

PUBLIC HEARING
BEFORE
JOINT COMMITTEE ON STATE TAX POLICY

SUBCOMMITTEE ON PROPERTY TAX RELIEF FUND
AND SUBCOMMITTEE ON GENERAL STATE FUND

(PURSUANT TO SCR-64)

HELD:

JULY 13, 1978 (PART I)
AUGUST 3, 1978 (PART II)
NEWARK CITY HALL
NEWARK, NEW JERSEY

MEMBERS: ASSEMBLYMAN ALAN J. KARCHER
ASSEMBLYMAN WILLIE B. BROWN
SENATOR WYNONA M. LIPMAN
ASSEMBLYMAN DONALD J. ALBANESE
* * * * *

OTHER LEGISLATORS: ASSEMBLYMAN MICHAEL F. ADUBATO

* * * * *

STAFF:

J. GILBERT DEARDORFF
WILLIAM D. ZUZZIO
JAY A. HERSHBERG
WILLIAM M. JOHNSON

* * * * *

I N D E X

<u>Newark Hearing - Part I</u> <u>July 13, 1978</u>	<u>Page</u>
Ms. Helen Lindsay Director of Fiscal Policy League of Women Voters of NJ 460 Bloomfield Avenue Montclair, NJ 07042	1
Mr. Samuel Levine Citizen Newark, New Jersey 07102	7
Honorable Michael F. Adubato Assemblyman, District 30 845 Mt. Prospect Avenue Newark, New Jersey 07104	11
<u>Newark Hearing - Part II</u> <u>August 3, 1978</u>	
Mr. Frank H. Lehr Mayor, City of Summit 15 Freeman Avenue E. Orange, New Jersey 07018	19
Dr. Kittrells, Superintendent Newark School System Newark, New Jersey 07102	23
Mr. Thomas Giblin Freeholder, Essex County 24 Woodrow Place W. Caldwell, New Jersey 07006	27
Mr. Donald Tucker Councilman-at-Large City Hall Newark, New Jersey 07102	32
Mr. Banker Citizen	39
Mr. Martinez Councilman, Newark East Ward Newark City Hall Newark, New Jersey 07102	40
Lawrence S. Hecker Chamber of Commerce 50 Park Place Newark, New Jersey 07102	43

I N D E X (continued)

	<u>Page</u>
Mr. Alfred Faiella Newark Economic Development Corp. 744 Broad Street Newark, New Jersey 07102	45
Mr. Donald M. Payne Essex County Board of Freeholders 14 Bock Avenue Newark, New Jersey 07112	49
Mr. Tim McQueen Chancellor Community Action Project 435 Chancellor Avenue Newark, New Jersey 07112	53
Mr. Phil Larkin (Cowboy Restaraunt) Chancellor Community Action Project 435 Chancellor Avenue Newark, New Jersey 07112	55
Mr. Ronald Callaco E. Orange Taxpayers Assn. 101 Warrington Place E. Orange, New Jersey 07018	56
Mr. Richard Dowling 166 Elwood Avenue Newark, New Jersey 07104	60
Mr. Joseph Lazzaro East Orange Taxpayers Assn. 101 Warrington Place E. Orange, New Jersey 07018	61

K A R C H E R: I am Assemblyman Alan Karcher and I am the Chairman of the Subcommittee involving Property Tax Relief Fund of the Joint Tax Policy Committee and these hearings today will, of course, be a little broader in scope but we certainly will be providing the opportunity to anyone that wants to have anything put on for the entire range of the Joint Tax Policy Committee's work but our focus, our particular focus of our subcommittee, is upon the Property Tax Relief Fund, how it is operated, how it has been implemented, what it's effect has been or not been or those comments pertaining thereto and particularly in reference to how it might be improved, enlarged, expanded, etc.. With me today is Committee member Willie Brown, who is, of course, from the City, our host City today, nice to see you...

B R O W N: All right, thanks.

KARCHER: ...and, of course, the entire Committee will have access to the work done here this morning by virtue of the fact that we have the entire proceedings being recorded and that of course will be transcribed and the record of this proceeding will be made available to each and every member of the Committee. The work, just as general background, there are three subcommittees that are out this summer gathering information, conducting their public hearings, and that work will be assembled, reviewed, etc., etc., and the Joint Tax Policy Committee itself will eventually make the ultimate and final report. I understand that we have with us this morning some people who have already notified us that they have an interest in providing us with testimony and Ms. Lindsay is from the League of Women Voters and we will be happy to hear from you.

L I N D S A Y: The League of Women Voters of New Jersey is pleased to have the opportunity to speak before the Joint Tax Committee. It seems to us that this Committee has been formed at an opportune time to reevaluate the policy of the State. The income tax has been in place for two years and it is possible now to put it into perspective with the rest of the tax structure. We commend the Legislature for evaluating the system as a whole. It is a rare chance to propose changes that consider the interrelationships of all our taxes. Unlike California, which resorted to extreme measures to correct steeply rising property taxes this year, New Jersey responded two years ago to similar pressures by substituting the income tax for a large portion of property taxes. It was only last fall the electorate renewed its support of this decision. Our property taxes have gone down. Including the homestead rebates, which are a part of the reduction, New Jersey's property taxes fell by over 10 percent, a direct reverse of the increase the year before. In 1978, property taxes were still 8.7 percent below the 1976 level. We cannot expect these taxes to continue to fall as the cost of living increases by over 7 percent, or more, per year, but at least we can expect some stabilization. With the income tax, we have achieved a more balanced tax structure and eased the burden on property owners. We all know, though, that the income tax can be improved. The two areas of concern to the League the most are equity and yield. This year we are balancing the income tax budget with an anticipated 12 percent growth in revenue. We have also transferred some expenditures

into the General State Fund and are using a \$125 million surplus. In fiscal year 1979, the surplus that was built in to pay for the initial years of the program will no longer be there. Income tax revenue will have to grow by 13 percent just to pay for the existing costs of the program. If the costs go up, however, growth in revenue will have to be much larger. This year, school aid went up by \$75 million and next year we can expect some further increase. Without such growth, the programs could be funded (without more than 13 percent) the program could be funded from the General State Fund at the expense of other services, or the programs could be cut. The area of yield obviously bears careful watching. The League opposes measures that reduce the yield. There are a number of such bills in the Legislature now that increase deductions or exemptions that give credits on the income tax. Such changes should be made, if at all, when the rates are restructured and we oppose them at this point. That brings us to our second concern, which is equity in the income tax structure. The New Jersey income tax has a one-step progressive rate as you know. The League believes that the income tax rates start at too low an income, \$3,000, and the rates are too high for low incomes and too low for upper incomes. In other words, the rates should be more progressive. The recent Leone Commission on Government Costs and Expenditures states that after credits and deductions, the income tax is more progressive than it seems from the rates alone. The League believes their conclusion is somewhat misleading, especially at the lowest incomes. A more accurate picture of progressivity would be given if income levels under \$10,000 were broken into more than one bracket. (We understand that in the future that there will be more brackets under \$10,000.) When it is done for the existing data, we find that people with less than \$6,000 pay little or no tax, but those between \$6,000 and \$8,000 pay 1 percent of their income rather than 3/4 of 1 percent at \$10,000 as indicated by the Commission. Most of the progressivity comes at the low and lower middle incomes, and there is really very little progressivity at the upper range. From \$10,000 up to \$100,000, the rate increases only by 1/4 of 1 percent. I have enclosed a table which breaks down the progressivity rates at the back of the testimony. Of all the states with income taxes, most have graduated rates. Many start with lower rates than New Jersey; only one other state - Mississippi - has a one-step graduation, and this is from 3-4 percent; and all states having a graduated rate for higher rates at the upper income levels. A more progressive rate in New Jersey, we believe, would improve the equity of the tax and, at the same time, provide a better growth in revenue over the long haul. On the program side of the ledger, the League believes the greatest need is to correct the inequity for low income renters. For those who pay rent and pay less than \$65 in income tax, property taxes are reduced only in the amount paid in income taxes. The League supports a renters credit or rebate to allow these people to receive the same property tax reduction as other renters. If the Committee is considering more basic changes in the programs, the League would favor a change from homestead rebates to a circuit breaker. Such a change would give property tax relief based on the ability to pay, and the relief would be permanent. A general comment on fiscal policy overall (and not just the property tax relief fund); the League opposes dedicating revenue for specific purposes. Each new dedication

restricts the Legislature's ability to meet the needs of all New Jersey citizens. We urge you, your Committee, to oppose any further earmarking of funds. We understand that the Committee is also evaluating fiscal policy as a tool to revive the cities. One of the most difficult problems for cities is their declining tax base. The League supports in lieu of taxes for state properties as one measure to ease this problem. (And I believe we've already got some of that in place.) State or federal takeover of the welfare costs would also help by paying for a major city expenditure. The League does not have a position on the use of tax credits, abatements, and other incentives to encourage business to locate in cities. We would suggest, however, that the Committee ask some questions of those who do support such measures: will the tax incentives work; how large a tax reduction would be necessary to persuade industry to locate in the cities (and these, of course, are State taxes and not federal taxes that we're talking about); will incentives bring in economically desirable business; what would the cost be to the State and to municipalities; what would the cost be to taxpayers other than in business? Taxes may not be the deciding factor in location decisions. Other costs may be more important in the immediate decision; and in the long run, improved mass transit and a better educational system, which improve mobility and the quality of labor market may be more important. It is a difficult challenge to provide the necessary services to make New Jersey a place where people want to live and operate their businesses. Obviously, it is possible for taxes to be too high; it is also possible for services to be too low, discouraging people from living here and expanding their businesses here. Finding the proper levels, not only of tax rates, but of public services, will not happen by itself. It takes leadership from the public sector and hard work from us all. Thank you very much.

KARCHER: Thank you. I'd like to ask Assemblyman Brown if he has anything he'd like to ask.

BROWN: I think it was a very good report. What would you actually suggest that we as a policy of the Tax Policy Committee would do immediately. Do you have direct suggestions for tax reform?

LINDSAY: I think you really ought to be very watchful of the yield and we'd like to see more progressive rates of the income tax. I realize that is a very difficult thing to do.

BROWN: You also mentioned that you are opposed to any type of dedication and in the previous tax package that we enacted adjusts itself to dedication as far as property tax relief was concerned. Does the League actually oppose that?

LINDSAY: We opposed that at the time and we would still oppose it. It's a constitutional amendment and it looks as if realistically that it is in there and the people that put it in as a constitutional amendment put it in very broadly. It is a very broad dedication and in that respect it is easier to live with than if it were a narrow dedication. There is more flexibility in that dedication than in most dedications.

BROWN: Would you also agree that the Legislature acted properly due to the fact that we felt that property taxes was a crisis and probably one of the greatest crises in the State of New Jersey, so

by dedicating the taxes in that area at that particular time was the proper thing to do?

LINDSAY: I think the Legislature was working very hard and they came up with a tax package which was workable and since gave property tax relief. But we are still opposed to the dedication.

BROWN: Thank you very much.

KARCHER: I want to welcome with us here also today Assemblyman Albanese, a member of our Joint Tax Policy Committee, it's nice to have you, thanks for coming.

A L B A N E S E: Thank you. Sorry I'm late.

KARCHER: That's all right. Do you have any questions of the woman from the League? Why don't I give you a copy of her statement, or provide you with a copy and why don't I address myself to one or two things while you have a chance to look that over. Maybe you would have something. There's been a proposal for additional aid to the city that had been generating some discussion within just the last few days. We want to know if you have any opinion on that with regard to particularly those comments contained on page 4 of your statement.

LINDSAY: On the in-lieu of taxes and the takeover of welfare costs?

KARCHER: That's the in-lieu of taxes and the takeover of welfare costs in conjunction with the revival of the cities and I'm wondering whether or not you had an opinion as to, or have given some thought to the fact that, obviously the taking over of welfare costs and certain judiciary costs that have been discussed, particularly here in the urban areas, particularly by one of my colleague, Assemblyman Adubato, has been one of the people most anxious to see that done. Doesn't that address itself to the same type of thing, or do you think that's an intelligent response to an urban aid problem just doing it across-the-board by taking over the State welfare costs? In other words, does that have enough impact on the urban areas to make it worthwhile?

LINDSAY: I can't answer to the very specific proposals which have just been made and we haven't had a chance to go through them and enact position on, I think the in-lieu of taxes paid more to the cities and less to other areas and complicated in-lieu of taxes in the urban...

KARCHER: Well the State adopts a policy of trying to have it's facilities in urban areas and therefore when they get an in-lieu tax payment they consequently...

LINDSAY: In concept we would certainly go along with that in-lieu of tax payments by the State. Specifically, the actual proposal, I think we would have to look at it more carefully, I haven't had chance to see what the exact proposal is. On the welfare costs, it seems to me that, and there again I'm not sure exactly what he said, we do favor State takeover of welfare costs and this was only assisting the tax structure away from property taxes to State taxes. Did I answer your question?

KARCHER: Yes. I think we're talking about the same thing. It's a matter that the payment for welfare costs, as it stands now, and the administrative share which falls upon the multi-property tax falls in a set draft between urban areas and that's where it falls. In Bergen County and Morris County it's not really the most pressing problem in the world. But in Hudson County and Essex County it's

a serious problem. What I was suggesting is, that might have some merit, is that taking over the welfare, of course, is not only indirect, it's really a very direct method of helping the urban areas.

LINDSAY: Yes, in fact, part of the cases before the Courts on State takeover of welfare costs...

KARCHER: Well, here comes the State takeover of welfare costs.

BROWN: You do agree with the way to fund the welfare system by the State's taking over until the Federal Government will also takeover. You will support that concept, I will say. What about the court's takeover of the judiciary system?

LINDSAY: We also would go for that as well as the State's takeover of the costs.

BROWN: Thank you.

KARCHER: I don't want to get bogged down with a great deal of philosophical discussion on the question of State takeover of welfare. However, the socio-economic factors that lead to that are really national in scope and really don't you think that they would be better off in addressing itself to try to encourage a national response, a Federal response rather than...so State action in that deal would only be viewed as an interim measure.

LINDSAY: Yes.

KARCHER: Let me ask you a question. With regard to this dedication of revenue, don't you truly also feel that had it not been for the property tax relief fund, which is really the subject matter of our discussion today, that had it not been for the constitutional amendment dedication creation like property tax refund that there would not have been any tax reform ever? That that was really the secret as to why it became politically acceptable? Politically palatable?

LINDSAY: I think that politically it may have been necessary. That doesn't mean that I'm in favor but I still favor the other position. As you say, it's a way of achieving the income tax, probably, it would be politically necessary.

BROWN: Would you also agree to the fact that it is politically less in the sense of the feeling of the majority of the citizens in the State of New Jersey, so along with the political ramification of it, also, we feel that the Legislature did meet the needs and the interests of the majority of the citizens in the State. Primarily the property owners and tenant dwellers.

LINDSAY: There's always a question of how much the Legislature should lead and how much should follow. It was a pretty positive kind time there in the Legislature, in trying to get everything put together in a very short period of time and it was a very difficult procedure to go through. I can understand why.

KARCHER: Once again, not to get into a very philosophical discussion about it, and not to be argumentative about it, either, but is it not a fact that dedication of revenues or revenue sources being earmarked or dedicated for certain areas really oppose one of the most basic principles, fundamental principles that we want to establish in Government and that's accountability and that

the reason why as Mr. Brown points out that is so widely politically acceptable to the electorate is that it has that wonderful component of accountability. People pay a tax and they know where it's going. It's not going to be lost in that general amorphous, nebulous area of State revenue.

LINDSAY: Well, I don't know if I agree with that necessarily. What you're doing, therefore, is to meet the hard decisions and putting the whole thing together and the accountability comes at election time when they don't like what has been done, kick you out.

BROWN: You acknowledge in your presentation that property tax had been reduced and you felt that that was the proper thing to address ourselves to in the Legislature, so on one hand you're in favor of the reduction of the property tax and on the other hand you have difficulties in the dedication of the taxes to the property tax. I respect your position as far as dedication is concerned within itself but aside from that position my previous question was that do you feel that the Legislature still acted properly at that particular time in order to guarantee reduction in property tax since you are in favor of reduction of property tax.

LINDSAY: I certainly think that the income tax was passed in order to relieve property taxes. That's what the Legislature did and they acted responsibly in passing the income tax and reducing property taxes.

BROWN: Thank you.

KARCHER: Assemblyman Albanese...

ALBANESE: Yes, I have gone over some of the things that you've brought out, and of course, we're not here to state our own personal beliefs, I think that the income tax, I could stand somewhere to the right somewhere and state my views on the income tax, however, the League, and I'd like to thank the League because they've been a leader in analyzing tax problems, however, I have a couple problems in your presentation, for example, you say that property taxes have gone down. I guess in the general sense, they have gone down but I should point out in Warren County, where I reside, within two years of the income tax but they were up within one year of the income tax being passed. You pointed out that the problem of yield and it was a concern of mine last year, I pointed out that I thought the income tax revenues were falling short of budgeted revenues. And I think, Mr. Chairman, that's an area that we might address ourselves to another hearing. Hopefully we can summon the State Treasurer to present to us a concrete fiscal analysis of the fund from its beginning as to revenues expenditures so that we can properly determine if the fund is really running its revenue below budgeted, so that we can properly analyze the future course of this fund at this time. I don't think that we can properly analyze the yield of the fund itself without knowing the accounting aspects of the fund. The League says here that we're balancing the income tax budget at an anticipated 12 percent growth of revenue, however, I'm prechecking with the U.S. Department of Statistics in Washington in the last ten years, the personal income in the State of New Jersey is probably that of 8 to 10 percent. I don't know where the 12 percent figure comes from

unless that's from the budget itself.

LINDSAY: That's what came from the projected budget, the budget projected 12 percent growth in revenue from last year to this. I would suggest that perhaps, this last year the growth has been very much better than it has been in previous years. You can take the growth over the 1970s, it's going to be lower between the next two recessions. We're now pulling out of that rather well and I believe the elasticity of the income tax has been found to be that for every 10 percent of growth in personal income you get an increase in the income tax of about 12 percent. Last year the personal income tax did grow by that amount and the projections that I have heard about suggest, this might be out of line. Maybe I've missed it but it may not be out of line either because you're on a growth pattern right now.

ALBANESE: OK. Again, I think it points out the fact that we would need some concrete figures from the Treasurer's office as to the revenues and expenditures because, not to debate dedication, but we have seen within this property tax, transfers from the general fund at one time and I think any time, you're destroying self-contained aspect of dedications within any account. I think that's a problem that we can address at a future hearing. How does the idea of, you probably don't want to answer this off the top of your head, but I wish the League to consider this, I notice that you said you don't favor any reduction of credits against the income tax in the general sense, keep in mind inflation has become a way of life in this country, not in New Jersey, of course, unfortunately, I don't think we should tolerate it, but we have to live with it at this time. So what we find are people paying income taxes on unreal, deflated dollars which has reduced purchasing power. I would hope that the League would think about having some credit of one's income tax return for increases in the rate of inflation each year. Some factor, for example, say, the inflation rate of seven percent, you would multiply the seven percent, possibly as a personal exemption, to bring the taxable income more in line, and I think the reductions in the lost revenues would be more than made up for by the increased annual increase in revenues.

LINDSAY: I noticed that you have a bill introduced in the Legislature that does just that. Our Committee is about ready to evaluate that particular bill and we'd be glad to let you know what we feel.

ALBANESE: That's all I have.

KARCHER: Thank you very much, Ms. Lindsay. Thank you very much. Is there a Samuel Levine?

LEVIN: Basically I'm here to find out what the Tax Committee of the Legislature is going to try to do without inducing business back into the State. I know the high cost of living, high taxes, high rent. These factors, how can you induce business into the State? I'd like to stop here.

KARCHER: Your question, that's a rather broad question. There have been a number of studies done by the State in the last five or six years, there was one done approximately five years ago by a Committee, if I'm not mistaken, and it was chaired by former Assemblyman Herbert Klein, in regard to what

factors were considered by industries in locating or relocating or removing themselves. On a list, on the factors motivating you, on any decision, what role do taxes play? The same types of studies have been done extensively particularly by the utility companies, public service, gas and electric, Jersey Central Power and Light, to weigh what factors are really important in that ultimate policy decision by corporations to move or to relocate. Taxes have never been the leading factor. They've never been the dispositive consideration in a decision, not to say that they are not a component of every decision made, there's never been a dispositive decision and well, there's always a great deal of discussion that seems to focus on taxes as being the major reason in the policy-making decisions on a corporate level. That doesn't seem to boil out impurities in the studies done. You add a differential, you have a differential done by the national reports, you have a rather tight spectrum of state taxes amongst states. The differential runs anywhere between 7 and 10 percent, of course, at the opposite ends you have Alaska, and yet the people who move to Alaska don't move there because of the tax situation, they move there because of the opportunity. By the same token, people moving to those on a low-scale like Nevada, Mississippi, Wyoming, don't move there necessarily either because of the low taxes. The quality of life, the amount of services rendered, the ability of getting supplies, transportation systems, the trends in the labor market, all of those things are taken into consideration. So the person is really a very...it's too broad to answer. It's all part of the State that taxes do certainly play some role. More important than the level of taxation in making what is the key component of the tax picture is not so much the level, but the predictability what corporate decision-makers mark in making a decision is predictability of taxes rather than the level of taxation. They want to know what they are not going to move within a state and then suddenly find that there is an inventory tax that wasn't there when they made the decision to move, that there's a new increase in personal property taxes that wasn't there when they made a move, that there's an adjustment in the unemployment or the disability rates that wasn't there when they moved. They want to know that a state has a structure, that it has some kind of stability to it and that the state has made some long-range fiscal planning, and with a projection not for tomorrow but the projection is for ten years from now. Hopefully, that is what this Committee is addressing itself to and its title reflects that. It's a joint tax policy Committee and we will be attempting to make those kinds of decisions through the long range. But I think that we will be addressing ourselves to stability of fiscal integrity. The projection for that for the future rather than being bogged down in the narrowness of just levels of taxation.

LEVINE: Let me say this according to what I've read. Surpluses are used to cover this year's budget. Now you people are supposed to find out where new monies come from or what program is cut. So where's the disability?

KARCHER: I won't address myself to that. I don't want to have a lot of long dialogue back and forth. I don't think...but let me...

LEVINE: What I am interested in, is that I see Westinghouse moving out of Newark. A Bliss, and another company moved out of Newark, out of Passaic and into Manhattan, we're talking about situations in which 500, 600, 700 people are affected. It's sad. All of these people are moving and there is a reason. What is the reason? I feel that the cost of doing business is too high. It relates to factories, energy, these are the two main problems that we have. How do we deal with it? Who are the people that are supposed to do it?

KARCHER: I think Mr. Brown could help you.

BROWN: I would just like to point out that I think if you looked at all of the other industrial states throughout the country, you would find that New Jersey is not the worst state as far as...

LEVINE: I'm not saying the worst. I don't care what any other state is doing. I'm concerned about New Jersey. I've been here all my life. I'm concerned about this State and now in the last couple of years I've been banged over the head with all kinds of taxes and it's getting tough to live.

BROWN: I think the fact that we formed this type of Committee on Tax Policy to look at the overall tax structure in the State of New Jersey also indicates that the Legislature is concerned, we're all aware of the fact that we do have industry moving out and we would like to know what the problems are and I guess that the purpose of this type of hearing is to get suggestions from you rather than just questions. We will address ourselves to it. Once we compile all of the different data that different people and businesses gave us, what have you, we will take a look at that and really look at what direction we should move in, by getting tips from you. If you have any positive suggestion or suggestions, at this point, we will be glad to listen to them but we admit that we don't have all of the answers and you just might have some of the ones that we don't have.

LEVINE: I have one that I see in the budget where the pension benefits now cost the State \$504 million and also that every State employee, both have a pension and social security. I don't see how that balances. It's the first time it's come to my knowledge.

BROWN: Now if you're making an authorization in which you suggest that we...

LEVINE: I feel this is throughout the country and that everybody should be on social security. Then they wouldn't have to raise the prices and there'd be enough money to go around and then the good guy, who's making \$40, \$50 thousand a year can afford to put away a few bucks for the older years. You have to go out and earn \$50 or \$60 thousand and go out and get a pension of \$30 thousand which is more than the average person earns. In this State the forfeit in 1965 was \$500 million. Now the forfeit of pensions was \$500 million. Now we know where business has gone, where the cost is. That's my suggestion.

BROWN: We'll take care of that consideration and your suggestion.

ALBANESE: I don't quite understand. Excuse me. Did you say everyone should be on social security?

LEVINE: Everybody.

ALBANESE: Do you know that that is paid for in taxes?

LEVINE: That's correct.

ALBANESE: (Inaudible interruptions rendered this portion of the recording invalid.)

LEVINE: Excuse me, just a minute. The working people are on social security. I'm talking about State employees, city, federal county who are on pension and social security. They're on both. Teachers are on two, they get two.

ALBANESE: (Inaudible interruptions rendered this portion of the recording invalid.) I do think we also have industry coming to this State. We're always going to have a certain percent of industry leaving. I am as concerned as you are about any industry leaving. This is because it's not a healthy atmosphere for the environment.

LEVINE: Let me just say this. As far as Westinghouse is concerned, what I say in this morning's paper, they're moving out of Newark and they said they could save \$3 million a year to do business where they're going.

ALBANESE: Where are they going?

LEVINE: (Inaudible).did it for the same reason. They mentioned a number around \$7 million, so the cost of doing business in New Jersey, all around, is combined. And you have to find out what makes up the ingredients, what ingredients make up the cost in this State.

ALBANESE: This new Committee is concerned with that area also. It's one of the areas that we'd like to have more information on. There also has been legislation that has been introduced by various legislators in the State of New Jersey. We're trying to do something constructive at this public hearing and the other public hearings scheduled around the State of New Jersey. This is the first time this type of committee has ever been formed in the State of New Jersey for the purpose of having specific recommendations on tax policy which includes all aspects of taxation in the State of New Jersey.

LEVINE: I'd like to say this. Being now a gambling State, I would like to see the State gamble on eliminating the sales tax and thus inducing business back into the State. All types of business into the State. We'd have more jobs now with people coming in from New York and if there was no sales tax...to increase business, to increase jobs, more jobs, more income tax. That's how we'll get some of the tax money back. This is a progressive way to get business and make business grow in this State. You're going to have to make a concession some place. You just can't raise the taxes and say, hey, business, come on in. It doesn't work that way.

BROWN: Mr. Levine, would you support the idea of increasing the income tax in order to eliminate the sales tax?

LEVINE: No. It's high enough.

BROWN: So you prefer maintaining the sales tax and leave the income tax the way it is.

LEVINE: In fact, I would say, have the income tax and get rid of the sales tax.

BROWN: You just found out that there's a need to eliminate the sales tax in order to attract business and industry back into the city and other parts of the State in order to increase business. On one hand you're saying, we should eliminate and on the other hand you're saying that the sales tax is better than the income tax. I'm a little confused.

LEVINE: No. No. What I'm saying is that by eliminating the sales tax you increase the change of the State opening up and having more people come into the State and spending more money here. And by doing that they will create more jobs. That's another thing that we can do to create more jobs and this I feel we can do.

BROWN: Do you have any facts on whether it would yield enough revenue to compensate us for the sales tax...are you aware that the sales tax is one of the highest revenue-raising measures that we have here in the State? You're saying by just improving the business and all that you may just yield that kind of revenue.

LEVINE: It may be close.

BROWN: OK, thank you.

LEVINE: People get upset. In 1970, if you earned \$13,000, you had \$8,638 spendable dollars. In 1978 to get the same \$8,638 spendable dollars, you had to earn \$22,000. That's why people are so upset. Thank you gentlemen.

BROWN: You're welcome.

KARCHER: Assemblyman Adubato, would you like to address this Committee?

A D U B A T O: I would like to thank you for visiting us here in Newark. Of course, Assemblyman Brown is also a taxpayer...

BROWN: And a resident...

ADUBATO: ...and I would like to welcome you, Mr. Chairman, and Assemblyman Albanese. It's unfortunate that I have to compliment you and also offer suggestion in spite of the fact that this is the first time a committee like this had been formed and then it's all over. But I thank you for taking the time to come here. As you know, the system of the government would probably be more effected by the tax situation in New Jersey mainly because of where we live. It's unfortunate that too many people can't take off two days from work to attend these meetings, so I would like to suggest that maybe evening or weekend meetings would work out better so that the working people would have more of an opportunity to appreciate what you're doing or trying to do. I know that you're talking about the tax picture in New Jersey and I would like to say, Mr. Chairman, I have been an advocate of tax reform in the State of New Jersey long before I was elected to the Legislature five years ago. While we had a lot of support in tax reform in Governor Byrne's original package, I did not vote for that purpose. I voted against it, this income tax. I voted against this income tax because I felt that the people that were to be helped the most, were not going to be. I'm talking about the working middle class guy, whether it deals

with the Federal government, State government, or as we saw yesterday, City Government, getting the shaft, so to speak. This is easy to be critical about, but to be responsible, all of us are, to be frustrated. It's easy to get negative attitudes. I would like to point out some specifics to this Committee and they may become necessary since the three of you have co-sponsored these two bills which I would like to talk about. These are the only two bills that I have introduced into the Legislature this term. By supporting other bills I felt that it was actually necessary in trying to give attention to these injustices. In New Jersey, the cost of welfare, I've heard welfare mentioned as soon as I walked in, and I'm certainly not going to say that I certainly agree with that the government should have that responsibility of paying welfare costs and in reality, we talk about general assistance which is municipal welfare. The State of New Jersey right now, as you people know, should be making it 75 percent of the cost of municipal welfare, which is an awful lot on a percentage basis. However, when you analyze that, and you include county welfare which regardless of whether you live wherever, in Essex County, you are not really contributing to your welfare, to the Newark resident, and you're also considering a county situation. And that goes if you live in Newark, Bloomfield or anywhere else. What are these thoughts? How does the income tax help? They're working, they're adopted, they're individual, in these areas. As I suggested to you, that our original intent of tax reform, not even the tax, tax reform suggested to the people of this State that we would come and take over municipal overburden, specifically, if you're going to take over welfare costs and court costs as Assemblyman Brown indicated. We have not done that. We haven't even tried to do that. And that's the reason I voted against this income tax to become permanent. Why is it so unjust? Well, gentlemen, the State has a per-capita cost, every individual in this State, the cost of welfare is \$7.50 per person, that's including every man, woman, child. \$7.50 per capita. To give you an illustration of these costs and how they're distributed, let's look at two like counties in population. Let's assume that there's two brothers, twins--both born in Newark and one decided to move out to Bergen County and let's assume also that the other decided to stay in Newark. The brother that is now living in Bergen County also has the same job, making the same income, the fellow in Bergen County's cost of welfare per capita is less than \$1.30. His brother, same job, making the same income, his cost of welfare is \$28.00. The average cost of welfare in the State of New Jersey is \$7.50 per capita. In Bergen County where we have approximately 12 percent of the State's population, Essex County also has 12 percent of the State's population, the welfare costs in Essex County are \$28.00 per person. Bergen County is \$1.30. These figures come from the Office of Fiscal Affairs in the State of New Jersey. We'll be very happy here to discuss this with anyone that wants to challenge these figures. I'll be very happy to show you line for line, dollar for dollar, where they come from. Just in case there's any doubt, of what I'm saying. If only people take from the budget that we have in New Jersey as some of the people pointed out here, of over \$4 billion, \$4 hundred million dollars, from the total expenditure,

it'd only take \$28 million to take over 100 percent of municipal overburden, which would cost the State \$12 million and I get these figures from the Office of Fiscal Affairs, also. And it would take \$16 million to equalize the county welfare and I get these figures, once again, from the Office of Fiscal Affairs. Now what would that mean? That would mean of only \$28 million, that the fellow that stayed in Newark would not pay the same as the brother in Bergen County but he would come down to the State's per capita of \$7.50. The man in Bergen County would continue to have costs of only \$1.30. His wouldn't go up. It would come from the State Treasurer, as it should. That is only one item. But it's so unfair and in New Jersey, the cost of welfare, who pays for it. Remember, these figures are made up of every man, woman, and child including those on welfare. So now people on welfare in Essex County, if you take them out of the equation, think of what the cost is to a productive individual who lives in Essex County. May I suggest to this Committee, and the people...and I have failed. I have failed to communicate with this. I've never had a press release about anything. And I've never had a press conference about anything. In spite of the fact that I have had some very shaky times and sometimes not so shaky times with the press, I still refuse to hold press conferences because, or to send out press releases, because I think that what we're doing is important enough and meaningful enough that people will contact you and ask, and that's happened, I admit that. There was a front-page story in the New Jersey Journal last month about a specific drama. And I was elated to see that the reporter reported it accurately and it was a very good service to the people of this State. So, what are we saying? We're saying that this \$28 million that would do justice addresses a problem in such a way that \$28 million in justice, would go to two counties, Essex and Hudson. In Hudson County the average per capita, which is the second highest in the State of New Jersey, is \$18 per person. I appreciate the Committee taping this and listening to this because in the sense of justice and the three of you are co-sponsors of that bill and I must say for justice I am not answering any questions for one reason. But how do we get \$28 million? Well, people sit up here and complain about the sales tax, so forth and so on, naturally I agree with that, except I don't know how the hell we're going to raise \$28 million if we don't have a sales tax. If someone can tell me how to do that, I would be happy to listen to him. Of course, we not only have a sales tax in New Jersey, you also have to remember that we have probably the fairest sales tax in the country. We don't tax food, we don't tax clothes, we don't tax shoes. All you have to do is go across the river and find out what I'm talking about. But I still don't like sales tax. because the principle of a person making \$100,000 a year pays the same sales tax as the person making \$10-20,000 a year. I think that's unfair. We should do something about that, I wish that I knew what the heck to do. But we should really try in addressing that. You want to talk about a tax problem? I don't think that we can eliminate it, Mr. Chairman. We have to try to address this to one person and how it affects his life, and then I think it will hold more meaning. If we were also

to understand that this same productive person that lives in the City of Newark, has to live under a system in New Jersey that mandates automobile insurance, life insurance, we have legislated the fact that everybody in New Jersey must have automobile insurance. As you know, Mr. Chairman, I am now serving as Chairman of the Insurance Committee and it is trying to help that problem. One of the things that I've found from the Committee, Mr. Chairman, was that no automobile insurance in New Jersey, for no other reason, but just because of the fact that where you live in this State but the same guy that's never had an accident happens to have an accident in Newark or anywhere else in the State of New Jersey, for instance, he has that accident in Trenton, suburbia, as we call it, because Trenton suburban is the lowest rate premium territory in the State of New Jersey. It's for no other reason but because it's there. What happens when these two brothers, and you take that guy from Bergen County and put him over in Trenton suburbia and leave that other guy in Newark. What happens? They both have accidents in the same car, same model, same age, same everything. They have the accident at the same place, same circumstances. The guy in Newark, that has an accident that is recordable in municipal county for over \$200 is assessed a surcharge over and above this other thing, of \$200 a year for three years, which means that that same individual that's paying \$28 per capita for welfare because he lives in Newark is also paying \$200 a year. From any insurance company that he can get, from any insurance company that will insure him, so he's going to pay \$600 minimum for a \$200 cost to the insurance company. His brother, who lives in Trenton suburbia, his is \$98. Same accident. That shows an injustice. If they both had two accidents in the same three year period, that cost \$200, that's it, the fellow in Newark, his premium goes up \$446 for three years. The fellow in Trenton suburban, goes up \$184. Mr. Chairman, I want to compliment you on your patience and the members of this Committee in allowing me to stray off the taxes and talk about injustice. This is only one facet of what happens. Mr. Chairman, for your information again it's interesting to note that the insurance companies have never produced any statistics for the 24 geographical rating territories in the State of New Jersey, except to say that's life, that's the way it is. As Chairman of that Committee, that's not how it's going to happen. From now on in this State, when a person gets into an accident, I may not be able to lower the costs but the surcharge is going to be the same, no matter where he lives. That's the commitment I have made to the public and that won't happen until after January 1 of next year. This is without the administration suffering, but just the way the administration said we're not going to have an income tax, or caps reform, we got it. I'm a Democrat. I'm a loyal Democrat. But I heed my loyalties first to my God and myself and the people that I represent, not to the Democratic party and not to the Governor. And I accuse publicly this administration for not reconsidering the income tax package. I will not take your time on the T & E bill, because you've heard me too often talk about the T & E bill. So, in frustration, Mr. Chairman, I know that you know what I've been talking about. Just like Assemblyman Brown knows, Assemblyman Albanese knows

and I thank you for your patience for listening to me and for putting this on record. I would also thank you for your support, period, in trying to help people here. I'd be very happy to answer any questions.

KARCHER: This subcommittee meeting today, Assemblyman, is addressing ourselves, or trying to put the purpose on the property tax relief fund. Assuming for the purpose of argument that the \$28 million is present, and we find it, is it not true that the way the legislation is drafted would put that into the State fund, or it would have to come out of the State fund and therefore be subject to all implications of the...

ADUBATO: No, no, no. It is my understanding that original legislation is drafted and 99 percent is saved specifically for property tax relief and not to be used for any other reason. But 99 percent of it is mandated for the reduction of property taxes.

KARCHER: When the money comes to be paid will it be subject, assuming once again the \$28 million is present, how does that not come within the purview of the cap legislation, the State cap law?

ADUBATO: (Inaudible response)

KARCHER: We're going to have an explanation. We're going to let you comment.

HERSHBERG: My name is Jay Hershberg, I'm with the Office of Fiscal Affairs and I do particularly work with the welfare and medicaid budget in the Joint Appropriations Committee. Currently, welfare, State share of welfare, is in the State Aid portion of the budget. If the State were to take over full funding of both the grant and administrative costs of county and municipal welfare...

ADUBATO: OK. We're not talking about administrative costs.

HERSHBERG: Administratively, the county and municipality still has to fund the administrative portion. It becomes a problem. But if the State were to take over both the grant 100 percent and also the administrative portion and then there's the question of whether it would be State Aid.

KARCHER: Do you follow that?

ADUBATO: I think so. (Inaudible response continues)

KARCHER: I take it that you probably read the Star Ledger yesterday or the day before yesterday.

ADUBATO: The Newark Star Ledger?

KARCHER: Did you read any of the stories in the last two or three days about the Governor's desire for a \$35 million package for urban aid?

ADUBATO: I think that I read that in the New Jersey Journal about institutions?

KARCHER: If you had to comment on that and say why your proposal has as much or more merit?

ADUBATO: It's not the same proposal at all.

KARCHER: I know that.

ADUBATO: (inaudible response)

KARCHER: I'm saying that the Governor's proposal is trying to address itself to urban problems. Urban problems. All I'm saying is that what you feel about your proposal has an equivalent amount of money, do you think it's as effective or intelligent? I'm curious to a response.

ADUBATO: Maybe I misinterpreted it. (Inaudible response continues)

KARCHER: But what I'm saying is that if we're going to redirect \$35 million...

ADUBATO: I don't think you ought to attack that. Because number one, that money does not come from income tax proceeds. Income tax proceeds are dedicated. My suggestion to this Committee, 90 percent of that should go for the reduction of property tax. So 90 percent of my revenue would come from the income tax money. And then take and release \$35 million from the General Treasury to go for things like salaries, pensions, and some of the things that citizens don't even know about. I refuse to incorporate the \$35 million that's already being spent with the \$28 million appropriated before. I think, Mr. Chairman, in all fairness to administration, and in all fairness to the people that we should address these things individually that are now being spread out. I would like to see the end result before I comment. I don't know. Until I see, I can't comment. (More inaudible response continues)

KARCHER: First, let me introduce everyone here, there's distinguished Senator Wynona Lipman, who were are pleased to have with us, and also before we take another question, can we also determine who else here wishes to testify? I understood we have someone from the Department of Assessment, or Division of Assessment, from the City? Well, with that Assemblyman Brown, you may speak.

BROWN: Assemblyman Adubato, I guess it's not an attack, and also I'm not really opposed to your position, so you shouldn't feel that because we want to talk we're not going to attack. I agree with a lot of what you've said and I support most of the things you've said. I don't have a question -- it's a comment, in support of the fact which the Chairman has referenced to \$35 million transfer for redistribution versus the State takeover of welfare. My position is that, I think that there happen to be two different positions I should address and two different manners. The fact that we're talking about the State takeover of welfare means that we're talking about a permanent type of structure that needs to eliminate some inequities like this in the State of New Jersey and also to create some equity here in the City of Newark and other urban areas of this type such as Jersey City and Hudson County. I think we're talking about problems and two different areas and I think we should think about welfare first because we're plugging to get those funds here in the urban area that they're talking about redistributing. So we're not exactly talking about elimination of funds in order to support the State takeover of welfare system. As I pointed out, we should look at the fact that we're talking about a permanent structure and one that cannot be redistributed as they're doing now with the \$35 million which we voted for in lieu of tax bill, and then we find out later that the bill is not funded totally and now they're saying

that we should restructure that and use it for something else. Most of us support that legislation with the intentions of what it actually would have done, of the fact that we have here the most of the institutions, State institutions and things of that nature and that was the purpose of that bill and we find out now that we've shifted that money into other areas presents a problem as far as support on other legislation. The Legislature, we had intentions of addressing it because of that purpose and not because of those areas. To me, there's a real problem when you start to shift money around, because you mislead the voters, you mislead the legislators, that's a poor kind of legislation which may have difficulty supporting other areas. When you accept that kind of policy and then you change it later, it makes it difficult to get additional support and you talk about other problems that may exist here in urban areas and urban counties. So, my point is, and I think I've made it clear already that we should push for your legislation. The question now is that what kind of support have you gotten and what kind of poll have you taken in the Legislature. I think once we've passed the legislation and I was one of those that voted against the 20 and Out bill and I mention this problem with it and when we're talking about \$20 million and we want to address ourselves to a particular group or interested groups in the State whereas now we're talking about legislation that would be equitable to all the citizens in the State of New Jersey and it's not that much difference in the amount. The figures I got from the Office of Fiscal Affairs are something like that and it could cost something like \$20 million or more. There's not a real figure given but the 20 and Out bill, it was. So we're not that far away if we're talking about 20 and Out and I would definitely support Mike's bill over the 20 and Out bill when we're talking about \$7 million or \$8 million. So, I have no problems but I'd like to know what kind of support we have, Mike.

ADUBATO: Assemblyman, \$7 million on 1150 and 1151, I believe those are the numbers.

Aside from the fact that we have two bills, and sometimes I forget their numbers.

KARCHER: You're going to have a third one with that.

ADUBATO: I got two more, three more. One, and two more in with the insurance surcharges and the other one....

But to answer your question, Assemblyman, we have 1150 and 1151, 69 co-sponsors in the Legislature. The Speaker of the House and the Chairman of the Taxation Committee, Assemblyman Van Wagner all put the bill in with no reference and have it voted on. I reluctantly did not accept their graciousness and requested that those bills be put in the Taxation Committee. It was my request that they go to the Taxation Committee because I firmly believe in our Committee system and I think the people on that Committee have the right to look at those bills and I think that the fact that most of them, if not all of them are co-sponsors themselves. In addition to that, we asked for the support on those bills, specifically and as you know those are the numbers, there are many, many Republicans as well as many, many Democrats that the bill will be safe,

now only in Essex County. Including most of the delegation of Bergen County. They're all co-sponsors of the bill, and again, this type of...in 1975 we voted on the T&E bill, of course, I didn't, but when the Legislature voted on the T&E bill, no one said, where's the money coming from? But of course, that was...So who cares where the money is coming from? No one asked where the money is coming from. I'm talking about the \$48 million and all I hear is where is the money coming from. Sorry, Senator.

L I P M A N: With \$28 million, to take over welfare, that's administrative costs...

ADUBATO: \$28 million does not take over welfare. The \$28 million takes over the 25 percent remaining general assistance. The \$16 million equalizes the county share of what it would cost the State of New Jersey together, those two figures, we break down the cost of welfare, remote purposes, and we'll pay \$7.50, which is the State average. Senator, you weren't here. I think I've got to repeat the figures -- the cost of welfare costs the State of New Jersey \$7.50 per person. In Essex County we make up 12 percent, as you know, of the State's population. Our costs are \$28 per person. What we're saying is that these two bills would have no county, no municipality, no citizen paying more than \$7.50 per person for welfare. While the other counties that are under that \$7.50 stay there. Bergen County is not going to be penalized, they're going to stay at \$1.30 per person. The revenue that they submit is coming from the State Treasury and is dedicated, dedicated for the property tax relief. 90 percent of it. So that State will still not be taking over welfare. What we're saying is the State can't afford that, as much as I don't want to admit it. I don't think we could take the responsibility to ask the State to take over 100 percent of all of welfare. We can't do it. But we can equalize it. \$28 million, that we can do. I don't know if I answered your question or not.

LIPMAN: Yes. All I'm going to comment on now is that last year all of the county boards of freeholders tried to help me push through a piece of legislation that would have adjusted that. It would have taken over three-quarters of the costs of the administration, and stopped the welfare recipients, that's for administration. Three quarters of it. It would've meant saving us \$6 million just for Essex County because we have one-third of the welfare. Couldn't get to first base with it.

ADUBATO: Yes, so you see three-quarters of administrative costs...

LIPMAN: It's really very innovative. I think it's...

ADUBATO: The City of Newark alone would be \$6 million. The rest of Essex County, with everything combined, means the total County of Essex would be \$14 million. Hudson County would reach \$6 million. So that's \$28 million. And the average level of welfare in Jersey City is \$18 per person. In Hudson County, I'm sorry as opposed to that \$7.50 average.

LIPMAN: I assume you think that it's responsible legislation, the bill that you had, and I hope the Senators see it that way. It's a different approach. At least you're just trying to be fair.

KARCHER: OK. Michael, thank you.

ADUBATO: Thank you again, very much.

BROWN: Since there is no one out there that would like to speak and since we've checked and found that there's no one that's interested at this point to address the Tax Policy Committee at this public hearing, we've given everyone a chance to speak, we're now adjourned of this Committee session. I will notify you of any future Committee hearings that we may have. Thank you. I would now entertain a motion from the Committee members to adjourn this public hearing. We now stand adjourned.

NEWARK PUBLIC HEARING -- PART II -- AUGUST 3, 1978

BROWN: Good afternoon, ladies and gentlemen. My name is Willie B. Brown, I represent the 29th district for the State Legislature. This hearing is being conducted by the Subcommittee on the Joint Committee on State Tax Policy. This Committee examines all the State taxes as well as its expenditures. And the taxes, and the expenditures of counties, and the municipalities. With the information that we get after the hearings such as this, and from other research, the Committee will make recommendations to the Legislature as to change that should be made. If any of you have prepared material, please give it to the staff so that it can be incorporated in our report. As you have noticed, the proceedings from here are being taped. They will be transcribed for the members of the Committee to study. If any of you would wish to have a transcript of this hearing after it is printed, you may write to the Joint Committee, in care of Mr. Deardorff at the State House in Trenton. Beside me is Mr. Gil Deardorff, the Chief Analyst for the New Jersey State Legislature. Before we start I would like to inform you that you may submit material to the Committee after the hearing, and anytime before the end of August. Now, our first witness, as you come forth, please state your name, address and the name of the organization you are representing. The first one is Mayor Joseph Brown, Tax Collectors Association, he will not be here, so the second speaker is Mayor Frank Lehr, private engineer and the Mayor of Summit.

L E H R: Thank you, Assemblyman Brown. My name, as you mentioned is Frank Lehr and I am the Mayor of Summit, New Jersey. I've been an elected officer since 1972 and served as a Councilman in Summit from 1962 to 1975, as Chairman of the Public Works Committee in charge of the roads amongst other things, I've been Council President and since 1975 I've been Mayor. I am also a professional engineer and because of this as a Fellow of the American Consulting Engineers Council and I have been authorized to represent the New Jersey Consulting Engineers Council.

So I am here today both as an engineer and as a Mayor to emphasize an issue of which I am sure that you have heard of before because I have been reading some of the transcripts, and that is the lack of State Aid for local road construction, reconstruction and maintenance. Other groups have pointed out before that there has been an increase in State revenue through taxes on motor vehicles and motor fuel. Still others have presented statistics which show that there are accidents, motor vehicle damage, costs of vehicle maintenance and the problems of a severe winter all showing increases. At the same time that these statistics are increasing, there has been a reduction in the Department of Transportation budget which lowered the amount of money to be spent on the maintenance and improvements of our roadways. All of the above facts are important to planning for the future, but to a local Mayor at that point they are just statistics and just rhetoric. But the cold statistics do come home to hurt our citizens in the form of higher taxes for less effective repair and maintenance of their roads. They are rhetoric until local citizens see a roadway in front of their house deteriorating -- deteriorating to the extent that the road requires complete rebuilding which is more expensive rather than the normal maintenance. I am here to plead today a case for more money to maintain, repair and rebuild local roads. I think I'd be unfair if I were to ask you for someone else's money to spend on something which is strictly local property. However, in this case, I am pleading for a greater and fairer share of the motorist's own money to provide roadways; and although they may be local roads, they are used by all motorists in the State. Every one of us traveled over someone else's local roads today to come to Newark for this hearing. More money is needed. I think that's a "given" in this problem. It is an absolute and indisputable fact. The problem is where do we get the money. Should it come from the homeowner through higher property taxes? I don't think that anyone here today believes that this is the answer. To increase property taxes for this purpose would fly in the face of everything that the Governor and you, the Legislature, had been trying to do in the past several years. There is one other important "given" in the problem and that is the 5 percent budget cap. This has been one serious constraint on every community in the State and I am sure you are well aware of that. Over half of Summit's (this is my own city), over half are allowed to a 5 percent budget, the increase that is allowed was used for uncontrolled increases in pension, insurance and utility costs. The budget caps not only prevent local communities from increasing the funds spent on local roads but require many communities to either cut back or eliminate any road work. In my own case, reappropriating \$105,000 to repair roads, this is more than we have done over an average year because last year we did nothing, the year before that we did little. In our case we are getting \$105,000 from a bond issue. This is something that runs counter to what we have been doing and I feel guilty about that but I'd rather put it out for bonds and repair the roads than let the roads go bad and then have a bigger bill later on. The disadvantage of this is, of course, that the money has to come home to roost. We have always maintained our roads out

of our ordinary account and this in this case, this is the first time in our history, that we're going to bonding. I am not opposed to bonding, per se, when it comes to long term things like building libraries, schools, and so forth, but when it comes to repairing or maintaining roads and when it comes to utilizing it for garbage trucks and our local road repair and improvement, which is what we're doing, this is becoming a detriment. I take advantage of the fact that I'm here as a Mayor to talk before the Legislature, and I have a little trouble in restraining myself on some of those things, but I know that we're being in favor for the moment for the taxpayers and I know that the Legislature may be part of the fact that we are presented with the 5 percent cap. But eventually, a cost of increase because our county and many others are doing the same thing. In respect to that, the question is just what is the answer. And it appears obvious that if we're going to protect our investment in the 23,000 miles of local roads we must spend money; and it is just as obvious that our only source for these funds is the State. It also seems fair and equitable since the motorist pays for more than his fair share of State revenue and the Municipal and County Engineers have estimated that \$143 million should be allocated each year for the municipal and county roads. This estimate was based upon data submitted by the counties and municipalities. As Mayor of one of those municipalities representing 24,000 citizens, I would ask you to allocate this amount for our roads. I am submitting for your information a resolution which was previously passed unanimously by the Summit Common Council on May 16 of this year. This resolution asks that "the State Road Aid Program be reinstated for the purpose of protecting and maintaining our roadways so that they may attain their design life." Along with this, I have provided a chart of the monies that we spent on Maintenance using our own funds and State formula funds for resurfacing and reconstructing and using the Herrick funds. Both of these State sources have vanished completely. We have received no reconstruction funds since 1974 and no maintenance funds since 1975. As you can see, we have spent money in 1976 and it was our own money and we did some minor work in 1977. Again, I would respectfully request of this Committee that you take whatever steps are necessary to provide monies now to maintain our local roadway system. Thank you.

DEARDORFF: Mr. Lehr, may I ask you a question?

LEHR: Yes.

DEARDORFF: You say that you're going to spend about \$100,000 this year from bond money. Is that an adequate amount for a city the size of Summit?

LEHR: Well, it's hard to say. We've been getting by on less than that and we didn't spend too much to speak of last year and as you can see, we spent \$26,000 the year before that. \$100,000 would go a long way but I do think it should be more than that if we really want to maintain the roads in the proper way. We have 166 miles of local streets and there are some State roads, of course, in our community.

DEARDORFF: You as an engineer in our society, rated the estimates as to the what it would cost to

the taxpayer of allowing road aid to lapse in terms of increase costs at a later time.

LEHR: I have not ... we could get some figures for you, Mr. Deardorff, on that. It's a little slow to put a handle on it but I think with the number of roads that we have throughout the State we could determine how much we've spent in local costs.

DEARDORFF: I don't think it would have to be in terms, just individual dollars and cents, but I think one of the problems is perhaps the fact that in looking at maintenance, perhaps the State does not appreciate the fact that to allow maintenance to be home-run, in the long run is more expensive than to do it. Is that a fair statement?

LEHR: Yes, definitely. You know, anybody that thinks about the deterioration of roads coming from traffic, well, of course, this is true. When roads are constantly hit, or anything that happens when a road becomes uneven or bumpy, then we haven't had an impact, not only the tire itself, but the balancing, the up and down, which increases the impact is more than normal. Then there's another thing that people fail to recognize and that is the fact that a severe winter like we had or any winter, particularly this winter when we had frost on the road, even when a road is never used, there is a considerable amount of damage as the frost goes into the soil and it's frozen, the soil becomes dry and then chemical reaction occurs and water is sucked up into that soil. This is then frozen. More water comes up and we have what we call ice lenses forming there. Sometimes these ice lenses can be two, three inches thick. Then there's a frost again and we have more ice lenses. Then when Spring comes, or when it thaws, we have not only thaw under there but we have a great deal more than normal of water and when even a light flow goes over, this pavement is now supported on half soil and half water and it deteriorates rapidly. So in answer to your question, one of the things is sealing the road to prevent water from getting down in there. Frost is a big deterrent there. A big problem to roads. And it is important to maintain them. Once they start to crack, once they open up, then they are subjected to a lot of water and the deterioration incurs, and a small hole becomes a chuck hole, becomes a pothole, becomes a canyon unless it's maintained properly.

DEARDORFF: Thank you.

BROWN: In your presentation, you mentioned that you know that, it's a fact that there's additional money needed and you mentioned roads as one of the problems that need improvement. In the Legislature we were faced with that problem when it snows, and the condition that the snow falls. There are suggestions and proposals made on an additional penny or two on the gasoline tax. As an elected official and as a Mayor, how would you support that type of concept? What's your position on that?

LEHR: Well, I think, let's say if we have a gimmick that we need, let's say we absolutely need the revenue, then I think that the gasoline tax is a legitimate way to get it. I maintained for some time that gasoline or petroleum products is a valuable resource and we don't have that much of it. That is a good way, in my opinion, to raise revenues and deter slightly a cent or two on

the gasoline tax would help gradually and make people more aware of the fact that this is a vanishing resource. I think most of us, of course, I haven't told my community or my counsel, that I think personally that this is a great way to raise revenues.

BROWN: My second question is that you also pointed out the problem of caps, I happen to be the prime sponsor of the caps and problems with them on a local and county government level. You indicated that's a problem. So you're saying, that maybe we should have caps. Would you agree that we need some kind of control as far as spending is concerned in municipalities and various types of things that have taken place?

LEHR: I have problems with caps. I would be the first to say that caps are not all bad. But there is, I think there is a constraint, I think it affects certainly every elected official, everybody who raises taxes. I think the cap had done the job, had made people very conscious but our problem is the uncontrollable. As I mentioned, pensions, insurance and utilities are using up about 2 - 2 1/2 percent of our caps. That leaves us 2 - 2 1/2 percent to handle all the other increases in food and raises for our municipal people who I think need it in view of inflation that is around. So, I'm not entirely opposed to caps, but I am pointing out that ...

BROWN: I guess you're concerned about if they're mandated by the State, however, ...

LEHR: When the Legislature throws things like the 20 and Out, we're all excited about that, and sometimes you start out by saying, don't worry, the State's going to pay it. Well, we were supposed to get some of the sales tax and then these things dry up and when you need money then we get hit with it. Yet, you're sincere, but it comes down the line to haunt us.

BROWN: Mr. Lehr, thank you very much.

LEHR: Thank you, sir.

BROWN: I'd like to introduce Assemblyman Donald Albanese from the 15th district. He serves on the Taxation Committee in the General Assembly and he's also a member of this Tax Policy Committee. Donald is to my left. Thank you for joining us, Donald. We need your expertise to answer some of the questions that may arise. Now we'll call on Dr. Kittrels, Superintendent of the Newark Schools. He's listed as the next speaker.

K I T T R E L S: My name is Dr. Kittrels, I'm the Superintendent of the Newark Public School System, I can be located in Newark, New Jersey. Mr. Brown, of the Joint Legislative Commission on State Tax Policy, I am a cognizant of the impact of the State income tax...(due to technical difficulties, this portion of transcript incomplete and inaudible interruptions rendered this portion of the recording invalid). Because of new legislation, there is additional hardship as far as the financing of school districts are concerned. For example, in our district, we had a backlog of youngsters who were waiting to be classified. We took the initiative to seek, grant, to increase our child's study teams, so that we could cut down on staffing. After doing that, and having youngsters placed, we were confronted with the problem of not having space in our classrooms for the children that have been placed. Therefore, individuals had to be placed in other educational environment.

And the cost of this, to accomplish these placements is in the neighborhood of \$4,500 to \$5,000. an additional hardship for school districts. Compensatory education is in the neighborhood of \$181 per youngster for compensatory education. These are insufficient funds to carry out mandated programs.

BROWN: Thank you very much, Dr. Kittrels. Would you answer a few questions, please.

KITTRELS: Certainly.

BROWN: I have a couple then I will entertain the panel's questions. First, I would like to introduce another one of our Committee members, the Honorable Senator Wynona Lipman from the 29th district, here in Newark. Senator Lipman, thanks for joining us, she's also a member. My first question is, has there been an increase in the enrollment in the population of the school system here in Newark?

KITTRELS: The population has decreased by approximately 2,000.

BROWN: Decreased?

KITTRELS: Decreased. Right.

BROWN: Now has there been an increase in the amount of funds that have been spent, also received from the State?

KITTRELS: Increase.

BROWN: Is that proportionately in reference to students, say, two or three years ago, prior to the reduction of the 2,000 enrollment. Is it less or more? Do you have any idea?

KITTRELS: Unfortunately, it is more. It is more per student.

BROWN: My question is, the factor that there's been a decrease in enrollment over the past two or three years, there's also been an increase in the amount of funds that we received and you say there's still not enough funds to operate.

KITTRELS: That's a very good question. That question leaves me to describe declining enrollment, something that is does not necessarily go hand-in-hand and because there is a increase in enrollment and an increase in support by some local sources all over the State, that it should somehow balance out or provide sufficient funds to run a school district. If you look at 80,000 youngsters and remove 2,000 youngsters from that population, of previously 82,000, those increases do not all happen in one area. If it happened in one area, well, we could close one school and, of course, it would be a plus. It would be additional moneys that would be available for other purposes. I think that you and your colleagues recognize that there has been an increased demands on perhaps educators to provide additional services. Special dedication for what we must do currently in terms of evaluation process, in terms of placement process and now we're talking about many other theories, in the past we did not have to consider. Of course, the increase in labor contracts which we should have some ability to control. When we start looking at making comparisons, as far as salaries, as far as benefits in caps, except in some way, form the total amount of moneys that we're receiving. The decrease in student enrollment and the increase in State aid is not a balancing factor. Also, there is the assumption that we have sufficient moneys previously to run our school system. I cannot say that 20 youngsters per class add up to 15. But we can decrease our classroom to another level.

It is an ideal that we would like to get to in Newark. Even with the increase in spending, declining enrollment, we are still not there. That is certainly something that must be considered.

BROWN: Thank you very much. Assemblyman Albanese also has a question.

ALBANESE: Doctor, thank you for coming to us with your comments today. I think by interpreting your remarks regarding the funding (the inaccuracies of funding) at least as far as Newark is concerned, with the income tax you really, what you're saying is that the formula in the T & E law needs some looking at in order to make it more equitable. The property tax itself, of course, is a mechanism to really sponge for the T & E formula which is rather new over the last few years.

KITTRELS: I really want to point out that my remarks would relate to other urban school districts and would have some of the elements and characteristics that I mentioned earlier.

ALBANESE: Regarding enrollment, I saw a study recently that said that, and I'm not being critical or sympathetic, but recently a study showed that Newark had the worst attendance school record in the United States. Is that fairly accurate?

KITTRELS: I am regretful that I don't have a letter of apology to me from the person who submitted that information, information that's liable to have a reaction to occur, indicating that the information was erroneous and off-base. That information was reported in the Star Ledger. Newark's average attendance was 82 percent on the national average--to look at statistics nationally. You will find that we are in much better shape than most urban school districts. That information was completely off-base.

ALBANESE: I don't think I saw this in the Star Ledger. My district is in the western part of the State and the Star Ledger doesn't get out there, so I didn't see it, but attendance is a problem. I wonder if costs problems would be much greater than they are now if attendance was greater?

KITTRELS: As the number of youngsters in a building, in a plant increases, the problems tend to increase in certain areas. Certainly there would be additional problems on the financial side as far as feeding, we make certain projections as to the number of youngsters that we're going to feed, obviously if our attendance is not at that level there will be some moneys that we receive back. Some problems would increase but at the same time we hope that by increased enrollment, in addition there's a thought that we can provide the kind of facilities that are required. I would prefer that all the youngsters be there and cope with the problems rather than having only 80 percent of the youngsters there and thereby having 15 percent of the youngsters receiving little or no educational services at all.

ALBANESE: There have been discussions among various legislators and government people, not only in New Jersey but elsewhere about the distribution for school aid based on attendance and not enrollment. How would you view that?

KITTRELS: The fact is that we have to provide services to youngsters who do not actually report to school. We have an impressive attendance program for individuals who are stagnant who in fact make visitations. We do not ignore youngsters who do not report for school. We have attempted

in many instances to develop alternative programs who address these youngsters. The mere fact that a youngster who only comes to school 50 percent of the time does not mean that we ignore that youngster. There are services that are designed to advise you of that particular youngster. I would not be in favor of financing a formula that would address attendance. I think that the process of the formula that is used is adequate as long as you recognize that in many instances, not only Newark, that because there is a larger Spanish population or Portuguese population, other individuals, for various reasons, that we are attempting to identify, do not actually show up for classes until after September 30. And that in some way has to be adjusted because we must provide services to those youngsters. They are not forgotten. Just one other thing, Mr. Brown, to your question, that I wanted to point out. As a result of declining enrollment, that is also resulting in something else very interesting in education. This has resulted in educators making decisions that in the past they were unable or unwilling to make, especially as it pertains to social promotion. In the past because of the fact that we had youngsters coming in, first grade and kindergarten, we were so busy moving youngsters through the grades to get them out to make room for those coming in the very beginning, and now, as a result of declining enrollment that we are taking positions as it relates to social promotion, youngsters are being left behind, which means that there are a number of other services and requirements because we aren't simply moving youngsters to grades as we did in the past.

BROWN: All right. Senator Lipman also has a question. Senator.

LIPMAN: First of all I'd like to say that I missed one or two parts of your beginning. Anyway, we do have your testimony recorded but I'd like to have a copy of your testimony.

KITTRELS: Certainly.

LIPMAN: I wanted to ask a question in relation to the Federal funds that you say are now inside the cap and compensatory education fund. Usually Federal funds are for special programs like Title I. Does this in any way affect the amount of compensatory education, I know that's done by special formula, too, but you remember last year or the year before last the urban areas were up in arms about the lack of proper funding in compensatory education by the amount of remediation they had to do. So why did you especially mention that the Federal funds that now are inside the cap, does that mean that there is a less amount in your compensatory education fund?

KITTRELS: I mentioned it because as a result of that, I am losing at least \$2 million this year. Based on, not including Title I funds in our total budget submission, our budget was half of that, \$145 million. As a result of including Title I funds, our budget was submitted of \$153 million and therefore it was required that we seek a cap waiver. The waiver was granted, however, the waiver was for \$6 million and not \$8 million. Therefore, if I did not have to go through that process, I would have a budget of \$145 million plus the \$8 million for Title I. As it stands,

I will have a budget of the \$143 plus the \$851.

LIPMAN: I see.

KITTRELS: Thank you very much.

DEARDORFF: Doctor, I'd like to ask you a question or two. We've heard a lot of things from educators throughout the State about the Chapter 212. Much of it favorable, some of it unfavorable. But one of the things which a lot of them say that it causes a great deal of paperwork that they feel, many of them feel, is not necessary. Do you feel that way?

KITTRELS: My principals complain about the volume of paperwork. There seems to be more paperwork involved than is necessary. We have, however, attempted to address them in working with the county superintendent in reducing the amount of paperwork, trying to put together some informational system so that the same information can be provided without the amount of paperwork involved. If you are interested in my personal opinion as far as Chapter 212, I think that it has had a positive impact in terms of the requirement for planning as far as school districts are concerned. I think the big plus is the emphasis on planning. We recognize that educators did prepare lesson plans and did everything that was associated with planning but I think for the first time we are sitting down participating in goal setting objectives and we are a little upset that our friends in Trenton do not support us. I strongly believe that there should be a relationship between student achievement and teacher performance. It goes hand in hand. If you want to stop and count all the systems such as emphasized by T & E, Chapter 212, then that relationship must be there. If the youngster is not learning and there are no reasons that could be explained as to why that youngster or that group of youngsters in the classroom are not learning, we then must admit that those individuals who are responsible for that are those that are providing the services.

DEARDORFF: Thank you very much.

KITTRELS: Thank you very much again.

BROWN: It is our procedure that we will not entertain questions from the public to those people who are speaking. That is not our procedure in a public hearing. I will give you a chance to speak as one of the speakers and then you can make your comments in reference to whatever you'd like to comment on. That is a policy and I would like not to deviate from it. That is the policy. I would like to now recognize Freeholder Thomas Giblin, from Essex County.

G I B L I N: Mr. Chairman, I do appreciate the opportunity to appear before the Committee today--the topics that are very close to the hearts and pocketbooks of the people that I represent in Essex County. Essex County's budget for 1978 was \$188 million. Of that amount, nearly 65 percent was dedicated to State mandated costs; judicial, penal, welfare expenses. The judicial function of Essex County is second only to that of Los Angeles County and fully one-third of those in public assistance in New Jersey reside in Essex County and over 21 percent of the mental health patients in New Jersey are housed at the Essex County Hospital Center. Considering then the structural

services we provide in these two areas alone, people see the dramatic impact of any financial decisions made at the State level have on this county. This year in the Essex County budget some of the most dramatic increases will occur in the area of fixed costs. One example is the payments we must make to State institutions for mental diseases. These costs have gone from \$1.5 million to \$2.13 million. These weekly charges at the 6 State hospitals in which we have patients has increased as much as 48 percent. Charges at the State institutions for the mentally retarded have increased by almost 10 percent. The fact that we must meet these obligations in spite of the 5 percent cap limitations proposes a challenge which in some cases demands decisions to defer or eliminate other county services. In addition to outright charges, the counties are asked to perform services and assume obligations to begin to bear the financial burden. For example, judges assigned on a rotating basis at the Essex County Hospital Center to periodically evaluate the status of patients so that men, women and children that are institutionalized and subsequently forgotten was a long-overdue reform in the State. But in this county, which runs the largest psychiatric institution in the country, this is a real financial burden for which we have no relief. In addition, this means increased court costs, court attendance, attorneys from law departments. We all know well that the State is about to initiate a program that calls for a periodic review of foster child placement. But the cost is to be absorbed by the counties. The State's recent budgetary cut-back in appropriations to mental institutions and corresponding cuts in staff and patient in-take means that the counties are forced to wait in line when it comes to placement of patients in long-term care facilities. In more stringent, more uniform printed code, this is certainly overdue to the State but an overflow at present population must be anticipated and reckoned with as well. This will not only affect the State but a county the size of Essex will certainly be at an overflow capacity. This county has tried to live within the 5 percent cap restrictions and we have been successful only because of a few factors. One, revenue sharing can see the problem which has enabled county institutions and agencies to continue to function at a reasonable level with supplementary personnel by using available surplus. As the 25th largest county in the United States, Essex is at the point where its people desperately need to see relief. In moving cap restrictions or exempting certain areas from cap regulations is not the answer. I think the people of this State, the people whose county accepted the income tax to a greater extent, because of the promise of restricted spending, to go now about removing restrictions and exempting certain items is to renege on that promise and justify current taxes. I strongly urge this Commission to sit aside a portion of the income tax and gather revenue to make the county a portion of these mandated costs. We are the only county in the State whose court costs, and I mean, we are the only State in the nation, whose county court costs are not reimbursed of their administrative costs. Proposition 13 in New Jersey does nothing more than mean that our property taxpayers are a portion of the burden. Where is the equity in Essex County, supporting 1/3 of State welfare costs, 21 percent of the mental health patients,

and one of the largest court systems in the United States? I represent that in Essex there is a socio-economic position, here are some of the wealthiest people in the nation, and some of the poorest. Our challenge here as freeholders and you, legislators, is to find a way to equitably define how to stop taxing each other to death. Just to elaborate further on a couple of items, which is very important to the Board of Freeholders, Dr. Kittrels mentioned a figure of \$1900 per pupil as currently being spent with the Newark Board of Education. What about county college, I think we all realize the fact about county colleges is when they are established and in the mid 1960s, the State at that time, would assume one cost of the operation of these facilities and at that time the dollar figure was set at \$600 per pupil and last year I believe the figure was raised by \$100 to \$700 per pupil. So I think just in the air of county colleges, we feel that we are not getting our fair due from the State. The same way goes with the Essex County Vocational School System. There has been no noticeable impact in this area that has helped the Essex County taxpayers. One other item that I would like to comment on, of course, we here in Essex County, we do have an extensive road and police department. Reading in last week's paper, concerning the \$500 million surplus that was called as unspent in DOT, it seems kind of contradictory considering here within our county, facilities such as Jackson Street Bridge, seven months ago we had to place a restriction on trucks and other types of vehicles so that the bridge, which is in jeopardy of literally falling into the river, would come up with these restrictions to at least keep the bridge in an operational function. And the same thing going back last winter, talking about the snow plowing and the equipment that we need here in the County, and we have such a large amount of money available, that I could see the County can certainly put some of that money to good use. Even in the area of geriatrics, our Essex County Geriatrics Center is the largest geriatrics-sponsored county institution in the State and certainly a dire need for our citizens needing extensive geriatrics care. We just don't have the ability financially to cope with this problem which is very discouraging. Last week people came before me trying to get a senior citizen admitted into a facility such as a geriatric center and its almost fruitless trying to contact people, there are just not facilities available. What I want to stress to members of this Committee that we in Essex County, we can't compare Essex County to all the other counties in the State because we have a lot of unique problems here such as unemployment, many of our services to our citizens, and we have a problem dealing with many of the people unable to pay for these services and they need help and certainly the assistance at the State level is a dire need at this present time. Question, Mr. Chairman?

BROWN: I have one question. In your previous statement you indicated that the problems we've had with caps on the municipal level, as an Essex County freeholder, and one of those individuals that also is responsible for keeping the budget within the cap, how does the cap affect Essex County?

GIBLIN: We live within the caps this year, but certainly to live within the caps, there's essential services that have to be cut back and they should be divided that we just couldn't afford to initiate. We have a problem just like the City of Newark, or any of the other public agencies dealing with social security, pensions, health and welfare, compensation insurance, unemployment insurance. These take a lot of management and in appropriating the budget, we had somewhere around several thousand dollars for snow removal and by the time the winter was through we ran up \$1.7 million. There is a tremendous amount of areas that we have extensive revisions and we are living up to the mandates of the State law, but doing so, people are suffering for it through lack of or decreased geriatric care, people are cutting back on programs that should be initiated at the county college or vocational school system, but providing the revenue to meet these costs, in many areas you are cutting back and people consider themselves as getting second class services, we should be first class citizens and get the services that people should have and we ask the State for your help.

BROWN: If that's the problem, what do you suggest as a means of controls for the taxpayers? What kind of guarantee do you give people as far as not continuously increasing taxes?

GIBLIN: My only feeling is that the State should kind of practice what they preach. They tell county governments, they tell municipal governments, live within the 5 percent cap. We noticed going back over the last year, there was a program initiated, probably a most rare kind of program, which was prescription drugs for senior citizens. It seems kind of contradictory, here you are telling us to hold the line in spending, and even though I can see the need and the justification in something like that, people are getting a little bit concerned. You see a lot of areas where the State has moved ahead with things, with the lottery, with revenue that's derived from the gambling in Atlantic County, and I'm an elected official here in the county but they don't seem to see where it has made the impact in their pocketbook. This is what our real concern is, is perhaps maybe other counties are getting the benefits, I'm not quite sure, but we haven't seen anything noticeable decrease here in Essex County, especially with the help from the Essex County Government. For some municipalities within the county, I believe the taxes went up this year.

BROWN: What do you suggest or propose to show us Assemblymen what you're talking about to give the taxpayers some type of guarantee that we're not intending to increase taxes?

GIBLIN: I think one of the fallacies that we've recognized over the years is that county government, municipal government, State government, we kind of treat each other as islands unto ourselves. But there is really no type of governmental cooperation and as I mentioned before, something to centralize the purchasing system. Certainly if we can blend each others expertise, like data processing, and the attempt for municipalities to reduce their costs, is we've worked out a program as far as doing tax bills and water bills, and it's my solution that to reduce these costs and to keep them from reaching the levels of inflation, we have to have more government cooperation among the various

levels.

BROWN: Senator Lipman, do you have any questions?

LIPMAN: I'd like to ask about counties and economic development. Ruefully, at another meeting in Trenton, I ran into the Essex County Improvement Authority which is, I know, part of your solid waste plan disposal system and that's legislation 326. What I'd like to ask is with outside revenue raising like this, do you think that that's going decrease your costs and help counties bear the strain of decreased State income and increased costs for services? And you mentioned, for example, would you be allowed to use that money? Income from...

GIBLIN: It's a question as to whether who's going to be sponsoring the program for solid waste in the county. A couple of weeks ago legislation was passed providing for the Port Authority to become engaged to be in care of industrial parks and incorporating that legislation would be permission to establish a solid waste plant. The way it stands now, Essex County is here and the Port Authority is there and it seems kind of foolish to the people to be going in three different directions so we have to put our heads together and come up with a reasonable place to deal with this ecological problem here in the county. We can't be going in all different directions.

LIPMAN: But the counties do have authority in waste disposal and solid waste disposal.

GIBLIN: I realize that. But we....it's kind of confusing with the legislation that has been passed, that for the Port Authority to have the ability to ...

LIPMAN: I see.

DEARDORFF: Actually, the Essex County Improvement Authority and the Port Authority work hand in hand. In fact, the Essex County Improvement Authority came before the Senate Committee and were very favorable toward A-1413, which was the industrial park bill. Because within the provisions of that act, the Port Authority must exceed delegate the Solid Waste management, Chapter 326. And in doing so they must cooperate with the county whether the county has the improvement authority or whether it does it under some other form. So that actually the two of them would be supporting each other and actually Essex County Improvement Authority, under the terms of the act, should have a better opportunity than it would if it had to do it on its own.

LIPMAN: The county would be able to sell on the market the packages of energy they had been making from solid waste in the county and work together with the Port Authority's plan.

GIBLIN: I don't think you'll see any type of balancing out against....I don't think you'll see any assistance to the county budget for a substantial number of years. That's my observation.

LIPMAN: All right.

ALBANESE: You make reference to the lottery and casino gambling revenues. At least a portion goes to the State and you have a big tax on those revenues and in my opinion, because they go to the elderly, or higher education, in addition the casinos, I think, is just making its first contribution to the State but I think eventually probably you might have ten casinos functioning

and the State's share comes to close to \$100 million and there may be some impact from that, trickling down into the county and lower government spending. All the problems that county governments have, as well as local governments, comes from the State's mandated programs. Essentially local and county government do worry about who's going to pay for it. I'm not here to campaign for any piece of legislation, but I am supporting other pieces of legislation that have been introduced in the New Jersey General Assembly. I have introduced a bill in June which requires State funding of all programs mandated by State law and administered by counties and municipalities. Would you support that type of legislation?

GIBLIN: You'll have me contradicting myself and I'll even support it.

ALBANESE: Thank you.

GIBLIN: Thank you very much.

DEARDORFF: Mr. Freeholder, I have asked this question to freeholders and other members of county government before with mixed answers. Perhaps you representing the most urban county, or the large urban county in the State, in other states, county and local governments, and particularly county governments, are given the opportunity to, by the State, to expand their revenue base other than through the property tax. We are the only state, industrial state or heavily populated state that restricts our counties particularly to nothing but the property tax. Do you think that it would be advisable on the part of the State of New Jersey to follow the lead of some of the other states and on a county option basis, with the county responsibility to utilize other methods for raising revenues?

GIBLIN: Such as?

DEARDORFF: Such as piggy-back on the sales tax, such as income taxes, local motor vehicle fees, or any number of them in use throughout the United States?

GIBLIN: I can see telling a taxpayer here in Essex County that the State income tax, the State sales tax, county income tax, they're going to tar and feather us and throw us out of the State when we start talking like that. So, I think we'll have to live within the system the way it presently exists. Certainly, we have to tighten up and get the most out of the moneys we're spending. Certainly I think the people here in the county, just like people all throughout the State and the country, have felt the pinch of inflation and to talk about something like that at this time certainly would be not only unpopular but also not the best interest of the county's future and the State's as well. I don't think it's advisable.

DEARDORFF: Thank you.

BROWN: Donald Tucker.

T U C K E R: Thank you very much, Mr. Chairman. First of all, I'd like just go into detail about a couple of general areas dealing specifically with the question of the revaluation. Based upon prior dealing in regard to municipal council, I think my opinion on revaluation is one which

is well known. I'd just like to preface my remarks by indicating that I think that whole question of revaluation really addresses the city as to putting up with a fair and equitable tax plan. I don't think when I talk about property taxes that when I deal with revaluation that it totally affects that. My concern is that the current system that we utilize, which is the basis of our tax structure, except from and apart from the income tax, basically discriminates against urban cities such as Newark. The City of Newark in the past, in 1976, came before us and brought this matter directly before the courts and it was a brief that responded by the Corporation of Councils and we basically made our particular point known. Our concern is that the concept of revaluation in some cases works for properties which are consistently rising in value. But the concept itself does not work for properties which are decreasing in actual value. The other point that I would like to make is that when we start to look at the equalization of tax rates that is promulgated by the states and by the county. That equalization discounts transactions which again, basically, discriminate against the City of Newark and forces Newark to basically pay a higher rate on the county, based on that action. The other points I just wanted to make here, and this again pointing to new legislation that I think needs to be introduced about the 5 percent and also about the Assembly and hopefully we can get them signed by the Governor. Newark, as a city, reaches a point where approximately 50 percent of its available ratables are tax exempt. Then, at that point in time, some specialized legislation is absolutely needed. I think where we're dealing with the City of Newark, most of us are probably aware that our property taxes are based on one-third of our current land value, paying the basic load for two-thirds of the city which can affect this tax exempt. It is my opinion that the State should have some sort of statute which prevents other municipalities from getting into a situation such as that because that in itself creates havoc with new property tax system. Now I'd like to get into a number of points which I would like to have put directly into the record. This deals directly with not the State legislation but a need for State legislation. Currently, the Division of Taxation in the State of New Jersey has the right of a New Jersey State statute to promulgate a formula which can be adjusted for exclusion or not exclusion with the State adjustment of tax rates. I'll just read a short synopsis now, directly into the record. This way you can get a better feeling of what I'm dealing with. It is my opinion that the State Director of the Division of Taxation should not have the right to exclude or include parcels. It is my opinion that that should be entirely within the State's statute. Currently, at this point in time, it is not. In the City of Newark, in a case that was found directly in the Appellate Division, in the New Jersey Court, in 1976, what I will do is leave out that portion of part 2. I believe we submitted copies to the New Jersey Legislature in short council form. This again indicated the same thing. To the City of Newark there is a challenge and preferred method that is employed to determine Newark's ratio of equalized valuation. On the grounds

of the exclusion of various non-usable sales results in a distorted ratio for the City of Newark thereby increasing the share in county taxes. Mr. Robert Caprio, who analyzes the Director's figure of non-usable sales in Essex County for a sample period of 1973-1974, 1974-1975, in order to determine the distribution of non-usable sales in Essex County. And if you employ the usable sales indicated that your's differ from the rest of the county's, he found the category of 15 governmental acquisitions representing 7.4 percent of the non-regional sales in Essex County, but 34 percent of all non-usable sales in the City of Newark. In addition, the rate of FHA and EA foreclosure to the City of Newark is about 2 times higher. In 1970-1976, which took over approximately 2,000 units per head in non-paying taxes. A gentleman from the statistical section of the local property and public utilities branch of the Division of Taxation from the State of New Jersey testified that the Division made no attempt to analyze the non-usable sales to ascertain these areas in excessive numbers of sheriff sales, foreclosures, in order to determine the ratio study applicable to getting. The Director of Taxation established a list of 27 categories of transactions which are non-usable sales. Included in this category of non-usable detransactions of tax sales, judicial sales, sheriff sales, sales to and from the United States of America, the State of New Jersey or any other political subsidies in the State of New Jersey, including laws of limitations. If the Director is authorized to exclude FHA or the major portion of FHA and VA sales, then what we're talking about is in Newark, with the exception of certain areas, the majority of sales within the City of Newark fall within FHA and VA. We, as a city, when we move directly into a real estate division, in which we are selling properties that have been previously foreclosed, I think that's a subject that should be turned over to the City. When we settle that property, that's a transaction and is also excluded, which means that what we're dealing with is, we're dealing with formula - an equalization formula which in most cases does not represent the unit. I'll take a prime example of that. If we sell a house in the Ironbound section of the City of Newark and the current assessment on the house may very well be \$15,000 per year. When that house is sold, for \$30,000 per year, that is a good sale. In contrast to that, in a real estate commission, that has an assessment, within the central ward within the City of Newark, and that assessment is \$15,000 and he purchases that house for \$1,000 what happens is that the Director says that he came in on that sale. But at a county sale of a typical community-selling row house, I'm of the opinion that what you get out is an equitable equalized tax, then you should count it as a typical sale. FHA and VA sales are a major portion of those sales and what happens in affect is that you are discounting the majority of sales and property that are taking place in the City of Newark. What I'm saying is that I think that the State Legislature has to address that issue. I think that action should be taken to request the Director to change his mind by believing that action should be directed to the State and have the legislation changed to eliminate that kind of a discretionary judgment which automatically discriminates against the City of Newark and other urban areas in the State of

New Jersey. If the property tax system is based on the fact that each year that property value increases, then the revaluation system is adequate but it's got to take into consideration the fact that in some of the urban areas the property values have not gone up but in some cases have gone down. It ultimately means that our property tax system dealing with revaluation and reassessment even addresses a change. I think that that's the point we're dealing with. I don't think revaluation, to be frank, is just to adjust the law. I don't believe that revaluation is good for the State of New Jersey. I think that it discriminates against people who are now on a fixed income, whether they are being in receipt of the services or not, it doesn't matter. They're going to pay for a particular service. I think you should reassess how we are attempting in the State of New Jersey and try to come up with a graduated income tax, which in itself basically throws the tax burden on people's ability to pay and not a discriminatory tax system which discriminates against any person who basically owns property, whether they have the ability to pay or not. So, what I'm really concerned with is that a equalized tax rate is needed and that plays havoc with establishing a discriminatory tax rate for the City of Newark in regards to what we pay in taxes. We've got to address the property tax system and address it with realistic ways. Thank you.

BROWN: Thank you, Councilman Tucker. We do have some questions we would like to ask you. I have one question. You mentioned the fact that we should consider one's municipality and the property that's no longer got the means, there should be some kind of special legislation. Also, I'd like to mention some of the State-owned properties we have in the City of Newark. As you know, legislation that Senator Lipman is responsible for, in lieu of taxes, since that time, there has been talk of transfer into other areas rather than giving Newark taxes with relation towards funds being given to spend on other areas in the municipality. The question is what is your position, you feel that we should have in lieu of taxes, should that money be transferred into other areas?

TUCKER: I've worked on the tax force which we've dealt with legislation dealing with people with taxation, along with Senator Lipman and Mr. Deardorff. I think it should stay as is. And let me explain the reason why. If, I think the State, took a major step and they established the precedent of paying into taxation, in the past the State has given payment in lieu of taxation in the form of something else, to other municipalities throughout the State. I think that the legal precedent of the State coming or the Legislature adopting the legislation, and the Governor signing it into law, clearly at least obligates the State to at least look at affect of what happens when the State takes land that belongs to a municipality and subsequently decreases the ratable. I think that my position on that matter is based on one factor. If you take it out of the discretion, out of the area, and put it into the area of discretionary judgment, then we're dealing with whatever the State feels

at that point in time they want to do for a particular municipality. But if it stays in the area of payment in lieu of taxation, then it is clear that those particular funds are going to go directly to the property tax reduction. I think the best way to describe it is in Newark, that the funds that we have received for payment in lieu of taxation were not utilized by the City for any expanded program but worked directly for property tax reduction. So it went directly to the citizens who were paying the high property taxes to begin with. So I am of the opinion that it should stay as payment in lieu of taxation, which is an obligated responsibility of the State on a formula ratio rather than give in to the discretion of appropriation. If it's not done by State legislation, to answer your question, Senator Lipman, then I don't believe that a city should even vote on it. What you're dealing with is a city making a determination as to whether a religious institution or fraternal institution should exist within their town. Obviously that's a political request. It is also a State political question. But all I'm saying is that if cities within New Jersey are willing to not just become fiscally solvent, there's got to be a point at which you say you cannot accept anymore exemptions because what's going to happen is, is that it might even be worthwhile to develop legislation that says that anytime that any municipality basically deals with that, and have the people vote on it, as to whether or not they want basically to consider dealing with other exemptions. All I'm saying is that the exemptions cost something. The taxpayers are not even informed when that particular exemption takes place. All somebody has to do is, if they meet State requirements, go to see a tax assessor and apply for exemption and if they meet the particular State mandate, they receive the exemption. There's no vote of the governing body, there is no printing in the paper, there is no legal advertisement, there's nothing. All they have to do is buy the property, visit the tax assessor, and that's it. And that actually, in itself, automatically raises the amount of taxes that everybody within the City of Newark pays. Not just in Newark, I believe in other municipalities too.

LIPMAN: Did you say that you did or did not say that you asked the Director of the Division of Taxation about...

TUCKER: We petitioned to the Director of the Division of Taxation and we indicated that if he prohibited FHA and VA sales as nonmeaningful sales, from the State equalization formula, that that actually in itself is discriminatory. If he also prohibited municipal sales, that through the Real Estate Commission or land we basically sell as a city, from the equalization formula, that in effect actually is discriminatory. We presented a brief before the Essex County Board of Taxation dealing with that and we also presented a brief directly before the Division of Taxation dealing with the certification of the number of transactions that are prohibited from the equalization formula. The action by the Director was if this is the way that State property tax system is established, and there are good sales, and there are bad sales.

FHA and VA sales are from this standpoint, are a bad sale. Municipal sales are a bad sale. So what it means is, is that we get all of the good sales, so that one particular area of the City, say in Newark, predominates the hybrid sale and that equalization formula from that area establishes what our equalization formula is going to be for the entire City of Newark. So, all I'm saying is that, I don't believe that that type of decision should be an administrative decision. That should be a statutory formula which at least indicates clearly what should be included and what should not be included. All I'm saying is, that Newark is paying a higher proportion of county taxes based on the exclusion, which is an administrative determination that is made by the Director of the Division of Taxation. So it's not a point that nobody knows about. We have presented our brief before the Appellate Division of the New Jersey Courts, and I think that, I'm not sure whether or not, the State Division of Taxation's Director was not present at that time. All I'm saying is that we've got to have legislation resolved. If it's administrative, it will never be resolved.

LIPMAN: O.K. Thank you.

ALBANESE: I have no questions, in fact, all I've heard you say is that the State should have a graduated income tax?

TUCKER: What I'm saying is that the State should, you see everybody looks at the property tax system and in the income tax system as the only meaningful tax system for the State of New Jersey. What I'm saying is that New Jersey depends too heavily on the property tax system and based on that, what we do is, you don't retire in New Jersey. What happens is that you retire out of New Jersey. What I'm saying is that we've got to establish or work out ways that are fair and equitable. I was part of the people, going back a few years when Senator Ammond was there, when that first graduated income tax was submitted to the New Jersey State Legislature. I was also down in Trenton when the current income tax, I call a surtax system, was acted on. I just think what we're bound to become, we've got to be fair and equitable in dealing with taxes. I don't believe that a person, that's a senior citizen, who has paid taxes all their lives, should be faced with a property tax system which does not take into consideration that they are also on social security. I believe that the only way that you can equitably resolve that is a graduated income tax system. I know for sure that the State would have various feelings to get the community to deal with that. But that's my way to resolve the question but that's not the only way. My concession is that the State should move in that direction rather than just depending on property tax system.

ALBANESE: Whenever I think of graduated income tax I think two inches off my chair. I'd just like to comment in saying that I believe the government has to do is to concern itself less with the redistribution of income and more with its concern on whether everybody takes home like that. I just think that any graduated income tax has a negative effect on investments,

and what we're doing is preparing one's ability to earn more. I think the economy will help the whole tax situation, whether it be property tax or other tax. We need more incentive to have atmosphere or be penalized for making....we tax one's ability to get ahead. This is wrong. I think I agree that the property tax situation should be addressed, that's the purpose of hearings, I question whether additional taxes solve that problem or are we just redistributing the wealth in the State? I can appreciate your coming here.

TUCKER: My solution is graduated income tax but I'm also aware of the problem so I have no particular other alternative which would eliminate our property tax system. I have no problem with dealing with that, I just think that we have to do something.

BROWN: Thank you very much, Councilman Tucker.

DEARDORFF: Mr. Tucker, just one question. You and I have talked a lot about the property tax and revaluation, particularly. I think everyone feels that the sales ratio, use of sales ratio in determining the equalized valuation is a very imperfect, whether in Newark or anywhere. Do you think that perhaps that given a little better guide from the State so that it would be equal throughout the State, that revaluation or reassessment might better be done in-house? Than having somebody come in from the outside and do it? As long as it was properly done and properly supervised?

TUCKER: I think that it can be done but I do believe that the inequities that exist must also be resolved.

DEARDORFF: Well, you see, really what I'm asking, in a way, is wouldn't your assessor's office be more aware of the actual value of a house wherever it is in Newark than someone who does really not know this City? And be able to put a much better, property assessment on it?

TUCKER: Yes, but, again, we're talking about the State because the State...I think the assessor is a much better choice because he or she is in a consistently involved situation. It's each and every aspect within a municipality or jurisdiction. So, obviously, I think that it is much better if you have, I call it, home rule, in regards to revaluation. I do believe that that in itself would not completely resolve the problem that urban communities in New Jersey are faced with.

DEARDORFF: Thank you.

BROWN: Just to make sure we're keeping to a democratic process, what I want to ask is, that we've received a note from Larry Hecker, that the Chamber of Commerce, so whichever of you has the busier schedule, I would appreciate it. Which one wants to go first? You're next.

OK. I just want to make sure we're using a democratic process and I don't want to be accused that we're not. Mr. Banker is the Budget Director and is also speaking in the place of the business administrator, Mr. Milton Buck. Mr. Banker.

B A N K E R: Thank you. I'd just like to make a few comments in regard to the effect of the cap legislation on the City of Newark. Basically, we have three problems with the cap law. The first is the area of uncontrollable costs which we are forced to assume within the limits of the cap. A big example is things like pensions. Two years ago, in 1977, our police and fire pensions went up by over 30 percent. We have to fit that into a 5 percent limit. Our cost for insurance, also, climbs much faster than the cap limit. Health insurance last year went up by about 20 percent. We also have to fit utility and energy costs within the constraints of the cap. We've got a 12 - 15 percent rise in the cost of electricity to light street lights here in town. About the biggest area in this category is the cost of arbitrated settlements. The settlements that come out of there are clearly out of the control of the municipality, yet the extent to which they exceed 5 percent, at the present time, the law tells we have to put back 75 percent cap. Secondly, we have a problem with the cap and that is the fact that it is not in any way tied to indicators of how the economy is behaving. While the Consumer Price Index or any other in the city we might look at might be moving 7, 8, 9 or 11 percent, that 5 percent stage rigidly inflicts. Of all that was to be designed without basically a steady State existence in the economy of the municipality. Clearly, there is no protection against runaway inflation. The last area that I'd like to comment on is the fact that there is no protection within the cap law against major shifts in Federal or State policy decisions. The cap law exempts revenues from Federal or State actions from the cap limits, but it does not tell you what to do when the Federal or State Government chooses to take the revenue away. In the case that we're looking at right now, the Anti-recession Aid Program and its successor is supplemental fiscal aid program. Last year it provided \$10.8 million to the City of Newark. At the moment of the future, forms of funding are uncertain. If they were to disappear entirely, that would be in essence an \$11 million cut in our caps. So, we will look at the cap law, we feel that if the law needs to remain in place, it certainly could be with some improvements as far as the City of Newark is concerned. The removal of those things which are outside the City of Newark's control, from the constraints of the cap. A better indicator of the economy, being used as a guideline as to the rate of municipal growth, it's allowable. And some protection against changes in Federal and State policy, whereas a City does not have the option to seek the continuous service but rather is forced by the cap law simply to consider cutting that service when the revenues are cut. Thank you.

BROWN: There are several questions. First, you mentioned the fact, you are familiar with provision that was made in the cap law which allows a municipality to increase more than 5 percent, and in some areas more than others, but then I was reminded that you were familiar with that process, because it has taken place, that some areas are increased by more than 5 percent in the budget and less in other areas. Are you familiar with that provision?

BANKER: I am intimately familiar with the cap law. I've been budget director during the last two budgets for the City, the two budgets where we had to consider the cap as part of our determination.

BROWN: I've noticed that the budget has certain increases.

BANKER: Yes, I am familiar with that.

BROWN: Senator Lipman would like to ask you a question.

LIPMAN: You mentioned the fact that which is uncontrolled of that provision that is controlled to be removed from under the cap. Do you want to give me a list of those things?

BANKER: The principal ones that we are concerned with are items such as pensions, which is basically dictated to us by the State Division of Pensions as to the amount of our contributions that are required. Insurance costs to the extent that the State Department of Insurance has awarded Blue Cross or other carriers an increase in excess of 5 percent. Energy and utility costs, as regulated by the PUC, when those type of increases or fuel bills are not regulated, if any of those go up, we have to throw that in the cap, anything having to do with energy, which has been escalating faster than 5 percent. The layout items was binding arbitration where settlements in binding arbitration exceed the 5 percent.

BROWN: Thank you very much.

BANKER: You'r welcome.

DEARDORFF: I have a question. This is in the form of a question and a comment. Are you familiar with the circularization that this Committee has done of every municipality concerning the cap law?

BANKER: I'm sorry, I didn't hear the first part.

DEARDORFF: Are you familiar with the circularization of every municipality as to their budget breakdown for three years in certain areas that has been circulated to every municipality in the State?

BANKER: Yes, I believe so. If it's the one I'm thinking of, I've seen something on it.

DEARDORFF: That was the question. Now my comment is, I hope that you submit that to us so that we can use it in evaluating the cap, particularly on the larger cities.

BANKER: We'd be happy to cooperate in this area.

DEARDORFF: Thank you.

BROWN: Let me just remind you. If you have material written, you still may submit that by the end of August. The next speaker will be Councilman Martinez.

M A R T I N E Z: Thank you, Ladies and Gentlemen. I am councilman of Newark's East Ward. The growth of the industrial and residential development rehabilitation make the East Ward one of the most favorite most city neighborhoods in the United States. Instead of rewarding

businesses and residences holding investments, the East Ward has been slapped with 47 percent more expense burden. Californians are not the only citizens who are discontent with the soaring rise in property tax. I believe that it is unconstitutional to tax persons who rehabilitate their homes while the State rewards the homeowners who refuse to improve their properties by decreasing the taxes. Last December I formed an equalization of property taxes where all homes in a given bracket would pay the same taxes based on the land value in the area. Property taxes would be allowed to decrease over a four-year period while the tax on regular land in some wards increased. Assemblyman Peter Shapiro of Essex County was the only legislator who expressed an interest in my proposal. Proposition 13 in California, property owners and legislators throughout the country are jumping on the tax reform bandwagon. I do not agree with peddlers, but perhaps when it concerns property tax, the revolt came out in the open and legislators were finally moved to consider the united belief that tax reform, and this I have to admit, when I was attending a conference in November in California, when I came to one of the conferences there that dealt with taxes and I think that their land value tax, and I said this would be great for the City of Newark, particularly for the East Ward. As you know, the East Ward is the showcase of the City of Newark and of the State of New Jersey. You can travel throughout the area where the homes are over 100 or 125 years old and they look like they are brand new. A person takes a home that was purchased for \$5 or \$6,000 and looked like a wreck and he puts his hard-earned dollars into it, and the tax assessor comes to his home and said you did a wonderful job and he sticks it to him with about a 47 percent increase in tax. I feel that it is totally unfair. When a person takes a home and allows it to deteriorate and it's not a showcase and it's something that is not nice to look at, he gets the reward. The tax assessor says to him, well your house looks like hell, your property looks like hell, and we'll give you a 47 percent decrease. To me, this is not making any sense. Therefore, in December, when I returned from California, and expressed the opinion to my colleague, we prepared a resolution and submitted it to the Legislature and to the Governor. And it reads as follows: To resolve the New Jersey State Legislature to adopt appropriate legislation which would provide local governments the right to exercise an option to utilize land-value tax in place of the present real property structure. Whereas the Newark Municipal Council firmly believes there is a pressing need for the reform of the real property tax structure in the State of New Jersey. Whereas, one of the most important and aggressive and worthy recommendations relates to the reduction of land-value tax structure to replace the present system of property taxation in our State. Whereas the aforementioned land-value tax would provide the following: a systematic lowering of assessments upon property, buildings and personal property so that eventually will improve, buildings, and personal property can be exempt from taxation. In order to make up for the lost revenue resulting from all of the above, assessments

upon all land values would be systematic in grades. Until all exempt lands in Newark would be assessed at 100 percent of their full market value, this means that the property tax would eventually be levied upon land value wealth and the Legislature would provide for adjustments in the area of property tax exemptions and would review of the property tax revenue, would make allowances for property tax rates, the limits established by statute and finally, would take any action necessary to insure that local taxing agencies would derive revenues approximately, revenues received in appropriate base year and whereas the Newark municipal council is of the opinion that this type of legislation would offer the City of Newark and other municipalities throughout the State of New Jersey a chance to implement a sound, fair and permanent refund on the State's property tax. If implemented, it would give immediate tax relief to over 70 percent to Newark's property taxpayers, homeowners and renters, where the owner receives a decrease. It will encourage property improvement resulting in a more competitive housing and building market, thus raising quality and quantity of construction. It would end urban sprawl. It is very progressive. Land value tax could not be passed up as can be sales, income, business and improvement tax. It is cheap and easy to collect and cannot be aborted by the taxpayer. It does not raise prices on buildings and land. It is consumer-oriented. It is air-tight inflationary. It does not hurt production and reclaims only community-created values. Therefore, it was resolved by the Municipal Council, the City of Newark, that the New Jersey State Legislature be and is hereby respectfully urged to adopt appropriate legislation which would provide local governments to exercise an option to utilize the land value tax in place of the present property tax structure. And that a copy of this resolution be forwarded to the Governor and to all the members of the Legislature in the State of New Jersey. It's fact that the East Ward pays 47 percent more taxes that the City of Newark. Ladies and Gentlemen, most of the people that I represent are in the East Ward and most of you know what I'm saying is true. It's fact that the tax assessors collect more than 47 percent more in the East Ward than in the City of Newark. Last year the tax assessor assessed the East Ward over \$1,700,000 in additional taxes. Thank you very much for allowing me to testify before you.

BROWN: Thank you very much, Mr. Martinez. Senator Lipman also has a question.

LIPMAN: Councilman, I must say that ...(due to technical difficulties, transcript incomplete.)

DEARDORFF: Mr. Martinez, I looked at your proposal for land value tax, Senator Lipman asked me to look it over. Unfortunately, I haven't had the opportunity to study it as much as I would like to. However, there are certain questions that, in going over the proposition, that came to my mind. Of course, the first one is that it would require constitutional change in New Jersey but just because something requires that, it doesn't mean that it can't

be done. The second is that I can understand perhaps how we could do this for residential property, say for the 9, the property below 4 units and below the multiple housing level. But, I can't quite see where commercial property, particularly Bell Telephone Building, Public Service Building, would actually be paying its fair share. And for this reason, it isn't necessarily only the capital cost of that building so far as the say is concerned, but the fact that if you have a 25-story office building or 50-story building, you do furnish certain things to a city but you also require a lot of services from the city. I would assume there would have to be something done to prevent the over-capitalization of a piece of property if you didn't have some means of taxing the capital asset on the property. These are the things that are perhaps not insurmountable but I think they are questions that have to be very carefully considered and perhaps working out exactly what it would mean to the city. What it would mean to each individual taxpayer in an area or a typical taxpayer in an area. It's a very interesting proposition and I heartily agree with you that we do tend to reward those who let their properties go and penalize those who keep them up. We tried to do this 20 years ago when the whole assessment process was reworked after the Swift case. But it was too radical a departure for people to listen to. I think that it's something that we should keep looking at.

MARTINEZ: I know we already started a mold and we talk about Prudential or big businesses but at the same time when we talk about revaluation, revaluation a couple of years ago would have been a monstrous burden on the people from East Newark.

BROWN: Thank you very much, Mr. Martinez. I'd like to introduce to you Mr. Larry Hecker from the Chamber of Commerce.

H E C K E R: Thank you. Senator Lipman, Assemblyman Brown, Assemblyman Albanese, Mr. Deardorff, thank you very much for the opportunity to address you this afternoon. Greater Newark Chamber of Commerce wishes to address two areas, relating to tax structure of New Jersey. The first deals with cost containment and the second applies to the economic development of the State's older cities. With respect to cost containment, we recommend several actions to be taken. First, zero-based budgeting should be implemented. Ideally, this would eliminate unjustified expenses and could alter the current pattern of "automatic" budget increases. As an added budgetary safeguard, we support the continuation of the cap laws, but would like them to be expanded to include limits on the State budget. To further streamline government operations we suggest two levels of analysis. One level would examine the management aspect. Such a program could utilize lent business executives who could make specific recommendations to improve efficiency. This better use of personnel could maintain appropriate levels of government activities while allowing for a significant reduction in the number of employees. Positive steps

in this direction could be implemented through natural attrition thereby protecting current employees' jobs. Along the same lines, it seems wise to research the possible advantages of contracting out more government services. The second level of analysis would be conceptual, and require examination of current and proposed programs to determine where there are overlapping, conflicting, obsolete or other unsuitable approaches to State objectives. These objectives would definitely include social and economic goals, but should be cognizant of realistic fiscal goals. Cost saving measures could result. For example, we suggest replacement of homestead rebates with a homeowner credit on the income tax similar to the one applicable to tenants. The credit should be equal to the amount of the rebate plus the prorated administrative cost savings. The mechanism for this conceptual review of programs should be a coalition of interest groups. But, in addition to the recommendations of such a coalition, there should be institutionalized oversight of government programs. The Legislature should review regulations to see that they meet the intent of the law. And, proposed legislation should receive closer scrutiny. Overall impact of a bill should be clearly explained by its sponsor and understood by individual legislators before they vote on it. More specifically, any legislation calling for revenue expenditures should be required to indicate intended sources of dollars. Within reason, a proposal should only be acceptable if its cost is predictable. However, recognizing the fact that unexpected costs may arise, there should be built-in flexibility through sunset provisions and grandfather clauses. Our second category of recommendations address the problems associated with economic development in urban areas and New Jersey in general. While the State is basically a closed tax environment, deliberations cannot ignore the fact that New Jersey must compete with other states for new economic development. Keeping this in mind, the intrastate consideration can be discussed. Unfortunately, the same type of competition takes place between municipalities within the State. While taxes and related issues are not necessarily the major determinants in location decisions, they are strong contributing factors. In addition, they do place constraints on growth of existing business and jobs. What must be realized is that New Jersey needs its urban areas and that direct benefits of urban improvement will result in indirect benefits for the rest of the State. To relieve some of the burden associated with operating in urban areas, we recommend that incentives be available. However, these should not be in lieu of corrective measures. For example, welfare costs are blatantly inequitable. Ideally, the Federal Government should assume welfare costs. We recommend analysis of welfare and other social service costs. The importance of this lies in the fact that equitable taxation is meaningless if distribution of service costs is unfair. Turning specifically to taxes, we believe that abatement programs on local property taxes are beneficial and should be continued -- and possibly expanded. However, long term effects should be analyzed since once the abatement expires, companies are suddenly faced with the decisions they had before the abatement was implemented. Obviously, redistribution of expenditures and tax collections require unpopular trade-offs. But these are policies which help generate self-sustaining economic activities. We suggest that a tax convention may be an appropriate means to make these difficult decisions.

BROWN: Thank you very much, Mr. Hecker. You mentioned that you felt that the homestead rebate should be replaced with a credit. (Due to technical difficulties, transcript incomplete in parts of conversation between Assemblyman Brown and Mr. Hecker.)

HECKER: Yes.

BROWN: My other question is that you said you felt that the taxpayer in the State of New Jersey should actually see the rebate themselves and I think that the fact that they actually see the checks is good, even though it is involved in some type of income tax.

DEARDORFF: In addition, Mr. Hecker, it would actually cost us ten times more to do it on a credit basis than on a rebate basis. The reason for that is that Federal revenue sharing is based upon tax effort. We have \$274 million in tax rebates which have nothing to do with tax effort so far as the Federal Government is concerned. If that were returned directly and reduced from your property tax the municipalities in the State of New Jersey would lose \$12 million in Federal revenue sharing.

(Due to technical difficulties, transcript between Senator Lipman and Mr. Hecker incomplete.)

DEARDORFF: I take it, one of the things that you are really interested in is the idea of the sunset law.

ALBANESE: Some legislators feel that for our legislation, the sunset legislation and we thought we'd get them on the board for a vote in the first six months of the year but we've been busy with other things. We do feel that we will vote on that legislation very shortly, possibly when we return in September. You mentioned zero-based budgeting, of course, I've done some research and found that in total, zero-based budgeting is implemented on a total basis and it should be exercised on an appropriated basis. In other words, to thoroughly use zero-based budgeting is a highly technical process.

HECKER: Assemblyman, I definitely agree with that. Zero-based budgeting is what the public wants but it must require some time to review and implement. I think it would be worth it. Especially if the programs and context, as they evolve and as they continue, are reevaluated in terms of the original objective in those particular programs. A program with specific objectives or even general objectives, and as the program goes on, there is a further need for modifying or increasing the standing objective for that particular program. Maybe that shouldn't be done. Maybe that should be a totally unique program so that this program can be phased out and another one would come in if necessary.

BROWN: Thank you very much. Mr. Faiella.

F A I E L L A: Hello, I'm Alfred Faiella and I'm the director of the Newark Economic Development Corporation. I'm going to make my remarks brief and rather than centering on those things that might impact or impair economic development, in general, I've been asked to speak about the situation of the Passaic Valley Sewerage Commission. I'm not sure if anyone

has made any remarks prior to mine or addressed themselves to that. I'd like to address this Committee to that respect and to get some of the important facts dealing with that particularly pertinent now is that there is a repealer that has been passed concerning in-lieu of tax payments earlier passed and that bill has not been signed by the Governor's office. We have offer to compromise that repealer, based on the record, and I'm sure that those of you, and particularly Senator Lipman, are aware of the seriousness of the situation. To recapitulate a little, the Passaic Valley Sewerage Commission with services in 31 municipalities has only a rather major expansion for tertiary and secondary sewerage treatment. Pursuant to that expansion, some two and a half years ago, they purchased land within the urban renewal project in the city, which my corporation developed in conjunction with the housing authority, some 80 some odd acres of that land. Pursuant to that purchase, construction of the sewerage facility, the City of Newark asked its legislative representatives to sponsor legislation to provide for in the in-lieu of tax payment and that is a program which is the subject of a repealer, which we feel is an unsatisfactory amendment for in-lieu of tax payment. In addition, and that you may not be aware of, and it has recently passed the Assembly, the State guided through this commission, purchased another 92 acres of land immediately adjacent. This land, this second 92 acres, is approximately one-half of the subject land upon which the Port Authority of New York and New Jersey had conducted a feasibility study for a large-scale industrial park to be developed in the City of Newark. That study, resulting in legislation which now is passed by both the Assembly and Senate in the State of New Jersey and has recently adjusted with various development agencies, development of that industrial park plan. The Port Authority is in discussions with the Passaic Valley Sewerage Commission to have this second 92 acres site released to the Port Authority so that industrial facilities and industrial parks can be built upon it. We are close to a compromise but in respect to that, on second tract, without that land the industrial park would not be feasible in Newark, the situation exists that we are becoming very much land poor, particularly as it relates to industry, we've seen results of the last few years of approximately 2,500 or 3,000 new jobs created to industrial development recycling existing buildings and building new buildings. We're running out of land. This situation of Passaic Valley is now taken off the tax rolls and more importantly, stopped proposed development to close to 169 to 170 acres of industrial property. We feel that in respect to the amounts that ultimately are used in Passaic Valley Sewerage Commission, there must be adequate remunerations in the City in terms of potential tax dollars. A more fair compromise would be a payment very close to or to the amount of when paid by private developers now under the law to remove tax payments. This would allow us a return for the foreclosure of this land from developing. The necessity for

a land-based sewerage facility and the City of Newark would be the location best suited for that site because the present location will benefit 30 other municipalities until their commission contributes to the City of Newark the amount of tax revenue the City loses by having the tax exempt entity on that land should the land not be held very long. That issue, I think more than anything else is probably most important by way of immediate potential on industrial and commercial development we have in the City of Newark. Particularly as it relates to the Port Authority Industrial Park Program. There are a number of industrial firms that are presently talking to the Port Authority and now are drafting contracts pursuant to the legislation recently passed a master plan for the City of Newark for those two sites. By the way, the second 92 acres to be used for the actual storage of sewerage, sludge that is, on the land-based disposal method, and the Port Authority has proposed the alternative method of using sludge as a pure resource for a recovery facility, in burning that stock, but the release of the majority of that land, the second 90 acres now, is necessary to get this industrial development program under way. In addition to that, the adequate remuneration to the city of in-lieu of tax payment is why I come before you to address.

BROWN: Senator Lipman would like to ask you a few questions.

FAIELLA: Surely.

LIPMAN: Mr. Faiella, I knew this method of payment in lieu to municipalities for use by their lands, should be done by sewerage authorities in the City.

FAIELLA: I think when you have a regional body such as the sewerage facility, sewerage treatment facility, locating the majority in this case, almost all of these facilities, within one municipality. You have the unique situation that Newark is in, like some other situations where sewerage facilities are servicing areas of the State, municipalities and townships, there is a great deal of undeveloped land remaining in those townships and we are not talking about the vast remaining, in essence, we are in Newark. The last remaining tract of developable or industrial lands. I believe that it should be dealt with in that respect. Certainly, in the case of Newark and as it relates to the Passaic Valley Sewerage Commission, we have no other tracts of land of that size that we could offer industry so that these last tracts of land have to be shared and if not, on the basis of full tax rates, certainly what we could have gotten had it been developed by a private developer. Based on our estimates, and what we've developed in the past three years, and certainly before that, we will not be able to offer industrial tracts of land to private developers for years to come. We put up six factories last year, have another additional four going up this year, and we feel that we have enough adequate industrially-owned land in the Meadowlands Area and the City of Newark to last about four years of development. There is a tremendous demand for variety of reasons, financial packages, economic ties, are some of the natural attributes of the City, labor force, it's proximity to transportation, etc., so that we cannot

adequately meet the demand of industrial firms that want to come to Newark. And that certainly is an appalling state of affairs when you consider the large tracts of land that have been taken away from development. Certainly, the better practical lines of more equitable compromise would be some type of in-lieu of tax payment based on what the private sector would pay had they developed. \$400 million sewer facilities cannot get by in terms of the amendment that is presently in front of the Governor based on vacant land. It becomes more appalling, considering the potential of this industrial park program by the Port Authority, a potential that we will never realize and certainly an opportunity that Newark will never have again if it is done adequately and according to ways that the Port Authority has had discussions with the City of Newark in the State of New Jersey. They'll never again have the opportunity to be able to develop on a large scale that'll offer industry an industrial park and the type of development potential that we hope to achieve on this program. Half of that land is foreclosed from development potential, by land-based sludge dumping, it'll be nothing short of a disgrace.

DEARDORFF: I take it, Mr. Faiella that you are in sympathy with the Port Authority bill.

FAIELLA: Given the proper working relationship between a local municipality and the Port Authority and we seem to have done that, manifested that, both our city and the City of Jersey City, by the Office for the Mayor of Newark, the administration of Newark and a similar office in Jersey City have had discussions continually and negotiations concerning the legislation and method of developing for almost three years now. Since the original feasibility study. We've had some disagreements between the legislation, not entirely pleased with all of these aspects, I believe the in-lieu of tax provisions in the legislation have to be negotiated after the master plans are formed and all this moved, we don't have to lengthen the build-up. There's only two tracts of land and by own personal expertise and knowledge, no one can possibly approach them. The minimal feasibility, I'm looking at a minimal amount of land, from 130 to 150 acres, from an industrial development standpoint, this is nothing different than really a large-scale private developments, zoning and buying and improving land on a large scale, the Port Authority's financial capabilities make this feasible, we think. And if we can maintain an adequate development process with the Port Authority and Newark and Jersey City, I think that these industrial parks can be probably the answer to our new construction program. Our response to the suburban call for industry. The multi-level industrial building is not the answer. We may strive to recycle and put those buildings back into use and they are not as labor-intensive and certainly not the answer to industry's exit from the City. This program, I think, can serve that need. I am convinced that if the land stays in place long enough, certainly a 90-acre tract, considering how little land is available for industrial development, considering the potential for this industrial program by the Port Authority cannot be used for sludge dumping.

DEARDORFF: One of the provisions that we put into the law in our negotiations with the State of New York was something that I think, of course, perhaps has some pitfalls, but I think is as important as industrial development for a city like Newark, is the idea that there must be some guarantee or at least an effort to guarantee not only the industry but the jobs to Newark. While it would be nice for Newark to have a nice factory in that area or a series of them, if it didn't solve some of Newark's unemployment problems it really wouldn't be that beneficial. I think this is one of the things that through an agency like the Port Authority, working in conjunction with a municipality, you have a better opportunity of doing it perhaps than you do if you rely solely on private developers.

FAIELLA: I agree with you and at the same time the Port Authority, I must say this in fairness to private developers, is as cost-conscious, if you will, they will be active, I think, to the best interest of their investments. So that, I don't believe that they will have as a primary concern Newark-base employment, as much as return on and seeing that this industrial park problem is solved. We realize it, and have had, I think, not satisfactory language, but language that gives the invitation of the first-walk, if you will, residential employment. I think it's a function of a number of things, though, in terms of finding Newark-based employees and we hope to couple up a manpower program with the industrial park program so that we're type that would make it more attractive in a sense to resident employees.

DEARDORFF: Thank you.

BROWN: Thank you very much Mr. Faiella. The next speaker that we have is Donald Payne from the Essex County Board of Chosen Freeholders and who is also director of that board.

P A Y N E: It's good to be here, Assemblymen and Senator. I'd just like to say that I'm glad that the State is bringing these hearings to our municipality and I'd like to preach on behalf of county investments. My remarks are somewhat different just based on the county's responsibility and how the shortfall of funds at the county that the State raises does not put it out properly to the counties. I think that my colleague probably mentioned the fact that the cost of courts and the administrative cost of welfare should be taken over as a State function in Essex and it's about a \$24 million cost for us to assume those costs. The court system is a difficult system to control and the judges have the right to have a court order and there are many employees that are covered by the court system. You know that the prosecutor's office, the probation department, the Grand Jury and Petit Jury and the recent increase in salaries of judges from \$40,000 to \$48,000 was a State legislative function and the cost, of course, we feel that the State has continually shortchanged the counties. The recent withdrawal of the collateral inheritance taxes and the State road aid fund, which in essence come to \$1,300,000, simply eliminated from the State's budget, and therefore shortchanging the counties. Therefore we had to juggle around to come up with

\$1,300,000 that was removed from revenues that would come from the State. In addition to that, the State, and I commend the Legislature for some of the new type of legislation that has been passed, for example, the juveniles in need of supervision programs which separates the status of youth from the more hardened youthful offender, is a great piece of legislation in the form of mandated and sort of separates the sort of truant and the runaway from the more hardened crime. It was a State mandate that was long overdue. The only problem with that is that there was not a fiscal note attached to it and another cost in excess of a quarter of million dollars to do this. In other words, the concept is tremendous but the county is then told to work it out the best way that it can. We've seen this with the new mental patient in commitment proceedings mental patient must have attorneys and a judge come sit at the mental hospital, you must have psychiatrists, legal aid and county council representatives and once again I think that this is a step in the right direction because we find that many people are committed in the past that should not have been committed because they were senile or perhaps we were the dumping ground in the past and so once again it's an enlightening type of legislation. But of course, now we have to increase our county council staff about 25 percent to handle each commitment proceeding. The decriminalization of alcoholism is long overdue. I never felt that alcoholism was a problem. The State passed a great piece of legislation. Of course, once again, it said well now it's up to the county to figure out what to do with the alcoholics once they can't go to jail anymore, so leave them at a county facility. Once again we've received no fiscal note for this progressive, not so much progressive, just that New Jersey is somewhat antiquated in my opinion and some of the new legislation is catching up to where we ought to have been. The problem on the county level is that these types of legislative mandates are passed and there is no relief on the county level. I strongly support decriminalization of alcoholism. I strongly support the mental patient bill of rights. I strongly support the Jins concept--the problem is that we don't get relief from the State. In addition to that, the mandated programs that are foisted on us with the State then taking away aid, it's kind of, well, it doesn't work out too well. I'd also like to mention that the county college is long overdue in New Jersey. New York State, California, many places that have a county college system, many many years ago, in 1966 I understand the county college system was projected in the State and I supported it wholeheartedly. Of course, as you may recall, the legislation in 1966 said that the State would provide \$600 or 50 percent, which one is less and that was fine in 1966, of course, in 1977 the legislation still said the State should give \$600 or 50 percent, which is less. Of course, as we all know, the cost of education from 1966 to 1977 has grown tremendously. The initial concept was that the State would take in 50 percent of the cost of the county college, the county would take 25 percent and the student approximately 25 percent. The

current time, the State has reduced itself down to about 30 percent whereas the county's 25 percent share is now 50 percent. So the student's contribution remains about the same which no less than 20 percent, in our county. Here we have a piece of legislation that finally, with Senator Lipman's pushing, last year was amended to give \$100 more, so now it's \$700. But this still is a far-cry from the original intent of the State paying 50 percent of the cost of a county college. It still keeps the State down to about 30 percent and like I said has increased the county's participation of 50 percent of the cost and we have an operating budget of about \$16 million. Those are things that I feel that the county is strapped with and I would hope that the Legislature would think in terms of ways that it could attach fiscal notes on other legislation that's been around for some time and say there must be a fiscal note attached to legislation, I know it doesn't go too far in Committee sometimes. I think the State also should encourage some of the Chamber of Commerce and other economic development groups to attempt to reinvest itself in the urban counties, in the counties like Essex. The tax rate when you compare Morris County with Essex County is a tremendous difference in the cost because Essex is a county that accepts all people and as a result we have many problems that is a result of this. I feel that the disparity between the county tax rates is something that ought to be looked at by the State Legislature. I support the caps legislation at a different time that my Assemblyman from my district introduced the legislation, we did learn to live with it though and I support it now that we've learned to live with it. I think it could have been a warning given because in 1976 we gave no raises to any county employees and the cap legislation was enacted in 1977 I believe. We were then under a very strict financial constraint because it was on the levy of the previous year. Our levy that year was about \$108 million and so we had to take a 5 percent cap, of course, on the levy. Currently our levy is \$124 million although our overall budget is \$188 million. Some people say that the cap should perhaps be on the overall budget rather than on the levy. I still support the concept of the caps. I would hope that the State would not encourage industry to continue to move out into our rural areas and farmland. I would hope that they would protect this portion of New Jersey and therefore somewhat force industry-- Rt. 287 is a tremendous highway but all it's done is to take all the industry with it as you go along that road and we need to think of terms and ways that we can have industry with help from the State that the Federal Government to give tax incentives to industry. Tax from the Federal Government, not the State to keep them in center city. I hope that the economic development will not go to the Meadowlands section of Newark because I don't think that that development benefits Newark residents that much. I'd like to see small industrial parks in the inner city, right in the neighborhood that there are tracts of land where this could be done where people in the neighborhood very easily could get to these light industrial parks

rather than go down to where Passaic Valley Sewerage Commission constructs and all the other large industrial parks are being developed. I think they're accepting more people from other counties and other cities and if a survey was taken I would suppose that the majority of the persons working in those facilities do not work in the City, especially the city that I live in and so I feel that this is something else that we should look at. Just in conclusion, the whole question of abatement, I think it is necessary. I don't know what the long-term answer is, I think, probably that we often hear, especially politicians talking about the excessive cost of welfare and the fact that welfare is a basic problem for all of our problems and I think that as the Chamber of Commerce person brought out, that abatement, of course, is just another form of welfare, but to more wealthy and there are other kinds of subsidies, TNJ and federal subsidies to Amtrak and ConRail and the salaries of the executives are not reduced because they lose money, so the subsidy, therefore, keeps them working and so I think that all of the welfare programs, all of the hand-out programs ought to be looked at totally rather than many times hourly. Elected officials, they're in on just one type of the welfare system. So, with that I'd like to thank you for coming to our county and if you have any questions, I'd be happy to answer them.

BROWN: Senator Lipman.

LIPMAN: Yes. I'd like to ask the question which has been asked before. The counties are caught between costs mandated by the State, as you have just been discussing, new programs, Jins, alcoholics and so forth. And also inflationary costs which is the cost of your prisoner, to keep a man in prison, keeping a patient in a mental institution has increased. You incidentally are saying that counties should engage in their own plan of economic development. The counties are used to being considered just as an arm of the State, collecting a certain amount of property taxes and this is how they ran their government and was reported into the State, with the State share of taxes. Such projects as the Essex County Improvement Authority has with the connections with the Port Authority in the area of solid waste, Mr. Deardorff has some other ideas but they relate to taxation so I want him to know, but economic development ventures for the county, what are your thoughts in this area?

PAYNE: I think that's going to be the only key to the problems of urbanized counties such as Essex. The overall economic development, which might heal us, an issue as you mentioned with county government as most people don't understand as simply normal of the State, thereby, having as you know, as a former field director, really have no legislative authorities and even under the new form of government with the county executive formed, it does not alter the formal law. There are no mechanisms for generating taxation as you know. Many times people compare the new county executive formed to say, Nassau County or Suffolk County or New York County where they in fact have legislative authority. I think that the overall economic development is the only group and that the counties should be allowed to have more flexibility. We're happy to know that former Freeholder Callahan has been appointed by the Governor as the State's head of the

Economic Development group there and he certainly is a very talented person and hopefully there can be closer working relationships with those plus as you mentioned some kind of economic enterprise such as labor intensified industry, I think is what is needed. The county has a plan censored to solid waste district but the City of Newark also has a plan now and the Port Authority has a plan, so we see that there are actually three competing entities for solid waste and it's interesting that all of a sudden everyone's fighting over garbage. The Port Authority said they want to relieve us of some of the burden of the cost. Of course, there must be something at the end of the rainbow. We would like to keep to those kind of economic development ventures in the county so that it could enable us to have labor intensive jobs and possibly have some economic development that could be reinvested into the county. I do think that the State could impose more stringent land use plans to kind of abort the continuing moving out into the less developed counties and kind of, with their support, push the industry kind of back into the developed area. I hope that the Pine Barren legislation that was talked about is favorable. I hope that that's preserved because of its importance to the State, important to the water supply, important to the future of the State and to go in there and start developing land for industrial use, etc., when you have available areas right here. You can take the railroad driveway that is a few blocks down and all of that area is light industry. I'm of the opinion that that area can be redeveloped which is still close to center part of New York without running down to the airport and Port Authority.

BROWN: Thank you very much, Mr. Payne. Just to make sure I'm following my list, is there a representative from the Mayor of East Orange? Frances Ford? O.K. We'll listen to Mr. Tim McQueen, acting executive director of the Chancellor Community Action Project.

Mc Q U E E N: Thank you, Mr. Chairman and distinguished fellow members for inviting me here today to make a statement regarding a topic that you and I have discussed many many times in the past. Just for the record, I am the systems analyst and have been involved in business and community systems for the past 12 years and I have a mandate to express on behalf of the Commissioner of the Community Action Project, which ironically happened to be short and veiled with initial cap. We had no idea that the two terms would be so interrelated. I'd like to speak as to the need for relief from and a reduction in the number and percentages of business facilities and revenue taxes. These are inherent tax rates and the number of taxes that the small businessman, especially a small businessman has to pay on. I would like to just add that the Assemblyman and the gentleman from the East Ward here in Newark had also felt the pain. In view of the fact that there could be no community self-determination. Actually the present system of taxation, the rates of taxation, the small businessman knows at least that I am representing him here today from pity of the path of self-destruction. Under the current system, on Chancellor Avenue right across from the high school down to the new highway that was just opened, is blight. By 60 percent in Newark, there are more stores that are closed

and how is small business to operate in the area? Under that present system, in addition to the blight, there is literally no tax base in the area. This means that there are no jobs in the community, especially for youth which means that there's less police protection because once your tax base leaves the area, I'm sure you gentlemen of wisdom know what the consequences of that type of unprotected neighborhood is, when the police protection leaves, that means that the civil services are slackened. That means that in addition to all of these disadvantages, the means of survival at the present rate of deterioration, plus the fact that with this type of situation, it is very difficult to attract and to bring about the type of changes that we are talking about. So what we want to do is look at the positive side with hope that we could become a valuable regenerated area. With tax relief. I'm not addressing myself to the conflicts of taxation matters, but I'm sure you were particularly meeting here today for that, but knowing the total taxation system of what is fair and equitable to all facets of the business community. You, as specialists of taxes, can best affect and best bring this type of equity to our city and our citizens. We can use the additional police protection, just as more numbers of people on the street can use that additional protection. It's sort of like the 42nd Street area of New York. We would be able to keep industry and help the indigent. We can get public utilities to give us the type of services and at least they can give us that type of impact because you're providing the community more jobs and doing things that other communities are doing so, I'm sure you can appreciate what we're trying to do. We have the means by which to do this and I've been working with these people for at least five years. Let's try to put the dollars back into the businesses and back into the community. We had a meeting just last week to formulate our objectives based on anticipated production and more jobs. We need your help, not a hand-out. We need help in terms of your support in introducing legislation that you know would help areas such as Chancellor Avenue. I'm sure there are aspirations all over the city, all over the community who have the same type of wishes, the same type of self-determination that this type of tax relief that we're talking about can bring about. We would like to invite all of the Assemblypersons, all Senators to the City of Newark and who would like to find out more information about the project to contact The Chancellor Community Action Project, in care of Cowboy's Restaurant, 435 Chancellor Avenue, Newark, New Jersey. The telephone number is 926-8850. We would be glad to add you to the mailing list to distribute minutes of our meetings, and keep you abreast of decisions that are made, the objectives that we reach, and the organization's positions that were taken in order to devise or carry out those suggestions. Again, we'd like to thank you, Chairman Brown, and other members of this Committee for inviting us. Thank you very much.

BROWN: You're welcome. (Additional conversation of Mr. Brown and Mr. McQueen not in transcript due to technical difficulty.)

BROWN: I'd also like to inform you that this Committee was created to consider all phases of taxation and how it can be moderated to New Jersey and to individuals all over the State and individuals in small businesses, like in Newark, and we're also happy to inform you that you can submit written testimony until the end of August, you can submit material that you might like to include as additional information and I'm sure that the Tax Policy Committee will take all of your comments into consideration. Senator Lipman, would you like to say something?

LIPMAN: I wanted to ask Mr. McQueen about the status of the law which was passed I think last year by the Legislature which gave the tax abatement to small business in order that rehabilitations of that business could be done. The City of Newark's government had to enact it, had to make an audit. I did check it out around the first of the year and it has not been put into being at that time. I think you are asking for an abatement for the small business?

McQUEEN: Not necessarily. All we want is a fair share and a more considerate share and what I mean by that is if all that we're getting of the business end is eaten up in taxes, just the actual operation of the business itself, there's no money for expansion, operating anything else, and what we're talking not only is relief, in the tax situation, but in addition to it, this would really put Proposition 13 and what we're talking about is not only reducing taxes from the fact that taxes are really getting people frustrated, because it seems like a never-ending street, but we're talking about not only cutting but turning around at the same time and investigating of what lies underneath the community. That's self-determination.

BROWN: There's another point that I'd like to make and that is the Legislature is providing small businesses that we represent to make improvements on their property without facing additional taxes. The Council mentioned about this happening to other areas. These businesses would not be penalized for the improvements they provide to their property and they'll make those improvements which would also attract business and generate more revenue in the area. So, in essence, it's a form of reduction on business taxes. So I think it's something you should look into and also the City Council and I'm sure that they would address this area.

McQUEEN: We thank you for the recommendation. Thank you very much, Mr. Chairman.

DEARDORFF: Mr. McQueen, could I ask you a couple of questions about particulars so that I could understand a little better your project. How large an area are you talking about, essentially?

McQUEEN: At this point in time, about a two block area.

DEARDORFF: Thank you.

BROWN: Mr. Larkin. Mr. Larkin, you are here with Mr. McQueen.

LARKIN: One of the things I have here is not a detailed map in the sense that it would

be appropriate to bring out to the Council, but I have a map of a particularly targeted area which shows our area and the red indicates the blight and the rest of it may be a little hard to see. The red you see is a vacant area or a vacant business presently. Presently, it's about five or six blocks.

DEARDORFF: One of the things that I noticed on the map, they'd show a vacant drug store, a vacant gas station; it seems to me that these are things that are necessary in a community. You can't go to a mall everytime you want gas or everytime you want to go to the drug store and I think that one of the things, perhaps, that should be looked at is the fact that you want to help yourselves. I think that it would be a very good idea if you could furnish as much information about your whole project to this Committee so that we could really look at and understand it better and even if you missed the 31st of August deadline, we'll still look at it. Thank you.

McQUEEN: Thank you very much.

BROWN: The next speaker is from the East Orange Taxpayers Association, Mr. Ronald Callaco.

C A L L A C O: My name is Mr. Callaco, I really didn't come prepared with a statement and I was listening to the speakers and a lot of what they were saying is in line with the concept that we have too. The basic principal exists. The members of the Legislature, the legislative parties, do everything to keep the caps. Every effort should be made to protect them. First, it is anti-inflation. Secondly, it is a means to afford State Government. It controls the size of government. And any exceptions or deviations that undermines the revenue. That's the one particular area. I think Councilman Martinez drew a very vivid picture of conditions in which homeowners which improve their place and a homeowner which doesn't. That's the best picture I've heard presented so far. And most seriously, two urban cities, and I consider it to be East Orange that every home need improvement. At a recent Council meeting, we debated the question of abatement. Abatement is good. To a degree. But too much of it presents a tremendous burden on those taxpayers when they increase the costs. There is an example which I would like to present. It was on a very nice street, and then a fire occurred and the apartment was burnt down and a developer was prepared to rehabilitate the building. The tax assessor valued it at \$750,000. Because of tax rates, the tax rose to 100, it gives the return of \$12,000. Now using the 6 percent of the sheltered rate, which came up to about \$200,000, it came to \$1,000 in total, it came up to \$12 or \$13,000. And then the developers costs. It came up to approximately 10 times the assessed value, \$10.5 million, with an abatement of 35-40 years. So you multiply that 10 times the tax loss to the municipality, you would pay in the neighborhood of \$100,000, and then you take \$130,000 less the \$12,000 or \$13,000 and the municipality loses \$100,000. And for 35-40 years. So you're supposed to ask families with children to live in the apartment. The problem with that immediately are the per capita costs

per child of \$2,000 for 30 children. The \$12,000 we collect barely covers the school. This at the moment is a serious problem in our particular municipality. There has been a constant erosion of the tax base. What is also of concern, is looking over certain levels of government costs. If you would see costs in our municipality, it has sky-rocketed. It has gone beyond the 6.29 cap for the municipality of East Orange; last year it went up 14 percent. In the municipality level, the cost went up 5.5 percent and certain things took place, revenues of certain areas, the railroad station, and looking at the county level, I went to the trouble of getting the county budget the other day and I was astounded at the rise in costs. Over a period of 5 or 6 years. I went to the East Orange Library and I got a copy of the State budget. That also concerned me. And I'm looking at the summary of the New Jersey State Budget, 1977-1978, 1978-1979, the recommendations are three-fold for that particular year 1977-1978, and the recommendation was four-fold in 1978-1979. A 44 percent increase in gross expenditures. Looking at this, several things come to my mind. It concerns me. The loss in revenues. Business personal property. Beverage tax. Racing tax. That all amounts to about \$24-25 million. The increases in education are inter-governmental. Solid waste, too, went up to over \$1.2 million with the income tax going up \$850,000 in revenues. Another serious thing that bothered me was this. It was the amount of surplus waste. Every municipality, looking from Trenton municipality to the County of Essex, and looking at the county budget, itself. And then looking at that of the State. The county last year and the year before released \$6 million surplus into operating. Looking at the municipality of East Orange, it has no surplus. But there it is a different matter. But the interesting thing is this. Almost half a million dollars of State appeals by the State Division of Tax Appeals, half a million dollars was written off against the surplus. That raised a question in my mind and the caps in the municipality of East Orange is about \$900,000. Half of that, \$400,000 or \$500,000 are State Division of Tax Appeals appropriations in the appropriation category, it would have immediately impaired the caps. So that bothers me. Looking also at the debt service. They're showing a tremendous increase in debt service. What I was more alarmed at was the particular schedule that appeared in the budget for 1978-1979 that showed a peak, a rise in \$25 million to \$150 million of total debt service for the period from 1980, and then dropping down. Looking again at the State budget, the per capita in 1978 was \$438; the per capita per house in 1979 budget is \$629. If the expenditures went up 44 percent, obviously the per capita cost goes up. But again, coming back to the surplus area, there is too much in services being held in reserve than transferred at the rim of whatever it is they are doing -- in executive power to meet whatever is expeditious at that particular part of time. I also find that in the area of the caps where certain gentlemen mentioned that utility costs have risen, some binding arbitration, and if our income drops, if the cost of utilities are higher, if the children are a little careless at home,

we ask them to close the lights behind them. Don't put on too much electrical appliances. But you look around the municipality. Every school, every municipal building, the lights are on. It's the taxpayers' dollars. You look at it from the point of view of the businessman. If his lights are on, you make darn sure, that he puts them out and makes sure the employees close the lights as they leave. Fuel costs are up. But again, these are controllable costs. True enough, pensions and insurance, the State mandate, again, possibly the State should be a little more stringent on what legislation should be passed as far as the increasing, these mandated costs. In the area of appeals, this municipality, which is East Orange, comparable to Newark, sees a tremendous erosion of tax base. The erosion of the tax base is primarily caused by many factors. Let's assume a commercial property holder, if his property is assessed at say \$2 million, this cost rise, he presents his case to the assessor of the county board or to the State Division, at some point of time, based on the information he furnishes, he will be granted this appeal and this is what has been happening in our municipality and I'm sure this happened in Newark. And it will be happening in the surrounding towns if there is no legislation passed to stop this appeal. Somewhere along the line there must a moratorium. If I was a property owner, and a commercial building owner, adjacent to this property that was getting an abatement, if I think of having my apartment burnt down so that I could get an abatement, I don't believe this. One of the most serious things is delinquency in our municipalities. Delinquent taxes eventually turn to tax typhoons, eventually turn to foreclosures, eventually go onto the exempt roll and then it gets to the abatements. Elections have been very seriously hurt in our town. As I understand it, there is somewhere in the statutes that until such time as the delinquency of a collection rate reaches 50 percent, the Director of Local Government Services will not step in. What must be done is to increase that from 50 to say, 75 percent where it becomes mandated for the Director of Local Government Services through the State to take over that municipality's budget. In the area of appeals, I think that there should be some legislation passed that appeals are not adjusted that rightfully at the county level and are not likely at the State level. Possibly it is the part of the municipality and its administration and not having the proper men in defending their appeals. I don't know. The evaluation has presented problems. Before municipalities, I was looking over the county budget, almost 16 of them had been revalued. In each case, the land improvements show a substantial decrease in growth based on the revaluation. What bothers me is this. It's the telephone messages under the special legislation, it's not the same percentage as improvements of taxables. Another thing is this. In looking at the average of say 60 years of any one of these municipalities that I look at, there is a normal growth of 1 to 2 percent in the assessed values. The county comes along through their equalization, whatever method it is, it tends to distort the growth. I consider that nothing more than paperwork. The county equalization serves in my opinion, two or three purposes.

They are school aid, setting up a debt limit or borrowing capacity, but again this is very erroneous, setting up a borrowing capacity at the equalized value rather than the assessed value. First of all, if you go and borrow money from a bank, it's based on your collateral. If your collateral is not directly disposable, your granted a credit in excess of the true value of its collateral. So looking at the various areas, the local, school, municipal, county and State, it boils down to this. That there must be some curtailment of costs at 0-4 and 0-3 levels of government but include the school. Including those dedicated utilities, for example, these are the areas that we have to look at hard. Possibly, many of the things, for example, one of them items that I believe that Mr. Mayor brought up, the Mayor of Summit, with regard to road funding, possibly this could be transferred up to the federal level. I understand, and looking at the papers, that New Jersey gets less back from the Federal Government than it pays. I understand that we get 87¢ on every dollar. I may be wrong. I didn't realize that we had the opportunity to discuss so freely, had I known that, I would have prepared a statement with documentation to be presented, but obviously there would be certainly many other instances that we could discuss. Thank you very much.

BROWN: You still have the opportunity to submit a written document to our Committee.

CALLACO: Thank you very much.

BROWN: Senator Lipman would like to ask you something.

LIPMAN: Mr. Callaco, I didn't quite understand, what was your suggestion about how to deal with delinquent tax collection?

CALLACO: Well, on the area of delinquent tax collection, there must be some point of time that the Director of Local Government Services, all local legislators come to play. When you permit, our collection rate is in the neighborhood of 82 percent. It sounds glorious - 82 percent - because we have a low collectable amount. That's why it is a good rate. Had it been in a higher collectable rate, in effect we lost so much in the way of ratables, it would have been lower than 82 percent. What I'm trying to say is basically this. There must be some legislation put in there. If the collection rate drops below 80 percent, 75 percent, I don't know what the magic figure is, then the State must come in and take over the budget or some branch of government must come in and do something about it. And not permit the local government to continue in this present way.

DEARDORFF: Mr. Callaco, do you know, for instance, the number of municipalities have what we consider relatively low collection rates. 82 percent is a very low collection rate. However, in some instances, the subsequent collection, the delinquent tax collections, which really represent even a delinquency that is only a month overdue, are fairly substantial. You almost have to look at both of these if you have a high percentage of delinquent tax collections in the year after the imposition of tax, to determine really what you're true delinquency is. You could have 90 percent and be worse off than you are at 82 percent in the final analysis. I don't know the situation in

East Orange. I just wondered if you have any idea on that, as far as East Orange is concerned.

COLLACO: Well, East Orange enjoyed a collection rate, way back, say 10 or 15 years ago, anywhere ranging from 95 percent or thereabout. In the last 8 years, I saw this downward trend. The delinquency made up of tax title liens and current delinquents have grown substantially over the years and in the last two or three years it has seen a tremendous swing from current delinquents to tax title liens. So it has presented a constant picture but constantly growing worse.

DEARDORFF: Constant erosion.

COLLACO: Correct. So we're facing an erosion of the taxable base, and erosion of our collectability and these coupled with the debt service increase, where do we go?

DEARDORFF: Thank you.

BROWN: Thank you. Thank you very much. I think maybe the last speaker will be Mr. Richard Dowling.

D O W L I N G: My name is Richard Dowling. I didn't intend to speak today. I just came to see what was going on and I am very impressed with what happened and I took a few notes. My address is 166 Elwood Avenue, Newark, New Jersey.

BROWN: Are you representing any organization?

DOWLING: I'm just representing myself at this time.

BROWN: Thank you.

DOWLING: There are all kinds of requests to tax. Plans from Mr. Martinez, but did you hear them say anything about putting caps on abatements in Newark? I didn't. You seek money for building subsidies, funding for subsidies for rent, which in fact means you're subsidizing heat, light, maintenance, management and property and profit to the owners. Why then couldn't you subsidize the full tax which would go to the city tax office to pay for services needed for these buildings which you now ask the few property taxpayers to pay. We all know that there are 33 percent of properties in Newark which do pay the real tax so you are basically paying services for all the people. This is unfair. If you could fund cities like Newark in this matter, your other fundings could be less in proportion so the total cost wouldn't be any more and business could live in Newark, and bring jobs to our people. It seems to me that a way could be found to define this type of plan. Thank you very much.

BROWN: Just a quick question, Mr. Dowling.

DOWLING: What you want to ask is that the money that the State funds to these tax abatement buildings, where is it going? Is it going to receive money for the land? Cost of the building? In rental subsidies? This money goes for heat, power, profit, management, everything. And they ask the taxpayers to pay for the services that this building takes on. I don't think it's fair and I don't believe that it's fair. If the Senate and Assembly were to fund the taxes in full, and the overall cost to the State would be almost predominant. And it would provide for a decent city for business to come back into and bring jobs to the people who need them, you wouldn't have

to manufacture jobs.

BROWN: I think Senator Lipman would like to say something.

LIPMAN: What you're actually saying is -- no more tax abatement -- that's what you're actually saying.

DOWLING: Actually, yes, with certain considerations, of course. Thank you very much.

LIPMAN: Thank you.

BROWN: Thank you. Is there any other speaker that I may have overlooked that would like to speak?

LAZARRO: My name is Mr. Joseph P. Lazzarro from East Orange, New Jersey and I'm with the Taxpayers Organization. I just wish to make one very brief statement and that is as follows. I thank you first of all for coming and giving us the opportunity to address you all. We appreciate this democracy on taxes. The thought I'd like to leave with you is that we, the taxpayers, expect a dramatic reduction in taxes. This, I believe, is the overriding thought that permeates our society today. Between inflation, coupled with taxation, our form of life is indeed in jeopardy. If you've been to a supermarket in the last few days, you will see a dramatic rise in the price of food. With this thought in mind, is incumbent upon you and the legislative body in Trenton to bring about this tax reduction that we need. We look to you as a sole defense for our hard-earned money that people are working for today and the dollars that people have put aside in the past for the future. Those dollars are rapidly diminishing. It is up to you to realize your responsibility, most seriously. You are in commission during the time in our history when I believe what happens within the next four years will determine what kind of future this government has. Thank you.

BROWN: Thank you very much. I'd like to thank all of you that have participated today and attended this public hearing because it is the public that makes this possible and we look to you for directions so we can be aware of your feelings, as legislators, and representatives in the State House, and we enact legislation based on some of the information given. We will take it under serious consideration. Are there any statements from the other Committee members? Senator Lipman?

LIPMAN: Chairman, I think that we have heard some very interesting statements today and I'm sure that those citizens that did not get a chance to participate, I'm sure that we will be hearing from them again.

BROWN: I think that they should be aware of in case they have any information, they can submit it before August 31, 1978 and we will be glad to include their comments and anyone else's in the testimony. At this point I would like to thank Mr. Deardorff for joining us here on the Committee and also Senator Lipman and Assemblyman Albanese. This will conclude this public hearing. As it stands now, we have concluded this public hearing. I don't think

we'll have anymore public hearings in Newark of this nature. Thank you very much, again,
for coming out and this concludes the public hearing.

Municipal Tax Collectors and Treasurers Association
of
Essex and Hudson Counties, New Jersey

August 3, 1978

My name is Joseph W. Bonin. I am the Comptroller and Tax Collector of the Township of Maplewood. At this hearing I represent the Municipal Tax Collectors and Treasurers Association of Essex and Hudson Counties, New Jersey of which I am currently president.

It is my understanding this hearing is in part covering Assembly Bill A470. According to that Bills' "statement of purpose" it would provide for a more realistic timetable for the adoption of school budgets. I'm sure the schools have a very legitimate reason for the change that would solve a number of problems for them, however, the bill if enacted would merely transfer unrealistic timetable from one agency to another, namely the municipal government. Especially the tax collectors office which will bear the brunt of the change. The timetable effect would be devastating to local tax offices and effect a chain of undesirable processes and expenditures on municipal governments.

I cannot answer for the County Boards of Taxations or Assessors, it would appear they too may be harassed by this bill. I leave it for them to present their own case.

I'm sure you have heard from others some of the adverse effects of this bill. It is not my intention to be repetitive, but, by chance I may touch on items not previously covered.

On the surface we have found some important detrimental effects to municipal governments, Lord only knows what else may surface after enactment. We, the local officials have become very suspicious of state enacted programs and changes because of the demands placed on us by past ill throughout legislation. Fifteen years ago we could occasionally look out our office windows and note the outside world. State enforced programs have placed unreasonable demands upon us without funding to offset personnel & equipment needed to meet those demands, we no longer can enjoy the view as we once did.

Through A470, the schools are in effect asking us to compress our work schedule to the point of losing 40 working day's by moving the "Rate Strike Date" from April 10 to May 20. This adjustment appears at the busiest time of the year for tax collectors. We collect taxes during that period and it is our annual billing period. We need all the time we can get to perform these functions especially during April, May & June.

We are not blessed with funds of larger Governments such as the schools, State and County governments which can purchase sophisticated computers and add staff when desirable in order to churn out items faster. We don't need speed, we can do the same job cheaper and within the reasonable time span currently enjoyed. This bill asks us to perform our function in an condensed time span, that change requires more equipment, and personnel to meet the schedule. After the schedule is met what do we do with the equipment & people. We operate very efficiently under the current timetable. Are the schools or the state willing to fund us for the costs which will be mandated upon us?

The schedule imposes a delay of mailing tax bills 21 days. This delay will possibly result in cash flow problems for municipalities who rely on third quarter advance payments during June & July to meet expenses. The communities may be forced to borrow monies in anticipation of tax revenues. Borrowed money cost interest which would have to be appropriated in municipal budgets. This effect state wide could amount to a significant number of dollars.

Let us examine the other side of the cash flow situation, suppose a community does not have to borrow during that time period. It would lose revenues normally collected prior to A470, which are invested to generate interest revenue utilized to reduce taxes.

Either way under A470 the municipalities lose revenue, and this is a very important consideration the legislature must take into account. It could add up to a sizeable amount of money in the state. Are the local communities not already up against the wall because of the State imposed 5% CAP?

40% of my tax bills are paid by banks holding mortgages on properties in Maplewood. That is a low percentage compared to most other communities. These banks need the bills at least 45 days prior to the due date to process the tax bills accurately for payment.

How about the tax payers? This bill cuts down their appeal time from 65 days to 35 days to meet the August 15th deadline.

I'm sure the schools have a very legitimate complaint and surely some relief should be sought, but not at the expense of another governmental agency especially the local tax collectors office. We too have a legitimate gripe. Since we are closest to the people, they blame us for the schools high cost of operation. They don't go to the schools with their gripes.

I urge that this bill be withdrawn until such time as local, state & school officials can reconcile an equitable approach to the problem. If the schools are so concerned with their budgetary timetable, perhaps the structure should be established completely independent of existing approaches. An over simplified solution as equitable as that which they propose to place upon us, is to perhaps let them strike their own levy and collect their own taxes

directly from the property owners. Then they would have the flexibility they need plus would surely feel the pulse of all people, not only those with children in school.

I assure you the local municipal officials would applaud such a move, because it is the schools who get most of the taxes levied, but the local officials, who have little control over those monies, who get the complaints regarding high taxes. An inequity also exists in complaint distribution.

I thank you for your time.

Joseph W. Bonin
President
Municipal Tax Collectors and
Treasurers Association of Essex
and Hudson Counties

Maplewood Municipal Bldg.
Maplewood, N.J. 07040

FRANK H. LEHR ASSOCIATES
consulting civil engineers

15 FREEMAN AVENUE
EAST ORANGE, NEW JERSEY 07018

TELEPHONE 673-2520 (area code 201)



FRANK H. LEHR
MAYOR
CITY OF SUMMIT, NEW JERSEY

PRESENTATION AT HEARING
JOINT COMMITTEE ON STATE TAX POLICY

AUGUST 3, 1978
CITY HALL
NEWARK, NEW JERSEY

STATE AID FOR MAINTENANCE AND RESURFACING/RECONSTRUCTION

FORMULA FUNDS FOR MAINTENANCE & REPAIRS

<u>YEAR</u>	<u>MAINTENANCE</u>		<u>HERRICK FUNDS FOR REBUILDING RESURFACING AND RECONSTRUCTION</u>		
	<u>EXPENDITURE</u>	<u>STATE AID</u>	<u>PROJECT</u>	<u>EXPENDITURE</u>	<u>STATE AID</u>
1971	\$52,464 **	\$13,154	GREENBRIAR DRIVE & OAK RIDGE AVENUE	\$ 9,271	\$ 5,000
1972	61,136 **	11,909	KENT PLACE BLVD. FROM MORRIS AVE TO HIGH ST	23,996	10,986
	--	--	KENT PLACE BLVD. FROM HIGH ST. TO HIGH SCHOOL	3,500	DENIED
1973	18,100 ***	11,909	KENT PLACE BLVD. FROM HIGH SCHOOL TO MADISON AVENUE	32,966	18,887
1974	15,926 ***	11,909	KENT PLACE BLVD. FROM MADISON AVE. TO PASSAIC AVENUE	22,613	20,352
1975	24,750 ***	5,954	SPRINGFIELD AVENUE & DEFOREST AVENUE	NONE	DENIED
1976	25,255 ***	NONE	SPRINGFIELD AVENUE & DEFOREST AVENUE	26,800	NONE

TOTAL:	197,641	54,835		119,146	55,225
** (LABOR & MATERIAL)		*** (SEAL COATING MATERIAL ONLY)			

May 16, 1978

WHEREAS, because of the lack of State Road Aid since 1974 and the severe winters most recently experienced in New Jersey the Municipal and County roadway systems have deteriorated, and

Resol.
Support
State
Aid for
Road
Mainten-
ance and
Improve-
ments

WHEREAS, the Municipalities and Counties are spending more for road maintenance per mile than for capital improvements per mile and much of said maintenance is only a stop gap measure to correct the roadway conditions, and

WHEREAS, the majority of the cost for roadway maintenance and capital improvements have been placed upon the Municipal and County governments, and

WHEREAS, the 5% CAP Law prevents most municipalities from adequately budgeting for proper roadway maintenance and capital improvements, and

WHEREAS, the condition of the respective roadways are deteriorating rapidly and may become hazardous and cause damages to vehicles using them in the future, and

WHEREAS, the Municipal and County Engineers formed a Task Force which provided supportive input as to the existing conditions.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF SUMMIT:

That the State Road Aid Program be reinstituted for the purpose of protecting and maintaining our roadways so they may attain their design life.

FURTHER RESOLVED that our Congressional Representatives take steps to get more Federal Road Aid dollars into the State.

FURTHER RESOLVED that a copy of this resolution be sent to Summit's Congressional Representatives, the State Representatives of District #24 and Union County, the State Commissioner of Transportation and the Union County Board of Freeholders.

Dated: May 16, 1978

I, David L. Hughes, City Clerk
of the City of Summit, do hereby
certify that the foregoing reso-
lution was duly adopted by the
Common Council of said City at
a regular meeting held on Tues-
day evening, May 16, 1978.

Approved:

FRANK H. LEHR

Mayor

City Clerk



June 22, 1976

DONALD TUCKER
COUNCILMAN-AT-LARGE
NEWARK, NEW JERSEY

733-6427

SUBJECT: MORATORIUM ON REVALUATION AND TAX REFORM

Dear Concerned Citizen:

You probably are aware that five members of the Newark Municipal Council, for the past six weeks, have been fighting the state mandated revaluation of Newark property. Councilpersons Anthony Carrino, Sharpe James, Henry Martinez, Marie Villani and myself have been threatened with jail because of our refusal to vote for the court mandated revaluation.

We have taken the fight to the County Superior and Appellate Division Court and finally, the New Jersey State Supreme Court and the State Legislature on your behalf. Through our efforts, the Senate and Assembly have passed bills delaying revaluation in Newark, and have received the support of Governor Byrne.

Our involvement in the fight against revaluation within the City of Newark has raised some major questions about property taxation and the fiscal solvency of the City. I am of the opinion that if Newark is going to be able to develop and thrive as a viable city, that we can ill afford to continue our current \$10.00 per \$100 of assessed valuation tax rate and must reach out to the county and state government for property tax relief.

Our recent interaction with the State Legislature has indicated clearly that the State Legislature has given payment in lieu of taxation for inner city land occupied by the State to other cities, for example;

New Brunswick, Wayne and Trenton. In Newark, we have the State Administration Building, the New Jersey College of Medicine and Dentistry, Rutgers University, Martland Hospital, the Division of Motor Vehicle Inspections and don't mention the miles of state highways running through Newark that resulted in the displacement of millions and millions of dollars in ratables. However, Newark which has considerable amounts of land utilized by State agencies has not received a penny in payment in lieu of taxes.

Counties are also permitted to contribute payment in lieu of taxes to municipalities that provide land for county operations. In Newark we have been informed that Cedar Grove is currently receiving in excess of \$1 million per year from the Essex County Board of Freeholders for the county operated Cedar Groves Hospital. However, Newark which contains Essex County College, Essex County Courts, Essex County Administration Building, Essex County Parks, Essex County Hall of Records, and Essex County Parking facilities do not receive a penny from the Essex County as payment in lieu of taxes. We must also be knowledgeable of the fact that the cuts in State aid to the City of Newark, which is based on need, has effected Newark in a major way. In our last budget, Newark's cut in State aid amounted to approximately \$12 million (covering two years), which as of this date, has not been replaced and automatically has an impact on the 1976 property taxes.

With our current situation of having over two-thirds of our property within the City of Newark tax exempt, and one-third of our property paying 100% of property taxes, this has led to our high and confiscatory tax rate. The proposed State Income Tax will have little impact on the property taxes within the City of Newark, for as it is proposed. Based on the Senate Income Tax, we are talking about 1.5% of gross income with

no stipulation for property tax relief.

Estimates in the amount that Newarkers will pay to the State government for the gross income tax will be \$10 million per year, yet based on the educational formula, we will only be in receipt of \$1 million of additional revenue to the Board of Education.

I am of the opinion that for the above mentioned reasons and others too numerous to mention that the City should establish a Municipal Task Force on property taxation. The Task Force should be broad based and have representation from the;

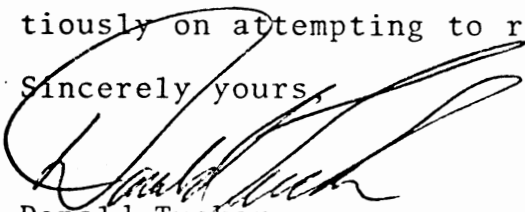
Mayor's Office
Newark Municipal Council
State Legislature
County Board of Taxation

Newark Chamber of Commerce
Local Universities
Homeowners

They should be charged with the responsibility of reviewing the taxes within the City of Newark and developing recommendations for the City, County and State that would enable the City to reduce its confiscatory tax and hence reduce the urban plight and flight. They might also consider calling for a citizens tax convention or public hearing which would solicit input and recommendations from all citizens of our city.

I believe that the problem of taxation within the City should be our number ONE priority and I am hopeful that the City can move expeditiously on attempting to resolve the problem.

Sincerely yours,



Donald Tucker,
Councilman-At-Large

cc: Honorable Kenneth A. Gibson, Mayor
Earl Harris, President; Newark Municipal Council
Members of Newark Municipal Council

DT:bb



LEAGUE OF WOMEN VOTERS OF NEW JERSEY

460 BLOOMFIELD AVENUE, MONTCLAIR, NEW JERSEY 07042

TELEPHONE 201 346 1465

TRENTON OFFICE:

212 WEST STATE STREET, TRENTON, NEW JERSEY 08608

TELEPHONE 609 394 3303

Testimony before Joint Tax Committee

July 13, 1978

The League of Women Voters of New Jersey is pleased to have the opportunity to speak before the Joint Tax Committee. It seems to us that this committee has been formed at an opportune time to reevaluate the fiscal policy of the state. The income tax has been in place for two years, and it is possible to put it into perspective with the rest of the tax structure. We commend the Legislature for evaluating the system as a whole. It is a rare chance to propose changes that consider the interrelationships of all our taxes.

Unlike California, which resorted to extreme measures to correct steeply rising property taxes this year, New Jersey responded two years ago to similar pressures by substituting the income tax for a large portion of property taxes. And, only last fall, the electorate renewed its support of this decision.

PROPERTY TAX RELIEF

Our property taxes have gone down. Including the homestead rebates, which are a part of the reduction, New Jersey's property taxes fell by over 10%, a direct reverse of the increase the year before. In 1978, property taxes were still 8.7% below the 1976 level. We cannot expect these taxes to continue to fall as the cost of living increases by over 7% a year, but at least we can expect some stabilization. With the income tax, we have achieved a more balanced tax structure and eased the burden on property owners.

PROBLEM OF YIELD

We all know, though, that the income tax can be improved. The two areas that concern the League the most are yield and equity.

(more)

This year we are balancing the income tax budget with an anticipated 12% growth in revenue. We have also transferred some expenditures into the General State Fund and are using a \$125 million surplus.

In fiscal 1979, the surplus that was built in to pay for the initial years of the program will no longer be there. Income tax revenue will have to grow by 13% just to pay for the existing costs of the program. If the costs go up, however, growth in revenue will have to be much larger. (This year, school aid went up \$75 million, and next year we can expect some further increase.) Without such growth, the programs could be funded from the General State Fund at the expense of other services, or the programs could be cut. The area of yield obviously bears careful watching.

LWV OPPOSES
MEASURES THAT
REDUCE YIELD
OF INCOME TAX

The League opposes measures that reduce the yield. There are a number of such bills in the Legislature that increase deductions or exemptions on the income tax. Such changes should be made, if at all, when the rates are being restructured.

EQUITY IN THE
INCOME TAX

That brings us to our second concern, equity in the income tax structure.

LWV FAVORS
GREATER
PROGRESSIVITY

The New Jersey income tax has a one step progressive rate. The League believes that the income tax starts at too low an income, \$3,000, and the rates are too high for low incomes and too low for upper incomes. In other words, the rates should be more progressive.

LEONE
COMMISSION

The recent Leone Commission on Government Costs and Expenditures states that after credits and deductions, the income tax is more progressive than it seems from the rates alone. The League believes their conclusion is somewhat misleading, especially at the lowest incomes. A more accurate picture of progressivity would be given if income levels under \$10,000 were broken into more

(more)

than one bracket. (We understand that in the future this will be done.) When it is done for the existing data, we find that people with less than \$6,000 pay little or no tax, but those between \$6,000 and \$8,000 pay 1% of their income rather than 3/4 of 1% at \$10,000 as indicated by the Commission. Most of the progressivity comes at the low and lower middle incomes, and there is really very little progressivity at the upper range. From \$10,000 up to \$100,000, the rate increases only 1/4 of 1%. (See table.)

PROGRESSIVITY Of all the states with income taxes, most have graduated rates.
IN OTHER STATES Many start with lower rates than New Jersey; only one other state - Mississippi -- graduates in one step, 3% - 4%; and ALL have higher rates at the upper levels.

A more progressive rate in New Jersey, we believe, would improve the equity of the tax and, at the same time, provide a better growth in revenue over the long haul.

RENTERS
REBATE On the program side of the ledger, the League believes the greatest need is to correct the inequity for low income renters. For those who rent and pay less than \$65 income tax, property taxes are reduced only in the amount paid in income taxes. The League supports a renters credit or rebate to allow these people to receive the same property tax reduction as other renters.

CIRCUIT
BREAKER If the committee is considering more basic changes in the programs, the League would favor a change from homestead rebates to a circuit breaker. Such a change would give property tax relief based on the ability to pay, and the relief would be permanent.

LWV URGES NO
MORE DEDICATED
TAXES A general comment on fiscal policy overall: the League opposes dedicating tax revenue for specific purposes. Each new dedication restricts the Legislature's ability to meet the needs of all New Jersey citizens. We urge you to oppose any further earmarking of funds.

(more)

LWV SUPPORTS
IN LIEU OF
TAXES AND TAKE-
OVER OF WELFARE
COSTS

We understand that the committee is also evaluating fiscal policy as a tool to revive the cities. One of the most difficult problems for cities is their declining tax base. The League supports in lieu of taxes for state properties as one measure to ease this problem. State or federal takeover of welfare costs would also help by paying for a major city expenditure.

SOME QUESTIONS
ABOUT STATE
FISCAL POLICY
TO REVIVE
THE CITIES

The League does not have a position on the use of tax credits, abatements, and other incentives to encourage business to locate in cities. We would suggest, however, that the Committee ask the following questions of those who do support such measures:

- . Will tax incentives work?
- . How large a tax reduction would be necessary to persuade industry to locate in the cities?
- . Will incentives bring in economically desirable business?
- . What would the cost be to the state? And to municipalities?
- . What would the cost be to taxpayers?

Taxes may not be the deciding factor in location decisions. Other costs may be more important in the immediate decision; and in the long run, improved mass transit and a better educational system, which improve mobility and the quality of the labor market, may be more important.

It is a difficult challenge to provide the necessary services to make New Jersey a place where people want to live and operate their businesses. Obviously, it is possible for taxes to be too high; it is also possible for services to be too low, discouraging people from living here and expanding their business here. Finding the proper levels, not only of tax rates, but of public services, will not happen by itself. It takes leadership from the public sector and hard work from us all.

Given by Helen Lindsay, Director
Fiscal Policy
League of Women Voters of New Jersey

EFFECTIVE TAX RATE, July 1976 - January 1977

New Jersey

<u>Income</u>	<u>Rate</u>		<u>Rate</u>
Under \$2,000	.00	}	
\$2,000 - \$ 4,000	0.04		
\$4,000 - \$ 6,000	0.05		
\$6,000 - \$ 8,000	1.04		
\$8,000 - \$10,000	1.14		
		Up to \$10,000	0.76
		(Leone Commission)	
		\$ 10,000 - \$ 20,000	1.29
		\$ 20,000 - \$ 40,000	1.40
		\$ 40,000 - \$100,000	1.54
		\$100,000 - \$200,000	1.92
		Over \$200,000	2.18

Source: New Jersey Department of Treasury

DATE DUE

BRODARI, INC.	Cat. No. 23-221

BRODARI, INC.

Cat. No. 23-221



