



REGIONAL PLAN ASSOCIATION, INC.

... a research and planning agency supported by voluntary membership to promote the coordinated development of the New York-New Jersey-Connecticut Metropolitan Region.

230 West 41st Street, New York 36, N.Y.

(Area Code 212) LOngacre 5-1714

NEWS RELEASE

December 7, 1970
No. 1111

For Information Call Sheldon Pollack
LOngacre 5-1714 or PLaza 1-5748 (home)

FOR RELEASE: p.m.'s, Tuesday
December 8, 1970

PAYROLL TAX WOULD STRANGLE NEWARK REGIONAL PLAN ASSOCIATION ASSERTS

City Should Force State Fiscal Relief

New Jersey must adopt a state-wide income tax rather than force Newark to accept a payroll tax which would be slow death for the City, John P. Keith, President of Regional Plan Association said today in a statement on Newark's current budget deficit crisis.

Dr. Keith issued the following statement:

Newark is at the end of its fiscal rope. It cannot be expected to strangle itself with a payroll tax on City businesses while waiting for the tax study commission to report a year from now what everyone already knows - the State must have additional revenues from a broad based tax to increase its assistance to the hard pressed old cities like Newark.

The Gibson administration is not responsible for the City's plight, and it can only compound the City's problems by straining manfully to solve them without State financial assistance.

The only remedy proposed by State administration and legislative leaders, the payroll tax on Newark businesses, would penalize those business leaders who have staunchly remained with Newark.

Perhaps if Newark were to declare itself bankrupt that would force the State to think the politically unthinkable and do the politically undoable--tax all citizens of the State more fairly to meet the needs of the nation's most urban State in the 1970's.

Present policy has allowed the better-off in New Jersey to escape the cost as well as the problems of poverty by moving to the suburbs. They built the city, grew up in it, worked in it, and when it is old and costly to maintain, ran to green fields and started again, leaving behind only those who cannot run. Despite this, Newark has attracted new jobs, renewed much of its center, and has built more public housing units per capita than any city in the country. The payroll tax could end this renaissance.

Newark, as with all the old central cities of this Region, has taxed itself heavily compared to the surrounding suburban communities. Newark's effective tax rate for 1970 - \$6.84 - makes it the 9th highest in the State. Jersey City, the small communities of Hudson County and Camden have a higher tax rate, making the point that it is the State's old cities that are in trouble.

During the period 1963-70 alone, Newark, while losing industrial jobs, increased its office space by 1.7 million square feet. This growth augmented Newark's shrinking tax base and helped pay the climbing costs of poverty-related programs.

Office employment, the major growth sector of the economy, will increase throughout the Region over the rest of the century from 1.6 million in 1965 to 3.3 million, while industrial jobs will barely hold their own. Newark today has about 60,000 office jobs. With the proper environment and tax structure, Newark could double that number by the end of the century.

Attracting more office jobs and service jobs to Newark will increase its tax base enabling it to better meet its problems.

It will also help the State and its suburban communities. Office jobs proliferating along the State's highways will disrupt residential communities and will overcrowd New Jersey's already overcrowded road system. Furthermore, by removing the dynamic part of the economy-- office and service employment--from reach of old city residents, the State is assuring itself higher welfare costs and despair that will further aggravate its racial tensions.

No one can say that the problems of Newark and the older cities of this Region have come by surprise. The New Jersey Committee of Regional Plan Association has warned of the impending crisis for a number of years. The blue ribbon Capital Needs Commission two years ago declared:

"Everywhere that this Commission looked, it saw the tragic results of years of neglect...

"Lack of adequate capital funds has undoubtedly contributed heavily to our racial problems and to the decline of our cities as centers of industry and commerce...

"Our Commission foresees a serious weakening of the economic and social stature of New Jersey if this regressive fiscal policy continues.

We are deeply disturbed to see one of the wealthiest states in the nation apparently condoning conditions which could ultimately destroy it."

The Commission on Civil Disorders two years ago also found Newark's financial condition such that the City was incapable of taking care of daily municipal functions, let alone rebuilding itself. It called on the State to operate Newark's schools and Essex County to provide police services.

These warnings have gone unheeded.

In all fairness and in prudence, the State must bear a greater share.