

Governors and State Finance: Byrne Administration
Transcript of Excerpts

Interview with Governor Brendan Byrne

April 4, 2006

Interviewed by Michael Aron

Michael Aron: Let me take you back one second, what were the issues in the primary?

Governor Byrne: Income tax. Although I had made a statement about the income tax that I didn't think we needed it for the foreseeable future. And we didn't. To balance the budget we did not need an income tax. But nobody ever pursued that particularly, so that my statement that I don't think we need one for the foreseeable future became a highlighted statement in the campaign and came back to haunt me when I became governor.

[break]

Michael Aron: You say you ruled out the need for an income tax for the foreseeable future and that phrase came back to haunt you. What did you mean at the time by foreseeable future, and did you know what you were saying or did it just pop out?

Governor Byrne: In the course of the campaign, we had discussed an income tax. When I was running in the primary, Cahill had been in favor of an income tax and had a bill. I criticized his bill. The position I took in the primary when carefully asked was that I would not go for the Cahill income tax, because it didn't do certain things. I had four things I thought an income tax would have to satisfy in order for me to support it. But by and large, all that was lost. Now when Sandman wins the primary, the income tax becomes more of an issue. If Cahill had won, we would have both been for an income tax in some form. Cahill loses; the income tax becomes Sandman's issue. I was probably more cautious than I had to be, but I also think the press overplayed my foreseeable future statement. We needed some way to solve the school funding issue. That was never really intelligently discussed in that 1973 campaign. How are you going to fund schools and neither of us really discussed that the way it should have been discussed. So now I am governor and in 1974 I have to face the issue. And we did decide at that point that probably the way to do it would be through an income tax. Although there were other alternatives that were doable. John Russo had written an interesting paper for one of his campaigns, he was senator from Ocean County, on a statewide property tax and using that as a surtax to fund the schools. So we really decided after, finally decided, afterwards that income tax was the way to go. After I proposed the income tax, I kept getting hit with these cockamamie schemes of a penny here, a penny there, that would not have been a long range solution to anything. And remember in 1977, Ray Bateman came out with a form of that kind of a solution and it lost him the election.

Michael Aron: We will get to that I am sure at some point. With Sandman as your opponent in the general election, wouldn't it have been better to have been up front and run on the income tax notion, rather than waffle?

Governor Byrne: That is what everybody tells me in retrospect. It might have been. Except the income tax in New Jersey had been a hysterical issue over the years. In the old days, when the *Newark News* was the dominant newspaper in New Jersey, the Newark News would write editorials about the income tax and how bad it was and anybody that proposed it, and Hughes proposed it you remember, got killed. So it was an issue to stay away from.

Michael Aron: Did Hughes get killed?

Governor Byrne: Sure, Hughes lost the 1967 legislature on that issue plus the workers' right to strike and get strike benefits. Those are the two issues that killed him. He lost the legislature.

*Clip containing interviews with: Steven Perskie(6/29/09); Orin Kramer (5/8/06);
Ray Bateman (1/11/07); and Al Burstein (6/6/06)
Interviewed by Don Linky and Michael Aron*

Donald Linky: Was the tax issue so politically telling that if Brendan Byrne had come out and said, "I'm for the income tax," he would have lost that election to Sandman?

Steven Perskie: No, sir. I said it then and I say it now, "Brendan Byrne couldn't have lost that election no matter what he said about anything." As a result of all the external features, the man the mob couldn't buy, the climate of corruption, the Republican disaster in Washington, Brendan Byrne was not going to lose that election if he had called for a confiscatory income tax. Now, that's hindsight. Twenty/twenty hindsight is the clearest vision. I'm sure that if we had had this discussion in September of 1973, I might have said otherwise.

Donald Linky: Do you think his "foreseeable future" quote was inadvertent?

Steven Perskie: No, no. That was a spectacular campaign. Nothing that campaign did was inadvertent. Everything was calculated and very well calculated. It was the best operation I've ever seen. Nothing was accidental. It was deliberate. It was thought through. In my view, wrong. In my view, politically shortsighted, but it was an act—if it was a sin, if it was, it was a sin of commission, not omission.

[break]

Michael Aron: Did you suggest to Byrne that he take a more direct position on the income tax after the primary?

Orin Kramer: First of all I don't remember the answer to that but I cannot, I don't know what would have been in me at the age of 27 to suggest that he do that and I would seriously doubt that that happened.

Michael Aron: Did he finesse the issue? Did he hide this issue - his interest in the income tax?

Orin Kramer: I don't know what language he used but he did not communicate that it was his intention to have an income tax

Michael Aron: Was that ok?

Orin Kramer: Well you know in retrospect I don't know how much he won by but suppose if you knew you're going to win by a lot of points then you would say if I can go do a re-run I would tell the truth about some of the hard things I was going to do so I can have a mandate but you don't know that in advance.

Michael Aron: Did Byrne get better...?

Orin Kramer: By the way it was much easier then. I mean obviously the idea of trying to do the right thing and deal with all these basic political power bases. Let's say the money types in politics were much easier than they are today. I mean there were still powerful machines then, but on the fundraising side I remember that campaign basically there were three people who were sources of financial support. There was Alan Sagner who was someone committed to public service who didn't want any sort of economic benefits from government, there was Leon Hess who was rich enough already, he didn't want anything from the government and then there was David Wilentz and that was it and you didn't have the need you have today for such immense resources from so many people that can create this sense of implicit obligation and pressure how you do you deal with those people that a very supportive that didn't exist back then. Money wasn't nearly as important in politics.

[break]

Michael Aron: Given that Byrne had everything going for him in that race and had such a substantial lead over Sandman, a boat ride, as you would call it, should he have come out for a broad based tax then during the campaign, rather than say—

Raymond Bateman: Probably not. Probably—it was—it would have been premature for him to do that.

Michael Aron: Would he still have won the election if he had?

Raymond Bateman: I suspect he would have won the election no matter what he said. The '73 election, yeah.

Michael Aron: Did you campaign for Sandman?

Raymond Bateman: More or less. <laughs> Charlie was a good friend of mine and I could not not campaign but I didn't have my heart and soul in it.

Michael Aron: Because you knew the outcome? Or because of him?

Raymond Bateman: Because of the atmosphere, it was poison for Republicans. That was the worst year I can ever remember.

[break]

Don Linky: Now, you said you were asked, with other legislators, to help the Byrne campaign after the primary. Who were your contacts or whom do you remember from the Byrne people?

Albert Burstein: Dick Leone was one of the primary ones. And I am trying to remember whether I had been contacted by Lew Kaden, who became the governor's counsel, but they would've been the key players in the matter.

Don Linky: Did you get a feel for what positions they were going to take on the major issues like broad-based tax?

Albert Burstein: In the course of the campaign, and this may have been already in the general election campaign, I can recall vividly the speech that Governor Byrne made, in which he said that he could—that there would be no income tax advanced by him for the foreseeable future. Now, those words "foreseeable future" turned out to be a rather short period of time. But I cringed when I heard that, because it was contrary to everything that we knew about with what those of who had been through the first couple of years of legislative activity felt strongly was going to be needed.

Don Linky: Did you argue to Brendan Byrne or Dick Leone or other key people that they should take a more forthright position on a broad-based tax?

Albert Burstein: I don't know, because after our first few meetings of the legislators with then Judge Byrne, we really didn't have that much direct personal contact with him to be in a position to say, "You're making a mistake here." So we were essentially out of the loop. They were running their own campaign, and I think that Jim Dugan out of Hudson County was very active in putting together the winning campaign strategy. And I suspect that his influence and others of similar practical background were telling him to low key the issue of taxation.

Don Linky: What about your own campaign? Did you take flak for your tax position?

Albert Burstein: No I--well, I took flak, obviously, from my opponents. But insofar as voter groups or anything like that is concerned, very little. I got a lot more flak for other issues later on.

Don Linky: Did you publicly disagree with the Byrne position that no tax was immediately needed in your campaign?

Albert Burstein: In my campaign I--both in my first campaign in '71 and in the '73 campaign at the time Byrne was running, I stated unequivocally what I felt about the tax problem.

Don Linky: Was there any effort from the Byrne campaign for you to keep it quiet now that were taking a position that is somewhat inconsistent with your own position?

Albert Burstein: No. Because I think in their heart and soul they knew darn well that what I was saying was ultimately something they were going to have to face up to.

Interview with Governor Brendan Byrne

August 28, 2006

Interviewed by Michael Aron

Gov. Brendan Byrne: Well, first of all, in my address to the legislature, in my inaugural address, I suggested that we've got some problems, and we're going to have to address them down the line. So in June of my first year, I called for a special session in the legislature, and I said, "We've got a school funding problem, and the way I propose to deal with it is to have state income tax." And as everybody knows, that was a tough two years. And, by the way, during the campaign I had not said, "We don't need an income tax for the foreseeable future." I said, "We don't need an income tax to balance the budget," and we didn't. And I sort of hedged on how we were going to do this school funding, but I was quoted as saying, "We don't need an income tax for the foreseeable future," and I had to live with that.

Michael Aron: Were you misquoted?

Gov. Brendan Byrne: No, I wasn't misquoted. I was quoted out of context. And by the way, I've looked at some of the television things I did during the campaign, and time and again, I would say I would go for an income tax only if it met certain criteria, and I said that during the primary, and I said that through the election. It didn't come up too often, but the people had that impression, and then when I ran for re-election, I was advised not to try to defend my other remarks, but to just say, "Hey, I said it, and I was wrong."

[break]

Michael Aron: Looking back now, do you think you confronted the tax issue too soon in the first term?

Gov. Brendan Byrne: Well, there were people who said I should have made it a campaign issue, that I was going to do an income tax, but honestly, I had seen a paper that John Russo had done on a state wide property tax, and I wanted to give that further consideration before I settled for an income tax. Maybe a combination of state wide property tax and income. Anyway, but I had to confront the issue, and even thought of doing it in my inaugural. No, but I don't...

Michael Aron: Why did you have to confront it? Why couldn't you wait another year?

Gov. Brendan Byrne: We had a school funding issue that we had a shortage. We had a problem. We needed—we had a court mandate. We had a lot of things that forced us to face the issue.

Michael Aron: What was the court mandate?

Gov. Brendan Byrne: That we fund schools on an equitable basis, that we do not rely on the property tax in municipalities that didn't have an adequate property tax base.

Michael Aron: When was that decision rendered?

Gov. Brendan Byrne: Oh, that was basically Robinson vs. Cahill in different shades.

Michael Aron: Was it rendered in the election years? 1973?

Gov. Brendan Byrne: It was actually Ted Botter decided that a couple years before, I think. So it was an issue. It was never clearly identified by candidates, just like in this last election you didn't hear either candidate talk about deficits. If they don't have to, they don't have to. And in the campaign, by the way, you don't really get to articulate in depth any issue. The *Ledger* did a good job in campaigns in the old days, where they took the candidates into the editorial board and went into in depth a questioning of a specific topic, and how are you going to deal with it.

Michael Aron: Do you recall who on your staff and your cabinet, among your advisors, argued for or against proposing the income tax that first year?

Gov. Brendan Byrne: I don't think anybody in the cabinet really opposed the income tax. I got it from the legislators. I mean, the legislators were coming in all the time with alternate proposals which resembled to a large extent what Ray Bateman proposed in 1977. A little of this, a little of that, hope for this, but once we decided that the income tax was the way to go, and there was no realistic alternative, we stayed with it.

Michael Aron: Was there anybody in your close circle of advisors who recall saying, "I don't think we should do this now?"

Gov. Brendan Byrne: No. I don't think so.

Michael Aron: In hindsight, do you think if you had waited longer, you might have been able to build more support for it before you unveiled it?

Gov. Brendan Byrne: In the legislature?

Michael Aron: Yeah.

Gov. Brendan Byrne: No. No, first of all, they had to be convinced that I wasn't going to go for anything else, and there's no way to convince them in advance, just like Corzine couldn't convince them in advance last year that we needed that penny. No, I don't think so. Probably a better-- Dick Hughes might have, you know, done it a little better.

Michael Aron: How so? What would he have done?

Gov. Brendan Byrne: Dick schmoozed people. Dick Hughes is the best politician New Jersey's ever turned out, but even Dick Hughes, when he tried to get an income tax, in the old days, he couldn't do it, and so, no, you had to come down and draw the line and say, "I'm not crossing this line."

Michael Aron: How were you at schmoozing at the beginning?

Gov. Brendan Byrne: Lousy, but I had a good staff, and I had, you know, people like Dick Leone, although he irritated some people, who was good at explaining why we needed something done. Jerry English had a good rapport with a lot of legislators, and various others. Anne Klein was in the cabinet, and had been an advocate of an income tax in the '73 primary, and even some Republicans who acknowledged that probably we needed this. People say you're crazy, when the people, especially Democrats would come and say, "You know, it's a great idea. We need an income tax, but this is not good enough." I said, "We need a better plan on this income tax," and they would keep coming in and saying, "Yeah, I'm all for it, but not this one because it's not quite good enough."

Michael Aron: You thought that was fraudulent, that position?

Gov. Brendan Byrne: Sort of. I mean, I remember one legislator who came in one day with a list of four reasons why he couldn't vote for the income tax. A Democratic legislator, and Steve Perskie, who was spearheading the income tax, looks at his list and says, "We've taken all of this, all of these four things out of the bill." And then, "Oh, well, I still can't vote for it." It was life or death for a lot of people, or at least they thought so.

Interview with Governor Brendan Byrne
August 28, 2006
Interviewed by Michael Aron

Michael Aron: Alright, so June of '74 you called a special session of the legislature and proposed that it pass an income tax. You have the power to call the session. They have to respond.

Gov. Brendan Byrne: At least show up, yeah.

Michael Aron: Right. Did they show up?

Gov. Brendan Byrne: Yeah, they showed up.

Michael Aron: What month? Do you recall?

Gov. Brendan Byrne: June.

Michael Aron: June. What happened?

Gov. Brendan Byrne: Nothing. <laughs>

Michael Aron: Did you have a sponsor?

Gov. Brendan Byrne: Oh, no, oh, yes.

Michael Aron: Who was the sponsor?

Gov. Brendan Byrne: You know, I don't remember. I think Perskie was a sponsor. I'm not sure. I know Perskie was a sponsor. I forget who sponsored it in the Senate.

Michael Aron: Did you know when they came to Trenton that they were not going to approve it?

Gov. Brendan Byrne: I knew it was going to be a tough battle. I thought we would win it the first year, but—

Michael Aron: How long a battle was it?

Gov. Brendan Byrne: Two years.

Michael Aron: No, but how long was it, how long did the special session take?

Gov. Brendan Byrne: Oh, I don't remember. We were there all summer off and on, and there were some nights you'd go home thinking tomorrow I've got to come back and do it, and maybe I'm going to get Tom Dunn on the bill. Although I remember one time delivering

some fact sheets to Tom Dunn who never did vote for the bill, and he had a police guard standing in front of the street so we couldn't get up to give him the sheets. It was a very tough time.

Michael Aron: Tom Dunn was the mayor of Elizabeth, and—

Gov. Brendan Byrne: And a state Senator. And a nice guy. He was a charming guy.

Michael Aron: So was there a dramatic vote at some point that summer?

Gov. Brendan Byrne: There were a lot of them. There were a lot of votes. There were a lot of times when we were one or two votes short, and actually we got it passed, I think—Tom Kean actually voted for it one time, voted for one version of it anyway.

Michael Aron: What was your mood after you lost your first tax bill?

Gov. Brendan Byrne: It was discouraging, you know, because it was something we had to have. It's a problem that wasn't going to go away. They would keep bringing silly things by way of packages that wouldn't work, and we kept playing with different numbers. I mean, if I do this for this thing, will I get the vote from the guy from Monmouth County because it seems to favor him a little, and this was the early stages of computers, and so for the first time I could say to the treasurer, "Well, if we change this by a quarter percent, what happens in Lakewood, New Jersey?" And he would give me the answer in no time, and so we were playing with guys who wanted a little edge in their district, and we would alter something, maybe try to give them that edge and get his vote. That whole summer doing that.

Michael Aron: Did you have a plan B on what to do next if you didn't win that summer?

Gov. Brendan Byrne: We didn't win that summer.

Michael Aron: No, but did you have a plan B?

Gov. Brendan Byrne: Yeah, no, we had several plans. I remember at one time the legislature passed the T&E bill, which was going to be funded by the income tax. They passed the T&E bill.

Michael Aron: Both houses?

Gov. Brendan Byrne: At least one. Yeah, maybe both, and now they don't pass the income tax to fund the T&E bill, and there was one dramatic moment where as soon as they don't pass the funding, I made whatever it was, a billion dollars worth of cuts in the budget, and sent the bill back by way of a veto.

Michael Aron: Was that this first summer or later?

Gov. Brendan Byrne: I think it was.

Michael Aron: T&E is thorough and efficient education and that's in the state constitution.

Gov. Brendan Byrne: Right.

Michael Aron: They passed a law saying they're for this line in the state constitution?

Gov. Brendan Byrne: Well, actually, the income tax covered more than just T&E. The income tax was a whole series of things other than just funding T&E. The income tax also provided homestead rebates, and various forms of tax reductions that were part of the program.

Michael Aron: Was the homestead rebate part of the initial design of the program?

Gov. Brendan Byrne: I think it was. And for the first year, we were doing all kind of, well, Wisconsin has this kind of a plan, and somebody else has that kind of a plan, so they were toying-- it wasn't a total rejection of income tax. It was just a frustrating kind of time. But basic to it all is these guys thought, these people thought that this was a life or death issue.

Michael Aron: The legislators did. Life or death for them.

Gov. Brendan Byrne: For them.

Interview with Cliff Goldman
January 11, 2007
Interviewed by Michael Aron

Cliff Goldman: Then there was the tax issue, which was enormous. Both Hughes and Cahill had failed to impose an income tax in New Jersey, and it was a very difficult thing to envision. I think it's hard to imagine now what it was like then to talk about a 2% income tax. But it was a frightening proposition. But for reasons that everyone knows of tax equity and so forth, the income tax was the preferred source of revenue for this. But then the question was: What kind of income tax? There was a graduated tax, a flat tax, a tax piggybacked on the Federal tax, important issues like that. And we, I think, recommended not to piggyback on the Federal and a fairly graduated income tax in what we produce but at a fairly low level. We also went through the rest—

Michael Aron: I'm sorry. Repeat that last—you came up with what kind of—

Cliff Goldman: A graduated.

Michael Aron: Graduated.

Cliff Goldman: Right.

Michael Aron: But at a fairly low level.

Cliff Goldman: Fairly low. It started at 1% and went up as I recall. I don't remember the details. We also went through the rest of the State tax structure and we proposed abolishing certain taxes. There was at the time tax on personal property, you know, so you were taxed on your jewelry or your car or whatever. And we got rid of that. And there were taxes on small businesses that we got rid of. And it was more than just imposing income tax to fund the school program. It was, while we're at it, let's go through the whole tax system and make it work better.

Michael Aron: What did you come up with at the end of the three months' period? A piece of legislation?

Cliff Goldman: More like 20 pieces of legislation. There was a school piece; there was this tax and a whole bunch of other tax bills to eliminate taxes and to change taxes. And we had a circuit breaker. Now, the circuit breaker was a form of property tax relief, which simply meant you calculate the percentage of someone's income that they're paying in property tax, and when they got over a certain percentage, like 5%, whatever, the State would pay, pick up the rest. That, in the legislation got converted into what's now the homestead rebate because the legislature preferred that version. Also, the income tax got converted into a more flat income tax, 2% and 2-1/2%, which was fine, as long as the integrity of the program financially was maintained.

Michael Aron: Let me stop you. When you say "got converted," you're talking about by the end of the process 2-1/2 years later?

Cliff Goldman: Yes.

Interview with Ray Bateman
January 11, 2007
Interviewed by Michael Aron

Michael Aron: In that first year, they came up with a plan to institute an income tax and reform school funding. And it didn't pass. Why not?

Ray Bateman: Because the school funding program was incomplete as far as a lot of people were concerned and you know, passing an income tax is never easy. Dick Hughes tried it and failed before he had his sales tax and Bill Cahill tried it and failed. So you're talking about this is the third try for an income tax so you knew it had a lot of trouble and acrimony and frankly I wasn't in any great rush to help them.

Michael Aron: Were you thinking you'd be running against them?

Ray Bateman: Well, yeah, I was thinking about running. But it wasn't so much that as it was, you know, I'd taken, I'd taken a lot-- I'd taken my bath in broad based taxes, I sponsored one, and I wasn't anxious to be a lead player in the next one.

Michael Aron: But you told us that it didn't cost you that much to have sponsored it.

Ray Bateman: No, but I suspect it would have if I'd done the second one. I always thought it would've, I don't know if it would've or not.

Michael Aron: Was the reaction to the income tax partisan? Were the Democrats for it because the governor was pushing it and the Republicans were against it?

Ray Bateman: It was essentially a pretty partisan issue. But there were some Democrats-- his problem was he couldn't get enough Democrats to pass the program at first.

Michael Aron: Took him two years. What eventually-

Ray Bateman: Well, I think the pressures-- you know, the powers of the governor, the arms of the governor are pretty long and if you're a governor who knows his powers or her powers, you can persuade a lot of people over a period of time.

Michael Aron: Did Gov. Byrne know his powers?

Ray Bateman: Yeah, I think he did.

Michael Aron: Quickly?

Ray Bateman: Well, maybe not quick-- yeah, he knew the system pretty well; he'd been around the Hughes administration, he was no-- he wasn't naïve.

Michael Aron: How does the governor's powers work in that context? What can a governor do to put pressure on a legislator to shift a position?

Ray Bateman: Try to find out what you as a legislator was interested in.

Michael Aron: And make a deal.

Ray Bateman: And make a deal. It's part of what goes on.

Michael Aron: Makes the system work, doesn't it?

Ray Bateman: Oh sure.

Michael Aron: If you say the word deal and you shudder a little bit, but that's really what it's about, isn't it?

Ray Bateman: Oh, sure. Absolutely. Compromise is totally essential to the governmental world.

Interview with Thomas Cochran
January 31, 2007
Interviewed by Donald Linky

Donald Linky: Of course, that effort in the first year of the administration falls just short of getting approved in the legislature. What was—

Thomas Cochran: Well, we got our tax bill passed and we got—

Donald Linky: But not in the first year.

Thomas Cochran: Yeah. Oh, not in the first year. Sorry. I thought you said "term." Sorry.

Donald Linky: No. The first year.

Thomas Cochran: No. It took us six bills, didn't it? I think—

Donald Linky: Do you remember what the mood was in the office when you lost the vote during the first year?

Thomas Cochran: Oh, yeah. For a day or two it was—We lost several votes in the first year, certainly in the first and second years, and there would always be this kind of oh, geez, like losing a campaign, like losing a political campaign. I was rather well experienced losing a political campaign and- because you always go in to a political campaign, as we did with those votes that we lost, those first five votes I think, believing you're going to win. You can't conduct a campaign for anything, a candidate or an issue, without believing you're going to win. Right? And so you convince yourself you're going to win and then you lose and you feel terrible for a few days. Then you pick yourself up and you keep going. Somebody has a new idea. Well, we're going to get Lynch's vote this way or we're going to get Lynch out of the hospital to be able to vote this time and you gear yourself back up or you have a new idea—The idea of the rebate was one of those ideas that in the early editions of the tax bill was nowhere to be found and the way I remember this—which is I'm sure overly simplified by the press of decades—but the way I remember this is that particularly I in the governor's office, somebody, probably Kevin Sullivan in the treasurer's office and/or his wife even then at the time, Kathy Sullivan, and Jeff Laurenti, a classmate of mine from the Woodrow Wilson School who by then was working for Joe Merlino—

Donald Linky: Senator Merlino?

Thomas Cochran: Senator Merlino, the head of the—What position was Joe in? Was he the head of the senate?

Donald Linky: Senate president.

Thomas Cochran: He was the president of the senate, yeah, so Jeff Laurenti as Joe Merlino's chief aide, this group of three or four of us, were continuing to say you got to have a rebate of some kind so that people see that you're not just taking money away from it. You're equalizing the system and you can't rely on reductions in local property taxes from increased school aid to make that clear to people. You've got to show them directly what the state government is doing if only in a semi-symbolic way because that's how Pat Lucey pulled it off in Wisconsin, and slowly more people came to believe that that was the price. It wasn't-- The earlier pieces or the earlier attempts to pass a tax package didn't have that because it was really somewhat inefficient government to do this kind of circular thing with money and we just kept saying, "Well, look. It was the only way Pat Lucey could get a similar state with a similar makeup in the legislature and so on to pass an income tax and do some property tax equalization," and slowly more and more people kind of came on board with that. And I regret to tell you on this public record that I was not the person to think of splitting the rebate into two parts, one that came just before the primary and the second just before the general election. That was Laurenti I'm pretty sure. I don't know if he'd cop to it but I wish I had thought of that.

Interview with Orin Kramer
May 8, 2006
Interviewed by Donald Linky

Donald Linky: What role did you have in the tax fight?

Orin Kramer: I, the only part I remember is that I was one of the surrogates that they send out at night I guess when some group I mean I do remember standing in front of high school auditoriums when there are 400 people there and I'm supposed to make an some argument for why they are supposed to be paying an income tax, you know, which well someone for the administration showed up and I'm not sure that moved a lot of people along, but I do remember that we were I mean we were both out there as surrogates and also you know we had organized some of these other people. And there were some old Jersey families like the Beinecke family, I remember Beinecke goes way back, they were H&S green stamps, but actually it's a great philanthropic family, there's a Beinecke rare book library out there. I mean classy people and I went to the house of people like Beinecke to explain why they should be for the income tax and it wasn't an easy thing to do and then they would lend their name and it really wouldn't help at all, but you know you would have

more of these financially responsible types standing up and I remember we would work on building support in the financial community you know the world is changing New Jersey doesn't have any of its own banks anymore but we have these major banks in Newark and u sit down with these people and explain why this was good for the state and you know they had important jobs.

Donald Linky: Was it a hard sell?

Orin Kramer: Well the bankers were mostly more Republican so there it was harder sell but no I say generally among people who were financially informed the idea that the state ought a have a broader tax base was not a particularly hard sell.

Interview with W. Cary Edwards

December 22, 2008

Interviewed by Michael Aron

Michael Aron: Were you surprised at Brendan Byrne's problems with his own party on tax votes?

W. Cary Edwards: In the first term?

Michael Aron: Yes.

W. Cary Edwards: No.

Michael Aron: Why not?

W. Cary Edwards: Because the positions he took were the right ones fundamentally, as I told you, on the income tax issue, and he had had a reputation for being cantankerously independent anyway. He understood politics, particularly Essex County politics, I think, but he was one of those people who was not going to compromise the public interest for a political position or for his own political expediency. He just wouldn't do it, and it really didn't matter. Tom Kean had the same standard personally. They weren't going to compromise what they believed was the right thing for the public or New Jersey for political well-being. They may compromise it themselves on their own basis, but they're not going to do it because of pressures from the outside. They may—well, let me change that. They may parcel out their political currency, current political standing. Brendan pushed his to a limit on the income tax, and it was Jimmy Dugan and the Democratic organization was making him "one-term Byrne" and saw the ability to knock him out and maybe take control. That was a political move at the expense of the public or the state. And Brendan said, "No, I'm not going to do that."

Michael Aron: When you look back at that fight..

W. Cary Edwards: I was on the outside looking in then.

Michael Aron: Okay. When you look back upon it, did Byrne make mistakes?

W. Cary Edwards: Yeah, a lot of practical, logistical mistakes; new governor learning the power of the governor, how to exercise it. The legislators, Jimmy Dugan and some of those guys, were much more experienced. Brendan had been a prosecutor, a judge. As a matter of fact, I appeared before him two weeks before he became—he decided to run for governor on a case in Morris County, and he understood Essex politics, but he didn't understand legislative politics. And I think Brendan spent his first four years getting beat up by people who did understand legislative politics, and he didn't. Very smart and brilliant man, Brendan, in my opinion. Was going to do what was right, and he ultimately would fight for what was right.

Interview with Al Burstein
June 6, 2006
Interviewed by Donald Linky

Donald Linky: On the tax issue, you had a new governor who, to your chagrin, had come out in the campaign saying there was no need immediately for a broad-based tax. How did you deal with that, and did you try to persuade people within the administration that there was some way to try to change that position?

Albert Burstein: Well, in the intervening time between the general election and Governor Byrne's swearing in, I believe there was the first of a series of Supreme Court decisions in the case of Robinson vs Cahill—that was the first education finance case to hit the judiciary. It later became Abbott vs Burke, which we deal with even today. So with Robinson vs Cahill, I didn't have to say very much. The court had spoken. And early in the new governor's administration, to his great credit, he put together a team of people who began working on meeting the court mandate. And that included a couple of the people I mentioned before, Dick Leone, specifically, Cliff Goldman—and there may have been others who came onto the scene to help out in various ways. But that was the beginning of a two-and-a-half year process—or actually a two-year process—that led to the adoption of the Education Act in 1975, which included Steve Wiley, who was my counterpart as the senate education committee chairman. And it included people on the outside like Ernie Reock from Rutgers who provided enormous help to us. And it was that team of people that had a great deal to do with moving forward on the court decisions.

Donald Linky: Al, we're now in the early months of the Byrne administration in 1974, and you've spoken about the impact of the Supreme Court's decisions in the series of school finance cases. Take us a little bit further in the story in terms of the court's decision, the

impact on the legislature, and the reaction, I guess, to this judicial mandate that the legislature do something about school finance in New Jersey.

Albert Burstein: It was a very intense, high-pressure time, and I can't recall ever having the kind of exhaustion, physical exhaustion, that I did during that approximately 18-month period, during which we were attempting to come up with some solutions. And the reason for it was that no—we really started with a clean slate. And I recall being in the Treasurer's outer office one day for a meeting at the very beginning of all this before we had one word on a piece of paper, at which, as I mentioned earlier, Dick Leone and Cliff Goldman I believe were there, and a couple of other staff people and Steve Wiley and myself. And we started with, I think, I chalkboard—or at least a pad—in which we began all of us with suggestions to make of the path to follow in trying to meet the court decision. How do we go about reconfiguring not only the education system but also the finance side, which was so critical to the implementation phase? Because the court, both then and later—after it became the Wilentz court—were quite prescriptive in what they felt the new system ought to show. So that it wasn't as though we had to wallow around in the mud and try to come up with some answers. They told us where there were deficiencies in New Jersey's educational system. And our task was to figure out how to get there.

Donald Linky: In retrospect, the court's focus on dollar-equivalency in terms of equalizing school spending in New Jersey—again, with the benefit of hindsight and many years—was that a mistake? Were there other approaches that might have resulted in a better system today?

Albert Burstein: We didn't start out with the objective of having fiscal equivalency. The constitutional mandate of a thorough and efficient public education didn't mandate that. It provided that we should afford every child in the state exactly what the constitution said—thorough and efficient education. Now, there were other educational decisions, one in particular that I read that was authored by the then Chief Justice Weintraub, in which he pointed out that equivalency was not really a constitutional necessity, that if you applied what was the theory of equal protection—New Jersey's equivalent of the equal protection clause of the federal constitution—to the problems that arose out of unequal education, that the same principle could apply to the inequalities in police protection, in fire services, in all the municipal services that are characteristic of the cities as opposed to the suburbs. And they didn't want to go that route. They stayed away from the equal protection clause. And inherent in that idea was that you didn't have to have an exact equality in the dollars spent per student in the poor districts as opposed to the wealthier districts. That was a concept that came later on.

Interview with Cliff Goldman
January 11, 2007
Interviewed by Michael Aron

Cliff Goldman: At one point—I think it was in December of '75—the legislature decided to accept a compromise income tax and proposed it to Byrne, which was a real breakthrough.

Michael Aron: What, that it came from the legislature?

Cliff Goldman: Yeah. That they were going to go along with an income tax, but a different one. And we analyzed it, and the problem was, it wasn't enough, you know, to do what we needed to do. And therefore, we would do this income tax, and then we'd be back—let's say this was December of '75—we'd be back in February of '76 asking for another income tax to balance the next budget. It was something we just couldn't accept, much as we wanted to reach a compromise. One of our goals in all this was that whatever we did would last for the whole Byrne term, two terms, which it did, by the way. So, we rejected, we recommended rejecting that, and Byrne rejected it. And that caused tremendous conflict with the legislature.

Michael Aron: Who were the legislators spearheading that effort?

Cliff Goldman: I'm not sure

[break]

Michael Aron: We're still chronologically in the spring of '74.

Cliff Goldman: Right

Michael Aron: You've developed a multi-bill package on school finance and tax reform. And it takes 2-1/2 years to get that enacted or more than 2 years to get that enacted?

Cliff Goldman: Well, the school portion of it got enacted in '75. You know, that is, the formula and the governance issues and all that. And we had a wonderful legislature then. You know, and people like Al Burstein and Steve Wiley and Gordon MacInnes, and, I mean, Charlie Yates, and a whole raft of really wonderful legislators. And they worked at it, and I'm sure improved it. You know, there was no particular pride of authorship in any of this for me. Just get it done was all I cared about, and I think they came up with-- I forget if they called it Chapter 212 or whatever it was-- but it passed in '75. The tax portion of it didn't pass until '76, and now it was a more controversial. And the court prompted the passage of it in '76 by saying that "It's unconstitutional until there's a way to pay for this bill, and we're shutting down the schools," which they did in '76.

Michael Aron: Shut them down in July, right?

Cliff Goldman: July.

Michael Aron: So there was no school in session.

Cliff Goldman: There was summer school that was shut down.

Michael Aron: In essence, that was putting a gun to the head of the legislature, wasn't it?

Cliff Goldman: Yes. But there was more to it. There were more along the way. This was—in one year, because of the failure to pass the tax, the budget wasn't balanced, and I think it was '75. So, we, the governor line-item vetoed hundreds of millions of dollars of spending—huge, I mean, unheard of vetoes of spending—to get the budget into balance, as it was required to be. It caused havoc in the State. And the legislature got back together and passed some interim taxes to get the budget back.

Michael Aron: What kind of taxes? Do you recall?

Cliff Goldman: I don't really, but they weren't-- not income, not sales, not corporate.

Michael Aron: Nuisance?

Cliff Goldman: But little nuisance taxes. So, all those came out when the income tax passed in '76, but even with all that, the State budget was less in that year than it had been in prior years, so it was the first time ever that the State budget actually went down. And I also think it's important to, looking at these issues, to understand that the '70s were tumultuous times economically in this country. We had the gasoline crisis. We had coffee crisis. We had inflation of 15%. We had interest rates 20%. Unemployment in double digits. This was the worst economy since the depression. And so, all of what we're talking about took place in a period where people were very unhappy to begin with. And it made all this harder to do.

Michael Aron: Did Brendan Byrne need to be persuaded to back the tax? I mean, he had said during the campaign that he didn't see a need for an income tax in the foreseeable future. Did he have to be persuaded?

Cliff Goldman: Not by me. The one thing I loved about working for Brendan Byrne was, I mean, any topic, there wasn't this elaborate decision-making process with meetings and big sessions and memos and all that folderol that delays action. Now, I don't know what conversations Dick Leone or Lew Kaden might have had with Brendan Byrne about this. I never had any need that was interrupting my progress to spend a lot of time explaining things and, you know, meeting with people and all this. We didn't have time for it and it wasn't required. So, I can't answer the question. Dick or Lew Kaden would have to answer the question.

Interview with Orin Kramer
May 8, 2006
Interviewed by Michael Aron

Michael Aron: Speaking of the income tax, with the benefit of hindsight was the focus back then on equal spending in the schools, which triggered the income tax. Was that right or wrong?

Orin Kramer: Certainly the proposition of reducing the kinds of distortions you had in the resources available to wealthy districts as opposed to the poorer ones—that was imbalanced—and at least certainly what people like myself believed back then when we were young and 30 some odd years ago that was the right direction to go in when—and conceptually that was important. When somebody says, “Well, the structures you’ve now built in a lot of those poorer areas are those structures really serving the kids well and so forth?” And that, you know, obviously for a lot of people that becomes a more difficult question.

Michael Aron: How about for you?

Orin Kramer: Well, first of all, I don’t consider myself an expert on New Jersey education. I’d say more broadly I think the difficulty in governing the state is if you take the totality of what we do with government, meaning the fact that we want to give localities all this autonomy in terms of their schools, and the police, and fire, and the benefits. Local employment, and state employment, and the benefit levels in retirement, and health benefits, etcetera. I think the totality of the structure that you have now—not I think. I just think if people face the math genuinely the totality of the cost of the current structure is not sustainable. And I’m a Democrat who believes that wealthier people should pay more etcetera but I don’t—I actually don’t think ultimately you can generate enough taxes in New Jersey to sustain the operation that you’ve got. In other words assuming—assuming that you basically say, “I really don’t care how much I tax wealthy people. I don’t care how much I tax businesses and sales taxes.” Ultimately, just in purely arithmetic terms it won’t work because the structure is so expensive when you look at the Out-Year Cost so unbelievably expensive. More expensive than the numbers that are reflected publicly that you actually can’t raise taxes to that level because the business will disappear and the rich people will move.

Michael Aron: Was any of this evident back then?

Orin Kramer: Well, the cost structure that we had back then is totally different than what we-- I mean actually back then it looked—it did look pretty bad but what I think you’re looking at today is a totally different set of dynamics.

Interviews with Governor Brendan Byrne
September 13, 2006 and August 28, 2006
Interviewed by Michael Aron

Gov. Brendan Byrne: Well, the fight about the income tax is now classically used as an example of how you can use the coordination of branches of government to work together to get an objective. And that was a pretty good example. We used the legislature to introduce the bill. We used the judicial to push forward on the need for a tax or some solution to the education project, and you needed executive to make the original proposal.

Michael Aron: Without the *Robinson vs. Cahill* decision, do you think the income tax would have been enacted during your time in office?

Gov. Brendan Byrne: Probably not. I mean, *Robinson vs. Cahill* gave rise to the need for doing something. And by the way, the income tax that was passed was not an income tax to raise more money. It was an income tax to raise different money. And when I campaigned in '77, I made that point that I was not asking for more money. I was just asking for a different pocket. And so the net net of all of that was basically I had the same amount of money, but a good portion of it from an income tax, and the income tax was used to support the school.

Michael Aron: Did property taxes go down as a result?

Gov. Brendan Byrne: Yeah. As a matter of fact, they did. Trouble is when property taxes go down, doesn't take long for people to bring them back up again. And that is what's, as we sit here in 2006, that is what's making the people very cynical today because they have seen it. They have seen, you know, money wasted. They have seen educational things become. You give me an extra dollar and the teachers want part of it, and the schools want part of it, and the standards keep going up. If you are spending more, I want to spend more. That is the problem that people are very cynical about today.

Michael Aron: Your income package contained caps on spending growth at the local level, didn't it?

Gov. Brendan Byrne: Yes, it did, but there were exceptions to the cap of various things.

Michael Aron: Would you call it a tight cap or a loose cap that was easy to get around?

Gov. Brendan Byrne: It was what we thought was a fairly tight cap, but exigencies were justified and it kept growing. And then you had, you know, had whatever Short Hills had as it's procurable. Everybody wanted that to begin with, and then it grows and feeds on itself.

Michael Aron: Were there caps on both municipal and school district spending as part of your income tax?

Gov. Brendan Byrne: You know, I am not physically aware of that being so, but I think it was.

Michael Aron: We are now 30 years after the fact, and state finances are terribly strained, as are local finances. I mean, this state has a serious fiscal problem as the current governor, Corzine, has told us, and other governors have told us. Is that in spite of the tax you passed and created in the '70s? What happened in the intervening years?

Gov. Brendan Byrne: Well, first of all, we have demanded a lot more. When I look at the current budget and see some of the things that we are funding, all of which are justified, and when I see all the money we are borrowing, most of which is not justified. I do not think it is justified. I think it explains a lot. And I think what Corzine may do, and I am speaking now for posterity, is sell some capital assets, like a turnpike, in order to get us back even so that from now on it is not just a huge debt that we are servicing with a major portion of the budget. Once you start getting rid of debt service, for example, it is going to help make it easy. And I think other states that are getting along well today, are getting along because they do not have the inbred obligations to pay bond editions, pay off bonds.

Michael Aron: You said New Jerseyans ask a lot of their government. Is government doing more today than it was doing in your day?

Gov. Brendan Byrne: When I first came into government, working for Governor Meyner in 1955, the total state budget was under a half a billion dollars. And now what is it, 30 billion and counting? And that does not even account for the money we get off budget, like federal grants and so forth. So it has changed dramatically, and people expect things of government now that they did not expect 50 years ago. And if you look at the budget and see what we are funding, not only the Christmas tree items, some of which are justified, but all in all. And we get these conflicting demands on government. You get an editorial one day in the paper that says we are spending too much money. We are wasting too much money. And then the next day there is an editorial about we are not doing enough for kids under the DYFS Program. We are not spending enough on school teachers. I mean, we have to have better school teachers, and we have to do this and that. So we have just a Jekyll and Hyde kind of approach to all of this.

[break]

Michael Aron: did you consider dropping the income tax as your proposal and just letting the courts enforce their own order?

Gov. Brendan Byrne: I did. <laughs>

Michael Aron: That's what you did?

Gov. Brendan Byrne: Yeah.

Michael Aron: That's how it played out?

Gov. Brendan Byrne: Yeah. What happened—

Michael Aron: That's how it played out two years later?

Gov. Brendan Byrne: Yeah.

Michael Aron: Go ahead, explain it.

Gov. Brendan Byrne: What happened finally is the legislature is not moving the income tax bill. The schools are not being funded in accordance with what the Supreme Court had said is a constitutional way of doing it, so in 1976 I go before the Court myself, and I say, "You've got to close the schools. They're not being funded legally, or constitutionally, so close them."

Michael Aron: Who went before the Court? The Attorney General?

Gov. Brendan Byrne: Me. Me.

Michael Aron: You stood up there?

Gov. Brendan Byrne: Yeah.

Michael Aron: You argued the case for the state.

Gov. Brendan Byrne: Yes. Yes. It's in the books, and they closed a school.

Michael Aron: Step back one second. The Governor goes to appear before the Supreme Court on the fourth floor of the state house annex?

Gov. Brendan Byrne: Right.

Michael Aron: Is that where the Court met in those days?

Gov. Brendan Byrne: That's where it was then.

Michael Aron: And you appealed to the seven Justices to close the schools effective in September—

Gov. Brendan Byrne: July 1st.

Michael Aron: School is not in session in July.

Gov. Brendan Byrne: Some of them are.

Michael Aron: And the Court took that under advisement, and—

Gov. Brendan Byrne: No, they closed the schools.

Michael Aron: Immediately? That day?

Gov. Brendan Byrne: Yeah. I don't know if it was that day, but it was a quick response. Yeah. And that's been used, by the way, as an example of how the branches of government working together can get some stuff done that maybe one branch by itself can't get done.

Michael Aron: Explain.

Gov. Brendan Byrne: By myself, I could not talk the legislature into passing that income tax. I go to Court, and I say, "Well, if I can't get it done, I want the schools closed, because that's what you guys in the Supreme Court have been saying that would have been an ultimate result of not having the proper funding." So now I got the courts on my side, and the courts put the leverage on the—I've got leverage on the legislature, the Court now has real leverage on the legislature.

Michael Aron: Interesting.

Gov. Brendan Byrne: And the legislature came back right after that and passed the income tax.

Michael Aron: In July?

Gov. Brendan Byrne: Yeah. Yes. Yeah. Now, they pass it, and they make it sunset with the end of the part of the administration, which they thought was inevitable, and so if I had lost that election, the income tax would have expired with me.

Michael Aron: They really tied it to your name and your person?

Gov. Brendan Byrne: Almost. <laughs>

Michael Aron: I mean—

Gov. Brendan Byrne: No. They gave it a date.

Michael Aron: They did it by date, yeah.

Interview with Governor James Florio
October 8, 2008
Interviewed by Michael Aron

Michael Aron: Let's talk about the income tax fight in the state. It took three years, or thereabouts, for Byrne to get the income tax that he wanted, once he was in office. Were you involved in that fight? Were you for or against—

Gov. James J. Florio: Well I was gone by the time that the final version passed. But he was floating versions around earlier on. And I had some difficulties with some of the things

that were talked about at the early years, particularly the homestead provisions. I represented the City of Camden; obviously, even at that point, was a fairly depressed area, and I was looking for more benefits to come with this whole package for working class, poor people. But ultimately, after I left and went to Congress, the bill was modified and was ultimately passed.

Michael Aron: You're talking about the homestead rebate that was instituted...

Gov. James J. Florio: That's right.

Michael Aron: ...with the income tax.

Gov. James J. Florio: Yes.

Michael Aron: And you're saying that didn't appeal to you because your constituency was fewer homeowners?

Gov. James J. Florio: Well there were fewer people paying taxes. So I wanted to have more benefits come from this system to go to low-income people, working class people. I also had some questions—and this was probably after I left—about the school funding formula and things of that sort; which are all tied in together.

Michael Aron: Do you recall whether, when it finally was in its final throes of being passed and the Supreme Court got involved, whether you were onboard with it or still raising concerns about it?

Gov. James J. Florio: No actually the school funding portion was the part that was really driving me. Income tax obviously provides the revenues. I just wanted to make sure the revenues were going to the school district—the so-called Abbott districts now—because the City of Camden had some fairly serious problems, which even to this day they still have in funding quality education for all the children.

Michael Aron: The people who worked the closest with Brendan Byrne to get that income tax passed regard it as a kind of heroic effort. How do you regard it? Do you see it that way, or as something that was simply inevitable? Or neither?

Gov. James J. Florio: Revenues are necessary. Obviously the big ideological fight is whether you raise more revenues. And it goes to the question of what you expect out of government. If you don't expect a whole lot out of government, you don't need a lot of revenues. On the other hand if you expect government to do certain things, that no one else is going to do-- we talk a lot about privatizing. There are some functions that you're not going to privatize because there's no money to be made; so the private sector would not be involved with that. Quality education is something that you really have to have government presence in. And public health, another area you have to have a public sector presence in, and if you have the presence you need the revenues. So I almost regard it as inevitable that

you're going to have a revenue base that is hopefully equitable, and if it's going to be equitable, you're going to have to have a graduated progressive tax system; an income tax system as an aspect of that.

Interview with Thomas Cochran
January 31, 2007
Interviewed by Donald Linky

Donald Linky: What do you recall of the mood in the Governor's Office, and among the other sort of key people on the issue at the time?

Thomas Cochran: At the time that we finally got it passed?

Donald Linky: Right.

Thomas Cochran: I swear this was the sixth package. Oh, it was a wonderful feeling, for a few days. But then okay, now how are we going to get this implemented? Well are we going to get funded; how do we get the formula funded? And as you know, that was the great failure of the later years, of that formula, that it just never got anywhere near fully funded. If it had been, we wouldn't be in our—in the fix we are today, from just a school funding equity standpoint, I don't think. But—

Donald Linky: Well again with the benefit of so much hindsight over the years, any other mistakes, in terms of the policy or the Supreme Court Decision, that have haunted New Jersey over the many years with the school finance issue?

Thomas Cochran: I think the inability to take on the unions, or unwillingness to take on the unions. And this wasn't just a mistake of our administration or something, it was a mistake of state government leadership from time immemorial, that continues to this day. But when I ended up serving on a school board, finally, in 1990, in Montclair, and discovered that we were one of only a handful, maybe two states, that still had tenure for administrators, I came to believe that that was insane and that it was a terrible mistake for our administration and every other administration not to have gotten rid of tenure for administrators long ago. Because where the rubber meets the road in education is at the level of the principals, and a little less directly the assistant superintendents and the superintendent. And the idea that a superintendent cannot easily change principals, fire principals who are clearly not cutting the mustard as leaders and managers of their schools, is just outrageous. And I think it's still part of State Law that they can have tenure and-- now when—so I've always considered that a major problem in education in New Jersey, and I've always considered—and companion to that is that I wish we had sustained an effort to make good managers and leaders out of that level of the education administrative net, as they finally started to do in New York, with the Caroline Kennedy funded, privately funded,

initiative that's come into play under the Bloomberg administration. But the thorough and efficient regulatory framework that we started could have/should have evolved into better and better training interaction with that level of administrators, that makes all the difference in terms of the quality of education. And there never seemed to be a sustained effort to do that. And so I think that, for me, is another companion kind of failure.

Donald Linky: Did the court's focus on spending and dollar equivalency as a measure of equalization also sort of drive up New Jersey's costs, and in retrospect didn't have the impact on educational improvement that was expected?

Thomas Cochran: Yes. Again, maybe so. I don't know for sure. Certainly the Abbott decision I think can more clearly, or more directly, be hammered with that critique than the Robinson-Cahill decision. And then there was a decision, I'm thinking in the early part of the Whitman administration—one of the Republican administrations—to raise the level of entry teacher salary to a floor substantially above the average entry level teacher floor—teacher salary that had been prevailing before. And it was just such a beautiful, easy play for whatever administration was doing that. It didn't even cost the state very much because by then the localities were back at like 80% of the average years; whatever. So, and I just considered that insane. And if you want a really direct driver of what was going on there, with driving up, I would put that decision way more— as a way more influential driver than the general court mandates. But certainly Abbott-- and I think this decision I'm talking about, about teacher salaries, entry level salaries, came about at roughly the same time as the Abbott decision; possibly.

Donald Linky: Well there was also legislation I believe in the Kean administration that set minimums.

Thomas Cochran: Okay, maybe it was Kean. So, but I consider that to have been just an obvious and direct driver.

Donald Linky: What about other approaches during the--

Thomas Cochran: Yes, well and the other thing that of course drove costs so heavily was the relaxation of the caps. And caps are just fantastically difficult to maintain and administer fairly, and at some point we really lost the gumption to try. And so-- and again my boss at Lehman Brothers was from a very wealthy district and was making the case that districts really ought to be allowed to spend up to what they think their client populations want them to deliver in terms of educational services; else you'll have white flight from the districts that-- or just flight by people of means, from all the other districts, where you didn't also have a racial tone. Because I come from Montclair and white-flight was a deep worry, and was helping us drive through our caps while I was on the board. And I supported that. So this is pretty-- these influences are pretty complicated to parse out.

Donald Linky: During the legislative debate over the tax packages in 1974 and '75, there was also some support for a state-wide property tax.

Thomas Cochran: Yes.

Donald Linky: And I think even a bill introduced.

Thomas Cochran: Yes. That's right, there was a bill introduced. I'd forgotten that.

Donald Linky: Again in retrospect, would that have been a more effective approach?

Thomas Cochran: Well I think something that bold is still going to be the only really effective long-term approach, because you will always have pressures in later years to not fully fund whatever equalization aid formula you put in place. And so you're always going to face these cyclical movements, unless you do something radical enough with the tax base, like a state-wide property tax, or a region- very large defined region-wide property tax system. And I remember us being quite interested—more as academics than as practitioners though—at the time that the bill was being discussed; and I guess it was actually introduced. I'm trying to think who would've introduced it. Do you recall?

Donald Linky: I believe it's Senator Russo mainly.

Thomas Cochran: Oh, really? Interesting. Yes, John Russo.

Donald Linky: Yes.

Thomas Cochran: Right? That makes sense. And we were very interested in what the Hawaii experience seemed to be telling us about simply one big, unified state school system.

Donald Linky: Well talk more about that. Again, with the benefit of hindsight, would approaching the school problem more on a geographical governance basis—either a statewide system or county-based systems, where the suburbs would be linked with the poorer cities, either statewide or within their counties—have been better to try to get public support for overall reform?

Thomas Cochran: I think it was a non-starter, given the history of New Jersey. You can do things like that in the Southern and Western states because the Civil War wiped out the legacy of strong home-rule in the South, and the West was recently enough developed as states to be able to put in much larger aggregations of local governance; basically county, strong county, or cities that were allowed to keep annexing as they grew. But we considered it a practical impossibility in New Jersey, and I think we were probably right. We had quite a lot of work being done by the Musto Commission, and others, on trying to rationalize roles among levels of government and so on. But to really overthrow, in a revolutionary sense, overthrow the system of local control, local governance, is what it would've taken, and the

politics, we didn't—we barely had enough politics to do what we did do, in the way of a pretty modest school equalization, property tax equalization—power equalization system, and so on. And it took us six shots just to do that. But to change the governance system of the state, in a sweeping as fashion as would make any real difference, we didn't kid ourselves about whether we had the stroke to do that.

Interview with W. Cary Edwards

December 22, 2008

Interviewed by Michael Aron

Michael Aron: Let's go back to '77. Kean loses the primary in part because he can't attract the support of county chairs?

W. Cary Edwards: Correct.

Michael Aron: Bateman wins the primary. At that point, who did you think would win the general election?

W. Cary Edwards: Byrne.

Michael Aron: Why?

W. Cary Edwards: Because Bateman could not run the State of New Jersey for four years without an income tax. It's a one-issue campaign.

Michael Aron: Did the voters know that?

W. Cary Edwards: It was a one-issue campaign. Yes, they did. In my opinion, Michael, if you go back, that issue—we had legislators sleeping on the desk for two years. There was one issue in that campaign and no other issue, and it was the income tax.

Michael Aron: It had passed the year before?

W. Cary Edwards: It had passed the year before. There was a constitutional amendment that had been—that was on that ballot and been voted on the year before. I believe the public, and rightfully so, was—and there was no other conclusion you could come to. Ray was wrong. He stuck his—he didn't have to say, "I can run the State of New Jersey for four years without an income tax," to win that primary. He had it won without it, but he said it because that was the conservative Republican line, and I—proved to be true. Brendan won the primary, and he did have four or five candidates, but he still won the primary after having been "one-term Byrne" because he had credibility because of the honesty and accuracy of that issue. If you looked at the numbers as it affected the people in the state, it was a benefit—even in Bergen County, a significant benefit—because of New York taxes and

credits you got, it was a fairer tax, and you-- there was no way you could come up with any other answer. Ray kept trying, and he kept failing, and I knew he was going to fail. I just-- I knew Brendan was going to win that election.

Interview with Gov. Thomas Kean

June 23, 2010

Interviewed by Michael Aron

Gov. Thomas Kean: I mean, I did better than people expected. It's always, politics is always, a game of expectations. And you always want to do better than they expected. And they did better than expected. But I didn't do very well. I mean, Ray, Ray won most of the campaign. In the process though, I think he damaged himself because that was the year of the income tax. And I said that I didn't like the present income tax. And that if elected, I was going to change it, particularly in regard to school aid. And we'd repeal it and get something new. I remember going to Passaic County to debate Ray. Passaic County was in Republican side, don't know if it still is, one of the most conservative counties in the state. And we were debating it and Ray said, "I will abolish income tax. We will not have an income tax in the state if I'm governor." And I couldn't say that, <laughs> because I thought, "How are you going to replace the school aid? I mean, what are you going to do?" <laughs> And so he carried Passaic County after that. Carried the convention, carried everything. But he got hard in that primary on the income tax and the idea that he was going to get rid of it and not replace it. And I think had a Republican candidate been able to run that year on modifying the income tax and changing it in ways that would've made it better and fairer, that he could've won. But--taking that hard position that you were going to abolish income tax made people, "So how you going to replace it?" You know, "What are you going to do?" And then when you tried to come up with things, they weren't always credible.

Michael Aron: The famous Bateman-Simon plan.

Governor Thomas Kean: Yeah.

Michael Aron: ...three or four months later.

Governor Thomas Kean: Yeah, yeah. But the roots came in that primary where he really, really came out much harder than I could come on the income tax itself.

Interview with Chris Daggett

August 12, 2010

Interviewed by Michael Aron

Michael Aron: Why did Bateman lose to “one-term Byrne?”

Chris Daggett: A combination of factors; I think they never really had campaign leadership that was clear, and too many people were, I want to say, running the campaign, if you will. It—in name that wasn’t true. I mean there was a campaign manager. There was a campaign chairman, but it wasn’t well-run overall, and then I think Brendan was extremely effective at—the whole issue, as you remember was over the income tax and the fact that Brendan Byrne had instituted the income tax in response to the Supreme Court closing basically or forcing the schools, the issue over equalized funding in schools caused the state to have to come up with an alternative way to finance schools, and the income tax was put in place as all part of that. That income tax is very unpopular, and Ray campaigned against it, but in the campaign Brendan Byrne was very effective at saying, “Okay, Ray, fine. Be against the income tax. What’s your alternative?” Then he kept hammering and hammering him about it, and Ray, very much like Tom Kean, was a very substantive and very savvy politician, and-- but he also believed in being straight with people in the sense of saying, “I do need an alternative,” and everybody counseled Ray to say you don’t need to come up with a plan. You can say nothing. You can just be not Brendan Byrne and not have an income tax and worry about it after you get elected, and Ray—it troubled Ray, and he said, “No, I have to have a plan,” and eventually he put together a plan, but it was—and I don’t know if you were at that press conference, but I remember that press conference very well. It was on a Friday night at the Robert Tree Hotel in the presidential suite toward the end of the campaign. It was in late October—not quite late, maybe mid-October or so I think it was, and the press had been clamoring for an answer because Brendan had kept the heat on, “Where’s your plan, Ray?” “Where’s your plan, Ray?” And every time he turned around, “Where’s your plan, Ray?” Members of the press corps picked up on that, and so finally Ray put together a plan, and the plan was crafted by a group of people, but at the same time Bill Simon was head of something called the—he and Millicent Fenwick had teamed up to head up the Bateman—or the Simon-Fenwick taskforces on different aspects of New Jersey life, and one was on business. One was on education. One—so on, different task forces, and Bill to everything I knew in the campaign had virtually nothing to do in the tax plan, but at that press conference they combined two things, releasing the business report of the Bateman—or of the Simon-Fenwick Task Force and sliding in a tax plan, and Brendan, the moment it came out, to his credit, and this is brilliant on their part, called it the Bateman-Simon Tax Plan, although I don’t really believe Bill had—and somebody else who was closer than I was to some of that would probably be able to tell you better, but I don’t think Bill Simon was involved in that tax plan much if any at all, but immediately Brendan Byrne called it the Bateman-Simon Tax Plan or, as he said, the B.S. Plan, and he then spent the next—last three weeks of the campaign running around New Jersey admonishing Ray for putting forward the B.S. Plan, and then did one final brilliant stroke, which was it was the very first of the property tax rebates that Brendan put together. It was their idea in that administration. I’m not sure who came up with the idea, but that was where it first started, to get a rebate on the taxes, and that rebate check came to everybody’s mailbox on the Friday before the election, and I can remember Ray Bateman going back to his house and

telling the story that when he opened his mailbox and pulled out his check that gave him x hundreds of dollars of rebate signed Brendan T. Byrne, Governor, he knew he was in trouble because effectively that was—it was a very effective way to buy votes at the end of a campaign, if you will.

Michael Aron: He told us that story in this chair, said that was the night he knew he would lose.

Chris Daggett: No kidding? And I—then my memory's right.

Michael Aron: 30 or 40 people in this chair for both the Tom Kean archive and the Brendan Byrne archive have talked about the B.S. Plan, but nobody until you has parsed it where we knew about the Simon-Fenwick Task Force and how the two were rolled out simultaneously.

Chris Daggett: Rolled out simultaneously, and it was done—I'll tell you who was there. Nick Brady was there, former U.S. Senator Nick Brady, who was then head of Dylan Reid, the chairman of the campaign, Dick Sellers, former Chairman and CEO of J & J was there. Bill Tremayne, I think might've been there from Prudential. Bill Taggart was there. Al Fasola was there because he was the campaign director. He ran the campaign. Roger Bodman might've been there. Who else was there then? I'd have to think back. Of course Ray Bateman was there, and it was, as always, a mix of people that had been involved.

Michael Aron: Was Bill Simon there?

Chris Daggett: Oh, Bill Simon was there, yes. Of course. But Bill was there because of the release of the task force report.

Interview with Raymond Bateman
January 11, 2007
Interviewed by Michael Aron

Michael Aron: Okay. So you win the primary and Brendan Byrne miraculously wins his primary. You said a few minutes ago that you feared him more than anybody else?

Ray Bateman: Oh, yeah.

Michael Aron: Why?

Ray Bateman: Because he was, one, he was governor, and the power of the incumbency is something I knew a little bit about, and two, I never thought I could handle him on the tax issue.

Michael Aron: Really?

Ray Bateman: Never thought.

Michael Aron: That flies in the face of conventional logic which says that you should have had the inside track because he hiked the tax—

Ray Bateman: Except the homestead rebates played a huge—much larger role in that election than any other election, because this was the first one. The first rebate.

Michael Aron: When did it go out? What month?

Ray Bateman: Well, the first check went out, I think they went out in July, something like that. July or August, right in that period. But I kept hearing rumors that something was happening in the treasury and that I should go down and demand to know what they were doing at night. This was about two weeks before the election.

Michael Aron: What was that all about?

Ray Bateman: Well, Brendan and I campaigned together on Election Day, which was pouring rain. We went to two or three different places, you know, he'd be there or I'd be there. I went home about two o'clock in the afternoon because it was just absolutely a downpour for 48 hours. I sat down and right at the top of my pile of stuff in the kitchen-- I sat down and my wife gave me my martini and we were saying, "Thank God, we're here," you know—

Michael Aron: Meaning, Thank God, it's over?

Ray Bateman: Yeah. And right at the top of the pile was a letter, a "Dear Homeowner" letter from Brendan saying that "We're happy that you got your homestead rebate and your next rebate will be in March of next year." The treasury department had sent one of those to everybody in the state of New Jersey, every homeowner.

Michael Aron: Really. How interesting.

Ray Bateman: That was, no matter-- when all the bullshit is done, that was the election, the homestead rebate, and I don't even know who brought that on. Somebody told me it was the guy who ran the assembly, from Trenton.

<crew talk>

Ray Bateman: No, no. before Jeff. I'll think of his name. But, in any case, it was a stroke of genius because all of the Republicans who commuted to New York City were getting a free five hundred bucks and they didn't get any tax, because they were already paying the income tax.

Michael Aron: How did you handle the tax issue after the primary? You say Kean forced you to be against it.

Ray Bateman: No, he didn't force me to be against it. His tough opposition made-- I had to kinda parrot what he said. I wasn't forced into it, but I was worried about losing the primary, frankly.

Michael Aron: So in the primary, you're a hard, anti-income tax guy?

Ray Bateman: Yeah.

Michael Aron: And then it was Dick Coffee's idea?

Ray Bateman: I heard it was Dick Coffee's idea; I don't know whose idea it was, but it was brilliant. It was brilliant at that moment. And neither Brendan nor I, because we talked about it, realized how important it was.

Michael Aron: So you're up against Brendan, he's hiked the income tax

Ray Bateman: Up against Brendan, and we start right out a week after the primary in our first debate. We had 13 debates. And we had a big debate at Princeton and I never told him this, but they had a house--the Princeton gym was filled, 1,500 people, something like that, and my father was dying in Somerset Medical Center at the time and I should have never gone to the debate because by the time I got home he was dead, and I was- that was a very- it was the worst moment of my life, I think, my political life. I didn't wanna go, my heart wasn't in it, and-

Michael Aron: You felt you couldn't cancel?

Ray Bateman: That's what my advisers told me, "You can't cancel."

Michael Aron: Was it a mistake to have so many debates?

Ray Bateman: No, I think it was good. That didn't bother me. We had 13, he probably won eight and I probably won five, something like that.

Michael Aron: About half way in the election season, I believe, correct me if I'm wrong, you called a press conference and announced your economic plan. The Bateman/Simon plan. How important was Bill Simon in your campaign?

Ray Bateman: He and Chris Daggett did that particular piece. They worked on the tax issue and-

Michael Aron: Simon had been U.S. Treasury Secretary.

Ray Bateman: He'd been secretary of the treasury and at that time he was a high level kind of a-

Michael Aron: Well-known.

Ray Bateman: Well-known and kind of respected; he was a tough treasury secretary and, you know, it's a lot of—Brendan typically made it the "B.S." plan, which was wonderful really when you think about it. But that really didn't have any effect on it.

Michael Aron: No?

Ray Bateman: No.

Michael Aron: Because when his people tell the story, they think that had a big effect.

Ray Bateman: No, I think the big effect was the homestead rebate.

Michael Aron: They don't talk about that.

Ray Bateman: Well, if you look at the election results, if you go back and read those election results, I had more votes in the cities than any Republican had ever had before, but I got wiped out in Ridgewood, Bernardsville, Morristown--

Michael Aron: Commuter towns?

Ray Bateman: Commuter towns. Wiped out.

Michael Aron: How phony was your plan?

Ray Bateman: It wasn't phony, but it—it wasn't phony at all except it depended upon doing away with the homestead rebates, that's the only way I could make it work.

Michael Aron: Of course again, the way the Democratic people from that time portray it is, "Well, the numbers just didn't add up."

Ray Bateman: Well, they didn't add up only because I endorsed an increase in the sales tax, that was part of the plan, a one cent increase in the sales tax, and the other unwritten part of the plan was to do away with the homestead rebates.

Michael Aron: That was unwritten?

Ray Bateman: Well, we didn't brag about it but it was part of the plan. Let's say we downplayed it.

Michael Aron: Do you recall whether the media coverage of the tax issue worked to Byrne's advantage?

Ray Bateman: Well, I think the-- at that time in September, the general opinion was that he was behind and I was ahead. I never really took that very seriously because nobody knew me, even then. But his ability to focus on a "B.S." plan attracted the press; they liked that. You can't blame 'em for that; if I'd been writing I'd have found that quite fun to write about.

Interview with Gov. Brendan Byrne
August 28, 2006
Interviewed by Michael Aron

Gov. Brendan Byrne: ... What happened in the second term is, I'm running for re-election, I go back to David Garth, who had done my first campaign, a media consultant, and at first he doesn't want to do my campaign, because he sees me as a loser. I finally get him to do the media, and he organizes a separate corporation so he's not going to be identified with what happens. Anyway, he shoots-- we're going to do a series of commercials for the primary. He shoots one commercial in which I stand before a camera, and I say, "I told you we don't need an income tax. I was wrong." And I was playing down, you know, no apologies. "I was wrong." I said, "But I think although I handled it poorly, I did the right thing."

[clip of advertisement]

...And that was the commercial. We shoot that commercial on a Saturday morning, he stays in his little truck so nobody sees him, and after we shoot that commercial, he comes running out of the truck, and he says, "That's the only commercial we're going to run." And we ran that commercial during the primary, and it worked, and I had people who would say they never saw my commercial, but then would quote it to me.

Interview with Cliff Goldman
February 6, 2007
Interviewed by Michael Aron

Michael Aron: What else do you recall about how the decision came about to send rebate checks to property tax payers rather than simply put a credit on their tax bill?

Clifford A. Goldman: Well, first of all, our original proposal, as I recall of mine, or our group, was what we called 'the circuit breaker' as opposed to a rebate. And the circuit breaker was tied to income and the percentage of one's income that goes to property taxes, and when your property tax payment exceeded a certain percentage of income, you'd get the difference from the state. I don't remember whether we proposed that that circuit breaker be done as a check or a credit. Probably a credit would've been the more efficient

way to do it, but in the legislative process that followed, it got converted into a Homestead rebate which was simpler for people to understand. I mean, the term was simpler, and the term was also used in other states; other states had this. And the idea of a check going out was—my recollection was that it came out of the legislative people, but it didn't make much of a difference.

Michael Aron: But in political terms, it makes a lot of difference?

Clifford A. Goldman: It was politically very smart.

Michael Aron: It was kind of a naked power grab, was it not?

Clifford A. Goldman: Oh, I wouldn't say power grab. It was, you know, "If we're going to go through all this trouble or take all the heat for raising the taxes and raising the income tax and all that, and we're going to give out this money, let's give it out in a check." And the Governor—when we issued those checks, we had his card in the check, like you get when you get a refund from some credit card company or something, explaining why you got it. And that card was signed by Governor Byrne, and I was investigated for that.

Michael Aron: What do you mean? Who investigated you?

Clifford A. Goldman: Somebody claimed an election connivance or something, and Obdel Truffaut defended me and, you know, it was fine. They tried to make an issue out of—

Michael Aron: 'Power grab' is perhaps not the right phrase, but it's clearly a kind of electioneering—it's a use of government in the interests of electioneering, is it not?

Clifford A. Goldman: Well, that's what the claim was and, you know, Byrne's name was on it, not the Tax Division's. You read it however you want.

Michael Aron: Would a credit have saved the state money? Was it more expensive to send rebates?

Clifford A. Goldman: It was probably more expensive to some extent. And then later, we made it one check instead of two checks.

Michael Aron: It was two checks initially?

Clifford A. Goldman: Yeah.

Michael Aron: Twice a year?

Clifford A. Goldman: Yeah, one before the primary and one before the elections <laughs>.

Michael Aron: <laughs> I think you're underscoring my point there.

Clip containing interviews with: W. Cary Edwards (1/27/09); Cliff Goldman (2/6/07); and Thomas Cochran (1/31/07)

Interviewed by Michael Aron and Donald Linky

Michael Aron: In essence you're saying that a lot of things were neglected during the eight years of the Byrne administration.

Cary Edwards: Not neglected. That would be unfair. I think it'd be unfair to Brendan. Brendan came along at a point in time, a major transition point in how government was structured, the power of the legislature, independent power of the legislature raising a tad, him having to deal with that, economic issues that were—the income tax issue itself was monumental. Brendan had an incredible insight into serious problems the state faced and had the intestinal fortitude to attack them whether it was the income tax, Pinelands, some really, really tough issues. In doing that you only have so much political capital whether—even if it's your own party that you're involved in, and so he didn't have either the resources nor the political capital that he was spending on very, very important issues that have also shaped the future of this state. So it would be unfair to blame Brendan for that. That was a consequence of I think the periods of time that he faced...

[break]

Michael Aron: Looking back, do you have any disappointments about things that you wished could've been done during Byrne's terms?

Clifford A. Goldman: There were things left at the end, I wouldn't say disappointments, but we just didn't, you know, we didn't get it, which is always going to be the case. But I was trying to call attention to the problems in the pension funds and trying to do something about that. To the extent that we had a plan, which I don't remember what it was, to change the pension funds. And I had been meeting with Fred Hipp at NJEA who wasn't enamored of the plan, but he wasn't hostile to it either. And I foresaw this as a coming problem for the state, which it is now in spades. But we didn't deal with it. I wanted to centralize all the money collection into the tax division. You know, you pay money to the Secretary of State for something, and that check wouldn't get deposited for two months, and we had the equipment to do it. And I also thought there were some real efficiencies possible between all the work we were doing with corporations in a tax division, the Secretary of State was dealing with corporations, and the Labor industry was dealing with corporations. And somehow all that could've been melded into one more efficient—same thing with senior citizen—you know, everybody was dealing with senior citizens, with their income eligibility, for Medicaid and this and all these different programs, getting into state parks and we had the information about senior citizens, we could've centralized all that and made sure everyone got what they were entitled to in all the programs. So there were lots of things that were on the drawing board that didn't get done before we left. And the major

disappointment I have is with the school finance reform stuff. Because I still think it made sense the way we did it, and it was the right way to do it. And I didn't have time to follow it afterward to find out what people thought went wrong with it, and why from the end of our administration in 1982, early '82 until Florio was Governor, which was like 10 years later, nothing happened in the courts. But then all of a sudden, the whole <laughs> thing was scrapped, Florio had a completely new plan, that was scrapped, there was another new plan, and now we have a plan that just—on the face of it doesn't make any sense, that only 31 districts are entitled to equal protection or quality thorough and efficient education compared to 500 plus districts. And I think people are now starting to figure out there needs to be a better, newer formula. When they do that, I think our formula's the right formula in some fashion. And I just don't understand—

Michael Aron: How did your formula differ from 31 Abbott school districts?

Clifford A. Goldman: Well, I mean, the basic thing about it was called Power Equalization. And we got it from school reformers at the time. It wasn't our invention. They were promoting it nationally. It means that every district in the state, if they taxed at like one dollar, would raise the same amount of total dollars for education. Because if Teaneck taxed at a dollar and raised 1,000 dollars, and Newark taxed at a dollar and raised 300 dollars, the state would pay 700 dollars. And so it was Power Equalization. That gave every district the same benefit based on the standard of community wealth, property wealth, to run their schools without fiscal constraints. And so as a matter of equity, it just makes sense mathematically.

[break]

Donald Linky: Well unless there are other issues you want to talk-- I wanted to bring you back to the politics, after the passage of the income tax.

Thomas Cochran: Well yes. Look, I think that something terribly important has changed since you and I served in government, and that is that people in elected office have turned into careerists. And I think this has happened in many cases at the local level, certainly at the state level, and very, very fundamentally at the federal level. Because remember, I've been able to work at all three levels of government. And the change in Washington is even more extreme than the change in state government; is more extreme than the change in local government. But I think we're now being disserved by a class of elected officials that are in it for the job, and in it for the money. And I think we were fortunate enough, in our period in government, to work with a legislature that there might've been a few guys that were in it for the money, and a couple that were undoubtedly corrupt, but most of them were not in it for the money, or even in it for what the next step could be. They were in it to serve the public; and because they enjoyed it. And I think that that's what made it possible for Wayne Dumont to step outside his normal party comfort zone. I think it's what made both Wiley and Burstein able somehow to find the time and the energy to devote to the issue of school funding reform and school reform itself. And what makes it difficult or

impossible for most of the current crop to do that? We've really-- this is a tectonic change, I think, and it's-- I think it explains a lot about why we were able to accomplish as much as we were able to accomplish, despite incredibly difficult fiscal economic circumstances, and why this crowd, this current crowd, whatever the party, hasn't been able to accomplish anything like what we were able to, despite incredibly good economic and fiscal times. That's my thesis, at least.

Interview with Gov. Brendan Byrne

January 25, 2011

Interviewed by Michael Aron

Michael Aron: And I guess one last piece of your first tier legacy items, is the creation of the income tax, which has been raised many times over the years, but I'm sure you still think that was one of the best things you did?

Brendan Byrne: Well they've had 30 years to repeal it.

Michael Aron: <Laughs> They haven't done that have they?

Brendan Byrne: They not only haven't but they- the first thing they look at when they're in trouble is the raising the income tax, and it was a very modest tax. I think it raises a billion dollars and a lot of that went back into tax rebates.