

Governors and State Finance: Hughes and Cahill Administrations

Transcript of Excerpts

Interview with Dick Leone and Cliff Goldman

June 9, 2015

Interviewed by Rick Sinding

Rick Sinding: Dick, you were there when the very first debates started occurring on sales tax, income tax in the Hughes' administration.

Dick Leone: Yes, I mean, you have to start by remembering that in 1965 when Hughes was up for reelection, New Jersey was at the bottom of the country of state employees per capita, bottom of the country in state support for education, bottom of the country in number of college students. It was the last state to join the community college movement. I could go on. It was a special case. People blamed it on localism and politics, but it was a philosophy that was deeply embedded in conservative financial philosophy and deeply embedded in both parties. People at that time took as just a fact of life that you had to start by paying whatever debt service there was and then you paid what was required of the pensions and you go from there on budgets.

Now, as the state fell further and further behind the country on economic grounds, the case became stronger for doing something to modernize it, modernize the transportation system, and certainly higher education particularly. And that began to build support for a broad-based tax, which is either sales or income tax. The first great battle about that was fought by Governor Hughes back in the early '60s. He came up with a gimmick, a bond issue that would carry them over a few years, it was turned down by the public.

[break]

Dick Leone: So when I joined Governor Hughes, it was assumed that that would be the issue of the day. The Republican candidate for governor that year, Wayne Dumont, favored a sales tax; Hughes favored an income tax. So that would dispose of the tax question rather quickly, rates and otherwise, saying, well, deal with this and deal with that, neither one of them making the case for the particular tax.

Rick Sinding: But both of them came out in favor of a broad-based tax? That in itself, it seems to me, would have been rather radical for the time.

Dick Leone: Well, Richard Hughes was radical for the time in a variety of ways. During the same period they came up with the toughest gun control laws in the country now. I don't know why things changed but they did change. And I think personality has a certain amount to do with it and Hughes had a special personality. He was a very effective politician. But it

wasn't meant to be "Katie bar the door" once things changed. You still assumed that there would be fiscal prudence and I know Cliff and I had the same experience. He would clamp the lid down on spending if it looked like it might go over. The state had no short-term debt at all when he came into office. The long-term debt was quite manageable.

Rick Sinding: When you came into office in '73 under Byrne?

Dick Leone: Hughes left the house in pretty good order.

Rick Sinding: But interestingly, although Dumont had run in favor of a sales tax and Hughes in favor of income tax, it was the sales tax that ultimately got...

Dick Leone: Well, Hughes came within one vote. Twice I've been with people who came within one vote of getting the income tax. Second time was with Byrne. Initially [Hughes] had commitments for enough votes to pass it. And on the morning of the vote the Essex County delegation arrived and they'd been solidly behind it. It was a boss run county. I don't remember who they said it to but they said there aren't any votes in Essex for the income tax. Hughes went to war for a little while and then cooler heads prevailed, and I said let's settle on the sales tax. Republicans were very much involved in those discussions. It was a bipartisan attempt to do something about it. So the sales tax was enacted and became a major source of revenue until the income tax came along.

Interview with Governor Thomas Kean

March 16, 2009

Interviewed by Michael Aron

Michael Aron: State finances became increasingly important in the Hughes and Cahill administrations. What was your position on sales tax, on income tax prior to 1973?

Thomas Kean: I sponsored the Cahill income tax.

Michael Aron: Which never passed?

Thomas Kean: No. Dick did too. Dick DeKorte, the two of us because we thought it was right. It was a better income tax than we have now.

Michael Aron: How so?

Thomas Kean: More thorough. They came up with it on a commission, a bipartisan commission, and it had about 40 bills to it, 40 different parts, it was very comprehensive. And it was graduated, but not unreasonably so. And it took care of the state's problems and it would have grown with time. But its support disintegrated. We were within about three votes from passing it. But it started to lose support. I remember Cahill called us in and said,

"Look this is obviously very hurtful politically to people who are supporting it. It looks like it's not going to pass so any of you who want to get off it in the final vote, fine with me."

Michael Aron: So you took a vote on it?

Thomas Kean: We took a vote on it and about half the supporters on it took a walk which was understandable and I stayed with it and some of the others did too. It was too bad. It was a good proposal. It would have saved the state a lot of trouble if it had passed.

Interview with Dick Leone and Cliff Goldman

June 9, 2015

Interviewed by Rick Sinding

Rick Sinding: Now you were in government during the Cahill Administration. Dick, I think you had gone back to academia at that point or to the private sector?

Dick Leone: We had a little outfit in Princeton, research on public policy issues. One of the first things we did was examine the Consumer Affairs Department under Cahill. He and his attorney general, George Kugler, embraced the report in spirit. And Cahill had commissioned-- he did a lot of other things, but he basically wound up advocating an income tax.

Rick Sinding: And he got nowhere with it.

Cliff Goldman: His was the most far-reaching tax reform based on the best tax study done by William Miller, a Princeton lawyer. It was called the Sears Commission. But it was so far reaching and excellent.

Rick Sinding: What were some of the elements of it?

Cliff Goldman: He was going to have a statewide property tax, he was going to have an income tax, he going to raise the amount of state aid to education way above what we did. I don't remember all of it, but we couldn't have done what we did in the two months we had to prepare our plan if we didn't have all that research on the table.

Rick Sinding: At that point, I guess it was the Robinson v. Cahill decision, had come along, which essentially said that the state was responsible for providing a certain level of funding to ensure their own efficient system of free public education. That was a guiding force in the Byrne administration's move to substantially change the tax structure in the state. Had it also been in Cahill's case, or was that case still being decided?

Cliff Goldman: No, no, it was Robinson v. Cahill. It was decided under Cahill, and I think that's one of the motives for his tax reform proposal.

Dick Leone: They were the elements of his defeat in the Republican primary, that he had gone this far

Rick Sinding: Was it that or was it corruption?

Dick Leone: Corruption was an issue, but I don't know if that would have done it.

Interview with Steven Perskie

June 29, 2009

Interviewed by Donald Linky

Donald Linky: Some have suggested that the Cahill tax program was perhaps a better program than what was eventually enacted during the Byrne Administration.

Steven Perskie: Sure, it was. Sure, if for no reason other-- at least from a point of view of a tax theorist, which I am, a gross income tax isn't as good as a deductible income tax, because you can make public policy with deductions. A gross income tax is clumsy. I voted for it, but the version that Byrne had initially introduced was not a gross income tax. The version that Byrne originally introduced, which I sponsored, Assembly Bill 1875 in 1974, was a net income tax. And that was what Cahill was advocating. I never understood the politics of that. I thought Cahill-- thought then, think now that Cahill should get a lot of credit for putting it out there and taking the very best shot he could. And as I said, he gave it every shot he had. He really did. It was hopeless, politically. And I, therefore, can't answer the question; if he knew it was hopeless politically, why did he do it? The only answer to that is, that I can think of, because he wasn't suicidal or insane-- the only answer is he knew it was the right thing and decided that he had no choice. That's what I believed then. That's what I believe now, because no one could have looked at it and thought politically that it was going to happen, because it couldn't happen without a strong base of support from Republicans, and that was never going to be there. And in fact, Charlie Sandman was lying in the weeds, and everybody knew it, in 1972. In fact, one of my favorite moments in the Legislature had to do with that. I'll tell you in a second. So why did Cahill do that? Why did he put it all out there and spend all of that political capital? And I've never, in all of these years-- that was 1972. This is 37 years later, and the only answer I've come up with is because he knew it was the right thing to do and decided he had no choice. I have no better answer.

Interview with Al Burstein

June 6, 2006

Interviewed by Donald Linky

Donald Linky: Talk more specifically about that income tax and who was on which side, both within the Democrats and within the Republicans. It was a Cahill administration proposal, but many Republicans were vigorously opposed to that. But give us your own recollection of who was standing where.

Albert Burstein: Well, let me start with the Republicans. Among the Republicans, of course, their leadership stayed with Governor Cahill, and a handful of others. I think that there were, if memory serves, when the vote came on the Cahill tax package, there were nine Republicans that voted for it and fifteen Democrats. It only got about 24 votes, as I recall the numbers at this point. Among the 15 Democrats, you had at least six to seven that came from—or maybe more—that came from the urban areas. And then there were several others, like myself, who came from suburban districts but who felt that this was important for the state and treated it as an issue that had statewide implications. By that time the Robinson-Cahill education finance case had been decided in the lower court, in the trial court, by Judge Ted Botter—and that the only way to finance what was being demanded of us by the judiciary would be by adopting a broad-based tax. At that time we had a sales tax in place, and I don't recall whether it was three or four percent, that had been adopted by Governor Hughes during his administration, but clearly it was insufficient to fund the educational needs of the state so that there were—there was that number of people who stuck with the Governor on that program.

Donald Linky: Given that you were representing a district that was somewhat balanced in terms of party registration and that you really hadn't had an awful lot of time to cement your incumbency in the assembly, did you view the vote for the tax as a possible career-threatening move in terms of your electoral career?

Albert Burstein: I don't want to sound pompous, and I don't want to sound as if I had made these idealistic decisions. I had always been in favor of a broader-based tax for the state. We were archaic in the way in which our tax system operated in the '60s and '70s, even with the adoption of a minimal sales tax. So it was a decision that I had come upon early on, having an interest in public affairs, and that seemed to me to be a precondition to bring New Jersey into the modern era in a whole variety of ways, not only education. And I did not think of that vote in terms of whether it was going to help or hurt my career. When I went into public office, I went in with the premise that I would vote on matters depending upon what I thought was the right way to go. And it's not that I did not accede to political pressures at times—I certainly did. But when it came to matters as fundamental as tax policy, I just had made a determination long before I got into the assembly, if I ever had the chance, that that was the route I would go in. There was also, and I am candid to say it now as well as at that time, in my district I was hurt less by a vote in favor of an income tax than some of my colleagues were in some of their districts—suburban districts. And what I mean by that is that the demographics of my district had showed many, many people—a good portion of the voting population--working in New York—living in New Jersey, working in New York, paying New York City and New York state taxes. And they would be getting a

credit for any New Jersey taxes paid against those foreign jurisdiction taxes. And as a result, they were not going to be really hurt. As a matter of fact, they may even have benefited, depending upon the amount of tax they had to pay, may even have been benefited from the institution of a tax program in the state while at the same time getting the benefit of more money for the schools, more money for infrastructure in the cities and so on. So that I did not think I would be politically hurt anyway, no matter what I believed before.

Donald Linky: Despite the perception among a lot of voters that this was a proposal to bail out the urban schools and the cities, that didn't weigh in the calculus that you had to make in terms of your vote?

Albert Burstein: It weighed in the calculus, but I felt that first, the population of my district was a well-educated population with most of the people that I had to face at election time understanding the value of education in a more global sense, how it affects the amount of crime that we had to deal with, how it affects the prosperity of the individuals involved-- that a good education was a foundational matter that should not have been tainted by political considerations. With that in mind, the fact that I was able to appeal on an intellectual level to people in my district, making that type of argument, left me with a comfortable feeling that it was not going to hurt me politically.

Donald Linky: Now, the Cahill administration failed in its efforts to push its tax proposal, which also led to a split within the Republican party that later came back to haunt Governor Cahill's re-election campaign. What were the other issues that you dealt with in the assembly, both for and against the Cahill administration?

Albert Burstein: The other issues really were so subordinate to the tax and finance issues that it's hard to think in terms now of other matters that might have been hot-button issues where we had tough things going. I will say that I felt very much in tune with the direction in which Governor Cahill was going. I think he was a serious man who was trying to do an honest job, and it was a shame that for those reasons he was knocked out by Charles Sandman in the gubernatorial primary later on.