

PUBLIC HEARING
BEFORE
JOINT COMMITTEE ON STATE TAX POLICY
SUBCOMMITTEE ON LOCAL GOVERNMENT
(PURSUANT TO SCR-64)

HELD:
JULY 25, 1978
BROOKDALE COMMUNITY COLLEGE
LINCROFT, NEW JERSEY

MEMBERS: ASSEMBLYMAN RICHARD VAN WAGNER
ASSEMBLYWOMAN BARBARA W. McCONNELL
ASSEMBLYMAN WALTER J. KAVANAUGH
SENATOR WALTER H. SHEIL

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PETER F. McHUGH

PUBLIC HEARINGS

REPORT

JOINT COMMITTEE ON STATE TAX POLICY

SUBCOMMITTEE ON LOCAL GOVERNMENT

(Pursuant to SCR-64)

HELD:

July 12, 1977

Brookdale Community College

Lincroft, New Jersey

Present: Governor Thomas H. Kean

Assemblymen Barbara M. McNamara

Assemblyman Walter J. Kavanagh

Senator Walter J. Zell

Chair: J. Robert Harrison

William D. Russo

Robert F. Nelson

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A S S E M B L Y M A N R I C H A R D V A N W A G N E R.

Could I have everyone's attention so that we can begin this hearing. I had hoped that we would have a greater amount of participants. We did send letters out to all the communities and the mayors of the towns. Realizing, of course, that some of them may arrive later we will conduct this hearing on a continuing basis.

This particular hearing -- not to confuse it with other public hearings that are being held on the same subject by the Assembly Taxation Committee which will resume again some time in the fall of the year -- is a result of legislation created by the Legislature in establishing a Joint Committee on State Tax Policy. So the hearing today is a Joint Committee hearing. Our overall and general purpose is to review the entire tax structure of the State. In view of the fact that the property tax remains the single biggest revenue source in the State, deriving I guess at this point somewhere in excess of \$4 billion a year, one of our major focuses in these hearings will be on the impact of State legislation on that tax as well as the impact of that tax, in turn, on local governmental units. Perhaps one of the most controversial pieces of that program which has been developed is the so-called "cap" law. Hopefully we will also be hearing from some of the counties -- if they have representatives here -- on the affect of that law. In addition to that, we have invited anyone to make observations in any general area of State tax policy that they feel should be remediated or refined in some manner.

The overall conclusion of this, after the three subcommittees have met and when they have put together the information and data that we have collected in the various parts of the State, will be a report to the full Legislature and the public on the results of what we have developed in these hearings.

In our Subcommittee (#3) we have sent out forms to the various municipalities, to their Finance Officers, Budget Directors and/or Business Administrators asking them to provide us with basic information so that we can get a more specific view on the impact that State fiscal policy has on a particular budget. Sometimes that gives you a better picture.

Before I move into the hearing, I would like to introduce some of the staff people we have come with us from Trenton. On my right is Mr. Gil Deardorff who is the Committee Staff Aide and Chief Fiscal Analyst for the State -- and then he also cleans the committee room when we are finished if the chairman doesn't have to do it first. Over to my far right is Cecilia Moran who is running our recording equipment. We do this in order to save ourselves on the cost of a court reporter, and this is also much easier when we travel from place to place. Over here facing me is Bill Zuzzio who is attempting to remain incognito. Bill is the Senate Committee Aide and also works -- as Gil does -- with the Joint Committee. On his right is Peter McHugh who is also a Fiscal Analyst with the State and works with the Joint Committee and the Office of Fiscal Affairs. All are members of the Office of Fiscal Affairs which is the fiscal arm of the Legislature. I guess that covers

everyone. The members of the Committee come from far flung areas such as Somerset, Mercer and Hudson counties and some of them may arrive during the hearing process. The hearing will remain open until we think that no-one else is going to arrive to testify. Everything that is said at this hearing will be on the record and will be transcribed.

With that I will call our first witness who is the Director of the Board of Freeholders from Monmouth County -- Mr. Harry Larrison.

M R. H A R R Y L A R R I S O N. I am Harry Larrison, Jr., Director of the Board of Chosen Freeholders of the County of Monmouth. I am most appreciative for the opportunity to present this statement to this Subcommittee of the Joint Committee on State Tax Policy.

Whether referenced as "tax reform", "fiscal responsibility", or "taxpayers revolt", there is a legion of proposals now sweeping the country designed to place strict limitations on the taxing and spending capacity of state and local governments. Such limits, in a variety of designs, will be on the November ballot in at least six states and will come before many state legislatures and appear on a host of local government agendas in coming months. The idea of such limitations is not new, but the recent Jarvis-Gann victory in California, and a variety of lesser known actions in other states, have given the movement considerable momentum.

Regardless of one's position on the need for such limitations, it is absolutely clear that they provide a major challenge to all elected officials. When the rhetoric dies and votes are taken, many state and local government officials will be forced to rapidly revamp their financial programs, often with fewer options and resources at their command.

The New Jersey Legislature recognized the need for control over the ever increasing local property taxes by its enactment of the CAPS Law. Working within the 5 percent cap limitation has been made more difficult by a number of factors including, but not limited to, the following:

- Revenues:
1. No provision for any state revenue sharing by the State of New Jersey.
 2. Revenues lost to the counties by State action to no longer provide State Motor Vehicle Aid, and the failure of the State of New Jersey to return to the counties its rightful share of the Collateral Inheritance Tax.

Appropriations:

1. New State sponsored programs and expenditures which even though initially bring in some State aid, and if mandatory may be exempt from the cap, still effect an increase in the county tax. Once the State aid ceases, the effect is even greater.
2. Continuing mandatory expenditures within the 5 percent cap, many of which are not under control of the Board of Chosen Freeholders - the Judiciary and the Health and Welfare sections being the largest.

In particular, Monmouth County did not receive \$272,540 of the amount of State Motor Vehicle

Fund anticipated for the year 1975 and has received none since,

The loss of Collateral Inheritance Tax for the years 1976, 1977 and 1978 is estimated at \$1,035,000, based on the last payment received in 1975 of \$345,000.

As to appropriation, the Judiciary has increased \$265,000 from 1975 to 1978 or an increase of 10 percent.

The Health and Welfare section increase is \$3,386,000, or 21 percent for the same period of time.

Insurance costs have increased \$1,279,000, or 124 percent in three years.

Costs of utilities has also shown a marked increase.

Increased food costs for the County Institutions add to the burden.

Increased costs are also reflected in Pension and Social Security, and with the year 1978, the addition of Unemployment Compensation Insurance.

Conclusions:

In an Advisory Commission on Intergovernmental Relations (ACIR) publication entitled "Tax Lids and Expenditure Mandates: The Case for Fiscal Foul Play", several important findings are worthy of presentation relative to the matters before this Committee.

The ACIR sets forth that "...states are justified in imposing caps on local property taxes only if the state is willing to provide adequate financial compensation to local governments..." Currently the relationship of county and state governments in New Jersey are effected by this lack of "adequate financial compensation". Further, the ACIR discusses the need for states to accept circumstances for which exemptions to caps must be made. Such references to items mandated by legislative, administrative (executive) and judicial branches at both the federal and state levels are beyond the existing allowances of the Chapter 68, P.L. 1977 Caps Law. Examples of some items such as pensions, utilities, judicial systems, and so forth, are reasonable to be included in the areas of expense exempt from the 5 percent cap. The ACIR recognizes the importance of cap limitations on local property taxes as do all counties in New Jersey. This recognition of limitation on local spending must be coupled with recognition of the need for the importance of county government and the financial viability of this partner in the intergovernmental system.

Finally, several important facts must be set forth in conclusion to this statement relative to county finances. Initially it is imperative that where any piece of legislation is introduced in either the New Jersey Assembly or Senate and it will effect county or local government finances, a "fiscal note" should be attached. Currently, the New Jersey Assembly and Senate have approved a joint resolution to require such a fiscal note. This procedure will supply all legislators and local officials with the information required before enactment of actual statutes.

Secondly, the role of county government has and should continue to evolve toward one of provision of area-wide services. The application of the economic principles of economies-of-scale

demand that taxpayers are afforded the opportunities for service-delivery at the most economical cost and at maximum efficiency. Throughout the State, New Jersey counties are being requested by municipalities to provide a variety of services ranging from data processing to technical assistance, to contracting for public works type services such as road maintenance. While this is a trend that should be encouraged, the flexibility of county governments to perform as such are restricted by the financial trends that have occurred since 1975. Therefore, it again becomes important to juxtapose the issue of county finances against the trend for county area-wide service provision. Lastly, it is important to recognize the tremendous efforts being made throughout the State in county government to establish good government practices. The need for county services and the strength of many programs and systems supports loudly the county's cries for recognition. However, the importance of county government can only be maintained and further strengthened by a sound and rational policy of finance and taxation as it effects local and specifically county government in New Jersey. Thank you.

VAN WAGNER. Don't go, I have a couple of questions to ask you. In the area of county expenditures. I am interested in the State/county/local relationship in terms of the kinds of services that are generally demanded by municipalities of the county -- you mentioned data processing, road services and things of that nature. What amount of the total county budget -- what percentage -- would you say overall (and I realize in Monmouth is is probably higher) goes back in the form of local aid programs?

LARRISON. That would be hard to answer.

VAN WAGNER. Let me explain the picture I am trying to develop. We give back, according to our own statistics, approximately 54 percent of our revenue in some form of aid program, and I was wondering if there was some type of statistics that the county may have developed in terms of the percentage of monies that go back to local municipalities from county aid programs.

LARRISON. We don't directly aid municipalities, only on a job basis, particularly in the road department where there may be a problem that affects three municipalities -- strictly drainage -- then the county will usually finance that with some participation from the local governing bodies. The main problem that I see, and I have been a Freeholder for quite a while as you know, is the passing of legislation with no fiscal note attached to it. Two that stick in my mind the last couple of years. The JINS Law that was mandated, as costing the county about half a million dollars, and the second one that is going to take effect in the very near future is the Child Review Act. We are told by our Domestic and Juvenile Judge that he thinks probably we are going to have to have two -- maybe three -- Child Review Boards and we figure each one is going to cost say about \$100,000.

VAN WAGNER. So just in the past year it has been about \$800,000 in mandated costs as a result of legislation that has been passed.

LARRISON. Couple that with the inflation rate and the services that you are providing -- it gets tough.

M R. J. G I L B E R T D E A R D O R F F. Mr. Larrison. You mention the Advisory Commission on Intergovernmental Relations, what would you think of having a similar commission in the State? At present the problems with the fiscal note process are 1) it is slow, 2) it is not always accurate and 3) the input of the county and municipality in the area of fiscal note sometimes leaves a lot to be desired strictly because of a communication problem. What would you think if the Legislature established an Advisory Commission on Intergovernmental Relations to review all legislation affecting counties and municipalities in their relationship with the State for the fiscal impact?

LARRISON. I think it would be a tremendous idea.

DEARDORFF. You would have to have people who would be willing to devote some time. Too often there will be two or three bills affecting very much the same area of county and local governments which will go to two or three different committees. We have had that in the Taxation Committee where we don't realize that in the long-run they are going to cost money yet on the surface they may not look that way.

As an aside, the Constitutional amendment which is on the ballot this year integrating the county courts into the Superior Court system will give the counties some relief in that regard -- but there are a lot of other areas. There's just one more thing, I don't know if you were down at Cherry Hill.

LARRISON. Yes I was.

DEARDORFF. Unfortunately you never have enough time to discuss things at these meetings. One of the things which we in New Jersey have never done that is common in many states, particularly the larger and more populous states, is given counties and municipalities (particularly counties) options for revenue raising other than the property tax. As you know in New York, California, Illinois and in many places, the counties have the option of placing half of one percent, or one percent, as a piggy-back on the State sales tax.

LARRISON. Similar to Atlantic City's luxury tax years ago?

DEARDORFF. Well, they still have it.

LARRISON. Yes.

DEARDORFF. For instance, in Long Island they've gone even beyond the one percent. In California, in Illinois they allow a county to impose one percent or a municipality to impose one percent but if both do, the maximum is one percent and each one only gets half. The state continues to collect but the revenues from half of one percent or one percent, go back to the local government. In other areas many states allow counties, particularly populous counties, to impose other forms of tax -- income taxes, motor vehicle taxes, cigarette taxes, all types of taxes --

that the state itself does and they go as a piggy-back on the state tax. Do you think a similar option should be given to the counties to do that in New Jersey?

LARRISON. I agree with most of the taxpayers today. I think any form of new taxation -- well I don't have a nice word to say about it -- just the fact that we should not do it any more. I think that we have got to change some of the existing laws and expenditures we have today and also take a very close look at new pieces of legislation that are imposed on the counties and the municipalities, and even the State itself, that is going to cost money to operate. I think that people are fed up and I think they have a right to be fed up. We did it very well this year on the county level, we stayed about \$15,000 under our 5 percent cap, but I see no way that we are ever going to be able to stay under it next year.

DEARDORFF. Have you in Monmouth county ever considered self-insurance or cooperative insurance?

LARRISON. Yes, but at this time we have decided not to go that route.

DEARDORFF. That is all. Thank you, Mr. Larrison.

VAN WAGNER. I might add, there have been proposals made in terms of controlling the cost of the property tax base -- besides the educational costs which of course everyone is familiar with at the local level. From the county point of view the two largest expenditures in terms of what has to be raised by way of the property tax, are the cost of the Judiciary -- which is pretty much general in most counties throughout the State -- and Health and Welfare costs which vary from county to county. The northern counties, the more populous counties, carry a higher level of those kinds of costs than some of the smaller more rural counties, with many of the suburban counties (such as Monmouth and Middlesex) beginning to find an increase in those costs. So in addressing those two particular areas I think those two components are particularly important to the county fiscal picture. Before the Legislature are some proposals to restructure the payments for the welfare costs throughout the State, and also there are proposals to absorb more of the Judicial costs at the State level. So for anyone who is here, the general public and anyone else, they should all be aware of those things.

Our next speaker, Mr. Matt Gill, is someone who has been vitally involved with the administration of the property tax and the question of increased taxation, for as long as I have known him. Mr. Gill.

M R. M A T T G I L L. Mr. Chairman. You asked me to come here but I really don't know what I could add to this hearing. I am kind of agreeing somewhat with Harry Larrison -- of course Harry Larrison's really got something to say in this county, he is head of 600,000 people and has control of a \$60 million budget or something like that. I don't have any of those authorities so all I can do is make some kind of suggestions whereas he can actually do something about following it through in regard to holding it down and not calling on the Big Brother. I am a little upset about that. Right away you know county wants to call on the State and the municipality wants to

call on the county, and naturally, the State wants to call on the Federal government.

I just have a little suggestion here. For instance, I heard the Governor saying he was going to have \$12 million next June 1 from the Atlantic City operation -- of course that is assuming we only keep with Resorts International. I would assume by the next four to six months we should have some more operators going on in Atlantic City. They were wondering how to get rid of this \$12 million. Well we voted on something to do with this money and I guess you have to follow the wording on the ballot under paragraph 3. My thought might sound a little silly to you, but I am sick and tired of government setting up bureaus, committees, commissions, to study things when the fact of the matter is all this is money. Money that is being paid in by the gamblers in Atlantic City to our government, and my thoughts were instead of it ever getting to Trenton at all (because we voted to give it all to the senior citizens themselves) we should simply put it into an area bank, a State bank -- one bank or a number of banks -- so all the funds that belong to the State should go directly from Atlantic City to these banks and this would act (come next December 15 or whenever it might be) as a little christmas club for the senior citizens. We talk about helping out the senior citizen. If we do it the other way we are simply setting up another bureau which might take half a million or a million dollars to run -- I'm just picking these figures out of the air I have no basis for them. I am sure there would be banks that would be so hungry just to get their hands on this money. To make it fair what you could do is cut the pie up between say National State or whoever is the biggest banker, and maybe Fidelity Union, who have computer systems. For all my employees I have a christmas bonus. I start making payments and continue with them all year long, and then in November when it is paid off they get the money plus the interest. And that's what I'm saying, why can't the same be done for the senior citizens? When I suggest this sometimes people say "that sounds like it makes too much sense". I just can't believe that I thought of such a good idea -- I really can't. We're talking about \$12 million now but in the future I am sure this is going to get much bigger. We are going to have more places down there running the wheels and so forth, gambling in Atlantic City, so there's going to be an awful lot of money -- probably we're talking about big numbers.

VAN WAGNER. Could I follow through with another question on that?

GILL. Yes.

VAN WAGNER. A question has arisen over that revenue and it relates to the amount of money that goes to Atlantic City from that revenue -- I don't know what the percentage is. I am thinking now in terms of what you mentioned concerning the expansion into three or four more rooms or casinos. Some have raised the question, as you have, about the \$12 million that is going to be developed based on 8 percent of \$150 million which is what they project (if that's the amount), and the fact that additional revenues will be developed that will also be siphoned into Atlantic City. Whether or not it is equitable to take all of that gambling revenue, or more of that gambling revenue than

is presently being taken, and continue to put that into Atlantic City, or to establish a fund from which senior citizens' utility rates or whatever they're going to utilize the money for, would be developed.

GILL. You see what you're getting into though. If you get into utilities and you get into taxes -- let's say real estate taxes. Say I'm a senior citizen I don't own property, I'm not benefitting and it could be the same way with the utilities, I may have gas and the other guy has electric or something else, but what I'm saying is if you have \$50 million and you have a million senior citizens they each get \$50 -- it's as simple as that, plus 5 percent interest from any lending institution in the State of New Jersey. That is what I get on christmas clubs and I'm sure they're not doing anything for me that they don't do for you or somebody else.

VAN WAGNER. A per capita distribution.

GILL. By the way, I am for income tax and always have been. It is the best tax we ever had but the only thing is what I really was for was to abolish the sales tax, put it all under income tax and you pay as you can afford and then you only have one bureau in Trenton. Now you have two. You have the income tax bureau and you have the sales tax bureau. And with Atlantic City, they're going to want their own so we're going to have another bureau. What I am saying is stop the third bureau and simply do it this way.

The State collects about \$4 billion in taxes. Is that the amount? You have to balance the budget so it's approximately \$4 billion.

VAN WAGNER. That includes the revenue sharing too.

GILL. Well, the money that's paid to the State by the counties, by the municipalities, by the race-track, by Atlantic City, by all of them -- why couldn't that also be paid into an area bank. The reason I have gotten this idea is I used to be in the travel business and I used to send about 25/35 checks out every fifteen days to airlines all over the world. Now let me just tell you what happened. Many of the airlines would move and would not communicate with us and give us their proper forwarding address, sometimes the checks would be floating around for two, three, four or five weeks. Now they have what is called an area bank, we pay one check to the Mellon Bank in Pennsylvania (they get all the checks). The travel business in this country is bringing in \$2 or \$3 billion a year. They don't pay one cent to the airlines -- not a penny -- the airlines never get a penny from them. They get it from the area bank by computers and it is one of the finest systems I've ever seen. For instance. A man charged an airline ticket through me from United Airlines; he took that same ticket to Newark Airport and he cashed it in for \$300 which I never knew anything about until the next area sales report came in and they had a recal commission on there of \$30 against me. That was done by the computer system in that area bank, and I thought that was fantastic.

VAN WAGNER. You mean they picked it up within the thirty days?

GILL. Absolutely. Absolutely. And I was able to attempt to get the collection made before the guy went to Timbuktoo. That was just one little illustration. I know there are many others because it is a very efficient system. Every seven days you pay the Mellon Bank and the Mellon Bank pays Pan American, American Airlines, United Airlines, TWA -- all of those airlines. They never collect a dime from us, not a dime.

Why do you have to have a clearing house in Trenton? Why not put it right into the bank and at that moment you're going to start getting interest because you are going to have such a revolving fund of money there, to me it has just got to pay. When you're talking about \$4 billion a year you're talking about a possible \$5/10 million in interest. Of course, the airlines take in more money than New Jersey by far -- Pan American just to mention one, probably takes in half as much as New Jersey.

VAN WAGNER. Is there any constitutional restriction to that?

DEARDORFF. It would be the State's money. Instead of going to Trenton it would go to a bank.

GILL. I am just referring to an area bank, I don't know which bank, I have no idea. I just thought something like that -- a kind of computerized system -- might have to be done by one of our larger banks.

VAN WAGNER. Your feeling then is, one of the many problems is the fact that what happens is you sort of have this administrative rake-off.

GILL. That's right. There's nothing wrong with it but it was a system that was used by my grandfather and my father. Now it's 1978 and computers have sort of taken over. Not that I agree all the time with computers, I have great arguments with computers, but the only thing is we may have a chance here (there may be an opportunity here) where the State can certainly cut down on their expenditures and an opportunity to make a great deal of additional interest on their money.

VAN WAGNER. There was a proposal made somewhere along the line, back in 1975 I believe, that had to do with pencils. Everybody laughed. Do you recall that Gil? Pencils. It wound up -- and this is not an exaggeration -- that the proposal saved \$237,000 a year for the State of New Jersey. Everybody laughed. They thought so what's the big deal about pencils.

GILL. I didn't come here to politic, but the Governor sent me a check last week for \$183 and some cents. You know I think I read in the paper somewhere (I'm like Will Rogers, I only know what I read in the paper) it cost the State something like \$250,000 to send out those checks. Yes I know he cut it down from two checks to one. But more important than that is why couldn't a law be enacted that would let the local tax collector say "now Gil, you get \$180 off or whatever it is"? Why this business of sending me checks from Trenton? By the way, I've been dealing with the State for a lot of years and I never got a check from the Governor until now...never in my life.

DEARDORFF. Mr. Gill. The reason that was done...

VAN WAGNER. There was a good reason for that.

DEARDORFF. If you did that you would save \$200,000 and lose \$12 million.

VAN WAGNER. It is based on the way they have drawn the Federal Revenue Sharing Statutes.

DEARDORFF. Federal revenue sharing is based to a great extent on what they call "tax effort". That means that if "X" community has so many people and raises so much in the way of taxes, it receives more revenue from Federal revenue sharing than if that same community raised less taxes. By sending you that check the taxes are raised in your community but you pay \$1,000 and the State sends you \$200 rather than you paying the municipality \$800 and thus your municipality ends up with more money.

GILL. You see I'm not ready to debate that. You are probably right.

DEARDORFF. We looked into that at the time because Mr. Van Wagner and I have lived through this whole thing from the very beginning. On the surface many things appear to be more economical.

VAN WAGNER. We re-drafted the property tax billing form -- we call it a property tax information bill -- to include the credits. For example, \$183 off here, or \$50 off here for the pick-up of the senior citizen deduction, subtracted from your overall bill of \$1,140 gives you a balance owed of \$907 to the municipality. We in fact passed that in the Assembly and when it got over to the Senate and we began to review the different parts of it, we discovered these "Catch 22" situations that would crop up with the Federal revenue sharing. We even questioned the Internal Revenue Service and some others on why if there's an increase in local tax support should there be a decrease in revenue sharing, or I should say vice-versa, if there is an increase in local tax support why would there be a concurrent increase in revenue sharing? The answer we got was that in order to entice people to do more in terms of local and State tax support the formula was drawn that way so that the municipality knows that in order to get "X" number of dollars in Federal revenue sharing they would have to raise "Y" number of dollars in local tax support. So if we reduced it by way of a credit we'd lose money. We were also thinking about crediting it against the income tax. In other words, if a person owed \$240 to the State and they were to get back \$190 on a rebate, subtract one from the other and send us \$50 and you'd be cleared instead of transferring these checks back and forth. Again, we discovered that we would be reducing the State tax support and lose something like \$35 million as a result of that.

GILL. One of the things about that revenue sharing I was never really able to determine is, for example, Middletown Township, the largest community in Monmouth county, we have thousands of people who don't have a Middletown address -- they have a Keansburg address, they have Atlantic Highlands and they have Red Bank.

VAN WAGNER. And these towns are being credited with our people.

GILL. Yes, and I'm talking about a lot of people because everything from the Navy overpass on Route 35 south to Red Bank is Red Bank -- and that's a helluva terrible situation.

VAN WAGNER. I would go one step farther, and I think you make a very very important point

in terms of Monmouth county (I wish Freeholder Larrison were here to listen to this).

GILL. I'll tell him.

VAN WAGNER. I would say throughout all of Monmouth county this situation is existing in that there is a serious imbalance with the amount of revenue sharing that communities receive. There is an imbalance with the amount of Title I monies that communities receive. An example of this occurred down in Manchester Township just recently in that the county down there has called for a recensus because of the point that you raise, and I'm telling you it is an important issue in this county due to that shift that you and I know has taken place. In Matawan you have the same thing. There are hundreds of people for example who have Keyport mailing addresses and Old Bridge mailing addresses or what was once Madison Township.

GILL. I'll close with this. I think more should be done by the State of New Jersey in regard to this insurance problem that each community has. It has gotten to the point where it's completely out of hand. It is really BAD NEWS. You know these premiums that are coming in now are just unbelievable. There must be some way that the great State of New Jersey could become a self-insurer with a catastrophe line with Lloyds of London just like Pennsylvania Railroad and all the great big companies do. Kramer did it in Paterson and he did it successfully. He made \$90,000 on compensation alone, so it can be done.

DEARDORFF. Counties are examining it. I know the Insurance Commissioner is supposed to be studying this but I don't know what's going to come out of it so far as the State is concerned.

VAN WAGNER. The State has proposed setting up reinsurance and insurance pooling arrangements which were violently opposed, of course, by the insurance industry.

GILL. I hate to see government get into this but these people are driving us up the wall with that sort of thing. At least threaten them if you don't do anything else.

DEARDORFF. Some of the problem is that municipalities -- particularly those who don't really have the professional help on their staff -- just go along with the type of insurance they have always had instead of looking into those areas where they might alter the insurance premium.

GILL. No question. There are a lot of new ways of writing insurance and some of them aren't up with them.

VAN WAGNER. You talked and wrote extensively about assessments -- the process and procedure for standardizing assessments.

GILL. The assessment process is one gigantic problem; it is easy to talk about it but it is a real gigantic problem. About every five years we go into an assessment program (for the general run of communities around here) but with inflation the way it's been that just isn't enough. I believe the last reassessment in Middletown was in 1972, it's now 1978, that's six years, so you know our assessments are completely out of whack. It's easy for somebody to say it's 65 percent, but I think we're down more around 50 percent because of the inflation. It is no fault of the

assessors. I don't think the assessor can properly re-assess his community especially if it is a 17/18,000 line item town like Middletown -- that's a lot of work. So therefore, what I'm saying is maybe there should be some sort of legislative act that would compel the communities to keep abreast and the job would be a helluva lot less by doing that. In other words the County Tax Board is the one that has the authority by the way, they tell you "o'k you are going to assess you are too low" or something like that. They don't like to do it because it costs money but I think in the long-run it pays for itself in satisfaction of the community if nothing else.

DEARDORFF. A lot of re-assessments have caused a lot of dissatisfaction.

GILL. No question about it but I mean there are times in your life you have to face up to something and I think that's one of the things. I should be paying the same as you and you should be paying the same as us, but in the case of our town (I'm speaking of Middletown now) that is not so and it isn't so in any other town around here either. That's not a broad statement -- that's an honest to goodness statement. I happen to be in the real estate business too so I really know about it.

DEARDORFF. That is very true in growing communities.

GILL. In Middletown, Holmdel and places like that it is next to a catastrophe. Of course Holmdel has just had a re-assessment so they're not so bad but give them a couple of years with the present inflation.

VAN WAGNER. Do you see any method of controlling that increase in valuation looking at it from your vantage point in the field?

GILL. In the last three or four weeks the picture has been a little better. You see it was a complete seller's market, the worst thing that can happen in the real estate business -- a seller's market -- they ask anything and they seem to get it. In the last thirty days or so it's come back down. Now we're getting offers and they're coming in for less figures. It is levelling out a little but it's going up so fast it's terrible. Unbelievably bad.

VAN WAGNER. This is what happened in California. I read an article last night on a specific instance where an individual who bought his home in California (which was on a postage stamp lot) for \$64,600 in 1968. When Mr. Jarvis arrived at his door-step this man's property was now assessed at \$130,000 -- in an eight-year period.

GILL. And the rate didn't change, that's what is dangerous about it.

VAN WAGNER. He was paying \$8,000 a year in property taxes.

GILL. Well, if you assess for 100 percent of assessed valuation in Middletown, many of the West Middletown Township residences, that's what they would be paying now for their homes, \$7,000 to \$8,000. If you use 100 percent and stay at our rate -- and technically that's what you're supposed to do you know. That's what's so sad about it.

DEARDORFF. Your rate should come down.

GILL. Yes your rate would come down if you went in with your reassessment program, but if I buy a house for \$200,000 in Middletown -- and there are many of them being sold for that -- you as the assessor (and I don't care what the assessor says the law is very specific, in the case of Switz v. Johnson, and Middletown Twp. v. everybody else that's what it was) must follow the law. Definitely. Willing buyer, willing seller. Arm's length transaction. If the sale was \$200,000 you're supposed to be assessed for \$200,000.

VAN WAGNER. That's the law.

GILL. That's the law until such time as you change it.

VAN WAGNER. But when you introduce the equalized ratio formula into the assessment program then that drops everything down.

GILL. Yes. The rate goes down 50 to 75 percent. The rate in Holmdel now is \$2.00. It was something over \$4.00.

VAN WAGNER. I think that's the thing that troubles us the most in dealing with the administration of the property tax in this State and in attempting to look at it in terms of bringing it under some kind of control so that a person isn't going to wind up like that poor guy out in California.

GILL. You're not going to bring it under control because that is the inflation of real estate. I don't know what you can do about that. I think you could stand on your head and whistle Dixie and it wouldn't make any difference. I don't know if there is some way you can control it because these houses are just going up, and up, and up. The average house in Monmouth County Multiple Listing System is selling for about \$56,000. A year ago they were selling for about \$43,000 so you're talking about \$13,000 in a year. And by the way, the predictions are that by 1985 (I think it is) the average house is going to be \$100,000. That's scary.

DEARDORFF. The result is exactly what's happening on Long Island and that is that property values are becoming depressed because of the high taxes which have been engendered a great deal by inflation and you're seeing a reversal of the trend, and actually people are getting stuck -- not only do they have high taxes but they can't sell their houses.

GILL. That's right. It's a very bad situation. I have two or three people who want to move into this area but they can't sell their houses on Long Island. Ninety houses for sale in three city blocks.

VAN WAGNER. In a sense -- if I can take from what you are saying -- a long-range implication is that regardless of what we may do to decrease that rate as long as those valuations are going to keep moving upwards you're right back in the same spot again.

GILL. Right back yes. That's why I say, Middletown hasn't done it in six years and they're not really talking about it. They don't even want to hear about it and I can see why. They really don't. The only thing they can do is a political sub-division, and you only make enemies that way.

It was pointed out right in the beginning, the enemies you make and you do, but the only thing is the job is so cumbersome.

DEARDORFF. Of course there are proposals and there are methods for doing it on an annual or biennial basis. It would require a complete reassessment of our assessment methods through the use of data processing. I have been dealing with some people in the Canadian government in the Province of Ontario where the Province took over the whole assessment process from the local governments, and they did it on a two-year basis.

GILL. I would think though, that with this new data processing you are talking about they're going to be able to do this a lot easier and maybe the assessor would be capable of doing it if he had the proper machinery to do it with. He would be the logical one to do it. Right now we bring in people from out of the county -- sometimes out of the State -- who don't know our valuations and they come in with bad assessment programs. I have already taken up too much of your time.

VAN WAGNER. No, not at all. I appreciate having you here.

GILL. As I said, I don't control 600,000 people, Harry Larrison does.

VAN WAGNER. Nobody can do that. The last guy who did that was Napoleon and he didn't make it. I would like to ask Mr. Leo Avakian who is representing the New Jersey Society of Professional Engineers to come forward. Mr. Avakian.

M R. L E O N S. A V A K I A N. Thank you Mr. Chairman. I do represent the New Jersey Society of Professional Engineers and in my profession I am a municipal engineer for several Monmouth County municipalities and I do have the experience from which to make the following comments. I would like to read this to you and have supplied the Committee with ten copies.

A 1974 action taken by the State Administrative Branch withdrew customary annual funding for municipal roadway maintenance. This funding had become the impetus behind each municipality's annual budgetary planning for road maintenance, and although it was oftentimes a small portion of the total need, it did stimulate needed municipal projects. The truth of this statement has become more obvious with each passing year, for the absence of the stimulus to fund for needed road maintenance caused most municipalities to eliminate this item from their budgets. As a result, the municipal roadway system throughout the State has deteriorated to its present critical condition, as thoroughly detailed in the report prepared by the joint County Engineers/Municipal Engineers Task Force with the support of the New Jersey Alliance for Action.

As engineer for several Monmouth County municipalities, I can attest to first-hand knowledge both to the aforementioned facts and to the content of that report. Each year since State aid was cut off, municipal road conditions have worsened, much of the problem brought about by the extreme conditions of the 1976-1977 winter. These municipalities are currently faced with the awesome task of financing impossible costs for even the simplest of roadway maintenance procedures. An example of the scope of this need is one of my urban municipalities of under one square mile in size where

a recently computed 4-year maintenance program totals a staggering \$2.4 million. And this is a municipality whose tax rate is extremely high. There is no way for this municipality to finance any but a small portion of this work; the need for State funding is critical.

The New Jersey Society of Professional Engineers requests the Joint Committee on State Tax Policy to consider the seriousness of the need and to reinstate State aid to municipalities and counties, as recommended in the Task Force report.

VAN WAGNER. Mr. Avakian. Has your organization done any kind of review or survey -- and I realize that this is something you might not be involved in to any large degree -- relative to what portion of the overall local municipal costs road aid represents. And let me tell you why I'm asking the question then it might be easier for you to answer it. It's my feeling that road aid as we describe it, municipal road aid, has to be generally considered a property tax item. Is that right?

AVAKIAN. That's what it has been considered but we're paying motor fuel taxes....

VAN WAGNER. Let's leave that out for a minute.

AVAKIAN. O'kay, but that's into the question.

VAN WAGNER. Up until 1974, I believe, there was an ongoing State/County/Municipal road aid program. In 1974 because of so-called budget constraints and restrictions and lack of Federal aid that program was eliminated.

AVAKIAN. That's correct.

VAN WAGNER. That then became definitively, a local property tax item for those communities who wished to carry on a road maintenance program. Since that time, 1974, and because of your experience in working with communities throughout this county, have you been able to determine proportionately -- you gave an example of this one small community -- on an overall basis about what proportion of the local municipal budget is taken up with road maintenance programs?

AVAKIAN. I can't answer that. We've done no study on that and most of the work that has been done in this area has been done by the New Jersey Society of Municipal Engineers and the County Engineers -- we're all the same, Municipal Engineers are Professional Engineers and so forth. I can't answer that question. No.

VAN WAGNER. There was a partial restoration of road aid money, but there's never enough.

AVAKIAN. I met with the Commissioner last Wednesday on this very subject, a group of engineers from around the State were invited to his office, (the new Commissioner Gambaccini) to speak to him about what the current problems are as they relate to the municipalities/counties/State highway department. By far the predominant call was for reinstatement of some kind of program to help municipal road maintenance -- not new roads, we don't need any more roads, we can't even hold the roads we've got -- and Federal funding comes down for new roadways for roadways under the FAUS system and for certain roads from this place to the other place and that's all well and good, but we can't hold the roads we've got and another one or two winters like the last two and we're going

to have total disaster in the State. That's what our concern is and really the point I was trying to make in this statemet was that although that State aid was really a small portion of the overall monies that were spent it was the stimulus to spend the money, and it's an amazing thing how this little stimulus brought about road projects. Now what happens is municipal governing bodies looking for ways to cut here and there will say "well, the roads will last another year". There's one little voice in the wilderness, that of the engineer, trying to tell them "be careful of what you're doing because they're not going to last one more year". And so, some of them breakdown so they send their road crews out and throw a little bit of blacktop on top, well it's going to catch up, it's going to catch up very quickly. It's four years now. The point I was making in this one example is typical of almost every municipality -- they've just stopped paving, stopped repaving.

VAN WAGNER. In your general experience would you or can you pretty much measure the end of the road aid program, small as it was in this State, with the cessation of regular local maintenance programs?

AVAKIAN. Yes. All the engineers from throughout the State are making the same kind of comment.

VAN WAGNER. I know. You're about the eighth person that's made that observation -- from different parts of the State -- and yet the original road aid program wasn't that great.

AVAKIAN. No, it wasn't that big, but that's why I say that small stimulus helped. For instance, under one of the formula programs that was available there were monies allocated to each county and the county distributed the monies -- through DOT this was. There was the Herrick Act and there was the Formula Fund. These were 90/10 formulas, 90 percent State minimum, 10 percent municipality. In most of my experience the municipality put in far more than the State because the monies just weren't enough to do anything. Now with the increase in inflation and the costs that we're experiencing today in maintaining our roads -- I'm talking MAINTAINING, not talking about building new roads. We don't have a Chinaman's chance to build a new road, we can't maintain our present ones and that's what we're afraid of. What we're experiencing was that the municipalities were putting in, generally, as much or more than the State was putting in.

VAN WAGNER. So they were matching.

AVAKIAN. Yes. A comment was made at the Commissioner's office the other day by an engineer from a Bergen County municipality that instead of it being 90/10, in his municipality his experience was that it was 10/90, and he was making a point there which I too have experienced but not to that degree.

VAN WAGNER. You know, even though previously the 10 percent that was provided by the State was a small amount...

AVAKIAN. It was supposed to be 90 percent of the total project hoping originally, that the municipalities would at least kick in the 10 percent, and many municipalities did, but now-a-days those few bucks (like in 74) just couldn't pave a few blocks in most municipalities.

VAN WAGNER. Let me point out the opposite side of the coin to that, particularly where various revenue sharing programs have been designed -- 90/10 matching programs, 80/20, 60/40, 50/50, and 75/25 and all the different ratios that have been developed. There was a community that had a project they were attempting to get funding for and they had attested to the fact -- we'll say it's a fictitious community -- that it was going to cost approximately \$1.2 million to get that job done and that they were prepared to put up approximately 40 percent of that money. When they made inquiries into the various State and Federal governmental agencies they discovered that they were only going to be able to get enough funding so that on a matching basis the most money they would have would be half a million dollars, and within two weeks after they found that out they wrote back and indicated that they were certain they could do the project for half a million dollars. It's the growing feeling among many people in the Legislature on these kinds of capital funded projects that if the State says we have this much money, that's how much will be spent, if that's how much will be appropriated that's how much the projects will cost. Could you comment on that? Is there a way we could control it? I have seen \$7 million projects reduce themselves in size so rapidly depending on the money that was available. Now I realize in many cases the projects have probably been cut back and a lot of the things they'd designed to do had been eliminated but this often happens, and part of what we're talking about here is controlling the expenditure of money as that's on the mind of everybody in the public sector, it's on the mind of everybody in government. Anybody who comes up to me and says that Proposition 13 is this, that and the other thing, my answer to that is "that Proposition 13 is one of the most important public statements that anybody has made in probably the last 25 years, about anything", and I agree with everybody who has analyzed it. California is a very unique situation, they were educating half the United States, children out there in colleges for free, everybody was moving out there, and pretty soon you have to pay the piper. But I still say, throughout the United States, everybody is saying "let's cool it fellows" and I'm in agreement with what you're saying -- I think road aid projects are important to communities, particularly on a long-range basis because last year alone the cost in insurance to motorists as a result of the conditions of the roads throughout our nation was in the billions of dollars in insurance claims. So you know there's a good cost basis for doing this, but there also has to be a basis for making a determination -- and I'm asking you as an engineer -- on a project in terms of how much does it cost period. Whether it's a 60/40 match, 50/50 match, 75/25 match.

AVAKIAN. I can answer very simply. First of all we're not talking about large numbers of dollars in any one municipality. When I'm talking about seed money for these kinds of jobs, some municipalities would get \$5,000 a year, some would get \$8,000, \$10,000, maybe \$12,000 every year or two or three. That's the kind of money we're talking about, but that money was the impetus which led to budgeting other monies by the municipality and when we're talking road maintenance

we're not talking bondable items. This has got to go in the budget; we just can't bond it. You can't bond a road that's only going to last five or six years.

VAN WAGNER. No you can't.

AVAKIAN. When you remove it from the budget there is no place for this money to come from and the roads just keep going down and down. The control that the DOT had over these funds was quite good and it was thorough, it was handled by the district offices which are spread throughout the State. The district engineer had complete control over all the monies that he gave out. The request may have initiated from the municipality but the doling out of the funds came through the district engineer's office and I have to say that it was quite fair in the long-run. So that there was total control they would come and examine the roadway, they would examine all the numbers, and they would bargain back and forth with the engineer on any of the numbers that they disagreed with or didn't understand, and then they'd arrive at the figure. They were the ones who would say "o'okay, this year Middletown Township, we're going to give them X number of dollars and that's how it came about. Out of their total allocation. Lots of control. We were always arguing back and forth about that sort of thing -- that is the control. The important thing is that this is money that's got to come out of the budget and IT IS NOT THERE. And the cap has a lot to do with it. All these things relate.

My only purpose in being here today, really, is that we are trying to make this message known to everybody throughout the State. It's like beach erosion. I've been on that kick quite a bit because one of these days we're going to wake up and find the Atlantic Ocean is in Freehold and somebody is going to say "well why didn't somebody tell us about this?"

VAN WAGNER. Well I've got to tell you something about that. I have spent a long part of my life down here and I used to go out on Hook (it was Fort Hancock then) and that light was about 100 feet off the Hook -- it's about 3 miles now. If you want to find all the millions of dollars worth of sand that's been poured into Sea Bright and Sandy Hook, and all along there, if you want to find it I'll tell you where it is -- and any fisherman will tell you where it is -- it is in Wildwood: it's in Cape May. Because those hotel owners are now saying "you know, when we built this hotel we were only 500 feet from the ocean now when we look out our window we're more like a 1,000 feet from the ocean". And that beach has gotten bigger and bigger because the current is taking the sand down. And this is what I mean by erosion projects -- and I'm not blaming engineers when I say it, believe me -- but again here is the old common-sense thing, practicality. Any fisherman you talk to would tell you that the currents up around here are going to take that sand away, and have been taking it away for the last 150 years. I can give you an example -- I know not too many people visit Raritan Bay as a recreational activity, but at one time Raritan Bay (the beaches there) washed away. I lived in a town called East Keansburg - and that beach disappeared completely. Now when you go down there there's a huge beach filled in by the Corps of Engineers

or whoever did the work, and the beaches were built up and they remain in that area. The reason why they remain is concurrent with the beach erosion project, they refortified the bulkheads. If you move further down the Bay Front, you find the situation that had occurred further up is occurring now down towards Comptons Creek and Port Monmouth. Why? Because the bulkheading has deteriorated there. Sure there's been enough money to go out and buy sand and pour more sand on the beaches and make everybody happy, but you know all too surely that when they walk off the beach and that winter sets in -- goodbye sand and goodbye \$400,000, \$500,000 or \$1 million. I'm saying that one of the problems in the whole erosion process, and the problem with all the capital construction programs that we've had in the State, in my own humble opinion is that there never has been a plan. In fact if there's a problem throughout government at every level is that there's no plan, whether it's because the way the money flows in or whatever it is. Consequently I think a lot of money is wasted from one year to the next and that's why I asked you that question. You guys are the experts. Can we develop a formula that would be practical and would implement the kinds of programs, whether it be road aid, erosion projects, or whatever else, that is going to be adequate enough to provide the motivation for local budgeting if the need and the resources are there?

AVAKIAN. The only reason why I brought up beach erosion was because there's an urgency, and to me there's an equal emergency in the road maintenance program. We're with it every day, we engineers look at these roads every day and when we see this number of cracks we know what's going to happen on a particular roadway in so many square feet. We know what's going to happen to that road next year but the average person doesn't see these things, including the municipal governing body, and they have to rely on us. When we come in and tell them it's going to cost \$2.4 million they throw up their hands. We can't do anything about that. Same thing is happening with beach erosion, and by the way there has been a plan for 25 to 30 years prepared by the Corps of Engineers; it's just unimplementable. There are plans but it's just that nobody puts them into action. That's another story for another time perhaps. On this road program though, there's been a very fine formula that was in effect up until 1974 and it was based on the length of miles of roadways in each municipality and it seemed to be a reasonable formula. Because it was a prorata type formula. There were other items in the formula-- I'm not that familiar with them but you could find them out very simply by contacting DOT -- but the base item was the length of miles and annually DOT would check with each municipal engineer and get the latest mileage because new roads were being built in various towns. Same way as we're talking about revaluation -- changes in municipalities -- mileage changes so the formula allocation would change. But it was workable, and I don't really know of anybody that complained about it.

VAN WAGNER. Well, there was a dispute over that, and I have to say that there was and I think Gil would bear me out. The dispute revolves around this. Ocean County -- and I'm using them as a

hypothetical case - I believe has more road miles than any other county in the State (if I'm wrong I'll stand corrected). However, if you were to talk to someone from Hudson, Essex or Bergen counties with much fewer road miles, and ergo receiving much less road aid, they would tell you that the intensity of the problems we experience on Communipaw Avenue alone would match the intensity of any problem you could find throughout any of the more rural or suburban counties.

AVAKIAN. I would expect to hear that.

VAN WAGNER. That's one of the dichotomies in arguments that we faced when we did make an attempt this year to restore partially, the road aid program. Mileage can no longer be a compelling factor in how much money we allocate.

AVAKIAN. I don't know what those words mean that you used there.

VAN WAGNER. I don't know either, they weren't my words.

AVAKIAN. The effectiveness of the use of monies need to be controlled by the agency that's handling them -- in this case DOT -- and these fellows are all pretty knowledgeable, they get all around the State and they work as a group under the Highway Commissioner, and so I would think that their experience throughout the State ought to let them have a better understanding of regional problems let's say than somebody else. If the formula needs to be changed I would guess it needs to be changed because there are more votes somewhere rather than because.....

VAN WAGNER. That's what I'm afraid of.

AVAKIAN. I speak strictly as an engineer. These things ought to be determined by engineering means.

VAN WAGNER. Do densities have a relationship to ...

AVAKIAN. No question. A roadway wears out with the number of wheel loads that travel over it.

DEARDORFF. The way most formulas -- in fact I have had formulas proposed -- where you would give say a 50 percent weight to population and a 50 percent weight to road mileage, this takes care of length one place and density the other, but there's always the argument as to well let's put a little more weight here a little more weight there.

AVAKIAN. I think if DOT was allowed to work this out they'd come up with a proper formula.

VAN WAGNER. You're the first guy that ever said that.

AVAKIAN. Give them their due. If politics can be left out of it -- if it can be...

DEARDORFF. You see it can't be, even in the best sense, for this reason. If you're going to spend \$1 million (which of course is a drop in the bucket in road maintenance), you have to consider the people throughout the State, and of course in those counties (and Monmouth is one of them) where you have both a large population and a lot of road mileage, the people feel that we're paying the money therefore we should get our share. Now, deciding what is a fair share is the point.

AVAKIAN. I think that it could be worked out practically. The point I was getting at was that road mileage and road life can be equated -- anticipated life-time -- can be reasonably

determined and a formula can be provided for what you are looking for. If you put the life-time expectancy of the roadway into that formula, and it could be worked out. If you hired a consulting firm and told them to go off and do this by themselves and left everything out of it, they would come up with the answer. Regardless of that, may I say this, if you would only get some program back to get that seed money in there -- it's going to be peanuts whatever it is but it's going to get action on the municipal basis -- and that's the point I'm trying to make.

VAN WAGNER. That's a good point. I appreciate that. Thank you for your thoughts and your time. We really appreciate it. Is there anyone else who would like to testify. We don't have any other names on the list. Could you give us your name sir?

J A M E S T. B U R K E. I am James T. Burke, Tax Collector of the Township of Neptune.

VAN WAGNER. Glad to have you Mr. Burke.

BURKE. I am also first vice president of the Monmouth-Ocean County Tax Collectors and Treasurers' Association. The reason I'm here is I am representing the Association and wish to go on record opposing Assembly Bill number 470.

VAN WAGNER. What bill is that?

BURKE. It revises the time table for the adoption of school district budgets and their submission for approval to the public or board of school estimate. We realize the Boards of Education have a real problem projecting their school budgets so far in advance. However, by moving the dates back as per A-470, in no way will the municipalities be able to have their tax bills printed and distributed at the time proposed as the bill states -- June 21st. Currently the county boards of taxation are supposed to have the tax rate to the municipalities by April 10th but as an example, I wish to advise you I received our tax rate from the County Board of Taxation on May 15th of this year. Thirtyfive days later than the law states. If we consider what happened this year, and add the 35 days to the proposed May 20th date in A-470, this would mean the collector would not receive the rate until approximately June 15th. It takes about two or three weeks for a data-processing service bureau to print our extended tax duplicate. At that time we must then post our 10,000 ledger cards from the extended tax duplicate which usually takes four to five weeks. That would mean the tax bills would probably not be mailed until the first or second week of August, putting the municipalities in a position whereby they would have to borrow money to operate. Possibly a new bill could be drafted patterned after the statutes that govern municipalities, that is, on a calendar year basis with a temporary budget for the first three months, then adopting a final budget with the same restrictions on surplus as the municipalities must adhere to. As A-470 now reads it is only beneficial to the clerical staff of the Boards of Education and not at all beneficial to the taxpayers.

Just before coming here this afternoon I was talking with Gilberto Melendez, secretary to Monmouth County Board of Taxation, and he advised me the New Jersey State Association of the Tax

Board Commissioners and Secretaries have adopted a resolution opposing A-470 and has forwarded such resolution to all members of the General Assembly. He also wished for me to advise you that he would have been here today to testify, opposing A-470, but he was not aware of this hearing.

DEARDORFF. We notified counties but I guess the County Tax Board doesn't get the notice.

VAN WAGNER. We notify counties of hearings.

BURKE. Evidently they don't because he wasn't aware of it.

VAN WAGNER. Would you please express to Gil my apologies for that and tell him that we assumed that there would be a transmittal of information to the county tax board?

DEARDORFF. You have a member of your Association in the General Assembly who has been arguing against that. Frank Gorman. One of the problems I don't think the majority of the Legislature really understands these time constraints on the tax collectors in getting their bills out.

BURKE. No they don't.

DEARDORFF. I know Assemblyman Gorman said he probably wouldn't be able to get his bills out until the 15th of August under those circumstances, and the first payment's due the 1st of August.

BURKE. Not only that, but the county tax is due the 15th of August and there won't be any money there.

There's one other comment I would like to make personally. A gentleman brought up the homestead rebate before. I was wondering if the Legislature has really done a cost-accounting on how much it has cost the municipalities on this homestead rebate. I would like to give you one good example. Yesterday I got a check in the mail from the State for delinquent taxes, the check was for \$20,000. The State doesn't send it back by block and line, they send it by alphabet. That means we have to go to an alpha listing, pull all the accounts; we have a tax account system; we have to pull the cards after that. We then must hand-write approximately 200 receipts, we must post our ledger cards for the payment -- and this is all done manually -- figure the interest on the delinquency, then apply the balance to the taxes, send the receipt to the homeowner and from there if the account has been paid since March 31, we then must make up a voucher, send the homeowner a voucher. The homeowner must return it to us, it goes to the Treasurer's office then. They must write a check, the check has to come back through the Collector's office because we can't debit the ledger card again until the check is mailed out to show that the people have received their check, and finally, the check gets back to the homeowner. I really think the Legislature is passing several laws that's throwing the burden of the laws they're passing back to the municipality and not giving the municipality any funds to facilitate what they want done. Just one other thing. As another example, they sent the homeowners -- where the account is delinquent -- a letter saying your rebate check has been forwarded to the Tax Collector. Yesterday I had 25 people in my office wanting to know why they didn't get their check because their account has been paid. In every case the account was paid but it was paid after March 31. The letters to the homeowners should

have at least stated that the account was delinquent AS OF MARCH 31. Believe me it is creating a tremendous burden and we're not getting any additional help. Last year it was horrendous with that State school aid refund.

DEARDORFF. This matter of A-470 has been mentioned once or twice in other hearings. But this problem that you've brought up has been a subject that Tax Collectors have talked to me about and it's been mentioned at public hearings. I think the problem we have here, from our point of view with the Legislature, is that there is a fault that lies with the legislation that did not take this into consideration, and I think perhaps another fault lies with the Division of Taxation not really appreciating the Collectors' position when they send these letters out and send you the things on an alphabetical list rather than a block and lot number. I don't think anything like that really needs legislation. I think it would be just as simple for the Division to take it off a block and lot number off a computer run as it is to take it on an alphabetical basis.

VAN WAGNER. What we can do, and what we will do is, as chairman of the Assembly Taxation Committee, I certainly will make an inquiry into the feasibility of supplying that information by block and lot number to the Tax Collector, rather than by alphabetical listing -- that's number one. Number two, I think perhaps we can set up a meeting -- and since you are here and you are representing the Association -- we might want to put two or three people from the Association together in terms of perhaps restructuring some of the legislation relative to technical changes that we might make in order to facilitate the kinds of things you're talking about.

BURKE. At least you would have input from people in the field, dealing with the taxpayers.

VAN WAGNER. The other thing which I think we had intended to look at, for your information, initially we had estimated the cost per line item which we were going to distribute to the municipalities. There were those of us who favored doing it that way.

DEARDORFF. We discussed it about 4 o'clock in the morning.

BURKE. At a seminar about a year ago Mr. John Laezza told us that was being considered -- but nothing happened.

VAN WAGNER. It's still under consideration. I think the question was the Collectors asked for \$1.50 per line item.

DEARDORFF. I don't think they asked for anything specifically, they were talking about a flat amount for every municipality.

VAN WAGNER. For the administration.

DEARDORFF. And then on top of that so much per line item, and it would have come out at about \$3.6 million.

BURKE. Possibly one of the problems up there, and it has been this way for several years (I'm active in the State Association too), is this. The Collectors as you know, are under Community Affairs, the Assessors are under the Division of Taxation. That's the problem because

really, Mr. Glaser has nothing to do with me and Mr. Laezza has nothing to do with the Assessor. That's one of the basic problems.

DEARDORFF. Joe Rauch and I have been talking about this for years. We did have a bill (it may be revived -- in fact I know it will be revived) that was put in and released from the Taxation Committee in 1974 which would remove the assessors, in fact the whole Division of Local Finance, from the Department of Community Affairs, and the Local Property Tax Bureau from the Division of Taxation, and establish an Assessment Bureau that would oversee assessors as well as help them.

VAN WAGNER. Within the Treasury.

DEARDORFF. Within the Treasury Department. A Division of Local Government.

VAN WAGNER. It makes a lot more sense.

DEARDORFF. However, unfortunately, it got 23 votes on the floor. Perhaps the time is a little more ripe now. At the time the Assessors' Association opposed it, though not every assessor. John Murray who was then President, was in favor of it. Of course Mr. Laezza and Mr. Glaser both opposed it but this problem of scattering responsibility is one that is certainly not efficient, and one of the problems (particularly from your point of view) is that the Legislature gets very little cooperation also.

VAN WAGNER. I must say to you, and this is in no way a defense because it has been one of my chief outcries since I have been in the Legislature over these past three terms, and that is that in many cases the intent of the Legislature is very much diverted when the implementation stage takes place. What we intended to happen somehow or other is never translated into action. By the way we had our own set-to with the Division of Local Finance over their interpretation relative to the "cap" legislation and initially much of what was said in terms of what was included under the "cap" was incorrect. Notwithstanding the fact that certain types of inclusions which were mentioned today by Freeholder Larrison -- and we have heard it from local governing bodies also -- such as increases in utilities, increases in insurance, increases in pension costs, etc. should have been specifically excluded from the cap formulation, we have in fact released a bill from this committee (Taxation Committee) which deals only with the increases for those costs as exclusions from the "cap". That bill has not reached the floor for a vote. It had once reached the floor for a vote. The other part was in terms of the implementation of the restricted school aid money, which you just mentioned you had to deal with. That was a difficulty right from the word "go" as to who was to render that check and how that was going to be done. Unfortunately, the legislation in my opinion, was never carried out to the degree that it was supposed to be by the State agencies that were involved. Thankfully the local municipalities and the local collectors did carry it out with much difficulty. I want you to know that we are cognizant of it, we are aware of a lot of the problems that have been caused by it. We'd like to correct as many as we can. The ones we can correct administratively we are going to try to do without the

necessity of putting a bill through two houses.

BURKE. I think you have made a little progress this year. A Tax Collector is going to know that when a tax appeal is filed there's going to be action (which has never been done before).

DEARDORFF. It's very difficult to disturb the status quo as you know. So many of the things that the Taxation Committee has been trying to do -- particularly in the last two or three years -- is such a departure from what has been for the last 100 years that it is pretty hard to overcome. But I think we're getting there.

VAN WAGNER. And I have to say this on your behalf. We are lucky because we have got in the most part throughout the State, some very professional people working at the local level, including yourself.

BURKE. Thank you very much.

VAN WAGNER. We're going to keep at it. I was down in Ocean County last month talking to the assessors down there. We have made some better progress with their situations than we have made in the Collectors' area but we're going to try to answer that too. With your indulgence, and perhaps with Gil Melendez -- and any others who might be interested -- I would like to set up some type of meeting where we might look at some of the technical changes we can make legislatively. You might also articulate to us some of the administrative concerns you have. We can address the Director of the Division and talk with him about it.

BURKE. You mentioned a good man before, Joe Rauch, he is very involved -- always has been.

DEARDORFF. Joe and I have been battling things back and forth for eight or ten years now. He appreciates the situation. It is frustrating when you see something that could be done and isn't. You see it's not a glamor thing. It's put on the board in the Assembly or in the Senate, it doesn't stir the emotions. Nobody gets up and waves the flag or anything like that. The public doesn't understand the value to them of having things done and so they don't articulate to their assemblymen and senators and that's what makes it difficult.

Do you remember I asked Freeholder Larrison what he thought about the establishment of a State Commission or Committee of Intergovernmental Relations between the Legislature and the counties and the municipalities? The idea would be for us to talk to you and you to talk to us and say "well now, if you do this it's going to cost us money because of this". The counties and the municipalities in the State could sit down and discuss legislation, and even though it may be meritorious legislation, just by changing some of the administrative aspects, might save you or the counties money and do a better job. We don't understand your day-to-day problems (or the counties' day-to-day problems) because no matter how conversant you are with local government or with county government, unless you are in the day-to-day situation you don't get a real appreciation of the little ins and outs.

BURKE. I think that would be an excellent idea because then you would have input from the

people who deal daily with the problems of the taxpayers and what they have to put up with.

VAN WAGNER. This State has a unique problem in terms of its physical and structural governmental set-up. When a state attempts to set policy -- in New Jersey for example -- it has to set it with the cooperation and interaction of 567 separate and distinct units of government on the local municipal level; 21 separate regional units of government known as counties; 612 (I believe) local and regional school districts and school boards; 334 separate agencies which all have certain jurisdictional control over various aspects of life -- regional authorities, regional agencies, health agencies, health delivery systems -- and it has been said many times that there is a tremendous duplication, an overlapping, of government in New Jersey as a result of it. That's something that has to be addressed perhaps on an overall basis by a Constitutional Convention at some point because much of it is mandated by State Constitution.

I have become chagrined over the fact when I hear gentlemen like yourself come in -- and I've been reading testimony taken at the various hearings we've held over the last three weeks -- and local officials too, who talk about stop mandating costs and stop giving us programs that we can't deal with and so on and so forth. You sit down and you think to yourself we're all the State of New Jersey, all of us are members of this State no matter what level of government we function on, yet when you go throughout the State at public hearings you begin to wonder because of the manner in which the State in many cases has moved ahead, and in some areas has ignored what's really happening at the local level. There are cases where the local municipalities have moved ahead and generally ignored anything that's happening at the State level. All of us are in this together really, certainly I understand what a tax collector and an assessor goes through now after having chaired the Taxation Committee for almost four years.

BURKE. It's very interesting isn't it.

VAN WAGNER. I admire the work you have to do in the field, but as Gil pointed out, I think the only way we're going to get it done is together. I know that sounds high-minded but it happens to be true because without that kind of cooperation and without that kind of understanding at the State level, we're not going to be any good for the citizens of this State.

As far as I'm concerned one of the recommendations we'll make is the implementation of an intergovernmental commission made up of existing legislators, designated county and municipal officials who will be willing to serve on that kind of advisory committee, and I think within a year you'll see progress. It may only be in small areas but you will see it. Hopefully we can get it done. Thanks for being here Mr. Burke.

BURKE. Thank you very much.

VAN WAGNER. Would anyone else like to say anything? Please state your name and address for the record.

M R S. A N A L D A M E S Z A R O S. My name is Analda Meszaros and I live at 220 Wayside

Road in Neptune. It's a shame that the only thing I can point out is that of all the people you had here this afternoon, Mr. Larrison, a Freeholder, is an Ocean Grove, Neptune Township resident, Mr. Burke is the Tax Collector from Neptune Township. What area does this meeting cover?

VAN WAGNER. All over the State. We have sent out notices all over the place.

MESZAROS. Right now, is this the only meeting you're going to have in Monmouth County?

VAN WAGNER. No.

MESZAROS. Well at least Neptune Township has been represented.

VAN WAGNER. And Middletown too.

MESZAROS. Mr. Avakian, a professional man, has his building in Neptune, and two home-makers -- my friend here heard about it and she dragged me out -- I can see you were looking for professional speakers this afternoon.

VAN WAGNER. Not so. We will listen to anybody who wants to say something. I want to hear from the public. I have to say summers are rather difficult. We started the meeting at 4 o'clock in the hope that...

MESZAROS. But don't you think that maybe four o'clock in the afternoon is not the right time for a meeting, not for the general public. Your professional people can leave the office, yes. Mayor Pepe in Neptune knew of the meeting but he had an appointment this afternoon and couldn't make it here. I know at one time the Board of Freeholders moved their board meeting from Freehold into Neptune Township and we had a full house that night. I think your timing of four o'clock in the afternoon is wrong.

DEARDORFF. Would you suggest the evening?

MESZAROS. I certainly would suggest an evening. As Mrs. Ransom said -- and I don't know who told her.

VAN WAGNER. It was on the radio and in the papers. We publicized it.

MESZAROS. You see, men are working; women are at home with the kids or on the beach. I'm not that knowledgeable, I know I complain, but I've heard people say we ought to clean out Trenton and start from scratch. I think that Proposition 13 that happened in California was the best thing that happened and it's a shame that that man had to go out and get all those signatures to get it on the ballot to bring this out. Strange to say in Neptune, in the past four years, they've adopted new administrative procedures -- they're younger men, they've started something new. They don't leave money laying around in anybody's checking account, they put it out at interest in two or three weeks. In four years our own tax rate to run Town Hall have gone from \$1.14 to 99¢. So Burke can't have any complaint -- we're not hollering at him any more. They are conscious of the taxpayer and this is what we want Trenton to be. There is nothing more aggravating than when somebody gets an idea for a new program and you hear "o'okay, give them \$50 million." Where's the money coming from?

VAN WAGNER. I don't know who we gave \$50 million to.

MESZAROS. No matter what program is. What I've heard this afternoon, I don't really understand. My head is really spinning. You people are all so knowledgeable in your business and believe it or not I can't even take notes of what was said. I really don't know what I got from the meeting but I like what the man said about the Atlantic City money going into a bank. Does all the money go into that one pot in Trenton?

VAN WAGNER. No, we deposit money in banks. State monies are deposited in interest bearing accounts.

MESZAROS. But if something is going to education, is that in a separate pot for education?

VAN WAGNER. That money is dedicated, constitutionally.

MESZAROS. Because when it all went in that pot I don't know how they ever got it there for the purpose that it was meant for.

VAN WAGNER. Well that was our work in our committee, we formulated it "constitutional dedication" of that money. It's in a separate account. It may not be used for any other purpose.

MESZAROS. That's good. I remember many years ago the teachers always complained that teachers' pension money built some of the roads in New Jersey -- I'm talking way back in the 20s and 30s. And I hope Mr. Avakian will let them build one more piece of road.

VAN WAGNER. Where's that?

MESZAROS. Route 18.

VAN WAGNER. Finish that. I'm with you.

MESZAROS. It's a shame that Ocean County had to sue the State. I worked at Fort Monmouth and in '59 I was waiting for that road so I'd get up there in a hurry; when I quit in '62 it wasn't there. So they built four or five miles that they opened in '68. It still did nothing as far as Eatontown is concerned. My husband resigned three years ago: he was waiting for the road. But meantime, and I don't know how they got it, must be the legislators from Middlesex County have bigger mouths, because all of a sudden 18 is over New Brunswick.

VAN WAGNER. I think you have to understand the genesis of that whole road.

MESZAROS. I think I understand the genesis, it was originally to relieve the traffic on 35 from Point Pleasant to Eatontown -- that's the way they started.

VAN WAGNER. Not really.

MESZAROS. That's the way they were talking in '59.

VAN WAGNER. When the road was proposed originally, there were several reasons that were given. One was to establish a more direct shore route and as you pointed out, to alleviate the shore traffic on Routes 34, 35 and in those areas. What they had designed it to do was to bypass New Brunswick and get away from that Route 1 and 9 then run a road straight down through Middlesex County, through Old Bridge (which it goes through now) into Monmouth County by way of

Marlboro which it does. They finished that length in '75 when they opened the Marlboro to Point Pleasant link -- the Monmouth County link. The only part of the road now is the part you're talking about which has not been linked up. The overall plan for the road was to link as far North as New Brunswick and you'd be able to travel Route 18 all the way to the shore without having to deviate on to Route 35, 34, the Parkway. My understanding -- and you probably know more about it than I do, you're probably an expert in this area -- is that the environmentalists are holding it up. At this point I can't understand why they don't continue that road through and link it up. I don't know what the objection to it is.

MESZAROS. A year ago though, they were trying to get funds to continue it on the other side when they haven't finished this little strip. That five miles has been wasted money -- it doesn't go anywhere -- and look what it's done to that road in Ocean County; you go there at five o'clock and coming west the line is about half a mile to make a left turn into Route 18. Originally they spoke of relieving the traffic on Route 35 from Point Pleasant to Eatontown -- that's all they ever spoke of for years and years. That's all we ever waited for.

VAN WAGNER. What I'm recalling is comments which I thought were made by former Transportation Commissioner Cole in '68 or '69 when I was in Trenton at Transportation.

MESZAROS. When they get a new commissioner he should go in the file and see what was in there before and continue it instead of getting a brainstorm and starting something else.

VAN WAGNER. If you have a little time I'll tell you about another problem that occurred relative to switching commissioners or changing government, is the change in emphasis on whether or not you go to bonding to build roads and raise the money by State purposes, or whether you turn around and start to put your road programs into the Federal stream. I have talked with Commissioner Gambaccini about a week ago about road programs, among them Route 18 which I'm concerned about too though it's not in an area I represent, I'm from Monmouth County -- and he was telling me that the time line for a road project, even a small road project, in terms of Federal funding can be as high as 84 months which is 7 years from the time that project goes into plan, review, and design, and the time the first shovel goes in the ground. 84 months! This means that if you have someone constantly changing the emphasis of how roads get constructed and you have that kind of delay occurring, you're talking about fifteen or twenty years before you even get a project under way. That's been part of the problem in the State as you've pointed out, there's no continuity. That's what I was getting at with Mr. Avakian on the planning. Say let's spend \$5 million or \$50 million like you said before -- everybody said great, that's just what we need, \$50 million -- but by the same token it's been my experience that if you go back and say "I'm sorry but you know that \$50 million you thought you're going to get, you're only going to get \$12 million". Many times much to my surprise a week or two later I have found out suddenly that the job can be done for \$12 million. Those are the areas I would like to get at -- cost-effectiveness. I'm not saying that you can

always necessarily cut money but I think when you spend money you ought to be sure you're getting a dollar's value for every dollar you spend, and if you don't have to spend it don't spend it. And if you don't have to spend it don't raise it. If you don't need it nobody is going to be tempted to spend it.

MESZAROS. Not only that, but the Legislature should be aware of what the people need and not try to get by some silly bills. And a very silly one I thought a year or two ago -- it even came up for an editorial in the Daily News -- where some guy wanted to give each child in school a dollar for each 'A' on a report card. I'm glad it didn't get very far. There might be some even more silly than that which we don't hear about.

VAN WAGNER. He didn't get very far either I have to tell you that.

MESZAROS. Well, he shouldn't have. Evidently there are lots of bills that are introduced and the printing is done. People are tired of waste in government, and frankly I don't believe that State employees -- and I don't know if I'm stepping on anybody's toes -- I think if they've got a job they're getting well paid for, provide their own car. We read about all the State cars and I think Governor Byrne has done a lot to get rid of some of them. There are still a lot of State cars on the road. Anybody else has a job they've got to get there on their own, and we don't do it. Sorry.

VAN WAGNER. These people are all here in their own cars.

MESZAROS. Good. You had seventeen people in here originally who weren't professional and you claim four are on your staff, so from the seventeen who were in here, one man just came in took a picture then went right out, one man didn't do anything, so I'm just disturbed that you don't have a full house.

VAN WAGNER. We have had public meetings when nobody has turned up.

M R. E D W A R D L. W A L S H. My name is Edward Walsh and I'm with the Asbury Park Press. May I ask a question?

VAN WAGNER. Certainly.

WALSH. As a former resident of California I'm quite familiar with the State and this Proposition 13. New Jersey is certainly the California of the east and there's a lot of pressure on you people to pass a similar proposition in New Jersey.

VAN WAGNER. Actually, we've been looking at limitations in terms of tax limitations, since 1976. Limitation that we imposed on expenditures was one step toward doing this. We have under study a couple of proposals that would limit the increase of property taxation. In reviewing most of what we've seen -- including the California proposition -- they seem to be geared toward a specific revenue source. For example the California proposition is geared toward the property tax. In New Jersey our limitation is geared to overall expenditures. Now we may want to go further. For example I have, and Gil and I have talked about the possibility of limiting the property tax,

and the Governor has talked about limiting the property tax in direct relationship to income by saying that your property tax may be no higher than X percentage of your income. To me that makes the most sense of anything, particularly for an older person whom I would hope when they get to that point of age, it would be almost a miniscule percentage of their income. That proposal has been advanced in legislation. It was defeated once because of technical problems, but it's one that's very much alive in this State, and the Governor himself has proposed it as a method of controlling property tax.

I will say this to you, unequivocally, if you had California's income tax in New Jersey going into the dedicated fund that we have in New Jersey, being used only for property tax relief, we could probably reduce property taxes in this State by another 40 or 50 percent.

WALSH. California has one thing, they get their highways built. You say it's a warmer climate, but in the High Sierras it isn't so warm. New Jersey never builds any highways. Don't you think so?

VAN WAGNER. Years ago we were accused of building too many. The big thing, as I think one of the gentlemen testified, and also in terms of expenditures, is a good strong sunset law and we start to phase out these commissions and bureaus that tend to hang on in government. The savings there may not be overly dramatic, you might come away with a \$2 or \$3 million a year in savings in terms of a \$4 billion budget -- people may say "well, big deal". But still, that's symptomatic. Just like the gentleman said, the few thousand dollars that a town got for a road program was enough of an impetus for the town to go into it, and in the same manner if the State or county or Federal governmental unit can save two or three million dollars that's enough impetus to save here. If you save \$200,000 here, \$50,000 here, and \$100,000 there, over a five-year period that amounts to a lot of money that people don't have to pay in the form of taxes.

So I think those kinds of things are doable, they don't make headlines, they're not dramatic. It's not easy work, nobody gets up and gives speeches about it but those are the kinds of things that can be done in government. Another thing you have to remember about California is they had a \$5 billion surplus -- which is outrageous -- and the surplus that they had was bigger than the entire New Jersey State budget, including Federal Revenue Sharing. But the real problem in New Jersey, as Mr. Gill pointed out, is the tremendous increase in valuations of property, so much so that people who bought a piece of property at \$15,000 or \$16,000 ten years ago, is selling for \$70,000 today.

WALSH. It's going pretty much that way too in this State in some areas.

VAN WAGNER. Well, it hasn't grown quite as much but you're so right, it's getting there.

WALSH. I was paying \$60 in taxes now I'm paying \$1,000.

VAN WAGNER. We're going to stay here. By the way we had scheduled this hearing to run from 4:00 until 8:00 o'clock today to try it out, but what we'll do now is when we come in on another

date we'll do an evening meeting and see if that works any better.

MESZAROS. So this was to go until 8 o'clock?

VAN WAGNER. Yes, we had put it beginning at 4 o'clock until whenever.

MESZAROS. So if we leave you can go home.

VAN WAGNER. No. we'll wait.

MESZAROS. Are you really?

VAN WAGNER. Of course. My thanks to those who attended and participated. This hearing is now closed.

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