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ABSTRACT

This analysis is the fifth of a series of seven reports on the ways that the urban fiscal crisis has affected children. Children's services in New Jersey have not suffered unduly from recent Federal budget cuts, but the combination of depressed revenues, continuing inflation, state aid reductions and Federal budget cuts have had a negative influence on all public services. Information was analyzed from a statewide survey of senior administrative officials supplemented by interviews with state and local program managers in the areas of parks and recreation, libraries, and social services, and with representatives of children's advocacy groups. Descriptions of the localities selected and the interviews conducted are included in an appendix. Summary findings include the following: (1) many children's library activities were eliminated by cuts in State aid and the inability of local government to make up the funding and keep up with escalating costs; (2) parks and recreation departments were more successful than libraries in continuing programs by enlisting volunteers; and (3) social services were most severely affected by federal cuts but organized children's advocates were successful in lobbying the state for replacement funds for day care programs. Statistical data are included on five tables. A list of 11 references is appended.  
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Children's Programs in an  
Era of Scarce Resources

by

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## CHILDREN'S PROGRAMS IN AN ERA OF SCARCE RESOURCES

The era of rapid growth in federal, state, and local governmental programs has come to a screeching halt. Local government expenditures peaked in fiscal 1974; state expenditures leveled off after 1976; and, federal aid to state and local governments reached its highwater mark in 1978.<sup>1</sup> Expenditure limitation fever--most visibly represented by California's Proposition 13--swept the country in the late 1970s. More recently, President Reagan and the Congress enacted the sharpest domestic spending cutbacks in history, by carving \$53 billion in budgetary authority out of the 1982 federal budget.<sup>2</sup>

This article reports on how these dramatic changes in governmental spending are affecting children's programs in New Jersey. Specifically, we examine the overall impact of an economic recession, expenditure limitation laws, and federal budget cuts on major out-of-school children's programs: libraries, parks and recreation programs administered and funded by counties and municipal governments and day care programs administered and funded principally by New Jersey state government.

While Children's services in New Jersey have not suffered unduly because of federal budget cuts, the combination of declining local revenues, continuing inflation in the costs of government services, state aid reductions, and federal budget cuts have exerted their impact to the detriment of children. Library services are squeezed by cuts in state aid and the inability of local governments to make up for aid cuts and escalating costs. Parks and

recreation, while somewhat more successful, have had to curtail services and enlist more volunteers. Social services, with the exception of day-care services, have suffered the sharpest cut-backs. The outlook for all children's services is clouded. The process of shrinking federal, state, and local resources has just begun and continuing declines in resources will have more devastating effects in the mid to late 1980s. Thus far, children's advocates have not mustered the political clout necessary to protect most children's services from the budgetary ax that has fallen on state and local government services in New Jersey.

The findings presented here are based on an analysis of a statewide survey of County Administrators and Finance officers and Municipal Managers and Finance Officers from 80 jurisdictions. Officials from 19 of the state's 21 counties and 61 of the state's 67 municipalities with more than 25,000 residents were contacted by Eagleton staff during February and March of 1982 as they prepared their fiscal 1982 budgets.<sup>3</sup> The statewide survey of senior administrative officials was supplemented by interviews with state and local programs managers in the three program areas and by interviews with "children's advocacy groups." (See Appendix A for a description of interviewees and communities contacted during this study.)

## The New Jersey Context

### Population and Income

In 1980, New Jersey's population was 7.4 million, an increase of 13.9 percent over 1970. With over 85 percent of the state's residents living in urbanized areas and a population density of 950 people per square mile, New Jersey is among the nation's most urbanized and densely populated states. The state's residents are relatively well educated, in formal terms, with roughly two-thirds having completed at least four years of high school.<sup>4</sup> Although the state's median age is over 32, over half the population is either under 18 years of age or over 65. Of the 2.2 million children in the state, more than half have working mothers and approximately 18 percent are growing up in poverty. Fifty-five percent of New Jersey's impoverished families are headed by single mothers. Nearly a third of the state's youngsters are black and hispanic; for those children, the infant and fetal death rate is doubled and the poverty rate is almost doubled.<sup>5</sup>

The state's per capita income of \$8,100 is among the nation's highest and real purchasing power is expected to increase during 1982 by 3.5 percent. However, approximately 8 percent of the labor force was unemployed during 1982 and one in ten live below the poverty level. In short, the state's characteristics--population growth, urbanization, high density, high income, and large share

of younger and older citizens--are those traditionally associated with relatively high demand for public services and for children's services.<sup>6</sup>

### Governmental Finance

Despite its characteristics, New Jersey state and local government spending per capita is only slightly above the national and substantially below the Mideast region.<sup>7</sup> While state government expenditures in 1980 grew by 11.4 percent over 1979, when these figures are adjusted for inflation, the increase was only 2.2 percent. State government revenues have also increased at a slightly faster rate than expenditures. From 1976 to 1980, the ratio of federal aid to state revenues has declined to approximately 33 percent, or for every \$1 raised by the state, the federal government gives 33¢.

Local government expenditures, by counties, municipalities, school districts, and special purpose districts, have also increased in current dollars, but have not kept pace with inflation. In fact, in real terms, local expenditures have actually declined in the last few years, as have local revenues and federal aids. From 1976 to 1980 the ratio of federal aid to local government revenues reached a high of 28 percent in 1978 and had declined to 17 percent in 1980. As a result, local governments have had to finance ever increasing amounts of their services from local tax sources.<sup>8</sup>

State government is the minority partner in New Jersey government finances, with the state typically raising less than half of state and local revenues. The state is principally responsible for

public welfare, social services, health and hospitals, and transportation. Local governments, however, dominate spending for education, highways, public safety, and parks and recreation, libraries, and maintenance of the local, public capital stock.

Expenditure Limitations. In 1976, New Jersey became the first state in the nation to impose restrictions on state and municipal taxing and spending practices. At the state level, expenditures were limited to increases in state per capita income of the preceding two years. Excluded were state aid to local government, federal aid, and payments for the retirement of debt. Most municipal and township spending increases were limited to 5 percent per year from all revenue sources; and counties were permitted to increase property tax levies by only 5 percent per year.

Although the precise impact of the "caps" is difficult to assess, in general they have had little effect on spending.<sup>9</sup> After recovering from the 1973-1974 recession, New Jersey spending had leveled off before the cap law went into effect in 1977. Spending in New Jersey cities was apparently more sensitive to cyclical changes in the economy than to the legal constraints. It has been argued however, that the municipal caps brought about substantial improvements in municipal budgeting and priority setting practices. Because its initial implementation took place during a period of 8 to 9 percent inflation, it is believed that the expenditure and revenue limitation law caused local government to eliminate the "frills" from their budgets and do away with so-called "waste and abuse" as early as 1977 and 1978.<sup>10</sup> Consequently, whether

spurred by a decline in the economy and therefore reductions in receipts or by the practices instituted in the wake of the cap law, New Jersey state and local governments had tightened their belts for several years prior to the 1982 federal budget cuts.

### Summary

New Jersey is a state with a high demand for public expenditures and services because of the incidence of poverty, the degree of urbanization, and the decaying nature of the capital infrastructure, especially in its urban areas. Reliance on the local property tax to meet these expenditure demands has been great even with the enactment of a statewide income tax in 1977 which increased state aid to education. Dependence on federal aid increased sharply during the early 1970s, but federal aid declined beginning in 1979. Since 1976, the state's local governments have lived under a limitation on expenditures and taxes that typically restricts yearly governmental growth to no more than 5 percent. The expenditure limitation law, when combined with the impact of inflation and declining federal aid, meant that state and local government services had been shrinking or standing still for several years prior to the federal budget cuts of 1982. Simultaneously, the state faced nation's worst recession in thirty years.

### A Profile of Federal Aid Reductions

Table 1 summarizes how the federal budget rescissions and reductions were apportioned among New Jersey state and local



Table 1: Highlights of Program Reductions Federal (FY 1982) and Rescissions (FY 1981) in Federal Operating Aid to New Jersey

(in millions)				
A. <u>Overview</u>	<u>Total</u>	<u>State</u>	<u>Local</u>	<u>Individuals</u>
Federal Aid Level Reductions in FY 1982	\$550.8	\$48.6	\$206.8	\$295.4
Federal Aid Rescissions in FY 1981	\$110.7	\$ 1.4	\$ 93.2	\$ 16.1
<b>Total Reductions and Rescissions</b>	<b>\$661.5</b>	<b>\$50</b>	<b>\$300</b>	<b>\$311.5</b>
<b>Share of Reductions and Rescissions</b>	<b>100%</b>	<b>7.6%</b>	<b>45.4%</b>	<b>47.1%</b>

**B. Programs Operated by State Government**

The \$50 million in federal aid rescissions and reductions in programs operated by state government were divided as follows:

<u>Programs Reduced or Eliminated</u>	<u>Amount in Millions</u>	<u>Percentage of Total</u>
Human Services Programs, including Title XX (Social Services, Block Grant)	\$20.0	40.0%
Health Programs, including alcohol abuse, maternal and child care, family planning and health planning	\$13.6	27.2%
Public Service Employment, the state Employment Service and other training programs	\$ 7.2	14.4%
Mass Transit operating subsidies	\$ 6.6	13.2%
Environmental Protection programs	\$ 1.8	3.6%
Various Program areas	\$ 0.8	1.6%

**C. Programs Operated by Local Governments and School Districts**

The \$300 million in federal aid rescissions and reductions in programs operated by local government were divided as follows:

<u>Programs Reduced or Eliminated</u>	<u>Amount in Millions</u>	<u>Percentage of Total</u>
Public Service Employment and other training programs	\$198.3	66.1%
Education Programs, including compensatory education, child nutrition, impact aid	\$ 56.5	18.8%
Grants and Guaranteed Loans for Economic Development Projects	\$ 26.5	8.8%
Community Development Block Grant	\$ 10.0	3.3%
Various Program Areas	\$ 8.7	2.9%

**D. Programs Providing Direct Financial Assistance to Individuals**

The \$311.5 million in federal aid rescissions and reductions in aid to individuals and small businesses were divided as follows:

<u>Programs Reduced or Eliminated</u>	<u>Amount in Millions</u>	<u>Percentage of Total</u>
Loans and Aid to students enrolled in institutions of higher education	\$167.6	53.8%
Financial Assistance for Low-income people, including AFDC, Food Stamps, energy assistance, work incentive programs	\$ 93.4	29.9%
Assisted Housing Programs	\$ 24.7	7.9%
Trade Adjustment Assistance	\$ 25.0	8.0%
Various programs to help owners of farms	\$ 0.8	.4%

Source: Governor's Washington Office, State of New Jersey, January 1982.

governments and individuals. The divisions between categories are somewhat artificial because most programs operated by state and local governments are designed to benefit people. The distinction we make has to do with whether the state or local government is responsible for delivering a service or not. Programs listed under "financial aid to individuals" generally provide direct cash payments, though state and local agencies are involved in program administration. Programs listed under the "state" or "local government" categories involve the delivery of a wide variety of services through governmental agencies and private organizations.

Generally, the data show that federal aid cuts fell primarily on programs operated by local government (45 percent or \$300 million and on direct assistance programs for individuals (47 percent or \$311.5 million.) In contrast, state government operated programs sustained a relatively small reduction of \$50 million or 7.6 percent of the total. Moreover, low- and moderate-income people lost the lion's share of federal aid. Three fifths of all the cuts came in programs that provide direct assistance or services to such individuals, including public service employment programs, aid to families with dependent children, Food Stamps, and assisted housing programs. As a result of the federal budget cuts, over 6,000 PSE jobs were eliminated, 11,200 cases were dropped from the AFDC rolls and 60,000 people were either eliminated or received reduced levels of assistance due to revisions in AFDC eligibility standards. Sixteen thousand households or approximately 48,000 New Jerseyans received reduced benefits under the Food Stamp program. Although

important, the impact of cutbacks in income transfer payments are not the principal issue addressed in this article. Rather, we will describe the overall budget reductions on services provided at the state and local level and try to assess their impact on children's out-of-school services.

Before moving on to our analysis, however, it is important to comment on the difficulty of assessing the impact of fiscal stress and budget cuts on children. While attempts have been made to construct a "children's budget" and assess changes in budgetary resources for children,<sup>11</sup> we are not convinced that this is a particularly useful approach. One can categorize day-care services, maternal and child health care programs, and child nutrition programs easily enough, but what about traffic safety, fire protection, and community development and employment programs that provide indirect benefits to youngsters and their parents?

Because of the inherent difficulties of classifying programs under one rubric or another, we decided instead to describe the overall trends in service reductions brought about by shrinking local, state and federal revenues then focus on how three program areas that provide important out-of-school services have been affected during this fiscal year. At the local level, we will examine the impact of reductions on libraries and on parks and recreation programs, which are funded largely by local resources and are therefore indirectly affected by the general fiscal climate of the community. At the state level, we will examine how federal budget reductions have altered the provision of state-supported

day-care services, which are funded primarily by the federal and state government.

### Impacts on Local Governments

In order to ascertain the impact of the loss of \$300<sup>million</sup> in federal aid, we surveyed senior budget-makers from 80 counties and municipalities across the state. The jurisdictions represent three-fourths of all county and municipal expenditures in the state. We explored how the federal aid reductions affected government employment, services, and taxes.

#### Government Employment

Virtually all of New Jersey's counties and over half of its municipalities released public employees in response to federal budget cuts. (See Table 2, Part a.) The state's larger cities with high concentrations of low-income residents were hardest hit for the obvious reason that they had been the beneficiaries of federal aid targeting formulas in the past. For example, Newark reported lay-offs of 1,600 workers or over twenty percent of its workforce; Paterson terminated over 500 employees; and, Elizabeth lost 300 workers. While these less prosperous communities were most effected, those with relatively higher property wealth also experienced lay-offs, as shown in Table 2, Part b. As expected, low- and middle-income jurisdictions lost relatively more employees than those with high incomes (See Table 3, Part c). Despite differences in the fiscal conditions of municipalities that laid-off workers, the more striking conclusion is that employee lay-offs

**Table 2: Public Sector Laid-offs in New Jersey attributed to Federal Aid Cutbacks**

(a)		Laid-off Workers?		Total
		Yes	No	
	Counties	19 (100%)	-	19 (100%)
	Municipalities	33 ( 56%)	26 (44%)	62 (100%)
	<b>Total</b>	<b>52 ( 63%)</b>	<b>26 (33%)</b>	<b>78 (100%)</b>

**Per Capita Property Valuation, 1980  
Quintiles (N=62)**

(b)	Laid-off workers?	Lowest	2	3	4	Highest
	Yes	67%	54	50	58	53
	No	33%	46	50	42	47

**Per Capita Income, 1970  
Quintiles (N=62)**

(c)	Laid-off workers?	Lowest	2	3	4	Highest
	Yes	57%	54	75	50	46
	No	43%	46	25	50	54

**Source:** Survey of Local Government Officials conducted by the Eagleton Institute of Politics during February and March 1982.

were so widespread that they affected communities of widely varying characteristics.

The principal, but no means the only, cause of government employe lay-offs was the elimination of the Public Service Employment (PSE) programs funded by the Comprehensive Employment and Training Act (CETA). In March of 1981, President Reagan proposed, and Congress subsequently approved the phase out and elimination of federally-supported public jobs. In New Jersey, this meant that \$70 million in wages for over 6,000 workers in local and state government agencies and in private non-profit organizations would no longer be available by September of 1981. Local governments and non-profit groups had few choices: absorb the workers on their payrolls; place them in the private sector; transfer them to other continuing CETA programs; or, terminate them.

The sudden elimination of PSE funding took place on the heels of PSE program cutbacks that began in 1979. PSE reached its peak in 1978 when the federal government supported over 725,000 jobs nationwide. By 1981, the CETA-PSE workforce had shrunk to 200,000 and, of course, by 1982 it was zero. Consequently, local governments were already in the habit of laying off PSE workers when the final blow was dealt to PSE. This fact made it no less difficult to maintain public services at the PSE-dependent levels reached a few years earlier.

Based on information obtained from fourteen of the twenty-two jurisdictions responsible for program administration, we determined

that as of September 1981 approximately one of five PSE workers was hired by local government agencies at a total cost of approximately \$13 million during the first fiscal year. In contrast, private non-profit agencies reported that they were unable to hire more than a handful of the PSE participants who had staffed their organizations.

### Public Services

Reductions in government employment<sup>of this magnitude</sup> inevitably bring about the curtailment of public services. The data in Table 3, Part a reveal that the majority of the state's counties and municipalities curtailed services to their residents in response to federal aid cutbacks. Local government officials decided to pass the federal budget cuts along to their constituents rather than pick them up on the local budget. Local governments were either unwilling or, more commonly, unable to absorb more than a small amount of the federally-funded services in their communities. For example, Camden and Passaic County absorbed 2 and 3 percent of the federal cuts, respectively. In no case, did we find a jurisdiction that was willing or able to off-set more than 11 percent of the federal aid losses.

Naturally, the severity of the service reductions are associated with certain local characteristics. Jurisdictions with relatively large populations that spend relatively more on public services per person, receive more intergovernmental assistance per person, or have relatively limited local resources, have experienced greater public service reductions than those without these traits. As shown



**Table 3: Public Service Reductions in New Jersey attributed to Federal Aid Cutbacks**

(a)	Reduced Services?		Total
	Yes	No	
Counties	13 (68%)	6 (32%)	19 (100%)
Municipalities	27 (46%)	32 (54%)	59 (100%)
<b>Total</b>	<b>40 (51%)</b>	<b>38 (49%)</b>	<b>78 (100%)</b>

**Per Capita Property Valuation, 1980  
Quintiles (N=59)**

(b) Reduced Services	Lowest	2	3	4	Highest
Yes	75%	46	50	27	33
No	25%	54	50	73	67

(c) Jurisdictions which specified a service reduction:

	YES	NO	
Parks and Recreation	17 (40%)	26 (60%)	43 (100%)
Health Services	18 (42%)	25 (58%)	43 (100%)
Public Works	21 (49%)	22 (51%)	43 (100%)
Sanitation	11 (26%)	32 (74%)	43 (100%)
Fire	13 (33%)	27 (67%)	40 (100%)
Police	14 (33%)	28 (67%)	42 (100%)
Libraries	14 (33%)	29 (67%)	43 (100%)
Social Services	19 (45%)	23 (55%)	42 (100%)
Streets and Bridges	16 (37%)	27 (63%)	43 (100%)
Environmental Protection	7 (17%)	34 (83%)	41 (100%)
Arts	5 (13%)	35 (87%)	40 (100%)
Training and Employment	19 (45%)	23 (55%)	42 (100%)

Source: See source on Table 2.

Table 3: (continued)

(d)

Children's Services Reduction  
By Jurisdiction and Population

	Jurisdictions Reducing Parks & Recreational Services	Jurisdictions Reducing Library Services	Jurisdictions Reducing Social Services
<b>Counties</b>			
440,000 and above	0	1 (17%)	6 (100%)
Less than 440,000	0	0 (0%)	1 (17%)
	0	1 (8%)	7 (58%)
<b>Municipalities</b>			
84,000 and above	1 (20%)	1 (20%)	3 (60%)
40,000 - 83,999	10 (71%)	6 (43%)	5 (36%)
30,000 - 39,999	0 (0%)	1 (33%)	1 (25%)
Less than 29,999	5 (63%)	4 (50%)	2 (25%)
	16 (55%)	12 (42%)	11 (38%)

Table 4

CHILDREN'S SERVICES REDUCTION AND SOCIO-ECONOMIC FACTORS

Pearson Correlations\*

Jurisdictions Reporting Reductions In:	Property Tax Rate 1980	Growth in Property Tax Rate 1975-1980	Growth in Per Capita State Aid 1975-1980	Per Capita Sta. 1980	Per Capita Property Valuation 1980	Growth in Property Valuation 1975-1980
Parks & Recreation	-.14	-.33	-.50**	.03	.05	.29
Libraries	-.09	-.58	-.37	.07	.01	.29
Social Services	-.15	-.49	-.12	.21	.37	.89**

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\*Jurisdictions reducing a service were scored a 1; jurisdictions not reducing were scored a 2. A negative correlation indicates a factor associated with service reduction. A positive correlation indicates a factor associated with service maintenance.

\*\*Significant at the .005 level

Source: See Source on Table 2

in Table 3, Part b, communities with lower per capita property valuation, those least able to off-set the losses, were hit the hardest.

Service reductions occurred in all local government departments, as revealed by Table 3, Part c. However, social services, public works, parks and recreation, health services, and of course, employment and training were more likely to feel the pinch. Thus while children's services were not insulated from cuts, they also did not suffer disproportionately.

Those jurisdictions which reduced children's services cannot be consistently distinguished demographically or socio-economically from other jurisdictions. Spending on parks and recreation was reduced primarily by municipalities, not by counties. Moderately large cities and small cities were more likely to reduce this item than were very large or moderately small cities. The same pattern holds, although less strongly, for library services. Social services, however, were reduced mostly by large counties and cities. (See Table 3, Part d)

Jurisdictions which had experienced a large growth in property tax rate between 1975-80 were more likely to cut all of these children's services, but they were also more likely to cut more services. Both parks and libraries were more likely to be reduced by places with growing per capita state aid; although there is no relationship between the amount of state aid per capita and behavior in these services.

The only clear-cut socio-economic patterns relate to social service reduction. Communities with relatively high property tax bases and places where such bases are growing were least likely to reduce social services. (Table 4)

Overall, social service programs for youth, adults, and senior citizens were hit hardest by federal cutbacks. Public Service Employees working for governmental and private non-profit agencies delivering social services were terminated; Social Services Block Grant and Community Services Administration programs were curtailed; and local governments, otherwise strapped to balance their budgets, tended to withdraw or reduce local support for the social services. The social services typically reduced or eliminated in New Jersey included child and adult day-care, legal services for the poor, and services for the disabled and elderly. On rare occasions groups representing social service clients were able to mobilize enough opposition to the cuts to receive some restoration of support from local budgeters, but such reprieves represented no more than a small percentage of their total losses. At the local level, social service directors and children's advocacy groups agree that senior citizens were considerably more effective than children's advocates in gaining local funds for programs reduced or eliminated by federal cutbacks. Groups lobbying for day-care services were more successful on the state level, however, as we shall describe in more detail below. Local officials predict widespread and more intense demands for local funding of social service programs in the 1983 budget cycle, but none of the city officials with whom we spoke indicated that

their local budget could assume the costs of programs previously funded by the federal government.

New Jersey's local government officials displayed a marked preference for protecting core public services, such as fire, police, and sanitation, at the expense of other services. However, several large and small jurisdictions were forced to cut police and fire departments in 1982. One local official remarked: "Prior to the federal reductions, we reduced personnel due to CAP constraints (the state's expenditure limitation law). Now we don't have many options. We're turning to police and fire; we've nothing else to cut." Because core services were shielded, for the most part, during this round of budget cuts, local officials worry that they will not be able to absorb further federal or state budget cuts without serious erosion in these basic services. Even the smallest and least federally dependent communities feared the possible elimination of General Revenue Sharing funds that support local police and fire departments.

#### Local Taxes

Despite widespread public employee lay-offs and corresponding reductions in public services, many New Jersey communities found it necessary to raise taxes due to federal budget cuts, as Table 5 reveals; approximately two out of five of those surveyed attributed some or all of their property tax increases this year to federal budget cuts. Interestingly, there is not much interest in instituting other revenue raising devices. Only six municipalities plan increases in user fees for libraries, social services,

or other public services. Federally-induced property tax increases have generally occurred in the larger municipalities in the state and, while tax increases are spread across municipalities with varying fiscal conditions, the local tax bite is more likely to increase in communities with relatively lower per capita property wealth (See Table 5, Part B and C).

Thirty-five percent of the jurisdictions cutting parks also raised taxes; the same percentage holds for libraries. However, 68 percent of those places cutting social services also raised taxes. Perhaps those who had to cut social services were the most hard-pressed, having to resort to both increases and budget cuts, whereas the other services were cut in places somewhat less stressed. These findings might be interpreted as indication that parks and libraries are somewhat more readily cut than social services. The relative marginality of the first two services, the small percentage of total budgets they consume, would support this interpretation. However, social service tended to be cut heavily by counties and less heavily by municipalities. Counties in New Jersey are less fiscally strapped than municipalities. Their cap laws are less restrictive, as explained above. The fact that more areas cutting social services also raised taxes may simply reflect the legal ability of those places to raise taxes, and their decision to exercise that right. In fact, large counties, the jurisdictions most likely to make social service cuts, were the ones most consistently reporting tax increases.

Though taxes went up in a number of communities, the portion of the increases attributed to federal budget cutbacks was small; in no case did the tax hikes make-up for the full amount of lost federal aid. Generally, New Jersey's local government officials were unwilling to raise local taxes to off-set federal aid losses, which was reflected in their strategy of passing the cuts along to the citizens. Many local budget officers were also unable to raise taxes due to constraints imposed by the state's expenditure limitation law. A move to revise the state's "CAP" law, by exempting expenditure or tax increases brought about <sup>by</sup> the reductions in federal aid, was killed in the New Jersey Legislature, but still may be revived. Local government officials were not unified in support for this reform measure.

Just as in the case of future public service reductions, there is great uncertainty about whether revenues will have to rise in the future to meet further reductions in intergovernmental aid. Most officials anxiously awaited decisions in Washington, D.C. and Trenton before announcing local revenue strategies for 1983, but many predicted property tax increases of larger magnitudes than experienced in 1982, if federal or state aid declines in fiscal year 1983.

#### State Aid to Local Governments

Local governments were not pleased with the state's 1983 budget. A Democratically-controlled legislature and a newly elected Republican Governor reached an eleventh-hour compromise on the



**Table 5: Local Tax Increases in New Jersey attributed to Federal Aid Cutbacks**

(a)	Local Taxes Increased?		
	Yes	No	Total
Counties	7 (37%)	12 (63%)	19 (100%)
Municipalities	25 (43%)	33 (57%)	58 (100%)
<b>Total</b>	<b>32 (42%)</b>	<b>45 (58%)</b>	<b>77 (100%)</b>

**Municipal Population, 1980  
Quintiles (N=58)**

(b)	Increased Taxes	Lowest	2	3	4	Highest
Yes	42%	33	36	25	83	
No	58%	67	64	75	17	

**Per Capita Property Valuation, 1980  
Quintiles (N=58)**

(c)	Increased Taxes	Lowest	2	3	4	Highest
Yes	55%	46	38	42	35	
No	45%	54	62	58	65	

Source: See source on Table 2.

state's fiscal 1983 budget that actually reduced state aid to local governments by holding back \$32 million of the \$150 million in gross receipts from utilities that had traditionally been passed on to local governments in the form of general assistance. The Democratic leadership made the continuation of local aid from the Gross Receipts tax a major issue in the fractious budget debate and actually passed an appropriations bill that included "full" funding for local governments. Governor Thomas Kean exercised his line-item veto power to strike the \$32 million as one of several acts required to maintain what he describes as an adequate state surplus. The legislature had given him a budget with virtually no reserve funds. Three months after the 1983 budget went into effect, it was already out of balance due to unanticipated declines in revenue from the state income tax and sales taxes.

Facing a \$150 million shortfall, the state's elected officials wrangled for months over how to make-up the difference. Governor Kean proposed tax increases on alcohol, cigarettes and gasoline. The Democrats, and a few Republicans, preferred to increase the state's income tax. Republican members of the Legislature coalesced around increasing the state sales tax. With no agreement forthcoming, the Governor announced another round of budget cuts to make-up for the anticipated revenue shortfall.

Just a few days before the \$150 million cutbacks were to take effect, the winning compromise was discovered. The legislature increased the state sales tax from 5 to 6 percent (a move that the

Governor and the Republic party would accept responsibility for) and increased the state income tax from 2½ percent to 3½ percent on individuals and families earning over \$50,000 per year (a move that the Democrats were willing to take responsibility for.) The new taxes restored some of the cutbacks in aid to education and transportation that had already occurred, but the principal effect of these decision is that they will help the Governor and the legislature hold the line on further significant cuts in state aid during this fiscal year or during the coming fiscal year. The tax increases are not likely to bring any windfall to New Jersey state or local government, but rather will be used to offset the substantial losses in revenue that have been brought about by the continuing national recession. Nevertheless, the Governor has promised an additional \$30 million in cutbacks during this fiscal year, but he has not announced which departments and programs will feel the pinch.

#### Libraries and Children's Services

Inflation in the costs of books and periodicals, reductions in state aid, and reductions in local assistance have seriously affected many of the state's 330 municipal and county library systems. State aid, amounting to 10 percent of the average public library budget, was reduced or eliminated in 65 communities this year; one-third of the 43 communities reported service reductions in library services due to federal aid cutbacks.

Problems for libraries are most severe in the state's largest cities where reliance on the local property tax is clearly insufficient to meet increasing costs. Take Newark, for example; where the city's library system is experiencing a \$600,000 budget deficit this year due in large part to reductions in state aid and the inability of the city to make up the difference. Between 1975 and 1982, the city of Newark increased its support for the library by nearly 50 percent, whereas state aid declined by roughly 26 percent to less than 6 percent of total library expenditures. This year the city cannot afford to increase its contribution. Library officials in the city have responded by laying off 89 employees or one-third of its staff; operating hours have been reduced by one-half over the last year. Its 10 branches have been closed on Saturday and Sunday, night hours have been reduced and special programs for Hispanics, senior citizens, and children eliminated.

The City of Paterson's library system suffered a 40 percent reduction in local assistance and an eight percent reduction in state aid in one year. Four of its seven branches have been closed since September 1982 and the staff of the main library have been put on lay-off notice. Paterson's library system is teetering on the brink of extinction because the City

drastically reduced its support in order to effect savings that would help the city make-up for substantial reductions in federal aid. Thus, while libraries are not directly affected by federal aid cutbacks, they suffer indirectly from the increased fiscal pressure on local governments. Paterson's libraries got in such deep trouble when the Mayor asked the library to replace a substantial cut in the city's contribution by selling a highly valued oil painting from the library's collection. A court injunction stopped the sale, however, when a citizen's group successfully sued the city, claiming it had violated the original bequest of the painting's donor.

Problems in the City of Camden parallel those in Newark and Paterson, but the causes are somewhat different. Camden has drastically reduced acquisitions--from 8,000 per year to 1,000 this year--, dropped weekend and evening hours, and eliminated reference staff. Children who use the library for studying, who tend to be low-income, minority students, have suffered the consequences of these service reductions in services, according to local librarians. Camden's city officials have not increased aid to the library for 10 years and state aid has also declined by roughly 10 percent.

While problems reported by libraries in the state's moderate and smaller communities are less serious, they are also experiencing reductions in services, due in large part to the reduction in state aid. The state-aid formula for funding libraries has created a Catch 22 situation. In order to receive state aid libraries must

meet a minimum level of operating hours, have a minimum staff, and adhere to a specified level of new acquisitions--criteria designed to insure full service libraries. However, libraries that need state aid the most to remain open, pay staff, and acquire books are usually the ones that can least afford to meet the state criteria because of cutbacks in local resources. The condition of the state's county and municipal library systems can perhaps best be described as paralysis. As state and local aid decline they have no choice but to reduce services, which further erodes any constituency that might be mobilized on their behalf. Thus far, no visible or effective groups have emerged to champion libraries at the state or local level. Interestingly, few libraries have increased user fees to help off-set their operating costs. As one librarian put it: "raising the fees is counterproductive, violates the concept of a free public library system, and doesn't raise much money anyway."

In summary, library services are being hurt badly by declining support from state and local governments, which are cutting back on their budgets in response to reductions in federal aid and revenue shortfalls caused by a weak state and local economy. Inflation in the costs of library materials relentlessly drives operating expenses beyond reach. As the state's Librarian put it, "Libraries are taken for granted." Thus far the library professionals and those who benefit from their services have not been able to turn the tide of budget cuts away from their doors.

Parks and Recreation and Children's Programs

In contrast to their colleagues in the county and municipal libraries, parks and recreation departments are not doing badly in the face of shrinking federal, state, and local resources. While 40 percent of the communities that reduced services due to federal aid reported cutbacks in parks and recreation services, a larger number than in the case of libraries; the magnitude of those cuts has not been as severe and local resources have often been used to off-set reductions. Thus, city and county parks seem to have suffered some indirect penalties from budget cuts, but they have been advantaged by the fact that they were principally funded from local revenues and enjoyed strong local political support.

An excellent illustration of the changing fortunes of parks and recreation programs is provided by the City and County of Camden. Spending for parks and recreation declined steadily in the city until the department was closed and turned over to the County in 1978.<sup>11</sup> Initially, parks programs did not fare much better in the County. Responding to sharp decreases in overall federal and state aid--especially reductions in CETA-funded PSE workers--the county laid-off nearly 50 employees in 1981 and most parks programs were eliminated. However, programs were revived when the voters approved a referendum by a two to one margin granting between  $\frac{1}{2}$  and  $\frac{3}{4}$  of a mill from the property tax towards the park program. This new dedicated revenue source brought another \$600,000 to the department's \$3 million budget; almost all programs have been restored and new program offerings are anticipated.

Less positive stories are told by other parks and recreation directors, but few point to drastic cutbacks. Old Bridge Township illustrates some of the problems in smaller New Jersey communities. Due to constraints imposed by the state's expenditure limitation law, the township cannot increase overall spending to meet demands for parks and recreation services and other governmental functions. In order to pay for increased costs in other services, such as police and fire protection, the parks program was cut by 18 percent this fiscal year. In response, the department reduced some playground programs for children and special education programs. Other programs that should have expanded to meet the township's growing population were also held at current levels. However, some parks and recreation directors experiencing declines indicate that lost services can be made up with the help of volunteers.

The reductions in parks and recreation programs often have indirect impacts on children. Most county parks and recreation departments do not fund children's programs, but instead supply facilities to religious and other non-profit youth organizations, such as the Boy Scouts, the YMCA and the Girl Scouts. Generally, the counties and municipalities have been able to keep their parks open by deferring maintenance and beautification projects. Thus the service is still available though perhaps at a lower quality level.

In general, parks and recreation departments have been more effective at holding onto their level of service than other departments such as social services and public works. Where



they have sustained cuts, these seem to have had only marginal impacts on young people, at least in the short run.

### Day-care Services

The day-care story in New Jersey is a complicated one, but generally it illustrates the ability of day-care supporters to maintain services despite substantial reductions in federal support. Though significant reductions in day-care services were threatened in early 1982, these did not materialize due to supplemental spending by the state to make-up the difference. Despite these positive signs, however, the uncertainty surrounding day-care services has created some problems statewide.

Under the federally-supported Social Services Block Grant, created in 1982, New Jersey received \$83 million in state fiscal year 1982 funds—a decrease of \$14.9 million from the state fiscal 1981 level. Additional cuts of \$4.2 million in SSBG funds are anticipated during the current state fiscal year. State policymakers planned to make-up the loss in SSBG funds by transferring funds from other programs, by cutting administrative staff and by reducing some services. The Governor and the legislature were reluctant to increase state matching support for SSBG services because the state had consistently "overmatched" prior to fiscal year 1982. For example, in the 1981 state fiscal year, state, local, and private sources spent \$51.2 million on SSBG services and thus exceeded the 25 percent needed to match the \$97.9 million federal grant.

In early 1982, as part of an overall Department staff reduction plan, five state-operated day-care centers were closed, laying off over fifty day-care workers in four cities. Of the 304 children affected by the closing, 254 of them were successfully placed in another center or were due to leave the centers at about the same time they were closed. The remaining 50 children were terminated from the day-care centers and not successfully placed in alternative care. Though the figures on the number of successful placements is fairly high, Department of Human Service Officials pointed out that the transfers were effected by imposing a freeze on new day-care clients at a number of other facilities.

The decision to close state-operated day-care centers was reached in part because their average cost per child was running twice the cost of placing children in private non-profit agencies. Following this same reasoning, Governor Kean's 1983 state budget proposed closing another 9 state-operated day-care centers. It was anticipated that these closings would save the state approximately \$3 million and thus help make-up some of the \$14.9 million shortfall in SSBG funds. In addition, the Department of Human Services planned to reduce service contracts with private non-profit providers of social services by another \$2.1 million. Because roughly one in every four service contract dollars pays for day-care services, these planned cutbacks would also have affected children and their parents.

As the Department prepared final budget reductions, the

legislature increased the Department's budget by \$2.7 million, directing that \$2 million be spent on purchasing day-care and other services and that \$.7 million be allocated to County Welfare offices. Additionally, the plan to close more state-operated day-care centers was shelved. The principal forces behind the supplemental appropriation were day-care services advocates. More than any other social service constituency, the supporters of day-care services were able to mobilize their friends in the legislature and obtain special funds during a very tight fiscal year.

Despite the signs that day-care forces were successful, there still have been reductions in support services associated with day-care, such as child nutrition programs and health services. Many day-care administrators feel that the reduction in support services will have a more severe effect on day-care operations in the coming years. Cities such as Newark that provide roughly 25 percent of the non-federally funded day-care money will be under more fiscal pressure than ever before. The City of Paterson, for example, already reduced its contribution to local day-care programs by \$400,000 this fiscal year and other cities may follow their example.

Day-care program operators point to several other consequences of shrinking resources. They claim that the quality of supervision has been effected by budget reductions. Moreover, many local and state day-care centers are so crowded that they cannot accept additional children. In several communities this means that

welfare mothers who can obtain work may not be able to stay on the job because they cannot find alternative care that they can afford. Finally, while prime-time hours in day-care centers have been preserved, many pre-school and after-school programs are suffering. These programs, funded in large part by Community Action Agencies, and by local governments, are no longer receiving local and federal support. In the struggle for scarce local resources, these forms of day-care services have lost the battle.

### Conclusions

In summary while children's services in New Jersey have not suffered unduly because of federal budget cuts, the combination of depressed revenues, continuing inflation, state aid reductions and federal budget cuts have exerted their impact to the detriment of children.

Library services are squeezed by cuts in state aid and the inability of local governments to make up for the aid cuts and keep up with escalating costs. Many of the activities reduced by the library personnel interviewed in this research were specifically directed at children. Library supporters have not been able to organize to combat the cuts at either state or local levels. When asked about actions the state could take to remedy the fiscal squeeze, library personnel cited cap relaxation and increased state aid. There was very little interest in user fees.

Park and recreation departments were somewhat more successful

than libraries in cushioning the effects of economic difficulties. Cuts were more marginal, volunteers have been enlisted and in, at least one instance, a successful bond issue made up the revenue deficit. These successful attempts at mitigating the cuts reflect greater political support at the local level. Park personnel joined library directors in their support of the concept of relaxing expenditure caps. Park and recreation personnel were also particularly interested in employing existing user fees exclusively for support of this service. At present some of these fees are diverted into general revenues. The inability of parks and recreation to earmark all these funds indicates that their political clout has limits.

Social services were most severely impacted by federal cuts but in the instance of day-care, organized children's advocates were successful in lobbying the state for replacement funds. Clearly the existence of an active support group at the state level was instrumental in preventing much more devastating cuts. Since social services are primarily state supported, in contrast to libraries and parks, it is not surprising that a state-level lobby group existed and became activated when cuts were first announced. However, the success of this day-care restoration effort was somewhat singular. Children's advocates are not generally powerful in the state. In fact, one of the difficulties in tracking the impact of federal budget cuts on children's services relates to the infancy of efforts to monitor developments in this field.

In the immediate future, the outlook for all the children's services reported on here is clouded. Local governments will feel

the impact of the recession and the federal budget cuts even more deeply this year and next year than they did last year when there were carry-over funds in many program areas and the state was able to cushion at least a small part of the blow. State officials raised sales and income taxes that will enable the state to maintain its current level of services and aid to local governments, but the additional revenues will not make-up for the losses experienced for 1980 to 1982.

While children do not seem to suffer more severely than other groups, they will certainly take their share of the reductions to come. To date they have not manifested the political power needed to exempt them or soften the blow. In contrast to senior citizens at the local level--who were able to garner some local resources for program cutbacks of the federal government--and education groups at the state level--who successfully mounted a campaign to substantially increase state aid to local educators--supporters of out-of-school services have only achieved one notable success, that is the day-care restoration. Even that one success may work against them in the future as rivals for the ever-scarcer state funds will claim that day-care had its turn in 1982. As providers have by now exhausted marginal areas to cut, future reductions will certainly impact the quality of services and bear careful watching by child advocates and others interested in children's time out-of-school.

APPENDIX A: Localities Selected and  
Interviews Conducted

Interviews were conducted with officials in jurisdictions which reported reductions in all three services examined: parks and recreation, libraries and social services. These jurisdictions were Newark City, Camden County, Old Bridge Township, North Bergen and Middlesex County. So that we would have a balanced sample of cities and counties, we added Union County which reported cuts in social services and incorporates jurisdictions cutting multiple services.

Newark, Old Bridge and North Bergen are municipalities in northern and central New Jersey. Newark is the largest city in the state and the most fiscally stressed. It has one of the highest tax rates of any municipality, a very high per capita amount going to debt services and a relatively low ratio of tax collections to levies. Old Bridge Township and North Bergen are relatively large (in the top 5 percent of municipalities in terms of population). North Bergen is smaller but has a larger budget than Old Bridge, a slightly higher tax rate and a slightly healthier tax base in terms of assessed valuation. North Bergen acts more like a central city, spending 100 times what Old Bridge spends for fire protection. It has a per capita net debt double the average in its county and a relatively high percentage of uncollected taxes. Old Bridge has relatively low per capita municipal expenditures, way below average for its county. Middlesex, Union and Camden Counties are all relatively large. All contain large cities. Union is the wealthiest in terms of per capita taxable valuation. Middlesex follows and Camden, the only one of the six jurisdictions in southern New

Jersey, is third. All have above average debt as a percent of valuation.

In each jurisdiction we spoke to the Commissioner or a delegate from the Parks Department, the Library and the Department of Social Services, and others they suggested. Seventeen individuals from the six localities were interviewed. In addition we spoke to six state-level individuals working in the Department of Human Services or the State Library. Finally we interviewed two representatives of children's advocacy organizations.



## FOOTNOTES

1. Advisory Commission on Intergovernmental Relations, in Congressional Quarterly, Inc. Budgeting for America (Washington, D.C.), 1982, p. 105.
2. Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism (Washington, D.C.: U.S. Government Printing Office, 1981), p. 9.
3. The research project was supported by Rutgers University and the Eagleton Institute of Politics' Center for State Politics and Public Policy. The research was designed and conducted by faculty members and graduate students at Rutgers University, with advice from the Legislature's Division of Budget and Program Review. The project was directed by Carl Van Horn of Eagleton and Henry Raimondo, of the Economics Department of Rutgers. The graduate students listed below were enrolled in the political science department's program in Public Policy and Politics. We wish to express our appreciation to the people we talked to for giving us their time and information. We are also grateful to the staff of the Division of Budget and Program Review for their splendid cooperation. We would especially like to acknowledge the contribution of Gerald Silliphant, the Director of the Division, and the Division's Assistant Director, Stephen Fritsky.

The Eagleton Project Members are Carl Van Horn, Director; Henry Raimondo, Associate Director; and Graduate Students: Charles Attal; Chris Berzinski; Lawrence Buhler; Laurie Carroll; Thomas Ciccarone; Gregg Edwards; Kevin Gallagher; Betsy Garlatt;

3. (continued)

Robert Green; Simone Hoffman; Mark Johnson; Jayne LaRocca; Lisa Lenz; Jean McGarvey; Peggy McNutt; David Nuse; Nancy Palmer; Mary Lynne Shickich; Stanley Slachetka; David Westburg; and John Zeglarski.

Although the county and municipal fiscal year officially begins in January, local officials routinely complete their annual budgets by April 1.

4. Bureau of the Census, Characteristics of the Population, Vol. I, Part A-32. U.S. Department of Commerce (Washington, D.C.: U.S. Government Printing Office, 1982).
5. New Jersey Commission on Children's Services, A Call to Action: Linking Policy With Need. (Trenton, NJ: New Jersey Commission on Children's Services, 1982), pp. 32-33.
6. Determinant studies have found these factors influence public service levels. See: James C. Ohls and Terence J. Walls, "Supply and Demand for State Local Services," Review of Economic and Statistics (1982, No. 4), pp. 424-30.
7. Advisory Commission on Intergovernmental Relations. Significant Features of Fiscal Federalism, p. 158-9.
8. The federal and state intergovernmental assistance has not always been distributed to the "worse-off" jurisdictions. See: Henry J. Raimondo, "Municipal Hardship in New Jersey and the Distribution of Intergovernmental Grants, 1961-77," in M. Dutta (editor), Essays in Regional Economics (forthcoming, 1982).

9. Mark D. Menchik, Judith Fernandez, and Michael Caggiano, How Fiscal Restraint Affects Spending and Services in Cities. (Santa Monica, CA: The Rand Corporation, 1982), pp. 9-10.
10. Eugene J. Schneider, "Impact of the CAP: A Survey Report," New Jersey Municipalities (January 1982), pp. 12-13.
11. See the Children's Rights Group, The 1979-80 State Budget and Children's Services in California. (San Francisco: Children's Rights Group, 1979) and the Children's Defense Fund, A Children's Defense Budget: An Analysis of the President's Budget and Children (Washington, D.C.: Children's Defense Fund, 1982).