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**GOVERNOR WHITMAN'S BUDGET ADDRESS**

**TRENTON, MARCH 15, 1994**

974.901  
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**Good evening.**

**Two months ago, I took office promising a new beginning:**

**A government that is committed to fundamental change**

**A government that is fiscally responsible.**

**A government that uses common sense.**

**And a governor who keeps her promises.**

**Budgets are more than just numbers.**

**They are the balance sheet of our principles, the ultimate statement of our**

**priorities.**

**This is where government puts its money where its mouth is.**

**Only it's not the government's money.**

**It's your money.**

**That's why I'm here tonight.**

**This is the first time in memory that a governor has delivered a budget message to a joint session of the Legislature in the evening -- during "prime time" when it can be broadcast across the state to families in their homes.**

**Traditionally, this speech is given at 2 p.m., when few of you have an opportunity to listen.**

**What you get are a few sound bites on the evening news and an article in your local paper.**

**I asked to give this speech at this time because you deserve to hear directly how your tax dollars are being spent and why.**

**I would like to thank the Legislature for agreeing to this change.**

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This is the beginning of three-and-a-half months of dialogue, debate and discussion between members of my administration, the Legislature, and the various interest groups that have traditionally driven the policy agenda in Trenton.

And this time, you -- as citizens -- must be involved, too.

Fifty years ago, the first computer was built.

It was a mammoth machine:

One hundred feet long.

Ten feet high.

Three feet deep.

Today, the computer world has changed.

Computers the size of that PC right there have the same capacity as the Supercomputer installed eight years ago that took up two rooms at Princeton's Forrestal Center.

Microchips are in ... main-frames are out.

But not in government.

Government in New Jersey is an expensive-to-run, slow-to-respond, antiquated main-frame.

It fills two rooms when it needs to take up a single desk.

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With this budget, we begin the process of remaking government.

Of making the machinery of government smaller.

Smarter. Faster.

More responsive to you.

And less costly.

We have no other choice.

Taxes in New Jersey -- the cost of running the machinery of government -- are too high.

High taxes drive jobs out of New Jersey and discourage new businesses from coming in.

They make it hard for young families to buy homes and for senior citizens to keep them.

They force our children to look for jobs and opportunities far away from their home.

If we were to follow the pattern set by governors and legislatures over the past quarter-century, state spending would double over the next eight years.

The state budget would be 32 billion dollars.

Four thousand, one hundred dollars for every man, woman and child in the state.

Income, sales or business taxes would have to go up \$3 billion every 30 months just to keep up.

That cannot happen.

You cannot afford it.

Our children cannot afford it.

You elected me ... to prevent this.

I will not let it happen.

This budget is going to go down! Not up.

There is only one way to cut government spending, and that is to cut the amount of tax dollars that we take out of your pocket.

The more money you have to spend, the more the economy will grow.

You elected me to cut taxes and government spending in order to create jobs and stimulate economic growth.

And that's exactly what my tax cuts will do.

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Your Legislature under Senate President Don DiFrancesco and Assembly Speaker Chuck Haytaian launched New Jersey on the road to economy recovery by rolling back the sales tax in 1992 and cutting business taxes last summer.

I am grateful to the Legislature for so quickly approving the 5 percent income tax cut and the corporate tax rollback I called for in my inaugural Address.

The Senate finished the job today by approving the elimination of all income taxes for the 380,000 New Jerseyans earning less than \$7,500 a year -- mostly senior citizens, students and people working their way off welfare.)

Those tax cuts are just the first step.

I promised you an income tax cut ranging from 30 percent for low-and middle-income families to 20 percent for high-income families by 1997.

With this budget, I am asking the Legislature to take the second step.

I am calling for a second income tax cut effective January 1, 1995.

This tax cut would give more to the low- and middle-income taxpayers who need tax relief the most.

My plan would triple the current income tax cut to 15 percent for families earning less than \$80,000 and individuals making less than \$40,000.

The cut would be 7 1/2 percent for families earning between \$80,000 and \$150,000 and individuals between \$40,000 and \$75,000.

Those in the highest tax bracket would get a 6 percent cut.

And make no mistake: I will call for a third tax cut next year.

For democracy to work, those who ask for your vote must keep their promises.

I will keep mine.

Not everyone will be happy with this budget.

You will hear complaints about particular cuts, questions about why I kept my promise to cut taxes.

But tax cut or no tax cut, we would have had to cut spending this year.

We must cut spending to close a \$2 billion structural deficit caused by a past overreliance on one-shot revenues and by a past failure to limit growth in government spending to the growth in tax revenues.

With this budget, we stop spending more money than we take in.

With this budget, we reduce our reliance on one-shot revenues by nearly one half.

**We are changing the way we fund pensions and health benefits for retirees in a way that will save you more than \$600 million this year and more than 3 1/2 billion dollars over the next four years without affecting benefits for a single retired worker.**

**We are not taking a penny out of the pension system.**

**We will continue to pay for health benefits on an annual basis.**

**We also address a fundamental inequity in our retiree benefits system by requiring teachers and state workers to pay the same amount toward their pensions that police and firefighters and non-government workers already pay.**

**I know that property taxes concern you.**

**When I urged the Legislature to enact a retroactive income tax cut, I promised that we would not play the shell game of cutting one tax by raising another.**

**I kept that promise.**

**This budget provides a net increase of more than \$100 million in the resources available to local governments, which I urge them to use to hold down property taxes.**

**I am recommending the elimination of desegregation aid and a partial phaseout of density aid to municipalities.**

I am also proposing a 33 percent reduction in the "transition aid" to 265 school districts that was supposed to expire completely this year under the 1990 law.

This will enable us to shift \$28 million more into the 30 poorest school districts.

This is a good-faith effort toward complying with the Supreme Court order to close the funding gap between the richest and poorest school districts.

We will write a new school aid law over the next year that defines what a "thorough and efficient education" should mean for every child, no matter where he or she lives.

But you know -- and I know -- that more money is not the answer for a school system that already spends more per child than any other state.

The answer ... is accountability.

We must teach children to read in the early grades, so we do not have to spend tens of millions of dollars more on remedial education in high school and college.

We need to inject competition into our schools by developing alternatives like magnet schools, charter schools and voucher systems.

And we need to understand that salaries and benefits for school personnel are growing so rapidly that they eat up any increase in state aid long before the dollars reach the classroom.

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**School districts, like municipalities and counties, must find ways to cut costs. If I can find ways to balance my budget while cutting taxes by \$589 million, your schools, counties and municipalities can find ways to balance their budgets without raising taxes!**

**In fact, I challenge those who are putting so much energy into criticizing my spending cuts to use that energy to find the cost savings in their own budgets that we all know are there.**

**It is not impossible.**

**I said I would cut spending in the governor's office by 20 percent.**

**And I did it.**

**Union Township, which I visited last month, spends 15 percent less than the statewide average to educate its children. That's because it pays teachers extra to handle administrative duties that other districts pay vice-principals higher salaries to perform.**

**We all know that municipalities and schools can save money by regionalizing services.**

**My treasurer is willing to provide efficiency audit teams to help your local governments identify cost savings.**

**But the best way to find savings is to do what we are doing:**

**Set up broad-based citizens groups within your own town and school district to come up with creative ideas to save money that challenge the old ways of doing things.**

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**Participatory democracy works.**

**This budget proves it.**

**Before my administration even took office, a citizens' budget committee co-chaired by Candy Straight and Andrew Chapman identified hundreds of millions of dollars in potential budget savings.**

**Valuable ideas came in from you -- through town meetings, call-in shows and the thousands of letters you sent to the "Our Tax Dollars" program.**

**Nicholas Gordon of Fort Lee, who is with us tonight, wrote in to ask why the state is spending money for a Basic Skills Assessment test for college freshmen that duplicates the test we give to 11th graders.**

**Nicholas, you're right.**

**That test is gone.**

**You just saved the state \$1.2 million a year.**

**Nancy Burwell of Belleville, who is also in the gallery, called 101.5 while I was on the air to suggest that we bring in a company to audit the state government's phone bills.**

**Good idea, Nancy.**

**We expect to save \$1.5 million, maybe more.**

**Paul Porreca Jr. of Millville, who is also here, asked why the State of New Jersey was running marinas in competition with private enterprise.**

**Good question.**

**We're going to privatize these marinas in Leonardo and Forked River. Expected sale price? Seven million dollars.**

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Nobody wrote in to suggest that we can save money by continuing the "Our Tax Dollars" program.

But I've managed to figure that one out for myself.

Write me with your ideas. The address is "Our Tax Dollars," CN096, Trenton, New Jersey 08625.

One of the most intriguing letters to come into "Our Tax Dollars" arrived in December from Frank P. Merlo, a graduate professor of education at Montclair State College.

Professor Merlo can't be with us tonight because he's teaching a school finance course, but this is what he wrote:

"The present autonomy of the state's public higher education institutions makes the Department (of Higher Education) somewhat obsolete and relegates it to a make-work function to justify its existence."

Professor Merlo, ... you're right!

As of July 1 the state Department of Higher Education will no longer exist.

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I am proposing the creation of a Council of College Presidents to replace the needlessly duplicative oversight now provided by the chancellor's office and the Board of Higher Education.

Taxpayers will save millions of dollars by cutting this excessive bureaucracy.

But more important, we will put responsibility and accountability for our colleges where it belongs -- with the individual college presidents and their boards of trustees.

The 1986 state college autonomy law gave colleges responsibility for greater self-governance and for developing their own unique missions.

They have succeeded admirably.

Rutgers, NJIT and UMDNJ are stronger than ever.

Montclair is about to become the first state college to earn university status.

Trenton State is no longer one of the best kept secrets in higher education.

Our community colleges are thriving.

Our commitment to higher education is stronger than ever.

In fact, tuition increases will be limited to 3 1/2 percent this year -- the lowest increase in at least 10 years -- because we recognize that education is the cornerstone of our future.

We must provide quality education from preschool to graduate school if New Jersey is to compete in the 21st Century.

The Department of Higher Education isn't the only Cabinet agency that should be eliminated.

The Department of the Public Advocate also has outlived its usefulness.

We must continue to meet fully this state's constitutional responsibility to provide legal counsel to the poor and to patients involuntarily committed to mental hospitals.

We can do so by transferring the Office of the Public Defender and all mental health screening services to the Department of State.

Federally funded programs for the legal protection of persons with disabilities would be privatized and would continue stronger than ever.

But the Division of Rate Counsel would be abolished because it duplicates the role of the Board of Regulatory Commissioners.

And we would no longer use your tax dollars to finance lawsuits by one government agency against another government agency, which then has to use more tax dollars to defend itself in a court system also financed by you.

We can find better ways to spend our money.

It is also time to get government out of businesses it should not be running, and to give private companies and non-profits the opportunity to compete to provide services at lower cost.

Speaking of better ways to spend our money, public television cannot truly be independent as long as it is funded by government dollars.

With this budget, we begin a two-year transition to making New Jersey Network financially and politically independent, like its sister stations in New York and Philadelphia.

Government ownership of the media went out with Pravda.

I am cutting state aid to New Jersey Network by \$2 million to start the transition from tax dollars to private contributions.

I will lend my personal support to New Jersey Network's fund-raising drive.

Privatization makes sense in other areas too.

In addition to the two marinas, I plan to turn over six state day care centers to non-profit agencies.

I plan to close seven of the state's 39 armories. The Russians are not coming -- except, hopefully, as tourists.

Perhaps the most exciting privatization initiative is a plan to establish a community-based drug treatment facility adjacent to the Hudson County Jail for 400 medium-security state prisoners.

Two-thirds of the 25,000 inmates in our state prison system have drug or alcohol problems, yet the Department of Corrections has just 250 substance-abuse treatment slots. If we keep releasing prisoners with drug or alcohol problems, we know they'll go right back to crime.

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This new medium-security facility, coupled with an expansion of available beds in halfway houses, will give us the opportunity to send prisoners with drug and alcohol problems to treatment programs before they come up for parole.

The message will be clear:

If you don't get clean and sober, you have no chance for parole.

It's as simple as that.

This is just one example of how government needs to get smart about spending a few dollars more now to avoid spending a fistful of dollars later.

Corrections spending has quadrupled since 1980, yet we have been doing very little to prevent youngsters from entering the criminal justice system in the first place and even less to prevent inmates from going back to a life of crime after they are paroled.

My Attorney General and Human Services Commissioner are heading an Advisory Council on Juvenile Justice that will develop boot camps and other alternatives to put first-time offenders back on the right track.

I also want to require inmates to get their high school equivalency diploma or improve their reading by three grade levels as a condition for their parole.

You can't get a very good job with a seventh-grade reading level, which is the average in our prisons.

Those who already have high school diplomas can tutor those who need help.

**We need to be smart about funding health care, too.**

**We will save money by moving our Medicaid population to managed care.**

**But more importantly, we can give our poorest families the opportunity to take their children to doctors for regular checkups, instead of having to wait for their children to get sick enough to take them to hospital emergency rooms.**

**Similarly, advocates for the mentally ill and the developmentally disabled have been pushing for years to expand community-based services, rather than continuing to pour hundreds of millions of tax dollars into expensive, outmoded institutions.**

**It is time to consider closing some institutions and putting more money into the community to establish a continuum of care.**

**Throughout this budget, I have tried to invest money now in programs that will pay dividends in the future -- money that will multiply and create opportunities in the private and non-profit sectors.**

**That's why I increased advertising for tourism by \$1 million, knowing that every dollar spent promoting our second-largest industry generates 70 new dollars for New Jersey businesses.**

**That's why I put an extra half-million dollars into promoting our agricultural industry.**

**That's why I am devoting \$250,000 to empower the business ombudsman to cut through red tape and prove that New Jersey is a business-friendly state.**

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That's why I doubled the State Planning Commission's budget to \$1.4 million.

And that's why I refused to cut our billion-dollar capital spending program, including the \$565 million we will spend on transportation programs.

Oh, yes ... and there's \$30 million set aside this year to fix all those winter potholes, including \$10 million for counties and municipalities.

I am proud of the work we have done in putting together a smart, forward-looking budget in just two months. I want to particularly thank my treasurer, Brian Clymer, my cabinet and their staffs.

In many ways, this is a transition budget -- one put together to close the structural deficit we inherited with the least possible pain.

We did limit the pain:

School and municipal aid levels remain virtually unchanged.

Homestead rebates are preserved.

State worker layoffs caused by program cuts are projected at ~~225~~<sup>600</sup>, and the final number could be less.

But just as important, we are starting the process of bringing sanity to government spending here in the State House ... and hopefully in your county courthouses, your town halls and in your schools.

Yes, we will have to make tough choices about our spending priorities.

But that's what a budget is.

**You make those choices every month when you pay your mortgage or rent, buy food, and pay your utility bills first ... Then you see if you have enough money left over to go on vacation or out to the movies.**

**I'm talking about common sense -- a sense all too uncommon in government.**

**You don't spend more money than you are taking in. Government shouldn't either.**

**I'm going to keep asking you for your ideas on what you want your government to do.**

**My cabinet members will be reaching out to all New Jerseyans to ask fundamental questions about the programs and services they provide.**

**Together -- working with the Legislature -- we can turn this expensive-to-run, slow-to-respond, antiquated main-frame of a government into a smaller, smarter, faster, more responsive and less costly modern machine.**

**That's how I want us to remake government:**

**Together.**

**In public.**

**In open debate with everyone at the table.**

**That's what democracy is.**

**That's how government should work.**

**We're going to prove it here in New Jersey.**

**Thank you for listening.**

**Thank you for participating.**

**God bless you. And good night.**