Donald Linky: It is February 17, 2007. My name is Don Linky and this is a second session of an interview for the Brendan T. Byrne Archive for the Rutgers Program on the governor with Jeffrey Laurenti, who was executive director of the State Senate during the Byrne Administration. We’ll be continuing our interview to discuss with Jeff some of the major initiatives of the Legislature and the Byrne Administration during those years.

Jeffrey Laurenti: I think we had talked, hadn’t we, about the gasoline crisis showing Byrne’s leadership right at the start. So, we’ve gotten through that. So, the odd/even.

Donald Linky: In our first session, towards the beginning of the new Byrne Administration, you described that there was a lack of significant communication between the new Byrne people as they developed their legislative program and the key leaders in the legislature. Do you want to talk more about those early days in terms of developing a legislative program and how that matched or did not match with the Byrne Administration priorities?

Jeffrey Laurenti: Well, one had almost a sense that this was a replay in Trenton what had been the first years of the Roosevelt Administration in Washington in the 1930s. And that is the administration would come in with huge margin of victory, huge margins for its party in the legislative branch, and it was just going to send down what it expected to be done to the majority leaders in each House. They were going to pass the bills out. Those bills were going to be passed unchanged. There actually was a suggestion early on that we give you the bills and you pass them unchanged, and the legislative leaders bristled a bit at this motion that they were there basically as the ratifiers of the Governor and of his staff and their program. There was not much in the way of cross communication in those first couple of months. It was largely a one-way street. Here are the bills and this is the administration program. Now on some things for example, mail registration, voter registration by mail; the senator with whom I had been working already for a couple years before, while in the minority, Joe Merlino, had already had in a voter registration by mail-in from the previous session. So, it was already in a sense owned. The administration staff was working on a somewhat larger- considerably larger more far reaching bill with this at its heart. So we had a good deal of dialogue with Bob Raymar, which we had to initiate. And the way we got the dialogue initiated was by scheduling committee consideration of the bill that was already in and that then forced the hand of the administration to scurry back and say, “No, we need to talk with you because we have our own bill. We’re working on it” and such. These were the ways in which the legislature could open meaningful channels of communication, to use a phrase common
in the pop psychology of the time, by showing its own ability to initiate legislation. So, you had some circumstances like that where then you were able to actually collaborate on shaping a piece of legislation.

Donald Linky: Was there some division between the veteran legislators who were incumbents prior to the Byrne election and the newly elected people who may have felt more dependent or loyal to the Byrne political muscle that had been exhibited in the 1973 election?

Jeffrey Laurenti: Well, certainly the brand new legislators, those who came in in '73; most of them in Republican leading districts, came in initially feeling a sense of connectedness to dependence on Brendan Byrne and his victory. Whereas the half of the Assembly, the 40 Democratic legislators who had been there in the previous session, they already were there. They didn’t owe their election to Byrne. They certain knew they owed their being in the majority to Byrne’s victory and to the themes that he had articulated. But they had a sense already of a legislative role. This was also the era, remember, of Watergate in Washington beginning to gather steam. The sense of Congressional oversight being duplicated at the state level throughout the states and legislative oversight and assertion of legislative prerogatives Ray Bateman and others had in the Cahill years; already begun the process of staffing legislative committees and of actually having legislative committees meet the practice that had always been. Bills would be referred to committees which would never meet. When the Senate Republican caucus had agreed that it wanted to vote on something, it would send a sign out sheet and get the requisite number of signatures; that is, the majority of the so-called committee membership to sign on reporting it out. And then it would be available for vote. Ray Bateman was one of the legislative reform leaders who had initiated a functioning legislature. This would come back actually to haunt him in the 1977 campaign because we now had votes in committees on all amendments that were offered in committee. For example, Ray was on the Senate Judiciary Committee, which handled the 1977 casino legislation. There had been an amendment offered there to prohibit from going from, say, government into casino related work or vice versa, whatever; a solid bar that had been proposed. And this was rejected by the Senate Judiciary Committee as unrealistically high a bar, and Senator Bateman was among those who had voted to kill that amendment. And in the fall campaign, Senator Bateman as the Republican gubernatorial candidate was attacking Governor Byrne for the legislation being so weak, not to have the protections against revolving door associations and because we had painstakingly gone through the committee records; found the record on this vote and with appropriate thanks to Ray Bateman for having initiated the functioning committee process including the record trail that could be used to hold public officials accountable, we found that he had voted against precisely what he was denouncing the Governor for not having in the bill. So when in one of the 1977 televised debates, Senator Bateman was attacking Byrne once again on the failure to have such a
provision, the Governor in the rebuttal in that moment in the debate, quoted the language of the amendment and then said, “And Raymond H. Bateman voted no.” And you had the look on Ray’s face, a big, totally crestfallen, crushed at that debate; was deflated for the remainder of it. So, I’m sorry. This was a digression, but it was a sign of how the legislature was beginning to come of age as a fully empowered branch of government. So, an administration coming in, thinking it was going to do like Roosevelt’s 100 days, a policy of we’re dictating to you what the agenda is. We’re giving you the sacred tablets that you may not alter from Sinai- from Mt. Sinai. It was not going to fly, at least not for very long. You had this stream of reform legislation being pumped out from the Governor’s Counsel’s office. Usually without any prior consultations with legislators. They were presented the leadership at a leadership meeting and the leadership was asked to find sponsors. They included things that already had strong advocates. Byron Baer had been a big advocate of open public meetings. The administration offered a bill and he eventually would work with what his own particular concerns were, but first got control of it by putting his name on it. Similarly, public financing of gubernatorial campaigns was a great cause of Al Burstein’s. He was going to put the bill in and then he was able to steer it not with much friction with the Governor’s office. The big issue at the time was whether you’re going to cover primary elections, and the thought was that at least for the first round you just had to establish the principle of public financing in gubernatorial elections in a general election. Indeed, it was a two-step process. And after the ’77 election, went back to revise the law to incorporate the primaries. You had the Public Advocate Department, a great brainchild of I assume Lew Kaden with our association, and of the bill was with Lew; which Howard Woodson introduced in the Assembly and it went flying through the Assembly. And when it came over to the Senate side, we had some real concerns because Merlino was Woodson’s Senator. And the normal procedure was that the legislator from the same district would carry a bill that had passed the other House. Joe claimed control over it and then proceeded to pick apart some of the more adventuresome provisions which seemed to us to be so openly, so broadly written as to give a cadre of lawyers, appointed without accountability to anybody, total freedom to decide what they thought was in the public interest, which seemed to be at a moment when the Democratic Party was beginning to feel the divisions between its ideologically liberal highly educated wing and its working class wing. It seemed that this would be to the disadvantage to the latter. It was going to be introducing, one worried, a kind of McGovernite power into the state executive branch. So, the two-ish areas within that bill, creation of a division of public interest advocacy; whatever that would mean and— It escapes me for the moment. Another one. We made those two sunset in a four-year period to make sure that we would see how they would work before this would go on. This caused a little bit of dissension, both within the Governor’s office --it felt that this was a blow to an administration bill that shouldn’t be touched --and because Stanley Van Ness was, I guess, one of the architects and already intended as the first public advocate, created frictions between Joe and Stanley Van Ness for a while. But it all worked in the end. Joe, two years later, pushed through a bill that would eliminate the sunset. But again, there was a sense of caution. Which way are
we headed here? This is a blank check that’s being given to people unknown. You had also in those first six months, the beginning of the battle brewing that would then paralyze the legislature for two years. When the Governor presented a budget that spent the $300 million surplus, that is for fiscal year ’74-75, the Office of Legislative Services said in its analysis to the legislature, that this is going to mandate a major tax increase because you are taking a nonrecurring surplus and using it to enrich programs across the board. Valuable programs in almost all cases. But this $300 million surplus will not be available next year to fund it even without knowing that the economy was heading into a steep recession with the oil price shocks. The judgment from Legislative Services was that this will put you in a giant hole in fiscal year ’75-76. And Senator Eugene Bedell, a Union guy from Keansburg; a blue collar Monmouth Middlesex district, warned the legislature, the other members of the Appropriations Committee that if they went along with Byrne’s budget, they were dooming themselves to have to vote for an income tax and that this was madness. So you had some first hints before the issue actually came onto the table. And Bedell was going to prove one of the most recalcitrant Democrats in the Senate to any income tax program. And this perhaps, we should have been seeing as a first warning of that.

**Donald Linky:** As concerns grew about the Byrne administration style and lack of communication with the legislature, do you recall any efforts to put this on the table to the Governor himself? Any other key people in the administration? Or was there a feeling that there really wasn’t anyone within the administration who was sympathetic to the legislature’s point of view.

**Jeffrey Laurenti:** Well, Jerry English’s job was supposed to be the handler of the legislators. Somebody who had a brief stint in the legislature herself and who had worked for the Senate Democrats when they were in the minority during the Cahill years. Her appointment as legislative counsel was supposed to give the legislature a place to check in. It wasn’t clear what influence, at this early stage, Jerry would have over the identification of an administration program, and certainly she did not succeed at that stage in creating a close collaborative relationship between Lew Kaden’s counsel’s staff and legislative staff in terms of hammering out legislation before it would be presented to the leadership for introduction. Complaints very quickly began popping up, which I’m sure some of them would have been uttered directly to the Governor. Certainly Jerry would have gotten a huge earful of them about Dick Leone and Lew Kaden, whose formidable intellects intimidated many people in the legislature and whose impatience with either the grasping motivations of some members of the legislature or the relatively, comparatively, slow ability to grasp concepts on the part of some members of the legislature seemed to be dismissed as- with impatience as don’t waste my time. At least this is the feedback that we got with others. And I don’t think Joe ‘a’, had any problems with Leone and even with Lew, although he could be hard to read. We didn’t have that type of difficulty with... but an awful lot of guys did. This would
be an undercurrent for the first few years of the administration; the super bright, the best and the brightest being hard to align with the lesser lights of the legislature.

Donald Linky: Was Jerry English’s role also hampered by the fact that her tenure in the legislature was very brief? Was she not viewed as one of the more veteran people that incumbent legislators would have felt more compatible with?

Jeffrey Laurenti: No, I don’t think that that was the case. I think part of the problem may have been that she was a woman. Now you’re asking me across 30 years to reconstruct either the body language, the assumptions, that crusty male legislators would have had about who wields real power. So, it may have been an assumption that she was not—I’m not sure that that was as much a factor as the reality. She didn’t run Lew Kaden’s staff. So, she was somebody that you could talk to but you weren’t talking to the decision-maker. The decision-maker was at a first level, Lew and his bevy of assistant counsels. And then ultimately the Governor. And at this time, you had Don Lan I guess as the executive secretary, and I don’t think that he was viewed as particularly legislator friendly; not hostile by any means. But just a different environment. So, I don’t think it was a question that she had only been a member of the State Senate for like two months or that she had only been on staff at the legislature. That would have been an asset. It was that she was not the one who was in charge of the legislative program. The legislative program was defined down the hall and she was basically a hand holder.

Donald Linky: So there was some confusion about the lines of responsibility within the new Governor’s office staff. But eventually this evolved to your perception and I assume most of the leadership, that the Council’s Office under Lew Kaden was where the decisions were being made.

Jeffrey Laurenti: I don’t think there was ever any doubt about that. Within a month, it was clear where were the bills coming from? They weren’t coming from Jerry. Jerry’s was basically a two-person office. They were coming from Governor’s counsel’s office. Right from the start or very quickly it became clear that this was where the legislative agenda was being hammered out and this was where you had the best and the brightest at a junior level cranking out bills and somewhat high handedly tossing them over to our side to be introduced and passed.

Donald Linky: Do you recall any efforts to raise this problem to either the Governor or others in the new administration to say, “This is not working in terms of our executive-legislative relationship?”
Jeffrey Laurenti: I don’t recall, but I don’t think people talked about it in terms of our executive-legislative relationship. That is reading back to it at a somewhat higher level. It’s the “So and So doesn’t talk to me. So and So is rude to me.” It was a much more kind of personal reaction that I think they would have heard expressed to-- and the guys would have expressed to Jerry and to others.

Donald Linky: Regarding state finances, you mentioned the disagreement over the Byrne Administration’s budget in that first year. How did things progress after that?

Jeffrey Laurenti: Well, despite the warnings from Gene Bedell and the Office of Legislative Services, the legislature in its wisdom decided it lacked all of the spending programs that the Governor was spending the $300 million surplus on. So it was passed with very little dissension. Then everybody was waiting for the Governor to announce his program to deal with the school financing issue. You had Steve Wiley in the Senate and Al Burstein on the Assembly side, the chairs respectively. The Senate and Assembly Education Committees already at work trying to hammer out a thorough and efficient education financing law as what are the components of the constitutionally mandated, thorough and efficient education, and how should the state provide the support for these. What factors should be weighted more or less in a funding formula? So, that proceeded ahead smoothly enough. In fact, it attracted remarkably little controversy, even when they went to pass the legislation, which was going to create a huge new funding obligation because the tough issue, the tough nut, was always going to be taxes. So, the Governor announced this tax program and the difficulty right from the start, quite apart from the external reality of the sense of economic tightening. The people were feeling surging inflation. A recession beginning to kick in that would be the longest and deepest in post-World War II history. A sense developing inside the legislature and in the political debate that the numbers don’t add up because a program that was promising property tax reform and relief, promising a big assumption of costs at the state level on education and some other tax reform items, you add up all of the items of the tax relief and education financing and then you add up what Assembly Bill 1875, the Income Tax Bill, was going to generate, and it was generating an additional $300 million. What is this for? Now, you might think hadn’t they already gotten the clue of this earlier in the year with the $300 million surplus they had just spent. They now needed to be able to cover that in the future. But the sense of the legislators who were for the program from the beginning was that this income tax revenue, since it was going to be a very tough sell in a tough economic climate, had to be clearly levied in order to provide property tax relief. You could not sell it as a new tax to fund, say, government. So, this became one of the big concerns with the Governor’s tax package, right from the start. This was money that to some degree was going to be used to finance a supposedly relentlessly expanding state government. And the public outrage was furious. So you had, although the Assembly guys stood up and 41 of them voted for the tax bill in July of 1974, in the Senate where we could keep counting up to 18 possibles, 19 possibles, and then who are the ones on
the Democratic side that are on the fence but we ought to be able to get. When you had the cresting of the fury, we only had seven guys who would have voted for it, for a losing tax bill. Seven. So, you had the climactic moment where Merlino as the Senate sponsor of the income tax bill stood up and said that he was withdrawing the bill. He was not going to press it for a vote and at this point, all of the anti-tax forces were demanding a vote on it, figuring they could drive a stake through the heart of a vampire.

Donald Linky: Given the fact Brendan Byrne said he did not see the need for an income tax in the foreseeable future, how do you think he came to change his mind about that? Was it a combination of pressure from legislators like Steve Wiley, Al Burstein and perhaps Joe Merlino saying you have to change your position?

Jeffrey Laurenti: I don't recall pressure, if that's the right word for it, from legislators on the Governor and his staff that we want you to put in an income tax bill. I think that among those that you mentioned there was always the assumption there was no other way to go. That everybody had known this. This is why this remark blurted out in the campaign, although it turns out it wasn't blurted out. It was scripted. It was carefully planned; seemed so puzzling because everybody knows what you're going to have to do. If Cahill had to propose it, you're going to have to propose it. So the expectation was that that was going to come down the road and that he was going to surely find some weasel word way of explaining why this income tax was not the income tax he couldn’t foresee and that this was, instead of being needed for state purposes, was instead a great reform move to deal with property tax issues. But I don’t think that he was facing pressure from legislators to have to propose an income tax. Among the more liberal-minded, progressive-minded leaders in the legislature, there was the assumption all along that after you get through the first six months of feverish legislative activity; build a record. Then you're going to have to deal with the tough issue, do what Cahill didn’t do, couldn’t do, and an income tax is going to be a central part of that. But we had no part, we were not consulted at all I don’t think. If I recall correctly; about what the elements of that package would be. That was in Dick’s hands, treasury’s hands largely, and more broadly within the administration but not legislative-executive dialogue.

Donald Linky: Do you recall when you were advised by the administration people that they were going to propose an income tax as part of this package? What was the reaction among the leadership and the rank and file legislators?

Jeffrey Laurenti: I don’t recall the advance notice before the public announcement, which I recall the Governor did in the Assembly chambers, but not before a session of the legislature. I’m trying to think. I think there was a leadership meeting shortly before at
which the program was briefly outlined. But this was not something on which there had been real consultation that I know of.

**Donald Linky:** You mentioned the tax bill got through the Assembly with 41 votes. In addition to Senator Bedell, who were the key swing votes you were targeting?

**Jeffrey Laurenti:** <Laughs> Gene Bedell was not one of the swing votes. We had 29 Democratic senators that year, and there were some who were hardcore against an income tax. Gene Bedell was among them. We had this kind of liberal idealist notion that it’s obvious that an income tax is better for blue collar working class people than any of the tax alternatives. Gene had a more instinctive sense that what might be true on paper is not true in people’s heads and hearts. And indeed the fiercest resistance for many Democrats came from blue-collar older suburban towns. Remember- forgive this digression. Somebody wrote a scathing letter to Merlino, who was very much out front on all, this doing joint hearings with Steve Perskie’s Taxation Committee with the Senate’s Revenue Finance Appropriations Committee. One guy wrote in and signed his name, a letter of rage to Merlino that was two sentences denouncing him on the tax. “You are a cow’s rectum”, he wrote. And Joe sent back a letter how strange to be called a cow’s rectum by a horse’s ass. But Joe had his own way of firing back in kind. The Assembly side figured that we have to do this and they could get their votes. You also had a leadership that was united behind it. On the Senate side, Pat Dodd, the Senate President, was among the more conservative Senate Democrats, was not for this at all, even though he came from Essex County to one of the major gainers. So when we would do the vote counts, we always saw Pat as one of those who in the end would have to vote for it simply because of what this does for the district. And the administration had waged its campaign with all kinds of data about district by district, town by town benefits. Those that could be counted on would have been Wynona Lipman. Jim Dugan was not on board actually. We didn’t have the Hudson County delegation ideologically committed to it.

**Donald Linky:** Why was that?

**Jeffrey Laurenti:** In Jim Dugan’s case, I think this was in part a sense that as state chairman, he had been bypassed and ignored by the Governor and the Governor’s people. He had not gotten his propers, not gotten his due respect, and was treated as just another administration doormat who is expected to do what the administration wanted but didn’t have autonomous decision-making power on his own.

**Donald Linky:** Broader than the tax issue alone?
Jeffrey Laurenti: Oh yeah, broader than the tax issue. I don’t think that Jim Dugan had a fundamental ideological opposition to tax program. He had a sense as the Democratic leader or state chairman that this tax issue was widely unpopular. The level of resistance to it was far more- was far fiercer than had been the resistance to Cahill’s analogous tax package two years before. The economic circumstances were different now and this may not have been politically smart for the party, but even that wouldn’t explain his decision to defect on it. It was part of the elaborate gamesmanship between him and an administration that had put him in there as part of the deal for Fitzpatrick’s support the year before and now really didn’t need to be bothered with him too much or that was a sense...Certainly we were not part of any of the sessions that Dugan would have had one-on-one with anybody in the administration. So we didn’t have Hudson. We had a split in Essex. We did have, as I say, a total of seven at the end. These were the ones who were really committed ideologically. There were another seven or eight that we knew that were committed privately but weren’t there publicly. Then you had guys like Joe McGahn of Atlantic County that were always part of getting the 21 but never got there. Joe Maressa, who was part of the group that would never come out publicly, that were lamenting how this was putting them in a terrible bind politically but they would have been there if you were pushing it to a vote if you had the votes. Herb Buehler of Monmouth County, who was a beached whale, one of the Byrne landslide flukes who didn’t know he wasn’t going to come back but wasn’t going to come back. Steve Wiley, who was one of the ideologically committed supporters, liberals. Matty Feldman among the ideologically committed supporters and liberals. So, you had some, surprisingly in the Senate with 29 Democrats, surprisingly small; only a quarter of them were firmly publicly committed for it. Then you had the rest who to varying degrees would waver or just weren’t there at all.

Donald Linky: Any anecdotes about how you and Joe Merlino used to try to persuade some of these reluctant senators to come onboard?

Jeffrey Laurenti: Well, in the first phase, which is summer of ’74, before the debacle, before having to pull the bill altogether; the effort was to sell it in terms of the merits of the program because you needed to get your solid 17 or 18 in order to round up the few who were very reluctant and who clearly wanted to vote no because of the heat they were taking but might in the end be brought along. But if you only had ten firm votes, then they’re not going to even talk to you about seriously voting for it. A number of them did keep their options open for a while, but they proved remarkably un-resilient in the face of political heat from outside. And you had Joe Hirkala if one remembers Joe Herkla of Passaic County talking about the Passaic Herald News, a very right-wing paper. Just going after the tax Byrne- going after Herb Klein, his assemblyman who bravely voted for it and being just unwilling to go anywhere near it. He made clear he was against it from the start and representing Passaic? You would figure that there would be a little more willingness to act here. But in any event-- No, no real anecdotes from the period leading
up to the vote. It was after the bill had failed and you now had the onus being assumed by the Senate, that Senate bloc that had killed the income tax to come up with alternatives. Now, our sense was that the ball is in your court and we will undermine any alternative effort that you all will come up with because it will fail to meet certainly the twin goals of financing the education obligations and providing property tax relief. Pat Doddfirst marched into battle on this front with his study commission that proposed a state property tax. Well, this expired within minutes of presentation because property taxes were then, as much as now, the fundamental problem in New Jersey taxes. So to deal with the school financing issue with property taxes was going to be a political non-starter. And it helped that the assembly quickly said, "We ain't going there." So this is dead before arrival. Then in December of '74, Jim Dugan was going to show how he could put together a deal that the Governor couldn't and came up with the repackaging of the income tax as something different; as a surtax. So you had the surtax alternative that would be dedicated strictly to financing the education component. So he is forfeiting the prospect of property tax relief more generally; forfeiting the reform. He's going to deal with only the school financing bit. I believe it was seven and a half percent; something like that; of your Federal taxes. This too, it was always easier to form a negative majority of course, but to shoot that down on grounds of not providing what you need, you are basically adding a new state tax, what everybody out there is afraid of, and you haven't given people back anything. So the political-- That was not a politically acceptable or palatable alternative so the governor then comes in February of 1975 with a budget with a- if I recall correctly $487 million deficit, which he says in terms of revenue sources his budget has new revenues, $487 million, and leaving this to the legislature to address in effect as the hammer for forcing folks to go back to that discredited income tax proposal because now you can't get through the next budget year without the new money, the dire prediction, the Office of Legislative Services prediction come true. And we did for the first time some significant cutting and trimming in the budget that the Appropriations Committee had never done before. It's basically an add-on committee and I remember Jim Vreeland at one of our amendments to trim office accounts by $26 million to-- He was a Republican from Morris County, quite conservative, "Good cut, good cut. Let's loop it through," but in the end you still had a $412 million deficit when the budget was passed, and the Governor- when that budget bill arrived with no tax bill for it, of course vetoed out that amount of money, and that touched off the budget crisis of '75 or the tax crisis of '75, which was finally resolved by Rey Garramone's family of taxes which he had been talking about for months, Democratic senator from Bergen County, also a one-term wonder. And among-- and this would prove to be crucially important the following year -- was an unearned income tax so this was a tax not on anybody's wage earning, so the vast majority of New Jerseyans was excluded, but it was a tax on dividends and interest income, good capital D Democratic policy here overnight "cause this was passed "whoosh" in a late-night session in- deep into July of 1975, flew through, and New Jerseyans of the upper income classes awoke the next day to the unpleasant discovery that they now were going to be paying an income tax that nobody else would be paying in the state. And they were livid but they were stuck, and that created an expected
additional constituency the following year because they had been one of the sources of the most articulate campaigns against the income tax proposal in ’74, ’75. Come ’76, they're no longer in a position of opposition because what eventually would be passed would have given them lower rates for their interest and dividend income, and that was the kind of unintended salami slice leading to a larger tax reform package. I'm sorry. So that goes in great detail more than you ever wanted to hear.

Donald Linky: I'm not sure about that. Was the strategy to propose a unbalanced budget by the Byrne administration developed with any communication with the leadership that this was their thinking before it was publicly--

Jeffrey Laurenti: I do not recall that at all. The making up of budgets is something that was entirely within the executive branch, and if Dick Leone had spoken with Joe Merlino about it I didn't hear about it.

Donald Linky: So you were surprised like most of the legislature when the budget was released to the public and to the legislature.

Jeffrey Laurenti: Well, not surprised, as it seemed to me to be a more sensible strategy than one of offering a budget that was fitted to the revenues that were already available by law so this was- I thought it was a smart strategy.

Donald Linky: Politically?

Jeffrey Laurenti: Politically. That's right, to keep the heat on.

Donald Linky: As that budget is released, now you have a new series of meetings and discussions as to what the next step is. Why don’t you bring us forward a little bit more?

Jeffrey Laurenti: In the ’75—

Donald Linky: Yeah.

Jeffrey Laurenti: --series? Well, you had-- Merlino remember had in ’74 promised he would not move that income tax bill again, so that was his commitment. He wasn't going to move and -- but would certainly encourage discussion about its potential revival, but in discussions we kept finding that you had the same hard core of no votes on the
Democratic side in the Senate, that you weren't getting any closer to it, and in fact the strategy of using a budget gap to push through an income tax proved to be a nonstarter politically as, if you had a budget problem, deal with that problem separately because this goes right back to the debate of the year before. So we didn't get traction on an income tax. We were actually somewhat surprised that there was so little traction on that. You had this kind of air of crisis for this budget but it wasn't moving votes, and in part- and we thought that perhaps what the governor should have done as we were going through the budget department by department, program by program, line by line in the appropriations committee meetings that -- when it turned spring, perhaps the Governor should have done what state law technically required, asterisking those items that in the absence of new revenues could not be funded or that he would -- he was proposing to be funded on the assumption of the new revenues, that is making clear whose head is on the chopping block. The administration strategy was to convince the entire public and certainly the constituency groups that had a particular concern about one or another category of state expenditure that they all were at risk. We found that that strategy didn't work, that people would assume that their own program would be safe. They weren't going to go out and march on Trenton to ask for a tax bill, and it was only after the governor had vetoed out the $412 million that you suddenly had-- Or was it 387? 412 was the deficit in the bill that we passed, and I think that the Governor certified slightly higher revenues when he actually got the budget bill, but the roughly $400 million that he vetoed out, once those were out then you had constituencies that realized that their oxen were the ones that had been gored. And that is what created the first kind of constituency pressure for doing something on the tax side of the ledger, so that whole period from February through June, there was no constituency movement to say, "Get this problem solved," and then afterwards, when you did have these constituencies, the question was how can we buy them off or satisfy them without having to do the dreaded income tax because that was still not going anywhere. Their clamor was still not strong enough, and that's where Rey Garramone provided his moment or provided that unique leadership, got himself that one moment in New Jersey history of pioneering an income tax through stealth.

**Donald Linky:** Were the talks with the reluctant legislators simply on the tax issue itself with this political issue that was so significant in terms of a vote either killing a political career or surviving as an incumbent, so that it wasn't susceptible to the normal horse trading of the legislature that, if they got something for their district or judgeships or something else, that they might have second thoughts about support?

**Jeffrey Laurenti:** That's a good point. The fact is that the intensity of public reaction in 1974, '75 to the mention of taxes was unprecedented in the memory of legislators. When Governor Cahill had presented a tax -- a package of tax increases in early 1972, gasoline, liquor and all that, there was some public grumbling, but not huge reaction even to his summer of 1972 income tax reform package proposals. There was some very visible and louder resistance than one had seen earlier in the year to the package of
taxes that we'd viewed as taxes on working people, on more moderate-income people. You had sharper resistance, particularly from high-income towns, but it wasn't an avalanche. In 1974, people felt an -- legislators got an avalanche of protest. People were just furious at a time when gasoline prices had doubled, when now you had recession stalking over the economy, jobs being lost already being felt, that people did not want to hear anything about taxes, least of all income tax, and the fury, the rage, and I have just given the anecdote of the kind of language in which this was sometimes couched, really scared off legislators. They did see it as a potential career-devastating moment, although the fact is that the senators weren't going to face election for another two years when you came back in '75. The Governor was trying to push in '75 an income tax that would cover the schools, the thorough and efficient education funding formula bill, plus the deficit, so it was -- we were now talking about a roughly $750 million tax, so considerably less than the initial A 1875 would have raised, and you were throwing overboard the other property tax reform elements. So this was not something that we were happy with either. In the end, of course, in politics sometimes the only thing you can get is something that leaves everybody unhappy, but you still had that resistance to a big new tax coming at a time when people felt economic privation or whatever. And I think it was something that went far beyond getting somebody a judgeship. If you were near 18 or 19 and the judgeship, a handful of promises back and forth could have done it, but they were not near that on the income tax. I would say by the- by mid '75 we may have been up to where a year before we thought we were at 14, 15 for an income tax bill or program that we didn't like anymore but couldn't get past that.

Donald Linky: Was the strong public reaction also due to some extent to Governor Byrne's credibility problem, in that he had in the campaign said that he did not see the need for an income tax?

Jeffrey Laurenti: Well, his credibility was shattered in the summer of 1974, and that fact- that campaign promise or campaign finding or statement of his vision suggested that either he was hopelessly myopic and therefore not to be entrusted with leadership or a liar, a deceiver, somebody who had had this scheme in mind all along and he was trying to pull the wool over his -- our eyes. That was a frequent refrain, not only in the political discourse in '74 inside the legislative chambers by Republican critics of the tax program, but you got a lot of it in the letters that were sent to legislators.

Donald Linky: And of course, going back to that time you were fresh off the Watergate scandals nationally where the public had been turned off by President Nixon and the Nixon administration's problems. Brendan Byrne had been elected saying he was a new type of political figure who would level with people, who would be honest and open, and it would be government under glass and so forth, so did the combination of this national
mood coupled with the specific New Jersey situation perhaps exacerbate this strong public reaction against the tax?

Jeffrey Laurenti: That's an interesting question. I did not have the sense that it was linked to the kind of Watergate overhang particularly. It wasn't a question of wrongdoing. It wasn't a question of corruption. It was a question of a governor who had misled the public before, was now doing exactly what he had said he wouldn't do, who can believe him in terms of personal credibility, but I don't think that it created a sense of Byrne as a crook or Byrne as a thug or Byrne as a paranoid. And I continue to recall how Republican legislators gathered around the dining room table at Lorenzo's, to which the Appropriations Committee would repair after each day's hard work of not cutting the budget, as they prepared to cut the steaks, how they would say how much they liked Brendan Byrne as a person, thought he was a gentleman and an honest man, just not up to the task. And Al Beadleston, who would not be a guy you'd want to have dinner with at Lorenzo's, a very crusty, very conservative Republican minority leader from Monmouth County, would lament Byrne as the worst governor we've had through his drinks and not quite sober, but the worst governor that we've had and just incompetent, but not suggesting that he was a crook or who was somebody that you wouldn't be privileged to have at your home. So it was an interesting mix of factors.

Donald Linky: You mentioned previously that you thought the foreseeable future--you remarked during the campaign--was carefully crafted. Others have said they thought it was somewhat off the cuff.

Jeffrey Laurenti: Our initial thought was that it must be off the cuff. Some lady must have stopped him on the boardwalk and -- or whatever it was, but I've had the -- gotten the impression since from people in the campaign that they had been working on just such a formulation because they seemed to think that the tax issue was something on which Charlie Sandman had gotten some traction, when -- 68% to 32%, you wonder how much traction that would have had, two percentage points, three percentage points, but that they felt they had to kind of blunt that. And so it is only later that we had the sense that this was more calculated, just looking to find the right opportunity. At the time we thought that it was blurt out something to kind of satisfy some irate voter bu -- and so we don't know which was the case.

Donald Linky: Was the difficulty in 1975 in lining up the votes also a product of perhaps certain legislators still looking to the court to fix a more dramatic deadline in terms of action?
Jeffrey Laurenti: No, I don't think legislators who needed to be persuaded to vote for an income tax as part of the tax reform program were looking to the court for anything. Right. If anything, they would have been looking to the court to take them off the hook and maybe say that it doesn't need to be this big a school financing bill, that it can be less than that. They weren't looking to- for the court to save them by making them vote for the dreaded tax. The dreaded tax was itself the issue, the political toxicity of an income tax. That was the problem. It wasn't that they needed somebody to make them do it 'cause Byrne gave them plenty of reasons if they wanted to say that, "Gee, circumstances forced me to do it."

Donald Linky: Let's move the story forward to the eventual enactment of the tax.

Jeffrey Laurenti: All right. First, what 1975 had already done was two fundamental things. One, it had taken off the table the notion that you need new money to finance the state budget because we had squeezed out new money in the final resolution in the haphazard collection of taxes, Ray Garramone's family of taxes that the legislature threw together in this midsummer heat of 1975 to restore nearly $300 million of what the governor had vetoed out of his own budget proposal, and secondly that among that family of taxes was an income tax, the unearned income tax. So those two things would change the dynamic next year, also the fact that the Democratic assemblymen who had gone on the line -- put their necks on the chopping block and voted not only for this family of taxes just four months before -- five months before a November election, but had voted for the big income tax the year before they came back. That is they had walked through the fires of hell and come through on the other side, most of them, still with their jobs because yes, there were 66 Democrats in the first legislature and now the next one there were about 49 but that's a workable majority, far more than anybody expected. If the income tax were that toxic to your future, then you wouldn't have expected that. Now some were already saying, "Well, it's because it wasn't passed that they were able to win reelection," and this was the initial response among the Senate Democrats who had held out so long against it, but still it was a remarkable feat. If they're still there, it may not be quite as bad as everybody had thought, so come 1976 again you have a movement through the first half of the year and it is only with the state Supreme Court's decision that we're not going to continue financing schools with this unconstitutional formula. They are shut down until you have the T&E bill funded with real money, as opposed to a promissory note of someday raising it, that you had the hammer, and you had already had work on the Assembly side in terms of rethinking what the property tax relief components would be. The movement away from the inexplicable-to-voters circuit-breaker concept, a brilliant scheme to limit property taxes' crushing impact on people of modest means and particularly those whose income has dropped with retirement or disability out the window, will be replaced by a homestead rebate which has some helter-skelter formula but nonetheless provides some relief. So the assembly was already working on a different concept and was also working on a different notion of an
income tax, because you had had such a discrediting of the federal income tax. Part of the arsenal against Jim Dugan's surtax plan that the federal income tax was already regarded as loophole-ridden and favorable to the rich, the notion of a gross income tax without deductions -- most deductions at a lower rate, began to catch on, and this was a legislative invention. What was interesting in the hammering out of the '76 package was the degree to which the initiative fell to legislators themselves, although working quite closely with Dick Leone and Cliff Goldman in order to make sure the numbers were right, but trying to define the parameters both in terms of the nature of an income tax and the nature of the property tax relief pieces. And the Supreme Court's decision provides the final hammer to be able to get this passed, even in a recalcitrant senate.

Donald Linky: I wanted to pursue your comments about the initiative coming more from the legislature in 1976 than during the first two years of the administration. Do you think this might have been a calculated strategy by the administration, that its credibility had suffered so much given the failures of the first two years, and that the Governor's sort of personal credibility was hurt to the extent that he and the administration could not take the lead, and that they deliberately took a back seat over it, or is it more that the legislature felt well, the ball is now in our court and we have to run with it?

Jeffrey Laurenti: Well, first on the assembly side the people involved in the key leadership positions, LeFante who -- Hamilton- Bill Hamilton, Steve Perskie, still with taxation. They were of the same ideological commitment as the Governor. The Governor at that point was viewed as already a lame duck, a has-been, somebody who has virtually zero influence with the legislature and certainly on this issue has little credibility. Nobody was going to be doing this to advance an administration program, so the administration wisely figured to hang back and work with the legislature at the Assembly's crafting of a bill, and it wasn't that the Assembly side was rushing to step into the breach and all this, but it recognized that you were staring now at a major political impasse that perhaps a little bit of wheeling and dealing on their side might be able to resolve better. And you had some kind of temperature taking on the Senate side too, as to whether different varieties might have more success, but fundamentally of course it was a -- the court's decision, and then the famous bringing some of the traditional Democratic working class district senators on board, most spectacularly William V. Musto, who had always been on our list of those that we would get, that we had to count on but was never one of those who would commit himself to it but never ruled it out, one of the most astute players of the political game. And it was Billy Musto to whom we credit the -- but was one of the great pioneering--no--one of the great political strategy -- stratagems tied into this program, that of making this income tax expire at the end of two years. That-- at least from our recollection, that was Musto's idea, and what it meant was that the Republicans in 1977 would not be able to campaign simply against the income tax and to harvest anger and resentment at it, that you would force a clear choice as to the benefits and losses of the income tax vis-à-vis some other alternative that critics of
the income tax would have to put on the table. So Musto's was the whipped cream on the
cake that made this kind of otherwise half-baked tax plan 'cause in many ways, as the
product of any kind of legislative committee process, this was an ungainly feature that
would not--how shall we put it?--would not appeal to connoisseurs of the public policy
arts, a lot of compromises and fingerprints all over it, but it had the merits of being
politically salable, politically defensible, and it proved to be politically prophetic. The fact
that the homestead credit became a rebate paid by separate check, which was a crucial
feature we thought in terms of policy, not of -- well, a little bit of politics, but of policy
primarily because the experience that legislators remembered of the sales tax, where did
the sales tax money go, it was supposed to allow property tax relief that you had
municipal aid given by the Hughes administration in the Democratic legislature of '66, '67,
with the revenues from the sales tax, but the property tax levels only dropped a wee bit
and went on up and nobody remembered there had ever been property tax relief, making
a check, the argument went, would keep the heat on the local officials, together with caps
that were now being introduced as well on the rate of increase, so that when you did put
some money into new local aid, and the caps would force the reduction in those taxes so
that the local governments couldn't simply spend the money as new money. Then
second, this homestead credit was going to be sent as a separate check so that you
didn't have that added into the reduction in taxes that local officials could then conceal
their own spending increase or soften it, so you were going to keep the heat on local
officials, and then finally the gimmick of a two-year tax so that this was going to become
a subject to be debated before the people in the '77 campaign. And with all this political
craft the package worked.

Donald Linky: When the court issued its order closing the schools, what was the
reaction among the Democratic leadership? Was this generally anticipated that this was
going to happen sooner or later or was there still some resentment in terms of the court
intruding upon the turf of the legislature and the executive?

Jeffrey Laurenti: Well, the resentment about court intrusion was felt on the side of the
right. This was not too much in the Democratic caucus. People in the Democratic caucus,
even more conservative ones, didn't really question the court's right to enforce its ruling
and they had not particularly objected to the court's ruling in the first place. And they had
all bought in to the Wiley formula as a way of redressing these imbalances, so I didn't
detect that so much as this is a political problem for me, and yet for some it also became
the kind of life preserver thrown from the ship. They now had an excuse to change
position. For those who knew all along that it needed to be done but who politically felt
they couldn't do it, this became the reason to change position, and you now had another
constituency because while the schools themselves were not normally open in the
summer, you had some summer programs and you had the year-round personnel
working in school district offices who were put out of their offices and could be out of their
paychecks immediately. So you heard somebody clamoring, "Do it. Do it," and in the heat of summer they did it.

<crew talk>

Donald Linky: Talk more about those final days in the summer of 1976. The schools are closed by order of the court as of July--

Jeffrey Laurenti: Ray Zane just fulminating about--

Donald Linky: Give us some of those anecdotes about the meetings, about the positions, about the late-night sessions and so forth.

Jeffrey Laurenti: Well, you did have some of the most hard-core anti-income tax Democrats, including Ray Zane of Gloucester, Salem County, who were furious that the court was not putting them in the position where inevitably this bill was going to be passed. Most of the guys who opposed the income tax, however, didn't care if somebody else voted for it at this point. This was not an ideological crusade and they just didn't want to be the ones who had voted for it, that they had been so firm in denouncing the income tax that they felt that it would be a blow to their own personal credibility, but you had enough others that had been -- had nuanced their opposition before. It-- You had among some of the members who had been on the fence or had been negative about it a -- expressions of great pain, but I sense that the time had come where the cat's nine lives had now been run through or run out and other than -- because people actually in the caucus at that point didn't feel quite as much pressure to have to explain a change in views. Just now there was a new circumstance that was moving a whole category of people in towards having to adjust their positions and they did it in their local papers. They didn't need to do it for the caucus, and this actually went pretty fast because, if I recall correctly, this went flying through after July 1st within two weeks, which by legislative standards is -- there wasn't a lot of long agonizing now with each other. It was putting the pieces together that would get the votes.

Donald Linky: Do you recall when you and Senator Merlino realized that you did have the votes?

Jeffrey Laurenti: Well, we only realized that we had the votes for sure two days before the Senate vote on it, and even then, when you say for sure, had the confidence that we would have them even though we didn't have for-sure knowledge of who the 21 would
be, but we now felt that it was close. And the Assembly had swallowed hard because
they figured that it -- that this time it was going to happen.

**Donald Linky:** What do you remember about that two days before the vote? How did
you realize? Was it a phone call, a meeting, and who were the key--

**Jeffrey Laurenti:** Billy Musto speaking up for it after two years of -- in Democratic
caucuses having been evasive and, in fact, incomprehensible, Delphic in his utterances
so that you did not know where he would be, but in the end he wasn't where you hoped
he would be. When Billy Musto made clear that he was for it and why it had to be done
now, and since he had been there since before the Senate chamber was built in the
minds of the newer senators. This is truly the epitome of the old Senate, the most veteran
senators. It was a signal that the tide had changed.

**Donald Linky:** Did he make that statement in the speech on the floor, or did Senator
Merlino get any advance private warning from you?

**Jeffrey Laurenti:** No, no. In the caucus.

**Donald Linky:** In the caucus.

**Jeffrey Laurenti:** In the caucus. That's where you then had the sense the pieces are
now falling in place or can still be rounded up. Right.

**Donald Linky:** As the vote is taken, what is the reaction? Elation or feeling that
politically this is going to come back to haunt us?

**Jeffrey Laurenti:** Well, for those who had been fighting for this kind of tax reform
program for so long, it was elation. We experienced great elation, and we thought that
the fears about its political impact had been overstated and pointed to the November
1975 assembly elections as evidence of that, but we believed that with this tax program
fully taking effect that the-- that it would be salable, that it was the fear of the tax and
ignorance of what the full package was that was the problem and that was the source of
blue-collar voters' opposition and furious hostility to it and that when they found that they
would get property tax reductions and that the amount of an income tax that they would
pay was not very high that the -- their view would change. This was partly borne out, but
it was the Musto formula, make the tax expire, that really would change the dynamic on
that in the '77 campaign 'cause you had some softening, not much, in the spring of '77 as
people are beginning to get tax bills that aren't as high as they were before, but it was the famous Bateman-Simon plan, the round of rebate checks in the fall that finally made clear that not only was the income tax-centered package of benefit to more people than it hurt, but also that the alternative was totally nuts. And we also had another constituency developed for it, which was by election time the army of commuters that crossed into New York, who weren't paying the state income tax appreciably 'cause they were already paying it to New York, and were suddenly getting property tax reductions for them for nothing, this was a gift.

**Donald Linky:** In crafting the tax package, you've already mentioned the sunset provision that forced the Republicans in the 1977 election to deal with what they would come up with as an alternative, and you just mentioned again the homestead rebate checks. Let's talk a little bit more about the concept of sending rebate checks to taxpayers instead of simply a credit on their property tax bills. How do you recall that concept came about?

**Jeffrey Laurenti:** Well, as I indicated, the great concern among those who were in their view throwing themselves on the income-tax sword for tax reform was that local government officials would simply increase their spending behind the mask of this credit. That is, if you're having $200 taken as a credit off your -- which at that time seemed quite a good amount, off your property tax bill of $2,000 that if -- to reduce -- so that you'd have an $1,800 bill at current levels of expenditure, the mayor and council could figure this gives us leeway to build this park or do something else we've always wanted to do and add a hundred dollars to the local tax rate -- to the local tax bill, so that you have the credit being eaten up by new spending at the local level. That's why if that tax bill's still going to be $2,000 that mayor and council, our guys were thinking in Trenton, aren't going to feel free to be able to raise the tax for new spending and we'll send their property tax rebate separately. This will make clear to people that this is the benefit of that state tax program and it is not a reflection of the mayor's fiscal prudence at home.

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