. In the two years that the Local Finance Board to review emergency ordinances to exceed the CAP, there were few of those with citizen participation in regards to the process. So that subsequently those ordinances required additional advertisement costs to the municipalities which are not outside the CAP; the requirement of two weeks to adopt which, in the case of a real disaster, could cause frightening problems; the requirement of the Local Finance Board, and this board is appointed by the Governor, to hold public hearings which could cause a delay for anywhere from one week to one month.

My final word on the emergency process is that the 3% exemption, in most cases, is greater than the 5% budget CAP because that 3% is on a much broader base.

The next area of concern that I'd like to talk about deals with PERC and binding arbitration, and how the courts have interpreted those decisions rendered on behalf of employee unions. Rather than the publically critical reports of PERC I'm merely questioning whether the legislative intent to the CAP law is being recognized today. Certain judges have ruled that binding arbitration awards are outside the CAP. Although I'm not an attorney, I can find no statute that allows a municipality to exceed the CAP by the amount of money needed to meet a binding arbitration award. If the courts are ultimately found to be correct, and this is under appeal, the Legislature should address this question once and for all.

The issue that is brought to your attention by most officials has been pensions, insurance and utilities. The Division is working with the New Jersey Taxpayers Association to review the CAP law and the experience of the last few years as it relates to these two areas.

In 1978 some \$24.5 million was appropriated for pensions and insurance by 455 municipalities that are Capped. There were 103 municipalities that have no CAP because they have a municipal purpose tax of less than .10¢ per \$100 of assessed value. Those 455 municipalities have an allowable budget cap of in excess of \$61 million. So that statistically, insurance and pensions consume 40% of the 5% CAP. When breaking it down, insurance consumes 23.9%, pensions 16.1%. Regrettably, we have not been able to make a satisfactory determination regarding utility costs. We've sent out questionnaires to the municipalities on both subjects. The results are coming in slowly but we are not able to determine that affect. We can figure out Insurance and Pensions because they are specific line items in the budgets. The utilities are distributed throughout various appropriations and not set up. We also compute the CAP for municipality. These computations indicated the total amount of CAPS for the 455 municipalities to be in excess of \$61 million. There was also a \$24.5 million add-on as a result of increased ratables and further sale of municipal assets and new fees so that the total State-wide add-on was \$24.8 million. This increased the 5% CAP in excess of 7%.

PERSKIE. I hate to interrupt the format, but, would you be good enough to elaborate for the record with specific reference to how the conclusion is reached that the CAP is in actuality, at least it was for this year, 7.023% rather than the 5%?

LAEZZA. In computing the CAP we take 5% of a net budget, the total budget minus all the exceptions. There are then, provided for in the CAP law, certain add-ons such as ratables as a result of new con-

struction, the revenue from the sale of municipal assets and increased licenses and fees, and mandated costs by law. That amount of money is added on to the initial \$61 million so that rather than being allowed to increase their budget by \$61 million they can increase their budget by \$86 million. That 7.023% is 7% of what? - The entire budget. It's interesting to note that that add-on almost ties in exactly to what it costs for pension and insurance costs. So that maybe they have the entire 5% to meet the local service needs.

Insurance costs in 1978 amounted to \$14.7 million, 23.9% of the 5% CAP figure, however, only 17% of the 7% actual CAP number. Pension costs amounted to \$9.8 million, 16.1% of the 5% CAP law figure and 11.4% of the 5% actual CAP. We have these numbers; we're going to evaluate them. Those are the total insurance costs not just the increase from one year to another so that it seems that those percentages would decrease significantly.

Another area of the CAP law that is being brought to the attention by many who have studied the CAP law as it applies to municipalities is 10¢ or less tax rate to be exempt from the CAP. It's starting to be revealed that there is a big increase in taxes in one year and then decrease in rates below that 10¢ rate in the next year and then there'll be substantial increases in the budget appropriations in the "uncapped" year with few or no controls in the resulting increase in that base for future years within the CAP law. Another area that should be further reviewed.

In 1977 and 1978 the municipalities and counties have been unable to make pay-as-you-go capital appropriations and 1979 it appears to be one of the most difficult years any municipality will have to face in this regard. And not because of the CAP law, per se, but because of the failure of Congress to renew the Anti-Recession Fiscal Assistance Program, which will cause a loss in excess of some \$80 million to the municipal and county governments. This money, by nature of the CAP law, was appropriated outside of the CAP, and this will make it difficult, if not impossible, to live within the CAP law unless service levels are substantially reduced. As an example, the City of Newark will lose \$10.8 million in 1979 and have a short-fall in 1978 in excess of \$3 million.

To bridge this gap, I recommend that we pressure Congress to renew the program immediately upon their return to session and secondly, the Legislature consider some form of new aid or the redistribution of existing aid to meet this problem head on.

I'm sure you'll have a group of questions.

PERSKIE. Thank you, John. You have already responded substantially to several. Let me just indicate first, we're pleased to have Mr. Laezza with us this morning. I would like to indicate that the Committee would appreciate it if you would consider your appearance this morning to be on a continuing basis. I know that your staff internally and in cooperation with the State Taxpayers Association has undertaken to evaluate the procedures and I would appreciate it if you would consider this committee on record as requesting, on a continuing basis, your input. You have indicated other information that you have collected and we would appreciate it if you would share it with the Committee.

FORAN. John, there are certain municipalities which have indicated some problems as concerns the CAP and municipally operated utilities and how you are treating these under the CAP law. What do you



say about that?

LAEZZA. Senator, I think you're referring to the exception that Senator Merlino introduced at the request of, I would say myself, to protect authorities and utilities in meeting their bond obligations because most of the trust agreements contain service contracts with the municipalities. So the Legislature made it an exception to the law.

The way we compute the CAP: you decrease the exception from the original base and then whatever the needs are for that purpose, be they the same or 100% increase of what they were the year before, we allow the municipality to anticipate that. I think we're talking about a minimal amount of dollars and trying to change that. I got personally berated by officials when they had decreased the CAP base by \$200+ thousand. But the subsequent appropriation need for that service for the next year was \$350,000. So I said we decrease your base by maybe, \$11,000 but you were allowed to appropriate an additional \$150,000 more. If it were part of the CAP it would eliminate the entire number of services. I don't think that's a problem that you can change. I think what your constituents are addressing here, because I get the same resolutions that you get, Senator, is the interpretation that was originally reviewed regarding any deficits, including utilities, might have developed during the year. They were originally reviewed regarding any deficits, including utilities, might have developed during the year. They were originally interpreting that section of the law that said cash deficits of the preceeding year will be exempted from CAPS. In a further review of those deficits for those utilities, they were not, in fact, cash deficits from a preceeding year, but deficits to balance the subsequent year's budget.

FORAN: What remedies do you suggest?

LAEZZA. I would say we made a study. When I first came to speak on the CAP law with reagrd to this I told them to be somewhat creative, but not to abuse the privilege of including costs of utility operations which were necessarily costs to run the local government. My investigation indicates that those deficits have increased substantially in the last two years. Those deficits are not in fact cash deficits, but are supplement to, and will be part of, the CAP this year. It is the responsibility of local government to run utilities that are supposed to be self-liquidating in a manner so to generate sufficient revenue from utility charges and not impose a burden on property tax payers for services that they might not be receiving.

FORAN. So subsequently that method should be imposed. Thank you.

PERSKIE. I'm pleased to also acknowledge, for the record, the presence of the Committee's Vice-Chairman and the Chairman of the Assembly Taxation Committee, Assemblyman Van Wagner, and also Assemblywoman Barbara McConnell who is also here this morning.

John, the Legislature and your office have been in communications and a great number of communications, resolutions, complaints - formal and informal - with respect to the impact of the CAP on local government processes. What is your assessment, or are you able to make an assessment, on the impact of the statute with respect to the provision by the municipal government of a necessary level of services to the local tax payer? Have you observed any substantial number of instances where the impact of CAP, as adopted, has had an adverse effect on the ability of a municipality to provide what you would

consider to be minimum necessary services.

LAEZZA. We have received not one piece of correspondence from any citizen in the State of New Jersey that they have been lacking in services from their local government. So that indicates to me that the local governments have, in fact, replaced their priorities and have continued to provide the services. Being done this way, I think, because there was revenue sharing monies from the Federal Government, and there was Anti-Recession money from the Federal Government that bridged the gap of some \$140 million. With \$82 million being cut off I think they have a problem in 1979 and maybe 1980. I think that if there have been any cut backs on services, it has not been evident. The main problem, presently, now, is being able to respond to binding arbitration.

PERSKIE. I just want to note, for the record, John, that your answer was very interesting in that you haven't received any communication from any citizen complaining of loss of services. Have you received communications during the two years concerning the CAPS from individual citizens at all? I want to make sure from your response that you haven't heard from any citizens that there are no . . .

LAEZZA. Concerns that we have received in correspondence from citizens indicates they still feel that local government taxes are going up even though we've had an income tax imposed and we have to explain it. I've corresponded with both legislators on behalf of their constituents and directly with the constituencies explaining how that is put together. The limitation is not on property taxes and you can increase expenditures, there has been an expenditure short-fall in most cases, or a revenue short-fall, in which case the property taxes can pick up the gap, but they still did not increase as they had been historically and the services are there.

PERSKIE. Fine. I want to turn next, to the subject you mentioned about the Court decisions that have been handed down, in several cases, dealing with mandated costs or with binding arbitration awards. My understanding, that the thrust of those decisions is that these awards come under that portion of the statute that refers to State mandated costs. That's the rationale on which the courts have been acting. Can you give us your judgments that you have made in administration, which is, of course, different from the Court decision, with respect to what the Legislature's intent was in the enactment of that particular section which exempted from the CAP State mandated costs?

LAEZZA. The interpretation that we received, specifically regarding State mandated costs, are as spelled out: the costs mandated, after August 18, 1976, by the State Legislature and the Federal Government. That specifically meant that if the Legislature took an act - passed an act such as the Uniform Construction Code, the Municipal Land Use Law, the Unemployment Compensation Act, or the Priority Health Funding Act, which specifically says "You shall provide this service by such and such a date" and those laws were passed and effective after the effective date of the CAP law, whatever costs were incurred under those mandates are in fact - we consider - outside the CAP each year - whatever it costs to meet that legislative intent. With regard to the Binding Arbitration Law: it was a process which the Legislature carefully spelled out. A process such that when the law was put together, specific dates were put into the law so that governing bodies could be aware by the time they adopted their budget, what those needs would be. The way the law was written for Binding Arbitration it says that, "by January 10"



that date was put there for a specific reason - local governments Binding Arbitration shall be complete." And it started back on September of the prior year in time to go through that process. So if it were the intent of the Legislative Committee to have this go outside the CAP -- and it would have been related -- the law would have said that. But, in fact, the law said, "Binding Arbitration shall be within the powers of the local governing body". And they have limited it to the powers of local governing body so that they could . . .

PERSKIE. All right. Is it fair - we appreciate the rationale of what the Court states and that the arbitration awards are being made as the result of a process mandated by the State. If that is the fact to be considered outside the CAP, is there any distinction that you think the court could consider that would prevent the Court from following through with that same judgment with respect to finding the various State regulatory agencies, specifically, BPU or any other regulatory agency with respect to utility rates - well, specifically utility rates as mandated costs?

LAEZZA. There is a decision by a judge now being appealed basically on that same area.

PERSKIE. What's that?

LAEZZA. That any regulatory action that would increase interest and costs are, in fact, outside the CAP, as the regulatory action happened after the CAP laws.

PERSKIE. All right, now . . . On the basis of the figures you gave us this morning -- Bill, I've requested the statement be included in these recordings -- basis of the figures you gave us this morning there would appear to be approximately \$25 million in this year attributable to pension and insurance. If, in fact, that rationale we just discussed applies to that \$25 million, it would have to be an additional add-on to the \$61 million and approximately to the other \$25 million that's normally added on to that figure. Would that be right?

LAEZZA. No. Because, that's not really -- that \$25 million is not an increase.

PERSKIE. But whatever portion of that becomes the total. It would be an additional add-on to the \$80 million.

LAEZZA. Would they consider it an additional add-on on some of the legislation that's before the Legislature?

PERSKIE. What effect, as far as you're concerned, would these mandated cost decisions by the Courts have on the original legislative intent with respect to the taxes -- to the CAP law?

LAEZZA. Well, I think if binding arbitration were excluded from the CAPS then we would have no CAP law.

PERSKIE. The Senate County Government Committee, it must have been, looked at a bill by Senator Dumont. I forget the number at the moment, early this year on the emergency processes and was released but was never presented for a vote. Do you recall that bill at all? I just wanted to know if you had any comment as to whether that bill would address the procedural deficiency. . .

LAEZZA. There are no emergency procedural problems with regards to the county. If the county has an emergency, they just pass it, they respond to no one. The Dumont Bill did say the same thing in effect -- that an emergency resolution passed by two-thirds of the governing body up to 3% is automatic.

PERSKIE: With regard to the emergency appropriations and pay-as-you-go capital, will you provide the Committee, through staff, with your suggested amendments?

LAEZZA. I would be most happy to, Senator.

PERSKIE. That would, at least, address itself to the procedural questions raised . . . there would be no review of that processing.

LAEZZA. I think that's a process that would be criticized by the whole citizenry.

PERSKIE. I would imagine. One of the questions we've had in our hearings, you might want to address yourself to would be the adoption by the Legislature of three different CAPS. One for State Government, one for the county and the municipalities, and one for the schools. I see it's a popular question. I was wondering if you can give us your sense of the rationale to those distinctions and give us any idea of whether you feel that the different formulas for each of the levels of government has had a different effect on that form of government.

LAEZZA. When I testified before the Leone group -- the New Jersey Commission on Government Cost and Tax Policy -- I addressed that question specifically. Contrary to the public opinion, I am an advocate of local government. In fact, I thought that if we didn't have local government we might be out of a job!

I advocated that if my local units of government has the same percentage flexibility as the State on their entire base that we would have no problem responding to the needs of the local communities, in any area. It would not require exemptions for pensions or insurance or whatever. I recommended to that committee that local governments have the same flexibility as the State regarding the percentage, I also recommended that the capital projects be excluded without the ability to use that money for operating costs and only for capital purposes. And that there be no exemptions for emergencies or cash deficits and the like because then I'd know how local governments could live within that base. The exceptions that I would look at would be the debt services and reserve fund for uncollected taxes because we have to keep that integrity going for the credit rating of the whole State. We were one in the country to keep it that way. I think the impact would be not as substantial as the committee would feel because when the CAP law was originally written, I was probably one of the only vocal opponents of it because local property tax rates have been very readily recognized by 98% of our local units of government as being responsive to what the people's needs were and not -- that was not the greatest portion of the property tax rates. Municipal purpose tax rate was always the minimum amount in the great majority of the cases and they would be -- since they're closer to the local voter they would know that the local voter would not allow them to go any further than they were willing to pay. So that they had that leeway. What we've done in this law is basically set policy for local governments so that they can only make that decision within a restricted framework of 5%.

YATES. What would be the impact on the State if the State was subject to the local CAPS and what would be the impact on the municipalities if they were subject to the State's. I guess what I'm

interested in is -- if the municipality now goes under the State formula what would be the impact on local property tax?

LAEZZA. I think, not much more than it's been because, as I indicated, the CAP is in about 7%, if you add to the add-ons it would be maybe 12%-13%. If you add-on the emergencies that have been excluded from the CAP in each year, and they've added somewhere between \$7 million and emergencies that have been part of the CPAS -- you're talking about a 13% number. I think it would be about the same percentage. What I'm saying here is, rather than have the emergency procedures, which are, in fact, not emergencies in a majority of cases, you would have the local governments have the ability to properly make a decision within an adequate number -- and not exclude any emergencies. So that, I think, it would give them a better decision-making process within a number that they're spending anyway.

PERSKIE. With respect to the counties: Have you focused on the difference between the county CAP formula, the municipal CAP formula, and have you -- we're going to be hearing today from a representative of the Association of Counties, and I know they have some specific input in some areas -- what I wanted to ask you was whether the county formula operates in a more restrictive or less restrictive fashion than that of the municipalities or whether there is any policy reason at this point to maintain the difference.

LAEZZA. I haven't studied the county formula. I found that in most cases, though, we've had very little problems presented to us directly from counties, that they were not able to live within limits of their CAPS. The county problem is that the greater portion of their budget is mandated, but it was mandated prior to August 18. I guess the words that you have to distinguish between here are "mandate" versus "non-discretionary". There are a number of non-discretionary appropriations that they must include which prevents them from trying to develop policies that they think they can elect to develop. They're saying that you can't develop policies that our constituency -- and they're asking us to respond, because we have to include these non-discretionary appropriations. They've all been able to live within their CAP, with a minimum amount of emergencies by counties in the last two years. So that on it's fact, at least to my knowledge, we have not been generating any specific problems by counties.

PERSKIE. I just wanted one more follow-up on that then you guys can have it. The people the other day (the day before yesterday) voted to eliminate from the county budget that portion which you call non-discretionary - that is in the county court system. What happens to the county's -- suppose for example, in a given county their cost of the county court depending on the way we implement, is some \$150,000. Therefore, they don't have to spend that \$150,000 next year. Under the existing formula would they be authorized to substitute double expenditures within their statutory framework in that amount or would they be required to reduce their budget by the \$150,000?

LAEZZA. I would be less money that they would need from their levy. Now, they could have a problem if they were also reducing revenues by the same source. Because if the State takes over the



county does get some revenue for court purposes.

PERSKIE. I understand. But I was referring to that figure. That . . .

LAEZZA. . . . with that kind of volume, \$150,000, they'd be able to spend it -- as the law is written presently.

YATES. I wonder if you can comment on the significant difference between Bordentown being capped on the expenditure and Burlington County being capped on the levy.

LAEZZA. I can never understand why we put them that way. Which makes more sense? I think the CAP on the expenditure makes more sense. Because if you CAP the levy -- in each case, I guess, if it works in the same way, in each case because the same exceptions were excluded -- if you CAP the levy without exclusions and exceptions you could then have a problem generating sufficient revenues to meet any other expenditures, and paying a debt. With the exceptions as they are now there are no significant problems. I know in the Legislature you were barraged by a number of pieces of legislation from Bergen County because of -- in Mercer County, because of the increased hospital costs. They have to pick up additional revenue sources. That affected their levy substantially. But if it were on the expenditures, you would have had the identical problem. So I really can't say which is a plus. I would say, those municipalities or counties that have a pocket full of surplus money -- they would prefer it on the levy, because then they could play with that revenue source as they deem necessary and not be hindered on the expenditure amount.

PERSKIE. Which formula operates on the bottom line, more stringently to control expenses?

LAEZZA. The expenditure limitation.

PERSKIE. The limitation on the expenditures were effective restraint-wise because of limitation on budget?

LAEZZA. Yes. Because additional revenue sources could make that levy-controlled bottom line very flexible.

PERSKIE. One of the other comments we've heard by way of criticism by many municipal officials is that the operation of the CAP has a tendency to impact on long-term capital planning and budgeting and there is a tendency, to some degree, to have municipalities not appropriate current expense money for pay-as-you-go capital. Do you have any observations as to whether or not that's true in terms of its impact and if it's true whether it is sufficiently a serious problem at this time that we can be concerned about it now?

LAEZZA. I indicated when I testified before the prior Committee, I indicated capital projects should be exempt from the CAP. For capital purposes those municipalities that wanted to apply it to garbage trucks and fire trucks on a pay-as-you-go, would not have to double up on the amount by paying interest. The impact that we've seen has increased somewhat but not in those specific pay-as-you-go areas. The impact has been very evident in the areas where there was current up-dating of road

maintenance programs. We are now going into volatile reconstruction programs. So that the benefits are, instead of pay-as-you-go 10 miles a year road program, we're going to a bond issue that's \$3 million for 20 miles a year. So that that would be really getting into it and might be the proper way to go, regarding the -- the biggest problem has been road construction.

PERSKIE. If capital costs are exempted, without the other changes in the structure of CAPS, specifically with reference to emergencies and other exemptions, simply exempting the capital costs would have the effect, would it not, of essentially tabuing the impact of the CAP with respect to local government expenses?

LAEZZA. I think when they said that, the most of the complaints that you heard regarding those pay-as-you-go are in those municipalities that have surplus dollars which they can't utilize for capital purposes could probably circumvent the CAP law by decreasing their local rate -- and anticipating all their surplus in year one and then doing whatever they want with no one looking over their shoulders. What they're saying is -- we've set aside the reserve funds we've accumulated because we plan to surplus and now we can't spend it for capital purposes because we have a CAP. That has been one of the problems which was presented to me. The other thing that I think you should say -- I think, as I said when you want to eliminate CAPS, you're going to have to eliminate some of the other exceptions. I don't think you should just keep adding exceptions. You should review the entire law and look at the percentage and eliminate the exceptions.

PERSKIE. At this time I would like to recognize the presence of Assemblyman Donald Albanese here this morning. Does anybody else have any questions for Mr. Laezza?

A S S E M B L Y W O M A N B A R B A R A M c C O N N E L L. Mr. Laezza. Perhaps this question has already been asked, but I would like to ask you about directives on municipal utility subsidies. Would you care to comment?

LAEZZA. Yes I would, and this is also for Senator Foran. Water utility deficits, or utility deficits per se, are not in fact, as written in the law, cash deficits from the preceeding year. The cap law was written for the current fund account. What deficits that your constituencies have been talking to you about are actually supplements to operating the utility; supplements that they want the taxpayers to subsidize rather than the users. We have reviewed the creativity of our local elected officials in the last two years with regard to subsidies and there are some 61 municipalities who have had continual deficits, or 78 with the first year of the deficits -- and each year those deficits have increased in all cases except for one. That indicates to me that those utilities had transferred some municipal operations and utility costs in 1978. It also indicated there was a court case in Middlesex County that disallowed the expending of money against that utility because they were, in fact, operative costs that should have been applied to the municipal government. They do not tie in with the wording that was written into the CAP law -- our cash deficit from the preceeding year to pay our supplements for the future year on a cash deficit from the preceeding year.

VAN WAGNER. What is your projection of the impact on communities that are going to be affected by your directive?

LAEZZA. I think the impact that it should have on them is that they look at the utilities and make sure that the users are paying adequate revenue to meet that need.

VAN WAGNER. You don't think it would include the 1978 subsidy as a base? You're going to include it at this point?

LAEZZA. No. It's the same as the deduction for a service contract agreement, as I indicated, if we deduct it from the base. Number one, taking a community in your area we would deduct some \$166,000 from one community, 5 percent of that is about \$8,000. I'm sure that the community might have about \$100,000-some odd deficit and, I think, we're penalizing them the other way. I think what you have to do if you want to make that utility deficit outside, you have to say, similar to Section "J" on your service contract agreements -- "that any deficits that are generated by the utilities are exempt."

PERSKIE. You're putting it back on the Legislature.

LAEZZA. Right. Those are the people writing the laws.

McCONNELL. OK. I'd like to ask Mr. Laezza about surplus funds. Would you recommend the exemptions of these surplus funds for taxing purposes?

LAEZZA. You might say that there is a surplus that you want to use for capital purposes -- that might be a way of allowing pay-as-you-go.

McCONNELL. That's a possibility that you would not encourage at this point, but don't you think under the present law we're encouraging...

LAEZZA. ..that's what everyone's saying. It hasn't been that as of yet. But that would be a way of accomplishing that.

McCONNELL. I think that answers my question about imposing the CAP on levys and...

VAN WAGNER. John, I'd like to ask you a question and perhaps phrase the response to something you said earlier, which was: Why the Legislature differentiates in one case limiting the levy and in the other case limiting the expenditures and perhaps the paramount reason it was done that way was because of the presence of the utility franchise and gross receipts tax, which in certain municipalities is an extremely high amount? I was wondering, in your own position as Director of Local Government Services, if you -- over the period of time you've been there -- reached any kind of conclusions or developed any concepts relative to the distribution of the utility franchise and gross receipts tax?

LAEZZA. I was fortunate to be here when the Cahill Tax Policy was put together, and we did respond to that because of the tax policy legislation and the legislation that was presented for that tax program. I would say that if there's going to be a utilization or redistribution of franchise and gross receipts taxes it should be utilized to the benefit of the local governments. It might be a process, and this is without really much thinking about it, might be a process whereby you use those

excess monies to respond to additional Senior Citizen deductions, or make it a certain break for Senior Citizens but still have the money go back to that municipality or all the municipalities. That would be great for Senior Citizens in that sense.

VAN WAGNER. You know, I realize we've never passed a law that would do anything like that, but I just was wondering if...

LAZZA. There's a possibility to pass a law that makes it go back and help the municipalities rather than make it come back as a revenue for the State.

VAN WAGNER. Well, I think there's some merit in that too. If you look at that in that light. However, I think you get into whether you redistribute it in terms of municipalities or whether you redistribute it in terms of development towards State revenues. I just wondered if you had...

LAZZA. ...if those State revenues went to a municipality then it would be more acceptable to the majority.

VAN WAGNER. Thank you John. I appreciate your comments and thanks for taking the time. We now have Mr. Frank W. Kenny who is the Executive Secretary of the Municipal Receivers, Collectors, Treasurers Association in Perth Amboy.

PERSKIE. OK. Before you speak, I would just like to say, for the record, the receipt of a letter addressed to me from Senator Weiss of the 19th district, which I will instruct to be included in the Committee's report for today and in essence this be put into the record in this form because he is not able to be here this morning. In essence, the thrust of the letter would be a call for, as he called it, "ZERO BASE MINUS TEN BUDGETING."

"We cannot expect the Administration to do this job alone. The Legislature has a key role in this -- for it is we who pass the laws that cost so much. In our desire to please various elements of the electorate who call for this or that benefit, we Legislators have put the State of New Jersey in a fiscal bind -- "Tight around the collar" I call it. "The response to this proposal will bring forth cries from department after department that certain services and functions cannot be cut - that workers in hospitals and in prisons cannot be cut 10 percent - that in fact some activities need more funds in order to alleviate suffering or to provide protection." "I know that."

"For these eventualities, I propose that there be created out of the Legislature a "Committee of Adjustment & Review." It will be the role of such a body to make needed adjustments as indicated -- but further, to cut more than 10 percent in other areas where such cuts may be made without damage to the service they render." I'll skip down here now. He says, "The State of New Jersey does not need a Howard Jarvis! It does not need a prototype of Proposition 13 or anything like it. But it does need an application of guts, gumption and common sense expressed in a dedicated program of ongoing fiscal restraint. I do believe my proposal is a needed step in the right direction."

I again instruct that this be included in the Committee's report. (See appendix for entire letter.)

M R. F R A N K W. K E N N Y. Good morning, Mr. Chairman. I would just like to say I appreciate your invitation. I have been before this Committee before and my time, which I'm sure you will appreciate, will be short this morning.

We hear a lot about the CAPS on the municipal government, the county government, the State government but, it seems that school budget CAPS were not discussed. I believe . . .

PERSKIE. . . . you may feel free to discuss this.

KENNY. . . . I believe that's one of our greatest problems -- getting enough money for the school budgets. I am sure you are aware, are you not, the budget controls on the schools are not the same as the municipalities. The budget controls should be placed on the school budget, similar to that of the municipalities. What I'm referring to there -- I see there are two ways. One where the school budget had an item of smoke and fire alarm system in the budget for four years, but it was never used for that purpose. They do as they see fit, they don't have to hold to that line item. They haven't held. I think some restraint should be put on those line items to be controlled similar to that of the municipalities. I've heard of another one where they installed a closed circuit TV sometime after the budget was passed that was not a line item in the budget. I believe that controls should be put on the school budget similar to that of the municipalities. It's very important.

PERSKIE. Do you have any kind of a feel for dollars and cents terms, or percentage terms or any other terms to the extent to make that possible?

KENNY. Well, yes. It's my understanding that they can also use their surplus above the CAPS. I could be wrong in that but I'm quite positive of that -- in other words your budget is set up a few months before the end of the year and as the end of the year approaches up comes the surplus. And that can be used for other items.

Getting into a new problem. The law, of course, of CAPS permits any additional -- any new -- legislation that causes additions in costs, such as pension funds and so forth. It's permitted to be added to the budget over and above the amount of the CAPS.

PERSKIE. That's a matter of some dispute you probably heard this morning.

KENNY. Well, true. But consider the amount of the work that you have added to the tax offices of the assessor and collector in the past few years has been tremendous. Yet there's no permission to increase the CAPS -- go over the CAPS.

PERSKIE. Sorry, I don't follow you.

KENNY. The increase in the amount of work due to the change in the tax laws, in tax offices, has been considerable. But the municipalities holds the tax collector to this amount usually not over the CAPS.

PERSKIE. Isn't that the same with municipalities?

KENNY. Not necessarily. You probably don't understand that when you mention the word "tax" -- "tax collector" no Mayor or anyone wants to hear anything about anything official going into the tax office. And it's a very tough situation and I'm thinking that in the future if there are many new



law records that could tax the assessor and the collector must perform another duty -- I think that that should also -- that new law should carry the fact that that particular office should be permitted to increase their CAPS to cover the costs of this work.

PERSKIE. Kenny, I just meant to indicate, and I think it's still a fact that the municipalities have that power. You point out that they -- for a variety of reasons, which I agree with you on -- would like to hear about it or don't you exercise it? But the municipalities are not in any way restricted other than the overall CAPS in terms of what has to be put into tax collecting and tax assessing elements.

KENNY. Well, I agree with you Senator. But consider the fact that a town that's running close to their 5% and they have to . . .

PERSKIE. . . . it means that the increases in your office are going to be restricted.

KENNY. That's right. If it's going to be a new policeman or a fireman but it's not going to be anybody in the tax office. And if you are creating the law, you increase the work in that tax office. I think that in that law you should mention the fact that any increases should be permitted -- an increase over the CAPS for the tax laws. Something has to be done.

I appreciate your time and like to thank you.

PERSKIE. Do any members of the Committee have any questions? Thank you very much.

The next person on the schedule is Virginia M. D'Andrade the Secretary of the Hunterdon County Board of Taxation.

VIRGINIA M. D'ANDRADE. This morning I have prepared a response on behalf of the New Jersey Association of Tax Board Commissioners and Secretaries.

As the Tax Board Secretary of Hunterdon County, it has come to my attention that a great inequity exists regarding some of the senior citizens of our State. The New Jersey Constitution provides a property tax relief for senior citizens under Art. VIII, Sec. 1. Par. 2, 3. This exemption however, is granted only to those individuals who own both the land and their dwelling. Many senior citizens, however own only their home, not the land on which it stands. Thus, they are short-changed when it comes to the senior citizen's exemption to which they would otherwise be entitled.

There is presently before the Assembly Taxation Committee, Assembly Concurrent Resolution #4 which would extend real property tax exemption to senior citizens and disabled persons residing in and owning dwelling houses on lands owned by another. Both the New Jersey Senate and the General Assembly have demonstrated their concern for the financial plight of our citizens over the age of 65 by allowing this exemption in the first place. ACR-4 would extend relief to tax paying homeowners who would otherwise be eligible except for the fact their home is situated on land owned by someone else; an arrangement which is common in many areas, New Jersey and elsewhere, especially in communities planned for Senior Citizens.

PERSKIE. Aren't the most typical examples of that the so-called "mobile homes" that aren't actually mobile?

D'ANDRADE. Yes. There are many such instances in Hunterdon County.

The senior citizen has many financial problems. The two-pronged effect of inflation and rising property taxes are the most obvious monsters hungrily devouring their limited incomes. There is no single solution to their plight, efforts are being made to ease the burden of homeowners, but we are not fully utilizing the weapons we have at hand. At present we are blunting the sword of property tax relief when we restrict its use to landowners and do not include those who own just their homes.

PERSKIE. Hunterdon County is very well represented on this Committee.

D'ANDRADE. Yes, I'm very aware of that.

PERSKIE. On this point. To the extent that the problem is partly - I know it's not all -- by the trailer units called 'mobile homes' which are now taxed for the most part as personal property and in some cases even as a motor vehicle as opposed to real property. We (remainder of question inaudible due to multiplicity of voices)

D'ANDRADE. . . . they are eligible for Homestead Rebate and they are receiving it. It. . .

PERSKIE. . . . let me suggest, for the moment, that the rebate has already been granted . . . (remainder of question inaudible due to multiplicity of voices) . . . an interesting point, as you may remember, back in 1972 the Tax Policy Committee reported that year recommended the Legislature (inaudible) . . . and fair assessment technique for mobile homes so that they would not be taxed as personal property, they would not pay motor vehicle taxes they would pay property taxes and be eligible for, among others . . . (inaudible) . . . courts introduced a bill that year -- I recollect it was 1261, or something, well, anyhow he introduced it and was referred to the Assembly Taxation Committee that Walter and I were on at the time, and I'll bet you I got thousands of letters and post cards for weeks protesting from the trailer organizations throughout the city. I only point out that there are some problems in trying to deal with it. Those that are now passed, we could provide that . . .

(SENATOR YATES and SENATOR FORAN's questions inaudible.)

PERSKIE. Let me back up on the schedule and call Assemblyman Lesniak afterwards we'll hear from Leanna Brown on behalf of the New Jersey Association of Counties.

R A Y M O N D L E S N I A K. Thank you Senator. I'm going to be brief. I would like to have the attention of the Committee to a problem that I know hasn't been addressed yet before you. And that's in reference to tax-exempt property.

A major problem facing urban centers which results in discriminatory treatment of large cities through the tax policies of the State of New Jersey is "tax-exempt property".

As we all know, it is becoming increasingly more difficult to keep residential and commercial areas in the cities alive due to high property taxes, especially when tax rates are compared to the outlying suburbs. Also, industry is discouraged from moving into the cities, from expanding plants and from even staying in existing plants causing the great loss of manufacturing jobs which we have experienced in the last decade. I think it's a proven fact that a major reason why industry is not locating, commercial and residential areas are not thriving is tax-exempt property.

I would like to point to the City of Elizabeth to give you some examples of the loss of tax-ratables due to tax-exempt properties.

PERSKIE. Could we just, for the record, clear what you're talking about on tax-exempt properties. You're talking about tax-exempt on what basis?

LESNIAK. I'm talking about port-authority property, county property, hospitals. . . something that I think that we could do -- but I don't think there's much we can do as far as religious properties.

PERSKIE. OK. I wanted to make sure we were all talking in the same . . . we're talking, then, essentially about governmental installations rather than, for example, the charitable or . . .

LESNIAK. Yes. I think we may be able to . . . a proposal to be made that would be able to do something in reference to hospitals.

Getting specifically to the City of Elizabeth. I am submitting along with my testimony a copy of ACR No. 129 which now has passed both of our Houses regarding the Port Authority and it's effect on the City of Elizabeth as far as loss of tax revenues.

In brief, the City of Elizabeth loses \$16 million annually because of tax-exempt Port Authority property.

The City of Elizabeth is also the location of three major hospitals which provide some of the finest medical care available. From 50-60% of the patients utilizing the services of these hospitals reside outside of Elizabeth. However, it is the residents of the City who subsidize the operations of the hospital through increased property taxes and rents because of the loss of tax ratables from these non-profit hospitals. The residents of the entire county should help shoulder this loss.

We also are the County seat for Union County with a Court House, Administration Building, parking facilities and other tax-exempt County property.

I do not want to be misunderstood, in that I recognize that the City of Elizabeth and other cities in similar situations benefit somewhat from the operations of the Port Authority, and non-profit hospitals, and from being the County seat; however, that benefit is dwarfed by the impact of the loss of revenue due to the tax-exempt property. There ought to be a reasonable, rational basis for ending the lopsided effects on our cities of tax-exempt property.

To that end, I submit the following proposals.

With great reluctance and conservation, I am constrained to accept the fact that forcing the Port Authority to pay property taxes is unconstitutional; however, we must look to every available method to alleviate the great loss of tax revenues suffered by Elizabeth and other port district cities, including Newark and Jersey City, from Port Authority property. To that end, I submit;

1. Include Port Authority owned property for in lieu of tax payments for state facilities. I do not see how it can be otherwise! The Port Authority is an agency created by two states. It is considered a state agency under legal principles, such as, tort liability and taxation. Not to include Port Authority property for in lieu of payments is arbitrary, discriminatory, and unfair,

neglects the needs of our urban centers, and is totally without justification. Legislation has already been introduced to this end.

(Question inaudible)

LESNIAK. 2. I have prepared legislation for introduction when we return to authorize the Port Authority to enter into agreements for payments to municipalities for municipal services; such as police, fire, ambulance, water supply, sewerage, municipal court, sanitation service, administrative costs and for whatever other services are provided. The Port Authority has a moral obligation to pay for these services. We ought to have legislation to authorize such payments.

VAN WAGNER. I just want to ask you -- on a technical basis -- you're, of course, aware it's been passed by the required legislation that within the concept of that legislation, the Authority would be building for the municipalities to negotiate payments and agreements. Would you structure your legislation as an addition to that?

LESNIAK. Of course, that's just limited to the land that this . . .

Now if I could give you some figures for Union County the value of hospitals in the entire county the property assessment is \$99 million. Of that, in the City of Elizabeth it's \$40 million. And I want to reemphasize again that 50-60% of the people using our hospitals in Elizabeth are non-residents and we have to be able to shoulder the burden of the loss of \$40 million in tax ratables.

I'm also working on legislation, I'm not sure exactly what form it will take, but there is many ways that this could be approached. But, I think the entire County -- all the municipalities in the County -- should share the burden of our problem hospitals within their jurisdiction. And it could be done in such a way that the (inaudible) . . . can be pro-rated by the . . . for county tax purposes.

In summary, I want to re-emphasize that high property taxes are hurting our cities. We cannot continue to follow policies that encourage the development of the suburbs at that expense of our cities. Tax-exempt property which serves people outside of the municipality is having this effect. This is somewhat arbitrary, discriminatory, and unjust situation must be corrected.

(Questions directed to speaker by Assemblyman Donald Albanese inaudible)

LESNIAK. Number one: let me be very frank. I think that if the Port Authority property were included in our State in lieu of payments that there would be a massive addition. My point, basically, is that -- therefore our in lieu of payments is very unfair and irrational, and discriminatory. So maybe we ought to scrap it and use that money in a fair way. So therefore, that kind of answers your question, because I'm saying either include it or exclude that type of program. As far as the payments go -- what I'm talking about is for municipal services. We certainly would all like to get more money from the Port Authority for the land that they hold, of course, but they're not going to volunteer that. We know that. And we know we can't force them to do that. Our Constitution is the problem. But they certainly can pay for municipal services and basically its a concept of -- "If we can't really get what we deserve - let's get whatever we can." I think that's probably the best way to approach it.

ALBANESE: (Response inaudible)

LESNIAK. Thank you very much.

PERSKIE. Leanna Brown, is the President of the New Jersey Association of Counties who, this morning will deal with a program dear to the heart of Association and specifically, "The need for State Revenue Sharing for New Jersey Counties". And I would like to wait a few seconds here until we get our visitors seated. (School children passed through gallery on a tour.)

L E A N N A B R O W N. As you know, the New Jersey Association of Counties has been advocating the county revenue sharing for a number of years now. I think the testimony states it very distinctly. I think, not only do we have a financial situation that we're coping with but we've got a visibility and a viability problem here. There was a commitment made when the income tax was established into an all around realm. It was even going to be given to property tax residents. And you know that there are three units that receives funds from property tax; schools, municipalities and counties. Therefore, if we're going to have the concept of relief, which have been made into Administration policies, the logic of recognizing two of these three units has just got to cease.

So therefore, if we are strongly subsidizing schools and municipalities -- at the moment, I think it varies -- we forgot to mention the counties. The counties have a number of problems and I'm sorry if I tend to appear now as a Freeholder, -- I'm challenging all twenty-one counties. One of our problems as counties has been that we're very different. The problems of Cape May are not necessarily the problems of Essex. We are in different stages of development. Therefore, what helps one county will not help another. So for flexibility that is inherent in revenue sharing, I see it as being a very viable approach to help small counties at this point. I think we're all talking about stretching the tax-payer's salaries. We, as counties, have to work on . . . (inaudible) . . . municipality. We're going to have to have some way of being able to do this. So, I just strongly underscore the concept of revenue sharing and am most appreciative of Senator Van Wagner's efforts in this whole area. I told him just a few minutes ago we'll have a party when the bill is actually introduced, because every time I've been down here I've been told "it's imminent." (Dialog inaudible) I understand that, but it will be a step forward and we're also very frankly -- Senator Yates and Senator Perskie -- that the complete lack of interest on the other -- I believe there are two branches in the Legislature -- and the Senate -- and, you know, we're really looking for a sponsor for this. Because it takes support from both Houses on this. There's more that we can do. I feel very strongly that many times county ... (inaudible) . . . help the other two units that way. We do try to help 70% of the population from the property tax.

PERSKIE. OK. I have heard your discussions before and know that you have a great number of difficulties. I'm particularly interested, for example, in the content of the introduction of this in the hearing now. I think that from the perspective of looking at the State budget in our property relief program . . . On the other hand, major consequences, I think, is in the eye of the beholder. For 120 individuals who are basically somewhat restricted obviously are coming up with anywhere between,



from what I read, roughly \$75 to \$200 million of the existing short-fall so naturally the revenue sharing bill with a price tag of \$5 million . . . (inaudible) . . . The problem is that the context of that \$5 million is in this short-fall problem. That's why you may be having some difficulty in sharing the county's problems with the taxes.

Let me ask you, I don't know that you were here early this morning . . . but it may be before you got here, the people today go through your association to help them -- the Constitutional amendment which relieves the county from the county clerks and the county courts . . .

BROWN. That question has not been voted on. We voted on merging with you. There is no financial price tag on that.

PERSKIE. We're going to make you feel a little better this morning, the Legislature must handle lots of these questions and there are a number of ways that it can be implemented. And there will be, I'm sure it's greater than we've had in the past but at the very least the counties will no longer bear the other proportionate share of the dollar of the County Judges or their share of the pension systems of the County Judges, that's at the very minimum, and there are in that case somewhat more extensive State take-over of the Courts at the county level.

Under our present CAP structure the county would, unless there was some other change in the law, have that amount of leeway in their current budget problem. Do you agree with that and would that not, at least on a temporary basis although be it not necessarily a sound policy but would provide the kind of substitute?

BROWN. No. As you know, there is a great deal of pressure and we in the counties are strongly in favor of the merger because if you want to enter a suit you've got to enter it in two courts. If streamlining the system prevents duplication on all these suits we strongly support it. We are going to monitor what happens from here. This is just the very, very beginning here and we are in a situation where, while there are going to be some revenues lost, which we have looked into. OK. So that there are two sides to the ledger, Senator, and I think this is an area where . . . because of your financial limitations we're going to move very slowly on the thing. But it is a mixed bag, I'm trying to tell you. I mean I've been delaying these remarks because when I have talked to him in the past about some changes in this thing, he has indicated that maybe if we lose responsibility in some areas the CAPS will just come down. I'm glad to see some flexibility this morning which has been somewhat good news to us.

(Comments inaudible between Ms. Brown and several other people)

PERSKIE. Thank you very much. Mr. Magan will conclude this morning. He's speaking on behalf of the South Jersey Chamber of Commerce and his subject is "Taxation". That gives you somewhat of a wide latitude, Mr. Magann. I note for the record that we have a prepared statement and I ask that it be included in the Committee's report.

F R A N C I S W. M A G A N N. I'm going to read the prepared statement.

Good Morning, Mr. Chairman and members of the Legislature's Joint Committee on State Tax Policy, my name is Francis W. Magann. I'm a resident of Cinnaminson and Chairman of the South Jersey Chamber of Commerce's State Affairs Tax Committee, headquartered in Pennsauken. Our organization represents some 550 businesses employing over 60,000 individuals in Burlington, Camden and Gloucester counties.

The South Jersey Chamber of Commerce submits the following recommendations to help ensure a balanced State budget for 1979-80. Our testimony before the Governor's Economic Recovery Commission in October 1975, contained many of these proposals, including the recommendation for the enactment of a State Personal Income Tax.

"Spending Controls": It is our firm belief that if the Legislative and Executive branches of State Government handle their responsibilities as private business would, government spending will be stabilized and an overall high level of effectiveness will be achieved. One method used by business is to review its future spending programs and in any area where clear evidence of need cannot be demonstrated the program is eliminated, or curtailed by cutting expenses and/or cutting or holding the line on current employment. New Jersey State Government added 3,772 new employees to its rolls from October 1976 to October 1977. Is this add-on justified in the value it returns to the citizens of New Jersey?

The South Jersey Chamber of Commerce recommends that: (1) A freeze on the hiring of new employees be put into effect for a 90 day period; (2) A moratorium be placed on legislation that would increase State Government spending during this time frame.

We strongly reaffirm our support of the continuation of the "CAPS Provision" on public expenditures. It has been proven that government can operate efficiently within the confines of these restraints.

We have some other recommendations regarding corporation taxes: (1) We recommend the consideration be given to adding net operating loss carryback and carryforward provisions to be corporate income tax rules. This provision is extremely important when forming new businesses which often require several years before making a profit as well as for normally profitable businesses that may incur a loss. (2) We also recommend consideration be given to a New Jersey State investment credit. Our adjoining State of New York found this economic development tool so attractive that it doubled its investment State Tax credit to 2% in 1975. We recommend that a proposal similar to New York's be considered in any new program developed to attract industry to New Jersey.

The 2% investment credit should apply to all qualified property (buildings, structural components and tangible personal property).

It is the position of the South Jersey Chamber of Commerce that if industry is to be provided with incentives to locate in New Jersey, strong consideration should be given to these job producing proposals. The South Jersey Chamber of Commerce believes that if these recommendations are enacted there will be a balanced budget in 1979-80 and an improved State economy without the need for new or additional taxes. The South Jersey Chamber of Commerce solicits your careful consideration of these proposals.

PERSKIE. Thank you very Mr. Magann. . . . (Due to technical difficulties the ensuing dialog between Mr. Magann and members of the Committee could not be heard) . . . We had a great deal of testimony here this morning. We will now break for lunch and reconvene at 1:30 p.m.

PERSKIE. We will reconvene our afternoon session. We have a list of ten people, or ten organizations that wish to be heard. First, one of our own, so to speak, Assemblywoman Muhler from district 11 in Monmouth County. Nice to see you this afternoon.

A S S E M B L Y W O M A N M A R I E M U H L E R. Thank you Steve. There's been a lot of talk about the State's ailing economic climate and our loss of job producing industry to the sun belt states. I would like to at this point make a positive suggestion in the way of tax incentives and I know you've heard a great deal about that this morning, but I have introduced the bill A-1165, which addresses itself to that subject. The bill proposes to provide a credit option under the corporation business and the corporation income tax as an incentive for the establishment of new or expanded manufacturing or research facilities. The option is provided to attract capital intensive facilities and/or labor intensive facilities with the view to improving the economic climate for both elements. And I'd like to say too, I had a good deal of expert advice from Gil Deardorff on your staff who did an excellent job. The capital intensive investment, which would add to the ratable base of a municipality where the construction occurs, would be encouraged by a 2% investment tax credit. This option would normally be selected by the investing business that constructs and expanded our new facility where relatively new jobs are created or a second option would grant a \$200 tax credit for every new job that is created so long as some capital investment is also provided. This option would normally be selected in cases where moderate capital investment is made while creating a considerable number of new jobs or the third option would cover business or industrial expansions where considerable investment creates a large number of new jobs. Under this option, 1% investment tax credit and \$100 tax credit for each new job would be available for the expanding firm. Now I know, I'm sure the first question on your mind is how much is it going to cost? And, off the bat, I would say it's going to cost nothing as far as appropriation money for the bill. I think we have to look a little bit to the future when we consider what we're going to do in this area. And we have to create a climate in this State where businesses are going to expand. I think this idea gives that option to business, it gives them their choice and in effect I think it's productive for us in that it creates new jobs and brings more economy in. I know the first year may be difficult but I think it's very important that we move in this direction. Did you have any questions?

PERSKIE. Yes, thank you. I have obviously a lot of sympathy for your position in as much as I have also, with the assistance of Gil Deardorff, introduced comparable legislation in the Senate. I share your concerns completely and your direction, I only fear that -- and I also agree that in the long run it makes affirmative fiscal sense to the state, 'cause I think we'll make more than we'll lose. I am concern only about the cost impact. I tried to -- I got a revenue estimate on a broad-based investment credit bill that indicates the potential could be as much as \$30 million. One of the things I think we could do to limit the cost but not necessarily the effectiveness would be to key the investment tax credit concept into a targeting vehicle where we would give either preferential or even limited treatment to a investment tax credit according to the kind of community to which the facility would go.

So we might be able to deal with it on that basis, but I still feel that we must identify some source -- some revenue for it in the first year, otherwise we are into some major problems.

MUHLER. I think it's possible also to consider giving that credit possibly in the second year and not the first year so that while business will invest, the credit will come in the following year. I don't know if it's possible.

PERSKIE. It's consistent with, I think it was you, Walter -- or no, Charlie, I guess, who pointed out this morning in one of the testimonies that often the investment credit in the first year is relatively useless because there's no tax against which to levy by reason of the nature of the start-up business operation.

MUHLER. Sir. In other words it should catch up in the second year.

PERSKIE. Right

MUHLER. And by that time if there are additional jobs or additional capital investment it should be positive and come from the State.. Well, I feel very strongly we have to take this direction, and not just look to the idea of where we're going to find new ways to raise revenue within the state by further burdening business.

PERSKIE. OK. Senator? Barbara? Do you want to ask me questions on the bill that you helped me to write? Thank you.

MUHLER. Thank you.

PERSKIE. George C. Harraka. Did I say it right? The assessor from Summit, and also I believe carrying title with the State Assessors. We have a statement here which I will distribute and ask the staff to make sure it gets into the committee report.

M R. G E O R G E C. H A R R A K A. With your permission Mr Chairman, I'd like to read this statement in its entirety in order that they can -- I can emphasize those points which I feel the committee should be aware of today.

PERSKIE. Well, Mr. Harraka, I certainly don't have any problem with your choosing any points of emphasis you might want. I would simply note that it is an extremely lengthy statement.

HARRAKA. It would take eleven minutes, Sir.

PERSKIE. I'm sorry?

HARRAKA. It would take eleven minutes.

PERSKIE. Well, I simply ask -- I'll leave it to your judgment and discretion, but ask that you--

HARRAKA. I'll hurry it up.

PERSKIE. . . . exercise that discretion in such a way that it enables us to hear from everybody today that we need to hear from.

HARRAKA. Well, I'll hurry it up Sir, but I feel that for the record I'd like everything that I have on this statement be entered into it in order that I want to emphasize the need for the pointing out of the inequities in property tax administration to you and the members of this committee and to those who are present from different organizations.



PERSKIE. There's no problem to that. I do want you to be clearly aware that whether you read all of it or none of it, the statement in it's entirety is included in the committee report and will be distributed to all the members of the committee and is an official part of the committee's record. So, your reading it doesn't have any effect on that part -- but, would that ...

HARRAKA. ...yes. I'd like to read it; May I? OK. I have been asked by the Assessors Association to point out to this committee on behalf of all the assessors throughout New Jersey, some of the inequities in property tax administration that exists today. There are two areas in which most of these inequities occur and they are in the areas of tax appeals and exemptions.

One of the duties of the assessor is to discover and identify real property in a taxing district and then determine a fair market value of this real property in order that a uniform levy of assessments can be made as mandated by the constitution of the State of New Jersey.

During the most recent years new and more important duties have been added to the functions of the assessor's office. The assessor must be constantly aware of any shifting of the burden of taxation. Since the property tax is still the most -- single most important source of revenue for the municipality, the assessor must be alert to any threat of erosion to the municipal tax base. This threat of erosion has been becoming more and more evident in the past few years. The recent enactment of the New Jersey income tax can be attributed to the fact that the erosion in some municipalities -- municipal tax bases prohibits the further use of the real property tax as a continued viable source of income. It is the opinion of the Assessors Association that in most recent years these two areas of property tax administration, tax appeals and exemption, have been the prime contributors to the erosion or to the threat of an erosion of the municipal tax base and for the following reasons:

Concerning tax appeals: It is a known fact that there are over 38,000 cases remaining to be heard at the division of Tax Appeals. It is hoped that the recently enacted full-time Tax Court law, which has been sponsored by the chairman of this committee, and strongly supported by other members of this committee, will alleviate the strain of wait for both the taxpayer and the municipality. This period of wait is sometimes upward to four years and presents a cost burden to both the taxpayer and the municipality.

However, before the effectiveness of the full time tax courts can be realized, there are areas associated to tax appeals that must be brought to the attention of the Legislature for proposed revision.

In order to correct the inequities in the tax appeal system, the assessor's association has made many recommendations for revision of some of these items incorporated in this tax appeal system.

The first area that must be corrected is in the construction of the sales ratio. The procedure used in determining the sales ratio, through the analysis of the sales transactions in the taxing district, must be revised and adjusted to those conditions that exist today. The 27 categories

established in Chapter 86, Public Law 1954 to determine sales of a non-useable nature, are the same 27 categories in existence today. There has been no consideration or adjustment made toward situations that have surfaced today which could render a sale "non-useable". These sales were permitted to become a part of the sales study and the usual wide disparity between the assessed valuation and the consideration, results in a false ratio.

The result of this false ratio is that there is an extensive decline in the ratio of the taxing district. This extensive decline in the ratio, results in an unfair reduction in school aid for a community - thereby shifting the burden of school financing to the owners of real property through an increase in the tax burden.

This extensive low ratio also results in an increase of a community's share of the county tax burden through the equalization of the community's ratables as indicated by the ratio.

The extensive low ratio oft times results in a premature community - wide revaluation, and the values arrived at through this revaluation reflects "ratio" value and not necessarily "true value".

The results of all this is that the community then has a new round of tax appeals and a new cycle of discrimination begins.

When the sales ratio system was inaugurated, the intent was to determine the amount of school aid a municipality could receive through an equalization of ratables by this ratio. It was never intended to be used as a barometer of value. It's use today by all courts in tax appeal cases, emphasizes the need for a revision in order that a "true" ratio can be determined.

Especially with the implementations of Chapter 123, Public Law 1973. The intent of this law by the Legislature, was to provide an area which would reflect non-discriminate assessments based on "true value". This area or zone was representative of a range of 15% above or 15% below the common level ratio of the taxing district. Prior to the implementation of this law, tax appeals which cited discrimination to the ratio deprived the municipality of the benefit of any range and the assessments were based on the actual ratio.

It was the intent of the Legislature, that Chapter 123, would provide a protective range whereby the current assessments ratio to "true value" could be considered non-discriminatory. The legislature further mandated, that those assessments in appeal above the upper limits of "true value" should be reduced to the common level ratio and those assessments below the lower limits should be increased to the common level.

It could be assumed that this law would satisfy some inequity in the tax appeal system, however it has not. The intent of the Legislature is not being interpreted correctly by the various county boards of taxation.

Since Article 8, Section 1, Paragraph 1 of the New Jersey constitution, mandates that all property be assessed under the same standard of value, it must be assumed that this same uniformity must exist in tax appeal procedures. As chairman of the Legislative Committee, I have been provided with information by other assessors showing that those provisions set forth in Chapter 123 are not being adhered to by both the appellants and some county boards of taxation and the assessors.

The main intent of the Legislature in Chapter 123 is that "true value" be proven before any adjustments to the assessments can be made. It is clearly evident, that "true value" must be determined by all parties involved in the appeal, the assessor, the appellant and the county boards of taxation. Since all adjustments to any assessments are now part of mathematical problem, "true value" must first be determined before an application of any percentages can be made which will eliminate discrimination in assessments. The lack of knowledge by some county boards as to those provisions Chapter 123, is apparent through the disregard shown in the use of this law in some tax appeal. Because of this, the Assessors Association is asking that the Legislature move toward the adoption of A-717. This bill has passed the assembly 64-0 and is now in the Revenue and Finance Committee. The provisions set forth in this bill require the county boards of taxation to send a written memorandum of it's judgement with reasons set forth, to the parties to the appeal.

The Assessor's Association feels that compliance to this law by the county boards will show the boards determination of "true value" and may also reduce the number of appeals to the tax court. There is no denying that some appellants are treating the county boards as being "something in the way". Under the new full-time Tax Court law, they, the appellant, will have the option under certain conditions to bypass the county boards and petition directly to the Tax Court.

Another area in the tax appeal system which needs revision is in the guidelines to be followed when filing appeals. Since there are 21 counties, it is safe to assume that there is a definite lack of uniformity in the filing procedures of each county. The assessors association has been pursuing a uniform set of guidelines for all counties that would expedite the tax appeal procedures.

Especially in the area of information that must be provided by the appellant at the time of his appeal. Too often appellants have filed appeals citing discrimination and, despite the assessors request through interrogatories for information pertaining to his citation of discrimination, the assessor never receives the information from the appellant until the hearing. And, in most cases, this evidence is in the form of a much disputed income capitalization statement.

Many assessors have been ordered by their county boards, to show how their assessments are substantiated by the correlation of at least two approaches to value. Yet, I have seen where experts for the appellants, have been allowed to substantiate their discrimination charge through the use of only an income capitalization approach to value, and showing complete disregard to the market approach and the reproduction cost approach. Especially when current information regarding these two approaches is so easily attainable.

The Assessors Association feels that in accordance with Section 54, Column 4-38, whereby the assessor must advertise that the assessment list will be available for inspection 10 days before the tax list is filed on January 10 of each year and since the appellant has a period of eight months till August 15 whereby he can determine whether or not he is being discriminating against, then there should be no problem in utilizing that time in preparing his case by August 15th and providing the evidence needed to substantiate his discrimination charge with his petition of appeal. The assessor should also be required to substantiate his assessments in some period of time after an appeal is filed.

I'd like to bring to the attention of this committee, an actual situation that recently occurred in my district. An attorney for a taxpayer, filed an appeal citing that the assessments were above the common level ratio of the taxing district. In an exchange of request for information, I had answered every question except one. I had received an answer thanking me for my prompt reply, but I failed to provide the attorney with the common level ratio of my district. My response to him was that, I had assumed, that since he cited discrimination against the common level ratio that he knew what the common level was otherwise how was the community discriminating against his client in their assessments?

It is for this reason that the Assessors Associations feels, that the full-time Tax Court to function properly, then these items as mentioned herein, must be corrected in order that the courts not be delayed and again backlogged.

The Assessors Association also believes that the following proposals which are now law should be amended to clearly define legislative intent:

The first being Chapter 357, which states that taxes must be paid before appeals can be heard. Since I played a part in having this law proposed, it was my understanding that taxes have to be paid when appeals are filed. Throughout the various county boards, there are not uniform definitions of this law. The definition ranges from complete disregard by the boards, to an extension of time for compliance to just prior to the hearing.

The Assessors Association is also asking, that A-1492, which calls for the use in Chapter 123 of the director's 2 year study in the ratio rather than the one year study. It is felt by all, that since the director's ratio is used to determine school aid, then it should be uniformly used in Chapter 123, and in the equalization table of all counties.

The Assessors Association believes that with an amended Chapter 123, and with those recommendations herein stated, and with a clear declaration of legislative intent contained in Chapter 123, then the courts will have an instrument to use by which the difference between the appellant and the municipality can be reconciled. The assessors also believe, the removal of any ambiguity in Chapter 123 by the Legislature will result in not only a reduction in the courts backlog of appeals, but also in the reduction of appeals thereby reducing cost to a municipality.

Concerning the subject of exemptions, the Assessors's Association has been petitioning the Legislature for many years to reexamine the statutes granting tax exemption of real property. This was attempted by the Apy Commission for the New Jersey Assembly in January of 1970.

This commission, which was chaired by Assemblyman Chester Apy was formed to show the laws of New Jersey -- formed to study the laws of New Jersey. Exempting real property held by religious, educational, charitable, philanthropic organizations and cemeteries from taxation.

The commission held that the exemption Statute 54:4-3.6 which allows for an exemption of real property owned by a non-profit corporation be completely revised. The commission also held that, no land be exempt from real property taxation.

In New Jersey, it is a truism, that taxation is the rule, and exemption is the exception to the rule.

In the case *Dwight School of Englewood v. State Board of Appeals*, Justice Heher expressed this justification for tax exemption for non-governmental organizations as follows:

"Equality is the basic principal of taxation. Exemption there-from can be justly sustained only upon the principle that the concession is due as a quid pro quo for the performance of the service essentially public, and which the state thereby, is relieved 'pro tanto' from the necessity of performing, such as works of charity and education freely and charitably bestowed ... without that concurring prerequisite, an exemption becomes essentially a gift of public funds at the expense of the taxpayer".

The Assessor's Association, believes, that the continued liberal interpretation of the Statute 54:4-3.6 by the courts is not the actual intent of the Legislature when allowing a quid pro quo exemption. The current percentage of exempt property of 21% throughout New Jersey already exceeds the national average of 16%. Municipalities are already witnessing an overburden of exempt property such as Newark which is 53%, Orange at 33% or 66% or their 2 square miles, Elizabeth with 33%, Summit with 21%, Princeton with 59% and many other communities throughout New Jersey. The Assessors Association believes that the ever increasing allowance of the exemption statutes by the legislature and the liberal interpretation by the courts of the intent of the Legislature in these statutes is the single most contributing factor toward the erosion of the municipal tax base.

The assessors throughout New Jersey believes, that the present, exemptions granted exceed beyond that concept as stated by Justice Heher, that being of a quid pro quo situation. It is felt by the assessors that some of the exemptions granted by the courts interpretation of the statute as to the legislative intent, is not qualifying according to this concept and that this exemption does become a gift at the taxpayers expense. This is especially true in the "Woodland" interpretation of the Farmland Assessment Act of which I will mention later.

The assessors throughout New Jersey are asking that the Legislature to redefine the statute R.S. 54:4-3.6 with attention being paid to ambiguous phrases contained in the statute such as "for the fair enjoyment thereof" or "not for pecuniary profit" or for "land not to exceed 5 acres in extent".

These phrases have been the basis of excessive liberal court interpretations since there is no limit being displayed in the statute as to the exemption qualifications.

In 1977, Governor Byrne signed into law, Chapter 272, which allowed for an in-lieu-of-tax payment equal to the cost of municipal services being paid municipalities where state owned property is located.

The Assessors Association had proposed during 1976-77 that a municipal service charge equal to the municipal tax rate be levied on all land owned by tax exempt corporation in order to reduce



the cost burden for services provided these corporations. The Assessors Association believed that since these corporations provided a service for many communities, the local municipality should not bear the burden of cost for supplying these municipal services to these corporations. Perhaps in prior times, communities had an opportunity to absorb an exemption through the acquisition of new ratables. Today such is not the case. The continued rate of growth by many communities, and the continued increase of exempt property, has reduced the amount of available land for improvement thereby shifting the burden of taxation to the remaining taxable properties.

The Assessor's Association believes that the time is rapidly approaching when the Legislature must reexamine the exemption statutes. The Assessors Association ask that the Legislature reexamine Chapter 48 laws of 1964 and known as the Farmland Assessment Act.

When the Farmland Assessment Act was enacted in 1964, the intent of the Legislature was to preserve the dwindling farmland in New Jersey. It was their hope that by reducing the land assessment, this inducement would be enough to keep the farms operating.

Guidelines were set, whereby land actively devoted to agricultural or horticultural use and under certain conditions, would qualify for a farmland exemption. Incorporated in that statute was an exemption for woodland provided that it was appurtenant to an existing farmland as a protective cover.

Today the courts have ruled, that Woodland, with no devotion to agricultural use still qualifies for farmland exemption. Reason being, that the Farmland Assessment Act did not clearly state that Woodland should be appurtenant to qualifying farmland in order to qualify for an exemption. The Assessors Association has recently asked the Legislature through Senate Bill 176 to redefine the Woodland portion of the assessment act before there becomes a municipal overburden through the granting of the exemption by the courts and shifting the burden to other taxpayers in the taxing district. Wayne has already lost 1,000 acres or \$3.5 million in ratables and with no indication of the amount to be lost by Kinnelon, Berkeley Heights, Vineland and other areas. To clarify this situation the Assessors Association has asked that a Woodland Assessment Act be enacted by the Legislature, comparable to the Farmland Act, whereby certain qualifications or standards be made before an exemption can be allowed. Governor Byrne had previously stated, that land speculators must not be provided a tax shelter under the Farmland Assessment Act and unless a Woodland Assessment Act is enacted, the Assessors Association believes that these land speculators will be receiving this tax shelter.

Another abuse of the exemption law which should be examined by the Legislature is that which allows for the exemption of land used for wildlife. To determine the shift in the burden of taxation due to the loss in ratables and taxes caused by the enactment of this Act, one would have to analyze the effect this loss of 13,491 acres being declared exempt in 71 municipalities in 21 counties and a loss total of \$531,298 in local property taxes.

Another area which requires legislative attention is the recently enacted non-service

connected totally disabled veteran. The Assessors Association believes that since the State has picked up the municipal cost of the senior citizens and veterans exemption then the State should also pick up the cost of allowing a total exemption for the totally disabled veteran. Especially since the new 100% qualifying guidelines were set by the Federal Government.

In conclusion, the Assessors Association believes, that revisions in current property tax laws as mentioned herein can reduce the burden of taxation for the property owners.

The Association further believes, that to remain and operate within the framework of the recently enacted 5% "CAP" Law, that attention should be paid to those areas of property tax administration, where unanticipated cost needlessly contribute to the increase in the cost of administration. At many hearings conducted by the Legislature, comments were made concerning the amount of knowledge of existing property tax laws displayed by town attorneys, county board members and assessors at tax appeal hearings. It cannot be emphasized enough, of how this lack of knowledge has contributed to the increase in cost to the municipality and to the taxpayer.

The Assessors Association attempted to reduce this cost factor attributed to the assessor, by conducting yearly seminars in June at Rutgers University. It is here where the Assessors Association makes every effort through their education committee, to disseminate and update all new assessing laws and practices. However, in the past years, the cost of conducting this seminar, has continuously increased and because of the recently enacted 5% "CAP" Law the cost of this seminar for each assessor is becoming prohibitive for the municipality.

The Assessors Association is asking that consideration be shown by the Legislature toward the importance of this seminar. Since the municipality is the indirect recipient of the benefits derived from these seminars through the knowledge gained by their assessors, then every effort should be made to remove any threat of discontinuance of these seminars.

The Assessors Association is asking that the Legislature support a state-subsidized Rutgers conference, not only for assessors, but for the county board members and town attorneys alike and also mandate that attendance must be at least once in three years.

The laws pertaining to property tax administration that have been recently enacted and those that have to be amended, are far too important not to be adhered to through a lack of knowledge.

The Assessors Association is also asking that the Legislature enact Bill A-1630 into law as quickly as possible. The formation of a state-local relations commission as proposed by this law, would provide an improved line of communications between state, county and municipal governments, thereby removing the definite lack of communications that exist today.

I thank you very much.

PERSKIE. I thank you very much. Joseph Crane, the president of the Assessors Association.

M R. J O S E P H C R A N E. Yes, Senator Perskie. I only have one additional comment to George's report because he pretty well covered the "waterfront" for us. That is in the administration part of the Homestead Rebate Program that we're currently going through.

I was in a meeting this morning with the division and I think we're headed down the right track finally, in the complete revision of that administration part, to the point that we will be back to your committees later on with some legislation that needs to be enacted. We still have one problem --

PERSKIE. Legislation leading to what?

CRANE. . . . to an enactment to the revision of the Homestead administration. We still have one problem that we're not agreeing with and that's the part of the annual filing of the application which is creating multitudes of problems. Hopefully, we may get something resolved on that, if not, we may have to come before this group to get some insulation for it. Other than that, as I said earlier, George has covered pretty well our general thoughts and we have spent a lot of time working this up and we would appreciate any time in the future to meet with you again for further input. Thank you.

PERSKIE. OK, thank you Mr. Crane. Assemblyman Saxton representing District 8. I notice you want to speak on Assembly Bill 1133.

A S S E M B L Y M A N S A X T O N. Thank you Mr. Chairman, members of the committee, I'll be very brief. I just wanted to come this morning to draw your attention to this bill which is intended to eliminate what I believe was an unintentional inequity that was created by the Legislature back in 1977. We passed a bill for then Assemblyman Perkins, under his sponsorship, which was A-930 and as you all remember it was intended to provide for in-lieu-of tax payments for services rendered to communities wherein State institutions were located. The amount of money to be distributed to those municipalities was determined by using the assessed value of the State-owned property and applying it to the local tax rate to compute the amount of dollars that would be paid in-lieu-of taxes. At that time, I believe it was assumed by everyone that the services rendered were --or that the formula would cover the situation quite well, however it has turned out that one item was overlooked and in most cases and that is for municipalities where a fire district tax rate is used. There are --

PERSKIE. How many such municipalities are there, do you know?

SAXTON. I don't know the exact number. To my knowledge in the area that I represent and in the surrounding districts there are three or four. The cost of including such a provision in the law, I've asked the office of Fiscal Affairs to provide us with an estimate. It seems to be a rather small sum of money, no one has exactly determined what it is yet. We believe it to be somewhere between \$30,000 and \$40,000. The Office of Fiscal Affairs, I believe, termed it an insignificant amount, or a minor amount, or whatever the verbage was. There are four --

PERSKIE. One thing that interests me about this, just in passing, and it's certainly not going to be levied against the bill, where they (the division) states that there is no data available on the amount of the local purpose tax base for fire districts. It further states that it is "assumed to be insignificant." It's that last statement that strikes panic in me. Considering the past track record of some of the assumptions that we in the Legislature and our Division of Budgeting and Accounting, etc. have made. I have one in mind.

SAXTON. Our assumptions are much more consistent --

PERSKIE. Yes, that's the one. . .

SAXTON. Our assumptions tend to be rather consistent --

PERSKIE. --Consistently wrong, yeah.

SAXTON. . . . with the exception of the short time before the elections.

PERSKIE. Right.

SAXTON. There are four factors that are built into the bill which tend to limit the amount of money which it would cost. One is that there are many communities where there is no State property located. There are many communities which do not have a fire district set-up. The bill -- the statute which exists now presently provides that unless the amount is in excess of \$1000 the State does not have the responsibility of paying it and the statute further states that in no case would the amount paid exceed 25% of the total municipal tax rate. So, with those factors limiting it, I believe that's why the Office of Fiscal Affairs has termed the amount the bill would cost as "rather insignificant".

PERSKIE. That makes sense. And the logic I don't think could be faulted. It would seem to me however, particularly since the number of municipalities with fire districts with separate levies has got to be limited. It would seem to me to be theoretically very simple to be able to compile the data. I think you're right that with those four limitations it's likely to be an insignificant amount of dollars. But it would seem to me that somewhere along the line somebody ought to be able to say OK, we start off with "X" number of communities that have fire districts, so many of those don't have any State property to begin with and the number of communities that have fire districts and state property you can probably count on one or two hands. . . I would imagine.

SAXTON. That's true.

PERSKIE. Anybody else? Charlie, do you have any questions? Assemblyman Karl Weidel. In order to round out the participation of the Hunterdon County political power structure here today, we've got two members of your delegation here and we've heard from the secretary of the Tax Board of Hunterdon County, and I know you don't personally reside in Hunterdon County but you've been associated with it now for a good number of years.

A S S E M B L Y M A N K A R L W E I D E L. Thank you, Sir. I'm probably in Hunterdon County more than I'm in Mercer.

Senator, I'd like to -- and members of the committee -- I'd like to address myself to Assembly Bill 1593 and so you know the tense that I'm presenting this, I'm reading this from a release so you can follow me.

"Assemblyman Karl Weidel doesn't think that New Jersey taxpayers should have to pay tax on increases in personal income that result from inflation. He has introduced a Bill A-1593 that will allow taxpayers to deduct the effects of inflation from any increase in gross income when

figuring their State income tax for the year. 'There is a lot of talk about the need for tax relief these days, especially on the Federal level', Assemblyman Weidel comments. That's all well and good but I want to see words followed by action."

I have submitted this bill to show that we can do something about inflation right here in New Jersey. We don't have to sit around ringing our hands and hoping the Federal government will do something. According to the bill each taxpayer shall be allowed to deduct from his gross income an amount equal to the amount by which his gross income of the current tax year exceeds his gross income of the previous tax year, multiplied by the adjusted percent change in the consumer price index for the current tax year. Thus, a taxpayer would be taxed on increases in his purchasing power rather than on inflated dollars. The concept is called "Tax Indexing" and already has been adopted in the state of Colorado. Tax Indexing also is in effect in Canada and is said to play a major role in reducing the rate of growth of government spending.

This bill of mine has been referred to the assembly's committee on Taxation, and this release is under date of September 22, 1978. And I would like to read an excerpt from the Trentonian on October 1, 1978 which they say as follows:

"If Weidel can get that bill through the Legislature and signed by the Governor, which admittedly is a long-shot at best, you'd only have to pay State income taxes on money that has not already been eaten away by price increases. It's a shame, but a bill like this doesn't have much chance, even though it's something that is not only needed, but already over-due."

And before I leave the esteemed presence here I happened to find a little note at one of the desks, and I hope it doesn't apply to one of the assembly people here, but this fellow asked this question, or lady asked this question -- it says this: "Why are we supposed to vote 'Yes' on this?" And with that I'll leave.

PERSKIE. Before you leave Karl, I know this is a little bit, well . . . Do you have any idea, have you had any research or been able to do any research at all on what impact on annual growth rates for the gross income tax your bill would have?

WEIDEL. Well, I will admit, Senator, that with this -- with the situation that is already here in New Jersey, somebody is going to have to address the tax rate. But, the bill itself will allow most cases for those who are increasing income tax brackets to pay a goodly amount of their income. It just means for the guy or girl who's stationary doesn't get a wage increase says that these people are taking my money and literally we are, in that they don't get a wage increase and inflation has eaten up their income and that if they go to buy dresses or whatever it may be, groceries or something, you understand . . . I'm sure. . .

PERSKIE. No question, but I . . .

WEIDEL. But I can't tell you now, I haven't asked Office of Fiscal Affairs to do it with the turmoil there and so forth -- but I, if my bill could be considered in the taxation committee I'm sure we can come up with these figures. In fact, there's probably other bills that relate indirectly

or directly to this. I happen to be a Republican, which you know, and I don't have much chance of getting one of my bills through, but I would be glad to combine my bill with any Democrat who might think that this is a good idea, too.

PERSKIE. Well, I think it would be interesting to determine the extent to which the elasticity of the tax as a revenue source, in terms of its gross yield would be impacted by that kind of a proposal. I would think that it would have a measurable impact on the bill's career.

WEIDEL. I'm sure we'll be able to find it when the time's ready for it.

PERSKIE. Anybody have any questions?

ALBANESE. I want to thank Karl for coming today, and I share his concern that we must do something in the way of taxation as it relates to the consumer price index increase each year, better known as inflation, because people are paying taxes on inflated income and I just want to make a comment, Karl, that there are other bills addressing the problem a different way. In fact, I have a bill that addresses the problem by saying that the inflation rate shall be multiplied times the personal exemption dollar amount on a tax return. That amount shall be subtracted from the taxable income. My thinking is that this is a step in the right direction and yet it's not a costly measure and yet gives some relief to the taxpayer as far as inflation is concerned. On July 6, I asked OFA for a fiscal note and as of yet have not got an answer, and I told them to just estimate an 8% inflation rate and give me a figure. And I'm not referring to Gil Deardorff, by the way, I'm . . . or Bill or Maurie, but -- it's, well I understand it's been --

PERSKIE. This committee, as you know Assemblyman, has since about June somewhat monopolized the attention of many of the staff --

ALBANESE. I understand that and I'm not pointing a finger at anybody, but I just wanted you to know that there has been a lot of -- there have been changes in that office, I understand also, in recent months, and I also think we wanted to wait until this committee had concluded this hearings before we addresses any of this type of legislation.

PERSKIE. Thank you. It's been pointed out by the members and I decided maybe, that there's no reason that the staff can't start working Sundays in order to get this job done. I think maybe we'll-- OK. Thank you very much Karl.

WEIDEL. Thank you.

PERSKIE. The New Jersey Association of School Administrators, Kiki Konstantinos, President from Burlington County, on the obligation of the funding of schools out of tax revenues and the "CAP". We have a prepared statement, which I would ask again be included with the committee's report, and I would ask that you summarize what you consider to be important with respect to the statement.

M R. K I K I K O N S T A N T I N O S. Thank you, Senator Perskie. I am Kiki Konstantinos, President of the New Jersey Association of School Administrators and seated with me is Philip Kirshner our Director of Government Relations. Our statement is rather brief and I have summarized to some



extent from the copy which you received.

Our Association, the New Jersey Association of School Administrators represents superintendents and other top administrative personnel in the local school districts throughout the State and we appreciate the opportunity to speak to you.

We supported the enactment of State income tax as a better way to help pay school costs. We believe very strongly that local property taxes cannot and should not, bear the brunt of school financing. Our experience shows that local voters are more supportive of public school budgets when reliance on the property tax is decreased. Budget approval rate is risen from 50% in the pre-income tax years to some 80% at the current time. Therefore, we believe, the State taxing policy should continue to focus on the alleviation of local property tax burden. We also believe that the revenue source that funds education should be stable and sufficient enough to enable local school districts to provide each student with the constitutionally required thorough and efficient education.

We are at this time very disturbed at reports of possible cut-backs in State aid to education because of the noted State budget deficit. We wish to point out that it was our perception that the goal of the Legislature when it passed school finance law was to gradually increase the State share of school costs to 43%. Not to have the State share slide back from the current 41% to 40%. Legislature must realize that any decrease in state aid merely shifts the burden to local districts who must raise local property taxes to pay for their educational programs. This, of course, is in conflict with the goals of our school finance law and the concept of CAPS.

NJSA urges this committee to recommend a gradual increase in the state's share of local education costs to 50%. The present 40% is below the average assumption of states, of costs by states nationwide. We believe it is your responsibility to create a stable, sufficient source of revenue to fund the schools and cut the heavy reliance on property tax to fund schools. Such a State tax policy should resolve in more public support of our public schools.

PERSKIE. Mr. Konstantinos, before you leave that point I notice in your statement that you now would go into CAPS.

KONSTANTINOS. Yes, I am.

PERSKIE. Before you leave that; does the Association, in reference to that last, the recommendation of the gradual increase to the State's share to 50%, does the Association have any position on the vehicle the State level would use with respect to the funding of that program?

KONSTANTINOS. We supported the income tax concept, and the CAPing crosses and denies the ability to raise it locally, so we would have to consider the funds to come from State sources vis-a-vis the income tax.

PERSKIE. Thank you.

KONSTANTINOS. Under the CAPS, of course, we're not opposed to CAPS. We felt that these CAPS were set at 3/4 of the rate of annual growth in the state-wide equalized real estate evaluation. And

our contention that this formula proves to be unstable and has led to some serious problems in educational programs. When the CAP formula was first devised it was reasonable as the growth in real estate values was consistent and high enough to permit reasonable growth and to enable us to adequately implement the programs required under T & E. Real estate values were growing at a rate of about 12% a year. 3/4 of this growth was utilizing the formula to provide a reasonable CAP. However, state-wide growth of real estate values have plummeted each year to the point where they are now at 7%. The result has been the average state-wide CAP on school districts dropped from 8.8, in 1976-77 to 5.4 this year. As you can see, the recent CAP figures are below the 6.8% of inflation in New Jersey last year. The CAP is dropping below inflation at a time when the local districts are being required to implement many new programs under T & E and federal law.

This has frustrated our efforts to provide a "Thorough and Efficient Education". We're not able to maintain the programs we have now, let alone implement new ones.

The result in overly restricted CAPS has been to increase class sizes and teacher/student ratios and reductions in such programs as art, music, languages and extra-curricular activities. And a drastic cut-back in the maintenance of our facilities. The quality of programs have suffered and districts have been unable to expand programs that are working well or implement new and useful courses of study.

We do not believe that this was the intent of the Legislature when it first implemented CAPS. We are asking only for a CAP formula that at least lets us maintain our program in face of rising inflation. We suggest the formula be changed to provide for 3/4 of the rate-of-growth in personal income, as in Senate Bill 1212, sponsored by Senator Feldman, Senator Yates and others rather than use the real estate values. We feel that personal income is much more stable indicator and is attractive in that growth and personal incomes pre-supposes a better ability to pay for school programs than does the real estate values. S-1212 would also set different CAP limits for each type of school district. This is necessary, because it costs more to educate a high school student in a regional district than it does to educate a student in the K-6 district. The current CAP law makes no distinction and is extremely harsh on regional and vocational schools. As administrators we urge this committee to seriously consider changes in the CAP basically to alleviate the present inequities.

Under State mandated programs we urge this committee to recommend legislation which will require mandated State programs to be accompanied by enabling funds. The Legislature must realize that if it mandates a program and requires a local district to raise funds, something valuable, but not mandated, must be reduced or cut. Because of tight CAPS we do not have the luxury of absorbing these costs into the budget. Assemblyman Albanese's bill A-1513 addresses this problem by requiring State funding to accompany State mandated programs.

NJSA also believes that any State law requiring expenditure by a school district should not require such expenditure until the following fiscal year. This enables school districts to financially and programatically plan for the program, and will result in the goals of the program being better

achieved. Assembly bill 953, sponsored by Assemblymen Newman and Doyle has been released from the appropriations committee, calls for this type of approach to implement new State mandated programs. Under surplus and contingency accounts, this will be our last paragraph, the current CAP law penalizes districts for appropriating surplus balances. A district which appropriates a surplus to meet its budget suffers a loss of State aid and receives a lower CAP figure in the following fiscal year because the appropriated balance is not included in the next current expense budget upon which the CAP and state figures are determined. We believe that this situation should be corrected. Surpluses state-wide have rapidly dwindled and disappeared because districts must use all, or most of their surpluses before the Department of Education will consider a CAP waiver.

We believe school districts should be permitted to set aside a contingency account in their budgets to be used for emergency expenses or unanticipated expenditures. We believe the amount should be 2% of an operating budget or the amount of one or two month's payroll. This account would not have to be depleted before a district applies for CAP waiver. Sound business practice calls for contingency accounts and the law should permit it.

I want to thank you for allowing us to appear and make our comments.

PERSKIE. Thank you, Mr. Konstantinos. Senator?

YATES. I was thinking, in your text, the last thing you said was on the contingencies, something is the percentage of payroll, because I didn't even hear it.

KONSTANTINOS. No Sir, I switched this around a little bit for my own --

YATES. I just want to make sure I get that down.

KONSTANTINOS. I worked with Mr. Calabrese last year on a sliding scale for contingency funds and it varies drastically by district. One of the suggestions I had at that time was a possibility of a one-month payroll.

YATES. One month of payroll.

KONSTANTINOS. One month of payroll be the amount for surplus. Now, for a small district that could be very small, for a large district that could be large. That's why we also talked about the 2% percentage factor.

YATES. One month is a tenth of the year ...

KONSTANTINOS. Yes, and the payroll is about 70% of the budget so it gets high in some districts. But we felt that if we don't get our tax monies and the monies from the township we ought to be able to cover a payroll.

PERSKIE. Thank you. Anybody else? Thank you very much.

KONSTANTINOS. Thank you, Sir.

PERSKIE. John Tergis and Karl Doktorich, New Jersey Federation of Senior Citizens. I hope I didn't damage the names. . . come right up Mr. Hooper. Do you have Mr. Doktorich with you?

HOOPER. No, he's not going to be here today. I understand he's sick today.

PERSKIE. You're on. You're representing the New Jersey Federation?

M R. G E O R G E H O O P E R. Correct. I don't know whether all you gentlemen are aware that we have previously submitted testimony. We appeared at Willingboro and at Woodbridge. And . . .

PERSKIE. We have reviewed the transcripts of those hearings and that material on that presentation has been made available to all members of the committee.

HOOPER. So, basically all I'm here today for is to up-date, if you want to call it that, and perhaps add a little stress here and there. We -- I do have copies of our thirteen point tax program, which was at the Senior Tax Convention back in 1976, which is still our basic approach to things. Our recommendations for tax reform are not necessarily novel. The first three recommendations have to do with CAPS and holding the line on expenditures. Our fundamental approach is, in addition to economy government to have the State take over certain expenditures out of local property tax expenditures to the maximum possible. And primarily that relates, of course, to increasing the educational contribution to somewhere around the national average and to taking over things that are, in a sense, statewide functions - such as courts and such as welfare, if not federal/state takeover. We're trying to get -- our essential thrust is getting a property tax down because it's the most regressive tax and senior citizens have fixed income and therefore, it hits them the hardest - they're in the low income brackets, basically.

We have another approach - a two-prong approach - because we feel that driving down rates alone is not the whole answer to the problem, although it helps, of course, but that driving down rates by whatever means affects everybody equally and we think that a tax as regressive as a property tax ought to have some kind of a reverse regressivity so that we advocate something in the order of a circuit-breaker so that income can be taken into account when devising rebates. In other words, the Homestead Rebate tends to be flat, although there are variations. We would supplement that on an either/or basis by setting up some form of circuit breaker based on income to a maximum, depending on budgetary considerations and then having a choice of the higher rebate so that lower income people could get a fairer break -- and let me emphasize that the reason for that approach is two-fold.

One is that tenants are not presently being treated fairly under present state and local tax structure. Under our -- under most circuit breakers -- and under our proposals we would deem a certain percentage of rent to be in lieu of taxes for the purposes of rebates.

PERSKIE. Do you have a specific percentage in mind?

HOOPER. Well, across the country there are several, but it runs from 20% to 25% and depends on budgetary considerations and other things but . . .

PERSKIE. The proposal on the 1974 bill that passed in one house and not the other was a 25%.

HOOPER. 25% seems to be a generally accepted figure. The purpose of that recommendation is to affect as many as possible and we haven't ferreted it out for all those questions. But basically we would attempt to reform property taxes in New Jersey by having the State take over as many functions as possible by applying economy in government and then we would fund tax reform by a more progressive income tax. That's the basic program.

With reference to the other hearing, we did testify at Woodbridge featuring casino revenues. And our testimony there basically outlined that we -- under the present constitution, which gives us a choice of three: property tax relief, utility charges and rent -- we are firmly in back of the first one - property tax relief. We oppose funding utility charges, and in specific instances the A-1830 provisions of Lifeline. We feel that that is not a proper use of the funds. That the point of Lifeline is rate re-structure. We had to accept some admendments in order to get the bill through but our fundamental feeling is that casino revenues should be not devoted to the utility charge costs of Seniors.

(VOICE) Mr. Hooper, what about PAA?

HOOPER. We are in the process -- that's about the up-date -- we . . . that was our testimony at Woodbridge. In the event the constitution is amended, and there are several proposals, we feel that the PAA program is a very worth-while consideration as a method of taking into account -- I think the legislature is designated to figure out a formula by which these funds should be spread -- and PAA certainly would be a worth-while consideration in that regard. I understand that the hearing on Wednesday will take this up -- in fact I'm scheduled to show up. That basically is our up-date. We are also testifying in front of Senator Skevin's committee. We have made a proposal that with reference to the legislative commission making recommendations for legislations on distribution of those funds, that it might be well that a senior and a disabled person be a member of that commission so that they-- and we checked to see if it's constitutionally possible, and they found it was.

PERSKIE. In other words you're talking about a senior that is not a member of the Legislature?

HOOPER. Correct. And we felt that in the case of a law which, where the beneficiaries were specifically seniors and disabled people, that in this case it might be well to have someone on the committee, not only -- obviously you could have input without having someone on the committee -- but somebody who is close to seniors or close to disabled people it might be a worth-while consideration. That's not for this committee. But, we have not made our mind up as to the specifics of the other areas that might be considered. We know what we don't like. PAA we feel is a good possibility. Property tax relief is certainly a fair - this is our testimony before - it's a broadest base, assuming we take ten ants into account. We have to get some kind of a way of spreading the relief to tenant. . So that that is basically what we're standing for then and we still stand for. I might add a couple of things: One is that with reference to CAPS. We have seen some things happening that sort of point the way. I think there were fourteen towns that put the local municipal CAPS up on the ballot last time. And four of them passed it. I understand that that number is growing fast. We can see that the need for some consideration for possible revisions is a valid one but we would point out that there is an escape hatch in the case of my own town - Nutley - there was a \$500,000 over-run and they put it up for votes and the commissioners all explained what they would have to cut back including nurses for senior citizens and including ABCE. The vote was 2 to 1, or 3 to 1 against it -- against allowing the exceeding the CAPS. We feel that this is --

PERSKIE. What happened?

HOOPER. . . . That the vote was turned down? They made the cuts. They cut pretty much across the board by departments except pro-rating it sort of by the size of the department, including the nurses. They later got a refund - not a refund, but a pension, some income they didn't anticipate in the original budget from pension contributions and they have now proposals to reinstate the nurses and to use some of the funds for municipal raises which they felt were held too low in the first instance. They couldn't give a full 5% raise. That's what happened since. But we feel that going to the people that way is a step in the right direction at all levels of government. If you can bring the services vs. the costs to the people who are paying and getting the services that that's the best of all worlds, including Proposition 13, but we're not against initiative, as long as the Legislature is responsible in funding and in pointing out the alternatives. The escape hatches for exceeding the CAPS should be utilized to the maximum and that a fair test of how it will work over a good period of time is a good idea.

VAN WAGNER. Mr. Hooper, while you were speaking I happened to have this copy previously and I just wanted -- I hate to interrupt your thought -- but some of these recommendations have been adopted.

HOOPER. I'm aware of that.

VAN WAGNER. OK

HOOPER. Number seven, number nine. Some of these were interim recommendations and I'm sure -- this was in 1976, but it still contains our basic approach to tax reform. I happen to be on the executive board of the coalition for state-wide coalition, League of Women Voters, and so on. And these are not unlike the same kind of recommendations you're getting from other sources.

VAN WAGNER. I just had to follow the question because I wanted to stay on your recommendations somewhat. You, yourself and Mr. Konstantinos seem to agree on a number of areas, basically the increase of the State's share of funding. And you have specifically pointed out that you would like that done by more progressive income tax structure being developed. And there seems to be some conflict in my mind as to your position on: number one; your recommendation relative to the CAPS-- tighten CAPS -- relative to that increase; and two, the position that the federation has on the circuit breaker vs. the concept in recommendation six that the rebate be administered regardless of income. There would be a conflict between the circuit breaker concept and administering rebates regardless of income. Now, I'm wondering if there has been a resolution of that position at all.

HOOPER. With reference to retaining the present Homestead Rebate?

VAN WAGNER. Yes.

HOOPER. Our position is that it's not politically possible to -- we would prefer a circuit breaker, period. But it would be difficult matter having established a rebate program on the basis that it is established, to take back that, so therefore, we are recommending either/or proposition insofar as circuit breaker . . .

VAN WAGNER. I see now, you've clarified that. In other words, you're following at that line of reasoning?

HOOPER. Yes.

VAN WAGNER. To the extent that it affects tenants,

HOOPER. Right. We want the tenants included. That's one of the big points. That tenants -- we get it all the time, especially in the senior areas--tenants feel they are left out of this thing and I think it's more or less a fact. I don't think the landlord pass-through has worked very well. And it certainly is not going to work well in the future, and those people who have enough money to pay income tax do get an income tax credit -- a gross income tax credit, but -- the people I'm talking about don't pay an income tax, therefore, there is no effective tenant relief under the present set-up. With reference to your questions on education: We don't feel that there is a conflict between raising the State's percentage of contribution and still keeping down -- in other words if the economy at the school level -- we would plug for a retention of the CAPS and cutting down the maximum kind of economy in schools, consolidations or whatever, but that of the total cost that the State should pick up a bigger porportion.

VAN WAGNER. Then, you would favor then a continued concept such as we embodied in S-1516 of last year where we restricted the use of that money specifically for property tax reduction?

HOOPER. Correct. The property tax reduction -- the consitutional provision is for property tax reduction -- but it also could be directed to additional school aid, thus, theoretically bringing down this property tax.

VAN WAGNER. It better be more than theoretically.

HOOPER. The other thing is, that I wanted to mention. It seems to me that this committee maybe is restricted -- has restricted itself, perhaps -- to the framework of the present budgetary problems and that, it seems to me the long range property tax relief problem is going to be with us after your committee report. It would seem to me that in your report you might consider proposing either the extension of this committee or formation of some other body to take into the account the long-range problems with reference to property tax relief. Outside of the framework of the budget, and taking into account both state and local taxes, because of the interlocking connection of the two -- in other words, the porportion of state contributions has a direct effect on local property taxes and on county property taxes and school taxes. So that I think it's something where continuing input is a very important thing. Not on a fragmented or segmented basis, in other words you have committees for this and county level and state level -- I mean an overall tax policy outlook that somebody ought to pick the ball up from you, after your expiration.

PERSKIE. Thank you very much. Ms. Dorcas Manrodt, Tax-supported Home Health Agencies. If you have a prepared statement? Yes, thank you. I would again direct that it be included with the committees report. We would request that you summarize the contents of this statement.



M S. D O R C A S M A N R O D T. I'm the director of nursing at the Community Nursing Service of Montclair and I can only speak for my agency, but what I say about it goes for most of the other ones.

Community Nursing Service of Montclair is unique in that it is a combined agency, composed of the Visiting Nurses Association and the Town Health Department Nursing Service. We've been around just about in the same form ever since 1930, doing all the things public health nurses do locally, including taking care of the sick. Since 1969 we have also served the sick in their home in Glen Ridge and Bloomfield. It's not a very large area, geographically, but we do have a heavy population. Something like 105,000 people. Although the community nursing services is a combined agency, all of our nurses and clerks are employed by the town of Montclair and that's how we got caught in the bind of the municipal CAPS.

Since Medicare, Federal Health Insurance Program for the aged, began in 1966, home nursing organizations have changes drastically. Medicare program calls for coordinated home care, with most home care services being provided by or through home health agencies. In most cases the local Visiting Nurses Association or county or local health department became the home health agency. Our organization through contracts with individuals and organizations provides the home-bound patient under Medicare/Medicaid and other insurance programs home/health aids, medical equipment and supplies and occupational, physical and speech therapy, and well as the nursing that we have always provided. It's our responsibility to coordinate all this care to explain it to patients and their doctors, to do all of the billing to all the insurance programs, and then pay all our sub-contractors. So running such an agency has become very complex. In the last few years the demand for home care has risen very rapidly. Utilization reviews, committees and hospitals are getting the patients out earlier and earlier so more and more of them need home care. Most of the patients that leave the hospital early would rather go to their own homes than to a nursing home. And more of the older people are aware of their rights, now, under Medicare. The health systems agency that we have covering Essex and four other counties has publicly called on the hospitals to double their referrals to home health agencies.

We're very happy to be the Medicare provider in Montclair, Glen Ridge and Bloomfield but as with all federal programs there are many requirements for meetings, self-evaluations, conferences and all kinds of documentation of everything that happens. And all these requirements have cut down on the productivity of the nurses, just when their services are being called for increasingly. Now there's a new State licensing law for home/health agencies that calls for us to keep all kinds of possibly useful statistics, and we do it, but it takes more nursing and clerical time. With the same size nursing staff we have increased our nursing visits to the sick really rapidly. In 1975 we made -- or 1974 -- 4,700 visits, 1975, 5,200; in 1976, 6,300 and in 1977 it went up to 7,700. And the only way we could do it with the same number of nurses is cut down on all the other services that a health department is supposed to provide. We have child health clinics but we're not following the children up the way we used to. Now, we're doing lead-screening in the child health conferences and we're amazed at how many children have high blood/lead levels. We can't quite get to them as quickly as we would like to.

The State Health Department has new tuberculosis forms every day and they call us up quite often to ask why we haven't filled them out and we tell them our sad story and do it when we can. The care of the sick always has to come first. We're supposed to be adding new programs under the new local board of health regulations but we don't know how we're going to add cancer-screening when we can hardly take care of the sick in their homes.

The nurses have been able to increase the care of sick by decreasing the preventative services, but our poor clerical staff is just up to its ears in I don't know exactly what condition our billing is in now, but it is a nightmare. The Home Health Assembly of which we are one of the forty-five members is encouraging all its members to provide more weekend coverage, obviously the patients need it. And to extend their hours. And we see the need too, but we can't respond to the demonstrated needs. If we put an extra nurse on duty on the weekend, she has to have time off during the week and then there's less time available there. Home health care is less expensive than hospital or nursing home care, Medicare/Medicaid and other insurance programs pay for most of it. The nursing fees that come into the tax-supported agencies go into the general fund of the municipality. The citizens of Montclair are very pleased that their real estate taxes are stable but they don't realize that Medicare is subsidizing it, and that wasn't what Medicare was designed to do. We really began to feel the need for more nurses just about the time that CAPS came into effect and we realize our local officials have to consider all town services, but we don't look upon nursing care of the sick under Medicare as really a local service. It's regulated by the federal government and paid for by the federal government, so there should be some exceptions. Every year we turn in more money but it cannot be used to increase our services. Some of the tax-supported home health agencies are probably going to expire in the near future if some relief isn't forthcoming. You heard earlier that one Essex County municipality laid off most of its nurses this year because of fiscal problems. Fortunately, a nearby voluntary agency did jump in and take care of their patients, temporarily. Now we know they are hiring their nurses back since they found out the nurses really were producing income, but it leaves the patients in kind of a funny position in the other agency as well as the nurses that were laid off and then re-hired.

Community Nursing Service of Montclair turned over to the town in 1977, \$150,890 in nursing fees and it would have been more if we had had enough clerks to keep the billing up to date. This year should be at least \$200,000 and other municipal agencies are doing the same and yet we -- the CAPS-- just don't take that into account. So we hope some way can be found to exempt revenue-producing services from the CAPS. Home care is certainly worth supporting.

PERSKIE. Why are you structured as municipal employees? So that you can get the funding from the government?

MANRODT. No. That was done back in the '40's, I think. Some of the employees worked for the United Way and some worked for the town and they decided to make everybody the same.

PERSKIE. But why, for example, isn't the answer to separate you out and give you a contractual relationship of some sort with the municipality and get you out from under the county?

MANRODT. Well, in our case we possibly could, but it would take a lot of money to get started. But there are other . . .

PERSKIE. I'm not sure I understand why.

MANRODT. Well, if the town gives us a place to live and telephones and heat. . .

PERSKIE. Suppose they did? They could call that a -- they could budget that as a municipal expenditure for that purpose which they would be authorized, I think on the existing statutes. And you would then have a budget of your own where you would get the money in from Medicare or whatever and pay your costs out to the extent that you would be self-sustaining.

MANRODT. We have thought of that. We can't do that ourselves.

PERSKIE. . . . That's what I'm suggesting. Yes, I think it is. That's why I'm saying I don't understand why they have to be -- there's certain programs as sewerage and what-not. I know for example at home we have a private sewer company that can't get federal aid for programs so they're going to set that up as a municipal function under a municipal utilities authority so they can become eligible. But if you don't need that coverage, seems to me I would think an answer -- an easier answer than trying to amend this statute in this respect, . . . would be to break you out from under the municipal aiges.

VAN WAGNER. I think you submitted this testimony earlier.

MANRODT. No I didn't, somebody from Warren County . . .

VAN WAGNER. Someone did, and I didn't want to appear to be rude but we were talking the relative processing of this money at the time and we were talking -- do you have any idea, for example, of the amount of money that's raised by way of nursing fees? How much is appropriated back in terms of your use or is it -- do you see, in fact, a good portion of this money , for example, for use in other municipal purposes?

MANRODT. Our total budget was \$248,000 last year and of that, the town supported us to the tune of \$87,000. So it is costing them something. But, of course, we're doing the official health department services too, for which they would have to pay.

VAN WAGNER. So, in other words, even though there is a level of support coming from the municipality -- that's what I'm trying to determine.

MANRODT. Right. There is.

VAN WAGNER. Based on Mr. Perskie's remarks it would still be of more benefit to you to be broken out that general municipal burden.

MANRODT. I should think so.

VAN WAGNER. . . . and allowed to contract with the federal government on a by-pass basis.

MANRODT. I suggested this back in March but our Board of Trustees wasn't interested.

VAN WAGNER. Well, we're interested.

MANRODT. You're interested.

PERSKIE. Thank you very much. Mike Barrett, Ellis Vieser, the New Jersey Alliance for Action, the New Jersey County Engineers, the New Jersey Municipal Engineers. Powerful groups in there. Topic: (here comes trouble) "Road Aid". Thank you, yes I noticed you're having a prepared statement and again, as usual we will request that the committee staff include it with the report. If you have extra copies that you could distribute to us.

(VOICE). Do you want the copies now?

PERSKIE. Well, you can distribute them here. Thank you.

M R. E L L I S V I E S E R. Thank you for the opportunity to present our case, once again. Mike Barrett and I are here today to urge this committee to address an urgent problem that has brought impact on the economic well-being on the entire state on the safety and quality of life for its citizens. The problem is the critical need for the immediate repairs to a majority of New Jersey's local roads and bridges.

This problem was spotlighted nearly a year ago when the report of the task-force by the New Jersey Alliance for Action. That's this report here, Jim. It was distributed before but we brought extra copies here today to make sure you had it.

The problem was re-affirmed dramatically only last September in a report by the New Jersey County Government Study Committee. We would like to outline the true dimensions of this massive problem for the committee by citing just a few appalling facts about the condition of New Jersey's highway system, which is -- these facts are in addition to what you have here. These are one-liners that we have put together so that you could -- so that it could become more clear to you.

13,287 miles or 45% of New Jersey's paved public roads have deteriorated pavements. Obsolete designs and other hazards that contribute to accidents and increased driving costs. These roads are considered poor or fair by the inspection standards of the American Association of State Highway Officials known as AASHO.

Nearly 1/4 or 3,078 miles of New Jersey roads, rural roads, are rated "poor" or "fair" by AASHO. The increased trucking costs over these farm-to-market routes contribute to the higher retail food prices.

The pavement on 43% of New Jersey's paved public roads is expected to wear out within the next four to eight years.

10% of the bridges on the federal system -- federal aid system -- in New Jersey are either structurally deficient or functionally obsolete.

More than 1/5 of the bridges not on the federal system are deficient.

With road/bridge system nearly a disaster area, New Jersey is confronted with a projection that annual traffic volume will increase by 36% over the next ten years. From 52 billion to 71 billion vehicle miles. Number of registered vehicles should increase by 32%. This gives some perspective to

the crisis New Jersey faces. How did it happen?

The major factor is illustrated by the following figures:

Estimated State income for 1978 is \$310 million in motor fuel taxes; \$242 million in motor vehicle registrations; with a total of these two of \$552 million from the driving public and the truckers in New Jersey.

The estimated Department of Transportation budget is \$219 million. This means that \$333 million is returned to the General State Revenues.

The driving public and truckers are paying for something that they are not getting.

Twenty-six states spend as much, or more, in road-related purposes as they collect in users fees. Of the twenty-four states, New Jersey spends smaller percentage - 66%-than any other state. What can be done to reverse this dismal picture and the grave problems it poses for New Jersey's future?

We respectfully urge this committee to give priority consideration to restoring \$143 million in state aid to municipalities and counties for road maintenance and construction and bridge reconstruction. It will be a significant start towards redressing the inequities imposed upon a driving public and correcting a problem which affects the economic and physical well-being of every man, woman and child in New Jersey.

Mike Barrett has some comments that he would like to make in adjunct to the formal statement I presented here for both of us. Mike.

M R. M I K E B A R R E T T. Thank you for the opportunity of being here. As Ellis pointed out we have some previous information on record. We attended the meeting which was held on June 27, 1978. We'd like to reference that document which we submitted to one of the sub-committees as something to review which gets into detail concerning our position. One thing we'd like to emphasize is how we can get lost in numbers in any state, whether it be New Jersey or whatever. But the fact of the matter is that local and county roadways make up some 30,000 miles of roads in the State of New Jersey. There's only 2,000-some miles which are addressed on the State highway system.

Currently the bulk of the highway dollar goes into just those two thousand miles. There's no return to the people using the 30,000 miles of highway since 1974; that's when the State aid was removed. We estimate that the current value of that existing system to the county/municipality is some \$9.6 billion, not including the right-of-way. If you look at that in context and compare it to a tax-ratable, such as Monmouth County, the tax-ratable in the entire county is only \$7.6 billion. The municipal system in the State of New Jersey is enough to go around the world at the equator. If you took the county roadways that would be sufficient mileage to go from New Jersey to California and back. If you drove on the county and municipal system at 50 miles an hour continuously, it would take you almost 30 days to complete the trip.

In the state, in regards to accidents, damage claims, fatality claims and injury claims there is some half-billion dollars a year spent out as far as those damages. At the local and municipal level, we are currently funding roadways which are designed for 20-year design lives and we're

anticipating to get 100. Most of the municipalities in 1978 found that they had to anticipate revenues and capital surplus and they also had to cut back on their capital improvement program to stay within their budget caps. So what we're asking for 1978-1979 forward - we're going to be asking 200 years from our local and county roadways, which is just impossible. The county/municipal engineers felt that it was our duty to put together this report so at least there's some information prepared on a professional level so that the Legislature could look at it. We're seriously concerned that we're going to get into a situation which is currently underway in the city of New York.

If you took all the vehicles in this state that are registered and put them bumper-to-bumper you're talking about a length of cars some 16,500 miles long. If you took that \$530 million that you get in user revenues each taxpayer is paying approximately a penny a mile. What concerns us is that we find ourselves in a very difficult position. Apparently sufficient funds are collected to take care of the transportation needs of the State but, as we know, all of the funds go into the General Fund and the taxpayers aren't getting back what they're putting in. And we're not in a position to say - you should increase the gas tax - this is something that the Legislature has to consider with all the other priorities. Pardon?

(VOICE) How about partial dedication?

BARRETT. We're interested in anything that will pump more money back into the county/municipal system.

PERSKIE. See, I think you have a tough road to hoe with that rationale about the bookkeeping about \$552 million coming from the driving public and truckers and the DOT budget being \$219 and therefore the conclusion is to the extent of \$333 the driving public and truckers are paying for something they're not getting. I don't accept that. I think that there is a convincing rationale for why we need to spend a whole lot of money to develop and to improve and to maintain our bridges and our roads and highways. But I don't think it's because the Department of Transportation budget is less than the sum collected from the users. You know there are a lot of benefits that the people who pay these taxes are getting from that money - that \$333 million is going to provide police protection and it's going to provide a whole lot of other things that they're getting the benefit of even though it's not on a direct line from a gasoline tax to a road program. I really don't think that the strength of that argument is as strong as the simple amply documented need for getting a job done.

FORAN. In your opinion what would be the best way to go . . . .

BARRETT. We think that would be a shot in the arm but we don't think that's the 100% answer.

FORAN. Well, what are you talking about in total dollars, then?

BARRETT. If you took the county and municipal system, you're talking some \$143 million a year, that you should be pumping into the highway system. That would address 1½% . . .

FORAN. . . . per year?

BARRETT. That's right. That's what the dollars work out. And that's based on a forty-year

design life, two pavement over-lays - in essence a 60 year design life of a county or local roadway. And that's very liberal. The Musto Commission reviewed that evidence and they really couldn't dispute it.

FORAN. I don't dispute it either but I didn't mean by my reaction to indicate it was inaccurate.

BARRETT. No, I realize that. We realize that but we felt that a need should be determined. The county and municipal engineers, we felt, had an obligation to collect the facts and spread them upon a record.

FORAN. I appreciate it. I've been very strong on road aid since I've been down here and it's one of those things I'm trying to get a handle on - which way is the best way that maybe we can recommend to go. Bond issue, partial dedication, gasoline taxes or whatever.

BARRETT. Well the immediate impact since 1974, counties and municipalities got some \$30 million a year. And because of that, the removal of those funds cost escalation in the budget crunch they're actually putting more money into maintenance - some \$140 - odd million a year vs. \$82 million in capital improvements. So, we find ourselves in a very unfortunate position of throwing money away in maintenance. For every dollar you spend there's . . . that's right, I agree.

VAN WAGNER. Mike, we've probably been through this before, and I agree in terms of our necessity of beginning some type of road aid program, or restoring some type of road aid program. Like Senator Foran, and I'm sure Senator Perskie, I'm looking for a handle on how to get this under way. Of this \$143 million in State aid - is that a figure notwithstanding the availability of federal monies?

BARRETT. That doesn't include federal dollars.

VAN WAGNER. It does not include federal dollars.

BARRETT. It would generate federal dollars.

VAN WAGNER. OK. So . . .

BARRETT. Part of that would be, let's say a combination of State and municipal monies, other parts of it would be State/Federal monies.

VAN WAGNER. Assuming the opportunity, perhaps not at this point, but at some point in the near future, the Legislature could begin the structure of a road aid program. I would have to say candidly that I doubt that we would ever come to the point where we will restructure a \$143 million program, per year. However, I think we have to address ourselves, at least somewhat, to that mammoth problem. Is there any recommendations you might have in terms of restructuring the amount of money that might be appropriated so that it can maximize the effect it would have on federal dollars?

BARRETT. Well, concerning the federal dollars, you're probably more intimate on how that works than I am. It's my understanding that the federal government comes up with dollars each year and currently the States' matching in the third year so that we don't lose dollars. So the first step would be, if we're actually maximizing the use of the federal dollars and we could use some of the



second year money, and it's necessary that the Legislature come up with that, that would be a first step to get more money and activity.

VAN WAGNER. I assume it's in the federal structure, if I can say this, in studying it - there's almost a "Catch 22" situation that develops. . .

BARRETT. That's correct.

VAN WAGNER. . . . within the State - within the process that the state utilizes fund projects and how that interfaces with the federal process. And I think - I always get the feeling that perhaps I'm reaching for something that's not there - but I always get the feeling that somehow or other we're not seeing the forest for the trees when we deal with this whole process. That in effect we can begin to maximize even let's say a piece of legislation that Senator Foran has, which, I think calls for about \$10 million. Of maximizing that kind of legislation so that if we're not immediately answering all of our needs, we're at least beginning a process of a beginning. But again, I go back to the method in which we commit our monies, whether it's the federal interstate system, whether it's the state urban system, regardless of how we seem to utilize our money, we always seem to wind up being in a position where we're simply not ready to look for more state dollars. If we go to the State DOT they tell us, "well, the Legislature has not appropriated the match, therefore, we cannot fulfill our program." And I'm wondering from your perspective, and I know it's a broad background of work in this area, if you've ever taken a look at that and maybe had some recommendations as to how we might restructure that.

BARRETT. I have several comments. The first is, you're right. It is a "Catch 22" situation. That's what happened in 1974. The dollars, at least on paper, were there to replace the State aid dollars that got kind of lost in the budget crunch. Unfortunately, we got caught up with the action plan with the federal highway administration - what we could do in one year now takes us five to seven - so we really didn't get anywhere. So we recommend along those lines several things: #1: that the Department of Transportation go to a certification acceptance type program, which we outline in our report. Where the state could take the responsibility and expedite some of this back and forth that we have between the federal highway administration and the State of New Jersey. The second thing to get dollars working rapidly would be to take advantage of this new R & R situation with the federal highway administration. They're currently accepting comments, but in essence what it does, it allows the use of, let's say resurfacing dollars. Where you could get them out and working with a certification acceptance program in a very short time period. The Department of Transportation had a similar program when we used to have state-aid road system dollars. You could get resurfacing underway in three months, which is, I think, what we're trying to address. How do we: #1. find some dollars? #2 how do we get those dollars out and working?

VAN WAGNER. Exactly.

BARRETT. Because we have heavy unemployment problems in the construction industry and I find it very frustrating to find all the dollars sitting in the bank and we can't spend it somehow.

VAN WAGNER. See, if I can recall going back to '71, I guess it was, when I worked - came down here as an aide and I remember sitting in the Joint Appropriations Committee at that point, listening to then, Assemblyman Foran and Assemblyman Yates. Coming under constant attack, at that time, was the amount of money that the State had set aside, at that point, in highway funding. And it was under constant attack in terms of - why don't you reappropriate it for other purposes if you have this problem. And I think, regardless of what we do, in terms of restructuring highway program, no matter how much money we put into it, whether it's \$10 million or \$100 million, if we do not improve the process in which that money gets back out into the communities and the work begins to get done, we will be back five years hence listening to the same people saying to us "now you have \$40 million built up - what are you doing with that money and why is it not being put to work, etc?" I think that that's a very, very important factor in establishing the road aid legislation. I think every one of us is in agreement . . .

BARRETT. . . . I think we're all in agreement. We think that the State DOT has made good progress in obligating their money so that we've seen in the last two years they're beginning to obligate and it looks like they're going to use up their third-year dollars. Only one other comment I'd like to make, would be to put some amount back in State aid so we can get some of this resurfacing going in the counties and municipalities. Even though we used the federal dollars, only 68% of the county and municipal systems qualify for those dollars. And they're essentially the county systems. On the municipal system, only 9% can get some federal dollars. So we think the DOT has demonstrated in the past that if you can get monies out and working in three months on resurfacing - that's significant. So we would hope that the Legislature could address that area as some immediate way to get dollars working and keep our road-life up. Because when we don't resurface then we're forced to rip the whole road out and replace it.

PERSKIE. Thank you very much.

BARRETT. Thank you.

PERSKIE. Phyllis Scull and Kay Cobb from the "Garden Spot" of the State, Cumberland County, USA.

P H Y L L I S S C U L L. Well, gentlemen, I see everyone here today is presenting cases.

PERSKIE. Just for the record . . .

SCULL. . . . but we would like to . . .

PERSKIE. No, no, excuse me. Just for the record. You are Phyllis Scull, or Kay Cobb.

SCULL. I'm Phyllis Scull. We are the average, middle-class, working, Americans in the State of New Jersey who are very upset at the unjust and unfair property tax which exists in this State. I would like to present the case of some of the hardships that are placed on us. On our young: the American dream of owning their own home is not going to become, for many of them, a reality. If they were in the low income family bracket, the City of Vineland would provide for them a \$56,000 home, but if they are both working . . .

PERSKIE. What?

SCULL. Yes. We have low income housing that's being built at a cost of \$56,000. I guess you haven't read the Vineland papers lately. So we're concerned about these young couples who are both working and cannot buy a home, not only because of the fact that the interest rates in our State, but if you put on top of that the taxes, they cannot afford them.

I'd like to state a case for our middle-age people. We have a couple who are members of our group, who thirty years ago bought a home. In the past thirty years they have made no major improvements. And you know in our fair "garden state" area the ground that we own is mostly sand - so it doesn't produce too much in some areas. Because Holiday Inn happened to build across the street from them, they are now paying over \$2000 a year in property tax. Now, these people will be retiring, I believe, in about eight years, - five to eight years. How are they going to be able to keep up that form of property tax on that home?

Our senior citizens in our State are in the situation where they cannot keep up with their homes with the taxes that are being assessed on them. And, of course, the fair City of Vineland has a very zealous tax assessor, and he does a terrific job and we're taxed terrifically with it.

Many people I've been talking to in our fair city are talking about moving to other states. These are people who are born in New Jersey, like it here but are moving out because they work for a living and they cannot survive in what is going on. When we first began to show an interest in what was going on in our State - because up to this time we were that silent majority - we were told that if we stop property tax we would lose our local control. Well, we're finding out lately we do not have much local control. Most of our programs are mandated by the State and federal government. So we really don't have a voice there either. With this, it's the second time we have attended your hearings, and I listened to the gentleman speak about the CAPS and how they want them changed or eliminated or they need more money than they're getting. So I have the kind of feeling that CAPS aren't the answer either. And in this State we seem to draw people from other areas and not that they are not welcome, because I think that as an American, everyone is welcome, but I'm a little concerned about having to pay their way. I'm willing to extend my hand to help someone, but when my community is becoming a majority of low-income housing and I question the fact that housing be provided for people in our community or are we bringing in new people to our community? These are the kinds of things that we'd like to present to you.

PERSKIE. OK. You have, it's not your obligation to do so, but you made references to your group. Has your group any specific directions or programs or concepts that you want us to deal with in terms of ameliorating some of the concerns that you express?

SCULL. OK. The group as of this far, which is very young. It's only been in existence three months. We have, basically, decided that we would like the initiative and referendum in the State of New Jersey.

PERSKIE. What would you do with it if you had it?

SCULL. Probably . . .

PERSKIE. I mean subsequently. I'm not being facetious.

SCULL. I think they would . . . if you gentlemen and ladies, will not come up with something that is going to give us relief, I really feel - we did an opinion poll - other people in our area. And I think they would be interested in a Proposition 13. And I don't mean exactly what California has, because some of them see some of the things and they're not particularly interested in that.

PERSKIE. Well, OK. If I may, what I'm getting at. . . let's talk taxes, for the moment, which is not - I don't think, as I understand you that's not the only part of the problem, but it's a piece of it.

SCULL. Well, the group was formulated for the property tax, mainly.

PERSKIE. Do I gather then that your main focus, or target, if you will - at least within the tax system is the local property tax?

SCULL. Yes, Sir.

PERSKIE. OK. In that regard, do you have any specific comments, about the CAP structure? Do you feel that we're better off with it? Do you think that we could improve it? Do you think that it has worked to limit some of the property tax increases? Do you think that the State - you mentioned for example - the concern that some people apparently told you about local control, and do you feel that the State that we in the Legislature should be about the business of trying to reduce the property tax further by increasing State aid, by assuming at the State level certain programs that are now borne by the local tax? Have you gotten to any of that?

SCULL. No we haven't really, but I think you presented so many questions . . .

PERSKIE. No, I'm just trying to really give you a range.

SCULL. I think the average citizen is concerned about the programs and the mandates. We would rather have our local communities making the decisions where the money has to come from. I really couldn't say at this point where we feel it has to come from. I think we want less programs. Really, I think . . .

PERSKIE. Do you have any specifically in mind?

SCULL. Oh, would you like to hear about free lunch and free breakfast in our schools?

PERSKIE. No. I just would like to hear about the general concepts of what kinds of things you feel, or your group feels, government should not be doing that we're now doing.

SCULL. I question some of the low-income housing. Now you said there has been questions brought up in Vineland because we are building these \$56,000 homes and they will continue to build them. The people have spoken out against them and it hasn't stopped anything. They are going on with them. And, of course, this is affecting the other tax - the people who are paying the taxes because these properties will probably show no tax ratables and I'm not very good on that kind of stuff, so we probably will not . . .

PERSKIE. This, of course, you're talking about the federal low-income programs.

SCULL. Yes. These are federal programs.

PERSKIE. Do you have anything that you have focused on as far as the State government is concerned, or local government, which are the two focuses that we can deal with . . .

SCULL. Well, I think that many feel that our assessments are being done - in other words, we're told in our local communities that our tax rates are going down but our assessments are going up . .

PERSKIE. You're concerned with how much taxes you pay - I understand that . . .

SCULL. We're just concerned . . . The bottom line. You see, I only understand my paycheck. And I only understand how much money I have to put out to my city for taxation. How they got there I really am not interested. I - the bottom line to me is how much I'm paying.

PERSKIE. Of course. Let me then, suggest, your group is apparently somewhat new - this committee has been in existence -- that is indeterminate at the moment, we're already on two overtimes and we may well hit another -- but if we're not here the Legislature has other committees that are on a continuing basis and are interested in the judgments of the people as to what kinds of programs should be shifted from local to State level or vice versa; what the funding for programs should be; and whether, in this day and age now, we're going to start looking very closely at whether government should be involved in specific kinds of programs. And to the extent that your group is able to identify areas where you think some changes should be called for . . . let us know.

SCULL. I think what we're trying to say in majority is -- we want less involvement by the government in this program.

PERSKIE. That's fine. I think you could probably get an overwhelming consensus of opinion, nationally and state-wide on that but unfortunately all that does is open a discussion. It really doesn't take us anywhere. Because unless we know, for example, if you live in my community you don't want less involvement in beach erosion projects. If you live in somebody else's community, the people you just heard a minute ago don't want less involvement in highway development. Some of the people we haven't heard from today that don't want less involvement in agricultural research and experimentation. And you can pick different areas . . .

SCULL. We're questioning how much of this should fall on to the taxpayer - and especially the property taxpayers in New Jersey.

PERSKIE. Well, all of. . . anything the government does falls on "the taxpayers". The question of whether it falls on the local property taxpayer or the income taxpayer or the sales taxpayer or the corporate business taxpayer or whatever, is something we must get into, but it's all . . . anything government is going to do is going to be done on the back of the taxpayer.

SCULL. Well, the property tax is not a fair . . . and I'm sure you hear people say that about sales tax, and the other tax, but property tax is unfair to the people who are owning property because they are getting an extra burden that a lot of other people don't have. Yes?

VAN WAGNER. I would just like to address myself to a specific point you made relative to the family across from the Holiday Inn.

I don't know exactly when it was but we had before us legislation - it may have been before my time on the taxation committee . . .

PERSKIE. Was there such a time?

VAN WAGNER. There was such a time, I think. Doesn't seem so, but there was . . . which said, in effect; if you lived in a home where the zone was drastically changed - the zoning - as I assume happened here when the Holiday Inn moved in. These people then were rezoned and reassessed rather and based on the assessment that came about as a result of that development - but it said in effect that you would pay only the - as long as you remained a residential property owner of that property then you would be assessed at that rate. Do you recall that bill?

PERSKIE. Yes.

VAN WAGNER. Last year, I think it was. No, this has nothing to do with Proposition 13.

PERSKIE. And Dick, I don't think you're following the lady's comment. I think, as I understood it, the house - or the property in question - is still used as and taxed as a home. The problem is that its value has been substantially increased.

SCULL. The land value.

PERSKIE. The land value has substantially increased by reason of its proximity to the developing area. The bill that you're talking about was at a rezoning where the zoning change was affected and therefore by reason of the change in the zone the property was reassessed on that basis and on that bill, which, I believe, was enacted, provides in that event the property would continue to be taxed for its original use as a residential property. That situation is not affected here. What's happening here, the property hasn't been rezoned it is still, and was, residential, and zoned as such but its value - particularly the land value - has skyrocketed because of the development in the area. Across the street it might be the edge of a zone line.

SCULL. Well, Vineland is . . . originally that might have been zoned residential and no longer is residential. It is partially commercial in the area and . . .

PERSKIE. If there was a zoning change on that specific lot that person may have come in under the bill that Dick was talking about, which was enacted last year. And your tax assessor in Vineland happens to be - I don't want to make a case for him or against him - but he happens to be a very well informed and highly professional individual and I'm sure he's familiar with that statute and was can check it with him. But there might be some relief to that taxpayer, perhaps incident to that particular bill.

VAN WAGNER. I'd like to ask you about initiative. Because I hear that continually. Interestingly enough as a result of Proposition 13 in California, the state-wide average tax rate per 100% of assessed evaluation equalized, fell to \$5 a 100. The state-wide average in New Jersey right now is \$3.75 per 100, equalized. But I realize the problem in New Jersey is - and if you had been here earlier to listen to Mr. Harraka of the Assessors Association - he pinpointed some of the specific and more technical areas where we do have to address ourselves to the whole assessment process.

That, in itself, may answer some of your objections in terms of the property tax. But I was wondering what you felt - and I ask you this as an open-ended question because I don't myself - what would be accomplished by initiative?

SCULL. Well, I think what California 13 brought out was that we didn't have it. I think we just went along with we could do this kind of thing. I know, personally, I did not realize until three months ago that we did not have the right to petition to the ballot. When we found this out, and many people are being becoming aware of it, they are concerned because we feel that this a government "of the people" and we have a right, when necessary, to use our voices when we feel we are not being represented. I think many of us are questioning our representation.

VAN WAGNER. I don't want to question your representation, that's up to you, but you just said that you want to have the right to use your voices to speak out when you don't feel that you're being adequately represented. I always thought that was what that business we do every November was all about.

SCULL. Sir. Do you realize that voting registration in our county, alone, was 1200?

VAN WAGNER. I certainly do. My point is . . .

SCULL. OK, but those people are still paying taxes.

PERSKIE. But whose responsibility is that?

VAN WAGNER. But, wait a minute . . .

SCULL. But how are they being encouraged to take that responsibility?

VAN WAGNER. With absolute - and this is well beyond the scope of this committee - with absolute acknowledgement that there are a lot of things wrong with the political process, which winds up discouraging - or at the worst not encouraging people. The fact of the matter is that as you just described it - and I think I'm quoting you accurately - you see in the initiative the ability to use your voices to speak out when you don't feel you're being adequately represented. My point is that in the context of your federal representatives you had that opportunity two days ago - not you personally - but we collectively - and I'm in your same area - didn't exercise it - we have that same opportunity in 1979 for the members of this house here and only a slightly higher percentage of the population that at best may exercise it at that time. And that is, at least from my point of view as an elected official, a far more direct and a far more important and a far more meaningful expression of your voice than some petition that you're going to maybe circulate and get enough signatures to put on the ballot for . . .

SCULL. And then the people will have a choice. In other words, I'm not saying that I want everybody to agree with, but I want to be able to be given that choice.

VAN WAGNER. You know, for a politician, and I mean this is interesting, I just want to make this point to you - for a politician

PERSKIE. We're out of our league here . . .

VAN WAGNER. Right. I'm out of my league, I realize, but . . . for a politician the easiest



thing in the world is say "let's have an issue". Because it takes the responsibility away from the elected representative.

SCULL. Well, I'm saying we have to petition for everything. I think you put things on the ballot for us to vote on, why don't you decide them also? Because the constitution says that that's what should be done.

VAN WAGNER. That's a referendum.

SCULL. Right.

VAN WAGNER. We have that process in New Jersey. The process of referendum.

SCULL. OK. Now you're giving us those choices then - why can't we have them with things we feel we should have a choice on? Because . . . OK, right now I'm being told that everybody's for initiative and referendum, but yet, there are six or five bills in the committee in this house and nobody's moving on them.

PERSKIE. OK. I'm going to cut this off here because I'm getting very interested and I would like to continue the dialog and tell you why everybody is not for initiative except that that's not why we're here today. But the issue is very real. I would suggest only, to close that out, that there are - at least from my point of view as somebody who has to go out on a regular basis albeit not as regular in this job as in the one I used to have - have to go out on a regular basis and go get elected. And that's not easy. It seems . . . .

SCULL. It's not easy because we don't have enough people voting or taking an interest . . .

PERSKIE. Well, there are many reasons in my case why it's not easy but my point is the best vehicle in the world for the average citizens to lay a hand on me, as a public official, isn't the initiatives, it's the normal, everyday political process that some 63% of the people in this country ignored two days ago. And that's the reason I would submit to you that on a collective basis, without referring to any individual legislator - federal, state or otherwise - the people having the feeling that they're not being represented because they are not participating. Now, it's not all their fault that they're not participating, to be sure, but the basic problem is that 63% of the people the other day didn't participate and they can't possibly feel that they're being adequately represented.

SCULL. Well, you'd have to go into . . . and like you said, this isn't the place to go into why they're not participating.

PERSKIE. Alright, Miss Cobb. Did you have anything that you wanted to add? . . . No. As I said there is a day and a time and place for that. This is not it.

K A Y C O B B . There is one other thing. In our tax group we not only had heard people say that they wanted tax relief, we actually heard people say they felt that the property tax was an unfair tax and it was bordering on the edge of unconstitutionality. Simply because of the fact that you pay this property tax over and over again and if your ability to pay is not there then the property is taken away and they felt on the order that the property tax made them only "rent" the land from

the government and they were only there as long as they could pay their "rent". We definitely need some kind of property tax relief.

PERSKIE. I would encourage you, and perhaps your group, newly formed, might be assisted in it's efforts by looking at some of the history of the last -- specifically the last six years, seven years in the State of New Jersey -- starting with the recommendations of the Tax Policy Committee of 1972 and extending through the legislative processes that followed that into the legislative program of 1974 and the hearings of that year, culminating in the 1976 enactment and our efforts since then, which have been primarily centered on the inequity and unfairness and possible unconstitutionality of elements of the property tax system, The Supreme Court has already ruled unconstitutional a part of our property tax system as we used to administer it. The issues are very much with us. Your group is certainly welcome to join in the dialog. What, incidentally for the record, is the name of your group?

COBB. People for Tax Reform.

PERSKIE. Alright. If you will be interested, you can always communicate with the staff of this committee or with your local representatives or with the members of this committee who will certainly give you all the background that you need of the wrenching dialog of the last seven years as we have attempted to deal with this problem.

COBB. Yes. And try to decipher all that's in there. Could you . . . yes, go on.

ALBANESE. I have a question. As you know the income tax was passed to provide property tax relief. Relief in quote-quote. Does your group feel that this has been accomplished?

COBB. No!

SCULL. Our dear Governor might not like some of my comments that I would say on that, but we feel it was, in an election year, a very good move. And since then . . . and we are not guaranteed that this will continue indefinitely. Am I right in that?

PERSKIE. The Homestead?

SCULL. Yes.

PERSKIE. It's indefinite.

SCULL. It's indefinite but they could say next year . . .

PERSKIE. Well, wait a minute. We are guaranteed as long as the constitution remains in its present form that 100% of the revenues of the income tax must be used to reduce property taxes. That was approved by the people in a referendum in 1976. Let me ask you. You've indicated that you don't feel that relief was provided.

SCULL. Yes. Because, you see, the bottom line is what I understand . . .

PERSKIE. I'm talking about the bottom line.

SCULL. I'm still paying as much now because . . .

PERSKIE. Do you have any concept what you would be paying now if the no-change in the system had been enacted in 1976?

SCULL. Yes. But what was the reason for the enactment, because it was found to be unjust? Am I correct that . . .

PERSKIE. I don't want to offend or attack the program that was enacted. I feel it was woefully inadequate, but my question to you is: In terms of the question whether or not any change in the system has resulted, which is essentially what Assemblyman Ablanese has asked? I mean, relief has been affected. Do you have any feel for what your bottom line property tax might have been in 1978 as compared with what it was had the program not been enacted? In other words, are you aware whatever -- forgetting the Homestead Rebate, which is money into your direct pocket -- I'm just talking about your property tax bill. No. What I'm saying is are you aware of what it would have been without the school-aid program and without the revenue-sharing programs that the City of Vineland which have been funded from the income tax program since 1976?

SCULL. Wasn't that supposed to be the difference between the rebate and what we were paying? The sales tax was supposed to take care of that -- not the sales tax, the income tax.

PERSKIE. No. The rebate -- the income tax program was enacted to fund three programs of property tax relief. One program was the Homestead Rebate. Whereby, the individual homeowners received direct rebates from the State of New Jersey in amount dependent upon their local property tax rate which averaged about \$190 a year. The second program, which was by far the largest of the three, was a \$450 million increase in the State's share of schooling. Taking the State's share of school aid from approximately \$850 million to \$103 billion and reducing by that \$450 million the amount that the local property taxes State-wide paid for schools. The third program that the income tax paid for is a program of city revenue-sharing, where the municipalities each get direct dollars from the State to use to subsidize their local budget to the extent that they get it -- the local property tax doesn't pay that. Now, Vineland, for example, has a population, if my recollection is accurate, of about 40,000 people.

SCULL. No. I believe it's over 50,000.

PERSKIE. Alright. Let's call it 50,000. The revenue-sharing formula is \$7 a head. So the City of Vineland receives \$350,000 of money, no strings attached, from the State of New Jersey. It is revenue-sharing funds with . . .

SCULL. What program do you have this?

PERSKIE. It's the one program that we have . . . there is one string. And that's the one we've already talked about and that is the CAP laws. We give the City \$350,000 but we say to them "thou shalt only spend 'X' dollars". The result of which is that the \$350,000, instead of being used to fund a new program at the City Hall level is used to subsidize the property tax to the tune of \$350,000. Now the point I'm making in all of that is that you can take away the income tax and the Homestead Rebate and revenue-sharing and the school aid and the result - if you haven't touched a dime of program - is that the property tax in Vineland would have been in 1978 higher by the difference of the revenue-sharing program and the school aid program. You would have been out of your

pocket the Homestead Rebate but you wouldn't have been out of pocket the income tax. The point is that when you look at the program in any given case your property tax bill - the bottom line of your bill - may or may not be higher or as high, or lower than what it was in 1976, but you must measure it today against what it would have been just on a State-wide basis, because I have no idea what it was in Vineland or Bridgeton. On a State-wide basis the total property taxes in 1978 - State-wide local property taxes, bottom line dollar - is 2.1% higher than it was in 1976. It went down in 1977 and up again a little in 1978. The \$250 million of revenue-sharing money that goes directly to the tax payer wasn't included in that. If you throw that \$250 million in it means that the total bottom line is lower in 1978 than it would have been in 1976. And, lastly, for again for your group's edification, in the ten-year period between 1966 and 1976 the average annual increase of local property taxes for the taxpayers of New Jersey was somewhere between, I think 10% or 12%. My understanding that it was about 10½%. I think that's a low figure. So that when you measure, for example, a decrease from 1976 to 1978, in actual dollars, you measure that not only by the actual decrease but also against the historical experience of an annual 10% increase each year.

VAN WAGNER. What would you feel, for example - and I have to pursue this because you've brought up a point and I hear California referred to - California, for example, has a 2%-14% graduated State income tax, a 7% sales tax including items of food and clothing and I could go on. Local personal property taxes - that means on goods and things that you have in your home and whatever else. I could say to you without reservation that if in New Jersey there was 2% to 11% income tax we could probably reduce property - and dedicate it in the same manner which it is now - we could probably reduce property taxes by what - another 30%? Easily. But you realize, now if I would present an initiative opportunity to the public do you think that you could - and I don't mean to put you on the spot - do you think as a group that if you developed a program which increased the income tax rates to be dedicated to eliminate property taxes that that kind of initiative could be passed in New Jersey?

SCULL. I would think that it would be a possibility.

VAN WAGNER. You really do?

SCULL. I personally really . . . OK. Also when you say to me California had all these other forms of taxation, you know . . .

VAN WAGNER. . . . plus a \$5 billion surplus . . .

SCULL. Yes. I keep hearing about that. But, also I keep hearing about that the department that has to spend this money because if it doesn't spend this money this year it's not going to get enough next year so they've got to find some way to spend that money. Now, gentlemen, we all know that those departments do that. When I have to have programs that I question the need in my community for these programs - when you say to me that California has all these forms of taxation so do we in New Jersey. We have many taxes that we don't even think about that we have. Gas tax, tobacco tax, we have our gambling, which is not a form of taxes but creates revenue, we have casinos which are creating

revenue, we have an inheritance tax - you know there's a list of them, gentlemen. We do have quite a few taxes.

COBB. I understand we were the third highest taxed State in the United States.

VAN WAGNER. Property tax. We rank 38 in the United States overall tax burden. New Jersey Tax-payers Association, yes.

PERSKIE. That's correct. The property tax is third highest. But overall State and local we are 38 out of 50.

SCULL. What are we in size now? Our population.

PERSKIE. In population we are 11th? 8th? Eighth. The per-capita income, incidentally, we are number 2 or number one. We compete with Alaska for the highest per-capita income of any state. Now you're from my area of the State and that sounds like a foreign language to you because it is to me. Our area, to give you an idea, the counties that you and I are from are among the third and fourth poorest in the country on a per-capita basis. But the fact of the matter is that there are some areas in the State where the per-capita income is sufficiently high that it takes the State as a whole to the second highest in the nation. And every once in a while on a good year we get to be first. OK. Thank you.

We have another - New Jersey Federation of Senior Citizens, Andy Gottberg. Is there? - yes, there is. OK. We're a little late Mr. Gottberg, we apologize for keeping you waiting. We had a little earlier some representatives. Mr. Hooper was here from the Federation as well. We have a prepared statement which we will include in the committee's report. I notice this committee's report was the same as that presented to this committee in July. I'm looking here - it says "the following testimony was presented to this body on July 20, 1978" - Oh, OK. This is, I assume just a document of what he has already testified to.

I notice, just for the record, that part of this report was part of Mr. Tergis's statement on July 20. It deals with the application of the casino gambling revenues. I presume it is consistent with the concept that he just articulated a few minutes ago as he indicates that it should be applied to real estate tax rebates and opposes the use of those funds for any funding of the "Lifeline" proposal. OK.

M R. A N T H O N Y G O T T B E R G. My name is Anthony Gottberg. I'm President of the Senior Citizen Clubs of Bergen County. My complaint is, of course, that the problems of seniors are becoming more accute mainly due to living on a fixed income. You're heard that probably thousands of times. While the cost of living continues to rise in ever-increasing amounts, our most basic needs, such as health care, food, rent, utilities, and taxes become more difficult to pay for with each passing year.

The majority of seniors favored the passage of the income tax. Mostly because of the inequity of property tax method of taxation. We're under the impression that the income tax would reduce some of the property tax burdens.

To some extent this is true of home-owners, but to the dismay of renters their relief - laughingly called the "Landlord Passthrough" - was miniscule or even non-existent in some of the cities and towns in Bergen County. We have now come to believe that a more equitable method of helping both home-owners and renters - and again this may be repetition - is the "circuit breaker" or "tax-overload system".

PERSKIE. Mr. Gottberg, I just can't help . . . we're going to get a little informal here because it's at the end of the day and I just can't help - and I want to be clear that I'm not talking about you or the Federation, because I, for one have followed the Federation's recommendations and I find them absolutely exceptionable. . . I think they're well versed. I just can't help resist pointing out that in 1974, as the then Chairman of the Taxation Committee, this Legislature sponsored such a program and I met with a group of senior citizens from up in your area, it was not your group. Right up there in that gallery - the gallery was filled - and there was a real question that afternoon whether I was going to get out alive or whether they were going to toss me right over the balcony because of the advocacy of the "circuit breaker" program. So all I can tell you is that what you're saying here and what Mr. Hooper has just said a few minutes ago, at least for me personally, is something like music to my ears.

GOTTBERG. Well, I have no idea - or I shouldn't say I have no idea - I think I do have a idea of just who the group was that was against the "circuit breaker" and it happens to be the more affluent members of the community . . .

PERSKIE. . . . which was my argument at the time.

GOTTBERG. . . . of the northern part of Bergen County. You were speaking a little while ago about the fact that New Jersey is one of the top states in income and I presume you were talking about Bergen County when you were saying that there are some counties that bring up the level. But it's the northern part of Bergen County that brings that level up and it was that group, I believe, must have been here.

PERSKIE. They were here in force. The problem was that it was awful lonely because we didn't have the other . . .

GOTTBERG. . . . we weren't there.

PERSKIE. That's right.

GOTTBERG. Yes. Well, you see, I represent the "blue collar" workers from my town of Dumont South - south to the border lines and includes such working-class towns as Garfield, Hackensack, and Lodi and such towns as that. So that we feel a lot differently about all of these taxation programs.

PERSKIE. Well, as far as I'm concerned better late than never, and I'm glad you're here.

GOTTBERG. Thank you. So we know . . . which takes into consideration, the ability of all the citizens, homeowners or renters. The formula which notes that 25% of a person's rent represents taxes, makes a great deal of sense to us and will give renters the same tax relief now given to

homeowners. And that is one of the basic reasons that, of course, I am in favor of this particular type of legislation. We also - and I would say this - that renters, as a whole, usually have lower incomes than homeowners, and I'm a homeowner . . . whose rents are raised each and every year. I know of many apartment dwellers with rent bills higher than their total income. And when I find that out I wonder how they live. They live either on the fact that someone brings them food or they have a couple thousand dollars in the bank and they're using that thousands of dollars up - the main part of it - and they're scared stiff over what's going to happen when my five thousand dollars is gone. And I get those stories.

Other seniors, in Hackensack for instance, are moving to - or when they are moving to new apartments their rents are raised something like \$50 a month. Just because they go into a new apartment, over the rent of the former tenant. Because they have sometimes which is called "rent de-control". So that as soon as you move out of an apartment the rent then can go up sky-high without worrying about the rent leveling ordinance in that City of Hackensack. And I'm very much interested in that because I happen to be the Chairman of the Rent Control Board in Dumont. So the subject is there and our landlords are also looking for the same thing - rent de-control. And it's a horrendous deal to have someone call me up from parts of Bergen County tell me "My God, what am I going to do? I just moved into an apartment and I got to pay \$250-\$270", and their income is like \$230. It's a horrible thing to have happen.

So that under these conditions the "circuit breaker" for homeowners - for renters is extremely important. We also believe that one of the wisest moves of any legislators was the institution of CAPS on spending. We think that it is a good answer to either excessive spending or across-the-board cuts in all taxes, as have been thought about by various groups on the West Coast and here. And even though some changes in CAPS may have to be made . . . in the percentage of increase in a few instances . . . the complaints of some department heads and towns and even the counties regarding the CAPS indicates to me its' effectiveness and the Legislature should positively resist any effort to change this law. I know mayors who have talked to me and I know a good deal of them in Bergen County that tell me aside "the CAPS are a good thing", but when people in the borough are looking for increases for cops, firemen, road workers or whatever, we can always point to the CAPS. And they're the "whipping boy", but the principal of the CAPS I can see absolutely nothing wrong with. It is one of the best things, and is an answer, as far as I'm concerned to what's going on in that silly State of California with that 13 or something-or-other. That's a good number.

PERSKIE. I just can't help point out in that context . . . I was watching the television last night and Johnny Carson was analyzing the election results in California and apparently, I hadn't known it before he said it, but both of the propositions on the ballot - one relating to the smocking in public or something and the other one relating to a forced firing of homosexuals were both defeated. He says, "It was a great day for gays who smoked".

GOTTBERG. The next item I'd like to bring up would be "Casino Gambling". Casino gambling in New Jersey is a fact of life and the profits to the gambling interest are enormous. Under the present constitution the State's share of these funds are to be used for lowering the utility bills or property tax relief of seniors.

PERSKIE. Or rentals.

GOTTBERG. We would favor amending the State's constitution and be able to use these funds exclusively for property tax relief and the PAA - the one dollar perscription bill. We feel that the "Lifeline" utility bill should be used as orginally passed. The restructuring of utility rates. I feel that residential users of utilities have subsidized the business community by paying higher rates for fifty years - ever since Edison. And now with such tremendously high rates for electricity and gas it is becoming increasingly impossible for seniors to make ends meet, on their fixed income. We're tied into something that is really horrendous and even myself - I've been retired now for four years. My income is pretty good along with a pension. But in the last four or five years - four years that I've been retired my income which was in the neighborhood of \$13,000 or \$14,000 is now effectively only about \$11,000. The cost of living has gone up and my income is exactly the same. But what happenes with the widows, for instance, with their \$5000 or \$4000 income? Their husband has died, of course, their pensions are out and all they have left is a couple of dollars in the bank and social security. And some of them don't have anything in the bank because their husband probably had cancer or something or a heart condition and spent the money in about three months while he passed away. So that they had \$20,000 in the bank and "bingo" they get a bill for \$20,000 and all they have left. And people say to them "well, why didn't they save their money?" Save their money for what? So these things I am concerned with and I cannot really conceive of the slight increase that will be necessary when it comes to business or industry paying a couple of mills more because they use most of the electricity - would not be offset by the people themselves being able to even buy more because their bills are less. That goes the same thing with the dollar prescription the same thing is true there. And if that dollar prescription can help out business more than it can help out anyone else because the ladies that I know of with \$15 and \$20 worth of prescriptions every month - My wife, for instance, has a bad case of arthritis and she spends on the average \$20-odd a month just on pills. And, of course, I can't avail myself, fortunately, of the dollar prescription, so I know that these things are paid. But when women who have these low incomes of \$3000 or \$4000 and you find out that they come to you and they think that the dollar prescription is "manna from heaven" because they have this low income. And I can give you lists of people making anywhere from \$2000 to \$6000 and what happenes? They used to spend \$18 or \$20 - now they can eat! They needed more pills because they weren't eating properly. Now for a dollar, they have \$8, \$9, \$15 left over at the end of the month that they can use for food.

It's a horrible way for us to have this situation that occur with people that are 75 or more years old. And I get, maybe more than ever, maybe I get a little "head up" over it. Fortunately



I'm in a good way that I can come down here and spend my time and spend the car fare and whatever because we aren't paid, of course, that we attempt to do. I think that at some point the Legislature should consider the use of "generic drugs". And I don't know what is holding that bill up in committee.

PERSKIE. It's been signed into law, Sir.

GOTTBERG. Yes. I know but I understand that there is a good deal of "flack" still going on with this . . .

PERSKIE . . . Oh, the list?

GOTTBERG. . . . the appropriation of the list?

VAN WAGNER. The problem seems to be in the . . . among others, I understand, is the publication of the list of acceptable generic substitutes. That was the last word that I got sometime in December at a meeting.

GOTTBERG. Yes, that is correct.

VAN WAGNER. It's supposed to be ready this March. There's a great dispute over it, I guess the pharmaceutical people . . .

GOTTBERG. . . . well, I understand that there's about 125 of the drugs that have been passed and been OK'd. That there are only five or six in dispute at the present time and that there are fifteen or so that were not allowed . . .

VAN WAGNER. . . . something of the sort.

GOTTBERG. But it seems to me that it's a foot-dragging part of our pharmaceutical house. But what it could help with the use of our taxes - the lowering of our taxes actually - is the fact that if you use generic drugs in the PAA, you can save anywhere from \$4-\$5 million because you wouldn't be paying the full amount for your prescriptions.

YATES. Sir, I wonder if I can pursue that point a bit. You're quite right in identifying it under the present PAA the benefit of the generic drugs kind of disappears because you're only going to pay a dollar, there's little incentive not to go first class. However, there's a really serious - I wouldn't say political problem - but a policy problem associated with tying the use of generic drugs to PAA system. Right now it is causing us an enormous amount - the PAA the way it's working right now and it clearly would be nice if we could find a way to reduce this cost. One of the ingredients in the original passing of the generic drug legislation was that there was nothing in that legislation that forced or even induced anyone to steer toward generic if they had the least feelings that they wanted to go with the brand name. Nor did it require doctors to substitute to generic. So it was kind of a completely "free will". Now, if we, in an effort to cut costs in our PAA system, start urging or mandating or requiring the generic I think it would be a very serious running afoul - you might say that original philosophy that said "that choice between whether you go generic, whether you go brand name should be a personal matter between you and your physician

and should not have the State, in effect, leaning you heavily toward generic", because generic may be fine but there are people and there are doctors who very seriously believe that when they say a given brand name they mean that brand name and it does make a difference. But we didn't want the State, in effect, to be in the business of . . . to make generic available is one thing, and that we did and I was happy to be part of that. To force it on people is, I think, quite another thing.

GOTTBERG. Well, I happen to be, of course as you can see, very much in favor of the use of generic drugs. But, when I saw lists of generic drugs and brand name drugs and found out that one company, which is a recognized, big company is making a brand name drug and then one of the other well-known companies would be making the same drug generically and down further on the list you find the reverse. And in one instance, which was laughable to me, was that the same company was making both the brand name and the generic, so how could people say that the generic drug by that company was not as good as the other? Plus the fact that just - a little aside, I know one of our seniors whose niece works in one of the drug outfits, running pills through a machine, and she told her grandfather that this is the way we do it. When we make the brand name drug the drugs go through by the millions with an initial on it - like an "N". Now, when they stop the machine and take out the "N" now we're making the generic drug. It's the same one! Except it no longer has the initial. Now it's a generic drug, so they send out a couple more billions of drugs generically. And they make both of the drugs in the same way, wherever they can sell them. They can sell the brand name - marvelous, give them the one with the "N" on it. If they want them generically they get the one without the "N" on it. It's a matter of fact, my wife only found out just now and she's going back to the doctor the next time with her \$20 prescriptions - she found out by a list she got that Hey! my drug is finally on the generic. So she will get it and we'll save a good deal of dough.

YATES. That's because you don't come under the PAA . . .

GOTTBERG. . . . of course. That's right.

PERSKIE. OK. I don't want to get too far afield.

GOTTBERG. No, that's all right. I only thought that all of these items would all have to do with . . .

PERSKIE. The PAA and it's funding are definitely within our jurisdiction. I just don't want to get too far involved about the specific generic drug . . .

GOTTBERG. No, well, this gentleman brought up the fact that . . . I thought I'd try to defend it a little. So that is all I have to say. These are just a few thoughts that the seniors of Bergen County - Southern end - . . .

PERSKIE. Mr. Gottberg, we're - some of us anyway, are from the southern end of the State anyway so there's a kinship there and Walter always speaks with the southern accent, so . . . I want to thank you very much and also the Federation. The organization has been very attentive all year. This certainly is not - you're not even the first time today, much less the first time this year that your organization has been here and we certainly appreciate your input and your . . .

We would expect and hope for your continued cooperation and your continued use of this facility to make your voices heard.

GOTTBERG. I thought this was a . . . I was saying to one of the boys in the back I thought that quite often you go to something of this sort, I know I've done it before, and there's no interest. They're just waiting - what time is this? twelve o'clock or is it four? Let's get out of here. But the reason . . . I was saying to him . . . I'm very late on the program but, I said, I'd like the reason why. Because people are being questioned, which shows an interest in the committee. And to me it was like democracy-in-action. Because we don't always have a chance of talking to or disputing even with our legislators.

PERSKIE. Well, we appreciate it. Thank you very much.

DEARDORFF. Mr. Gottberg. Are you familiar with the fact that Senator Dwyer's committee is holding a public hearing on this?

PERSKIE. The 15th. OK. Thank you very much. I thank the staff. We will have transcripts tomorrow morning at 9:00 and the meeting is in recess.

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THE SPENDING LIMITATION STATUTE FOR MUNICIPALITIES AND COUNTIES IN NEW JERSEY IS WORKING WELL. THE OUTCOME IS, FRANKLY, BETTER THAN I HAD ANTICIPATED.

I AM NOT SAYING THAT THERE ARE NO PROBLEMS WITH THE LEGISLATION. IN FACT, I AM PREPARED TO FACE THESE PROBLEMS WITH YOU THIS MORNING.

FIRST, THE SPENDING LIMITATION LAW IS SHORT IN TERMS OF LENGTH AND, THEREFORE, REQUIRES A GREAT DEAL OF ADMINISTRATIVE INTERPRETATION. I HAVE HEARD CRITICISM FROM LEGISLATORS, THEIR STAFF AND SOME LOCAL OFFICIALS ABOUT MY INTERPRETATIONS. HOWEVER, IT IS OUR FEELING THAT OUR INTERPRETATIONS REPRESENT WHAT THE LAW ACTUALLY SAYS. IF THE LEGISLATURE FEELS THAT THE LAW IS BEING MISINTERPRETED, I WOULD URGE THAT THE LAW BE REWRITTEN IN AN EASILY UNDERSTANDABLE AND WORKABLE MANNER.

I WILL NOW OFFER A SHORT HISTORY OF HOW THE BUDGET CAP LAW IS WORKING AND THEN DISCUSS CERTAIN SPECIFIC AREAS OF CONCERN WITH YOU.

OVERALL, THE BUDGET CAPS DO MEET THE OBJECTIVE OF KEEPING BUDGETS IN LINE WITH A LEGISLATIVE POLICY AND THEY DO PROVIDE SOME FLEXIBILITY TO THE BUDGET PROCESS BY ALLOWING CERTAIN EXCEPTIONS TO THE "CAP," SUCH AS DEBT SERVICE, RESERVE FOR UNCOLLECTED TAXES, CASH DEFICITS, STATE AND FEDERAL AID, MANDATED COSTS THAT MUNICIPALITIES MUST PAY AS A RESULT OF NEW LEGISLATION, AND IN CERTAIN LIMITED CIRCUMSTANCES, EMERGENCY APPROPRIATIONS OF UP TO THREE PERCENT

OF THE BUDGET. ADDITIONALLY, REVENUE FROM THE SALE OF MUNICIPAL ASSETS, NEW OR INCREASED FEES FOR MUNICIPAL SERVICES BY ORDINANCE AND INCREASED REVENUE FROM VALUATIONS OF PROPERTY AS A RESULT OF NEW CONSTRUCTION ARE ADD-ONS TO THE CAP AMOUNT.

AS AN ADDED "HOME RULE" BONUS, EACH GOVERNING BODY HAS THE OPTION OF USING THE REFERENDUM PROCESS TO EXCEED THE CAP. IF THE VOTERS AGREE THAT THE SERVICES ARE NECESSARY, THEY CAN VOTE AFFIRMATIVELY TO EXCEED THE CAP TO WHATEVER DEGREE THEY DEEM APPROPRIATE. IT IS INTERESTING TO NOTE THAT IN THE REFERENDUMS HELD TO DATE, SOME OF THE DEFEATED REFERENDUMS WOULD NOT HAVE RESULTED IN HIGHER PROPERTY TAXES BECAUSE THE MUNICIPALITY PLANNED TO USE SURPLUS FUNDS TO COVER THE COST OF THE SERVICES THAT WERE ON THE BALLOT.

THUS, THE TRUE HOME RULE BUDGET DECISION-MAKING PROCESS THAT THE CAP LAW SO WISELY ALLOWS IS A SOUND CONCEPT. THE VOTERS CAN CONTROL INCREASES WHILE BASIC SERVICES ARE CONTINUED. THE FACT THAT ONLY FOURTEEN MUNICIPALITIES IN 1978 AND THREE IN 1977 HAVE USED THE BUDGET REFERENDUM PROCEDURE SUGGESTS THAT THE CAP LAW IS NOT UNREALISTIC IN ITS CONCEPT OR THAT LOCAL ELECTED OFFICIALS FEEL THE PULSE OF VOTER SENTIMENT TO BE ANTI-GOVERNMENT SPENDING.

HOWEVER, THE CAP LAW HAS NOT BEEN RESPONSIVE TO THE MASSIVE ROAD DAMAGES SUSTAINED DURING THE LAST WINTER. THIS IS ONE AREA OF GRAVE CONCERN THAT WILL BECOME WORSE IF THE 1979 WINTER IS AS SEVERE AS 1978'S.

OTHER SPECIFIC AREAS OF CONCERN INVOLVE EMERGENCY APPROPRIATIONS BY ORDINANCE, PERC AND BINDING ARBITRATION RULINGS THAT AFFECT THE "CAP" AND THE MUCH DISCUSSED PROBLEMS OF PENSION, INSURANCE AND UTILITY COSTS.

THE 3% EMERGENCY APPROPRIATION BY ORDINANCE, WHICH ALLOWS A MUNICIPALITY TO MEET EMERGENCY DEMANDS ON TOP OF THE CAP FIGURE, HAS SEVERAL FLAWS:

1. A. THE EMERGENCY ORDINANCE CAN ONLY TAKE EFFECT AFTER THE BUDGET IS ADOPTED. THUS, MUNICIPALITIES WORKING ON A TEMPORARY BUDGET (DURING JANUARY, FEBRUARY AND MARCH) COULD HAVE THEIR ENTIRE BUDGET UPSET BY AN EMERGENCY DURING THAT PERIOD. I RECOMMEND THAT EMERGENCY ORDINANCES BE ALLOWED ALL YEAR LONG IF IT'S THE INTENT OF THE LEGISLATURE TO GRANT CAP WAIVERS. IF THIS IS THE INTENT, I WILL FURTHER RECOMMEND A MUCH LESS BUREAUCRATIC PROCESS AND A MORE RESTRICTIVE DEFINITION OF EMERGENCY.
- B. THE DEFINITION OF EMERGENCY AS SPELLED OUT IN 40A:4-46 IS BEING MISINTERPRETED TO MEAN "WE HAVE ESTABLISHED ANOTHER BUDGET PRIORITY" OR "WE ARE UNDER-BUDGETING TO LIVE WITHIN THE CAP AND NOW WE WANT LOCAL FINANCE BOARD PERMISSION FOR AN EMERGENCY ORDINANCE APPROVAL TO EXCEED THE CAP." NEW JERSEY MUST CONTINUE TO ASSURE THAT ALL BUDGETS ARE TRUE, CORRECT AND IN RECOGNITION OF THE LAWS OF THIS STATE. RATHER THAN

THE FOREGOING, LOCAL OFFICIALS SHOULD SAY, "AN EMERGENCY CAME UP AFTER WE ADOPTED OUR BUDGET, SO WE COMMITTED OUR BUDGETED FUNDS FOR THAT PURPOSE AND NOW WE NEED MORE FUNDS TO COMPLETE THE YEAR OR SUPPLEMENT AN APPROPRIATION BECAUSE OF AN UNFORESEEN MATTER (SUCH AS LEGAL FEES).

2. VARIOUS SPECIAL EMERGENCY APPROPRIATIONS, SUCH AS THOSE ALLOWED FOR A TAX MAP, REVALUATION, MASTER PLANS BY A CONSULTANT, CODIFICATION OF ORDINANCES AND PRELIMINARY ENGINEERING AND PLANNING FOR SEWER SYSTEMS, WHICH ALLOW THE COST OF SAID ITEMS BE FINANCED OVER A FIVE YEAR PERIOD, ARE TREATED WITHIN THE CAP. THE LEGISLATURE MAY WISH TO RECONSIDER THIS POINT. THIS IS ESPECIALLY CRITICAL FOR THE REPAIR OF STREETS AND BRIDGES THAT ARE DAMAGED BY FLOOD OR HURRICANE OR FOR CIVIL DISTURBANCES. THESE REAL EMERGENCIES CAN PLACE A TERRIBLE BURDEN ON OUR MUNICIPALITIES.

3. THE EMERGENCY ORDINANCE PROCESS IS INEFFECTIVE. ITS INTENT WAS TO ASSURE THAT THE PUBLIC HAD A RIGHT TO VOICE AN OPINION AT A PUBLIC HEARING ON THE PROPOSED EMERGENCY ORDINANCE. IN ACTUALITY, LITTLE OR NO PUBLIC PARTICIPATION HAS OCCURRED.

THUS, THIS CUMBERSOME PROCESS RESULTS IN: (A) ADDITIONAL COSTS FOR ADVERTISING, ETC. THAT IS NOT OUTSIDE OF THE CAP, (B) REQUIREMENT OF A MINIMUM OF TWO WEEKS TO ADOPT WHICH, IN THE CASE OF A REAL DISASTER, IS A FRIGHTENING PROBLEM, (C) REQUIREMENT THAT THE LOCAL FINANCE BOARD HOLD PUBLIC HEARINGS ON THE ORDINANCE WHICH CAN CAUSE ANOTHER DELAY FOR ANYWHERE FROM ONE WEEK TO ONE MONTH.



MY FINAL WORD ON THE EMERGENCY ORDINANCE PROCESS IS A STAGGERING FACT. IN MOST CASES, THE 3% EMERGENCY ORDINANCE EXEMPTION REPRESENTS AN AMOUNT GREATER THAN THE 5% BUDGET CAP BECAUSE THE 3% EMERGENCY ORDINANCE IS COMPUTED ON A MUCH BROADER BASE.

THE NEXT AREA OF CONCERN DEALS WITH PERC AND BINDING ARBITRATION AND HOW THE COURTS HAVE INTERPRETED THOSE DECISIONS RENDERED ON BEHALF OF EMPLOYEE UNIONS. I AM NOT CRITICAL OF THE COURTS OR PERC, BUT I AM QUESTIONING THE LEGISLATIVE INTENT OF THE CAP LAW AND HOW IT IS BEING DISSIPATED. CERTAIN JUDGES HAVE RULED THAT BINDING ARBITRATION AWARDS ARE OUTSIDE OF THE CAPS. WHILE I AM NOT A LAWYER, I CAN FIND NO STATUTE THAT ALLOWS A MUNICIPALITY TO EXCEED THE CAP BY THE AMOUNT OF MONEY NEEDED TO MEET A BINDING ARBITRATION AWARD.

IF THE COURTS ARE CORRECT, THE LEGISLATURE MAY WISH TO ADDRESS THIS MATTER ONCE AND FOR ALL.

OF COURSE, THE ISSUE THAT MOST OFFICIALS CONFRONT WITH THE BUDGET CAP IS THE LARGE INCREASES THAT THEY MUST PAY FOR PENSIONS, INSURANCE AND UTILITIES. THE DIVISION OF LOCAL GOVERNMENT SERVICES IS WORKING WITH THE NEW JERSEY TAXPAYERS ASSOCIATION TO REVIEW THE CAP LAW. WHILE OUR RESEARCH HAS BEEN HAMPERED BY THE LACK OF OFFICIAL DOCUMENTATION OF THESE PROBLEMS BY LOCAL OFFICIALS, WE HAVE BEEN ABLE TO DETERMINE CERTAIN GENERAL TRENDS.

THE SUM OF \$24,542,646 WAS APPROPRIATED IN 1978 FOR PENSIONS AND INSURANCE BY OUR 455 MUNICIPALITIES THAT ARE SUBJECT TO THE CAP (103 MUNICIPALITIES HAVE A MUNICIPAL PURPOSE TAX OF LESS THAN .10¢ PER \$100 OF ASSESSED VALUE AND, THEREFORE, ARE NOT SUBJECT TO THE CAP).

THOSE 455 MUNICIPALITIES HAVE A COMBINED BUDGET CAP OF \$61,266,987. THUS, INSURANCE AND PENSIONS CONSUME 40% OF THE SO CALLED 5% CAP FIGURE FOR THOSE MUNICIPALITIES. BREAKING OUT INSURANCE AND PENSIONS, THE FORMER CONSUMES 23.9% OF THE CAP AND THE LATTER CONSUMES 16.1% OF THE CAP. REGRETTABLY, WE HAVE BEEN UNABLE TO OBTAIN SATISFACTORY DOCUMENTATION ON THE PROBLEM OF HEAT, OIL AND POWER BILLS ON LOCAL GOVERNMENTS. A QUESTIONNAIRE ON THE IMPACT OF UTILITY COSTS WAS MAILED TO ALL LOCAL GOVERNMENTS. RESULTS ARE STILL COMING IN, BUT WE ARE NOT SURE THAT WE WILL HAVE AN ACCEPTABLE DOCUMENTATION ON THIS ISSUE. THE REASON WHY WE KNOW ABOUT INSURANCE AND PENSIONS IS BECAUSE THEY ARE SPECIFIC LINE ITEMS IN THE MUNICIPAL BUDGETS FILED WITH MY OFFICE.

ADDITIONALLY, WE NORMALLY COMPUTE THE "CAP" FOR EACH MUNICIPALITY.

THUS, WITH THIS DATA AND WORKING WITH THE NEW JERSEY TAXPAYERS ASSOCIATION, WE HAVE REVIEWED THE PENSION AND INSURANCE COSTS VIS A VIS THE MUNICIPAL CAP.

THE TOTAL AMOUNT OF BUDGETARY INCREASES FOR THOSE MUNICIPALITIES THAT ARE SUBJECT TO THE CAP IS \$61,255,987. HOWEVER, THERE ARE CERTAIN PERMITTED "ADD-ONS" TO THE CAP FIGURE.

THESE ADD-ONS INVOLVE NEW RATABLES AS A RESULT OF NEW CONSTRUCTION, THE SALE OF MUNICIPAL ASSETS AND NEW REVENUES OR INCREASED REVENUES FROM FEES AND CHARGES (WHEN ENACTED BY AN ORDINANCE). THE TOTAL STATEWIDE ADD-ON FOR THE MUNICIPALITIES SUBJECT TO THE CAP IS \$24,832,865. THIS INCREASED THE "SO CALLED 5% CAP" TO 7.023%.

WITH THESE FIGURES IN MIND, LET'S DISCUSS THE IMPACT OF PENSIONS AND INSURANCE FOR THOSE MUNICIPALITIES THAT MUST ADHERE TO THE "CAP" LAW.

INSURANCE COSTS IN 1978 AMOUNTED TO \$14,676,881 FOR THE CAPPED MUNICIPALITIES. IF ALL THE COSTS FOR INSURANCE WERE PUT AGAINST THE SO CALLED 5% CAP, IT WOULD REPRESENT 23.9% OF THE CAP FIGURE. IF THE 7% CAP FIGURE IS MENTIONED, INSURANCE COMPRISES 17% OF THAT FIGURE.

PENSION COSTS FOR THE 455 CAPPED MUNICIPALITIES AMOUNT TO \$9,865,765 OR 16.1% OF THE 5% CAP FIGURE AND 11.4% OF THE 7% ADJUSTED CAP AMOUNT.

THUS, WE ARE ABLE TO HAVE SOME SPECIFIC FIGURES THAT WE CAN EVALUATE SHORTLY.

ANOTHER AREA OF THE CAP LAW THAT I BRING TO YOUR ATTENTION IS THE FACT THAT MUNICIPALITIES WITH A MUNICIPAL PURPOSE TAX RATE OF LESS THAN .10¢ PER \$100 OF ASSESSED VALUE ARE NOT SUBJECT TO THE CAP. I DON'T NECESSARILY FEEL THAT THESE MUNICIPALITIES SHOULD BE EXEMPT. FURTHER REVIEW OF THIS POLICY WOULD SEEM TO BE IN ORDER.

MUNICIPALITIES AND COUNTIES HAVE BEEN ABLE TO COPE SO FAR WITH THE CAP LAW. HOWEVER, 1979 APPEARS TO BE A VERY DIFFICULT YEAR. DIFFICULT, NOT BECAUSE OF THE CAP LAW PER SE, BUT RATHER

BECAUSE OF THE FAILURE OF CONGRESS TO RENEW THE ANTI-RECESSION FISCAL ASSISTANCE PROGRAM. THIS WILL CAUSE A LOSS OF SOME EIGHTY MILLION DOLLARS TO NEW JERSEY MUNICIPAL AND COUNTY GOVERNMENTS. THIS MONEY WAS APPROPRIATED OUTSIDE OF THE CAP AND THIS LOSS WILL MAKE IT DIFFICULT, IF NOT IMPOSSIBLE, TO LIVE WITHIN THE CAP UNLESS SERVICE LEVELS ARE REDUCED. FOR EXAMPLE, THE CITY OF NEWARK WILL LOSE \$10.8 MILLION.

TO BRIDGE THIS GAP, I RECOMMEND THAT WE PRESSURE CONGRESS TO RENEW THE PROGRAM IMMEDIATELY UPON THEIR RETURN TO SESSION AND SECONDLY, THAT THE LEGISLATURE CONSIDER SOME FORM OF NEW AID OR THE REDISTRIBUTION OF EXISTING AID TO MEET THIS PROBLEM HEAD ON.

I WILL NOW BE GLAD TO RESPOND TO ANY QUESTIONS YOU CARE TO ASK.



NEW JERSEY SENATE

**LAURENCE S. WEISS**

SENATOR, 19<sup>TH</sup> DISTRICT

165 WASHINGTON STREET

P.O. BOX 229

PERTH AMBOY, NEW JERSEY 08862

201-826-3170

201-826-1900

November 9, 1978

Honorable Stephen P. Perskie, Chairman  
Joint Committee on State Tax Policy  
Assembly Chambers, State House  
Trenton, New Jersey 08625

Dear Mr. Chairman:

This is in response to your kind invitation to participate in today's deliberations on Tax Policy. I regret that a conflicting commitment mitigates against a personal appearance. I therefore take this means of expressing my views "for the record".

Before I get to the heart of the matter, let me state my personal philosophy on fiscal matters -- an attitude I held long before I sought a place in the Senate -- an attitude that prompted me to run -- and in fact was the motivating propellant that resulted in my joining you as a member of the New Jersey State Senate.

As a businessman I always held to the theory that if you did not keep your fiscal affairs in order -- and if you continued to spend more than your income, sooner or later you would be out of business.

When I expressed the thought that this applied to governmental affairs, my political mentors laughed. They told me in no uncertain terms that you cannot run government as you would run a business.

I campaigned against the Income Tax. Not because I thought that this was an unfair method of taxation. It is fair, however watching the effects of tax upon tax, on the New Jersey population, I felt that fiscal restraint should come first. Now, as we face deficits estimated to be in excess of \$225 million for the current fiscal year, I continue to opt for fiscal restraint.

And now for specifics.

I salute the recent call by the Administration for a quick two-percent cut-back on current expenditures. The plan is working!

But two percent is not enough!

As a recommendation to this body, I call for a cut-back in the amount of ten percent. Not only for this fiscal period, but for Fiscal Year 1979-80 as well.

I call it ZERO BASE MINUS TEN BUDGETING!

We cannot expect the Administration to do this job alone. The Legislature has a key role in this -- for it is we who pass the laws that cost so much. It is we in the Legislature who initiate new and costly programs. In our desire to please various elements of the electorate who call for this or that benefit, we Legislators have put the State of New Jersey in a fiscal bind -- "Tight around the collar" I call it.

The response to this proposal will bring forth cries from department after department that certain services and functions cannot be cut -- that workers in hospitals and in prisons cannot be cut ten percent -- that in fact some activities need more funds in order to alleviate suffering or to provide protection.

I know that.

For these eventualities I propose that there be created out of the Legislature a "Committee of Adjustment & Review". It will be the role of such a body to make needed adjustments as indicated -- but further, to cut more than ten percent in other areas where such cuts may be made without damage to the service they render.

I am realistic.

Perhaps a ten percent cut cannot be achieved.

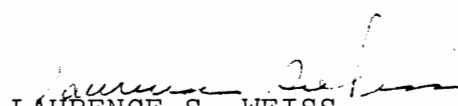
But let us aim for that high goal! If we fall short and trim expenditures by let us say eight percent, we will have gone a long way in the direction of fiscal sanity.

The State of New Jersey does not need a Howard Jarvis! It does not need a prototype of Proposition 13 or anything like it. But it does need an application of guts, gumption and common sense expressed in a dedicated program of ongoing fiscal restraint. I do believe my proposal is a needed step in the right direction.

We are all in this! If we work together in all sincerity we can avoid the new taxes that have been suggested, all of which are totally counter-productive.

I submit this proposal with the greatest respect for the cumulative wisdom and good intent of my legislative peers.

Sincerely,

  
LAURENCE S. WEISS  
Senator - 19th District

LSW:er





DALE BLAZURE  
HIRAN B. ELY, JR.  
MILDRED LAMBERT



Address Correspondence To  
Virginia D'Andrade, Secretary

## Hunterdon County Board Of Taxation

HALL OF RECORDS  
FLEMINGTON, N.J. 08822  
Telephone: 788-1173

November 6, 1978

TO: New Jersey Legislature Joint Committee on State Tax Policy  
Sen. John H. Dorsey                      Assem. Donald J. Albanese  
Sen. Walter E. Foran                    Assem. Willie B. Brown  
Sen. Wynona M. Lipman                Assem. Alan J. Karcher  
Sen. Walter N. Sheil                    Assem. Walter J. Kavanaugh  
Sen. Charles B. Yates                  Assem. Barbara W. McConnell

As the Tax Board Secretary of Hunterdon County, it has come to my attention that a great inequity exists regarding some of the senior citizens of our state. The New Jersey Constitution provides a property tax relief for senior citizens under Art. VIII, Sec. 1. Par. 2,3. This exemption however, is granted only to those individuals who own both the land and their dwelling. Many senior citizens, however own only their home, not the land on which it stands. Thus, they are short-changed when it comes to the senior citizen's exemption to which they would otherwise be entitled.

There is presently before the Assembly Taxation Committee, Assembly Concurrent Resolution #4 which would extend real property tax exemption to senior citizens and disabled persons residing in and owning dwelling houses on lands owned by another. Both the New Jersey Senate and the General Assembly have demonstrated their concern for the financial plight of our citizens over the age of 65 by allowing this exemption in the first place. ACR-4 would extend relief to tax paying homeowners who would otherwise be eligible except for the fact their home is situated on land owned by someone else; an arrangement which is common in many areas, New Jersey and elsewhere, especially in communities planned for Senior Citizens.

The senior citizen has many financial problems. The two-pronged effect of inflation and rising property taxes are the most obvious monsters hungrily devouring their limited incomes. There is no single solution to their plight, efforts are being made to ease the burden of homeowners, but we are not fully utilizing the weapons we have at hand. At present we are blunting the sword of property tax relief when we restrict its use to landowners and do not include those who own just their homes.

While such situations exist all over the state, in rural and urban areas alike, I would like to present an example of this inequity as it exists in one small area of Hunterdon County.

Solitude Village is an area of the Borough of High Bridge restricted to owner-residents over the age of 52. The land on which their dwellings are located is owned by a bank which took it over from the corporation which developed the project. The residents of Solitude Village own their dwelling units, and pay property taxes on them as well as a monthly fee to the bank which owns the land.

There are ninety homeowners, the average assessment is \$16,590. At the 1978 tax rate of \$3.35 per hundred valuation, the average tax bill is \$555.77 a year. The Borough of High Bridge collected \$85,877.25 in taxes from Solitude Village in 1978, including the amount paid by the bank on the land. If a senior citizen exemption could be granted to these people, and if every household was eligible, it would amount to a total of \$14,400 in relief. All of these monies the state would reimburse to the municipality and in turn it would be spent in the community.

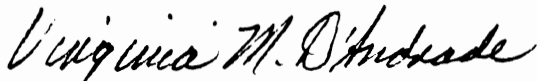
While the Homestead Rebate eased the situation somewhat, the individuals in the housing development who are over 65 are not allowed the same senior citizens exemption they would receive if they owned the land as well as their homes. If the Homestead Rebate is allowed, why not a senior citizens' exemption?

The Borough of High Bridge, recognizing this inequity, passed a resolution on February 23, 1978 which states "The Mayor and Council support the senior citizens of Solitude Village in their demand for senior citizens' real property tax exemption."

It is very tempting, in situations like this, to hide behind the figures and formulas, to hope the problem will stay out of sight, to protect our consciences with the worn phrase "well, that is the law, I can't do anything". But you members of the legislature do not have that hiding place. You make the law, you give to us in the administration of the property tax the tools with which we do our work. Your intention has been clear, to offer property tax relief to senior citizens, but that relief has been restricted.

Please consider passage of ACR-4.

Very, truly yours,



Virginia M. D'Andrade - Board Secretary  
Hunterdon County Board of Taxation

VMD:sdm

# **njac** REPORT

New Jersey Association of Counties

120 Sanhican Drive, Trenton, N.J. 08618 (609)—394-3467

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Statement by LEANNA BROWN, President N.J. Association of Counties Before  
The Joint Legislative Tax Policy Committee, Thursday, November 9, 1978  
At 11:30 A.M., In the General Assembly Chamber, State House, Trenton, NJ

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## THE NEED FOR STATE REVENUE SHARING FOR N.J. COUNTIES

As President of the N.J. Association of Counties, and a Morris Freeholder, who has been in charge of my County's finances, I speak out strongly for the immediate enactment of state revenue sharing funds for the several Counties. We are entitled to equal treatment along with the municipalities, since we are both representatives of the state.

The Counties have struggled to live within the limits imposed by the 5% cap on our budgets, while the state limitation exceeds 10% and school boards may secure an exemption to their ceiling on spending by an appeal, usually granted, to the Commissioner of Education. All the while, we have economized and managed to improve our ability to serve by adopting better management techniques. But the time is already past to extend revenue sharing to the County as the middle level of government in N.J., to insure fair and equal treatment. You can help to correct this oversight by including a recommendation for County revenue sharing in your report to the Legislature.

The principle of shared revenue with local units of government, with no strings attached, has been fully established and justified by the federal government. Counties have been recognized as viable, functioning units to deal with unemployment and community development. Only in N.J. do the Counties not share in an extension of state revenue dollars. And Counties, unlike municipalities, have not received any direct benefit from state income tax revenues, while the municipalities get some \$50-million annually.

In addition, Counties have been deprived of a variety of state aid funds previously allotted to us as partners with the state in serving our constituents. These cutbacks involve multi-millions of dollars, from state road aid and the collateral inheritance tax, to less than a 50% share of County College costs; the shrinking of mental health per capita funds and the possible loss of 50% of the fines from motor vehicle violations.

Meanwhile, you are aware that the Legislature has given the Counties more and more responsibilities to perform. We are proud of this, because it demonstrates your confidence in our ability. These include youth shelters, transportation, planning, health, consumer affairs, welfare, energy and cultural affairs and solid waste management, in addition to roads, vocational and two-year County college education.

It all boils down to the leading question: what functions can be performed at the County level, and how are they to be financed? In a recent cabinet interview, a member of this administration put it very well - the problem is that one level of government makes the rules, while another has to provide the funding.

Freeholder Brown/2

The Counties are engaged in a determined, tho' quiet revolution of professional reorganization. We are achieving competent management at every level of the County operation. We have attracted capable technicians in the County public sector, many of them from successful careers in business. They are well able to handle any job you give them to do. And both as elected and appointed officials, we work well in partnership with the state and the municipalities.

In 1977 the first session of this Legislature passed a County revenue sharing bill in both houses, as sponsored by your Co-Chairman, Assemblyman Richard Van Wagner. It was amended to include an equitable formula worked out in consultation with the Association of Counties for \$10-million to be shared with the 21 Counties, with an annual adjustment factor for inflation. It was withdrawn at the last minute early this year when the state budget shortfall began to develop.

In the present session, Assemblyman Dean Gallo has sponsored the County Revenue Sharing Act, A-1117, which would appropriate \$5-million to the 21 Counties. Next Monday, Mr. Van Wagner plans to reintroduce his original revenue sharing measure, for which he is a strong, persistent and convincing advocate.

You must not be frightened off from enacting a fair County revenue sharing bill because of the anticipated state budget shortfall. A leading Wall Street bonding firm engaged in careful monitoring of public financing in N.J., has told my Association that it considers the present shortfall "not of major consequence" in our state budget which exceeds \$4.4-billion! That assessment is based on a sound reading of our healthy economy.

This year the County budgets total \$1.3-billion. More than 58% of these costs are mandated to us to perform, with less than adequate state aid or funding. Until major transfer of the costs of public assistance and the courts can be taken over and funded completely by the state, it is imperative that you extend revenue sharing to the Counties. We insist on being treated as co-equal partners with the municipalities. You have it within your power to help stop this discrimination against the Counties.

We welcome the caps as demonstrating our fiscal responsibility. We have proved we can economize and still render efficient service. But with the rising tides of functional responsibility and the bite of inflation, we must have a fair share of state revenue shared funds as full agents of state policy and programs for our people.

With but a single, major source of revenue, the real property tax, the Counties, without adequate revenue sharing, face a crippling of our ability to perform public services. I have every confidence that in all fairness you will seek to remedy this situation. I call upon the members of this Committee to advocate, work for and secure revenue sharing for the Counties. Thank you.

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MY NAME IS GEORGE HARRAKA AND BESIDES BEING THE ASSESSOR FOR THE CITY OF SUMMIT, I AM ALSO THE CHAIRMAN OF THE LEGISLATIVE COMMITTEE FOR THE ASSOCIATION OF MUNICIPAL ASSESSORS OF NEW JERSEY AND ALSO A MEMBER OF THE LEGISLATIVE COMMITTEE FOR THE LEAGUE OF MUNICIPALITIES.

I HAVE BEEN ASKED BY THE ASSESSOR'S ASSOCIATION TO POINT OUT TO THIS COMMITTEE, IN BEHALF OF ALL THE ASSESSORS THROUGHOUT NEW JERSEY, SOME OF THE INEQUITIES IN PROPERTY TAX ADMINISTRATION THAT EXIST TO-DAY.

THERE ARE TWO AREAS IN WHICH MOST OF THESE INEQUITIES OCCUR AND THEY ARE IN THE AREAS OF TAX APPEALS AND EXEMPTIONS.

ONE OF THE DUTIES OF THE ASSESSOR IS TO DISCOVER AND IDENTIFY REAL PROPERTY IN A TAXING DISTRICT, AND THEN DETERMINE THE FAIR MARKET VALUE OF THIS REAL PROPERTY IN ORDER THAT A UNIFORM LEVYING OF ASSESSMENTS CAN BE MADE AS MANDATED BY THE CONSTITUTION OF THE STATE OF NEW JERSEY.

DURING THE MOST RECENT YEARS, NEW AND MORE IMPORTANT DUTIES HAVE BEEN ADDED TO THE FUNCTIONS OF THE ASSESSOR'S OFFICE.

THE ASSESSOR MUST BE CONSTANTLY AWARE OF ANY SHIFTING IN THE BURDEN OF TAXATION.

SINCE THE PROPERTY TAX IS STILL THE SINGLE MOST IMPORTANT SOURCE OF REVENUE FOR THE MUNICIPALITY, THE ASSESSOR MUST BE ALERT TO ANY THREAT OF EROSION TO THE MUNICIPAL TAX BASE.

THIS THREAT OF EROSION HAS BEEN BECOMING MORE AND MORE EVIDENT IN THE PAST FEW YEARS. THE RECENT ENACTMENT OF THE NEW JERSEY INCOME TAX CAN BE ATTRIBUTED TO THE FACT, THAT THE EROSION IN SOME MUNICIPAL TAX BASES, PROHIBITS THE FURTHER USE OF THE REAL PROPERTY TAX AS A CONTINUED VIABLE SOURCE OF INCOME.

IT IS THE OPINION OF THE ASSESSORS ASSOCIATION, THAT IN MOST RECENT YEARS THESE TWO AREAS OF PROPERTY TAX ADMINISTRATION, TAX APPEALS AND EXEMPTIONS HAVE BEEN THE PRIME CONTRIBUTORS TO THE EROSION OR TO THE THREAT OF AN EROSION OF THE MUNICIPAL TAX BASE AND FOR THE FOLLOWING REASONS:

CONCERNING TAX APPEALS, IT IS A KNOWN FACT, THAT THERE ARE OVER 38,000 CASES REMAINING TO BE HEARD AT THE DIVISION OF TAX APPEALS. IT IS HOPED, THAT THE RECENTLY ENACTED FULL TIME TAX COURT LAW WHICH HAS BEEN SPONSORED BY THE CHAIRMAN OF THIS COMMITTEE AND STRONGLY SUPPORTED BY OTHER MEMBERS OF THIS COMMITTEE, WILL ALLEVIATE THE STRAIN OF WAIT FOR BOTH THE TAXPAYER AND THE MUNICIPALITY. THIS PERIOD OF WAIT IS SOMETIMES UPWARD TO FOUR YEARS AND PRESENTS A COST BURDEN TO BOTH THE TAXPAYER AND THE MUNICIPALITY.

HOWEVER BEFORE THE EFFECTIVENESS OF THE FULL TIME TAX COURTS CAN BE REALIZED, THERE ARE AREAS ASSOCIATED TO TAX APPEALS THAT MUST BE BROUGHT TO THE ATTENTION OF THE LEGISLATURE FOR PROPOSED REVISION.

IN ORDER TO CORRECT THE INEQUITIES IN THE TAX APPEAL SYSTEM, THE ASSESSOR'S ASSOCIATION HAS MADE MANY RECOMMENDATIONS FOR REVISION OF SOME OF THESE ITEMS INCORPORATED IN THIS TAX APPEAL SYSTEM.

THE FIRST AREA THAT MUST BE CORRECTED IS IN THE CONSTRUCTION OF THE SALES RATIO. THE PROCEDURE USED IN DETERMINING THE SALES RATIO, THRU THE ANALYSIS OF THE SALES TRANSACTIONS IN THE TAXING DISTRICT, MUST BE REVISED AND ADJUSTED TO THOSE CONDITIONS THAT EXIST TO-DAY. THE 27 CATEGORIES ESTABLISHED IN CH. 86, P.L. 1954 TO DETERMINE SALES OF A NON-USEABLE NATURE, ARE THE SAME 27 CATEGORIES IN EXISTENCE TO-DAY. THERE HAS BEEN NO CONSIDERATION OR ADJUSTMENT MADE TOWARD SITUATIONS THAT HAVE SURFACED TO-DAY WHICH COULD RENDER A SALE "NON-USEABLE". THESE SALES WERE PERMITTED TO BECOME A PART OF THE SALES STUDY AND THE USUAL WIDE DISPARITY BETWEEN THE ASSESSED VALUATION AND THE CONSIDERATION, RESULTS IN A FALSE RATIO.

THE RESULT OF THIS FALSE RATIO IS THAT THERE IS AN EXTENSIVE DECLINE IN THE RATIO OF THE TAXING DISTRICT. THIS EXTENSIVE DECLINE IN THE RATIO, RESULTS IN AN UNFAIR REDUCTION IN SCHOOL AID FOR A COMMUNITY - THEREBY SHIFTING THE BURDEN OF SCHOOL FINANCING TO THE OWNERS OF REAL PROPERTY THROUGH AN INCREASE IN THE TAX BURDEN.

THIS EXTENSIVE LOW RATIO ALSO RESULTS IN AN INCREASE OF A COMMUNITY'S SHARE OF THE COUNTY TAX BURDEN THROUGH THE EQUALIZATION OF THE COMMUNITY'S RATABLES AS INDICATED BY THE RATIO.

THE EXTENSIVE LOW RATIO OFT TIMES RESULTS IN A PREMATURE COMMUNITY - WIDE REVALUATION, AND THE VALUES ARRIVED AT THROUGH THIS REVALUATION REFLECTS "RATIO" VALUE AND NOT NECESSARILY "TRUE VALUE".

THE RESULTS OF ALL THIS IS THAT THE COMMUNITY THEN HAS A NEW ROUND OF TAX-APPEALS AND A NEW CYCLE OF DISCRIMINATION BEGINS.

WHEN THE SALES RATIO SYSTEM WAS INAUGARATED, THE INTENT WAS TO DETERMINE THE AMOUNT OF SCHOOL AID. A MUNICIPALITY COULD RECEIVE THROUGH AN EQUALIZATION OF RATABLES BY THIS RATIO. IT WAS NEVER INTENDED TO BE USED AS A BAROMETER OF VALUE. IT'S USE TO-DAY BY ALL COURTS IN TAX APPEAL CASES, EMPHASIZES THE NEED FOR A REVISION IN ORDER THAT A "TRUE" RATIO CAN BE DETERMINED.

ESPECIALLY WITH THE IMPLEMENTATIONS OF CH. 123, P.L. 1973. THE INTENT OF THIS LAW BY THE LEGISLATURE, WAS TO PROVIDE AN AREA WHICH WOULD REFLECT NON-DISCRIMINATE ASSESSMENTS BASED ON "TRUE VALUE". THIS AREA OR ZONE WAS REPRESENTATIVE OF A RANGE OF 15% ABOVE OR 15% BELOW THE COMMON LEVEL RATIO OF THE TAXING DISTRICT. PRIOR TO THE IMPLEMENTATION OF THIS LAW, TAX APPEALS WHICH CITED DISCRIMINATION TO THE RATIO DEPRIVED THE MUNICIPALITY OF THE BENEFIT OF ANY RANGE AND THE ASSESSMENTS WERE BASED ON THE ACTUAL RATIO.

IT WAS THE INTENT OF THE LEGISLATURE, THAT CH. 123, WOULD PROVIDE A PROTECTIVE RANGE WHEREBY THE CURRENT ASSESSMENTS RATIO TO "TRUE VALUE" COULD BE CONSIDERED NON-DISCRIMINATORY. THE LEGISLATURE FURTHER MANDATED, THAT THOSE ASSESSMENTS IN APPEAL ABOVE THE UPPER LIMITS OF "TRUE VALUE" SHOULD BE REDUCED TO THE COMMON LEVEL RATIO AND THOSE ASSESSMENTS BELOW THE LOWER LIMITS SHOULD BE INCREASED TO THE COMMON LEVEL.

IT COULD BE ASSUMED THAT THIS LAW WOULD SATISFY SOME INEQUITY IN THE TAX APPEAL SYSTEM, HOWEVER IT HAS NOT. THE INTENT OF THE LEGISLATURE IS NOT BEING INTERPRETED CORRECTLY BY THE VARIOUS COUNTY BOARDS OF TAXATION.

SINCE ART. VIII, SEC. I, PAR 1 OF THE NEW JERSEY CONSTITUTION, MANDATES THAT ALL PROPERTY BE ASSESSED UNDER THE SAME STANDARD OF VALUE, IT MUST BE ASSUMED THAT THIS SAME UNIFORMITY MUST EXIST IN TAX APPEAL PROCEDURES. AS CHAIRMAN OF THE LEGISLATIVE COMMITTEE, I HAVE BEEN PROVIDED WITH INFORMATION BY OTHER ASSESSORS SHOWING THAT THOSE PROVISIONS SET FORTH IN CH. 123 ARE NOT BEING ADHERED TO BY BOTH THE APPELLANTS AND SOME COUNTY BOARDS OF TAXATION AND THE ASSESSORS.

THE MAIN INTENT OF THE LEGISLATURE IN CH. 123, IS THAT "TRUE VALUE" BE PROVEN BEFORE ANY ADJUSTMENTS TO THE ASSESSMENTS CAN BE MADE. IT IS CLEARLY EVIDENT, THAT "TRUE VALUE" MUST BE DETERMINED BY ALL PARTIES INVOLVED IN THE APPEAL, THE ASSESSOR, THE APPELLANT AND THE COUNTY BOARDS OF TAXATION. SINCE ALL ADJUSTMENTS TO ANY ASSESSMENTS ARE NOW PART OF A MATHEMATICAL PROBLEM, "TRUE VALUE" MUST FIRST BE DETERMINED BEFORE AN APPLICATION OF ANY PERCENTAGES CAN BE MADE WHICH WILL ELIMINATE DISCRIMINATION IN ASSESSMENTS. THE LACK OF KNOWLEDGE BY SOME COUNTY BOARDS AS TO THOSE PROVISIONS CH. 123, IS APPARENT THROUGH THE DISREGARD SHOWN IN THE USE OF THIS LAW IN SOME TAX APPEAL. BECAUSE OF THIS, THE ASSESSORS ASSOCIATION IS ASKING THAT THE LEGISLATURE MOVE TOWARD THE ADOPTION OF A-717. THIS BILL HAS PASSED THE ASSEMBLY 64-0 AND IS NOW IN THE REVENUE & FINANCE COMMITTEE. THE PROVISIONS SET FORTH IN THIS BILL REQUIRES THE COUNTY BOARDS OF TAXATION TO SEND A WRITTEN MEMORANDUM OF IT'S JUDGEMENT WITH REASONS SET FORTH, TO THE PARTIES TO THE APPEAL.



THE ASSESSOR'S ASSOCIATION FEELS THAT COMPLIANCE TO THIS LAW BY THE COUNTY BOARDS WILL SHOW THE BOARDS DETERMINATION OF "TRUE VALUE" AND MAY ALSO REDUCE THE NUMBER OF APPEALS TO THE TAX COURT. THERE IS NO DENYING THAT SOME APPELLANTS ARE TREATING THE COUNTY BOARDS AS BEING "SOMETHING IN THE WAY". UNDER THE NEW "FULL TIME TAX COURT" LAW, THEY THE APPELLANT WILL HAVE THE OPTION UNDER CERTAIN CONDITIONS TO BYPASS THE COUNTY BOARDS AND PETITION DIRECTLY TO THE TAX COURT.

ANOTHER AREA IN THE TAX APPEAL SYSTEM WHICH NEEDS REVISION IS IN THE GUIDELINES TO BE FOLLOWED WHEN FILING APPEALS. SINCE THERE ARE 21 COUNTIES, IT IS SAFE TO ASSUME THAT THERE IS A DEFINITE LACK OF UNIFORMITY IN THE FILING PROCEDURES OF EACH COUNTY. THE ASSESSORS ASSOCIATION HAS BEEN PURSUING A UNIFORM SET OF GUIDELINES FOR ALL COUNTIES THAT WOULD EXPEDITE THE TAX APPEAL PROCEDURES.

ESPECIALLY IN THE AREA OF INFORMATION THAT MUST BE PROVIDED BY THE APPELLANT AT THE TIME OF HIS APPEAL. TOO OFTEN APPELLANTS HAVE FILED APPEALS CITING DISCRIMINATION AND, DESPITE THE ASSESSORS REQUEST THROUGH INTERROGATORIES FOR INFORMATION PERTAINING TO HIS CITATION OF DISCRIMINATION, THE ASSESSOR NEVER RECEIVES THE INFORMATION FROM THE APPELLANT UNTIL THE TIME OF THE HEARING. AND IN MOST CASES, THIS EVIDENCE IS IN THE FORM OF A MUCH DISPUTED INCOME CAPITALIZATION STATEMENT.

MANY ASSESSORS HAVE BEEN ORDERED BY THEIR COUNTY BOARDS, TO SHOW HOW THEIR ASSESSMENTS IS SUBSTANTIATED BY THE CORRELATION OF AT LEAST TWO APPROACHES TO VALUE. YET, I HAVE SEEN WHERE EXPERTS FOR THE APPELLANTS, HAVE BEEN ALLOWED TO SUBSTANTIATE THEIR DISCRIMINATION CHARGE THROUGH THE USE OF ONLY AN INCOME CAPITALIZATION APPROACH TO VALUE, AND SHOWING COMPLETE DISREGARD TO THE MARKET APPROACH AND THE REPRODUCTION COST APPROACH. ESPECIALLY WHEN CURRENT INFORMATION REGARDING THESE TWO APPROACHES IS SO EASILY ATTAINABLE.

THE ASSESSORS ASSOCIATION FEELS THAT IN ACCORDANCE WITH SEC. 54:4-38, WHEREBY THE ASSESSOR MUST ADVERTISE THAT THE ASSESSMENT LIST WILL BE AVAILABLE FOR INSPECTION 10 DAYS BEFORE THE TAX LIST IS FILED ON JANUARY 10 OF EACH YEAR AND SINCE THE APPELLANT HAS A PERIOD OF EIGHT MONTHS TILL AUGUST 15 WHEREBY HE CAN DETERMINE WHETHER OR NOT HE IS BEING DISCRIMINATED AGAINST, THEN THERE SHOULD BE NO PROBLEM IN UTILIZING THAT TIME IN PREPARING HIS CASE BY AUGUST 15TH AND PROVIDE THE EVIDENCE NEEDED TO SUBSTANTIATE HIS DISCRIMINATION CHARGE WITH HIS PETITION OF APPEAL. THE ASSESSOR SHOULD ALSO BE REQUIRED TO SUBSTANTIATE HIS ASSESSMENTS IN SOME PERIOD OF TIME AFTER AN APPEAL IS FILED.

I'D LIKE TO BRING TO THE ATTENTION OF THIS COMMITTEE, AN ACTUAL SITUATION THAT RECENTLY OCCURED IN MY DISTRICT. AN ATTORNEY FOR A TAXPAYER, FILED AN APPEAL CITING THAT THE ASSESSMENTS WERE ABOVE THE COMMON LEVEL RATIO OF THE TAXING DISTRICT. IN AN EXCHANGE OF REQUEST FOR INFORMATION, I HAD ANSWERED EVERY QUESTION EXCEPT ONE. I HAD RECEIVED AN ANSWER THANKING ME FOR MY PROMPT REPLY, BUT I FAILED TO PROVIDE THE ATTORNEY WITH THE COMMON LEVEL RATIO OF MY DISTRICT. MY RESPONSE TO HIM WAS THAT, I HAD ASSUMED, THAT SINCE HE CITED DISCRIMINATION AGAINST THE COMMON LEVEL RATIO THAT HE KNEW WHAT THE COMMON LEVEL WAS OTHERWISE HOW WAS THE COMMUNITY DISCRIMINATING AGAINST HIS CLIENT IN THEIR ASSESSMENTS?

IT IS FOR THIS REASON THAT THE ASSESSORS ASSOCIATIONS FEELS, THAT THE FULL TIME TAX COURT TO FUNCTION PROPERLY, THEN THESE ITEMS AS MENTIONED HEREIN, MUST BE CORRECTED IN ORDER THAT THE COURTS NOT BE DELAYED AND AGAIN BACKLOGGED.

THE ASSESSORS ASSOCIATION ALSO BELIEVES THAT THE FOLLOWING PROPOSALS WHICH ARE NOW LAW SHOULD BE AMENDED TO CLEARLY DEFINE LEGISLATIVE INTENT.

THE FIRST BEING CH 357 WHICH STATES THAT TAXES MUST BE PAID BEFORE APPEALS CAN BE HEARD. SINCE I PLAYED A PART IN HAVING THIS LAW PROPOSED, IT WAS MY UNDERSTANDING THAT TAXES HAVE TO BE PAID WHEN APPEALS ARE FILED. THROUGHOUT THE VARIOUS COUNTY BOARDS, THERE ARE NO UNIFORM DEFINITIONS OF THE INTENT OF THIS LAW.

THE DEFINITION RANGES FROM COMPLETE DISREGARD BY THE BOARDS, TO AN EXTENSION OF TIME, FOR COMPLIANCE TO JUST PRIOR TO THE HEARING.

THE ASSESSORS ASSOCIATION IS ALSO ASKING, THAT A-1492, WHICH CALLS FOR THE USE IN CH. 123 OF THE DIRECTOR'S 2 YEAR STUDY IN THE RATIO RATHER THEN THE ONE YEAR STUDY. IT IS FELT BY ALL, THAT SINCE THE DIRECTOR'S RATIO IS USED TO DETERMINE SCHOOL AID, THEN IS SHOULD BE UNIFORMLY USED IN CH. 123, AND IN THE EQUALIZATION TABLE OF ALL COUNTIES.

THE ASSESSOR'S ASSOCIATION BELIEVES THAT WITH AN AMENDED CH. 123, AND WITH THOSE RECOMMENDATIONS HEREIN STATED, AND WITH A CLEAR DECLARATION OF LEGISLATIVE INTENT CONTAINED IN CH. 123, THEN THE COURTS WILL HAVE AN INSTRUMENT TO USE BY WHICH THE DIFFERENCE BETWEEN THE APPELLANT AND THE MUNICIPALITY CAN BE RECONCILED. THE ASSESSORS ALSO BELIEVE, THE REMOVAL OF ANY AMBIGUITY IN CH. 123 BY THE LEGISLATURE WILL RESULT IN NOT ONLY A REDUCTION IN THE COURTS BACKLOG OF APPEALS BUT ALSO IN THE REDUCTION OF APPEALS THEREBY REDUCING COST TO A MUNICIPALITY.

CONCERNING THE SUBJECT OF EXEMPTIONS, THE ASSESSOR'S ASSOCIATION HAS BEEN PETITIONING THE LEGISLATURE FOR MANY YEARS TO REEXAMINE THE STATUTES GRANTING TAX EXEMPTION OF REAL PROPERTY LAW. THIS WAS ATTEMPTED BY THE APY COMMISSION FOR THE NEW JERSEY ASSEMBLY IN JANUARY OF 1970.

THIS COMMISSION, WHICH WAS CHAIRED BY ASSEMBLYMAN CHESTER APY WAS FORMED TO STUDY THE LAWS OF NEW JERSEY - EXEMPTING REAL PROPERTY HELD BY RELIGIOUS, EDUCATIONAL, CHARITABLE AND PHILANTHROPIC ORGANIZATIONS AND CEMETERIES FROM TAXATION.

THE COMMISSION HELD THAT THE EXEMPTION STATUTE 54:4-3.6 WHICH ALLOWS FOR AN EXEMPTION OF REAL PROPERTY OWNED BY A NON-PROFIT CORPORATION BE COMPLETELY REVISED. THE COMMISSION ALSO HELD THAT, NO LAND BE EXEMPT FROM REAL PROPERTY TAXATION.

IN NEW JERSEY, IT IS A TRUISM, THAT TAXATION IS THE RULE, AND EXEMPTION IS THE EXEMPTION TO THE RULE.

IN THE CASE DWIGHT SCHOOL OF ENGLEWOOD V. STATE BOARD OF APPEALS, 1935, JUSTICE HEHER EXPRESSED THIS JUSTIFICATION FOR TAX EXEMPTION FOR NON-GOVERNMENTAL ORGANIZATIONS AS FOLLOWS:

"EQUALITY IS THE BASIC PRINCIPLE OF TAXATION. EXEMPTION THERE FROM CAN BE JUSTLY SUSTAINED ONLY UPON THE PRINCIPLE THAT THE (CONCESSION) IS DUE AS A QUID PRO QUO FOR THE PERFORMANCE OF A SERVICE ESSENTIALLY PUBLIC, AND WHICH THE STATE THEREBY IS RELIEVED "PRO TANTO" FROM THE NECESSITY OF PERFORMING, SUCH AS WORKS OF CHARITY AND EDUCATION FREELY AND CHARITABLY BESTOWED... WITHOUT THAT CONCURRING PREREQUISITES, AN EXEMPTION BECOMES ESSENTIALLY A GIFT OF PUBLIC FUNDS AT THE EXPENSE OF THE TAXPAYER".

THE ASSESSOR'S ASSOCIATION, BELIEVES, THAT THE CONTINUED LIBERAL INTERPRETATION OF THE STATUTE 54:4-3.6 BY THE COURTS IS NOT THE ACTUAL INTENT OF THE LEGISLATURE WHEN ALLOWING A QUID-PRO-QUO EXEMPTIONS. THE CURRENT PERCENTAGE OF EXEMPT PROPERTY OF 21% THROUGHOUT NEW JERSEY ALREADY EXCEEDS THE NATIONAL AVERAGE OF 16%. MUNICIPALITIES ARE ALREADY WITNESSING AN OVERBURDEN OF EXEMPT PROPERTY SUCH AS NEWARK 53%, ORANGE 33% OR 66% OF THEIR 2 SQUARE MILES OF THEIR CITY IS EXEMPT, ELIZABETH WITH 33%, SUMMIT WITH 21% PRINCETON 59% AND MANY OTHER COMMUNITIES THROUGHOUT NEW JERSEY. THE ASSESSORS ASSOCIATION BELIEVES THAT THE EVER INCREASING ALLOWANCE OF THE EXEMPTION STATUTES BY THE LEGISLATURE AND THE LIBERAL INTERPRETATION BY THE COURTS OF THE INTENT OF THE LEGISLATURE IN THESE STATUTE IS THE SINGLE MOST CONTRIBUTING FACTOR TOWARD THE EROSION OF THE MUNICIPAL TAX BASE.



THE ASSESSORS THROUGHOUT NEW JERSEY BELIEVES, THAT AT THE PRESENT, EXEMPTIONS GRANTED EXCEED BEYOND THAT CONCEPT AS STATED BY JUSTICE HEHER, THAT BEING OF A QUID-PRO-QUO SITUATION. IT IS FELT BY THE ASSESSORS THAT SOME OF THE EXEMPTIONS GRANTED BY THE COURTS INTERPRETATION OF THE STATUTE AS TO LEGISLATIVE INTENT, IS NOT QUALIFYING IN ACCORDANCE TO THIS CONCEPT AND THAT THIS EXEMPTION DOES BECOME A GIFT AT THE TAXPAYERS EXPENSE. THIS IS ESPECIALLY TRUE IN THE "WOODLAND" INTERPRETATION OF THE FARMLAND ASSESSMENT ACT OF WHICH I WILL MENTION LATER.

THE ASSESSORS THROUGHOUT NEW JERSEY ARE ASKING THE LEGISLATURE TO REDEFINE THE STATUTE R.S. 54:4-3.6 WITH ATTENTION BEING PAID TO AMBIGUOUS PHRASES CONTAINED IN THE STATUTE SUCH AS "FOR THE FAIR ENJOYMENT THEREOF" OR "NOT FOR PECUNIARY PROFIT" OR FOR "LAND NOT TO EXCEED 5 ACRES IN EXTENT".

THESE PHASES HAVE BEEN THE BASIS OF EXCESSIVE LIBERAL COURT INTERPRETATIONS SINCE THERE IS NO LIMIT BEING DISPLAYED IN THE STATUTE AS TO EXEMPTION QUALIFICATIONS.

IN 1977, GOVERNOR BYRNE SIGNED INTO LAW, CH. 272, WHICH ALLOWED FOR AN IN-LIEU-OF-TAX PAYMENT EQUAL TO THE COST OF MUNICIPAL SERVICES BEING PAID MUNICIPALITIES WHERE STATE OWNED PROPERTY IS LOCATED.

THE ASSESSORS ASSOCIATION, HAD PROPOSED DURING 1976-77 THAT A MUNICIPAL SERVICE CHARGE EQUAL TO THE MUNICIPAL TAX RATE BE LEVIED ON ALL LAND OWNED BY TAX EXEMPT CORPORATION IN ORDER TO REDUCE THE COST BURDEN FOR SERVICES PROVIDED THESE CORPORATIONS. THE ASSESSORS ASSOCIATION BELIEVED THAT SINCE THESE CORPORATIONS PROVIDED A SERVICE FOR MANY COMMUNITIES, THE LOCAL MUNICIPALITY SHOULD NOT BEAR THE BURDEN OF COST FOR SUPPLYING THESE MUNICIPAL SERVICES TO THESE CORPORATIONS. PERHAPS IN PRIOR TIMES, COMMUNITIES HAD AN OPPORTUNITY TO ABSORB AN EXEMPTION THROUGH THE ACQUISITION OF NEW RATABLES. TO-DAY SUCH IS NOT THE CASE. THE CONTINUED RATE OF GROWTH BY MANY COMMUNITIES, AND THE CONTINUED INCREASE OF EXEMPT PROPERTY, HAS REDUCED THE AMOUNT OF AVAILABLE LAND FOR IMPROVEMENT THEREBY SHIFTING THE BURDEN OF TAXATION TO THE REMAINING TAXABLE PROPERTIES.

THE ASSESSOR'S ASSOCIATION BELIEVES THAT THE TIME IS RAPIDLY APPROACHING WHEN THE LEGISLATURE MUST REEXAMINE THE EXEMPTION STATUTES. THE ASSESSORS ASSOCIATION ASK THAT THE LEGISLATURE REEXAMINE CH. 48 LAWS OF 1964 AND KNOWN AS THE FARMLAND ASSESSMENT ACT.

WHEN THE FARMLAND ASSESSMENT ACT WAS ENACTED IN 1964, THE INTENT OF THE LEGISLATURE WAS TO PRESERVE THE DWINDLING FARMLAND IN NEW JERSEY. IT WAS THEIR HOPE THAT BY REDUCING THE LAND ASSESSMENT, THIS INDUCEMENT WOULD BE ENOUGH TO KEEP THE FARMS OPERATING.

GUIDELINES WERE SET, WHEREBY LAND ACTIVELY DEVOTED TO "AGRICULTURAL OR HORTICULTURAL" USE AND UNDER CERTAIN CONDITIONS, WOULD QUALIFY FOR A FARMLAND EXEMPTION. INCORPORATED IN THAT STATUTE WAS AN EXEMPTION FOR WOODLAND PROVIDED THAT IT WAS APPURTENANT TO AN EXISTING FARMLAND AS A PROTECTIVE COVER.

TO-DAY THE COURTS HAVE RULED, THAT WOODLAND, WITH NO DEVOTION TO AGRICULTURAL USE STILL QUALIFIES FOR A FARMLAND EXEMPTION. REASON BEING, THAT THE FARMLAND ASSESSMENT ACT DID NOT CLEARLY STATE THAT WOODLAND SHOULD BE APPURTENANT TO QUALIFYING FARMLAND IN ORDER TO QUALIFY FOR AN EXEMPTION. THE ASSESSORS ASSOCIATION HAS RECENTLY ASKED THE LEGISLATURE THROUGH SENATE BILL S-176 TO REDEFINE THE WOODLAND PORTION OF THE ASSESSMENT ACT BEFORE THERE BECOMES A MUNICIPAL OVERBURDEN THROUGH THE GRANTING OF THE EXEMPTION BY THE COURTS AND SHIFTING THIS BURDEN TO OTHER TAXPAYERS IN THE TAXING DISTRICT. WAYNE ALREADY HAS LOST 1,000 ACRES OR 3.5 MILLION IN RATABLES AND WITH NO INDICATION OF THE AMOUNT TO BE LOST BY KINNELON, BERKELEY HEIGHT, VINELAND AND OTHER AREAS. TO CLARIFY THIS SITUATION THE ASSESSORS ASSOCIATION HAVE ASKED THAT A WOODLAND ASSESSMENT ACT BE ENACTED BY THE LEGISLATURE, COMPARABLE TO THE FARMLAND ACT, WHEREBY CERTAIN QUALIFICATIONS OR STANDARDS BE MADE BEFORE AN EXEMPTION CAN BE ALLOWED. GOVERNOR BYRNE HAD PREVIOUSLY STATED, THAT LAND SPECULATORS MUST NOT BE PROVIDED A TAX SHELTER UNDER THE FARMLAND ASSESSMENT ACT AND UNLESS A WOODLAND ASSESSMENT ACT IS ENACTED, THE ASSESSORS ASSOCIATION BELIEVES THAT THESE LAND SPECULATORS WILL BE RECEIVING THIS TAX SHELTER.

ANOTHER ABUSE OF THE EXEMPTION LAW WHICH SHOULD BE EXAMINED BY THE LEGISLATURE IS THAT WHICH ALLOWS FOR THE EXEMPTION OF LAND USED FOR WILDLIFE. TO DETERMINE THE SHIFT IN THE BURDEN OF TAXATION DUE TO THE LOSS IN RATABLES AND TAXES CAUSED BY THE ENACTMENT OF THIS ACT, ONE WOULD HAVE TO ANALYZE THE EFFECT THIS LOSS OF 13,491 ACRES BEING DECLARED EXEMPT IN 71 MUNICIPALITIES IN 21 COUNTIES AND A LOSS TOTAL OF \$531,298 IN LOCAL PROPERTY TAXES.

ANOTHER AREA WHICH REQUIRES LEGISLATIVE ATTENTION IS THE RECENTLY ENACTED NON-SERVICE CONNECTED TOTALLY DISABLED VETERAN. THE ASSESSOR'S ASSOCIATION BELIEVES THAT SINCE THE STATE HAS PICKED UP THE MUNICIPAL COST OF THE SENIOR CITIZENS AND VETERANS EXEMPTION THEN THE STATE SHOULD ALSO PICK UP THE COST OF ALLOWING A TOTAL EXEMPTION FOR THE TOTALLY DISABLED VETERAN. ESPECIALLY SINCE THE NEW 100% QUALIFYING GUIDELINES WERE SET BY THE FEDERAL GOVERNMENT.

IN CONCLUSION, THE ASSESSORS ASSOCIATION BELIEVES, THAT REVISIONS IN CURRENT PROPERTY TAX LAWS AS MENTIONED HEREIN CAN REDUCE THE BURDEN OF TAXATION FOR THE PROPERTY OWNERS.

THE ASSOCIATION FURTHER BELIEVES, THAT TO REMAIN AND OPERATE WITHIN THE FRAMEWORK OF THE RECENTLY ENACTED 5% "CAP" LAW, THEN ATTENTION SHOULD BE PAID TO THOSE AREAS OF PROPERTY TAX ADMINISTRATION, WHERE UNANTICIPATED COST NEEDLESSLY CONTRIBUTE TO THE INCREASE IN THE COST OF ADMINISTRATION. AT MANY HEARING CONDUCTED BY THE LEGISLATURE, COMMENTS WERE MADE CONCERNING THE AMOUNT OF KNOWLEDGE OF EXISTING PROPERTY TAX LAWS DISPLAYED BY TOWN ATTORNEYS, COUNTY BOARD MEMBERS AND ASSESSORS AT TAX APPEAL HEARINGS. IT CANNOT BE EMPHASIZED ENOUGH, OF HOW THIS LACK OF KNOWLEDGE HAS CONTRIBUTED TO THE INCREASE IN COST TO THE MUNICIPALITY AND TO THE TAXPAYER.

THE ASSESSOR'S ASSOCIATION ATTEMPTED TO REDUCE THIS COST FACTOR ATTRIBUTED TO THE ASSESSOR, BY CONDUCTING YEARLY SEMINARS IN JUNE AT RUTGERS UNIVERSITY. IT IS HERE WHEN THE ASSESSORS ASSOCIATION MAKES EVERY EFFORT THROUGH THEIR EDUCATION COMMITTEE, TO DISSEMINATE AND UPDATE ALL NEW ASSESSING LAWS AND PRACTICES. HOWEVER, IN THE PAST FEW YEARS, THE COST OF CONDUCTING THIS SEMINAR, HAS CONTINUOUSLY INCREASED AND BECAUSE OF THE RECENTLY ENACTED 5% CAP LAW, THIS COST OF THIS SEMINAR FOR EACH ASSESSOR IS BECOMING PROHIBITIVE FOR THE MUNICIPALITY.

THE ASSESSORS ASSOCIATION IS ASKING THAT CONSIDERATION BE SHOWN BY THE LEGISLATURE TOWARD THE IMPORTANCE OF THIS SEMINAR. SINCE THE MUNICIPALITY IS THE INDIRECT RECIPIENT OF THE BENEFITS DERIVED FROM THESE SEMINARS THROUGH THE KNOWLEDGE GAINED BY THEIR ASSESSORS, THEN EVERY EFFORT SHOULD BE MADE TO REMOVE ANY THREAT OF DISCONTINUANCE OF THESE SEMINARS.

THE ASSESSORS ASSOCIATION IS ASKING THAT THE LEGISLATURE SUPPORT A STATE-SUBSIDIZED RUTGERS CONFERENCE, NOT ONLY FOR ASSESSOR'S, BUT FOR COUNTY BOARD MEMEBERS AND TOWN ATTORNEYS ALIKE AND ALSO MANDATE THAT ATTENDANCE MUST BE AT LEAST ONCE IN THREE YEARS.

THE LAW PERTAINING TO PROPERTY TAX ADMINISTRATION THAT HAVE BEEN RECENTLY ENACTED AND THOSE THAT HAVE TO BE AMENDED, ARE FAR TO IMPORTANT NOT TO BE ADHERED TO THROUGH A LACK OF KNOWLEDGE.

THE ASSESSORS ASSOCIATION IS ALSO ASKING THAT THE LEGISLATURE ENACT BILL A-1630 INTO LAW AS QUICKLY AS POSSIBLE. THE FORMATION OF A STATE-LOCAL RELATIONS COMMISSION AS PROPOSED BY THIS LAW, WOULD PROVIDE AN IMPROVED LINE OF COMMUNICATIONS BETWEEN STATE, COUNTY AND MUNICIPAL GOVERNMENTS, THEREBY REMOVING THE DEFINITE LACK OF COMMUNICATIONS THAT EXIST TO-DAY.

In compliance with written request received, there is hereby submitted a fiscal estimate for the above Bill, pursuant to P.L. 1962, c. 27.

The Official Copy Reprint of Assembly Bill

No. 1133 includes the levies for fire districts as a part of the local purpose levies in providing payments for local services in lieu of taxes on State property.

The Division of Budget and Accounting states that there is no data available on the amount of the local purpose tax rate for fire districts. It further states that it is assumed to be insignificant.

\*Approved:

INTRODUCER

Approved:

  
OFFICE OF FISCAL AFFAIRS  
John W. Davis, Acting Executive Director





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STATEMENT OF THE NEW JERSEY ASSOCIATION OF SCHOOL ADMINISTRATORS

TO THE JOINT COMMITTEE ON STATE TAX POLICY

NOVEMBER 9, 1978

by: K. Kiki Konstantinos, President of NJASA

The New Jersey Association of School Administrators, which represents the superintendents and other top administrative personnel of the local school districts, appreciates this opportunity to discuss with you our views on some of the major issues which you are studying.

STATE TAX POLICY AND SCHOOL FUNDING

The New Jersey Association of School Administrators supported the enactment of the state income tax as a better way to help pay school costs. We believe very strongly that local property taxes cannot and should not bear the brunt of school financing.

Our experience shows that local voters are more supportive of public school budgets when reliance on the property tax is decreased. The budget approval rate has risen from an average of 50% in the pre-income tax years to 80% at the current time. Therefore, we believe that state tax policy should continue to focus on alleviating the local property tax burden.

NJASA also believes that the revenue source which funds education should be stable and sufficient enough to enable the local school districts to provide each student with the constitutionally required thorough and efficient education.

We are very disturbed at reports of possible cutbacks in state aid to education because of the budget deficit. We wish to point out that it was our perception that the goal of the legislature when it passed the school finance law was to gradually increase the state share of school costs to 43%, not to have the state share slide back from the current 41% to 40%. The legislature must realize that any decrease in state aid merely shifts the burden to the local districts who must raise local property taxes to pay for their educational programs. This, of course, is in conflict with the goals of our school finance law.

NJASA urges this committee to recommend a gradual increase in the state share of local education costs to 50%. A state share of 40% is below the average nationwide in state assumption of costs. We believe it is your responsibility to create a stable and sufficient source of revenue to fund the schools and cut reliance on the property tax to fund the schools. Such a state tax policy will result in more public support of our schools.

### CAPS

Local school districts currently operate under a CAP formula which sets the cap at 3/4 of the rate of the annual growth in state-wide equalized real estate valuation. It is our contention that this formula has proved to be unstable and has led to serious disruptions of the educational programs in our local school districts.

When this CAP formula was first devised, it was reasonable as the growth in real estate values was consistent and high enough to permit reasonable growth and to enable us to adequately implement the programs required under T&E. Since real estate values were growing at a rate of about 12% a year, 3/4 of this growth was utilized in the formula so as not to have an unreasonably high CAP.

However, statewide growth of real estate values have plummeted every year since then to the point where they are now at 7%. The result has been that the average statewide cap on school districts has dropped from 8.8% in 1976-77 to 7.2% in 1977-78 to 5.4% this year.

As you can see, the recent CAP figures are far below the rate of inflation which was 6.8% in New Jersey last year and is moving upward. The CAP is dropping below inflation at a time when the local districts are being required to implement many new programs under T&E and federal law. This has frustrated our efforts to provide a thorough and efficient education. We cannot even maintain the programs we have, nonetheless implement new ones.

The result of overly restrictive CAPS has been increases in class size and teacher/student ratio or reductions in such programs as art, music, foreign languages, extracurricular activities and maintenance of facilities. The quality of programs have suffered and districts have been unable to expand programs that are working well or implement new and useful courses of study.

We do not believe this was the intent the Legislature had when it first implemented caps on school districts. We are only asking for a cap formula that at least lets us maintain our programs in the face of rising inflation. We suggest that the formula be changed to provide for 3/4 of the rate of growth in personal income rather than real estate values as called for in S1212-Feldman. Personal income is a much more stable indicator and is attractive in that growth in personal incomes pre-supposes a better ability to pay for school programs than does growth in real estate values.

S1212 would also set different cap limits for each type of school district. This is necessary because it costs more to educate a high school student in a regional district than it does to educate a student in a K-6 district. The current cap law makes no distinction.

As administrators we urge this committee to seriously consider some changes in the CAP so that educational programs do not continue to suffer.

#### STATE MANDATED PROGRAMS

We urge this committee to recommend legislation which will require that mandated state programs which must be implemented on the local level be accompanied by adequate state funding. The Legislature must realize that if it mandates a program, but requires the local district to raise the funds, something valuable but not mandated, must be reduced or cut. As outlined above because of tight caps, we do not have the luxury of absorbing these costs into the budget. Assemblyman Albanese's bill A1513 addresses this problem as it requires that state funding accompany mandated state programs.

NJASA also believes that any state law that requires an expenditure by a school district should not require such expenditure until the following fiscal year. This enables school districts to financially and programmatically plan for the new program and will result in the goals of the program being better achieved. A953-Newman, Doyle, which has been released from the appropriations Committee calls for this type of approach to implementing new state mandated programs.

#### SURPLUS AND CONTINGENCY ACCOUNTS FOR SCHOOL DISTRICTS

The current cap law penalizes districts for appropriating surplus balances. A district which appropriates a surplus to meet its budget suffers a loss in state aid and receives a lower CAP figure in the following fiscal year. This is because the appropriated balance is not included in the net current expense budget upon which the budget cap and state aid figures are determined. NJASA believes this situation should be corrected.

Also, surpluses are dwindling statewide because, generally as a matter of State Department of Education policy, districts must use all or most of their surplus before the Department of Education will favorably consider a CAP waiver.

The New Jersey Association of School Administrators believes, that a school district should be permitted to set aside a contingency account of, for example, 2% of its budget, to be used for emergency expenses or unanticipated expenditures. This account would not have to be depleted before a district applies for a cap waiver.

Sound business practices call for contingency accounts and the law should permit them.

The New Jersey Association of School Administrators thanks you again for this opportunity to appear before you.





SENIOR TAX CONVENTION-December 4, 1976 - North Jersey Federation of Seniors and New Jersey Council of Seniors.

#### SENIOR TAX CONVENTION

- \* New Jersey's residents pay the highest property taxes in the country
- \* New Jersey's tax structure exacts a much greater toll from low and moderate income people, relative to their earnings, than it does from more affluent persons.
- \* Many seniors have been forced to leave their homes and apartments due to exhorbitant property taxes.

Faced with this drastic situation, the two largest senior organizations in New Jersey called the State's first Senior Tax Convention. 1,300 leaders from over 178 senior groups answered their call. On December 4th, they gathered at Plainfield High School and succeeded in unanimously adopting a 13-point plan for tax reform. Reforms which would benefit both seniors and younger folks.

#### SUMMARY OF RECOMMENDATIONS

(Adopted by 1,300 delegates from 178 clubs in 19 New Jersey counties)

Part I - The following should be considered for immediate actions

Recommendation 1 - That the zero budgetary concept be fully utilized in all levels of government.

Recommendation 2 - That every effort be made by all levels of government to observe the "caps" set forth by the law.

Recommendation 3 - That the "caps" on spending for school boards be tightened and that limits on the discretionary powers of the Commissioner of Education be more adequately prescribed by the law.

Recommendation 4 - That the Homestead Rebate be administered as part of the income tax procedure. This will save the state and the municipality several million dollars a year.

Recommendation 5 - That in order to facilitate preparation of the Income Tax form and make for simplicity, the condition in the law providing that rebate will be less than the full rebate where the home is valued at less than \$15,000 be eliminated. However, the condition that the rebate may not exceed one-half of taxes should remain.

Recommendation 6 - That the tenants rebate be administered as part of the income tax procedure in such a manner that every tenant be entitled to the tenant's rebate, regardless of income, just as every home owner is entitled to the homestead rebate.

Recommendation 7 - That shareholders in cooperatives be treated in the law as home owners and given the homestead rebate, rather than a renters credit as provided by the present law.

Recommendation 8 - That the legislature give serious attention to the problems which will arise under the tenants pass through law and after due consideration give serious thought to rescinding the law.

Recommendation 9 - That \$7,500 of a retiree's pension income be excludable from taxation, and that the state and private pensions be treated on the same basis.

Part II - Following are additional recommendations which legislators should start considering now for implementation into law when the income tax expires on June 30, 1978.

Recommendation 10 - A "tax overload" homestead rebate or credit system for homeowners and renters should be enacted in order to provide consistency and equity of treatment and to compensate for the regressivity of the total state tax system.

Recommendation 11 - That a study be made of whether the state should pay for those municipal costs which in good conscience belong to the state, rather than the present per capita basis.

Recommendation 12 - That the state's share of the cost of education be raised from the present 39 percent to 50 percent which is the national average.

Recommendation 13 - That in order to provide massive reductions in real estate taxes by raising the state's share of the cost of education, by providing more equitable revenue sharing payments and a more equitable direct rebate system for home owners and renters, it is recommended that the state enact a replacement income tax which will provide sufficient additional state revenue to finance these desirable objectives. We would like to work with the legislature in formulating the details of the income tax schedule so that there will be agreement that the various income levels will be treated equitably.

#### WHAT CAN YOU DO?

Without the unity and the support of all the state's overburdened taxpayers, our goal of a more equitable tax structure will be impossible. With your help, however, we can make a difference! If you are interested in becoming involved in this state-wide campaign, please contact the SENIOR TAX CONVENTION at 33 WEST FRONT STREET, TRENTON, NEW JERSEY 08608 (609)-394-0001. Complete convention reports can be obtained by sending \$1 to the Convention office.

- ( ) I am willing to serve on the Tax Campaign Committee
- ( ) I would like to be a contact person in my area for the Campaign
- ( ) I would like to be contacted to have a representative of the Tax Campaign visit my organization
- ( ) I would like to add my financial support of (     ).

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_

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