The Assembly again passed its own version of the legislation, which is now awaiting either Senate rejection or approval. If it fails to pass the Senate, the legislative process must start all over again with a new bill.

Neither side wants to let the commission die. But Coleman says the commission only has enough money to continue operation until the middle or end of June. It is not clear what would happen if the legislation to extend SLERP isn't passed by then.

Since September 1985, when SLERP held its first meeting, commissioners have been undergoing an indoctrination process in the art of crunching numbers. The commission staff has prepared, and is in the process of presenting, 11 reports on such subjects as "Impact of State and Local Taxes, Spending, and Regulations on the Level of Economic Activity and Employment Growth." It is during these presentations that many of the commissioners' eyes seem to glaze over. Commission member Susan Lederman, president of the League of Women Voters, notes with considerable understatement, "I suggest to you that the background material is not going to be swallowed whole."

At the same time, the commission has four task forces at work. Each of these task forces – Expenditures and Finances of Local Government, Economic Development, State Tax Structure Activities, and State Government Expenditure Activities – is comprised of eight commission members, responsible for formulating issues, topics, and criteria to evaluate them. Work plans for all four task forces are to be presented to the commission for adoption at its June meeting.

The task forces will then spend six to nine months evaluating data, hearing testimony, and formulating their recommendations. They will report back to the commission in the spring of 1987.

Guiding the commission is a six-member steering committee, which includes the chairman, Biederman, the executive director, Coleman, and each of the four task-force chairmen.

Most members of the commission say it makes eminent sense for these task forces to concentrate on specific subject areas, and for the commission as a whole to study expenditures as well as revenues. Privately, however, many wonder how the commission will ever reach a level of comprehension – or consensus – to come up with recommendations on so many complex issues. Even Feldman, who sponsored the legislation creating the commission (it is sometimes referred to, in fact, as the "Feldman Commission"), admits that "even under the best of circumstances, the goals of the commission may be inconsistent."

If they have any strong criticisms of the commission's operations so far, most commission members say it is too early to criticize the process in public. The commissioners have been warned about the effects negative comments could have on the commission, and they have been urged to coordinate press coverage through the executive director or chairman. According to minutes of the commission, a press aide was hired to "among other duties, advise the press as to the official spokespersons for the commission." One member characterized the leadership of the commission as "obsessive about press coverage."

On the record, commission members talk of the enormous task they face. "Size presents a challenge," says Lederman, who chairs the task force on Expenditures and Finances of Local Government. "It is difficult to work with that many people, but it probably became necessary. A commission that looks at both spending and taxes results in having a lot of people."

Most members of the commission say it makes eminent sense to study state and local expenditures as well as revenues. Privately, however, many wonder how SLERP will ever reach a level of comprehension – or consensus – on so many complex issues.

Assemblyman Robert Franks (R-New Providence) puts it this way: "I am impressed by the sheer magnitude of our mission." But, he adds, "If you review revenue and expenditure policy over the last 20 years, you find a patchwork quilt that doesn't fit together very well, and therefore, the Legislature is not the best place to begin reform." Franks acknowledges that SLERP "has to ultimately take the tough questions head on," and wonders if it will. "The jury's still out," he says.

"The progress that has been made so far has been totally formal," claims Larry Cohen, New Jersey area director of the Communication Workers of America (CWA) and a member of the commission. "The question then becomes, when does the work begin? You're not going to be able to look at all programs and incentives. There are 2,000 other people involved in doing just that every day."

"The scope is monumental," says former state Treasurer Clifford Goldman, who is chairing the State Tax Structure Activities task force. "Some people on the commission know an awful lot and could jot down what they think the problems are. But if the commission is going to have credibility, it has to go through the research."

At least one commission member sees SLERP as an outgrowth of politics. Thomas O'Neil, a former legislative counsel to Governor Brendan Byrne who is now executive vice president of the Marcus Group, a lobbying, public-relations, and advertising firm in Newark, believes, "This commission was created to take taxes out of the 1985 legislative election. It will now keep them out of the 1987 elections." Adds O'Neil, "We need a commission because the elected representatives decided we needed it."

If, in fact, that was the real political motive for the creation of SLERP, the commission nevertheless has a legitimate purpose, says O'Neil, who, although a Democrat, was appointed to the commission by Kean. "I think it will make a contribution," he says, "because it will look at issues more in-depth and in a less-pressurized environment."

Regardless of the motivation for creating the commission, it is now a full-fledged government agency, enjoying an unusual degree of freedom – but saddled with unusually high expectations. "I don't want this to be just another academic exercise," says Feldman. "I want to make it perfectly clear that we are not going to recommend any new taxes."

"I think we are beginning to hit our stride," says Lederman. "I'm optimistic that we will have a level of success. It's bold, it's daring, it's different." Lederman adds that it is important for the commission to take the time necessary to do a thorough job. "I suspect there won't be another chance for another couple of decades."

At its inaugural meeting, Governor Kean told the commission that its recommendations would define courses of action beyond the turn of the century. The Governor suggested that the commission be bold, and that it avoid traditional solutions that might be outdated.

In his annual budget message, Kean highlighted three problems he expected SLERP to address. The first was a reduction in what he called the "oppressive" Utility Gross Receipts and Franchise Tax. The second was adoption of realistic school-aid formulas. "The courts have correctly mandated a fair system," said the Governor. "But we must also have one that is realistic. The current formula encourages unrealistic expectations by local school districts." The third was the danger of mandated state programs growing faster than the revenues to pay for them. "Overall," said Kean, "our tax system must be designed to encourage growth."

Biederman told the commission that the most appropriate measure of success is how much it raises the level of debate and education on the fiscal activities of government – an academic exercise, perhaps, but a worthy one.

Among legislators, what many Democrats apparently expect from SLERP is tax reform aimed at income redistribution, through such devices as circuit breakers on the property tax and a much more graduated income tax. Many Republicans, meanwhile, are emphasizing limits on the cost of state-mandated programs, and making the state's tax structure more appealing to business and industry.

Although Hardwick vowed not to post any tax bills until the commission issues its report, he claims he is not trying to influence the work of SLERP to any particular end. "I'm not trying to assert myself into the commission's proceedings," he says, adding, "I will be

(Continued on page 29)

The Cahill Legacy

The need for tax reform in New Jersey was evident in 1970, when Governor William T. Cahill signed legislation creating the New Jersey Tax Policy Committee. In addition to all of the problems associated with the state's heavy reliance on the property tax for local revenue, the state treasury was faced with the prospect of annual revenue gaps that were projected to grow in coming years unless new sources of revenue could be found. It was widely recognized that any significant increase in property taxes would likely have a deleterious economic effect – and disastrous political consequences – throughout the state.

The primary purpose of the committee – which came to be known as the "Cahill Commission" – was to develop a proposal for a statewide income tax. In addition to presenting the evidence to back up the argued need for an income tax, the commission made several other recommendations. All were limited, however, to restructuring the revenue system. In its final report, the committee wrote: "The Committee has refrained from any effort to pass judgment on the present or future service needs of State or local governments in the conviction that these are matters of policy determination by the Governor and the Legislature."

In 1972, the committee issued its recommendations. Among them:

- Institution of a statewide income tax.
- Establishment of permanent ceilings on local property-tax rates to limit those revenues to no more than one-third of state and local revenues. (At the time of the report, property taxes accounted for 54.4 percent of state and local revenue.)
- State takeover of county and municipal welfare functions to distribute their cost.
- State takeover of judicial system expenditures.
- Expansion of the state highway system by reducing the scope of local systems in order to increase the cost efficiency of highway construction and maintenance.
- State assumption of all educational operating expenses.
- Initiation of taxation of county-owned property – except parks – by municipalities in which they are located to redistribute the cost of providing services from the municipal to the county level.
- In lieu of tax payments by the state for state-owned property – except parks, bridges, roads, and open space – to redistribute the cost of providing services.
- Initiation of a statewide senior-citizens' property-tax relief program.
- Creation of regional property-tax assessment districts run by full-time, professionally qualified assessors.
- Elimination of many existing sales-tax deductions, including clothing and professional services other than health-related services, beauty, barber, and shoe-repair shops, and employment agencies.
- Increases in the alcoholic beverage and sales taxes.

All appointments to the committee were made by Governor Cahill. Two of the six legislators appointed – Edward Crabiel of Middlesex County and James Dugan of Hudson, both Democratic state senators – published dissenting statements within the report.

Some of the major recommendations of the committee were enacted in some modified fashion; the income tax, for example, was adopted four years later, though hardly in the form recommended by the committee. Many of the other major recommendations – to overhaul the administration of the property tax, to have the state assume the cost of welfare and the court system, and others – were never enacted. These and other of the committee's recommendations are now among the proposals being evaluated by SLERP.